

Magellan Aerospace Corporation
Third Quarter Report
September 30, 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 November 10, 2003, the Corporation released its financial results for the third quarter of 2003. The results are summarized as follows:

Expressed in thousands, except per share amounts	Three Months Ended September 30			Nine Months Ended September 30		
	2003	2002	PERCENTAGE CHANGE	2003	2002	PERCENTAGE CHANGE
Revenues	\$ 102,179	\$ 111,876	-8.7%	\$ 341,221	\$ 344,919	-1.1%
Net Income (Loss)	\$ 143	\$ 1,290	-88.9%	\$ (14,388)	\$ 11,135	-229.2%
Net Income (Loss) Per Share	\$ (0.02)	\$ 0.02	-200.0%	\$ (0.27)	\$ 0.17	-258.8%
EBITDA	\$ 9,623	\$ 10,235	-6.0%	\$ 5,181	\$ 40,859	-87.3%
EBITDA Per Share	\$ 0.14	\$ 0.15	-6.7%	\$ 0.08	\$ 0.62	-87.1%
Net Income Before Unusual Item	\$ 143	\$ 1,290	-88.9%	\$ 7,073	\$ 11,135	-36.5%
Net Income Per Share Before Unusual Item	\$ (0.02)	\$ 0.02	-200.0%	\$ 0.11	\$ 0.17	-35.3%
EBITDA Before Unusual Item	\$ 9,623	\$ 10,235	-6.0%	\$ 38,454	\$ 40,859	-5.9%
EBITDA Per Share Before Unusual Item	\$ 0.14	\$ 0.15	-6.7%	\$ 0.57	\$ 0.62	-8.1%

Management's Discussion & Analysis

The commercial airline industry is showing tangible signs of economic health and recovery. Many of the major US and international airlines are reporting third quarter profits, and have indicated plans to increase capacity over the next few months. While orders of new aircraft continue at a slow pace, improvements in the general economy and a corresponding increase in airline traffic will gradually require additional new aircraft.

The defence aerospace industry continues to provide significant opportunity, with major programs such as the F/A18 Super Hornet, F22 Raptor, and F35 Joint Strike Fighter progressing to plan. High usage rates are also providing sustained repair and overhaul activity. Magellan continues to pursue additional opportunities in these and other defence programs.

Despite indications that the aerospace industry is at the bottom of the cycle, and the quarter was impacted by extended summer shutdowns at several customers, Magellan was still able to generate positive net income in the quarter. Activity levels picked up noticeably near the end of the quarter and indications are that this will continue into the fourth quarter.



Results from Operations

Consolidated revenues for the third quarter of 2003 were \$102.2 million, a decrease of \$9.7 million, or 8.7%, from the third quarter of 2002. Revenues were negatively impacted by the strengthening Canadian dollar, which has the effect of reducing sales when revenues denominated in foreign currencies (a substantial portion of which are denominated in US dollars) are translated into Canadian funds. Excluding the impact of foreign exchange, revenues for the third quarter of 2003 show a growth rate of 3.4%, which reflects the inclusion of Haley industries for a full quarter in 2003 versus only one month in the third quarter in 2002. The proportion of revenues from the defence sector has grown and now represents greater than 50% of total revenues in 2003, which has increased from the traditional level of 35% of total revenues experienced in the past several years.

Gross profits of \$11.6 million (11.3% of revenues) were reported for the third quarter of 2003 compared to \$14.9 million (13.3% of revenues) during the same period in 2002. Gross profits decreased due to a change in mix of products sold in the third quarter of 2003, and inefficiencies caused by an extended summer shutdown at several of Magellan's customers. Magellan has hedged a large portion of its net exposure to the US dollar for 2003 and 2004, therefore at present currency rate fluctuations have had only a minor effect on gross profit.

Administrative and general expenses decreased by \$1.9 million, or 19.1%, for the third quarter of 2003 compared to the same quarter in 2002. The third quarter of 2002 included a foreign exchange loss of \$1.5 million. There was no foreign exchange gain or loss in the third quarter of 2003, as exchange rates remained relatively stable during this period. Despite the inclusion of the administrative and general expenses of Haley Industries Limited, which was acquired in September, 2002, for a full quarter in 2003, administration and general expenses decreased slightly (net of the impact of the foreign exchange loss) in the third quarter of 2003 when compared to the same period in 2002 due to management's focus on controlling costs.

Interest expense increased to \$3.2 million in the third quarter of 2003 from \$2.8 million in the third quarter of 2002 due to higher borrowing costs.

Net income for the most recent quarter was \$0.1 million, a decrease of \$1.1 million when compared to the same period in 2002. Net income per share calculations for the third quarter of 2003 reflect charges of \$1.8 million relating to the convertible debentures issued in January, 2003. Because of these charges, there was a loss per common share of \$0.02 for the third quarter of 2003, compared to income per share of \$0.02 in the third quarter of 2002.

Liquidity and Capital Resources

In the quarter ended September 30, 2003, the Corporation generated \$3.0 million of cash from operations, compared to \$9.6 million of cash generated in the third quarter of 2002. For the year to date period in 2003, \$4.7 million of cash was used in operations, as increases in non-cash working capital balances have offset earnings and non-cash charges to earnings.

Capital spending has been reduced to reflect current business conditions. During the quarter ended September 30, 2003, the Corporation invested \$2.8 million in new production equipment to modernize current facilities and to enhance its capabilities. Acquisitions of capital assets for the year to date period in 2003 total \$5.7 million. Acquisitions of capital assets in the same period in 2002 were \$25.4 million.

On January 7, 2003, the Corporation completed an offering of \$70.0 million of 8.5% 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

On September 29, 2003, Magellan announced that a related party, Kimball Capital Corporation ("Kimball"), which is controlled by one of Magellan's directors, acquired through a receivership process, substantially all of the aerospace business and assets of Mayflower Aerospace located in the United Kingdom for \$13.4 million. Kimball has granted Magellan a right to acquire such assets at the same price and on the same terms as those applicable to Kimball, subject to Magellan securing all bank and other approvals required to complete the acquisition. Magellan hopes to obtain all required approvals in the fourth quarter. The acquired business concentrates on aerostructures, and includes Airbus U.K. and Bombardier-Shorts as its major customers. Magellan estimates that annual revenues from the acquired businesses and assets will be approximately \$55.0 million.



In order to secure the funds required to complete the acquisition, Magellan is proposing to issue up to 10 million common shares, subject to securing any applicable regulatory approvals.

Summary

Conditions in the aerospace industry are showing signs of improvement. Defence activity continues to be solid, and Magellan is positioning itself to participate significantly in several new programs in the development stage. While significant increases in revenue are not immediate, these programs will lay the foundation for a solid base of business for the years to come. Improvements in the general economy will lead to increased airline traffic and should eventually lead to orders of commercial aircraft. Magellan continues to position itself in order to fully participate in the expected upturn in the commercial aerospace sector. The proposed acquisition evidences Magellan's commitment to growth, and to become a key supplier in the European aerospace market.

On behalf of the Board

N. Murray Edwards
Chairman
November 10, 2003

Richard A. Neill
President and Chief Executive Officer

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.

The Corporation has included certain measures, the terms for which are not defined under Canadian generally accepted accounting principles. The Corporation has included these measures because it believes this information is used by certain investors to assess financial performance. Although the Corporation believes these measures are used by certain investors (and the Corporation has included them for this reason), these measures are unlikely to be comparable to similarly titled measures used by other companies.