Strength in Integration

Magellan 2001 Annual Report

MAGELLAN
AEROSPACE CORPORATION

Magellan

Magellan Aerospace Corporation is a leading, integrated supplier of innovative products and services to the aerospace, defence and space industries around the globe. Magellan enjoys strong relationships with Original Equipment Manufacturers (OEMs), space, civil and defence organizations and is recognized by its customers for its innovative technology, product design, quality manufacturing and total program solutions.

MAGELLAN
AEROSPACE CORPORATION

MAGELLAN
AEROENGINES

A prime supplier of aeroengine products and services for the world's leading commercial aeroengine manufacturers.

MAGELLAN
AEROSTRUCTURES

A diversified supplier of aerostructure products and services to a broad international customer base in the civil, defence and space markets.

MAGELLAN
ROCKETS AND SPACE

A vital supplier of specialized products to the global space and defence markets.

MAGELLAN
SPECIALTY PRODUCTS

A key source of technically advanced solutions for the specialized requirements of customers in the aerospace, medical, power and oil & natural gas industries.

Customers	Products	2001 Achievements
• Aircelle • Hurel-Hispano • General Electric • Honeywell • Pratt & Whitney • Rolls-Royce • DND • US DoD	• Disks, Shafts, Spacers & Rings • Bypass Ducts & Nacelle Components • Cases, Combustors, Frames & Fairings • Nozzle & Plug Assemblies • Engine Repair & Overhaul (R&O) & test	• $60 million F404 engine R&O contract • $120 million & $36 million P&WC Agreements • Honeywell LV100-5 engine components
• Bell Helicopter • Goodrich • Boeing • Bombardier • Eurocopter • Northrup Grumman • Westland Helicopters • Southwest Airlines • Continental Airlines	• Composite and metal assemblies & components • Flap & Aileron assemblies • Wing & fuselage panels • Machined wing & landing gear components • Fan cowl doors • Aircraft bulkheads	• $15 million Northrop Grumman contract for F/A –18E/F structural components • Shipped first flying test bed titanium aft nozzle for Airbus A318 program • Awarded $400 million contract for Boeing 717-200 aircraft structural assemblies
• CSA • NASA • Various defence organizations • Boeing • Lockheed Martin • Insys	• Space & defence rocket systems • Space hardware, payloads & small satellites • Rocket engine thrust gimbals • Cryogenic seals	• Awarded contract to supply dorsal fins to Raytheon for Standard Missile-2 Block IVA Navy Area Defence Missile
• Siemens Westinghouse • Rolls-Royce • General Electric • Oil & natural gas drilling companies • General and Utility Aviation • Helicopter OEMs & operators	• OE600 engines & installation packages • Wire Strike Protection System (WSPS™) • Biomedical and lithography assemblies • Industrial turbine power systems & overhaul • Materials technology & repair • Oil & natural gas drilling heads	• Commissioned first OGT2500 Industrial Gas Turbine power generation unit • Agreement signed with Siemens Westinghouse to supply Compressor Diaphragms • Hongdu, China Agreement for OE600 engines • FAA OE600 Certification (STC) for Air Tractor 401

Strength in Integration

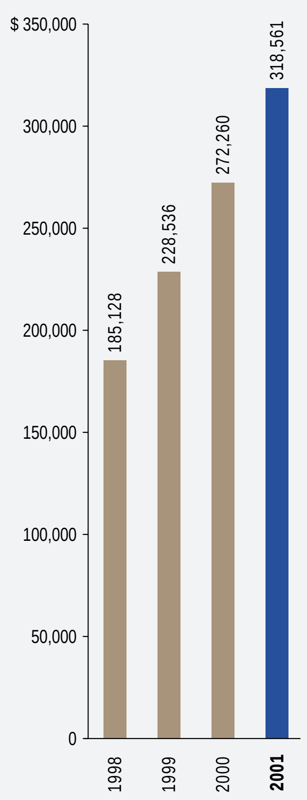
Magellan Aerospace Corporation designs, engineers and manufactures aeroengine and aerostructure assemblies for civil aerospace, and advanced products for military, space and power markets, blending operations, supplier management, marketing, and product development across all operating divisions.

FINANCIAL HIGHLIGHTS

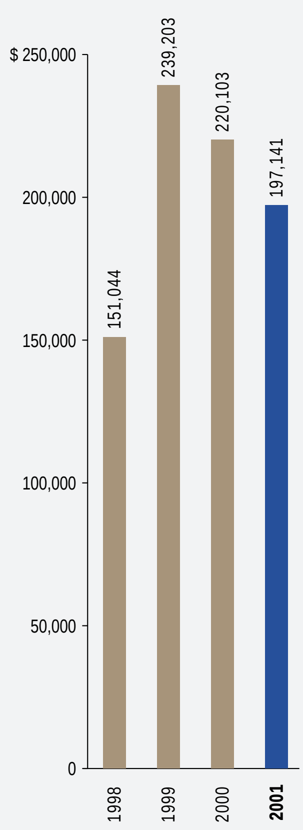
(in thousands of dollars except per share figures)

	2001	2000	Percentage Change
Revenues	**$ 614,461**	$ 625,393	-1.7%
Income for the year	**40,564**	37,913	+7.0%
Earnings per share	**0.62**	0.59	+5.1%
EBITDA	**92,906**	98,237	-5.4%
EBITDA per share	**1.41**	1.52	-7.2%
Capital expenditures	**32,369**	28,044	+15.4%
Shareholders' equity	**318,561**	272,260	+17.0%
Cash provided by operating activities	**65,908**	52,959	+24.5%

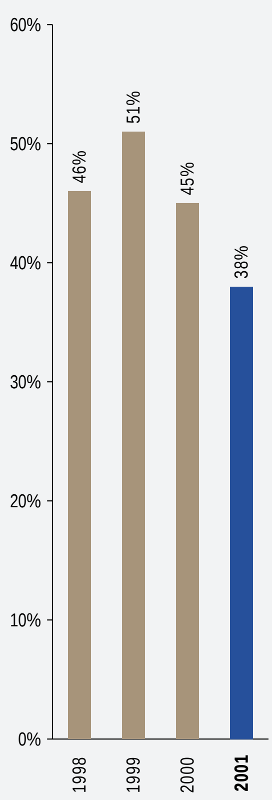
STRENGTH IN OUR BALANCE SHEET



Shareholders' Equity

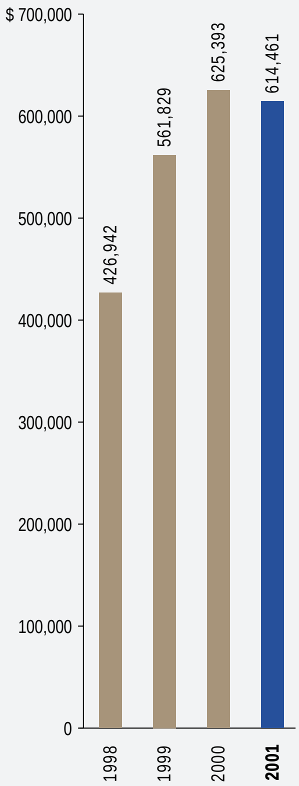


Total Debt

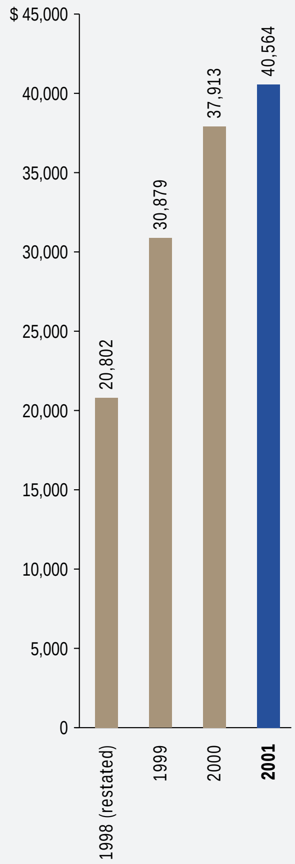


Debt: Capital

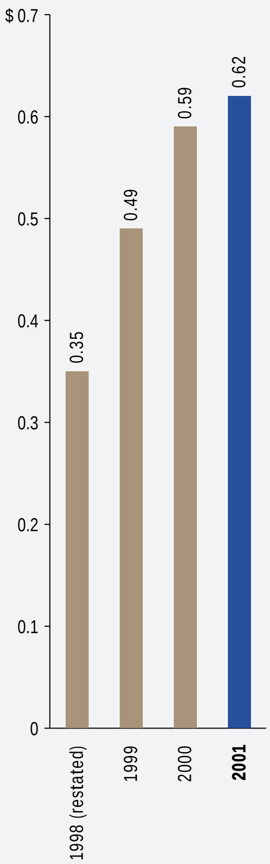
STRENGTH IN OUR INCOME STATEMENT



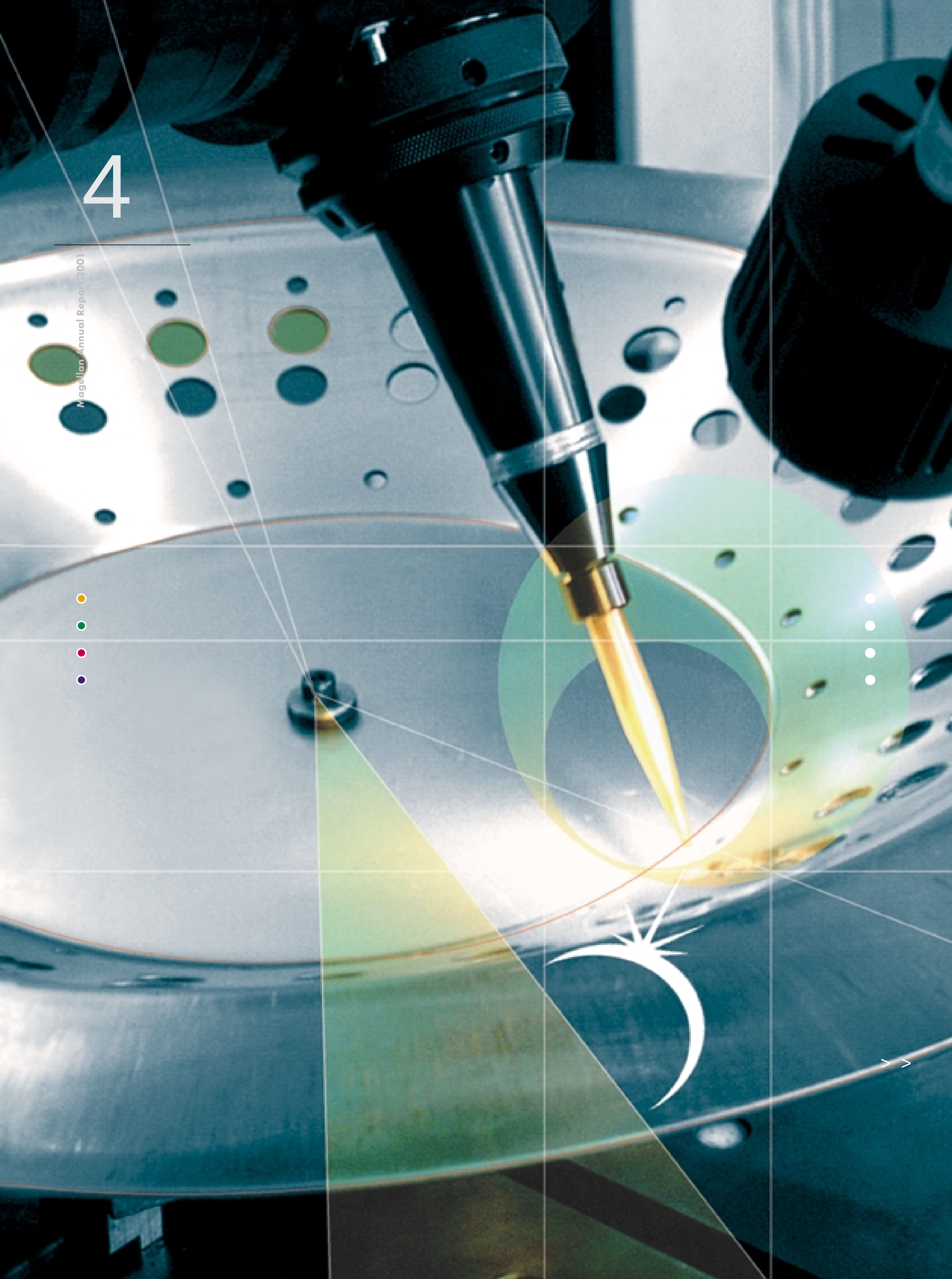
Revenues

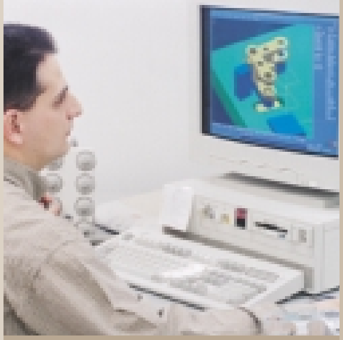


Net Income



Earnings per Share





Engineering applies design and manufacturing expertise to convert customer requirements into a manufacturing process.

Automated filling of flare canisters with pyrophoric liquid in vacuum conditions.

In-house processes such as vacuum furnaces for heat-treat reduce flow time and control quality and cost.

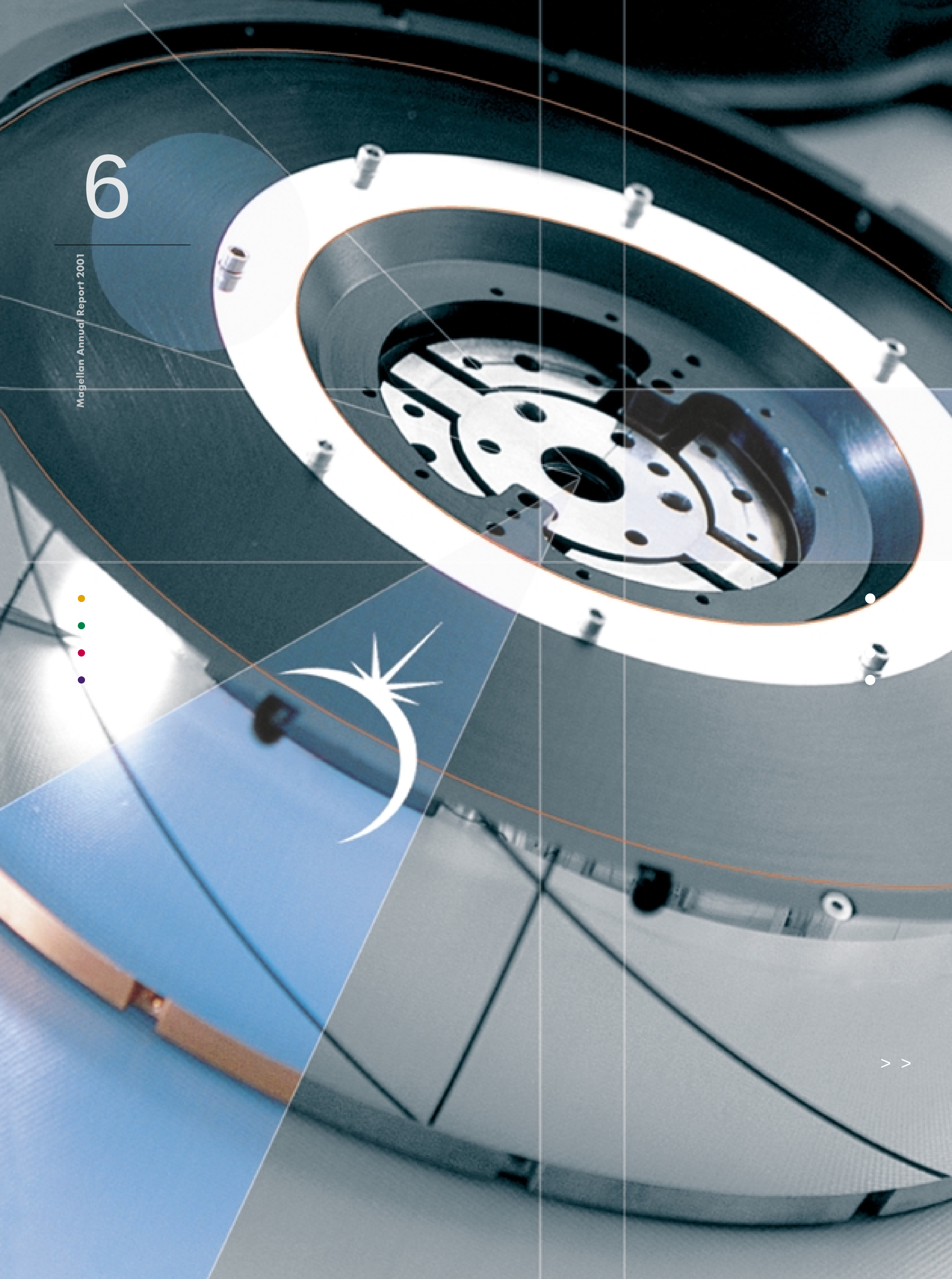
Aftermarket product support provides value to our customers and diversity to our product base.

Strength in Diversity of

Capabilities

Magellan has the size, scope and strategically located facilities to serve a diversity of specialized markets worldwide. Each of our operating facilities has developed core competencies and capabilities in machining, composite, joining and other materials technologies that are industry leading; yet all are completely integrated to gain maximum enterprise-wide leverage from our individual strengths.

> > Computer Numeric Control (CNC) 6-Axis Laser Drilling System for aeroengine and aerostructure products.



OGT 2500 industrial power generation unit for conventional and biofuel applications.

Fan Cowl Doors designed and developed in-house for airline aftermarket applications.

EH101 helicopter carbon fibre composite Engine Cowling in production.

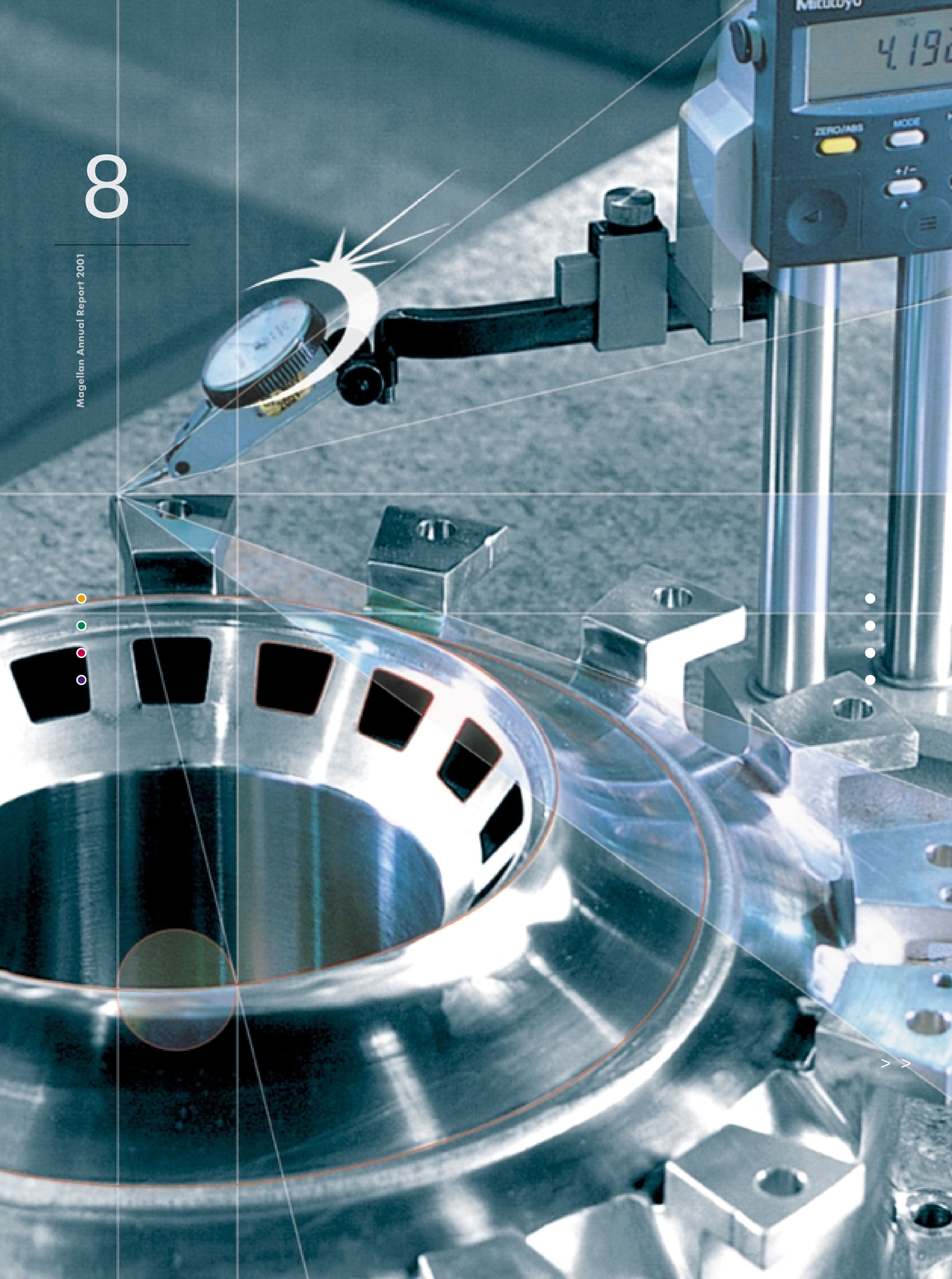
CF34-10 Fan Case with abradable surface coating for increased fan blade efficiency.

Strength in Diversity of

Products

Magellan's strength in product development and process control – including engines, structures, rocket systems, space systems and related products – brings three substantial benefits. It makes us the supplier of choice for Original Equipment Manufacturers and space and defence organizations worldwide. It insulates Magellan from aerospace business fluctuations. It facilitates further diversity and new market penetration at little cost or risk.

> > GyroWheel™ multi-function attitude control device for satellite applications.


ZERO/ABS
MODE

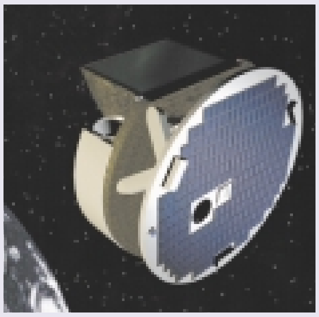
Strength in Diversity of

Markets

Magellan is an industry leader in a diversity of markets worldwide. Our global reach and reputation for delivering products and services of the highest quality enable Magellan to fully participate in an expanding aerospace industry while mitigating the effects of short-term economic cycles. Diverse market strength brings assured financial strength – and Magellan has both.

Business and Regional Jet markets for aeroengine and aerostructure products.

Defence Departments worldwide for products and aftermarket services.



Domestic and international Space customers for small satellites, payloads and launchers.

Oil, Natural Gas, and Medical equipment industries for derivative products.

> > **A machined combustor assembly for an Industrial Power Generation customer.**

Message to Shareholders

N. Murray Edwards
Chairman and Chief Executive Officer

Richard A. Neill
President and Chief Operating Officer

Tough year, solid performance, strong potential – six simple words that sketch Magellan's 2001. But the complete picture is much more compelling and clearly reveals a brighter tomorrow.

Strength in Integration

Who could have predicted the appalling events of last September? Who could have predicted the consequent near-catastrophic collapse of the commercial airline industry? In last year's message to shareholders, we reported on Magellan's strong financial foundation, our ability to identify and integrate key aerospace manufacturing facilities, the diversity of our products, and our expanding leadership in aerospace markets around the globe. We confidently predicted that Magellan would grow with our customers in an air travel market with an expected annual growth rate of 4–5% annually for the next 20 years. And then in one sudden and terrible moment, the world changed – and everybody's predictions became so much scrap paper.

Yet, during what was arguably one of the most difficult and depressed years in the history of the aerospace industry, Magellan's fundamental strengths insulated us from the precipitous decline in the commercial airline market and motivated a solid financial performance. These same strengths will continue to underpin our financial vigour and corporate growth in the near term and ensure Magellan retains and expands our market leadership well into the future, regardless of cycles in individual aerospace sectors or the broader economy. *These* predictions we can make with confidence because of Magellan's critical strengths in six key areas.

1. Strength in Our Financial Foundation

Events in the commercial aerospace sector, caused by the combination of current economic conditions and the September 11th disaster, impacted the results for the quarter and year ended December 31, 2001. In the immediate term, widespread logistics and transportation problems interrupted the supply chain and added costs. From early in 2001 to year-end and extending into 2002, the general slowdown in the economy and the significant impact on air travel and the airlines has resulted in reduced demand for certain civil aviation products. The Corporation has been able to restore efficiencies and replace some of the civil aviation reductions with defence work, mitigating the impact on revenue and profits.

These 2001 results, although obviously affected by the current economic slowdown, deliver bottom-line proof that Magellan is a strong, integrated organization capable of sustained corporate and financial growth, even in difficult markets. In short, Magellan has emerged from the airline industry slowdown financially strong, well positioned to continue meeting the challenges that face our industry, and with the resources to grow rapidly as market trends dictate.

2. Strength in Integration

The Corporation's strategic growth plan and our track record in identifying, acquiring and rapidly integrating key aerospace industry manufacturing facilities proved its worth during the recent crises. Integration was quite simply the right strategy at the right time.

Size Matters

New customers in Europe and Asia liked the technology and efficiency of our individual plants. At the same time, they wanted assurances of financial stability over the long term. Magellan was able to demonstrate that customers could have the benefits of both small plant efficiencies and large company financial strength in Magellan. We won the orders.

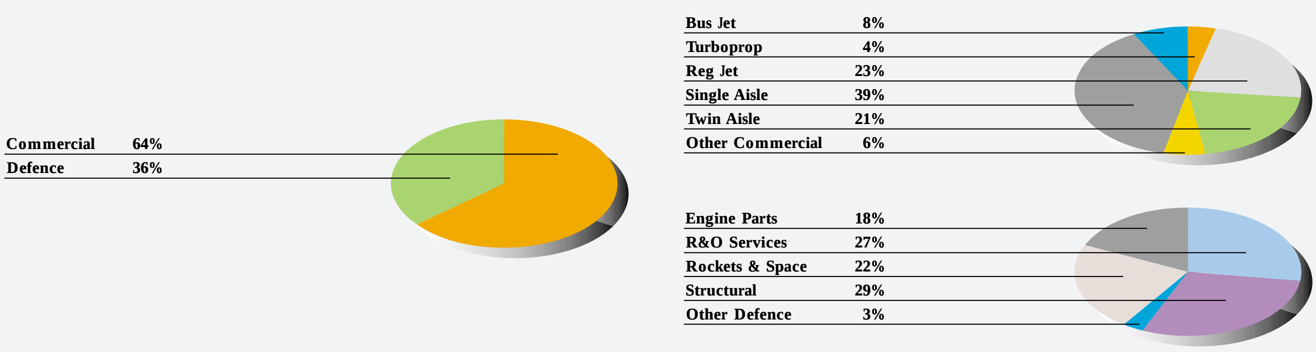
With integration, the sum is greater than its parts. It brings synergies and benefits to our customers by allowing Magellan to provide a more complete package. It promotes cross-pollination of core competencies. It combines with market and product diversity to insulate Magellan from market cycles. And the integration of key activities, such as purchasing and marketing, continues to improve our gross margins.

3. Strength in Strategic Diversity and Market Leadership

Strategic product diversity allows Magellan to weather expected and unexpected market cycles. For example, as the commercial airline sector diminished, the defence sector expanded. As the supplier of choice for many military-oriented products and services, Magellan's business also expanded in this sector. And with defence budgets continuing on the upswing –

especially in the U.S. – we are well positioned to enjoy increased business in this sector over the next few years. New opportunities in the defence sector will lead to the development of products and services that can be applied to the commercial sector when it rebounds.

Sales in 2001 were well distributed across commercial and defence markets.



Our market leadership has brought with it strong relationships with the leading aerospace manufacturers. Our financial strength also allows us to balance market risk with competitive risk by entering into long-term contracts like these:

- Boeing – 5 year Long Term Agreement (LTA)
- Honeywell – Risk/Revenue Sharing Agreement (RSA) and LTA's
- Aircelle/Airbus – RSA, joint product development
- Bombardier – RSA, joint product development
- Pratt & Whitney Canada – 4–10 year LTA's
- General Electric – Licensed production
- Rolls-Royce – RSA

Our Customers are Our Salesmen

One of our existing clients recently recommended us to a new customer as an excellent source for specific engine components. We were praised for our reliability, quality and delivery performance. We bid the program and won on price and delivery time.

4. Strength in Global Reach

Magellan has the operational scope to service customers around the globe and enhances our global reach with strong and current knowledge of individual markets. Our traditionally strong base in the United States and Canada provides a broad range of customers for our products. Increasingly, these markets are being supplemented by the development of new customers in the United Kingdom, Europe, Australasia and some emerging countries. This diversity provides a balance of economic conditions across our customer base.

5. Strength in Continuous Improvement and Quality

Magellan continues our active program of simplifying operations to achieve improved effectiveness, while reducing cost through *Lean Operations*.

For Magellan, *Lean* encompasses the traditional shop floor *Lean Manufacturing* focus and much more. All aspects of our operations, including order entry, purchasing, engineering, finance and marketing, adhere powerfully to the principles of Lean – and the *real business* strength of our dedication to *Lean Operations* is increasingly evident in both our bottom line results and high levels of customer satisfaction. *Lean* will become even more integral to our operating efficiency and quality improvements as we move into the future.

Innovation and Environmental Stewardship

Magellan received the Corporate Innovation Award for 2001 from the Canada Council of the American Society for Materials (ASM) International, presented in Indianapolis in November 2001. Magellan was also a finalist in the Flight International Aerospace Industry Awards for Innovation, Propulsion category, presented in Paris in June 2001.

Magellan also earned an award from Canada's National Action Program on Climate Change for the monitoring and reduction of green house gases. Ongoing environmental efforts include programs to monitor and restore ground water quality, development of engines capable of running on biofuel, deployment of energy efficient co-generation industrial power sets, contribution to the development of low-emission industrial power engines, and development of environmentally friendly coating technologies for turbine engines.

Magellan's operating divisions are renowned for their product quality and with the Six Sigma program of proven quality principles and cost reduction techniques, we strive to consistently raise the accuracy of our manufacturing and transactional processes to achieve and maintain total customer satisfaction.

Six Sigma and Lean Operations are only two elements in our strong investment in training, education and continuous improvement. To date, over 200 of our employees have achieved Six Sigma green/black belt status or Lean Operations training. On the management side, 43 of our management group have taken advantage of the Rothman's School of Business executive MBA program (University of Toronto) or the Canadian Institute of Management program (University of Manitoba).

Magellan continues to invest to enhance the manufacturing capabilities of our plants. In 2001, we:

- Invested $30 million in plant and equipment and $15 million in new programs.
- Invested in new program development in Aerostructure and Specialty Products.
- Undertook customer-funded and co-funded program developments in Aeroengine and Rockets and Space.

Speed Equals Success

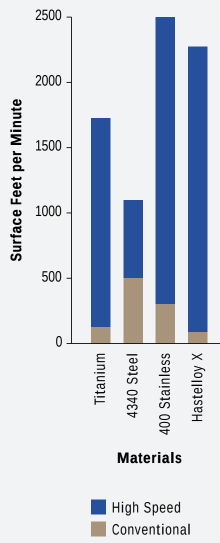
A new program to produce landing gear components was won in 2001 because of our rapid response to the customer's requirement, our willingness to meet tight delivery dates, and our ability to handle all technical information electronically.

Capital investment, product development, technical development and personnel training and education, plus a firm commitment to prudent financial resource management, keep us competitive in all our markets and set the stage for growth in returns as the economic recovery broadens.

6. Strength in Core Competencies

Magellan has developed core competencies that are industry leading and have enabled us to create a breadth of products and services much in demand by our aerospace customers. During 2001, we continued to leverage these core competencies in some very innovative ways:

- High Velocity Machining (HVM) – a multi-year research and development program, in conjunction with Technology Partnerships Canada, focussed on the implementation of high velocity cutting techniques for hard metals such as titanium, stainless steels and super alloys.
- Latest metal processing – Computer Numeric Control (CNC) 6-axis laser drilling and welding, electronic discharge machining (EDM), metallurgic laboratories for test, and research and development of metallic coatings.
- Composite – CNC laser ply locating, CNC ply and core cutting, CNC 5-axis trimming and ultra-sonic inspection.



Cutting Costs and Time

Our High Velocity Machining (HVM) program has achieved impressive results in increasing the cutting velocity, condensing the overall machining cycle, and developing high velocity cutting techniques for thin wall monolithic structures for hard metals – thus reducing production costs and manufacturing time while delivering a superior product.

Our core competencies have also allowed us to diversify and penetrate new markets at little cost or risk yet with the potential for strong and continuing financial returns – for example:

- Industrial Power/Co-generation.
- Oil and natural gas equipment.
- Space hardware.

Strength for a Brighter Tomorrow

Even through the recent challenging times faced by the aerospace sector, Magellan stayed the course to achieve our mission: To deliver assured, long-term growth and returns to our shareholders and other stakeholders. Because of our essential financial strength, we were able to sustain our growth and development in ways that enhance our position as one of the world's leading aerospace suppliers:

- We are continuing to invest in new technologies such as high velocity machining, composite structures, exotic materials processing, and environmentally friendly product improvements.
- We are continuing the implementation of state of the art plant equipment and new information technology.
- Several new product development programs are either underway, or will be launched in 2002.

Our strategy of constant product and service diversification protects the Corporation against aerospace business fluctuations. The commercial airline sector is returning to normal at a faster than expected pace – led by the robust regional and value airlines that are already placing orders for additional aircraft. Older generation aircraft will be replaced by new generation aircraft. As this sector emerges from the downturn, we intend to grow with our customers in the provision of new and replacement aircraft assemblies, engines and related services.

In 2001, we maintained a conservative financial strategy that further strengthened our balance sheet. As a consequence, Magellan is well positioned to seek strategic acquisitions that complement and extend our integrated offerings in niche markets – and we will do so in the near future. We will also continue to grow organically by leveraging our core competencies to develop a wider range of products and services for the markets we know intimately. There's no doubt that 2001 was a tough year. But, even in the face of adversity, Magellan achieved solid performance and made significant strides toward a brighter tomorrow.

We thank Magellan's employees for their dedication, professionalism and quality of production. Individually and collectively they are Magellan's first in rank strength and the true foundation of our success.

N. Murray Edwards
Chairman and Chief Executive Officer

Richard A. Neill
President and Chief Operating Officer

March 28, 2002

MD&A and Financial Statements

MANAGEMENT'S DISCUSSION AND ANALYSIS

Magellan Aerospace Corporation ("Magellan") 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. Magellan's performance in 2001 showed growth in earnings and shareholders' equity, strengthening its ability to serve the world aviation market.

Year ended December 31, 2001 compared with the year ended December 31, 2000

Consolidated revenue for the year ended December 31, 2001 was $614.5 million, a decrease of $10.9 million or 1.7% from 2000 levels. The decrease resulted from a combination of current economic conditions and the aftermath of the September 11th disaster.

Cost of revenues was $502.7 million for the year ended December 31, 2001, for a gross profit of $111.8 million or 18.2%. This compares to the gross profit of $115.7 million or 18.5% recorded in 2000. Lower sales, uncertain shipping schedules, and the Corporation's manpower levels decreasing at a slower rate than sales contributed to lower margins.

Administrative and general expenses were $39.4 million or 6.4% of revenues for the year ended December 31, 2001, compared to $35.5 million or 5.7% of revenues in 2000. Management continues to focus on minimizing these costs, however, intensified marketing efforts and increased employee costs have contributed to the increase in administrative and general expenses over the comparable period in the prior year.

Interest expense of $11.3 million for the year ended December 31, 2001 was $8.4 million or 42.8% lower than 2000 levels. Interest expense was lower in 2001 as Magellan benefited from the significant reductions in borrowing rates and lower debt levels.

Income tax expense was $19.5 million in 2001, on income before income taxes of $60.0 million for an effective tax rate of 32.4%. This rate includes an adjustment of $2.5 million recorded in the second quarter to reflect the effect of lower Canadian tax rates on the Corporation's net future tax liabilities. In 2000, income tax expense was $21.7 million on pre-tax income of $59.6 million for an effective rate of 36.4%.

Year ended December 31, 2000 compared with the year ended December 31, 1999

Consolidated revenue for the year ended December 31, 2000 was $625.4 million, an increase of 11.3% or $63.6 million over 1999 levels. The increase resulted from the inclusion of a full year of sales from Ellanef Manufacturing Corporation, which was acquired in the second quarter of 1999, and organic growth throughout the balance of the Corporation.

Cost of revenues was $509.7 million for the year ended December 31, 2000, for a gross profit of $115.7 million or 18.5%. This compares favourably to the gross profit of $102.2 million or 18.2% recorded in 1999 and reflects the impact of "Six Sigma" and lean manufacturing techniques initiated throughout the Corporation.

Administrative and general expenses were $35.5 million for the year ended December 31, 2000, compared to $36.6 million in 1999. Management's focus on minimizing these costs has resulted in a slight decline, in spite of overall business levels increasing.

Interest expense was $19.7 million, which was an increase of 29.6% or $4.5 million over 1999 levels. The interest expense was higher in 2000 as this was the first full year of inclusion of the debt associated with the purchase of Ellanef, as well as the impact of higher interest rates.

Income tax expense was $21.7 million in 2000, on income before income taxes of $59.6 million for an effective tax rate of 36.4%. In 1999, income tax expense was $19.1 million on pre-tax income of $50.0 million for an effective rate of 38.2%. The income tax rate decreased during 2000 because of reduction of provincial income tax rates as well as the use of capital loss carry-forwards applied to capital gains realized on the disposition of other assets.

Liquidity and Capital Resources

In 2001, the Corporation continued to generate an increasing amount of cash from operating activities when compared to 2000. Cash flow from operations was $65.9 million for the year, an increase of $12.9 million from the previous year.

During the year ended December 31, 2001, the Corporation invested $32.4 million in new production equipment to modernize current facilities and to enhance its capabilities. The Corporation also used a total of $36.3 million of funds generated to reduce 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.

MANAGEMENT'S REPORT

The consolidated financial statements of **Magellan Aerospace Corporation** were prepared by management in accordance with accounting principles generally accepted in Canada. The financial and operating information presented in this report is consistent with that shown in the financial statements.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

External auditors appointed by the shareholders have examined the consolidated financial statements. The Audit Committee, consisting of non-management directors, has reviewed these consolidated financial statements with management and the auditors and has reported to the Board of Directors. The Board approved the consolidated financial statements.

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

John B. Dekker ***(signed)***
Vice President Finance
and Corporate Secretary

March 8, 2002

AUDITORS' REPORT

To the Shareholders of
Magellan Aerospace Corporation

We have audited the consolidated balance sheets of **Magellan Aerospace Corporation** as at December 31, 2001 and 2000 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Mississauga, Canada,
March 7, 2002

Ernst & Young ***(signed)***
Chartered Accountants

CONSOLIDATED BALANCE SHEETS

As at December 31 (Expressed in thousands of dollars)	**2001**	2000
Assets		
Current		
Cash and cash equivalents	**$ 3,638**	$ 5,684
Accounts receivable	**89,800**	110,372
Inventories (note 2)	**230,943**	204,555
Prepaid expenses and other	**8,218**	6,771
Future income tax assets (note 11)	**3,643**	6,279
Total current assets	**336,242**	333,661
Capital assets (note 3)	**347,801**	325,442
Goodwill	**13,421**	13,194
Other	**11,167**	12,512
Future income tax assets (note 11)	**11,265**	9,542
	$ 719,896	$ 694,351
Liabilities and Shareholders' Equity		
Current		
Bank indebtedness (note 4)	**$ 57,431**	$ 53,114
Accounts payable and accrued charges (note 6)	**92,067**	89,194
Deferred revenue	**2,779**	2,602
Current portion of long-term debt (note 5)	**41,108**	32,078
Total current liabilities	**193,385**	176,988
Long-term debt (note 5)	**102,240**	140,595
Future income tax liabilities (note 11)	**95,225**	90,670
Other long-term liabilities (note 6)	**10,485**	13,838
Shareholders' equity		
Capital stock (notes 7 and 8)	**147,350**	146,557
Retained earnings	**166,700**	126,136
Foreign exchange translation (note 9)	**4,511**	(433)
Total shareholders' equity	**318,561**	272,260
	$ 719,896	$ 694,351

See accompanying notes

On behalf of the Board:

N. Murray Edwards ***(signed)***
Director

Bruce W. Gowan ***(signed)***
Director

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Years ended December 31	**2001**	2000
(Expressed in thousands of dollars except per share data)		
Revenues	**$ 614,461**	$ 625,393
Cost of revenues	**502,701**	509,669
Gross profit	**111,760**	115,724
Administrative and general expenses	**39,400**	35,467
Research and development	**1,066**	977
Interest (note 10a)	**11,251**	19,668
	51,717	56,112
Income before income taxes	**60,043**	59,612
Income taxes (note 11)		
Current	**17,110**	15,122
Future	**2,369**	6,577
	19,479	21,699
Net income for the year	**40,564**	37,913
Retained earnings, beginning of year	**126,136**	88,223
Retained earnings, end of year	**$ 166,700**	$ 126,136
Income per common share (note 7)		
Basic	**$ 0.62**	$ 0.59
Diluted	**$ 0.61**	$ 0.58

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31 (Expressed in thousands of dollars)	**2001**	2000
Operating Activities		
Net income for the year	**$ 40,564**	$ 37,913
Add items not affecting cash		
Depreciation and amortization	**21,612**	18,957
Future income taxes	**2,369**	6,577
	64,545	63,447
Net change in non-cash working capital balances relating to operating activities (note 10c)	**1,363**	(10,488)
Cash provided by operating activities	**65,908**	52,959
Investing Activities		
Purchase of capital assets	**(32,369)**	(28,044)
Decrease (increase) in other assets	**1,081**	(1,785)
Cash used in investing activities	**(31,288)**	(29,829)
Financing Activities		
Increase (decrease) in bank indebtedness	**2,100**	(1,978)
Repayment of long-term debt	**(36,272)**	(23,751)
Issuance of common shares	**793**	2,789
Decrease in other long-term liabilities	**(3,502)**	(934)
Cash used by financing activities	**(36,881)**	(23,874)
Effect of exchange rate changes on cash	**215**	131
Net decrease in cash and cash equivalents during the year	**(2,046)**	(613)
Cash and cash equivalents, beginning of year	**5,684**	6,297
Cash and cash equivalents, end of year	**$ 3,638**	$ 5,684

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

(Expressed in thousands of dollars except share and per share data)

1. ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles within the framework of the significant accounting policies summarized below. The consolidated financial statements of Magellan Aerospace Corporation (the "Corporation") include the accounts of the Corporation and its wholly-owned subsidiaries.

Management's estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its consolidated financial statements are reasonable and prudent; however, actual results could differ from those estimates.

Revenue recognition

Revenue includes sales from units delivered during the year and estimates of revenue earned on long-term contracts using the percentage of completion method. Where it is expected that a loss will be incurred on completion of a contract, a provision is made for the total estimated loss.

Cash and cash equivalents

Cash and cash equivalents includes cash on deposit and term deposits with remaining maturities at the date of acquisition of less than three months.

Inventories

Inventories are stated at the lower of cost and estimated net realizable value. Inventories are primarily attributable to long-term contracts on which the related operating cycles are longer than one year. In accordance with industry practice, these inventories are included in current assets. Inventoried costs on long-term contracts include pre-production costs consisting primarily of tooling production costs, including applicable finance and overhead and other development costs provided that their recovery can be regarded as reasonably assured. Inventoried costs are charged to cost of revenues by the estimated average cost of deliveries under contracts using the learning curve concept, which anticipates a predictable decrease in unit costs as tasks and production techniques become more efficient through repetition and management action.

Advances and progress billings received on long-term contracts are deducted from related costs in inventories. Advances and progress billings in excess of related costs are classified as deferred revenue.

Capital assets

Capital assets are recorded at cost less related government grants and investment tax credits and are depreciated over their estimated useful lives (with 10% residual value) as follows:

Buildings	40 years
Machinery and equipment	20 years

Research and development

Research and development costs are charged to operations as incurred, due to the nature of the projects. Where government incentives in the form of investment tax credits and grants are received for research and development projects initiated by the Corporation for its own purposes, these incentives are deducted from the research and development costs.

Government investment

The Corporation makes periodic applications for government investment under available government programs, including investment tax credits. Government investment relating to capitalized expenditures is reflected as a reduction of the related costs of such assets. Government investment relating to operating expenses is recorded as a reduction of the related expenses as incurred.

Goodwill

Goodwill is recorded at cost and amortized to income on a straight-line basis over 40 years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events or circumstances, which might have impaired the carrying value. The amount of goodwill impairment, if any, is measured based on undiscounted projected future cash flows.

In June 2001, The Canadian Institute of Chartered Accountants issued new recommendations with respect to Business Combinations and Goodwill and Intangible Assets, effective for fiscal years beginning on or after January 1, 2002. Under the new recommendations, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the new recommendations. Other intangible assets will continue to be amortized over their useful lives.

The Corporation will apply the new recommendations on accounting for goodwill and other intangible assets beginning in its first quarter of 2002. Application of the non-amortization provisions of the new recommendations is expected to result in an increase in net income of $576 per year. During 2002, the Corporation will perform the first of the required impairment tests of goodwill as of January 1, 2002 and has not yet determined what the effect of this test will be on the income and financial position of the Corporation.

Foreign exchange translation

Monetary assets and liabilities of the Corporation denominated in foreign currencies are translated at the year-end exchange rates. Revenue and expenses are translated at actual rates of exchange when the transaction occurred. Exchange gains and losses on these items are recognized in income in the current year except for gains or losses on monetary assets or liabilities with fixed or ascertainable lives extending beyond one year which are deferred and amortized over the remaining life of the monetary item.

The Corporation’s operations outside of Canada are considered self-sustaining. Consequently, the assets and liabilities are translated to Canadian dollars using the year-end exchange rates and revenue and expenses are translated at the average rates during the year. Exchange gains or losses on translation of the Corporation’s net investment in these operations are deferred as a separate component of shareholders’ equity.

The appropriate amounts of exchange gains or losses accumulated in the separate component of shareholders’ equity are reflected in income when there is a reduction in the Corporation’s net investment in the operations that gave rise to such exchange gains or losses.

During the year, The Canadian Institute of Chartered Accountants amended its recommendations with respect to Accounting for Foreign Exchange. Under the revised recommendations, effective for fiscal years commencing on or after January 1, 2002, foreign exchange gains or losses on long-term monetary assets and liabilities with fixed and ascertainable lives are no longer to be deferred and amortized over the period to maturity.

The Corporation will apply the revised recommendations, on a retroactive basis, effective January 1, 2002. Accordingly, the balance of the deferred foreign exchange of $2,331 will be charged to opening retained earnings.

Employee benefit plans

The cost of pension and post-employment benefits (including medical benefits and dental care) related to employees' current service is charged to income annually. The cost is computed on an actuarial basis using the projected benefit method prorated on services and management's best estimates of investment yields, salary escalation and other factors. Pension plan assets are valued at fair value for purposes of calculating the expected return on plan assets. Past service costs resulting from plan amendments are amortized over the remaining average service life of active employees. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligations and the fair value of plan assets is amortized over the average remaining service period of active employees.

Stock based compensation plan

The Corporation has an incentive stock option plan as more fully described in note 8. No compensation expense is recognized for this plan when stock or stock options are issued. Any consideration paid on the exercise of stock options is credited to share capital.

In December 2001, The Canadian Institute of Chartered Accountants issued new recommendations with respect to stock based compensation, effective for fiscal years beginning on or after January 1, 2002. Under the recommendations, companies are required to account for all issuances of stock or stock options to non-employees in exchange for goods or services and direct awards of stock in exchange for employee services to be accounted for at fair value (using an option pricing model for stock options). Companies will be permitted to account for all other employee stock based compensation plans using either the fair value approach (which will give rise to compensation expense) or the intrinsic value approach which does not. The Corporation does not expect that the new recommendations will have any impact on its income or financial position.

Income taxes

The Corporation follows the liability method of income tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Income per common share

Basic income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted income per share reflects the assumed conversion of all dilutive securities using the treasury stock method.

2. INVENTORIES

	2001	2000
Production costs of contracts currently in process	**$ 175,685**	$ 181,668
Excess of production cost of delivered units over the estimated average of all units expected to be produced (learning curve costs)	**4,606**	4,007
Initial tooling and other costs	**55,530**	35,304
	235,821	220,979
Less advances and progress payments	**(4,878)**	(16,424)
	$ 230,943	$ 204,555

3. CAPITAL ASSETS

			2001
	Cost	**Accumulated depreciation**	**Net book value**
Land	**$ 17,030**	**$ –**	**$ 17,030**
Buildings	**85,037**	**16,872**	**68,165**
Machinery and equipment	**340,044**	**77,438**	**262,606**
	$ 442,111	**$ 94,310**	**$ 347,801**

			2000
	Cost	Accumulated depreciation	Net book value
Land	$ 16,325	$ –	$ 16,325
Buildings	74,023	13,768	60,255
Machinery and equipment	308,435	59,573	248,862
	$ 398,783	$ 73,341	$ 325,442

Included in machinery and equipment are construction in progress expenditures of $19,197 (2000 – $17,750).

4. BANK INDEBTEDNESS

Bank indebtedness of $57,431 (2000 – $53,114) is payable on demand and bears interest at the bankers' acceptance or LIBOR rates, plus 1.25% to 1.65%. A fixed and floating charge debenture on certain of the Corporation's assets is pledged as collateral for the operating loans and the term bank loan (note 5).

5. LONG-TERM DEBT

	2001	2000
Term bank loan	**$ 135,100**	$ 161,912
Other non-bank loans	**8,248**	10,761
	143,348	172,673
Less current portion	**41,108**	32,078
	$ 102,240	$ 140,595

The term bank loan bears interest at bankers' acceptance or LIBOR rates, plus 0.80% to 1.25%. Included in the term bank loan are amounts due in U.S. dollars of $71,315 (2000 – $91,318).

Under the Corporation's bank facilities, the Corporation has three financial covenants, namely the ratio of income before interest, income taxes, depreciation and amortization to debt; minimum tangible net worth; and fixed charge coverage. Each of the covenants were met throughout 2001. During 2002, the Corporation expects that each covenant will be met with the possible exception of the fixed charge coverage covenant. Due to increased repayments of the term bank loan in 2002, the minimum coverage level prescribed in this covenant may not be met. Management is anticipating either a waiver of this covenant or the renegotiation of the terms of the facility if required. If this is not achieved, the term debt would be classified as current and related deferred financing costs would be charged to income. Management believes that a renegotiated facility will be obtained if required.

Long-term debt maturities for the next four years are as follows:

2002	$ 41,108
2003	60,165
2004	41,161
2005	914

6. OTHER LONG-TERM LIABILITIES

	2001	2000
Non-interest bearing amounts owed to third parties	**$ 12,029**	$ 13,954
Other	**3,274**	3,565
	15,303	17,519
Less current portion included in accounts payable and accrued charges	**4,818**	3,681
Other long-term liabilities	**$ 10,485**	$ 13,838

Amounts owed to third parties for the next five years and thereafter are as follows:

2002	$ 4,818
2003	6,893
2004	145
2005	681
2006 and thereafter	2,766

7. CAPITAL STOCK

The authorized capital of the Corporation consists of an unlimited number of preference shares, issuable in series, and an unlimited number of common shares.

Common shares:

	Number of shares	Stated capital
Outstanding at December 31, 1999	64,546,068	$ 143,768
Issued upon exercise of warrants	240,000	516
Issued upon exercise of options	1,003,000	2,009
Issued to employees and directors	45,121	264
Outstanding at December 31, 2000	65,834,189	$ 146,557
Issued upon exercise of options	**112,500**	**459**
Issued to employees and directors	**56,605**	**334**
Outstanding at December 31, 2001	**66,003,294**	**$ 147,350**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The reconciliation of the numerator and denominator for the calculation of basic and diluted income per share is as follows:

	2001	2000
Net income	$ 40,564	$ 37,913
Weighted average shares outstanding	65,936,087	64,777,388
Net effect of dilutive stock options	401,735	818,068
Diluted weighted average shares outstanding	$ 66,337,822	$ 65,595,456
Income per share		
Basic	$ 0.62	$ 0.59
Diluted	$ 0.61	$ 0.58

For the year ended December 31, 2001 options to purchase 459,400 common shares (2000 – 471,400 common shares) were not included in the computation of the diluted income per share because the option exercise prices were greater than the average price of the common shares.

8. 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 of 20% at the end of the first, second, third, fourth and fifth years from the date of the grant. In addition, certain business unit income tests must be met in order the for the optionholder's entitlement to fully vest.

A summary of the plan and changes during each of 2001 and 2000 are as follows:

	2001		2000	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	1,711,702	$ 5.42	2,540,302	$ 4.28
Granted	746,500	5.85	500,000	5.50
Exercised/cancelled	(200,502)	4.71	(1,328,600)	3.27
Outstanding, end of year	2,257,700	$ 5.63	1,711,702	$ 5.42

The following table summarizes information about options outstanding and exercisable:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding at December 31, 2001	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at December 31, 2001	Weighted average exercise price
$ 3.25	540,100	1.0	$ 3.25	432,080	$ 3.25
$ 5.50–6.30	1,258,200	4.3	5.76	167,460	5.87
$ 7.35–10.05	459,400	2.6	8.07	218,720	8.13
	2,257,700	3.2	$ 5.63	818,260	$ 5.09

9. FOREIGN EXCHANGE TRANSLATION

Unrealized translation adjustments, which arise on the translation to Canadian dollars of assets and liabilities of the Corporation's self-sustaining foreign operations, resulted in an unrealized currency translation gain of $4,944 for the year ended December 31, 2001 (2000 – $2,266), which is reflected as foreign exchange translation on the consolidated balance sheets and had no impact on net income. The unrealized gain resulted from the strengthening of the U.S. dollar against the Canadian dollar.

10. SUPPLEMENTARY INFORMATION

(a) Interest expense on long-term debt in 2001 was $8,388 (2000 – $14,059).

(b) During 2001, the Corporation received $2,618 (2000 – $3,475) of a government investment, which has been credited to the related assets. The Corporation is eligible for an additional $9,954 for the period from January 1, 2002 to December 31, 2006 based on approved expenditures. The investment is repayable as royalties ranging from 1% to 3% of certain future revenue.

(c) Details of changes in non-cash working capital balances related to operating activities are as follows:

	2001	2000
Accounts receivable	**$ 22,418**	$ (18,276)
Inventories	**(20,421)**	7,955
Prepaid expenses and other	**(1,344)**	(1,170)
Accounts payable and accrued charges	**533**	3,133
Deferred revenue	**177**	(2,130)
	$ 1,363	$ (10,488)

(d) Cash interest paid during 2001 amounted to $11,208 (2000 – $18,746) and cash income taxes paid during 2001 amounted to $10,009 (2000 – $2,673).

11. INCOME TAXES

The following is a reconciliation of the expected tax expense obtained by applying the combined corporate tax rates to income before income taxes:

	2001	2000
Corporate tax rate for manufacturing companies	**37.8%**	37.4%
Expected tax expense	**$ 22,696**	$ 22,296
Benefit of capital loss carryforwards	**(379)**	(655)
Permanent differences and other	**(464)**	135
Large Corporations Tax	**60**	250
Adjustments for rate changes	**(2,434)**	(327)
	$ 19,479	$ 21,699

Components of future income taxes by jurisdiction are summarized as follows:

	2001	2000
Canada		
Future income tax asset – current		
Accounting provisions not currently deductible for tax purposes	**$ 3,159**	$ 3,642
Future income tax assets – long-term		
Operating loss carryforwards	**3,611**	4,051
Accounting provisions not currently deductible for tax purposes	**4,985**	3,300
	8,596	7,351
Future income tax liabilities – long-term		
Tax depreciation in excess of book depreciation	**36,453**	35,652
Deferred employee future benefits	**2,335**	2,663
	$ 38,788	$ 38,315

	2001	2000
United States		
Future income tax asset – current		
Accounting provisions not currently deductible for tax purposes	**$ 484**	$ 2,637
Future income tax assets – long-term		
Operating loss carryforwards	**1,423**	1,202
Accrued employee future benefits	**1,246**	989
	2,669	2,191
Future income tax liabilities – long term		
Tax depreciation in excess of book depreciation	**$ 56,437**	$ 52,355

12. EMPLOYEE FUTURE BENEFITS

The Corporation has a number of defined benefit and defined contribution plans providing pension, other retirement and post-employment benefits to substantially all of the employees.

Information about the Corporation's defined benefit plans, in aggregate, is as follows:

	Pension		Other benefit plans	
	2001	2000	**2001**	2000
Change in benefit obligation				
Benefit obligation, beginning of year	**$ 73,861**	$ 72,495	**$ 1,921**	$ 2,369
Member contributions for the year	**464**	–	**–**	–
Current service cost	**1,465**	1,498	**–**	–
Interest cost	**5,423**	5,314	**451**	(448)
Benefits paid	**(6,094)**	(5,536)	**(747)**	–
Actuarial loss	**(221)**	90	**–**	–
Foreign exchange	**1,247**	–	**111**	–
Actuarial obligation, end of year	**$ 76,145**	$ 73,861	**$ 1,736**	$ 1,921

	Pension		Other benefit plans	
	2001	2000	**2001**	2000
Change in plan assets				
Market value of plan assets, beginning of year	**$ 79,144**	$ 81,638	**$ –**	$ –
Actual return of plan assets	**(1,195)**	2,263	**–**	–
Member contributions during the year	**493**	433	**–**	–
Employer contributions	**486**	540	**–**	–
Benefits paid	**(6,094)**	(5,536)	**–**	–
Actual plan expenses	**(139)**	(194)	**–**	–
Foreign exchange	**1,256**	–	**–**	–
Market value of plan assets, end of year	**$ 73,951**	$ 79,144	**$ –**	$ –

	Pension		Other benefit plans	
	2001	2000	**2001**	2000
Reconciliation of funded status				
Funded status, surplus (deficit)	**$ (2,194)**	$ 5,283	**$ (1,736)**	$ (1,921)
Employer contributions after measurement date	**19**	–	**–**	–
Member contributions after measurement date	**35**	65	**–**	–
Unamortized net actuarial loss	**10,776**	4,064	**–**	–
Accrued benefit asset (liability)	**8,636**	9,412	**(1,736)**	(1,921)
Valuation allowance	**(2,211)**	(2,082)	**–**	–
Accrued benefit asset (liability) net of valuation allowance	**$ 6,425**	$ 7,330	**$ (1,736)**	$ (1,921)

The accrued benefit asset related to pensions is included in other assets and the accrued benefit liability related to other benefit plans is included in other long-term liabilities.

Plan assets include common shares of the Corporation having a market value of $243 at December 31, 2001 (2000 – $284).

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows (weighted-average assumptions as of December 31):

	Pension	Other benefit plans
	2001	**2001**
Discount rate	**7.40%**	**$ –**
Expected long-term rate of return on plan assets	**7.40%**	**–**
Rate of compensation increase	**3.70%**	**$ –**

The Corporation's net benefit plan expense is as follows:

	Pension	Other benefit plans
	2001	**2001**
Components of defined benefit plan expense		
Current service cost	**$ 1,465**	**$ 451**
Interest cost	**5,423**	**–**
Expected return on plan assets (income)	**(5,810)**	**–**
Net expense	**$ 1,078**	**$ 451**

The total expense for the Corporation's defined contribution pension plans was $2,831 (2000 – $2,732).

13. 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 the following:

			2001			2000
	Canada	**United States**	**Total**	Canada	United States	Total
Revenue						
Domestic	**$ 159,284**	**$ 215,223**	**$ 374,507**	$ 148,677	$ 199,881	$ 348,558
Export	**215,855**	**24,099**	**239,954**	257,768	19,067	276,835
Total revenue	**$ 375,139**	**$ 239,322**	**$ 614,461**	$ 406,445	$ 218,948	$ 625,393
Capital assets and goodwill	**$ 162,415**	**$ 198,807**	**$ 361,222**	$ 155,275	$ 183,361	$ 338,636

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	**2**	2
Percentage of total Canadian revenue	**46%**	34%
U.S. operations		
Number of customers	**3**	3
Percentage of total U.S. revenue	**70%**	69%

14. FINANCIAL INSTRUMENTS

(a) Fair value

The Corporation has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies, however considerable judgment is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Corporation could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described below:

Cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities

Due to the short period to maturity of these instruments, the carrying values as presented in the consolidated balance sheets are reasonable estimates of fair value.

Long-term debt

The fair value of the Corporation's long-term debt, based on current rates for debt with similar terms and maturities, is not materially different from its carrying value.

(b) Credit risk

The Corporation's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable.

The Corporation, in the normal course of business, is exposed to credit risk from its customers substantially all of which are in the aerospace industry. These accounts receivable are subject to normal industry credit risks.

Cash and cash equivalents, which consist of short-term investments, including commercial paper, are only invested in entities with an investment grade credit rating. Credit risk is further reduced by limiting the amount which is invested in any one government or corporation.

(c) Interest rate risk

The Corporation is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities and its long-term debt balances being at variable rates.

(d) Foreign exchange contracts

The Corporation occasionally uses derivative financial instruments to manage foreign exchange risk. The Corporation does not trade in derivatives for speculative purposes.

The Corporation has entered into foreign exchange contracts to hedge future cash flows in U.S. dollars. Under these contracts the Corporation may be obliged to sell specific amounts of US. dollars at predetermined dates and exchange rates. These contracts are matched with anticipated operational cash flows in U.S. dollars.

The Corporation has U.S. dollar exchange contracts outstanding at December 31, as follows:

	2001		2000	
	Amount	**Exchange rate**	Amount	Exchange rate
Maturity – less than 1 year	**$ 32,000**	**1.54–1.61**	$ 12,000	1.48–1.51

BOARD OF DIRECTORS AND OFFICERS

Corporate Officers

N. Murray Edwards
Chairman and Chief Executive Officer

Richard A. Neill
President and Chief Operating Officer

John B. Dekker
Vice President Finance and
Corporate Secretary

William A. Matthews
Vice President Marketing

Jo-Ann C. Ball
Vice President Human Resources

Borys Chartchenko
Corporate Controller

Steven P. Groot
Treasurer

Board of Directors

N. Murray Edwards (1, 3)
Chairman and Chief Executive Officer
Magellan Aerospace Corporation
Mississauga, Ontario
President
Edco Financial Holdings Ltd.
Calgary, Alberta

Richard A. Neill (1,4)
President and Chief Operating Officer
Magellan Aerospace Corporation
Mississauga, Ontario

Hon. William G. Davis (1, 2, 3)
P.C., C.C., Q.C.
Counsel
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William A. Dimma (1, 2, 3)
Corporate Director
Toronto, Ontario

Bruce W. Gowan (2)
Corporate Director
Huntsville, Ontario

Donald C. Lowe (4)
Corporate Director
Toronto, Ontario

Larry G. Moeller (4)
Vice President Finance
Edco Financial Holdings Ltd.
Calgary, Alberta

James S. Palmer (2)
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Chairman
Burnet, Duckworth & Palmer
Calgary, Alberta

Hon. M. Douglas Young (4)
P.C.
Chairman
Summa Strategies Canada Inc.
Ottawa, Ontario

Committees of the Board

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Chairman: **N. Murray Edwards**

2 Audit Committee
Chairman: **William A. Dimma**

3 Human Resources and
Nominating Committee
Chairman: **William G. Davis**

4 Environment and Safety
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Chairman: **Donald C. Lowe**

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www.computershare.com

Stock Listing

Toronto Stock Exchange
Common Shares – MAL

Annual Meeting

The Annual and Special Meeting of the Shareholders of Magellan Aerospace Corporation will be held on Wednesday, May 15, 2002 at 2:00 p.m. at the Toronto Board of Trade, 1 First Canadian Place, Toronto, Ontario, Canada.

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