

Magellan Aerospace Corporation
First Quarter Report
March 31, 2002

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 leading aircraft manufacturers, airlines and defence agencies throughout the world.

Financial Results

On May 16, 2002, the Corporation announced its financial results for the first quarter of 2002. The results are summarized as follows:

Expressed in thousands, except per share amounts	Three Months Ended March 31		
	2002	2001 (restated)	PERCENTAGE CHANGE
Revenues	\$ 128,044	\$ 156,029	-17.9%
Net Income	\$ 6,352	\$ 8,350	-23.9%
Net Income Per Share	\$ 0.10	\$ 0.13	-23.1%
EBITDA	\$ 17,723	\$ 22,762	-22.1%
EBITDA Per Share	\$ 0.27	\$ 0.35	-22.9%

Management's Discussion & Analysis

The commercial aerospace sector has been impacted by the general slowdown in the economy and has resulted in significant reductions in passenger traffic. This reduction in traffic has resulted in reduced demand for certain civil aviation products. The Corporation's results in the first quarter of 2002 reflect these reduced demands.

Results from Operations

Consolidated revenues for the first quarter were \$128.0 million, a decrease of 17.9% from the first quarter of 2001. Reduced sales to Boeing and delayed work orders on some key contracts, such as the Airbus A340, contributed to the reduced sales level. Gross profits fell to \$20.9 million (16.3% of revenues) for the first quarter of 2002 from \$27.8 million (17.8% of revenues) during the same period in 2001 largely due to the decreased sales levels.

Administrative and general expenses were \$8.3 million for the three months ended March 31, 2002 or 15.7% lower than the corresponding period in 2001. The Corporation continues to minimize administrative and general expenses, while still continuing the Corporation's efforts of expanding its business base.

Interest expense declined to \$2.0 million in the first quarter of 2002 from \$3.4 million in the first quarter of 2001 due to lower interest rates and lower outstanding debt.



Income tax expense in the first quarter was \$3.8 million, which represents an effective income tax rate of 37.5%. The tax rate for the most recent quarter exceeds the expected long term rate expected due to the higher proportion of income in jurisdictions with higher rates.

Net income for the quarter was \$6.4 million, a decrease of \$2.0 million over the same period in 2001. Lower margins were partially offset by reduced administrative and general expenses and interest expense during the period ended March 31, 2002. Net income per share for the period ended March 31, 2002 was \$0.10, a decrease from \$0.13 for the first quarter in 2001.

Liquidity and Capital Resources

In the quarter ended March 31, 2002, the Corporation used \$5.7 million of cash for operating results, a decrease of \$20.2 million over the same period in 2001. Cash provided from profit and amortization offset the reduction of accounts payable and accrued charges and increases in inventories.

During the quarter ended March 31, 2002, the Corporation invested \$8.6 million in new production equipment to modernize current facilities and to enhance its capabilities.

Changes in Accounting Policies

In accordance with the recommendations of the Canadian Institute of Chartered Accountants, the Corporation has adopted new accounting policies with respect to Goodwill, Foreign Currency Translation, and Stock-Based Compensation. Details of these changes to accounting policies can be found in the notes to the financial statements.

Recent Developments

Approximately 60% of Magellan's sales are to the commercial aviation sector, distributed across all classes of aircraft from business jets to large twin-aisle airliners. These sales are split approximately 60/40 between aerostructure and aeroengine customers, and are distributed over a customer base of seven major customers and several smaller ones. This broad distribution of sales will contribute to a more rapid recovery as the industry improves in the second half of 2002. Magellan announced, on April 19, 2002, a contract received from General Electric to manufacture front frames for the GE CF34 engine, which is used largely on regional jets, with a total potential value of \$49.0 million over the life of the contract.

With the recent increase in worldwide military activity, there has been a corresponding increase in the military opportunities flowing to Magellan in both the new build and repair sectors. Magellan has won several new military contracts in recent months including; a \$190.0 million award from the United States Air Force for repair and overhaul of J85 engines announced on May 7, 2002, and a \$15.0 award from Northrup Grumman for structural work on the F/A 18E/F program announced on Feb 19, 2002. Revenues for this new work will start in the fourth quarter of 2002. Magellan also announced, on January 21, 2002, a follow-on contract to perform repair and overhaul services for the F404 engine powering Canada's fleet of CF 18 fighter aircraft.

The industrial gas turbine and co-generation market sector continues to expand. The Corporation has a solid exposure to this market through contracts with Siemens-Westinghouse, General Electric, Rolls Royce and others, as well as with its own proprietary industrial power generation sets. Non-aerospace work in Magellan continues to grow, and now accounts for approximately 6% of total revenue.



Summary

As expected the results of 2002 have been effected by the events of 2001. Reduced airline orders and production schedules have impacted the results of the Corporation during the first quarter in 2002. The events of 2001 will continue to impact the results in 2002 through the second quarter.

Since the acquisition of Ellanef Manufacturing Corporation in June, 1999, the Corporation has focused on building a strong balance sheet. As equity has grown and debt was repaid, the debt to capital ratio for the Corporation improved from 51.1% (restated) at December 31, 1999 to its present level of 39.9%. Magellan's financial strength will sustain the Corporation during the current industry slowdown and position it to take full advantage of growth opportunities that will arise as the economy recovers.

On behalf of the board

N. Murray Edwards
Chairman and Chief Executive Officer
May 28, 2002

Richard A. Neill
President and Chief Operating Officer