MAGELLAN
AEROSPACE CORPORATION

Magellan Aerospace Corporation
Third Quarter Report
September 30, 2002

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 13, 2002, the Corporation released its results for the third quarter of 2002. The results are summarized as follows:

	Three Months Ended September 30			Nine months ended September 30		
Expressed in thousands, except per share amounts	2002	2001 (restated)	PERCENTAGE CHANGE	2002	2001 (restated)	PERCENTAGE CHANGE
Revenues	$ 111,876	$ 138,653	-19.3%	$ 344,919	$ 457,659	-24.6%
Net Income	$ 1,290	$ 6,774	-81.0%	$ 11,135	$ 30,017	-62.9%
Net Income Per Share	$ 0.02	$ 0.10	-80.0%	$ 0.17	$ 0.46	-63.0%
EBITDA	$ 10,235	$ 19,015	-46.2%	$ 40,859	$ 69,363	-41.1%
EBITDA Per Share	$ 0.15	$ 0.29	-48.3%	$ 0.62	$ 1.05	-41.0%

Management's Discussion & Analysis

Despite the aerospace industry experiencing one of the most challenging periods in decades, Magellan was able to produce both profits and positive cash flows from operations during the quarter and the nine month period ending September 30, 2002.

Sales and revenues were reduced in comparison to the similar period in 2001, as air travel continues to be depressed due to the tragic effects of September 11th. Premium fare travel has been particularly affected, with resulting lower revenues and profits at most major airlines worldwide, especially in the United States. Impacting Magellan's revenues to a lesser degree, was the fact that a number of new defence and civil programs are reaching full production one to two quarters later than forecast. However, in a quarter that is historically lower in revenue due to summer shutdowns, sales did not decrease from the second quarter, and this signals a possible levelling out of the decline, and a firming up of demand.

The results of Haley Industries ("Haley"), acquired on September 3, 2002, are included in Magellan's operations since that date. This reinforces Magellan's stated strategy of growth through the acquisition of capability that is compatible with its core businesses. Haley specializes in the design and production of magnesium and aluminum castings, primarily for the aerospace industry, and has facilities in Haley, Ontario and Glendale, Arizona. The acquisition of Haley has opened new customer opportunities for other Magellan operations, and has allowed the vertical integration of casting, machining and assembly operations within Magellan.

Magellan's investment in inventory increased by approximately $15.7 million in the latest quarter due to several factors. The acquired Haley inventory, valued at approximately $9.1 million, has been included in the Magellan consolidated balance for the first time at September 30, 2002. In addition, Airbus A340, Honeywell AS907 and the USAF engine overhaul projects required investment in work in process inventory of $7.5 million in order to meet customer delivery requirements. Foreign exchange rate fluctuations resulted in an increase of approximately $4.9 million upon translation of inventory held in the United States. After removing the increase due to these specific items, inventory held in support of recurring production was reduced by approximately $5.8 million in the latest quarter.

Despite the reduction in revenues, the Corporation generated cash from operations of $9.6 million in the third quarter of 2002, and $5.4 million in the nine months ended September 30, 2002.

Results from Operations

Consolidated revenues for the third quarter of 2002 were $111.9 million, a decrease of 19.3% from the third quarter of 2001. Reduced sales to Boeing and delayed work orders on some key contracts contributed to the reduced sales level. Gross profits fell to $14.9 million (13.3% of revenues) for the third quarter of 2002 from $24.9 million (17.9% of revenues) during the same period in 2001.

Actions taken by the Corporation to deal with the reduced revenues include a reduction in the workforce of 485 direct and indirect employees in the current year. While the Corporation took steps to minimize the cost of excess labour, this action also impacted the base over which manufacturing overhead costs could be allocated to production. As a consequence, approximately $9.5 million of excess manufacturing overhead costs were expensed directly to cost of revenues in the nine months ended September 30, 2002. To minimize these charges in future periods, efforts have been undertaken to further reduce overhead costs while still maintaining core business capabilities to position Magellan to participate when the industry recovery occurs.

Administrative and general expenses were reduced on a year over year basis, on both an absolute and relative basis, by $2.3 million, or 22.1%, for the third quarter and by $3.4 million, or 11.5% on a year to date basis. This is a result of the Corporation focusing efforts on reducing administrative and general expenses.

Results for the third quarter of 2002 include a foreign exchange loss of $1.5 million incurred on US$ denominated debt. The comparative figure for the third quarter of 2001 was a foreign exchange loss of $0.6 million.

Interest expense increased to $2.8 million in the third quarter of 2002 from $2.5 million in the third quarter of 2001 due to higher debt levels.

Net income for the quarter was $1.3 million, a decrease of $5.5 million when compared to the same period in 2001. Lower margins, higher interest expense, and a higher foreign exchange loss, were partially offset by reduced administrative and general expenses for the quarter. Net income per share was $0.02 for the quarter, compared to $0.10 in the third quarter of 2001.

Liquidity and Capital Resources

In the quarter ended September 30, 2002, the Corporation generated $9.6 million of cash from operations, an improvement of $2.6 million when compared to the same period in 2001.

During the quarter ended September 30, 2002, the Corporation invested $6.2 million in new production equipment to modernize current facilities and to enhance its capabilities.

During the year, the Corporation amended its banking facilities. The existing facility's maturity was extended by one year to 2005, and the amount of credit under both the operating and term facility was increased. The principal repayment schedule was modified to eliminate further principal repayments in 2002, and provides for lower repayments in future years as well.

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.