

FINAL TRANSCRIPT

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MAL.TO - Q3 2008 Magellan Aerospace Earnings Presentation

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PRESENTATION

Operator

Welcome to the Magellan Aerospace third-quarter 2008 earnings release conference call. All participants' lines are on listen-only mode. After the presentation we will open up the call for questions and answer session. We would like to formally inform all participants that this call is being recorded. We remind you that our presentation may contain forward-looking statements, reflecting the company's expectations regarding its future growth business and performance. These forward-looking statements reflect the current use of the company's management and are subject to various risks and uncertainties which could cause the Company's future growth results and performance to differ materially from those expressed in or implied by these statements.

Certain of these risks are described in the Magellan Aerospace annual reports. Magellan Aerospace disclaims any intention or obligation to update or release these forward-looking statements. I would now like to turn the call over to Jim Butyniec, President and Chief Operating Officer. Please go ahead, sir.

Jim Butyniec - *Magellan Aerospace - President, CEO*

Thank you. Welcome to the third-quarter 2008 conference call. My name is Jim Butyniec, President and Chief Executive Officer. Joining me on the call today are Rich Neill, our Vice Chairman; John Dekker, Vice President of Finance; Bill Matthews, Vice

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President of Marketing; Larry Winegarden, Vice President of Corporate Strategy; Conrad Hahnelt, Vice President Strategic Global Sourcing; Elena Milantoni, Controller and Treasurer and Daniel Lang, Assistant Controller. Thank you for joining us today.

I am going to review the highlights of the third quarter with you, and John Dekker will provide a more detailed account. I will also touch on some successes the Corporation is achieving, and will sound a note of caution in what is becoming a difficult environment in which to predict marketplace behavior. While there is clearly room for improvement, we are satisfied with our third-quarter results and our operating performance. But we are increasingly concerned about the impact of the global economic stresses.

We are pleased to report the third quarter of 2008 produced increased revenues for the Corporation. Approximately CDN10 million of the increase is related to retroactive price increase. This was also the third consecutive quarter of profitable earnings for Magellan.

As discussed on previous calls, long-term legacy work continues to be steady. Our new work is moving towards full scale production at a pace of the individual programs interrupted by technical issues and work stoppage in the case of the 787. I will update the three major new programs as to their current status later in my remarks.

As I noted during the second quarter call, our business is not a sprint. It is a marathon. And we succeeded or succeed by maintaining our focus, and our focus continues to be to identify and refine our core capabilities and products across all operations, to invest in technology and training in our core, to source non-core work packages and in the local and emerging markets with increased offload to our local North American and European supply bases, as well as in our developing supply base in India and China.

In India construction is substantially complete on Magellan's jointly owned processing plant, which allow us to provide finished parts from India to our customers. The new plant and our supply chain development and management will provide an increased flow of parts that support our objectives of meeting our need to source non-core products and capabilities in the supply base, and working with our customers in their target market areas for offset fulfillment; and achieving costs that enhance our competitiveness.

Let's move on to the market areas. Demand for aerospace products on a global basis continues in both the civil and defense sectors. However, the current world economic conditions may negatively impact the aerospace marketplace. Airbus 320 and Boeing 737 have indicated they are maintaining current rates of production for 2009. Business aircraft deliveries are expected to peak in mid-2009 and decline through 2013; while defense and space programs key to Magellan are receiving continued development production funding, there is risk of descopeing due to spending priorities of the economy. If so reductions in spending allocations would likely occur in the timeframe of 2012 and 2013.

Rich, is there anything that you want to add to this?

Rich Neill - *Magellan Aerospace - Vice Chairman*

Jim, no, I think you've captured the essence of it. I think uncertainty and volatility are the names of the game right now and that we are just staying close to what customers are telling us and what we believe the market conditions will allow us to do. I think you've captured it perfectly.

Jim Butyniec - *Magellan Aerospace - President, CEO*

Thank you. A few words on future growth programs through ongoing investments Magellan is positioned on three new programs that will provide the foundation of our growth over the next decade. The Airbus 380 has restarted production with 12 deliveries

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planned in 2008, and an additional 20 planned for 2009. Ramp up is planned to three per month in 2010, market conditions allowing.

The Boeing 787 planned deliveries to airline customers are delayed for the second half of 2009. Magellan has planned considerably and adjusted for the delays and expects to restart deliveries of landing gear packages and structural components in the second quarter of 2009.

The Lockheed joint strike fighter is an important program for Magellan, and we will be major elements -- it will be a major element of our future. We expect to participate in all three airplane variance and on both engine candidates.

In summary, we are confident that Magellan's performance will continue to improve in what may be a hard to judge market. Magellan is on the right programs in both civil and defense sectors. Existing work is provided a solid base and new programs will ensure the future. We have been successful in developing supply from the emerging market areas and assisting our customers with market development. And we are receiving increased core opportunities from our most important customers.

However, the next year or two are far from clear in terms of the potential impacts of reduced credit markets and slowing economic activities. We are fully aware of the potential challenges our industry faces and of the influence on Magellan. We will proceed with care, positioned to meet our customers' requirements but equally ready to swiftly adjust to reduced demand.

Financial discussions. At this point I would like to turn over to John Dekker for the review and additional detail of the third quarter 2008 results. After John's presentation we will go into a Q&A. Thank you.

John Dekker - *Magellan Aerospace - VP, Finance*

Thanks, Jim. I would like to provide some overview comments relating to operating activities before I go specifically to the financial statements. In the third quarter of 2008 the Corporation reported revenues for the period of CDN173.1 million. As noted in note five inventories in the Corporation's 2007 audited financial statements, due to the long-term nature of the Corporation's contracts, the corporation may be in negotiations with its customers over amendments to pricing and other terms.

During the third quarter of 2008 the Corporation concluded its negotiations in respect to one such long-term contract with the European customer and as a result recorded a one-time retroactive price adjustment totaling CDN10.4 million which was a direct increase to both revenue and EBITDA. These successful negotiations provide additional assurance to the Corporation as to its ability to fully recover its investment program costs.

Revenues also increased over a broad spectrum of the Corporation's customer base and were particularly strong in the United States and the United Kingdom, demonstrating the increase in volume of underlying shipments as customer demand in key areas remained strong. The credit and capital markets have experienced unprecedented deterioration recently in 2008, including the failure of a number of significant and established financial institutions in the US and abroad. All of which will have an impact on the availability of credit and capital in the near term.

If uncertainties in these markets continue or these markets deteriorate further it could have a materially adverse impact on our liquidity and capital resources. In light of the current economic environment, the Corporation has experienced decreased production expectations in certain product lines and as a result recorded write-downs on inventory and deferred costs totaling CDN3.1 million in the quarter ended September 30, 2008.

The Corporation reported EBITDA of CDN22.1 million in the quarter ended September 30, 2008. EBITDA for the quarter excluding the impact of the negotiated CDN10.4 million one-time retroactive price adjustment and the write-down of CDN3.1 million taken in the quarter due to the impact of uncertainties of the current economic climate was CDN14.8 million. Also as a result

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of the implementation of new accounting section 3031 inventories on January 1, 2008, EBITDA for 2008 now includes the amortization of deferred costs that were charged through inventory in prior periods.

If we move now to the income and retained earning statements I would just like to draw your attention to a few highlights there. Revenue in the current quarter, revenues in the current quarter were CDN173.1 million, an increase of CDN25.2 million from the same period last year. Results for the three months ended September 30, 2008 included a one-time retroactive price adjustment totaling CDN10.4 million; in addition stronger sales at all US divisions recorded for both defense and commercial programs resulted in increased US revenue.

A gross margin of 13% was reported for the quarter ended September 30, 2008 as compared to 9.8% reported for the corresponding period in 2007. Gross profit for the third quarter of 2008, excluding the impact of the one-time retroactive price adjustment of CDN10.4 million and write-downs of CDN3.1 million taken in the quarter due to the impact of the uncertainties and current economic climate would have been CDN15.3 million or 9.4% of revenues.

Included in total administrative and general expenses for the third quarter of 2008 is a foreign exchange gain of approximately CDN2.2 million related to foreign exchange rate movements during that quarter. The impact in the third quarter of 2007 was a loss of CDN3.1 million. After removing the impact of foreign exchange as well as a gain on sale of capital assets in both periods, administrative and general expenses for the third quarter of 2008 were approximately CDN12.1 million or 7% of revenues compared to CDN9.1 million or 6.2% of revenues for the corresponding period in 2007.

The expected tax rate for the Corporation is approximately 36%. The effective rate of income tax expense was 59.6% in the third quarter of 2008 compared with a recovery of income tax at a rate of 15.2% in the third quarter of 2007. The change in effective tax rate is a result largely due to the unrecorded tax benefit derived from timing differences in Canada, as well as the changing mix of income earned across the different jurisdictions in which the Corporation operates.

The Corporation reported net income for the quarter of CDN2.7 million, reflecting the items previously detailed. This translates into net income per share of CDN0.12 for the quarter. EBITDA was CDN22.1 million for the third quarter of 2008 and CDN55.4 million for the nine months ended September 30, 2008, compared to EBITDA of CDN9.6 million and CDN28.3 million respectively in the comparable periods in 2007. Reflecting largely the impact of the one-time retroactive price adjustment of CDN10.4 million and CDN3.1 million in write-downs taken in the quarter due to the impact of the uncertainties of the current economic climate.

Moving to the balance sheet, I would like to draw your attention to the inventory section. As noted in prior quarters the Corporation was required to adopt section 3031 inventories effective January 1, 2008. As a result CDN121.5 million of cost in opening inventory at January 1, 2008 were reallocated with CDN10.9 million moving to capital assets, CDN67.5 million to other assets, CDN8.8 million to future income taxes and the balance being CDN34.3 million as a charge to opening retained earnings.

In the future Magellan will no longer capitalize deferred and then amortize learning curve costs as was previously permissible, but will instead write them off currently as a unit on a unit cost basis. Aside from the section 3031 adjustments, Magellan reduced inventory by CDN2.1 million during the quarter.

Now if we move to the cash flow statement, several highlights there. The Corporation generated approximately CDN7.1 million from operating activities during the quarter ended September 30, 2008, primarily through cash operating activities that were partially offset by working capital investment in support of higher activity levels. During the quarter the corporation invested CDN5 million in capital additions to upgrade its facilities and enhance its capabilities and sold assets for proceeds of approximately CDN24,000. Management continues to carefully monitor capital spending. And that concludes my commentary on the financial statements. Jim, back to you.

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Jim Butyniec - *Magellan Aerospace - President, CEO*

Now we are open for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Cameron Doerksen, Versant Partners.

Cameron Doerksen - *Versant Partners - Analyst*

I have a few questions here. First, the price adjustment that you've announced here, are you able to tell us what customer that was or what program that was predominantly associated with?

Jim Butyniec - *Magellan Aerospace - President, CEO*

We haven't disclosed that information.

Cameron Doerksen - *Versant Partners - Analyst*

And I guess the same answer on the write-down that you took, what program was that related to that you have a lower expectation for production?

John Dekker - *Magellan Aerospace - VP, Finance*

It related to several programs. We took a review of the various programs and based on our sense as to where the market was leading us and we took write-downs related to several programs.

Cameron Doerksen - *Versant Partners - Analyst*

On the depreciation line, it looks like depreciation jumped fairly significantly from Q3 from previous quarters. Is there an explanation for that?

John Dekker - *Magellan Aerospace - VP, Finance*

It relates in part to the amortization of deferred costs, of the deferred development costs that were moved down to long-term assets as a result of the 3031 inventory section adoption at January 1, 2008.

Cameron Doerksen - *Versant Partners - Analyst*

Okay, so is that sort of CDN9 million number what you would anticipate quarterly depreciation to be going forward?

John Dekker - *Magellan Aerospace - VP, Finance*

That is correct.

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Cameron Doerksen - Versant Partners - Analyst

Was there any impact in the quarter, and I guess maybe an update on what you see the impact being for the next couple quarters from the Boeing strike?

Jim Butyniec - Magellan Aerospace - President, CEO

I'll speak to that. On the landing gear portion, actually the pushout on the 787 and the strike contributed to it, but we weren't really building that much over the last six months so there is no particular impact. As a matter of fact we are looking forward to get it started, and that will be a positive. On the 737s we basically have made -- shipments are down a little bit but not a lot. But then we expect to have a bit of that carry over into the first and second quarter of next year. As they are disposing of inventory and getting their production builds back up to the level. All the people are back to work but I am not so sure that everybody is engaged yet.

Cameron Doerksen - Versant Partners - Analyst

Okay, so you would expect maybe slightly lower revenue in fourth-quarter or first quarter but back to normal run rate in Q2? Okay. Looking ahead to 2009, and you've got some programs here which are going to be ramping up -- A380, JSF 787, is there anyway you can kind of quantify or give us a general idea of what the incremental revenue increase in 2009 will be relative to 2008? Just from those programs?

Bill Matthews - Magellan Aerospace - VP, Marketing

Cameron, it's Bill Matthews. On the A380 there will be approximately 80% increase over this year's revenue related to the A380, and we are running approximately CDN1 million per aircraft, so an additional eight aircraft will be an additional CDN8 million. On the 787 we had virtually no revenue this year, and we expect relatively light revenue next year in that we don't expect deliveries to commence until sometime midyear. But we are at about CDN0.5 million per aircraft there.

I think they might get six aircraft delivered next year, so that would be another CDN3 million. And on the joint strike fighter, there will be some revenue generated next year but it will be similar to what we generated this year. We don't have any -- we don't have a good solid delivery plan disclosed to us yet on 2009 JSF deliveries, but they will extend over -- what we are bidding on now will be extended over 2009 through 2011.

Cameron Doerksen - Versant Partners - Analyst

Just final question for me just on the foreign exchange sensitivity, the Canadian dollar has weakened fairly substantially from where it was a year ago. I think the number you've given us before was kind of about CDN0.9 million pretax income for every CDN0.01 change. Is that number still a good number to use?

John Dekker - Magellan Aerospace - VP, Finance

That's the annual number. That's right. That is still a reasonable sensitivity.

Cameron Doerksen - Versant Partners - Analyst

Perfect. That's all I had, thanks.

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Operator

[Tanya Messenger], RBC Capital Markets.

Tanya Messenger - RBC Capital Markets - Analyst

Good morning. On the credit facility and original loan that you have coming due over the next 12 months, and sooner actually, what options are you considering to replace this?

John Dekker - Magellan Aerospace - VP, Finance

I guess we would look at the option of replacing it with like facilities but we have not yet begun negotiations with any of the participants. So we have not approached the bank. That facility comes due in May of 2009, and the original loan comes due in July of 2009 so we have not yet scoped out the alternatives on that fully.

Tanya Messenger - RBC Capital Markets - Analyst

When would discussions be expected to begin?

Jim Butyniec - Magellan Aerospace - President, CEO

I would expect that we will start discussions and formal discussions likely around the year end, maybe a little bit sooner. I think we are -- we are constantly in communication, but we haven't any formal discussions about renewal at this stage yet.

Tanya Messenger - RBC Capital Markets - Analyst

Okay and on the credit facility I believe on renewal some of the covenants were waived. Can you comment on the outstanding covenant where you stand relative to this?

John Dekker - Magellan Aerospace - VP, Finance

We have one covenant that is really the key covenant right now. Fixed charge coverage covenant and Elena --

Elena Milantoni - Magellan Aerospace - Corp Controller & Treasurer

We are well on side for that.

John Dekker - Magellan Aerospace - VP, Finance

Yes, we are well on side for that.

Tanya Messenger - RBC Capital Markets - Analyst

Okay, and you comment that increased production plans for 2009 are being placed on some suppliers. Are you seeing any signs that those plans may be delayed or scaled back in the short term, and what flexibility do you have should this happen?

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Jim Butyniec - *Magellan Aerospace - President, CEO*

Actually it is kind of a dichotomy. Things seem extremely robust for the next little period, and I'm not sure exactly how quickly that will change, but I'm sure it will change. But we are reviewing all of our situations, and we are mindful of the fact that we don't want to be the short pole on the 10th when deliveries are being held up. We want to make sure that we support but at the same time we are watching our inventories probably more than we ever have from a standpoint of not getting inventories trapped and having additional meetings with our customers; to make sure they recognize they don't put us into a situation where we buy inventories that get trapped because of the credit crunch that is out there.

We are having and I am having a number of meetings with our majors to express our concern that the requirements need to be honest and they need to be mindful of the fact that we will make what they need and we will ship it, but we are not too anxious to build all kinds of inventory. So I think everybody is aware of the situation out there and the -- my concern certainly is are some of the airlines that are out there, are they going to be able to get the cash to go ahead with the purchases. So we recognize that there is a lot of unknown out there and we need to very quickly be able to flex and downgrade our production at a moment's notice.

John Dekker - *Magellan Aerospace - VP, Finance*

Maybe if I can just make a comment, our response to your last question is in many respects the same as the response to the first question that you posed to me, and really it is a matter of communications. And we are fully engaged with our customers, our suppliers as well as our lenders, in terms of working our way through this. We don't need any surprises, and neither do they.

Tanya Messenger - *RBC Capital Markets - Analyst*

Okay, great. Thank you.

Operator

Richard Stoneman, Dundee Securities.

Richard Stoneman - *Dundee Securities - Analyst*

Good morning, Jim. Good morning, John. A question on FX. What was the average FX rate for the Canadian dollar that you are using in the quarter?

John Dekker - *Magellan Aerospace - VP, Finance*

About CDN0.95.

Richard Stoneman - *Dundee Securities - Analyst*

CDN0.95, okay.

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John Dekker - *Magellan Aerospace - VP, Finance*

I am getting some smiles around the room because they always want to work on the other side of the dollar so we are at 1.05 -- CDN0.96, sorry.

Richard Stoneman - *Dundee Securities - Analyst*

CDN1.05, that was the average quarter; so we are now averaging about CDN1.17 so that would be an CDN0.11 pickup if these rates are maintained.

Second question is on your tax rate in the last quarter you said that the high tax rate was due to a lack of profitability in the Canadian operations. When would you expect that to change so that your tax rate moderates down to a more normal level?

John Dekker - *Magellan Aerospace - VP, Finance*

We are looking for that to change in the next 12 months. We are projecting out and looking at alternatives to address that situation.

Richard Stoneman - *Dundee Securities - Analyst*

Would the currency shift be enough to do it in the coming quarter if it stays where it is?

John Dekker - *Magellan Aerospace - VP, Finance*

It is certainly one of the contributing factors. Because the currency benefit clearly relates to the net US dollars we generate in Canada, and that is where the leverage on that resides.

Richard Stoneman - *Dundee Securities - Analyst*

So it wouldn't be in Q4?

John Dekker - *Magellan Aerospace - VP, Finance*

I won't go out on a limb and say yes, but we are certainly working to address that as quickly as possible.

Richard Stoneman - *Dundee Securities - Analyst*

Book value per share is about CDN13 a share. Are you comfortable with that number, and has it been tested over the last 12 months?

John Dekker - *Magellan Aerospace - VP, Finance*

We have not formally done any valuations to test that number, Richard.

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Richard Stoneman - Dundee Securities - Analyst

But are you comfortable with it?

John Dekker - Magellan Aerospace - VP, Finance

Yes.

Richard Stoneman - Dundee Securities - Analyst

And you talked with Cameron in terms of three specific programs and where they would be going next year. In terms of other major programs that you have, such as the 737, A320 and I guess the A330, A340, would you expect the revenues next year to be in line with what you have anticipated -- you have experienced this year to date?

Jim Butyniec - Magellan Aerospace - President, CEO

Richard, I will go on the A320, and the original target for Airbus was to try and get to 40 and they have calmed that down to about 36; and we are currently doing 32, 33, so we expect a small growth but we will see what the market does. So what we are basically seeing on the narrow aisle legacy work, we are expecting to do things that are especially on the 320, about the same as 2008. They are suggesting a small growth. I'm not suggesting they are wrong, but we need to pay attention to that.

On the 737, they still have a strong order book, but I do believe that the strike will impact and that number will hold. I don't think they will have the ability to grow it even though they might want to.

Richard Stoneman - Dundee Securities - Analyst

And on the military side --

Jim Butyniec - Magellan Aerospace - President, CEO

On the military side what we are looking at really most of the stuff for 2009 is pretty strong. Now of course there is a new President going in to power. We don't know the ramification of that but I think that any major changes in the military will get pushed out a little bit. It won't be like an immediate impact.

Richard Stoneman - Dundee Securities - Analyst

Is there anything that you feel might go up in the military side and is there anything you feel could be vulnerable on that military side under a new administration?

Jim Butyniec - Magellan Aerospace - President, CEO

Well, we've talked and looked at the JSF maybe just getting pushed out a little bit or slowed down. But I really don't see anything that materially is going to cause us a major concern in 2009 or 2010.

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Richard Stoneman - Dundee Securities - Analyst

Final question, the [Haiti] operations, you've been trying to ramp those up; the demand I assume continues to be very strong for the products you produce. You were heavily backlogged there. Have you had any luck in continuing to increase production under that facility?

Jim Butyniec - Magellan Aerospace - President, CEO

We are at a level now that we were meeting the marketplace. We've had all kinds of projected increases. We don't think that most of them will materialize. We right now, we are looking at something that is sort of the same as this year, and they are able to cope with that.

Richard Stoneman - Dundee Securities - Analyst

Admin costs, do you expect those to continue at about the 7% level?

John Dekker - Magellan Aerospace - VP, Finance

They are going to move around a little bit but should directionally be towards the 6.5%.

Richard Stoneman - Dundee Securities - Analyst

Thank you very much.

Operator

Chris Murray, CIBC World Markets.

Chris Murray - CIBC World Markets - Analyst

I guess the first question I have got is on your proprietary products. You had mentioned in the release that while the backlog is pretty good they are lumpy quarter to quarter and you were down this quarter. Could you give us some idea of the size of the backlog and generally over how many quarters you would deliver that type of backlog just for modeling purposes?

Jim Butyniec - Magellan Aerospace - President, CEO

You sort of got us probably offguard. The third quarter was light by comparison to last year's third quarter, but we see improvement in the fourth quarter and on into at least the first half of 2009. That's about all I can tell you.

Chris Murray - CIBC World Markets - Analyst

And John, I guess the next question I've got is on the CDN10.4 million adjustment, could you explain why year to date the release adjusted to only CDN4.9 million?

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John Dekker - *Magellan Aerospace - VP, Finance*

Yes, if you take a look at the retroactive price adjustment, a portion of it related to 2007 and a portion related to 2006. So when we take the perspective of just the quarter we really look at the retroactive piece that was from June 30 back all the way to the beginning of 2006. But when we take the nine-month perspective we take the position from December 31, 2007 and back so there is a difference relating to the first -- the amount of adjustment that related to the first two quarters of this year.

Chris Murray - *CIBC World Markets - Analyst*

Okay, and that was with one particular client. Do you have discussions ongoing with other customers that we may see some of these benefits in the future?

John Dekker - *Magellan Aerospace - VP, Finance*

Actually there are ongoing discussions and have been over the past number of years and we have alluded to them in the conference calls quite regularly. This one was fairly significant, as you can see, so it certainly warranted special disclosure. But there are discussions continuing as we speak; there are negotiations underway with other customers, as well.

Chris Murray - *CIBC World Markets - Analyst*

All right. And the last question I'll have for you is on capital spending. I guess with some of the programs ramping up, I think we saw some releases that you expected to have to do some investment. And I think you all received some government financing and loan support for some of that. Next year give us an idea what you think your capital spending will look like?

John Dekker - *Magellan Aerospace - VP, Finance*

Well, it is certainly a different answer than it might have been had you asked us in, say July. We have not at this point in time determined what the amount needs to be; only that we need to scale back fairly dramatically to the extent we can. This is not the time to be using free cash flow for capital unless it is absolutely necessary. So we are in the process right now of doing that reevaluation but certainly the objective has to be to preserve as much cash as possible and one opportunity clearly for that is reducing the CapEx spend.

Chris Murray - *CIBC World Markets - Analyst*

Do you believe that may ramp back your revenue expectations and may be for 2010 and 2011 then?

Jim Butyniec - *Magellan Aerospace - President, CEO*

Not materially. If we do it right, it should have minimal impact.

Chris Murray - *CIBC World Markets - Analyst*

Okay. Thank you very much.

Operator

(Operator Instructions) Ben Cherniavsky, Raymond James.

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Ben Cherniavsky - *Raymond James - Analyst*

Could I just get you to clarify what the sensitivity was on FX? I know you said that but I'm not sure if I got the right number.

John Dekker - *Magellan Aerospace - VP, Finance*

For every CDN0.01 movement in the exchange rate on an annual basis, approximately CDN900,000 at the gross margin line.

Ben Cherniavsky - *Raymond James - Analyst*

Is that a CDN0.01 movement in your -- which way are you recording the dollar there, are you looking at it from the CDN0.95 or the CDN1.05?

John Dekker - *Magellan Aerospace - VP, Finance*

CDN1.05.

Ben Cherniavsky - *Raymond James - Analyst*

Okay, and any hedges in place right now at higher levels that might create some kind of a lag from your benefit, the benefit of a lower dollar if it stays here?

John Dekker - *Magellan Aerospace - VP, Finance*

We've got minimal hedges, just a small amount that extends to June of 2009 at CDN0.92.

Ben Cherniavsky - *Raymond James - Analyst*

How much would minimal be like less than 10%?

John Dekker - *Magellan Aerospace - VP, Finance*

Yes.

Ben Cherniavsky - *Raymond James - Analyst*

Thanks a lot.

Operator

Claude Proulx, BMO Capital Markets.

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Claude Proulx - *BMO Capital Markets - Analyst*

It's Claude Proulx, from BMO. Just some clarification on the CDN10.4 million pricing adjustment. If we were to just for the sake of having better understanding of your past results to analyze current results, where would that money -- when should -- sorry -- when should you have booked revenues in terms of quarter -- on a quarterly basis? Is there any way for you to give some indication?

John Dekker - *Magellan Aerospace - VP, Finance*

Let me take an action on that and look to see what sort of detail we can provide and we will post that.

Claude Proulx - *BMO Capital Markets - Analyst*

Okay. That's all, thanks.

Operator

(Operator Instructions) As we have no further questions, I will turn the call back over to you for any additional or closing remarks. Thank you.

Jim Butyniec - *Magellan Aerospace - President, CEO*

We don't have any additional remarks, just thank you for calling in. Hope we gave you the information that you can use. If there's anything else that pops up of course you know you can get a hold of John Dekker. And on that, I think we can close off the call.

Operator

This will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect the lines.

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