MAGELLAN
AEROSPACE CORPORATION

Magellan Aerospace Corporation
First Quarter Report
March 31, 2003

Magellan Aerospace Corporation (the "Corporation" or "Magellan") 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 15, 2003, the Corporation released its financial results for the first quarter of 2003. The results are summarized as follows:

	Three Months Ended March 31		
Expressed in thousands, except per share amounts	2003	2002	PERCENTAGE CHANGE
Revenues	$ 118,055	$ 128,044	-7.8%
Net Income (Loss)	$ (19,104)	$ 6,352	-400.8%
Net Income (Loss) Per Share	$ (0.30)	$ 0.10	-400.0%
EBITDA	$ (20,439)	$ 17,723	-215.3%
EBITDA Per Share	$ (0.30)	$ 0.27	-211.1%
Net Income Before Unusual Item	$ 2,357	$ 6,352	-62.9%
Net Income Per Share Before Unusual Item	$ 0.04	$ 0.10	-60.0%
EBITDA Before Unusual Item	$ 12,834	$ 17,723	-27.6%
EBITDA Per Share Before Unusual Item	$ 0.19	$ 0.27	-29.6%

Management's Discussion & Analysis

The results for the first quarter of 2003 show positive sales and earnings growth over the fourth quarter of 2002, but trailed results of a year earlier. Before the unusual item, the Corporation recorded a profit, despite difficult conditions in the aerospace industry. After recognition of the unusual item, a loss was reported for the quarter.

On February 13, 2003, due to the prolonged strike and the associated economic consequences of this strike, the Corporation announced its decision to cease operations at its Fleet Industries ("Fleet") plant in Fort Erie, Ontario. Strike-bound for four months, Fleet had a long history of troubled labour relations. When it became clear that disruptions to customer relations at the facility had become untenable, the course of action taken to safeguard commitments to customers was to transfer the majority of the work to other Magellan divisions and to close the plant. A provision of $33.3 million, slightly in excess of the $31.0 million estimated in our 2002 year-end financial statements, was recorded in the first quarter of 2003 relating to this decision, and had a significant impact on the reported results.

The timing of a recovery in the aerospace industry still remains unclear. The industry was in the process of adjusting to a downturn in the world economy when it was directly affected by the events of September 11, 2001, the conflict in Afghanistan, the war in Iraq and, most recently, concern over the spread of the Severe Acute Respiratory Syndrome (SARS).

As a result of these events, commercial air travel has fallen dramatically and a number of airlines have suffered financial distress, impacting their ability to accept new aircraft deliveries. This has had a significant effect on the Corporation in the short term as the demand for new aircraft and, accordingly, components has correspondingly declined. There are encouraging initial signs that some airlines are regaining financial stability, but current projections indicate aircraft build rates remain volatile.

In the defence sector, activity levels have improved. Sales generated by the defence sector now represent 40% of total sales compared to the traditional level of 35% of sales. In addition, a number of further bid opportunities are being pursued.

Magellan is positioning itself to participate in the recovery expected to take place in 2005 by stabilizing its businesses and re-aligning its operations. Concurrently, new contracts are being secured with both short and long-term volume.

Results from Operations

Consolidated revenues for the first quarter of 2003 were $118.1 million, a decrease of 7.8% from the first quarter of 2002. Reduced sales to Boeing of components for commercial aircraft and delayed work orders on some key contracts were partially offset by increased delivery on the A340 and USAF programs. Gross profits fell to $15.5 million (13.2% of revenues) for the first quarter of 2003 from $20.9 million (16.3% of revenues) during the same period in 2002.

In the first quarter of 2003 consolidated revenues of $118.1 million represented an increase of 2.5% over the fourth quarter of 2002, the fourth quarter being traditionally the strongest quarter in the year. Gross profits improved to $15.5 million (13.2% of revenues) for the first quarter of 2003 from $13.5 million (11.7% of revenues) during the fourth quarter of 2002.

Administrative and general expenses increased by $0.3 million, or 3.8%, for the first quarter of 2003 compared to the same quarter in 2002. Included in administrative and general expenses for the first quarter of 2003 is a foreign exchange gain of $2.2 million, due to the strengthening of the Canadian dollar. This compares to a foreign exchange gain of $0.1 million in the same quarter of 2002. The overall increase is largely due to the inclusion of Haley's results for a full quarter in the first quarter of 2003, and the additional strike related costs from the Fleet plant.

Interest expense increased to $2.6 million in the first quarter of 2003 from $2.0 million in the first quarter of 2002 due to higher interest rates.

Net loss for the quarter was $19.1 million, a decrease of $25.5 million when compared to the same period in 2002. The loss was primarily driven by a provision of $33.3 million recorded as an unusual item in the first quarter of 2003 relating to the decision to cease operations at the Fleet plant in Fort Erie, Ontario. Net loss per share was $0.30 for the quarter, compared to net income per share of $0.10 in the first quarter of 2002. Excluding the Fleet unusual item of $21.5 million net of tax recovery, net income was $2.4 million or $0.04 net income per share for the first quarter of 2003.

Liquidity and Capital Resources

In the quarter ended March 31, 2003, the Corporation used $9.2 million of cash from operations, compared to $5.7 million in the first quarter of 2002.

During the quarter ended March 31, 2002, the Corporation invested $0.4 million in new production equipment to modernize current facilities and to enhance its capabilities.

On January 7, 2003, the Corporation completed an offering of $70 million of 8.5 percent convertible unsecured subordinated debentures, due January 31, 2008. Additional information on the debentures can be found in note 2 of the attached consolidated financial statements.

Recent Developments

Magellan announced on January 13, 2003, the award of new F-15 Eagle and Abrams tank engine assemblies contracts for the U.S. Department of Defense, with revenues in excess of $40.0 million over 5 years for all options.

On May 5, 2003, Magellan announced new orders valued at $6.0 million to manufacture F-15 Eagle engine fairings for the Defense Supply Center Richmond (DSCR), and STANDARD missile dorsal fins for Raytheon Missile Systems in Tucson, Arizona.

Magellan announced on May 7, 2003, its selection by Lockheed Martin, Fort Worth, TX, to perform work packages on the wing of the F-35 Joint Strike Fighter (JSF) aircraft. This order has an estimated value of over $17.0 million, and builds on the JSF engine-related orders as previously announced.

Magellan announced May 12, 2003, that it was selected by engine nacelle maker Hurel-Hispano as the sole source manufacturer of exhaust nozzles for the Rolls-Royce and Engine Alliance engines offered on the Airbus A380 aircraft. The contract has estimated revenues of $160.0 million over 15 years.

Summary

Management's view is that overall activity will remain at these lower levels for the foreseeable future and is reacting by stabilizing businesses, aligning operations and workforces with market realities in order to ensure Magellan is well-positioned to participate in the industry recovery when it occurs. Management continues to pursue opportunities for new contracts from existing and new customers.