MAGELLAN
AEROSPACE

MAGELLAN 2018

ANNUAL REPORT

2018 WAS A YEAR OF TRANSITION WITH MAJOR INVESTMENTS IN INFORMATION TECHNOLOGY INFRASTRUCTURE, SAP, AND NEW FACILITIES IN INDIA, POLAND AND MISSISSAUGA.

2018 was a year of transition with major investments in Information Technology infrastructure, SAP, and new facilities in India, Poland and Mississauga. These investments, coupled with continued acquisition of advanced manufacturing equipment, will provide us with modern efficient facilities capable of not only maintaining our position in the market but will further position Magellan as the supplier of choice to the global aerospace industry continuing to provide cost effective products and services to our customers.

Aircraft deliveries continued to grow in 2018. Once again it was mostly in the single aisle platforms of both Airbus and Boeing, and in addition we have seen significant growth in deliveries of the Joint Strike Fighter. Airbus and Boeing jointly received orders in excess of 1,500 aircraft, resulting in a combined record backlog of over 13,500 aircraft.

This strong and growing backlog of both aircraft manufacturers' supports the continued confidence in commercial aircraft deliveries providing a firm basis from which Magellan can continue to develop and grow the civil aircraft segment of the business, which accounts for 69% of the Corporation's overall revenue.

Despite the positive overall industry trend, we also experienced a softening in wide body programmes including the A330, A380 and Boeing 777. As well as an overall reduction in deliveries on these platforms we encountered some volatility in the aircraft variant mix, which resulted in disruption to production flow and the allocation of resources. Towards the end of 2018 we saw an improvement in this disruption and feel confident that these issues will not significantly impact 2019.

We finished our year with $966.8 million in revenue and EBITDA of $162.1 million and continued a five-year trend of maximizing cash flow and strengthening our balance sheet. These results made it possible for us to offer an increased dividend. In order to maintain our competitiveness we recognize that continued investment and operating cost reductions are necessary.

During 2018, Magellan embarked and completed the construction of a new 100,000 square foot facility in Devanahalli, India. The facility will be operational in early 2019, supporting the cost challenges of both the European and North American operations. We are working to secure a number of new packages from the OEMs. The India facility's lower cost structure will provide us with an opportunity to enhance our margin whilst offering competitive solutions to our customers. In addition, the Corporation committed funds to expanding the facility in Mielec, Poland.

IT IS VITAL THAT INVESTMENT CONTINUES ALONG WITH A SUSTAINED DRIVE IN OPERATIONAL PERFORMANCE.

As the industry continues to enjoy the record growth operational performance becomes even more important in ensuring that Magellan can meet customer expectations by delivering 100% ON TIME and with ZERO DEFECTS. It is a prerequisite that Magellan constantly meets the customer needs in delivering operational excellence at a market competitive price. We believe this trend will continue for the rest of the decade; it is therefore vital that the investment continues along with the sustained drive in operational performance.

As part of the drive for efficient and effective operational performance, the Corporation will be investing heavily in 2019 in a new Enterprise Resource Planning ("ERP") system. After careful consideration SAP has been selected as the ERP system to take Magellan into the next phase of growth. The new system will provide the opportunity to reduce production costs by streamlining work flows, providing timely and detailed reporting and creating opportunities to reduce costs across the Corporation. Our European Operations will be implementing SAP in 2019, including the new facility in India.

We continue to invest in our employees through training and modern apprenticeships providing a safe and rewarding environment for our people to develop long and rewarding careers with Magellan. We carried out employee surveys to better understand the views and concerns of our team. The results of the surveys are being used to develop our policies and procedures in a number of areas to help us retain and develop our employees. I would like to take this opportunity to express my appreciation to our employees for their continued commitment and support. It is our employees who apply their skills in helping us achieve the results and performance levels that our shareholders and customers require from us in this demanding environment.

As we continue on this journey, focusing on delivering operational excellence in all areas of our business, and investing in our employees, systems and advanced technologies, we will continue to deliver strong financial performance and growth into the next decade.

Phillip C. Underwood
President and Chief Executive Officer
March 8, 2019

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Magellan Aerospace Corporation ("Magellan" or the "Corporation") should be read in conjunction with the audited consolidated financial statements and the notes thereto for the years ended December 31, 2018 and 2017 prepared in accordance with International Financial Reporting Standards ("IFRS"), and the Annual Information Form for the year ended December 31, 2018 (available on SEDAR at www.sedar.com). This MD&A provides a review of the significant developments that have impacted the Corporation's performance during the year ended December 31, 2018 relative to the year ended December 31, 2017. The information contained in this report is as at March 8, 2019. All financial references are in Canadian dollars unless otherwise noted.

The MD&A contains forward-looking information that represents the Corporation's internal projections, expectations, estimates or beliefs concerning, among other things, future operating results and various components thereof or the Corporation's future economic performance. These statements relate to future events or future performance. All statements other than statements of historical facts may be forward-looking statements. In particular and without limitation there are forward looking statements under the heading "Overview," "2018 and Recent Updates," "Outlook," "Consolidated Revenues," "Liquidity and Capital Resources," "Risk Factors," "Critical Accounting Estimates" and "Future Changes in Accounting Policies." In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "could," "expects," "forecasts," "believes," "projects," "plans," "anticipates," and similar expressions. The projections, estimates and beliefs contained in such forward-looking statements are based on management's assumptions relating to the production performance of Magellan's assets and competition throughout the aerospace industry in 2018 and continuation of the current regulatory and tax regimes in the jurisdictions in which the Corporation operates, and necessarily involve known and unknown risks and uncertainties, including the business risks discussed in this MD&A, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. Except as required by law, the Corporation does not undertake to update any forward-looking information in this document whether as a result of new information, future events or otherwise.

The MD&A 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 discussion, 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. Reconciliations of EBITDA to net income (loss) reported in accordance with IFRS are included in this MD&A.

1. OVERVIEW

A summary of Magellan's business and significant 2018 events

Magellan is a diversified supplier of components to the aerospace industry. Through its wholly owned subsidiaries, Magellan 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 the supply of spare parts as well as through repair and overhaul services ("R&O").

During 2018, the Corporation revised its Vision, Mission and Values statements to reflect an updated set of guiding principles for the achievement of the Corporation's goals and objectives. The Vision in particular, states the goal is to be the supplier of choice to the global aerospace industry. To that end, the Corporation began a focused effort in 2018 to

establish a zero defect, 100% schedule compliance culture across the organization. In parallel there was a continued emphasis on reducing inventories while increasing inventory turns and improving cash management. Achieving these goals is vital considering that aerospace is an increasingly competitive market where success is highly dependent upon meeting the customer's expectations of supplier performance, including cost. Finally, the Corporation invested in a new ERP system in 2018 which will become an important tool in the transformation of its business. When the system is fully implemented it will aid the Corporation in delivering globally competitive, best value solutions to its customers.

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, R&O and sale of systems and components for defence and civil aviation. The Corporation supplies both the commercial and defence sectors of the Aerospace segment. In the commercial sector, the Corporation is active in the large commercial jet, business jet, regional aircraft, and helicopter markets. On the defence side, the Corporation provides parts and services for major military aircraft.

Within the Aerospace segment, the Corporation has two major product groupings: aerostructures and aeroengines. Aerostructure and aeroengine products are used both in new aircraft and for spares and replacement parts.

Within the aerostructures product grouping, the Corporation supplies international customers by producing components to aerospace tolerances using conventional and high-speed automated machining centres. Capabilities include precision casting of airframe-mounted components. Management believes that Magellan's dedication to technological innovation combined with low cost sourcing from emerging markets will position the Corporation to capture targeted complex assembly programs.

Within the aeroengines product grouping, the Corporation manufactures complex castings, fabricated and machined gas turbine engine components, both static and rotating, integrated nacelle components, flow path and engine exhaust systems for the world's leading aeroengine manufacturers. The Corporation also performs R&O services for jet engines and related components.

In 2018, 69% of revenues were derived from commercial markets (2017–73%, 2016–73%) while 31% of revenues related to defence markets (2017 – 27%, 2016 – 27%).

2018 and Recent Updates

- Magellan announced on January 22, 2018 that it had delivered the first of three Power Control Units ("PCU's") for a planned space mission. In 2016, Magellan was selected by the Laboratory for Atmospheric and Space Physics at the University of Colorado in Boulder, Colorado to provide satellite technology for a future Deep Space Interplanetary Mission. Under the contract, Magellan's facility in Winnipeg, Manitoba will deliver three PCU's and subsystems for three jointly developed Control and Data Handling ("C&DH") units. Magellan will provide its flight-proven PCU's and C&DH subsystems that utilize expertise developed by Magellan for past and current Canadian Space Agency missions.

- On February 22, 2018, Magellan and Robinson Helicopter Company ("Robinson") announced that a Wire Strike Protection System™ (WSPS™) is now available for the Robinson R66 helicopter platform. The WSPS™ is designed to provide a measure of protection for helicopters in level flight in the event of an encounter with horizontally strung wires and cables, using the concept of guiding wires over the fuselage into high tensile cutting blades. The R66 WSPS™ is comprised of an upper cutter, lower cutters, and a windshield detector. Magellan's WSPS™ R66 platform is available as a field kit option for all R66 helicopters.

- The Corporation announced on April 19, 2018 that it had secured a 5-year agreement with Airbus to supply wing ribs for the A330 aircraft. Magellan will manufacture ribs 2 through 5, the largest ribs in the skeletal structure of the aircraft wing. Revenue generated from production of these wing ribs is estimated to exceed $48 million over the term of the contract. These ribs will be produced by Magellan in the United Kingdom facility for the Airbus wing assembly.

- On April 24, 2018 the Corporation announced that it had signed a 5-year agreement with an undisclosed commercial aeroengine customer to manufacture complex magnesium and aluminium castings and finished, machined engine shafts for gas turbine engines. The castings will be produced by Magellan's facilities in Haley, Ontario and Glendale, Arizona, and Magellan's facility in Haverhill, Massachusetts will manufacture the engine shafts. The new agreement is expected to generate approximately $53 million in revenue for Magellan through 2023.

- On April 30, 2018, the Corporation announced that a number of major contract extensions and new awards were made by The Boeing Company ("Boeing") to Magellan. Multi-year contract renewals were agreed to for the manufacture of titanium wing fittings for the Boeing 787 Dreamliner and the detail manufacture and assembly of the tanker door for the Boeing 767-2C aircraft. In addition, Magellan was also awarded a new multi-year contract to manufacture winglet components for the Boeing 737 MAX. The components and assemblies associated with these multiple contracts will be delivered from Magellan's facilities in New York, New York and Middletown, Ohio.

- Magellan announced on May 11, 2018 the funding of $625,000 for an Industrial Research Chair in the area of satellite development, and a further $120,000 contribution towards a second Chair for Design Engineering, both at the University of Manitoba ("U of M"). Magellan's Winnipeg division and the U of M have a long and established collaboration and a shared vision to establish a world-leading space capability in Manitoba at the university. The research and development activities of these Chairs are fully funded by industry sponsor(s), the U of M, and the Natural Sciences and Engineering Research Council.

- The Corporation announced on May 22, 2018 the signing of an agreement with Hamilton Sundstrand Corporation, a UTC Aerospace Systems Company ("Hamilton Sundstrand"), to manufacture complex magnesium and aluminium castings for various military and commercial aerospace platforms. The castings will be produced by Magellan's facilities in Haley, Ontario and Glendale, Arizona. This new long-term agreement with Hamilton Sundstrand provides the framework for a new level of strategic alignment with Magellan; in addition to the F-15, F-16, and F-18 for Hamilton Sundstrand's current fighter engine platforms, the agreement also encompasses the production of castings to support the JSF, PW1100, A320, 787 and 777 programs.

- On August 13, 2018 Magellan made an announcement of the signing of a six year agreement with Pratt & Whitney to manufacture aluminum castings for their Next Generation Product Family of engines, powering the Airbus A320neo, Airbus A220 (formerly known as Bombardier C-Series), Embraer E2 series and Mitsubishi MRJ aircraft. The castings will be produced at Magellan's facilities in Haley, Ontario and Glendale, Arizona. The agreement is expected to generate approximately $81 million in revenue for Magellan through 2023.

- Magellan and Aeromet International Ltd. ("Aeromet") announced on October 15, 2018 that Magellan's Haley, Ontario site has joined a global network of foundries licensed to manufacture cast parts using the advanced A20X™ aluminium alloy. Developed and patented by Aeromet in the UK, A20X™ is the world's strongest aluminium casting alloy and is used in aerospace, defence, and space applications by major original equipment manufacturers ("OEMs").

- The Corporation announced on October 17, 2018 the completion of all hardware deliveries to Macdonald, Dettwiler and Associates Ltd. ("MDA"), a Maxar Technologies company, for the RADARSAT Constellation Mission ("RCM") being built for the Canadian Space Agency. In late September 2018, the Multi-Layered Insulation blankets were installed on the final satellite bus, marking the completion of this major contractual milestone. These thermal blankets

for the spacecraft prevent it from freezing while in space. Over the course of the RCM program Magellan has delivered three satellite buses, three payload module structures, as well as associated software, ground support equipment, and launch vehicle adaptors to MDA. Magellan is under contract by MDA to manufacture these assemblies for the Canadian Space Agency's RCM program, a three-satellite constellation that will provide around-the-clock C-band synthetic aperture radar data to support maritime surveillance, disaster management, and ecosystem monitoring for Canada and its surrounding Arctic, Pacific, and Atlantic maritime areas.

– On November 5, 2018 Magellan announced it had extended its agreement with Airbus for a further six years for the manufacture of A350 XWB centre wing box and keel beam detail parts. It is estimated that revenue generated from this work package will exceed $140 million dollars over the term of the contract. The package consists of a number of large structural, machined components, and will be manufactured by Magellan in the United Kingdom and supplied to the Airbus assembly facility in Nantes, France.

– The Corporation announced on February 19, 2019 the opening of its new manufacturing and assembly facility in India. The 100,000 square foot Magellan Aerospace (India) Pvt. Ltd. facility, constructed on seven acres in Hitech Defence and Aerospace Park (Aerospace SEZ Sector) in Devanahalli, India, near the Bangalore International Airport, was completed at the end of 2018 and the process of installing and commissioning of high speed machining centres is underway. Magellan's new cellular machining and assembly plant will specialize in high speed milling and turning of aerostructure and aeroengine components produced from both aluminium and hard metal materials. Combined with comprehensive processing and hard metal machining capabilities from Magellan's two longstanding joint ventures in India, API Surface Treatments and Triveni Aeronautics Pvt. Ltd. ("Triveni"), Magellan will be one of the largest suppliers of "Make in India" manufactured commercial aircraft components.

– On February 20, 2019 Magellan announced it has increased its investment in Triveni to 75%. Triveni specializes in hard metal machining of aeroengine and aerostructure components. Magellan's investment in Triveni commenced in 2013 when it acquired a 49% share of the business. Since then Triveni has grown, prospered and played a major role in Magellan's overall strategy in India.

Labour Matters

As at December 31, 2018 the Corporation had approximately 3,800 employees. Approximately 40% of the Corporation's employees are unionized and covered by collective agreements. The Corporation has 13 collective agreements in place as at December 31, 2018. During the year ended December 31, 2018 labour agreements at four of the Corporation's facilities were successfully re-negotiated so that they now expire on December 31, 2020. and February 28, 2021, and March 15, 2021, respectively. Labour agreements at three of the Corporation's facilities will expire in the third quarter and fourth quarter of 2019; negotiations will commence in the second and third quarter of 2019. The Corporation anticipates that all negotiations will result in an extension of the expiry dates or a mutually satisfactory agreement, as applicable.

Financing Matters

On September 13, 2018 the Corporation entered into the Bank Credit Facility Agreement with a syndicate of lenders. The Bank Credit Facility Agreement provides for a multi-currency global operating credit facility to be available to Magellan in a maximum aggregate amount of $75 million. The Bank Credit Facility Agreement also includes a $75 million uncommitted accordion provision, which provides Magellan with the option to increase the size of the operating credit facility to $150 million. Under the terms of the Bank Credit Facility Agreement, the operating credit facility expires on September 13, 2020. Extensions of the operating credit facility are subject to mutual consent of the lenders and the Corporation.

2. OUTLOOK

The outlook for Magellan's business in 2019

After an unprecedented 14 years of growth, the commercial aerospace market is expected to continue growing in 2019. Industry experts suggest that subject to any significant economic factors such as a global recession, this market will maintain its strength until at least 2022 considering current order backlogs. As of December 31, 2018, Airbus set a new all-time order backlog record with 7,577 jets on order, representing 9.5 years at 2018 rates. Boeing set its all-time high order backlog in August 2018 when it recorded 5,964 aircraft or 7.4 years of production at 2018 rates. Market analysts believe the probability is high that these aircraft orders will be delivered, particularly while global airlines remain profitable.

Boeing ended 2018 with the 737 production rate at 52 aircraft per month and with plans to reach 57.7 aircraft per month in the second half of 2019. They have been considering potentially higher rates for 2020. Airbus ended 2018 with the A320 build rate at 56 aircraft per month and with plans to reach 63 aircraft per month by September 2019. Supply chain issues plagued both single-aisle programs throughout 2018 which resulted in a number of incomplete aircraft being parked at the OEM's assembly lines. With supply issues materially resolved by the end of the year, both OEM's met their 2018 delivery targets.

In the large commercial aircraft market, Boeing's 787 program build rates are expected to increase from 12 aircraft per month to 14 aircraft per month by the second quarter of 2019. The 777 program rate remains steady at 5 aircraft per month. Boeing plans to build six 747's in 2019. The A350XWB rate increased from 8.8 aircraft per month to 9.8 aircraft per month in late 2018. Consideration is being made to hit 13 aircraft per month in 2020. Boeing delivered 3 777X's in 2018 and is expected to deliver 3 in 2019. The 777X production ramp up begins in 2020. Airbus' A330 build rate is at a stable 4.5 per month.

On February 14, 2019 Airbus announced that it will wind down the A380 program following the cancelation of 39 aircraft orders by the program's largest customer, Emirates. Emirates will take delivery of only 14 more aircraft over the next two years and will instead order 40 of the A330-900 and 30 of the A350-900 twin-engine widebody aircraft. Airbus stated that the final program deliveries will be in 2021. Airbus' remaining order backlog for the A380 is between 17 and 20 aircraft. The Corporation has participation in the aircraft at a shipset value of approximately $2.3 million and is currently assessing the impact of the A380 program termination.

The competitive landscape within the commercial aircraft industry has been changing as vertical integration strategies and mergers and acquisitions shift market advantage. With UTC's recent acquisition of Collins Aerospace, UTC is now capable of supplying all major aircraft systems except for the airframe. UTC could effectively compete with the OEMs by partnering with an independent airframe supplier to build an aircraft. It is said that Boeing's outsourcing strategy on the 787 program seeded this new type of super Tier I. Boeing is moving away from that strategy on the 777X program in favour of in-sourcing and using non-Tier I suppliers. Boeing also made a vertical integration move by forming a joint venture with Safran that will see them compete with UTC and Honeywell in the auxilliary power unit market. Finally, the Airbus/Bombardier and Boeing/Embraer deals have reaffirmed the duopoly in the commercial aircraft market. These deals not only serve to expand market share for Airbus and Boeing, but they also strengthen their ability to leverage the supply base when competing a program.

Persistently low fuel prices have been a disruptive factor in the regional turboprop market. However, according to ATR's market outlook, 30% of future traffic will come from routes that do not exist today. They predict there will be 2,770 new turboprop routes created primarily in emerging markets. ATR is the leader in this market. While Bombardier held second place, that position was transferred to Canadian-based Viking Air ("Viking") following Bombardier's 2018 sale of the Dash 8 program to Viking. The transition of ownership is expected to help improve market share opportunities for the Dash 8 as it is felt that Viking can provide a renewed and undistracted focus to the program. The current build rate for the Q400 turboprop is 2 per month.

It has now been a decade since the business jet market peaked. For several years the industry has been predicting a market recovery based on various leading indicators, the latest being a strong United States economy and the lowest inventory of used jets for sale as a percentage of the total fleet in 19 years. Based on these indicators the industry is predicting several years of growth.

In the defence market, the United States defence priorities have been focused primarily on the Middle East and Afghanistan since 9/11. Resurging threats from Russia and China are now causing the United States to shift priorities from ground forces to higher end capabilities. Experts are calling this an era of "Great Power Competition". In this environment, past underinvestment in fleet modernization is considered a liability in the United States' ability to maintain defence superiority, especially as technology advancements are being made by both Russia and China. The fiscal year 2020 U.S. defence budget is expected to rise over the next two years, which will secure growth for the United States defence prime contractors through at least 2023.

In Canada, the Future Fighter Replacement Program is progressing with four of the original five aircraft continuing in the competition, Lockheed Martin's F-35, Boeing's Super Hornet, the Eurofighter Typhoon, and Saab's Gripen. Dassault dropped out. A draft request for proposal ("RFP") was issued to the bidders for review and comment in 2018 with a final RFP expected to come in the second quarter of 2019. Bid responses will be requested for the fourth quarter of 2019, with a down select expected 2020/2021 followed by a contract award in 2022. The first aircraft delivery would be sometime in 2025.

Regarding the F-35 Lightening II program, Lockheed Martin announced that it had met its 2018 target by delivering 91 F-35 aircraft last year. This represented a 40% increase over 2017 deliveries and 100% over 2016. For 2019, Lockheed is set to deliver over 130 planes. Lockheed also announced that it delivered targeted cost reductions across all three variants of the aircraft. They continue to record new orders for the F-35 with Japan announcing at the end of 2018, a commitment to acquire 105 additional aircraft beyond the 42 F-35's already approved. Singapore also announced in January 2019 a decision to select the F-35 as a successor to their fleet of F-16's. A final decision will not be reached until later in the year.

Magellan is performing final modifications to its facilities to accommodate increased F-35 production rates. By the end of 2019, Magellan will be capable of supporting 60 shipsets of horizontal tails per year.

The global helicopter industry expects to see some growth in 2019. The largest growth is forecasted to come from the Emergency Medical Services ("EMS") segment which could account for 18 to 20 percent of global demand. China in particular is expected to generate a significant portion of this new demand for EMS helicopters. The oil and gas helicopter market remains flat as it is still dealing with an underutilized fleet. On the defence helicopter side, the United States Army continues its work on Future Vertical Lift ("FVL") and Future Attack ("FA") programs as well as the Improved Turbine Engine Program ("ITEP"), which is meant to re-engine the Boeing AH64 and Sikorsky UH-60 helicopters. A decision is expected soon regarding the ITEP competition between General Electric's T901 engine and the Pratt & Whitney/Honeywell's T900 engine. The FVL and FA program decisions are further out in the future. Increased defence spending in other countries is not expected to generate many orders for new helicopter platforms in the near term as most are focusing on operations, maintenance and readiness. However, it is recognized that half of the world's military helicopters in operation are over 20 years old, meaning that replacement programs will be required.

3. SELECTED ANNUAL INFORMATION

A summary of selected annual financial information for 2018, 2017 and 2016

Expressed in millions of dollars, except per share information	**2018**	2017 (restated)	2016
Revenues	**966.8**	955.5	1,003.8
Net income for the year	**89.1**	109.5	88.6
Net income per common share – Basic and Diluted	**1.53**	1.88	1.52
EBITDA	**162.1**	178.3	174.3
EBITDA per common share – Basic and Diluted	**2.78**	3.06	2.99
Total assets	**1,072.9**	982.7	992.9
Total non-current financial liabilities	**86.4**	77.3	101.5

As described in "Changes in Accounting Policies" section of this MD&A, the Corporation's results of operations for the year ended December 31, 2017 have been restated to reflect the impact of adoption of IFRS 15, *Revenue from Contracts with Customers.*

Revenues for the year ended December 31, 2018 increased from 2017 and decreased from 2016 levels. The increase in revenues from 2017 was primarily attributable to volume increases. Net income decreased in 2018 from 2017 mainly due to gain on sale of the Mississauga property in 2017 and higher income taxes in 2018 (see "Results of Operations").

During 2018 the Corporation paid quarterly dividends on common shares of $0.085 per share for the first three quarters and $0.10 per share in the fourth quarter, amounting to $20.7 million in total for the year. During 2017, the Corporation paid quarterly dividends on common shares of $0.065 per share in the first three quarters and $0.085 per share in the fourth quarter, amounting to $16.3 million in total for the year.

4. RESULTS OF OPERATIONS

A discussion of Magellan's operating results for 2018 and 2017

Consolidated Revenues

Consolidated revenues for the year ended December 31, 2018 were $966.8 million, a 1.2% increase from the $955.5 million last year, mainly driven by volume increases.

Twelve-months ended December 31, expressed in thousand of dollars	**2018**	2017 (restated)	Change
Canada	**320,838**	305,466	5.0%
United States	**325,739**	311,315	4.6%
Europe	**320,176**	338,680	(5.5%)
Total revenues	**966,753**	955,461	1.2%

Consolidated revenues are impacted by the fluctuation of the United States dollar and British pound against the Canadian dollar when the Corporation translates its foreign operations to Canadian dollars. Further, the fluctuation of the British pound relative to the United States dollar impacts the performance of the Corporation's European operations. If the average exchange rates for both the United States dollar and British pound experienced in 2017 remained constant in 2018, consolidated revenues for 2018 would have been approximately $967.3 million.

On a currency neutral basis, in comparison to 2017, revenues in Canada in 2018 increased 5.5% primarily driven by volume increases and higher repair and overhaul services. Revenues in the United States increased by 4.6% largely due to volume increases. Revenues in Europe decreased 5.7% mainly due to low production build rates for wide body aircraft.

Gross Profit

Twelve-months ended December 31, expressed in thousands of dollars	**2018**	2017 (restated)	Change
Gross Profit	**163,275**	172,707	(5.5%)
Percentage of revenue	**16.9%**	18.1%	

Gross profit was $163.3 million in 2018, $9.4 million lower than 2017 of $172.7 million. Gross profit, as a percentage of revenues was lower than the prior year by 1.2%. Decrease in gross profit was primarily driven by volume decreases in a number of programs and product mix.

Administrative and General Expenses

Twelve-months ended December 31, expressed in thousands of dollars	**2018**	2017	Change
Administrative and general expenses	**57,337**	59,549	(3.7%)
Percentage of revenue	**5.9%**	6.2%	

Administrative and general expenses as a percentage of revenue were 5.9% in 2018 as compared to 6.2% in 2017. Administrative and general expenses of $57.3 million in 2018 were $2.2 million or 3.7% lower than $59.5 million in the prior year mainly due to lower consulting and employee expenses. In addition, $0.5 million was recorded in other income in 2018 as a result of an early termination of a rental agreement.

Other

Twelve-months ended December 31, expressed in thousands of dollars	**2018**	2017
Foreign exchange (gain) loss	**(2,993)**	6,034
Loss (gain) on disposal of property, plant and equipment	**313**	(26,533)
Gain on investment property	**–**	(2,183)
Other	**(9,676)**	4,010
Other	**(12,356)**	(18,672)

Included in other income is a foreign exchange gain of $3.0 million compared to a loss of $6.0 million in the prior year. The movements in balances denominated in foreign currencies and the fluctuations of the foreign exchange rates impact the net foreign exchange loss or gain recorded during the year. In 2018, the Corporation recognized a net gain of $9.7 million in relation to prior acquisitions. In the prior year, the Corporation recorded a gain of $26.5 million on sale of the land and building of the Corporation's Mississauga facility and $4.0 million of associated sale costs. In addition, a $2.2 million gain on disposal of an investment property was recorded.

Interest Expense

Twelve-months ended December 31, expressed in thousands of dollars	**2018**	2017
Interest on bank indebtedness and long-term debt	**884**	2,435
Accretion charge on long-term debt and borrowings	**1,006**	611
Discount on sale of trade receivables	**2,224**	1,665
Interest expense	**4,114**	4,711

Total interest costs of $4.1 million for 2018 decreased by $0.6 million from $4.7 million in 2017, primarily driven by lower interest on bank indebtedness and long-term debt as a result of lower principal amounts outstanding during 2018 when compared to 2017. The Corporation sells a portion of its trade receivables through securitization and factoring programs. Discount on sale of trade receivables was $2.2 million, an increase of $0.6 million over the prior year largely due to higher volumes of receivables sold during the year.

Income Taxes

Twelve-months ended December 31, expressed in thousands of dollars	**2018**	2017 (restated)
Current income tax expense	**9,402**	15,557
Deferred income tax expense	**15,658**	2,074
Income tax expense	**25,060**	17,631
Effective tax rate	**21.9%**	13.9%

The Corporation recorded an income tax expense in 2018 of $25.1 million on pre-tax income of $114.2 million, representing an effective tax rate of 21.9%, compared to an income tax expense of $17.6 million on a pre-tax income of $127.1 million in 2017.

During 2018 and 2017, the Corporation recognized investment tax credits totalling $10.0 million and $9.0 million, respectively, as a reduction of cost of revenues, as the Corporation has determined that it will be able to benefit from these investment tax credits. The increase in the effective tax rate to 21.9% in 2018 from 13.9% in 2017 is primarily attributed to the reduction in the deferred tax liability in the prior year as a result of new legislation which lowered the United States federal corporate income tax rate. In addition, the lower tax rate applicable to the capital gain on the sale of the Mississauga property and the investment property in 2017 further decreased the effective tax rate. The change in mix of income across the different jurisdictions in which the Corporation operates also impacts the change in the effective tax rate.

5. 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, income taxes and depreciation and amortization) in this MD&A. The Corporation has provided this measure because it believes this information is used by certain investors to assess financial performance and that EBITDA 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 component of this measure is 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.

Twelve-months ended December 31, expressed in thousands of dollars	**2018**	2017 (restated)
Net income	**89,120**	109,488
Interest	**4,114**	4,711
Taxes	**25,060**	17,631
Depreciation and amortization	**43,809**	46,516
EBITDA	**162,103**	178,346

EBITDA for the year ended 2018 of $162.1 million decreased by $16.2 million when compared to $178.3 million in 2017, primarily as a result of lower net income, interest, and depreciation and amortization expenses offset by higher taxes. Net income in 2018 included a net gain of $9.7 million in relation to prior acquisitions, and in 2017 included a $22.5 million net gain on sale of the land and building of the Corporation's Mississauga facility net of associated costs. Backing out the two amounts in respective years, EBITDA in 2018 would have been $152.4 million versus $155.8 million in the prior year.

6. SELECTED QUARTERLY FINANCIAL INFORMATION

A summary view of Magellan's quarterly financial performance

Expressed in millions of dollars except per share information				**2018**				2017
	Mar 31	**Jun 30**	**Sep 30**	**Dec 31**	Mar 31[2]	Jun 30[2]	Sep 30[2]	Dec 31[2]
Revenues	**244.6**	**241.2**	**226.5**	**254.5**	248.2	252.0	222.6	232.7
Income before taxes	**22.5**	**29.8**	**23.4**	**38.5**	48.8	26.3	23.6	28.4
Net income	**17.5**	**23.5**	**18.6**	**29.5**	39.6	19.9	18.1	31.9
Net income per common share								
Basic and Diluted	**0.30**	**0.40**	**0.32**	**0.51**	0.68	0.34	0.31	0.55
EBITDA[1]	**34.1**	**41.8**	**35.5**	**50.7**	62.6	39.8	35.8	40.1

[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*

Revenues and net income reported in the table above 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. Had exchange rates remained at levels experienced in 2017, reported revenues in 2018 would have been higher by $7.6 million and $9.2 million in the first and second quarters respectively; lower by $9.0 million and $7.3 million in the third and fourth quarters, respectively.

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 a reduction in the United States federal corporate income tax as a result of new legislation. In the fourth quarter of 2018, the Corporation recorded a net gain of $9.7 million related to prior acquisitions.

7. 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 trade receivables securitization program, and long-term debt and equity capacity. Principal uses of cash are to fund liabilities as they become due, finance capital expenditures, fund debt repayments, pay dividends and provide flexibility for new investment opportunities. 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 costs for 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.

In 2018, $100.0 million of cash was generated by operations, $47.3 million was used in investing activities and $31.8 million was used in financing activities.

Cash Flow from Operating Activities

Twelve-months ended December 31, expressed in thousands of dollars	**2018**	2017 (restated)
(Increase) decrease in trade receivables	**(13,224)**	6,766
(Increase) decrease in contract assets	**(18,335)**	15,791
Decrease in inventories	**1,868**	2,658
(Increase) decrease in prepaid expenses and other	**(5,412)**	3,992
Decrease in accounts payable, accrued liabilities and provisions	**(6,046)**	(24,618)
Net change in non-cash working capital items	**(41,149)**	4,589
Net cash from operating activities	**99,997**	129,949

The Corporation generated $100.0 million in 2018 from operating activities, compared to $129.9 million in the prior year. Changes in non-cash working capital items used cash of $41.1 million attributed to the increase in trade receivables, contract assets, prepaid expenses and other, and the decrease in accounts payable, accrued liabilities and provisions, partially offset by the decrease in inventories. The increase in trade receivables resulted from higher sales and change in payment terms. Higher contract assets resulted from timing of production and billing related to products transferred over time. Lower inventory levels in 2018 resulted from lower production rates on a number of programs and timing of shipment. The decrease in accounts payable, accrued liabilities and provisions was due to timing of purchases and payments. In 2017, changes in non-cash working capital items provided cash of $4.6 million as a result of a decrease in trade receivables, contracts assets, inventories, and prepaid expenses and other, offset by decrease in accounts payable, accrued liabilities and provisions.

Cash Flow from Investing Activities

Twelve-months ended December 31, expressed in thousands of dollars	**2018**	2017
Purchase of property, plant and equipment	**(48,346)**	(64,151)
Proceeds from disposal of property, plant and equipment	**411**	32,742
Proceeds on disposition of investment property	**–**	3,900
Change in restricted cash	**3,329**	3,665
(Increase) decrease in intangibles and other assets	**(2,728)**	3,105
Net cash used in investing activities	**(47,334)**	(20,739)

The Corporation invested $48.3 million in capital assets during the year in comparison to $64.2 million in 2017. The Corporation continues to invest in advanced technology production equipment and information technology systems, both designed to increase productivity, reduce cycle time and improve technology capability. In the prior year, the Corporation sold the land and building of its Mississauga facility and one investment property for proceeds of $32.7 million and $3.9 million respectively.

Cash Flow from Financing Activities

Twelve-months ended December 31, expressed in thousands of dollars	**2018**	2017
Decrease in bank indebtedness	**(264)**	(43,159)
Increase (decrease) in debt due within one year	**3,892**	(7,951)
Decrease in long-term debt	**(15,165)**	(13,520)
(Decrease) increase in long-term liabilities and provisions	**(945)**	1,071
Increase in borrowings, net	**1,302**	3,493
Common share dividend	**(20,664)**	(16,299)
Net cash used in financing activities	**(31,844)**	(76,365)

The Corporation used $31.8 million in 2018 mainly to repay long-term debt and bank indebtedness, and to pay dividends, which was partially offset by the proceeds of the sales of trade receivables. The Corporation received in 2018 $1.8 million net of repayment of $1.0 million from Canadian Government agencies related to the development of its technologies and processes as compared to $3.5 million received in 2017.

Contractual Obligations

As at December 31, 2018, expressed in thousands of dollars	**Less than 1 year**	**1-3 Years**	**4-5 Years**	**After 5 Years**	**Total**
Trade receivables securitization	41,877	–	–	–	41,877
Long-term debt	2,516	4,773	4,320	720	12,329
Equipment leases	593	543	271	4	1,411
Facility leases	5,283	6,812	6,430	17,948	36,473
Other long-term liabilities	141	494	351	1,196	2,182
Borrowings subject to specific conditions	917	1,368	1,580	21,562	25,427
Total Contractual Obligations	**51,327**	**13,990**	**12,952**	**41,430**	**119,699**

Major cash flow requirements for 2019 include the repayment of trade receivables securitization of $41.9 million which is expected to be refinanced, repayment of long-term debt of $2.5 million, payments of equipment and facility leases of $5.9 million and borrowings subject to specific conditions of $0.9 million.

On September 13, 2018, the Corporation amended its credit agreement with its existing lenders. The Corporation has a multi-currency operating credit facility with a syndicate of banks, with a Canadian dollar limit of $75 million. Under the terms of the amended credit agreement, the operating credit facility expires on September 13, 2020. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. The credit agreement also includes a $75 million uncommitted accordion provision which will provide the Corporation with the option to increase the size of the operating credit facility.

As at December 31, 2018, the Corporation had made contractual commitments to purchase $6.4 million of capital assets. In addition, the Corporation had purchase commitments, largely for materials required for the normal course of operations, of $387.0 million as at December 31, 2018. The Corporation plans to fund all of these capital commitments with operating cash flow and the existing credit facility.

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, 2019, 58,209,001 common shares were outstanding and no preference shares were outstanding. More information on the Corporation's share capital is provided in note 19 of the Corporation's consolidated financial statements.

On March 30, 2018, June 29, 2018, and September 28, 2018 the Corporation paid quarterly dividends on 58,209,001 common shares of $0.085 per common share, representing an aggregate dividend payment of $14.8 million. On December 31, 2018 the Corporation paid quarterly dividends on 58,209,001 common shares of $0.10 per common share, amounting to $5.8 million.

For the year ended December 31, 2017, the Corporation declared and paid dividends on common shares on March 31, 2017, June 30, 2017 and on September 30, 2017 of $0.065 per share amounting to $11.4 million and on December 29, 2017 of $0.085 per share amounting to $4.9 million.

In the first quarter of 2019, the Corporation declared cash dividends of $0.010 per common share payable on March 29, 2019 to shareholders of record at the close of business on March 22, 2019.

8. FINANCIAL INSTRUMENTS

A summary of Magellan's financial instruments

Derivative Contracts

The Corporation operates internationally, which gives rise to a risk that its income, cash flows and shareholders' equity may be adversely impacted by fluctuations in foreign exchange rates. Currency risk arises because the amount of the local currency receivable or payable for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian dollar denominated financial statements of the Corporation's subsidiaries may vary on consolidation into the reporting currency of Canadian dollars. The Corporation from time to time may use derivative financial instruments to help manage foreign exchange risk with the objective of reducing transaction exposures and the resulting volatility of the Corporation's earnings. The Corporation does not trade in derivatives for speculative purposes. Under these contracts the Corporation is obligated to purchase specified amounts at predetermined dates and exchange rates. These contracts are matched with anticipated cash flows in United States dollars. The counterparties to the foreign currency contracts are all major financial institutions with high credit ratings. As at December 31, 2018, the Corporation had $41.0 million USD/CAD foreign exchange contracts outstanding with a fair value liability of $0.8 million, expiring monthly until January 2020.

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.

9. RELATED PARTY TRANSACTIONS

A summary of Magellan's transactions with related parties

During the year, the Corporation incurred consulting and cost recovery fees of $0.1 million [2017–$0.1 million] payable to a corporation controlled by the Chairman of the Board of Directors of the Corporation.

10. RISK FACTORS

A summary of risks and uncertainties facing Magellan

The Corporation's performance may be affected by a number of risks and uncertainties. Magellan's senior management identifies key risks and has processes in place to help monitor, manage, and mitigate these risks. Additional risks and uncertainties not presently known by the Corporation, or that the Corporation does not currently anticipate, may be material and may impair the Corporation's performance.

The following risks and uncertainties apply to the Corporation. Information relating to additional risks and uncertainties are set forth in the Corporation's Annual Information Form on SEDAR at www.sedar.com.

Factors that have an adverse impact on the aerospace industry may adversely affect the Corporation's results of operations.

The Corporation's gross profit is derived from the aerospace industry. The Corporation's aerospace operations are focused on engineering and manufacturing aircraft components for new manufactured aircraft, and selling spare parts and performing repair and overhaul services on existing aircraft and aircraft components. Therefore, the Corporation's business is directly affected by economic factors and other trends that affect the Corporation's customers in the aerospace industry, including possible changes in sourcing strategies by aircraft operators and OEMs, decreased demand for air travel or projected market growth that may not materialize or be sustainable. Although fuel prices have remained low, since it is a significant cost factor for aircraft operators, any sizeable price increases can affect their operating margins and reduce their ability to finance capital expenditures. Constraints in the credit market may reduce the ability of airlines and others to purchase new aircraft, negatively affecting the demand for the Corporation's products. When these economic and other factors adversely affect the aerospace industry, they tend to reduce the overall customer demand for the Corporation's products and services, which decreases the Corporation's operating income.

Economic and other factors both internal and external to the aerospace industry might affect the aerospace industry and may have an adverse impact on the Corporation's results of operations. More specifically, a number of additional external risk factors may include the financial condition of the airline industry, commercial aerospace customers and government aerospace customers; government policies related to import and export restrictions and business acquisitions; changing priorities and possible spending cuts by government agencies; government support for export sales; world trade policies; increased competition from other businesses, including new entrants in market segments in which the Corporation competes. In addition, acts of terrorism, natural disasters, global health risks, political instability or the outbreak of war or continued hostilities in certain regions of the world could result in lower orders or the rescheduling or cancellation of part of the existing order backlog for some of the Corporation's products.

Fluctuations in the value of foreign currencies could result in currency exchange losses.

A large portion of the Corporation's revenues and expenses are not currently denominated in Canadian dollars, and it is expected that some revenues and expenses will continue to be based in currencies other than the Canadian dollar. In situations where the Corporation is not fully hedged, fluctuations in the Canadian dollar exchange rate will impact the Corporation's results of operations and financial condition from period to period. In addition, such fluctuations could affect the translation of the Corporation's results and profitability shown in its consolidated financial statements. The Corporation also may not be able to manage its currency exposure on commercially reasonable terms.

Political uncertainty could result in a decrease in revenues or have other material adverse effects on the Corporation.

The United States and certain European countries have been experiencing significant political events that have cast uncertainty on global financial and economic markets. Notable examples that occurred in 2018 included the renegotiation of the terms of the North American Free Trade Agreement (now the United States-Mexico-Canada Agreement), which has not yet been ratified in Canada or the United States, the withdrawal of the United States from the Trans-Pacific Partnership and the imposition by the United States of tariffs on the importation of certain goods, such as aluminum and steel. Most recently the United States withdrew from the Intermediate-range Nuclear Forces Treaty and then Russia also withdrew. Additionally newly adopted tax legislation changes in the United States may affect strategies for United States corporations. The potential introduction of laws to reduce immigration and restrict access into the United States for citizens of certain countries may also present future challenges to non-U.S. corporations. It remains unclear exactly what actions the administration in the United States will be successful implementing, and if implemented, how these actions may impact the aerospace industry.

During 2016, the referendum by British voters to exit the European Union ("Brexit") adversely impacted global markets and resulted in a sharp decline in the British pound against the US dollar. In February 2017, the British Parliament voted in favor of allowing the British government to begin the formal process of Brexit and discussions with the European Union began in March 2017. In the short-term, volatility in the British pound could continue as the United Kingdom negotiates its anticipated exit from the European Union, which is scheduled to occur on March 29, 2019. In the longer term, any impact from Brexit on Magellan's United Kingdom operations will depend, in part, on the outcome of tariff, trade, regulatory, and other negotiations. Any of these effects of Brexit and others the Corporation cannot anticipate, may have a negative effect and may adversely affect the Corporation's business.

To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement it could have an adverse effect on the Corporation's ability to market its products and services internationally, increase costs for goods and services required for the Corporation's operations, reduce access to skilled labour and negatively impact the Corporation's business, operations, financial conditions and the market value of its Common Shares.

Cancellations, reductions or delays in customer orders may adversely affect the Corporation's results of operations.

The Corporation's overall operating results are affected by many factors, including the timing of orders from large customers and the timing of expenditures to manufacture parts and purchase inventory in anticipation of future sales of products and services. A large portion of the Corporation's operating expenses is relatively fixed. Because several of the Corporation's operating locations typically do not obtain long-term purchase orders or commitments from customers, the Corporation must anticipate the future volume of orders based upon the historic purchasing patterns of customers and upon discussions with customers as to their anticipated future requirements. These historic patterns may be disrupted by many factors, including changing economic conditions, inventory adjustments, work stoppages or labour disruptions. Cancellations, reductions or delays in orders by a customer or group of customers could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Competitive pressures may adversely affect the Corporation.

The Corporation competes in the aerospace industry primarily in support of OEMs and the manufacturers that supply them, some of which are divisions or subsidiaries of OEMs, and other large companies that manufacture aircraft components and subassemblies. Competition for the repair and overhaul of aerospace components comes from three primary sources: OEMs, major commercial airlines and other independent repair and overhaul companies. Some of the competitors' financial and other resources and name recognition are substantially greater than that of the Corporation and this constitutes significant competitive advantages. There can be no assurance that Magellan will be able to compete successfully against current and future competitors or that the competitive pressures that Magellan faces will not adversely affect the Corporation's operating revenues and, in turn, the Corporation's business and financial condition.

The aerospace and defence industry continues to experience significant consolidation through mergers and acquisitions, and vertical integration strategies. This trend also affects the Corporation's customers, competitors, and suppliers. Consolidation among Magellan's customers may result in delays in awarding new contracts and losses of existing business. Consolidation among the Corporation's competitors may result in larger competitors with greater resources and market share which could adversely affect the Corporation's ability to compete successfully. Consolidation among Magellan's suppliers may result in fewer sources of supply and increased costs to the Corporation.

11. CRITICAL ACCOUNTING ESTIMATES

A description of accounting estimates that are critical to determining Magellan's financial results

The preparation of consolidated financial statements requires management to make critical judgements, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses recorded during the reporting period. The critical estimates and judgements utilized in preparing the Corporation's consolidated financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, depreciation and amortization rates and useful lives, value of intangible assets, ability to utilize tax losses and other tax measurements, determination of functional currency, determination of the degree of control that exists in determining the corresponding accounting basis, and the selection of accounting policies. Any changes in estimates and assumptions could have a material impact on the Corporation's future income and/or the amounts reported in its statement of financial position. The Corporation reviews its estimates and assumptions on an ongoing basis and uses the most current information available and exercises careful judgement in making these estimates and assumptions.

The main assumptions and estimates that were used in preparing the Corporation's consolidated financial statements relate to:

Financial instruments

The valuation of the Corporation's derivative instruments and certain other financial instruments requires estimation of the fair value of each instrument at the reporting date. Details of the basis on which fair value is estimated are provided in note 21 to the consolidated financial statements.

Impairments

The recoverable amount of intangible assets and property, plant and equipment is based on estimates and assumptions regarding the expected market outlook and cash flows from each cash generating unit ("CGU") or group of CGUs.

In order to estimate the fair value of indefinite-lived intangible assets and goodwill resulting from business combinations, the Corporation typically estimates future revenue, considers market factors and estimates future cash flows. Based on these key assumptions, judgments and estimates, the Corporation determines whether to record an impairment charge to reduce the value of the asset carried on the consolidated statements of financial position to its estimated fair value. Assumptions, judgments and estimates about future values are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Corporation's business strategy or internal forecasts. Although the Corporation believes the assumptions, judgments and estimates made in the past have been reasonable and appropriate, different assumptions, judgments and estimates could materially affect the Corporation's reported financial results.

Deferred taxes

Income taxes are determined based on estimates of the Corporation's current income taxes and estimates of deferred income taxes resulting from temporary differences. Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income before they expire.

Government assistance

Investment tax credits and scientific research and experimental development tax credits are determined based on estimates of the Corporation's current year expenditures on qualifying programs. The investment tax credits are assessed to determine the likelihood that they will be applied against federal income taxes.

Capitalization of development costs
When capitalizing development costs the Corporation must assess the technical and commercial feasibility of the projects and estimate the useful lives of resulting products. Determining whether future economic benefits will flow from the assets and therefore the estimates and assumptions associated with these calculations are instrumental in (i) deciding whether project costs can be capitalized, and (ii) accurately calculating the useful life of the projects for the Corporation.

Income (loss) on completion of contracts
To estimate income (loss) on completion, the Corporation takes into account factors inherent to the contract by using historical and/or forecast data.

Repayable government grants
The forecast repayment of grants received from government authorities is based on future sales. As the forecast repayments are closely related to forecasts of future sales set out in business plans prepared by the operating divisions, the estimates and assumptions underlying these business plans are instrumental in determining the timing of these repayments.

Employee benefits
The Corporation considers a number of factors in developing the pension assumptions, including an evaluation of relevant discount rates, plan asset allocations, mortality, expected changes in wages and retirement benefits, analysis of current market conditions, economic benefits available and input from actuaries and other consultants. Costs of the programs are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits.

12. CHANGES IN ACCOUNTING POLICIES

A description of accounting standards adopted in 2018

The Corporation has adopted the following new and amended standards in 2018.

IFRS 15 Revenue from Contracts with Customers
IFRS 15, *Revenue from Contracts with Customers* ("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.

IFRS 15 was adopted effective January 1, 2018. The Corporation adopted IFRS 15 using the full retrospective method of adoption, which requires the restatement of the Corporation's 2017 results and an opening adjustment to equity as at January 1, 2017. Practical expedients for completed contracts were elected upon adoption.

The Corporation reviewed its revenue contracts to evaluate the effect of the new standard on Magellan's revenue recognition practices. The adoption of the new standard changed the Corporation's revenue recognition for certain performance obligations from previously accounted for using the completed contract method to using the percentage-of-completion method. The Corporation previously presented contract assets and liabilities related to construction contracts in accrued receivables and deferred revenue. All contract balances, on a contract-by-contract basis, are now presented in contract assets or contract liabilities.

Impact on the statement of income and comprehensive income for the twelve months period ended December 31, 2017:

Expressed in thousands of dollars	As reported	Decrease	Restated
Revenues	968,954	(13,493)	955,461
Cost of revenues	793,107	(10,353)	782,754
Gross profit	175,847	(3,140)	172,707
Income taxes	18,982	(1,351)	17,631
Net income	111,277	(1,789)	109,488
Total comprehensive income	103,200	(1,789)	101,411
Basic and diluted net income per share	1.91	(0.03)	1.88

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

Expressed in thousands of dollars	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

While the timing of contract revenue and profit recognition is impacted, there is no change to cash flows.

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 $1.0 million net of tax of $0.3 million, on trade and other receivables as at December 31, 2017. As a result, the opening retained earnings as at January 1, 2018 decreased by $1.0 million.

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 recognizes 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.

13. FUTURE CHANGES IN ACCOUNTING POLICIES

A description of new accounting standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2018, and have not been applied in preparing these consolidated financial statements. The following standards and interpretations have been issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committees ("IFRIC") with effective dates relating to the annual accounting periods starting on or after the effective dates as follows:

Leases
In 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"), replacing IAS 17, *Leases* and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted.

The Corporation plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that existing lease contracts will not need to be reassessed.

As a lessee, the Corporation will apply IFRS 16 using a modified retrospective approach. The cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings as at January 1, 2019, with no restatement of comparative information.

The Corporation will recognize right-of-use assets and lease liabilities for its facility and equipment leases with a remaining lease term of more than 12 months as at January 1, 2019. The actual impact of applying IFRS 16 on the consolidated financial statements in the period of initial application will depend on future economic conditions, including the Corporation's borrowing rate at January 1, 2019, the composition of the Corporation's lease portfolio at that date, the Corporation's latest

assessment of whether it will exercise any lease renewal options and the extent to which the Corporation chooses to use practical expedients and recognition exemptions.

In addition, the nature of expenses related to those leases previously classified as operating leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Corporation is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sublease.

The Corporation is on track on its implementation plan and in the process of finanlizing the transition adjustments. The Corporation expects material increases in the assets and liabilities reported on the balance sheet. In addition, the Corporation expects the statement of earnings to be impacted for the amortization of right-of-use assets and interest expense, with corresponding decreases in operating and administrative expenses. Under the new standard, cash outflows for repayment of the principal portion of the lease liability will be classified as cash flows from financing activities. The interest portion of the lease payments will continue to be classified as cash flows from operating activities.

Uncertainty over Income Tax Treatments
In June 2017, IASB issued IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23"), which clarifies application of recognition and measurement requirements in IAS 12, *Income Taxes* when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Corporation is in the process of evaluating the impact that IFRIC 23 may have on the Corporation's consolidated financial statements.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
In February 2018, the IASB issued amendments to IAS 19, *Employee Benefits* ("IAS 19") which address the accounting for plan amendments, curtailments or settlements during the reporting period. The amendments to IAS 19 require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and to recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendments apply to plan amendments, curtailments or settlements that occur on or after January 1, 2019, with earlier application permitted. The amendments will have an impact on the Corporation's consolidated financial statements when there are plan amendments, curtailments or settlements after the effective date.

Annual Improvements to IFRS Standards 2015–2017
In December 2017, IASB issued the following amendments from the 2015-2017 annual improvement cycle.

IFRS 3 Business Combination
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019. Earlier application is permitted. These amendments will apply on business combinations of the Corporation after January 1, 2019.

IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally

recognised those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The Corporation does not expect these amendments will have an impact on the Corporation's consolidated financial statements

14. CONTROLS AND PROCEDURES

A description of Magellan's disclosure controls and internal controls over financial reporting

Based on the current Canadian Securities Administrators (the "CSA") rules under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings,* the Chief Executive Officer and Chief Financial Officer are required to certify as at December 31, 2018 that they are responsible for establishing and maintaining, and have assessed the design and operating effectiveness of disclosure controls and procedures and internal control over financial reporting.

Management does not expect disclosure controls and procedures and internal control over financial reporting to prevent all errors, misstatements or fraud. In addition, internal control over financial reporting that management has designed and established may be circumvented and rendered ineffective as a result of unauthorized acts of individuals through collusion or management override. A system of control, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that control objectives are met. Due to the inherent limitations in a system of control, there is no absolute assurance that all controls issues, which may result in errors, misstatements, or fraud, can be prevented or detected. The inherent limitations include, amongst other things: (i) management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of isolated errors; (iii) assumptions about the likelihood of future events.

In preparation for this certification, Magellan has dedicated resources in place to document and evaluate the design and operating effectiveness of disclosure controls and procedures and internal control over financial reporting. As of December 31, 2018, an evaluation was carried out, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer of the effectiveness of the Corporation's disclosure controls and internal controls over financial reporting, as those terms are defined in National Instrument 52-109. Based on that evaluation, the Corporation's management concluded that the Corporation's design and operating disclosure controls and procedures and internal control over financial reporting were effective as of December 31, 2018.

No changes were made in the Corporation's internal control over financial reporting during the year ended December 31, 2018, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Additional information relating to Magellan Aerospace Corporation, including the Corporation's Annual Information Form is on SEDAR at www.sedar.com.

MANAGEMENT'S REPORT

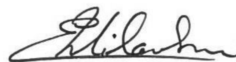
December 31, 2018

To the shareholders of Magellan Aerospace Corporation

The consolidated financial statements of Magellan Aerospace Corporation were prepared by management in accordance with accounting principles generally accepted in Canada. The financial and operating information presented in this report is consistent with that shown in the financial statements.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information. External auditors appointed by the shareholders have examined the consolidated financial statements. The Audit Committee, consisting of non-management directors, has reviewed these consolidated financial statements with management and the auditors and has reported to the Board of Directors. The Board of Directors approved the consolidated financial statements.

Phillip C. Underwood
President and Chief Executive Officer
March 8, 2019



Elena M. Milantoni
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

December 31, 2018

To the Shareholders of Magellan Aerospace Corporation

Opinion

We have audited the consolidated financial statements of Magellan Aerospace Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018, 2017 and January 1, 2017, and the consolidated statements of income and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, 2017 and January 1, 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:

— Management's Discussion and Analysis
— The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

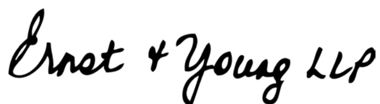
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Stephanie Lamont.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 8, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in thousands of Canadian dollars	Notes	**December 31 2018**	December 31 2017 Restated (note 2)	January 1 2017 Restated (note 2)
Current assets				
Cash and cash equivalents	3	**63,316**	40,394	7,606
Restricted cash	4	**–**	3,233	7,125
Trade and other receivables	5	**187,897**	169,693	196,756
Contract assests	6	**66,436**	46,196	44,426
Inventories	7	**175,082**	171,054	176,808
Prepaid expenses and other		**20,058**	14,155	18,007
		512,789	444,725	450,728
Non-current assets				
Property, plant and equipment	8	**428,878**	401,855	389,825
Investment properties	9	**2,305**	2,414	4,377
Intangible assets	10	**62,745**	61,495	67,443
Goodwill	10	**35,104**	33,441	33,797
Other assets	11, 22	**19,666**	24,908	28,142
Deferred tax assets	18	**11,393**	13,823	20,941
		560,091	537,936	544,525
Total assets		**1,072,880**	982,661	995,253
Current liabilities				
Accounts payable and accrued liabilities and provisions	13	**154,407**	154,277	172,326
Debt due within one year	14, 21	**44,393**	51,834	50,787
		198,800	206,111	223,113
Non-current liabilities				
Bank indebtedness	12	**–**	–	43,314
Long-term debt	14	**9,064**	11,202	35,364
Borrowings subject to specific conditions	15	**24,510**	23,866	22,867
Other long-term liabilities and provisions	16, 22	**19,668**	15,153	18,617
Deferred tax liabilities	18	**33,165**	27,081	37,842
		86,407	77,302	158,004
Equity				
Share capital	19	**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		**473,246**	410,992	317,469
Accumulated other comprehensive income	27	**44,378**	18,207	26,618
		787,673	699,248	614,136
Total liabilities and equity		**1,072,880**	982,661	995,253

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Expressed in thousands of Canadian dollars, except per share amounts	Notes	**2018**	Years ended December 31 Restated (note 2) 2017
Revenues	23	**966,753**	955,461
Cost of revenues	24	**803,478**	782,754
Gross profit		**163,275**	172,707
Administrative and general expenses	25	**57,337**	59,549
Other	8, 9, 30	**(12,356)**	(18,672)
Income before interest and income taxes		**118,294**	131,830
Interest	26	**4,114**	4,711
Income before income taxes		**114,180**	127,119
Income taxes			
Current	18	**9,402**	15,557
Deferred	18	**15,658**	2,074
		25,060	17,631
Net income		**89,120**	109,488
Other comprehensive income (loss)			
Other comprehensive income (loss) that may be reclassified to profit and loss in subsequent periods:			
Foreign currency translation	27	**26,171**	(8,411)
Items not to be reclassified to profit and loss in subsequent periods:			
Actuarial (loss) income on defined benefit pension plans, net of taxes	18, 22	**(5,203)**	334
Comprehensive income		**110,088**	101,411
Net income per share			
Basic	19	**1.53**	1.88
Diluted	19	**1.53**	1.88

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in thousands of Canadian dollars	Share capital	Contributed surplus	Other paid-in capital	Retained earnings	Foreign currency translation	Total equity
December 31, 2016						
Restated (note 2)	254,440	2,044	13,565	317,469	26,618	614,136
Net income	–	–	–	109,488	–	109,488
Other comprehensive income (loss)	–	–	–	334	(8,411)	(8,077)
Common share dividend	–	–	–	(16,299)	–	(16,299)
December 31, 2017	254,440	2,044	13,565	410,992	18,207	699,248
Adjustment on initial application of IFRS 9						
(net of tax) (note 2)	–	–	–	(999)	–	(999)
January 1, 2018 Adjusted	254,440	2,044	13,565	409,993	18,207	698,249
Net income	–	–	–	89,120	–	89,120
Other comprehensive (loss) income	–	–	–	(5,203)	26,171	20,968
Common share dividend	–	–	–	(20,664)	–	(20,664)
December 31, 2018	**254,440**	**2,044**	**13,565**	**473,246**	**44,378**	**787,673**

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in thousands of Canadian dollars	Notes	Years ended December 31 2018	Restated (note 2) 2017
Cash flow from operating activities			
Net income		**89,120**	109,488
Amortization/depreciation of intangible assets and property, plant and equipment	8, 10	**43,809**	46,516
Impairment of property, plant and equipment	8	**–**	2,900
Loss (gain) on disposal of property, plant and equipment	8	**313**	(26,533)
Gain on sale of investment properties	9	**–**	(2,183)
Decrease in defined benefit plans	22	**(597)**	(2,623)
Accretion	26	**1,006**	611
Deferred taxes	18	**8,164**	(2,485)
Income on investments in joint ventures	11	**(669)**	(331)
Change in non-cash working capital	29	**(41,149)**	4,589
Net cash provided by operating activities		**99,997**	129,949
Cash flow from investing activities			
Purchase of property, plant and equipment	8	**(48,346)**	(64,151)
Proceeds from disposal of property, plant and equipment	8	**411**	32,742
Proceeds on disposition of investment property	9	**–**	3,900
Change in restricted cash	4	**3,329**	3,665
(Increase) decrease in intangible and other assets		**(2,728)**	3,105
Net cash used in investing activities		**(47,334)**	(20,739)
Cash flow from financing activities			
Decrease in bank indebtedness	12, 17	**(264)**	(43,159)
Increase (decrease) in debt due within one year	17	**3,892**	(7,951)
Decrease in long-term debt	14, 17	**(15,165)**	(13,520)
(Decrease) increase in long-term liabilities and provisions	17	**(945)**	1,071
Increase in borrowings, net	17	**1,302**	3,493
Common share dividend	19	**(20,664)**	(16,299)
Net cash used in financing activities		**(31,844)**	(76,365)
Increase in cash during the year		**20,819**	32,845
Cash at beginning of the year		**40,394**	7,606
Effect of exchange rate differences		**2,103**	(57)
Cash at end of the year		**63,316**	40,394

See accompanying notes to the consolidated financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Magellan Aerospace Corporation (the "Corporation" or "Magellan") is a publicly listed company incorporated in Ontario, Canada under the Ontario Business Corporations Act and its shares are listed on the Toronto Stock Exchange. The registered and head office of the Corporation is located at 3160 Derry Road East, Mississauga, Ontario, Canada, L4T 1A9.

The Corporation is a diversified supplier of components to the aerospace industry. Through its wholly owned subsidiaries, Magellan 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 the supply of spare parts as well as through repair and overhaul services.

Statement of Compliance

These consolidated financial statements are prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issuance by the Board of Directors of the Corporation on March 8, 2019.

Basis of Presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. These consolidated financial statements have been prepared using IFRS principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due. All amounts are presented in Canadian dollars, unless otherwise indicated.

The Corporation's significant accounting policies are set out below. These accounting policies have been applied consistently to all periods presented in these consolidated financial statements and by all entities.

Basis of Consolidation

The consolidated financial statements of the Corporation include the assets and liabilities, and the results of operations and cash flows of the Corporation and its subsidiaries and the Corporation's interest in its joint ventures. The financial statements of entities consolidated have a reporting date of December 31. Entities over which the Corporation has control are accounted for as subsidiaries. Control is achieved when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where the Corporation has the ability to exercise joint control, the entities are accounted for as joint ventures and are incorporated into the consolidated financial statements using the equity method of accounting. Interests acquired in entities are consolidated from the date the Corporation acquires control and interests sold are de-consolidated from the date control ceases. Wholly owned operating subsidiaries of the Corporation are:

- Magellan Aerospace Limited
- Magellan Aerospace (UK) Limited
- Magellan Aerospace USA, Inc.

The effects of intragroup transactions are eliminated. Trade receivables and accounts payable as well as expenses and income between the consolidated entities are netted. Internal sales are transacted on the basis of market prices and intragroup profits and losses are eliminated.

Determination of Fair Value

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. Fair value is determined by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs.

When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation techniques and valuation inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value.

Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

Foreign currency denominated monetary assets and liabilities are translated at the rates of exchange at the statement of financial position date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at that date, whereas non-monetary items measured at historic cost, are translated using the exchange rate prevailing on the transaction date. Translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in income.

Assets and liabilities of foreign operations that have a functional currency different from the presentation currency are translated using the closing exchange rate prevailing at the reporting date and revenues and expenses at average exchange rates during the period. Translation gains and losses on currency translation are recognized as a separate component of equity in other comprehensive income and do not have any impact on the net income (loss) for the year.

Segment Reporting

Management has determined the operating segments based on information regularly reviewed for the purposes of decision making, allocating resources and assessing performance by the Corporation's chief operating decision makers. The Corporation evaluates the financial performance of its operating segments primarily based on net income before interest and income taxes.

Revenue Recognition

Revenue is primarily comprised of sales of goods and rendering of services and recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods or services. The Corporation's revenue recognition methodology is determined on a contract-by-contract basis.

Performance Obligation

A performance obligation is a contractual promise with a customer to transfer a distinct good or service and is the unit of account for revenue recognition.

The Corporation accounts for a contract 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 is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

A contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The transaction price includes, among other things and when applicable,

an estimate of variable consideration to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur at the time when the uncertainty associated with the variable consideration is resolved. Variable consideration is usually derived from sales incentives, in the form of discounts or volume rebates. The estimation of variable consideration is largely based on the assessment of the Corporation's historical, current and forecasted information that is reasonably available.

For contracts with multiple performance obligations, the contract transaction price, including variable consideration when applicable, is allocated based on the estimated relative stand-alone price of the promised goods or services underlying each performance obligation. The Corporation generally uses the expected cost plus a margin approach to estimate the stand-alone selling price of each performance obligation when a stand-alone selling price is not directly observable.

The Corporation's performance obligations are satisfied over time or at a point in time.

Revenues from sale of goods are recognized over time when the Corporation's performance does not create an asset with alternative use and the Corporation has an enforceable right to payment for performance completed to date. The Corporation recognizes revenue over time using the cost-to-cost 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 when the goods are dispatched or made available to the customer. The sale of consignment products are recognized on notification that the product has been used.

Revenues from rendering services are recognized 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 cost-to-cost input method as the basis for measuring the progress on the contract.

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

The Corporation typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are not separate performance obligations and are accounted for under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.*

Contract Balances
Contract assets include unbilled amounts 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.

Contract liabilities consist of advance payments 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 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.

Cost of Revenues
Cost of revenues consists of production-related manufacturing costs of products sold, development services paid, and the cost of products purchased for resale. In addition to the direct material cost and production costs, it also comprises systematically allocated overheads, including depreciation of production-related property, plant and equipment, and intangible assets, write-downs on inventories and an appropriate portion of production-related administrative overheads.

Government Grants

Government grants are recognized at their fair value in the period when there is reasonable assurance that the conditions attached to the grant will be met and that the grant will be received. Grants are recognized as income over the periods necessary to match them with the related costs that they are intended to compensate. Grants relating to expenditure on property, plant and equipment and on intangible assets are deducted from the carrying amount of the asset. The grant is therefore recognized as income over the life of the depreciable asset by way of a reduced depreciation charge. Repayable grants are treated as sources of financing and are recognized in borrowings subject to specific conditions in the consolidated statements of financial position. Repayments made are recorded as a reduction of the liability.

Government Assistance

Government assistance is comprised of investment tax credits and scientific research and experimental development tax credits. These credits are recognized when there is reasonable assurance of their recovery using the cost reduction method. Investment tax credits are subject to the customary approvals by the pertinent tax authorities. Adjustments required, if any, are reflected in the year when such assessments are received.

Employee Benefits

Defined benefit plans

The Corporation's obligation in respect of defined benefit plans is determined periodically by independent actuaries using the projected unit credit method in accordance with IAS 19, *Employee Benefits.* Actuarial gains and losses are recognized in full in the period in which they occur, and are recognized in other comprehensive income and immediately transferred to retained earnings. Past service cost is recognized immediately to the extent the benefits are already vested, or otherwise is recognized on a straight-line basis over the average period until the benefits become vested. Curtailments due to the significant reduction of the expected years of future services of current employees or the elimination of the accrual of defined benefits for some or all of the future services for a significant number of employees are recognized immediately as a gain or loss in the consolidated statements of income.

The defined benefit surplus or deficit represents the fair value of the plan assets less the present value of the defined benefit obligations. A surplus is recognized in the statement of financial position to the extent that the Corporation has an unconditional right to the surplus, either through a refund or reduction in future contributions. A deficit is recognized in full.

Defined contribution plans

Obligations for contributions to defined contribution plans are recognized as an expense in the consolidated statements of income as incurred.

Share-based compensation

The fair value of awards made under share-based compensation plans is measured at the grant date and allocated over the vesting period, based on the best available estimate of the number of share options expected to vest, in the consolidated statements of income with a corresponding increase in equity. The fair value is measured using an appropriate valuation model taking into account the terms and conditions of the individual plans. The amount recognized as an expense is adjusted to reflect the actual awards vesting except where any change in the awards vesting relates only to market-based criteria not being achieved.

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, taking into account the terms and conditions upon which the share awards were granted. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in the consolidated statements of income.

Taxation

The tax charge for the period consists of both current and deferred income tax. Taxation is recognized as a charge or credit in the consolidated statements of income except to the extent that it relates to items recognized directly to equity in which case the related tax is also recognized in equity.

Current income tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are established using the balance sheet liability method, providing for temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible timing differences can be utilized.

Deferred tax liabilities are not recognized for temporary differences arising on investment in subsidiaries where the Corporation is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is calculated at the enacted or substantively enacted tax rates that are expected to apply in the period when the liability is settled or the asset is realized.

Deferred income tax assets and liabilities are only offset where they arise within the same entity and tax jurisdiction.

Deferred income tax assets and liabilities are presented as non-current.

Net Income per Share

Net income per share is calculated based on the profit for the financial year and the weighted average number of common shares outstanding during the year. Diluted net income per share is calculated using the profit for the financial year adjusted for the effect of any dilutive instruments and the weighted average diluted number of shares (ignoring any potential issue of common shares which would be anti-dilutive) during the year.

Inventories

Inventory is stated at the lower of average cost and net realizable value.

The unit cost method is the prescribed cost method under which the actual production costs are charged to each unit produced and recognized to income as the unit is sold.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment in value. Cost includes the purchase price (after deducting trade discounts and rebates), any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the estimate of the present value of the costs of dismantling and removing the item and restoring the site. Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can

be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property, plant and equipment are recognized in the consolidated statements of income as incurred.

Depreciation is calculated using the straight-line method to allocate the cost of property, plant and equipment to their residual values over their estimated useful lives.

Scheduled depreciation is based on the following useful lives:

Assets	in years
Buildings	40
Machinery and equipment	10-20
Tooling	5-7
Leasehold improvements	term of lease

The residual values, useful lives and depreciation methods pertaining to property, plant and equipment are regularly assessed for relevance, at least at every statement of financial position date, and adjustments are made when necessary to estimates used when compiling the consolidated financial statements. An asset's carrying value is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. These impairment losses are recognized in the consolidated statements of income. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Investment Properties

Investment property is property held to earn rental income and/or for capital appreciation rather than for the purpose of the Corporation's operating activities. Investment property assets are carried at cost less accumulated depreciation and any recognized impairment in value. The depreciation policies for investment property are consistent with those described for owner-occupied property.

Intangible Assets

In accordance with IAS 38, *Intangible Assets,* expenditure on research activities is recognized as an expense in the period in which it is incurred. Externally acquired and internally generated intangible assets are recognized only if they meet strict criteria, relating in particular to technical feasibility, probability that a future economic benefit associated with the asset will flow to the entity and the cost of the asset can be measured reliably.

Intangible assets with a finite useful life are stated at cost and amortized on a unit of production basis. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of income when the asset is de-recognized.

Business Combinations and Goodwill

The Corporation accounts for business combinations using the acquisition method, under which the acquirer measures the cost of the business combination as the total of the fair values, at the date of exchange, of the assets transferred, liabilities incurred and equity instruments issued by the acquirer in exchange for control of the acquiree. Goodwill is measured as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally the fair value) of the identifiable assets and liabilities assumed, measured as at the acquisition date. The primary items that generate goodwill include the value of the synergies between the acquired company and the Corporation and the value of the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset. Goodwill is assigned to one or more cash-generating unit ("CGU") on the

date of acquisition. Acquisition-related expenses and post-acquisition restructuring costs are recognized separately from the business combination and are expensed as incurred. The business combination and are expensed as incurred.

Impairment of Non-Financial Assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset or its CGUs recoverable amount is estimated. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Non-financial assets that have an indefinite useful life such as goodwill and certain intangible assets, are not subject to amortization and are therefore tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which goodwill is allocated must represent the lowest level at which the goodwill is monitored for internal management purposes and must not be, before allocating the goodwill, larger than an operating segment.

The Corporation's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in net income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU or group of CGUs on a pro rata basis of the carrying amount of each asset of the CGU that is subject to the impairment test.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Leases

A lease is defined as an agreement whereby the lessor conveys to the lessee, in return for payment or a series of payments, the right to use a specific asset for an agreed period of time. If substantially all the risks and rewards associated with ownership of the leased asset are transferred to the lessee (finance lease for the lessee), the leased asset is recognized in the lessee's statement of financial position. The leased asset is recognized at its fair value as measured at the date of acquisition, or at the present value of the minimum lease payments if lower. Assets held under finance leases are depreciated on a basis consistent with similar owned assets or the lease term if shorter. Payments made under finance leases are apportioned between capital repayments and interest expense charged to the consolidated statements of income.

If the lessor retains the substantial risks and rewards (operating lease for the lessee), the leased asset is recognized in the lessor's statement of financial position. Payments made under operating leases are recognized in the consolidated statements of income on a straight-line basis over the term of the lease.

Financial Instruments

The Corporation recognizes financial assets and financial liabilities ("financial instruments") on the date the Corporation becomes a party to the contractual provisions of the instruments. A financial asset is derecognized either when the Corporation has transferred substantially all the risks and rewards of ownership of the financial asset or when cash flows expire. A financial liability is derecognized when the obligation specified in the contract is discharged, canceled or expired.

The Corporation's financial instruments include cash and cash equivalents, restricted cash, trade and other receivables, accounts payable and accrued liabilities, finance lease liabilities, bank indebtedness, long-term debt, borrowing subject to specific conditions, and other non-derivative and derivative financial assets and liabilities.

The classifications of financial instruments are typically determined at the time of initial recognition and are recognized at fair value, plus attributable transaction costs where applicable. Subsequent to initial recognition, financial instruments are classified and measured as described below.

Financial assets at fair value through profit or loss

Cash and cash equivalents, restricted cash and derivatives instruments are classified as financial assets at fair value through profit or loss and are measured at fair value. Cash equivalents are short-term investments with initial maturities of three months or less. The Corporation manages its foreign currency and interest rate exposures through the use of derivative financial instruments. The Corporation's policy is not to utilize derivative instruments for trading or speculative purposes. The Corporation's derivative contracts are not designated as hedges and as a result are presented on the consolidated statement of financial position as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The unrealized gains or losses related to changes in fair value are reported in other expense (income) on the consolidated statements of income. Transaction costs incurred to acquire financial instruments are included in the underlying balance.

Financial instruments carried at amortized cost

Financial instruments in this category include trade and other receivables, accounts payable and accrued liabilities, bank indebtedness, borrowing subject to specific conditions, finance lease liabilities and long-term debt. Financial instruments are recorded initially at fair value and, in the case of financial assets and liabilities carried at amortized cost, adjusted for directly attributable transaction costs. Trade and other receivables include originated non-derivative financial assets with fixed or determined payments that are not quoted in an active market and are subsequently measured at amortized cost and is computed using the effective interest method less any allowance for impairment. Accounts payables and accrued liabilities, bank indebtedness, borrowing subject to specific conditions, finance lease liabilities and long-term debt are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees. The effective interest rate accretion is included as finance costs in the consolidated statements of income.

Impairment

The expected credit loss impairment model applies to financial assets carried at amortized costs. The model uses a dual measurement approach, under which the loss allowance is measured as either 12 month expected credit losses or at the lifetime expected credit losses. The Corporation applies the simplified approach and records lifetime expected losses on accounts receivables and contract assets based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. If in a subsequent year, the amount of the estimated impairment loss increases or decreases due to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the carrying value of the financial assets. If a past write-off is later recovered, the recovery is recognized in the consolidated statements of income.

Provisions
A provision is recognized when there is a present legal or constructive obligation, as a result of a past event, which is more likely than not to result in an outflow of economic benefits and where a reliable estimate of the amount of the obligation can be made. If the effect is material, the provision is determined by discounting the expected future cash flows at a pre-tax risk-free rate and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived from the contracts are less than the related unavoidable costs of meeting its obligations under the contract. Such provisions are recorded as write-downs of work-in-progress for that portion of the work which has already been completed, and as liability provisions for the remainder.

Share Capital
Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any income taxes.

Estimates, Assumptions and Judgements
The preparation of consolidated financial statements requires management to make critical judgements, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses recorded during the reporting period. The critical estimates and judgements utilized in preparing the Corporation's consolidated financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, depreciation and amortization rates and useful lives, value of intangible assets, ability to utilize tax losses and other tax measurements, determination of functional currency, determination of the degree of control that exists in determining the corresponding accounting basis, and the selection of accounting policies. Any changes in estimates and assumptions could have a material impact on the Corporation's future income and/or the amounts reported in its statement of financial position. The Corporation reviews its estimates and assumptions on an ongoing basis and uses the most current information available and exercises careful judgement in making these estimates and assumptions.

The main assumptions and estimates that were used in preparing the Corporation's consolidated financial statements relate to:

Financial instruments
The valuation of the Corporation's derivative instruments and certain other financial instruments requires estimation of the fair value of each instrument at the reporting date. Details of the basis on which fair value is estimated are provided in note 21 to the consolidated financial statements.

Impairments
The recoverable amount of intangible assets and property, plant and equipment is based on estimates and assumptions regarding the expected market outlook and cash flows from each CGU or group of CGUs.

In order to estimate the fair value of indefinite-lived intangible assets and goodwill resulting from business combinations, the Corporation typically estimates future revenue, considers market factors and estimates future cash flows. Based on these key assumptions, judgments and estimates, the Corporation determines whether to record an impairment charge to reduce the value of the asset carried on the consolidated statements of financial position to its estimated fair value. Assumptions, judgments and estimates about future values are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Corporation's business strategy or internal forecasts. Although the Corporation believes the assumptions, judgments and estimates made in the past have been reasonable and appropriate, different assumptions, judgments and estimates could materially affect the Corporation's reported financial results.

Deferred taxes
Income taxes are determined based on estimates of the Corporation's current income taxes and estimates of deferred income taxes resulting from temporary differences. Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income before they expire.

Government assistance
Investment tax credits and scientific research and experimental development tax credits are determined based on estimates of the Corporation's current year expenditures on qualifying programs. The investment tax credits are assessed to determine the likelihood that they will be applied against federal income taxes.

Capitalization of development costs
When capitalizing development costs the Corporation must assess the technical and commercial feasibility of the projects and estimate the useful lives of resulting products. Determining whether future economic benefits will flow from the assets and therefore the estimates and assumptions associated with these calculations are instrumental in (i) deciding whether project costs can be capitalized, and (ii) accurately calculating the useful life of the projects for the Corporation.

Income (loss) on completion of contracts
To estimate income (loss) on completion, the Corporation takes into account factors inherent to the contract by using historical and/or forecast data.

Repayable government grants
The forecast repayment of grants received from government authorities is based on future sales. As the forecast repayments are closely related to forecasts of future sales set out in business plans prepared by the operating divisions, the estimates and assumptions underlying these business plans are instrumental in determining the timing of these repayments.

Employee benefits
The Corporation considers a number of factors in developing the pension assumptions, including an evaluation of relevant discount rates, plan asset allocations, mortality, expected changes in wages and retirement benefits, analysis of current market conditions, economic benefits available and input from actuaries and other consultants. Costs of the programs are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits.

2. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORATING STANDARDS

New and Amended International Financial Reporting Standards Adopted in 2018
The Corporation has adopted the following new and amended standards in the current year.

IFRS 15 Revenue from Contracts with Customers
IFRS 15, *Revenue from Contracts with Customers* ("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.

IFRS 15 was adopted effective January 1, 2018. The Corporation adopted IFRS 15 using the full retrospective method of adoption, which requires the restatement of the Corporation's 2017 results and an opening adjustment to equity as at January 1, 2017. Practical expedients for completed contracts were elected upon adoption.

The Corporation reviewed its revenue contracts to evaluate the effect of the new standard on Magellan's revenue recognition practices. The adoption of the new standard changed the Corporation's revenue recognition for certain performance obligations from previously accounted for using the completed contract method to using the percentage-of-completion method. The Corporation previously presented contract assets and liabilities related to construction contracts in accrued receivables and deferred revenue. All contract balances, on a contract-by-contract basis, are now presented in contract assets or contract liabilities.

Impact on the statement of income and comprehensive income for the twelve months period ended December 31, 2017:

	As reported	Decrease	Restated
Revenues	968,954	(13,493)	955,461
Cost of revenues	793,107	(10,353)	782,754
Gross profit	175,847	(3,140)	172,707
Income taxes	18,982	(1,351)	17,631
Net income	111,277	(1,789)	109,488
Total comprehensive income	103,200	(1,789)	101,411
Basic and diluted net income per share	1.91	(0.03)	1.88

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

While the timing of contract revenue and profit recognition is impacted, there is no change to cash flows.

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 recognizes 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.

New and Amended International Financial Reporting Standards to be Adopted in 2019 or Later

The following new standards and amendments to existing standards were issued by the IASB and are expected to be adopted by the Corporation in 2019 or later.

Leases

In 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"), replacing IAS 17, *Leases* and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted.

The Corporation plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that existing lease contracts will not need to be reassessed.

As a lessee, the Corporation will apply IFRS 16 using a modified retrospective approach. The cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings as at January 1, 2019, with no restatement of comparative information.

The Corporation will recognize right-of-use assets and lease liabilities for its facility and equipment leases with a remaining lease term of more than 12 months as at January 1, 2019. The actual impact of applying IFRS 16 on the consolidated financial statements in the period of initial application will depend on future economic conditions, including the Corporation's borrowing rate at January 1, 2019, the composition of the Corporation's lease portfolio at that date, the Corporation's latest assessment of whether it will exercise any lease renewal options and the extent to which the Corporation chooses to use practical expedients and recognition exemptions.

In addition, the nature of expenses related to those leases previously classified as operating leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Corporation is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sublease.

The Corporation is on track on its implementation plan and in the process of finalizing the transition adjustments. The Corporation expects material increases in the assets and liabilities reported on the balance sheet. In addition, the Corporation expects the statement of earnings to be impacted for the amortization of right-of-use assets and interest expense, with corresponding decreases in operating and administrative expenses. Under the new standard, cash outflows for repayment of the principal portion of the lease liability will be classified as cash flows from financing activities. The interest portion of the lease payments will continue to be classified as cash flows from operating activities.

Uncertainty over Income Tax Treatments

In June 2017, IASB issued IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23"), which clarifies application of recognition and measurement requirements in IAS 12, *Income Taxes* when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Corporation is in the process of evaluating the impact that IFRIC 23 may have on the Corporation's consolidated financial statements.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

In February 2018, the IASB issued amendments to IAS 19, *Employee Benefits* ("IAS 19") which address the accounting for plan amendments, curtailments or settlements during the reporting period. The amendments to IAS 19 require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and to recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendments apply to plan amendments, curtailments or settlements that occur on or after January 1, 2019, with earlier application permitted. The amendments will have an impact on the Corporation's consolidated financial statements when there are plan amendments, curtailments or settlements after the effective date.

Annual Improvements to IFRS Standards 2015–2017

In December 2017, IASB issued the following amendments from the 2015-2017 annual improvement cycle.

IFRS 3 Business Combination

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities

of the joint operation at fair value. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019. Earlier application is permitted. These amendments will apply on business combinations of the Corporation after January 1, 2019.

IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The Corporation does not expect these amendments will have an impact on the Corporation's consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

	December 31 2018	December 31 2017
Cash on hand	**3,795**	14,625
Short-term deposits	**59,521**	25,769
	63,316	40,394

Bank balances and short-term deposits comprise cash held by the Corporation on a short-term basis with original maturity of one month or less. The carrying amount of these assets approximates their fair value.

4. RESTRICTED CASH

Restricted cash was nil as at December 31, 2018. The balance of $3,233 as of December 31, 2017 relates to amounts deposited in escrow accounts in connection with the acquisitions completed in 2015.

5. TRADE AND OTHER RECEIVABLES

	December 31 2018	December 31 2017 Restated (note 2)
Trade receivables	**167,267**	154,409
Less allowance for doubtful accounts	**388**	725
Net trade receivables	**166,879**	153,684
Other receivables	**21,018**	16,009
	187,897	169,693

The following table presents the aging of gross trade receivables:

	Current	Less than 90 days	91-181 days	182-365 days	More than 365 days	Total
December 31, 2017	146,261	7,140	703	132	173	154,409
December 31, 2018	**155,753**	**10,198**	**654**	**645**	**17**	**167,267**

6. CONTRACT BALANCES

	December 31 2018	December 31 2017	January 1 2017
Contract assets	**66,436**	46,196	44,426
Contract liabilities	**(9,029)**	(7,273)	(8,918)
Net contract balances	**57,407**	38,923	35,508

Contract assets relate to the Corporation's right to consideration for performance completed under the contract and not billed. The contract assets are transferred to trade and other receivables when the right to consideration becomes unconditional. Contract liabilities relate to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as (or when) the Corporation performs under the contract. Contract liabilities are included in the accounts payable, accrued liabilities and provision line on the consolidated statement of financial position.

Revenue recognized in the period from:

	2018	2017
Amounts included in contract liabilities at the beginning of the year	**6,602**	7,833

7. INVENTORIES

	Raw materials	Work in progress	Finished goods	Total
At December 31, 2017 Restated (note 2)	60,721	80,047	30,286	171,054
At December 31, 2018	**68,006**	**84,871**	**22,205**	**175,082**

The cost of inventories recognized as expense and included in cost of sales for the year ended December 31, 2018 amounted to $792,040 [2017 – $756,470].

During the year ended December 31, 2018, the Corporation recorded an impairment expense related to the write-down of inventory in the amount of $1,078 [2017 – $1,856]. The Corporation also recorded reversals of previous write-downs of inventory in the amount of $1,807 [2017 – $2,275] due to the sale of inventory previously provided for. The carrying amount of inventory recorded at net realizable value was $22,276 as at December 31, 2018 [2017 – $26,529], with the remaining inventory recorded at cost.

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Tooling	Total
Cost					
At December 31, 2016	14,863	133,360	566,156	49,274	763,653
Additions	4,215	3,840	51,439	2,310	61,804
Disposals and other	(518)	(8,416)	(3,081)	–	(12,015)
Foreign currency translation	(633)	(2,051)	(13,861)	(2,795)	(19,340)
At December 31, 2017	17,927	126,733	600,653	48,789	794,102
Additions	389	7,953	37,327	1,193	46,862
Disposals and other	–	(38)	(5,856)	(525)	(6,419)
Foreign currency translation	610	4,041	26,325	3,627	34,603
At December 31, 2018	**18,926**	**138,689**	**658,449**	**53,084**	**869,148**
Accumulated depreciation and impairment					
At December 31, 2016	–	(50,527)	(280,127)	(43,174)	(373,828)
Depreciation	–	(3,445)	(27,405)	(2,354)	(33,204)
Disposal and other	–	943	1,880	–	2,823
Foreign currency translation	–	1,069	8,454	2,439	11,962
At December 31, 2017	–	(51,960)	(297,198)	(43,089)	(392,247)
Depreciation	–	(3,757)	(28,681)	(2,175)	(34,613)
Disposal and other	–	2	4,769	462	5,233
Foreign currency translation	–	(1,576)	(13,841)	(3,226)	(18,643)
At December 31, 2018	**–**	**(57,291)**	**(334,951)**	**(48,028)**	**(440,270)**
Net book value					
At December 31, 2017	17,927	74,773	303,455	5,700	401,855
At December 31, 2018	**18,926**	**81,398**	**323,498**	**5,056**	**428,878**

As at December 31, 2017 and 2018, the Corporation did not have any assets under finance lease.

Included in the above are assets under construction in the amount of $21,527 [December 31, 2017–$13,343], which as at December 31, 2018 are not amortized.

In 2017, the Corporation sold land and building (the “Property”) located at 3160 Derry Road, Mississauga, Ontario, Canada to a third party and entered into a contract to lease the building for a two-year period. The Corporation has also agreed to lease a new facility for a 12-year period, with three renewal periods of five years each, which will be constructed by the buyer on the existing site. The facility rationalization was driven by the need to improve the Corporation’s manufacturing efficiencies, operational performance, profit margins and cash flow. The sale generated net cash proceeds of approximately $32,662 and resulted in a gain of $26,593 on sale of the Property recognized by the Corporation.

Costs associated with the sale are summarized below:

Disposal of non-current assets	8,968
Severance and other	990
	9,958

Disposal of non-current assets consists of the derecognition of the Property of $6,068 and equipment impairment charges of $2,900 that reduced the carrying amount of the equipment to the recoverable amount, which is based on their fair value less costs of disposal. The fair value less costs of disposal was determined by using inputs based on observable market data for identical assets and liabilities, and therefore, was categorized within Level 2 of the fair value hierarchy.

Severance relates to severance and other termination benefits that are calculated based on long-standing benefit practices, local statutory requirement and, in certain cases, voluntary termination arrangements. Other relates to costs of dismantling equipment that is no longer intended for use. Severance and other costs have been recorded as long-term liabilities on the consolidated statements of financial position.

9. INVESTMENT PROPERTIES

	Cost	**Accumulated depreciation, disposal and impairment**	**Net book value**
At December 31, 2017	9,286	(6,872)	2,414
At December 31, 2018	**9,353**	**(7,048)**	**2,305**

The Corporation's investment properties consist of land and building. Depreciation expense recognized in relation to the buildings in 2018 was $158 [2017 – $258]. The Corporation recorded rental income of $600 in 2018 [2017 – $864]

The fair value of the Corporation's investment properties was $15,892 at December 31, 2018. The fair value was determined through the use of the market comparable approach and discounted cash flows approach which are categorized as a Level 3 in the fair value hierarchy. In 2018, the Corporation obtained opinions from external valuators, with experience in the real estate market, on the fair value of $15,000 of the total fair values of the Corporation's investment properties.

On September 29, 2017, the Corporation sold one of its investment properties located in Winnipeg, Manitoba for proceeds of $3,900 and recorded a gain of $2,183 on disposal of the asset.

10. INTANGIBLE ASSETS AND GOODWILL

	Technology rights	Development costs	Other intangibles	Total intangible assets	Goodwill	Total intangible assets and goodwill
Cost						
At December 31, 2016	39,427	121,728	26,781	187,936	33,797	221,733
Additions	5,811	1,617	–	7,428	–	7,428
Foreign currency translation	(132)	(2,209)	58	(2,283)	(356)	(2,639)
At December 31, 2017	45,106	121,136	26,839	193,081	33,441	226,522
Additions	–	3,839	4,835	8,674	–	8,674
Foreign currency translation	164	3,791	1,117	5,072	1,663	6,735
At December 31, 2018	**45,270**	**128,766**	**32,791**	**206,827**	**35,104**	**241,931**
Depreciation and impairment						
At December 31, 2016	(29,952)	(86,308)	(4,233)	(120,493)	–	(120,493)
Depreciation	(1,604)	(8,637)	(2,766)	(13,007)	–	(13,007)
Foreign currency translation	84	1,911	(81)	1,914	–	1,914
At December 31, 2017	(31,472)	(93,034)	(7,080)	(131,586)	–	(131,586)
Depreciation	(1,779)	(4,178)	(2,847)	(8,804)	–	(8,804)
Foreign currency translation	(111)	(3,291)	(290)	(3,692)	–	(3,692)
At December 31, 2018	**(33,362)**	**(100,503)**	**(10,217)**	**(144,082)**	**–**	**(144,082)**
Net book value						
At December 31, 2017	13,634	28,102	19,759	61,495	33,441	94,936
At December 31, 2018	**11,908**	**28,263**	**22,574**	**62,745**	**35,104**	**97,849**

Technology rights relate to an agreement which permits the Corporation to manufacture aerospace engine components and share in the revenue generated by the final sale of the engine.

The Corporation has certain programs that meet the criteria for deferral and amortization of development costs. Development costs are capitalized for clearly defined, technically feasible technologies which management intends to produce and promote to an identified future market, and for which resources exist or are expected to be available to complete the project. The Corporation records amortization in arriving at the carrying value of deferred development costs once the development activities have been completed and sales of the related product have commenced. The Corporation estimates the intangible assets to be amortized over a period of 1 to 20 years based on units of production.

Other intangibles relate to application software, customer lists, brands and technical processes. Application software will be amortized over a 10 year period, customer lists will be amortized over a 5 year period and technical processes will be amortized over a 15 year period. Brands of $9,114 (£5,226) with indefinite useful lives assets are not subject to amortization.

As described in note 1, the carrying values of goodwill and intangible assets with indefinite lives are tested for impairment annually. The Corporation's impairment test for goodwill and intangible assets with indefinite useful lives was based on the recoverable amount determined on its value in use. The key assumptions used to determine the recoverable amount are discussed below. The Corporation completed the annual impairment test on October 1, 2018 and determined there was no impairment. The results of the annual impairment test indicate that the fair values of the reporting units are in excess of their carrying values.

In the assessment of impairment, management used industry guidance, historical data and past experience as the key assumptions in the determination of the recoverable amount of the two CGUs. The value in use was determined based on the present value of the estimated free cash flows for the two CGUs. The cash flow projections, covering a five year period plus a terminal year, were based on financial projections approved by management using assumptions that reflect the Corporation's most likely planned course of action, given management's judgment of the most probable set of economic conditions. A discount rate of 12.3% and 11.0% per annum was used for the two CGUs, respectively, based on management's best estimate of the Corporation's weighted average cost of capital adjusted for the risks facing the CGU. Annual growth rate of 2% and 3% was used in the terminal year given the businesses' anticipated growth. The recoverable amount was determined to be higher than the carrying value including the goodwill. If the discount rate for the CGUs is increased by 1%, the recoverable amount for both CGUs would be less than the carrying value.

11. INVESTMENTS IN JOINT VENTURES

The Corporation has interests in a number of individually non-material joint ventures. The Corporation's joint ventures are private entities that are not listed on any public exchange. All operations are continuing. To support the activities of certain joint ventures, the Corporation and the other investors in the joint ventures have agreed to make additional contributions, in proportion to their interests, to make up any losses, if required. In addition, profits of the joint ventures are not distributed until the parties to the arrangement provide consent for distribution. The Corporation has no share of any contingent liabilities or capital commitments in its joint ventures as at December 31, 2018 and December 31, 2017.

	December 31 2018	December 31 2017
Balance, beginning of the year	**6,815**	6,484
Share of total comprehensive income	**669**	331
Balance, end of the year	**7,484**	6,815

Subsequent to the year end, the Corporation acquired an additional 26% of the issued and outstanding shares of the capital stock of Triveni Aeronautics Private Limited to obtain a 75% ownership.

12. BANK INDEBTEDNESS

On September 13, 2018, the Corporation amended its credit agreement with its existing lenders. The Corporation has a multi-currency operating credit facility with a syndicate of banks, with a Canadian dollar limit of $75,000. Under the terms of the amended credit agreement, the operating credit facility expires on September 13, 2020. Extensions of the facility are subject to mutual consent of the syndicate of lenders and the Corporation. The credit agreement also includes a $75,000 uncommitted accordion provision which will provide the Corporation with the option to increase the size of the operating credit facility. As at December 31, 2018, the Corporation was debt-free under its credit facility. Bank indebtedness bears interest at the bankers' acceptance or LIBOR rates plus 1.20%. At December 31, 2018, the Corporation had letters of credit outstanding totalling $3,912 such that $71,088 was unused and available. A fixed and floating charge debenture on accounts receivable, inventories and property, plant and equipment is pledged as collateral for the operating credit facility.

13. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND PROVISIONS

	December 31 2018	December 31 2017 Restated (note 2)
Accounts payables	**86,754**	84,677
Accrued liabilities	**55,981**	60,202
Contract liabilities [note 6]	**9,029**	7,273
Provisions [note 16]	**2,643**	2,125
	154,407	154,277

14. LONG-TERM DEBT

	December 31 2018	December 31 2017
Property mortgages [a]	**769**	13,789
Other loans [b]	**10,811**	12,572
	11,580	26,361
Less current portion	**2,516**	15,159
	9,064	11,202

[a] Property mortgages include $769 (£441) [2017 – $1,050 (£619)] of financing of certain land acquired in 2006. This same land is collateral for this mortgage and the mortgage bears interest at bank rate plus 0.90%, which at December 31, 2018 was 1.4% [2017 – 1.4%]. The property mortgage requires scheduled monthly repayments of accrued interest and principal and matures in June 2021.

The Corporation had a five year fixed rate term mortgage, with accrued interest and principal paid monthly. The mortgage is secured by certain land and building. The principal amount outstanding at December 31, 2017 was $12,739 and was repaid on February 1, 2018.

[b] Other loans include loans of $10,811 [2017 – $12,572] provided by governmental authorities (“Government Loans”) that bear interest of approximately 2.38% [2017 – 1.38%]. The Government Loans mature April 2024 with accrued interest and principal repayable monthly.

Included in other loans were bank loans (“Commercial Loans”) used to finance equipment over a ten year period maturing between December 2020 and December 2022. The Commercial Loans required scheduled monthly repayments of accrued interest and principal and were repaid in August 2017.

15. BORROWINGS SUBJECT TO SPECIFIC CONDITIONS

The Corporation has received proceeds related to the development of its technologies and processes from Canadian government agencies. The contributions have been deducted in calculating the Corporation’s investment in intangible assets, property plant and equipment or from the expense to which they relate. These amounts, plus, in certain cases, an implied return on the investment, are repayable as a percentage of the Corporation’s revenues. The Corporation has included in borrowings subject to specific conditions the estimated amount of repayments in relation to the contributions received.

During 2018, the Corporation received $2,847 [2017 – $3,638] of government proceeds, of which $1,486 [2017 – $2,023] has been credited to the related assets, $190 [2017 – $66] has been credited to the related expense and $1,171 [2017 – $1,549] has been recorded in borrowings subject to specific conditions.

The proceeds are repayable as future royalty payments; a liability is recorded for the amounts received that will be repaid based on future estimated sales. During 2018, the Corporation repaid $1,021 [2017 – $190]. As at December 31, 2018, the Corporation recognized $25,427 [2017 – $25,162] as the amount repayable. The Corporation is eligible for additional government proceeds of $6,476 for the period from January 1, 2019 to March 31, 2020 based on approved expenditures.

16. OTHER LONG-TERM LIABILITIES AND PROVISIONS

	December 31 2018	December 31 2017
Net defined benefit plan deficits [note 22]	**12,012**	5,958
Provisions	**5,507**	5,601
Other	**4,792**	5,719
	22,311	17,278
Less current portion included in accounts payable, accrued liabilities and provisions	**2,643**	2,125
	19,668	15,153

The following table presents the movement in provisions:

	Warranty	**Environmental**	**Other provisions**	**Total**
At December 31, 2016	1,898	2,807	953	5,658
Additional provisions	850	–	1,325	2,175
Amount used	(873)	(20)	(509)	(1,402)
Unused amounts reversed	(652)	(50)	–	(702)
Unwind of discount	–	(34)	–	(34)
Foreign currency translation	(47)	–	(47)	(94)
At December 31, 2017	1,176	2,703	1,722	5,601
Additional provisions	606	–	439	1,045
Amount used	(588)	–	(479)	(1,067)
Unused amounts reversed	(157)	(32)	(108)	(297)
Unwind of discount	–	149	–	149
Foreign currency translation	48	–	28	76
At December 31, 2018	**1,085**	**2,820**	**1,602**	**5,507**

Warranty

During the normal course of its business, the Corporation assumes the cost of certain components under warranties offered on its products. This provision for a warranty is based on historical data associated with similar products and is recorded as a current liability. Nevertheless, conditions may change and a significant amount may need to be recorded.

Environmental

Provisions for environment liabilities have been recorded for costs related to site restoration obligations. Due to the long-term nature of the liability, the related long-term portion of the liability is included in long-term liabilities.

Other

This category of provisions includes provisions related to legal, onerous contracts, and other contract related liabilities. The provisions are based on the Corporation's best estimate of the amount of the expenditure required to address the matters.

17. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	December 31 2017	Cash flows	Foreign exchange	Other	**December 31 2018**
Bank indebtedness	–	(264)	–	264	**–**
Debt due within one year	51,834	3,892	1,312	(12,645)	**44,393**
Long-term debt	11,202	(15,165)	25	13,002	**9,064**
Long-term liabilities and provisions	15,153	(945)	299	5,161	**19,668**
Borrowing subject to specific conditions – Non-current	23,866	2,088	–	(1,444)	**24,510**
Borrowing subject to specific conditions – Current	1,296	(786)	–	407	**917**
Total	103,351	(11,180)	1,636	4,745	**98,552**

The "Other" column includes the effect of reclassification of non-current portion of interest bearing loans, borrowings and deferred revenues, allocation of borrowing subject to specific conditions to the related assets and expenses, changes in defined benefit plans, and the effect of interest accretion on interest bearing loans and borrowings.

18. INCOME TAXES

The following are the major components of income tax expense:

	2018	2017 Restated (note 2)
Current income tax expense		
Current tax expense for the year	**9,402**	15,557
	9,402	15,557
Deferred income tax expense		
Origination and reversal of temporary differences	**15,709**	11,910
Impact of tax law changes	**(51)**	(9,836)
	15,658	2,074
Total income tax expense	**25,060**	17,631

The Corporation's consolidated effective tax rate for the year ended December 31, 2018 was 21.9% [2017 – 13.9%]. The difference in the effective tax rates compared to the Corporation's statutory income tax rates were mainly caused by the following:

	2018	2017 Restated (note 2)
Income before income taxes	**114,180**	127,119
Income taxes based on the applicable tax rate of 25.8% in 2018 and 2017	**29,458**	32,797
Adjustment to income taxes resulting from:		
Adjustments in respect of prior years	**393**	59
Permanent differences and other	**(153)**	(732)
Non-taxable portion of capital gains	**–**	(3,252)
Income tax rates differentials on income of foreign operations	**(4,582)**	(1,269)
Changes in income tax rates	**(56)**	(9,972)
Income tax expense	**25,060**	17,631

The increase in the effective corporate tax rate from 2017 is primarily attributable to a significant reduction in the United States Federal corporate income tax rate from 35% to 21% necessitated by the Tax Cuts and Jobs Act being signed into legislation in December 2017. As a result of the re-measurement of the Corporation's deferred tax assets and liabilities in the United States, the Corporation recorded a tax benefit of approximately $9,972. Additionally, a portion of the capital gains realized on the sale of property during 2017 was not taxable resulting in a reduction of the current tax expense by approximately $3,252.

Changes in the deferred tax components are adjusted through deferred income tax expense except for $10,048 [2017–$8,958] of investment tax credits which is adjusted through cost of revenues and $1,857 [2017 – $183] for employee future benefits which is adjusted through other comprehensive income.

The following are the major components of deferred tax assets and liabilities:

	December 31 2018	December 31 2017 Restated (note 2)
Operating loss carry forwards	**(47)**	3,808
Investment tax credits	**23,630**	26,465
Employee future benefits	**3,596**	2,036
Property, plant and equipment and intangibles	**(51,510)**	(46,546)
Other	**2,559**	979
Deferred tax liabilities	**(21,772)**	(13,258)

For the purposes of the above table, deferred tax assets are shown net of offsetting deferred tax liabilities where these occur in the same entity and jurisdiction, as follows:

	December 31 2018	December 31 2017 Restated (note 2)
Deferred tax assets	**11,393**	13,823
Deferred tax liabilities	**(33,165)**	(27,081)

The temporary difference associated with investments in subsidiaries and joint ventures, for which a deferred tax liability has not been recognized aggregates to $665,193 [2017 – $572,030].

19. SHARE CAPITAL

The authorized capital of the Corporation consists of an unlimited number of preference shares, issuable in series of which none are outstanding, and an unlimited number of common shares, with no par value.

Common shares

	Number	**Amount**
Issued and fully paid:		
Outstanding at December 31, 2018 and December 31, 2017	**58,209,001**	254,440

Net income per share

	2018	2017
Net Income	**89,120**	109,488
Weighted average number of shares	**58,209,001**	58,209,001
Basic and diluted net income per share	**1.53**	1.88

Dividends declared

On March 30, 2018, June 29, 2018, and September 28, 2018 the Corporation paid quarterly dividends on 58,209,001 common shares of $0.085 per common share, amounting to $14,843. On December 31, 2018 the Corporation paid quarterly dividends on 58,209,001 common shares of $0.10 per common share, amounting to $5,821.

For the year ended December 31, 2017, the Corporation declared and paid dividends on common shares on March 31, 2017, June 30, 2017 and on September 30, 2017 of $0.065 per share amounting to $11,351 and on December 29, 2017 of $0.085 per share amounting to $4,948.

Subsequent to December 31, 2018, the Corporation declared dividends to holders of common shares in the amount of $0.10 per common share payable on March 29, 2019, for shareholders of record at the close of business on March 22, 2019.

20. STOCK-BASED COMPENSATION PLAN

The Corporation has an incentive stock option plan, which provides for the granting of options for the benefit of employees and directors. The options include a cash option feature that allows option holders to elect to receive an amount in cash equal to the intrinsic value, being the excess market price of the common share over the exercise price of the option,

instead of exercising the option and acquiring the common shares. Options are granted at an exercise price equal to the market price of the Corporation's common shares at the time of granting. Options normally have a life of five years with vesting at 20.0% at the end of the first, second, third, fourth and fifth years from the date of the grant. In addition, certain business unit income tests must be met in order for the option holder's entitlement to fully vest. As at December 31, 2018 and December 31, 2017, there were no options granted and outstanding. The maximum number of options for common shares that is available to be granted under this plan is 1,673,341.

The Corporation has a deferred share unit plan ("DSU Plan") for certain executive officers ("Officers") which provides a structure for Officers to accumulate equity-like holdings in the Corporation. The DSU Plan allows certain Officers to participate in the growth of the Corporation by providing a deferred payment based on the value of a common share at the time of redemption. Each Officer receives deferred share units ("Units") based on their annual management incentive compensation. The Units are issued based on the Corporation's common share price at the time of issue. A third of the Units are vested and paid upon issuance and the remaining Units are vested and paid out equally on the anniversary date of issuance in the following two year periods or upon retiring. The cash value is equal to the common share price at the date of redemption, adjusted by any dividends paid on the common shares. For Units granted subsequent to May 1, 2016 a Total Shareholder Return ("TSR") performance element was introduced to reinforce the connection between remuneration and the interests of Shareholders, by motivating and rewarding participants for improving the long-term value of the Corporation. One third of the cash payment of the Units awarded for calendar 2016 and calendar years thereafter is made May 1 of the first calendar year following the date of the grant of the Units, another one third of cash payment is made May 1 of the second calendar year following the date of grant of the Units, and the remaining one third cash payment is made May 1 of the third calendar year following the date of grant of the Units. The number of Units that will actually vest ranges from 0% to 200% of the award remuneration granted and will be determined by the Corporation's three year TSR relative to a comparator group. The value each Officer ultimately receives would be determined by the number of Units earned, multiplied by the fair market value of the common share at the end of the performance period. As at December 31, 2018, 65,744 Units were outstanding at an accrued value of $584 [December 31, 2017 – $523]. The Corporation recorded compensation expense in relation to the plans during the year of $168 [2017 – $433].

21. FINANCIAL INSTRUMENTS

Categories of financial instruments

Under IFRS, financial instruments are classified into one of the following categories: financial assets/financial liabilities at fair value through profit or loss, and financial assets/financial liabilities at amortized costs.

All financial instruments, including derivatives, are included on the consolidated statement of financial position, which are measured at fair value except for financial assets and liabilities measured at amortized costs.

The carrying values of the Corporation's financial instruments are classified as follows:

	Financial assets at fair value through profit or loss[1]	Financial assets at amortized cost[2]	Total financial assets	Financial liabilities at fair value through profit of loss[3]	Financial liabilities at amortized cost[4]	Total financial liabilities
December 31, 2017	43,627	169,693	213,320	–	231,781	231,781
December 31, 2018	**63,316**	**187,897**	**251,213**	**849**	**219,853**	**220,702**

[1] Includes cash and cash equivalents and restricted cash
[2] Includes trade receivables and other receivables
[3] Includes derivatives contracts financial liabilities
[4] Includes bank indebtedness, accounts payable and accrued liabilities, long-term debt, borrowings subject to specific conditions and trade receivables securitization transactions

The Corporation has exposure to the following risks from its use of financial instruments:
- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Corporation's risks to each of the above risks, its objectives, policies and processes for measuring and managing risk.

Market risk
Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates, will affect the Corporation's income or the value of its holdings of financial instruments. The Corporation's policy is not to utilize derivative financial instruments for trading or speculative purposes. The Corporation may utilize derivative instruments in the management of its foreign currency and interest rate exposures.

The Corporation thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include currency risk, interest rate risk, credit risk and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors of the Corporation.

Currency risk
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 rate ("transaction exposures") 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 ("translation exposures"). The Corporation uses derivative financial instruments to manage foreign exchange risk with the objective of minimizing transaction exposures and the resulting volatility of the Corporation's net income.

The most significant transaction exposures arise in the Canadian operations where significant portions of the revenues are transacted in US dollars. As a result, the Corporation may experience transaction exposures because of the volatility in the exchange rate between the Canadian and US dollar. Based on the Corporation's current US denominated net inflows as of December 31, 2018, fluctuations of +/- 1% would, everything else being equal, have an effect on net income for the year ended December 31, 2018 of approximately +/- $23. The Corporation may experience translation exposures on the consolidation of its US and European subsidiaries. Fluctuations of +/- 1% in the US dollar and British pound would, everything else being equal, have an effect on other comprehensive income of approximately $5,169.

Interest rate risk

The Corporation is exposed to interest rate risk in its floating rate bank indebtedness. As at December 31, 2018, $11,580 of the Corporation's total debt portfolio is subject to movements in floating interest rates. In addition, a portion of the Corporation's trade receivables securitization programs are exposed to interest rate fluctuations. The objective of the Corporation's interest rate management activities is to minimize the volatility of the Corporation's income. The Corporation monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk. A fluctuation in interest rates of 100 basis points (1%) would have impacted the amount of interest charged to net income during the year ended December 31, 2018 by approximately +/- $586.

Credit risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions as well as credit exposure to clients, including outstanding trade receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing credit risk is to prevent losses in financial assets. The Corporation is also exposed to credit risk from the potential default by any of its counterparties on its foreign exchange forward contracts. The Corporation mitigates this credit risk by dealing with counterparties who are major financial institutions that the Corporation anticipates will satisfy their obligations under the contracts.

The Corporation, in the normal course of business, is exposed to credit risk from its customers, substantially all of which are in the aerospace industry. The Corporation sells the majority of its products to large international organizations with strong credit ratings. Therefore, the Corporation is not exposed to significant credit risk and overall the Corporation's credit risk has not changed significantly from the prior year.

The carrying amount of trade receivables is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of income within administrative and general expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against administrative and general expenses.

Derecognition of financial assets

The Corporation sells a portion of its trade receivables through securitization programs or factoring transactions. During 2018, the Corporation sold receivables to various financial institutions in the amount of $314,117 [2017 – $310,037] for a discount of $2,224 [2017 – $1,665] representing an annualized interest rate of 3.21% [2017 – 2.30%].

As at December 31, 2018, trade receivables include receivables sold and financed through securitization transactions of $41,877 [2017 – $36,675] which do not meet the IAS 39 derecognition requirements as the Corporation continues to be exposed to credit risk. These receivables are recognized as such in the consolidated financial statements even though they have been legally sold; a corresponding financial liability is recorded in the consolidated statement of financial position under debt due within one year.

Liquidity risk

The Corporation's objective in managing liquidity risk is to ensure that there are sufficient committed loan facilities in order to meet its liquidity requirements at any point in time. The Corporation has in place a planning and budgeting process to help determine the funds required to support the Corporation's normal operating requirements on an ongoing basis, taking into account its anticipated cash flows from operations and its operating facility capacity. The primary sources of liquidity are the operating credit facility, trade receivables securitization program and cash provided by operations. 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 costs for 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.

Contractual maturity analysis

The following table summarizes the contractual maturity of the Corporation's financial liabilities. The table includes both interest and principal cash flows.

	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter	Total
Long-term debt[1]	44,393	2,479	2,294	2,160	2,160	720	54,206
Equipment leases	593	292	251	197	74	4	1,411
Facility leases	5,283	3,412	3,400	3,203	3,227	17,948	36,473
Other long-term liabilities	141	260	234	208	143	1,196	2,182
Borrowings subject to specific conditions	917	603	765	788	792	21,562	25,427
	51,327	7,046	6,944	6,556	6,396	41,430	119,699
Interest payments	259	202	147	96	45	4	753
Total	51,586	7,248	7,091	6,652	6,441	41,434	120,452

[1] The amount drawn $41,877 on the Corporation's trade receivables securitization program is included in long-term debt in the Year 1 category

Fair values

The Corporation has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgement is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Corporation could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described as follows:

Cash and cash equivalents, trade receivables, bank indebtedness and accounts payable and accrued liabilities

Due to the short period to maturity of these instruments, the carrying values as presented in the consolidated statements of financial position are reasonable estimates of their fair values.

Foreign exchange contracts

The Corporation enters into forward foreign exchange contracts to mitigate future cash flow exposures in US dollars and Euros. 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 Euros. The Company had forward foreign exchange contracts outstanding as at December 31, 2018 as follows:

	Amount	Floor	Ceiling
Maturity – 1 to 2 years – US dollar	41,000	1.2850	1.3263

As at December 31, 2018, the fair value of the outstanding foreign exchange contracts financial liabilities was $849, which was categorized within Level 2 of the fair value hierarchy. The corresponding unrealized loss was recorded in Other in the consolidated statement of income.

Long-term debt

The carrying amount of the Corporation's long-term debt of $11,580 would approximate its fair value at December 31, 2018.

Borrowings subject to specific conditions

The Corporation has recognized $24,510 as the amount repayable to Canadian government agencies. The contributions are repayable as future royalty payments; a liability is recorded for the amounts received that will be repaid based on future estimated sales.

Collateral
As at December 31, 2018, the carrying amount of all of the financial assets that the Corporation has pledged as collateral for its long-term debt facilities was $53,457.

Fair value hierarchy
The Corporation's financial assets and liabilities recorded at fair value on the consolidated statement of financial position have been categorized into three categories based on a fair value hierarchy. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

22. EMPLOYEE FUTURE BENEFITS

The Corporation provides retirement benefits through a variety of arrangements comprised principally of defined benefit and defined contribution plans that cover a substantial portion of employees in accordance with local regulations and practices. The most significant plans in terms of the benefits accrued to date by participants are career average and final average earnings plans and around 100% of the obligations accrued to date come from defined benefit plans in Canada.

Defined Benefit Plans
Canada
The Canadian defined benefit plans comprise of both career average and final average earnings plans which provide benefits to members in the form of a guaranteed level of pension payable for life. A majority of the plans are currently closed to new entrants. The level of pensions in the defined benefit plans depends on the member's length of service and salary at retirement age for final average earnings plans and salary during employment for career average plans. The defined benefit pension plans require contributions to be made to a separate trustee-administered fund which is governed by the Corporation. The Corporation is responsible for the administration of the plans assets and for the definition of the investment strategy. The Corporation reviews the level of funding in the defined benefit pension plans on an annual basis as required by local government legislation. Such review includes the asset-liability matching strategy and investment risk management policy. Actuarial valuations are required at least every three years. Depending on the jurisdiction and the funded status of the plan, actuarial valuations may be required annually. The most recent actuarial valuations for the various pension plans were completed as at December 31, 2017.

Contributions are determined by the appointed actuary and cover the going-concern normal costs and deficits (established under the assumption that the plan will continue to be in force) or solvency deficits (established under the assumption that the plan stops its operations and is being liquidated), as prescribed by laws and actuarial practices. Under the laws in effect, minimum contributions are required to amortize the going-concern deficits over a period of fifteen years and solvency deficits over a period of five years. Temporary solvency relief measures are in place that allow for the amortization of solvency deficits over a period of up to ten years.

Effective January 1, 2014, three pension plans were merged. On July 7, 2017, the Financial Services Commission of Ontario ("FSCO") approved the transfer of the assets and the asset transfer was completed on August 31, 2017. The net impact of the asset transfer on the consolidated results for all plans is nil.

US

The US defined benefit plan provides benefits to members in the form of a guaranteed level of pension payable for life at retirement, and is currently closed to future accrual of benefits. The benefit payments are from a trustee-administered fund and plan assets held in trusts are governed by Internal Revenue Service ("IRS") regulations. Responsibility for governance of the plan, including investment decisions and contribution schedules, is also governed by IRS Regulations and lies with the Corporation. Actuarial valuations are required annually. Contributions are determined by appointed actuaries and cover normal cost and deficits as prescribed by law. Funding deficits are generally amortized over a period of seven years.

Investment Policy

The overall investment policy and strategy for the defined benefit pension plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the risks of the plans. See below for more information about the Corporation's risk management initiatives.

The target asset allocation is determined based on expected economic and market conditions, the maturity profile of the plans' liabilities, the funded status of the respective plans and the plan stakeholders' tolerance to risk. Generally, the Corporation aims to have a portfolio mix of a combined 5% in money market securities, 20% in non-traditional equities, 30% in fixed income instruments and 45% in equity for the Canadian defined benefit plans and a portfolio mix of a combined 5% in cash, 20% in fixed income instruments, 60% in equity and 15% in alternative assets for the US defined benefit plan. As the plans mature and the funded status improves through cash contributions and anticipated excess equity returns, the Corporation intends to reduce the level of investment risk by investing in more fixed-income assets that better match the liabilities.

Risk Management

The Corporation's pension plans are exposed to various risks, including equity, interest rate, inflation, liquidity and longevity risks. Several risk strategies and policies have been put in place to mitigate the impact these risks could have on the funded status of defined benefit plans and on the future level of contributions by the Corporation. The following is a description of key risks together with the mitigation measures in place to address them.

Equity risk

Equity risk is the risk that results from fluctuations in equity prices. This risk is managed by maintaining diversification of portfolios across geographies, industry sectors and investment strategies.

Interest rate risk

Interest rate risk is the risk that results from fluctuations in the fair value of plan assets and liabilities due to movements in interest rates. This risk is managed by reducing the mismatch between the duration of plan assets and the duration of pension obligation.

This is accomplished by having a portion of the portfolio invested in long-term bonds. A decrease in corporate and/or government bond yields will increase plan liabilities, which will be partially offset by an increase in the value of the plans' bond holdings.

Liquidity risk

Liquidity risk is the risk stemming from holding assets which cannot be readily converted to cash when needed for the payment of benefits or to rebalance the portfolios. Liquidity risk is managed through investment in government bonds and equity futures.

Longevity risk

Longevity risk is the risk that increasing life expectancy results in longer-than-expected benefit payments resulting in an increase in the plans' liabilities. This risk is mitigated by using the most recent mortality tables to set the level of contributions.

The Corporation obtains actuarial valuations for its accrued benefit obligations and the fair value of plan assets for accounting purposes under IFRS as at December 31 of each year. In addition, the Corporation estimates movements in its accrued benefit liabilities at the end of each interim reporting period, based upon movements in discount rates and the rates of return on plan assets, as well as any significant changes to the plans. Adjustments are also made for payments made and benefits earned.

Defined Contribution Plans

The Corporation's management, administrative and certain unionized employees may participate in defined contribution pension plans. The Corporation contributes an amount expressed as a percentage of employees' contributions with such percentage varying by group.

The Corporation's expenses for defined contribution plans amounted to $6,247 for the year ended December 31, 2018 [2017 – $5,883].

Other Benefit Plan

The Corporation has another benefit plan in the US which includes retiree medical benefits that contribute to the health care coverage of certain employees and their beneficiaries after retirement. The other benefit plan is currently closed to new entrants. The post-retirement benefits cover all types of medical expenses including, but not limited to, cost of doctor visits, hospitalization, surgery and pharmaceuticals. The other benefit plan also provides for post-employment life insurance and compensated absences for eligible current employees, including vacation to be taken before retirement, if certain age and service requirements are met. The retirees contribute to the costs of the post-retirement medical benefits. The plan is not pre-funded and costs are incurred as amounts are paid.

The Corporation recognized total defined benefit costs related to its defined and other benefit plans as follows:

		2018		2017
	Defined benefit plans	**Other benefit plan**	Defined benefit plans	Other benefit plan
Current service cost	**2,471**	**–**	2,760	–
Net interest cost on net defined benefit liability	**119**	**107**	225	192
Other	**475**	**–**	430	–
Total defined benefit cost recognized in net income	**3,065**	**107**	3,415	192

The re-measurement components recognized in the statement of other comprehensive income for the Corporation's defined benefit plans comprise the following:

		2018		2017
Actuarial losses (gains)	**Defined benefit plans**	**Other benefit plan**	Defined benefit plans	Other benefit plan
Return on pension assets (excluding amounts in net interest on defined benefit schemes)	**14,112**	**–**	(6,592)	–
Based on adjustment of liability assumptions	**(6,477)**	**–**	5,991	–
Due to liability experience adjustment	**(575)**	**–**	84	–
Total defined benefit loss (income) recognized in the statement of other comprehensive income	**7,060**	**–**	(517)	–

The following tables show the changes in the fair value of plan assets and the defined benefit obligation as recognized in the consolidated financial statements for the Corporation's benefit plans:

Changes in benefit plan assets of the Corporation's benefit plans

		2018		2017
	Defined benefit plans	**Other benefit plan**	Defined benefit plans	Other benefit plan
Fair value, beginning of year	**129,806**	**–**	121,776	–
Interest income on plan assets	**4,361**	**–**	4,610	–
Actual return on assets (excluding interest income on plan assets)	**(14,112)**	**–**	6,592	–
Employer contributions	**3,745**	**310**	5,959	161
Employee contributions	**250**	**–**	279	–
Benefit payments	**(8,827)**	**(310)**	(8,155)	(161)
Administration costs	**(704)**	**–**	(580)	–
Exchange differences	**820**	**–**	(675)	–
End of year	**115,339**	**–**	129,806	–

Changes in the benefit plan obligations of the Corporation's benefit plans

		2018		2017
	Defined benefit plans	**Other benefit plan**	Defined benefit plans	Other benefit plan
Beginning of year	**135,295**	**1,094**	130,367	1,139
Current service cost	**2,471**	**–**	2,760	–
Interest cost	**4,480**	**107**	4,835	192
Employee contributions	**250**	**–**	279	–
Actuarial losses (gains) in other comprehensive income from:				
Changes in demographic assumptions	**(308)**	**–**	(553)	–
Changes in financial assumptions	**(6,398)**	**–**	6,394	–
Experience adjustments	**(575)**	**–**	84	–
Benefit payments	**(8,827)**	**(310)**	(8,155)	(161)
Exchange difference	**801**	**85**	(716)	(76)
End of year	**127,189**	**976**	135,295	1,094

Reconciliation of funded status of benefit plans to amounts recorded in the consolidated financial statements

	2018		2017	
	Defined benefit plans	**Other benefit plan**	Defined benefit plans	Other benefit plan
Fair value of plan assets	**115,339**	**–**	129,806	–
Accrued benefit obligation	**(127,189)**	**(976)**	(135,295)	(1,094)
Net defined benefit liability	**(11,850)**	**(976)**	(5,489)	(1,094)
– Included in other long-term liabilities and provisions	**(12,012)**	**(976)**	(5,958)	(1,094)
– Included in other assets	**162**	**–**	469	–

The Corporation expects to contribute approximately $3,496 in 2019 to all its defined benefit plans in accordance with normal funding policy. Because of market driven changes that the Corporation cannot predict, the Corporation could be required to make contributions in the future that differ significantly from its estimates.

Significant assumptions and sensitivity analysis

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations represent management's best estimates reflecting the long-term nature of employee future benefits and are as follows [weighted-average assumptions as at December 31]:

	2018		2017	
	Defined benefit plans	**Other benefit plan**	Defined benefit plans	Other benefit plan
Discount rate	**3.8%**	**4.1%**	3.4%	3.4%
Rate of compensation increase	**2.0%/3.0%**	**–**	2.0%/3.0%	–
Mortality Table				
Canadian defined benefit plans		**Club Vita Canada's 2016 VitaCurves, projected with improvement scale CPM-B**		Club Vita Canada's 2016 VitaCurves, projected with improvement scale CPM-B
US defined benefit and other benefit plans		**MP-2014 mortality tables with MP-2018 projections**		MP-2014 mortality tables with MP-2017 projections
Other benefit plan		**MP-2014 mortality tables with MP-2018 projections (with blue collar adjustment)**		MP-2014 mortality tables with MP-2017 projections (with blue collar adjustment)

The discount rate assumption used in determining the obligations for pension and other benefit plans was selected based on a review of current market interest rates of high-quality, fixed rate debt securities adjusted to reflect the duration of expected future cash outflows for pension benefit payments. At December 31, 2018, a 1.0% decrease in the discount rate used (all other assumptions remaining unchanged) could result in a $16,566 increase in the pension benefit obligation with a corresponding charge recognized in other comprehensive income in the year.

The Corporation funds health care benefit costs, shown under other benefit plan, on a pay as you go basis. For measurement purposes, a 6.0% annual rate of increase in the per capita cost of covered health care and dental benefits was assumed for 2018. The impact of applying a one-percentage-point increase or decrease in the assumed health care and dental benefit trend rates as at December 31, 2018 was nominal.

Assets

The weighted average asset allocations of the defined benefit plans at the measurement date, by asset category, are as follows:

	2018	2017
Equity investments	**81%**	84%
Fixed income investments	**16%**	14%
Other investments	**3%**	2%
	100%	100%

Defined benefit pension liability term

	Total
Defined benefits schedule for disbursement within 12 months	7,249
Defined benefits schedule for disbursement within 2-5 years	28,715
Defined benefits schedule for disbursement after 5 years or more	39,567

23. SEGMENTED INFORMATION

Operating segments are defined as components of the Corporation for which separate financial information is available that is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Corporation is the President and Chief Executive Officer. The Corporation operates substantially all of its activities in one reportable segment, Aerospace, which include the design, development, manufacture, repair and overhaul, and sale of systems and components for defence and civil aviation. The Corporation evaluated the performance of its operating segments primarily based on net income before interest and income tax expense. The Corporation accounts for intersegment and related party sales and transfers, if any, at the exchange amount.

The Corporation's primary sources of revenue are as follows:

	2018	2017 Restated (note 2)
Sale of goods	**825,110**	833,519
Services	**141,643**	121,942
	966,753	955,461

Timing of revenue recognition based on transfer of control is as follows:

	2018	2017 Restated (note 2)
At a point of time	**604,871**	622,068
Over time	**361,882**	333,393
	966,753	955,461

The following table presents the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as at December 31, 2018 as we perform under contracts at delivery or recognized over time. The amounts disclosed below represent the value of firm orders only. Such orders may be subject

to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include constrained variable consideration, unexercised options or letters of intent.

Revenues expected to be recognized in:

	2018[1]
Less than 24 months	**605,821**
Thereafter	**40,483**

[1]As permitted under the transactional provision in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of December 31, 2017 is not disclosed.

Geographic segments:

				2018				2017 Restated (note 2)
	Canada	**United States**	**Europe**	**Total**	Canada	United States	Europe	Total
Revenues	**320,838**	**325,739**	**320,176**	**966,753**	305,466	311,315	338,680	955,461
Export revenues[1]	**233,649**	**73,198**	**106,878**	**413,725**	210,361	72,799	108,484	391,644

[1]Export revenue is attributed to countries based on the location of the customers

				2018				2017
	Canada	**United States**	**Europe**	**Total**	Canada	United States	Europe	Total
Property, plant and equipment, intangible assets and goodwill	**189,294**	**185,032**	**152,401**	**526,727**	181,539	174,281	140,971	496,791

24. COST OF REVENUES

	2018	2017 Restated (note 2)
Operating expenses	**772,151**	746,987
Amortization	**42,104**	44,858
Investment tax credits	**(10,048)**	(8,671)
(Reversal) impairment of inventories	**(729)**	(420)
	803,478	782,754

25. ADMINISTRATIVE AND GENERAL EXPENSES

	2018	2017
Salaries, wages and benefits	**35,736**	36,575
Administration and office expenses	**16,717**	18,487
Professional services	**3,179**	2,829
Amortization	**1,705**	1,658
	57,337	59,549

26. INTEREST EXPENSE

	2018	2017
Interest on bank indebtedness and long-term debt [Notes 12 and 14]	**884**	2,435
Accretion charge on long-term debt and borrowings	**1,006**	611
Discount on sale of trade receivables	**2,224**	1,665
	4,114	4,711

27. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) includes unrealized foreign currency translation gains and losses, which arise on the translation to Canadian dollars of assets and liabilities of the Corporation's foreign operations and net actuarial losses on defined benefit pension plans, net of tax. The Corporation recorded unrealized currency translation gain for the year ended December 31, 2018 of $26,171 [2017 – unrealized currency translation losses of $8,411] and net actuarial loss on defined benefit plans of $5,203 [2017 – net actuarial gains of $334]. These gains and losses are reflected in the consolidated statement of financial position and had no impact on net income for the year.

28. RELATED PARTY DISCLOSURE

Transactions with related parties

During the year, the Corporation incurred consulting, and cost recovery fees of $100 [2017 – $100] payable to a corporation controlled by the Chairman of the Board of Directors of the Corporation.

Key management personnel

Key management includes members of the Board of Directors of the Corporation and executive officers, as they have the collective authority and responsibility for planning, directing and controlling the activities of the Corporation. The compensation expense for key management for services is as follows:

	2018	2017
Short-term benefits	**3,185**	2,863
Post-employments benefits	**160**	133
Share-based payments	**242**	144
	3,587	3,140

Short-term benefits include cash payments for base salaries, bonuses and other short-term cash payments. Post-employment benefits include the Corporation's contribution pension plan and pension adjustment for defined benefit plan. Share-based payments include amounts paid to Officers under the DSU Plan.

29. SUPPLEMENTARY CASH FLOW INFORMATION

	2018	2017 Restated (note 2)
Net change in non-cash working capital		
Trade receivables	**(13,224)**	6,766
Contract assets	**(18,335)**	15,791
Inventories	**1,868**	2,658
Prepaid expenses and other	**(5,412)**	3,992
Accounts payable, accrued liabilities and provisions	**(6,046)**	(24,618)
	(41,149)	4,589
Interest paid	**3,089**	3,930
Income taxes paid	**7,699**	11,903

30. ADDITIONAL FINANCIAL INFORMATION

Included in other expenses is a foreign exchange gain of $2,993 [2017 – $6,034 loss] on the conversion of foreign currency denominated working capital balances and debt.

In 2018, the Corporation recognized a gain of $10,651 million in relation to a prior acquisition.

31. MANAGEMENT OF CAPITAL

The Corporation's objective is to maintain a capital base sufficient to maintain investor, creditor and market confidence and to sustain future development of the business. Management defines capital as the Corporation's shareholders' equity and interest bearing debt.

As at December 31, 2018, total managed capital was $841,130, comprised of shareholders' equity of $787,673 and interest-bearing debt of $53,457.

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. In order to maintain or adjust its capital structure, the Corporation, upon approval from its Board of Directors, may issue or repay long-term debt, issue shares, repurchase shares through the normal course issuer bid, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets. 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 costs for 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. There were no changes in the Corporation's approach to capital management during the year.

The Corporation must adhere to covenants in its operating credit facility. As at December 31, 2018 the Corporation was in compliance with these covenants.

32. CONTINGENT LIABILITIES AND COMMITMENTS

In the ordinary course of business activities, the Corporation may be contingently liable for litigation and claims with, among others, customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Although, it is not possible to accurately estimate the extent of the potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Corporation.

As at December 31, 2018, capital commitments in respect of purchase of property, plant and equipment totalled $6,350, all of which had been ordered. There were no other material capital commitments at the end of the year.

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

EXECUTIVE OFFICERS

N. Murray Edwards
Chairman

Phillip C. Underwood
President and
Chief Executive Officer

Elena M. Milantoni
Chief Financial Officer

Hyden R. Martin
Vice President,
Business Development,
Marketing and Contracts

Jim G. Powell
Vice President,
Mergers and Acquisitions

Jo-Ann C. Ball
Vice President,
Human Resources

Karen Yoshiki-Gravelsins
Vice President,
Corporate Stewardship and
Operational Excellence

Mark Allcock
Vice President,
Information Technology, and
Transformation

Craig A. Vaughan
Corporate Secretary

BOARD OF DIRECTORS

N. Murray Edwards (5)
Chairman
Magellan Aerospace Corporation
Mississauga, Ontario

Phillip C. Underwood
President and Chief Executive Officer
Magellan Aerospace Corporation
Mississauga, Ontario

Beth M. Budd Bandler (1, 2, 4)
President
Beth Bandler Professional Corporation
Toronto, Ontario

Hon. William G. Davis P.C., C.C., Q.C. (3)
Counsel
Davis Webb LLP
Brampton, Ontario

William A. Dimma C.M., O. Ont. (1)
Corporate Director
Toronto, Ontario

Bruce W. Gowan (1, 2, 3, 5)
Corporate Director
Huntsville, Ontario

Larry G. Moeller (4)
President
Kimball Capital Corporation
Calgary, Alberta

Steven Somerville (1, 2, 3, 4, 5)
President
Kerr Industries Limited
Oshawa, Ontario

COMMITTEES OF THE BOARD

(1) Audit Committee
Chairman:
Bruce W. Gowan

(2) Governance and Nominating Committee
Chairman:
Bruce W. Gowan

(3) Human Resources and Compensation Committee
Chairman:
Steven Somerville

(4) Environmental and Health & Safety Committee
Chairman:
Beth M. Budd Bandler

(5) Pension Committee
Chairman:
Steven Somerville

OPERATING FACILITIES DIRECTORY & SHAREHOLDER INFORMATION

CANADA

660 Berry Street,
Winnipeg, Manitoba R3H 0S5
Tel: 204 775 8331

3160 Derry Road East,
Mississauga, Ontario L4T 1A9
Tel: 905 673 3250

634 Magnesium Road,
Haley, Ontario K0J 1Y0
Tel: 613 432 8841

975 Wilson Avenue,
Kitchener, Ontario N2C 1J1
Tel: 519 893 7575

UNITED STATES

97–11 50th Avenue,
New York, New York 11368
Tel: 718 699 4000

25 Aero Road,
Bohemia, New York 11716
Tel: 631 589 2440

165 Field Street,
West Babylon, New York 11704
Tel: 631 694 1818

20 Computer Drive,
Haverhill, Massachusetts 01832
Tel: 978 774 6000

2320 Wedekind Drive,
Middletown, Ohio 45042
Tel: 513 422 2751

5170 West Bethany Road,
Glendale, Arizona 85301
Tel: 623 931 0010

5401 West Luke Avenue,
Glendale, Arizona 85311
Tel: 623 939 9441

UNITED KINGDOM

Davy Way, Llay Industrial Estate,
Llay, Wrexham LL12 0PG
Tel: 01978 856600

Miners Road, Llay Industrial Estate,
Llay, Wrexham LL12 0PJ
Tel: 01978 856798

Rackery Lane,
Llay, Wrexham LL12 0PB
Tel: 01978 852101

510 Wallisdown Road,
Bournemouth, Dorset BH11 8QN
Tel: 01202 512405

7/8 Lyon Road, Wallisdown,
Poole, Dorset BH12 5HF
Tel: 01202 535536

11 Tullykevin Road
Greyabbey, County Down
BT22 2QE
Tel: 02842 758231

Amy Johnson Way
Blackpool Business Park,
Blackpool, FY4 2RP
Tel: 01253 345466

Colne Road, Kelbrook
Lancashire, BB18 6SN
Tel: 01282 844480

POLAND

Wojska Polskiego 3
39–300 Mielec
Tel: 017 773 8970

INDIA

Plot No. 69 to 81 of Aerospace
SEZ Sector
Hitech Defence and Aerospace Park
Devanahalli
Bengaluru 562 110

CORPORATE OFFICE

Magellan Aerospace Corporation
3160 Derry Road East
Mississauga, Ontario, Canada
L4T 1A9
Tel: 905 677 1889
Fax: 905 677 5658
www.magellan.aero
For investor information:
ir@magellan.aero

AUDITORS

Ernst & Young LLP
Toronto, Ontario

TRANSFER AGENT

Computershare Investor Services Inc.
Toronto, Ontario
Tel: 1 800 564 6253
e-mail: service@computershare.com
www.computershare.com

STOCK LISTING

Toronto Stock Exchange—TSX
Common Shares—MAL

ANNUAL MEETING

The Annual Meeting of the Shareholders of Magellan Aerospace Corporation will be held on Tuesday, May 7th, 2019 at 2:00 p.m. at The Living Arts Centre, 4141 Living Arts Drive, Mississauga, Ontario L5B 4B8

Magellan Aerospace
3160 Derry Road East
Mississauga, ON Canada L4T 1A9

www.magellan.aero