

Attention Business/Financial Editors:
 Magellan Aerospace Corporation Announces First Quarter Results
 March 31, 2001: Growth in Sales, Earnings and Shareholders' Equity

TORONTO, May 17 /CNW/ - Magellan Aerospace Corporation (the "Corporation") is listed on the Toronto Stock Exchange under the symbol MAL. The Corporation is a diversified supplier of components to the aerospace industry. Through its network of facilities throughout North America, Magellan supplies the leading aircraft manufacturers, airlines and defence agencies throughout the world.

Financial Results

The Corporation announced the financial results for the first quarter of fiscal 2001 at the annual meeting of shareholders held on May 17, 2001. The results are summarized as follows:

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Expressed in thousands, except per share amounts	March 31		PERCENTAGE CHANGE
	2001	2000	
Revenue	\$ 156,029	\$ 150,330	+3.8%
Net Income	\$ 9,705	\$ 7,444	+30.4%
Net Income Per Share	\$ 0.15	\$ 0.12	+25.0%
EBITDA	\$ 24,117	\$ 21,469	+12.3%
EBITDA Per Share	\$ 0.37	\$ 0.33	+12.1%

Management's Discussion & Analysis

Magellan continues to show growth in sales, earnings and shareholders' equity, strengthening its ability to serve the world aviation market.

Quarter ended March 31, 2001 compared with the quarter ended March 31, 2000

Consolidated revenues for the quarter ended March 31, 2001 were \$156.0 million, representing an increase of 3.8% or \$5.7 million over 2000 levels. The increase resulted from organic growth realized throughout the Corporation.

The Corporation reported cost of revenues of \$126.9 million for the quarter ended March 31, 2001, generating a gross profit of \$29.2 million or 18.7%. This compares favourably to the gross profit of \$26.2 million or 17.4% recorded in the period ended March 31, 2000. Corporate initiatives including Six Sigma and Lean Manufacturing contributed to the increased margin in addition to favourable sales mix and favourable foreign exchange translation.

Administrative and general expenses were \$9.9 million for the quarter ended March 31, 2001 or 6.3% of revenues compared to \$9.2 million in the quarter ended March 31, 2000, or 6.1% of revenues. Management continues to focus on minimizing these costs, however, intensified marketing efforts and increased employee costs have contributed to the small increase in administrative and general expenses over the comparable period in the prior year.

In the first quarter of 2001, as a result of lower indebtedness levels

and lower interest rates, interest expense was \$3.4 million, a decrease of 27.7% or \$1.3 million when compared to the first quarter of 2000.

Income tax expense was \$5.7 million in the period ended March 31, 2001 on income before income taxes of \$15.4 million for an effective tax rate of 36.9%. In the same period in 2000, income tax expense was \$4.5 million on pre-tax income of \$12.0 million for an effective rate of 37.8%. The income tax rate decreased during 2001 because of legislated reductions in tax rates, offset by a higher proportion of income earned in higher tax-rate jurisdictions.

Liquidity and Capital Resources

The Corporation continues to generate increasing amounts of cash from operating activities. Cash flow from operations was \$16.2 million for the quarter, an increase of \$2.3 million when compared to the corresponding period in the previous year. Non-cash working capital balances used \$0.3 million.

During the quarter ended March 31, 2001, the Corporation invested \$7.7 million in new production equipment to modernize current facilities and to enhance its capabilities. The Corporation also used a total of \$12.1 million of funds generated to reduce bank indebtedness and long-term debt.

Management believes that adequate cash is available through internally generated liquidity and undrawn lines of credit to meet the Corporation's working capital, program and capital investment, and debt servicing requirements.

Recent Developments

During the first quarter of 2001, Magellan participated with The Boeing Company to re-shape, augment and extend Magellan's work package on the Boeing 717 twinjet. The agreement, valued in excess of \$400 million, released an additional 97 aircraft to production at the Fort Erie and Winnipeg facilities, and extended the program horizon to 500 aircraft. The first quarter also saw advancement of Airbus opportunities, with the announced launch of the double-deck A380 long-range transport, and the successful completion of design, testing and delivery of certification units on currently contracted work for the A318 and the A340 aircraft. Sheetmetal and machining offload contracts were awarded in March by Bombardier, for production on Bombardier's regional and business jets, with production commencing in the second quarter of 2001.

Industry Trends

The civil aviation market continues to be buoyant with strong production rates being maintained in large commercial jets, and increasing in regional and business jet sectors. Backlogs remain high at all major aircraft makers.

On behalf of the board

(signed)
N. Murray Edwards
Chairman and
Chief Executive Officer
May 17, 2001

(signed)
Richard A. Neill
President and Chief Operating
Officer

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
AND RETAINED EARNINGS (unaudited)

Three months ended

(expressed in thousands of dollars,
except per share amounts)

	March 31	
	2001	2000
	----	----
Revenues	\$ 156,029	\$ 150,330
Cost of revenues	126,873	124,117
	-----	-----
Gross profit	29,156	26,213
	-----	-----
Administrative and general expenses	9,888	9,235
Research and development	469	266
Interest	3,428	4,739
	-----	-----
	13,785	14,240
	-----	-----
Income before income taxes	15,371	11,973
Income taxes - current	4,509	2,835
- future	1,157	1,694
	-----	-----
Net income for the period	9,705	7,444
	-----	-----
Retained earnings, beginning of the period	126,136	88,223
	-----	-----
Retained earnings, end of period	\$ 135,841	\$ 95,667
	-----	-----
	-----	-----
Income per common share		
Basic (note 5)	\$ 0.15	\$ 0.12
	-----	-----
Diluted (note 5)	\$ 0.15	\$ 0.12
	-----	-----
	-----	-----

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED BALANCE SHEETS

	March 31	December 31
	2001	2000
	----	----
	(unaudited)	(audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 2,193	\$ 5,684
Accounts receivable	109,280	110,372
Inventories	217,472	204,555
Prepaid expenses and other	6,574	6,771
Future income tax asset	6,231	6,279
	-----	-----
Total current assets	341,750	333,661
	-----	-----
Capital assets	336,456	325,442
Goodwill	13,702	13,194
Other	11,631	12,512
Future income tax asset	9,195	9,542
	-----	-----

	\$ 712,734	\$ 694,351
	-----	-----
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	\$ 52,467	\$ 53,114
Accounts payable and accrued charges	93,945	89,194
Deferred revenue	4,563	2,602
Current portion of long-term debt (note 2)	37,141	32,078
	-----	-----
Total current liabilities	188,116	176,988
	-----	-----
Future income tax liabilities	93,870	90,670
Long-term debt (note 2)	131,720	140,595
Other long-term liabilities	13,179	13,838
Shareholders' equity		
Capital Stock (notes 3 & 4)	146,718	146,557
Retained earnings	135,841	126,136
Foreign exchange translation	3,290	(433)
	-----	-----
Total shareholders' equity	285,849	272,260
	-----	-----
	\$ 712,734	\$ 694,351
	-----	-----
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MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended	
	March 31	
	2001	2000
	----	----
(expressed in thousands of dollars)		
OPERATING ACTIVITIES		
Income for the period	\$ 9,705	\$ 7,444
Add items not affecting cash		
Depreciation and amortization	5,318	4,757
Future income taxes	1,157	1,694
	-----	-----
	16,180	13,895
Net change in non-cash working capital items relating to operating activities	(297)	(10,151)
	-----	-----
Cash provided by operating activities	15,883	3,744
	-----	-----
INVESTING ACTIVITIES		
Purchase of capital assets	(7,678)	(4,522)
Decrease in other assets	840	102
	-----	-----
Cash used in investing activities	(6,838)	(4,420)
	-----	-----
FINANCING ACTIVITIES		

Increase (decrease) in bank indebtedness	(2,702)	2,902
Repayment of long-term debt	(9,361)	(5,521)
Issue of common shares	161	211
Decrease in other long-term liabilities	(763)	(584)
Cash used in financing activities	(12,665)	(2,992)
	-----	-----
Effect of exchange rate changes on cash	129	19
	-----	-----
Decrease in cash	(3,491)	(3,649)
Cash, beginning of period	5,684	6,297
	-----	-----
Cash, end of period	\$ 2,193	\$ 2,648
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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(expressed in thousands of dollars except share and per share data)

NOTE 1 - ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared by the Corporation in accordance with accounting principles generally accepted in Canada on a basis consistent with those followed in the most recent audited consolidated financial statements. These unaudited consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Corporation's Annual Report for the year ended December 31, 2000.

NOTE 2 - LONG TERM DEBT

	March 31 2001 \$	December 31 2000 \$
Term bank loan	158,839	161,912
Other non-bank loans	10,022	10,761
	-----	-----
Less current portion	168,861 37,141	172,673 32,078
	-----	-----
	131,720	140,595
	-----	-----
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The term bank loan bears interest at bankers' acceptance or LIBOR rates plus 0.80%. Included in the term bank loan are amounts due in U.S. dollars of \$90,705.

NOTE 3 - CAPITAL STOCK

The following table summarizes information on share capital and related matters at March 31, 2001:

	Number of shares (Number sign)	Stated capital \$
Outstanding at December 31, 2000	65,834,189	146,557
Issued upon exercise of options	18,000	59
Issued to employees and directors	17,126	102
Outstanding at March 31, 2001	65,869,315	146,718

NOTE 4 - 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 maximum number of common shares that may be issued under this plan is 5.2 million. Options are granted at an exercise price that will be the market price of the Corporation's common shares at the time of granting. Options normally have a life of 5 years with vesting at 20% at the end of the first, second, third, fourth and fifth years from the date of the grant.

A summary of the plan and changes during the period ending March 31, 2001 and December 31, 2000 are as follows:

	2001		2000	
	Shares (Number sign)	Weighted average exercise price \$	Shares (Number sign)	Weighted average exercise price \$
Outstanding beginning of period	1,711,702	5.42	2,540,302	4.28
Granted	746,500	5.85	500,000	5.50
Exercised/cancelled	(18,000)	3.28	(1,328,600)	3.27
Outstanding end of period	2,440,202	5.57	1,711,702	5.42

The following table summarizes information about options outstanding at March 31, 2001:

Range of	Options outstanding		Options exercisable
	Weighted average	Weighted average	Weighted average

exercise prices \$	Number outstanding at March 31, 2001	remaining contractual life	exercise price \$	Number exercisable at March 31, 2001	exercise price \$
3.25	612,600	1.0	3.25	490,080	3.25
5.50 - 6.30	1,356,201	4.4	5.76	166,621	5.82
7.35 - 10.05	471,401	3.6	8.04	134,041	8.13
	2,440,202	3.4	5.57	790,742	4.62

NOTE 5 - EARNINGS PER SHARE

The following is a reconciliation of the denominator of the basic and diluted per share computations:

	Three months ended, March 31	
	2001	2000
	\$	\$
Weighted average number of common shares outstanding	65,858,402	64,593,841
Effect of dilutive stock options	303,597	1,115,435
Weighted average number of common shares outstanding - diluted	66,161,999	65,709,276

NOTE - 6 - SUPPLEMENTARY INFORMATION

Cash interest paid during the first quarter 2001 amounted to \$3,515 (2000 - \$4,638) and cash income taxes paid during 2001 amounted to \$2,552 (2000 - \$261).

NOTE - 7 - SEGMENTED INFORMATION

The Corporation is organized and managed as a single business segment being aerospace and the Corporation is viewed as a single operating segment by the chief operating decision maker for the purposes of resource allocations and assessing performance.

Domestic and foreign operations consist of:

	2001			2000		
	Canada	United States	Total	Canada	United States	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Domestic	39,595	55,727	95,322	39,722	48,226	87,948

Export	55,358	5,349	60,707	55,976	6,406	62,382

Total revenue	94,953	61,076	156,029	95,698	54,632	150,330

Capital assets						
and goodwill	157,584	192,574	350,158	148,086	179,176	327,262

Revenue is attributed to countries based on the location of the customers and the capital assets and goodwill are based on the country in which they are located.

	2001	2000

Major Customers		
Canadian operations		
Number of customers	1	2
Percentage of total Canadian revenues	21.2%	35.0%
U.S. operations		
Number of customers	3	3
Percentage of total U.S. revenues	66.7%	66.6%

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

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ST: Ontario
IN: ARO
SU: ERN

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