



ANNUAL INFORMATION FORM

FISCAL YEAR ENDED MARCH 31, 2009

JUNE 29, 2009

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FORWARD LOOKING STATEMENTS

Certain statements contained in sections “General Development of the Business” and “Description of the Business” of this Annual Information Form constitute forward-looking statements. These statements relate to future events or the Company’s future performance, business or opportunities. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words “anticipate”, “continue”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct, and such forward-looking statements included in this Annual Information Form should not be unduly relied upon. These statements only hold true as of the date of this Annual Information Form and reference is made to the “Risk Factors” section for further discussion about the inherent risks and uncertainties surrounding future expectations. These factors should not be construed as exhaustive.

Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to assumptions about:

- *Stability of worldwide economy;*
- *Recent industry trends and factors affecting aviation and industrial power generation demand;*
- *Continued growth in commercial aircraft demand (large, regional and business aircraft);*
- *Stability of the military market demand;*
- *Reliance on large customers;*
- *Availability of raw material and stability of its cost;*
- *Stability in foreign exchange rate, mainly the Canadian with the U.S. dollar;*
- *Ability of the supply base to support planned production rate;*
- *Normal contract execution and continued deployment of strategic initiatives, especially those linked to cost reductions;*
- *Liquidity and access to capital resources and renewal of credit facilities;*
- *Factors affecting restrictive debt covenants and fluctuations in interest rates;*
- *Factors affecting environmental matters;*
- *Renewal of collective bargaining agreements; and*
- *Availability of skilled labour.*

ITEM 1: CORPORATE STRUCTURE

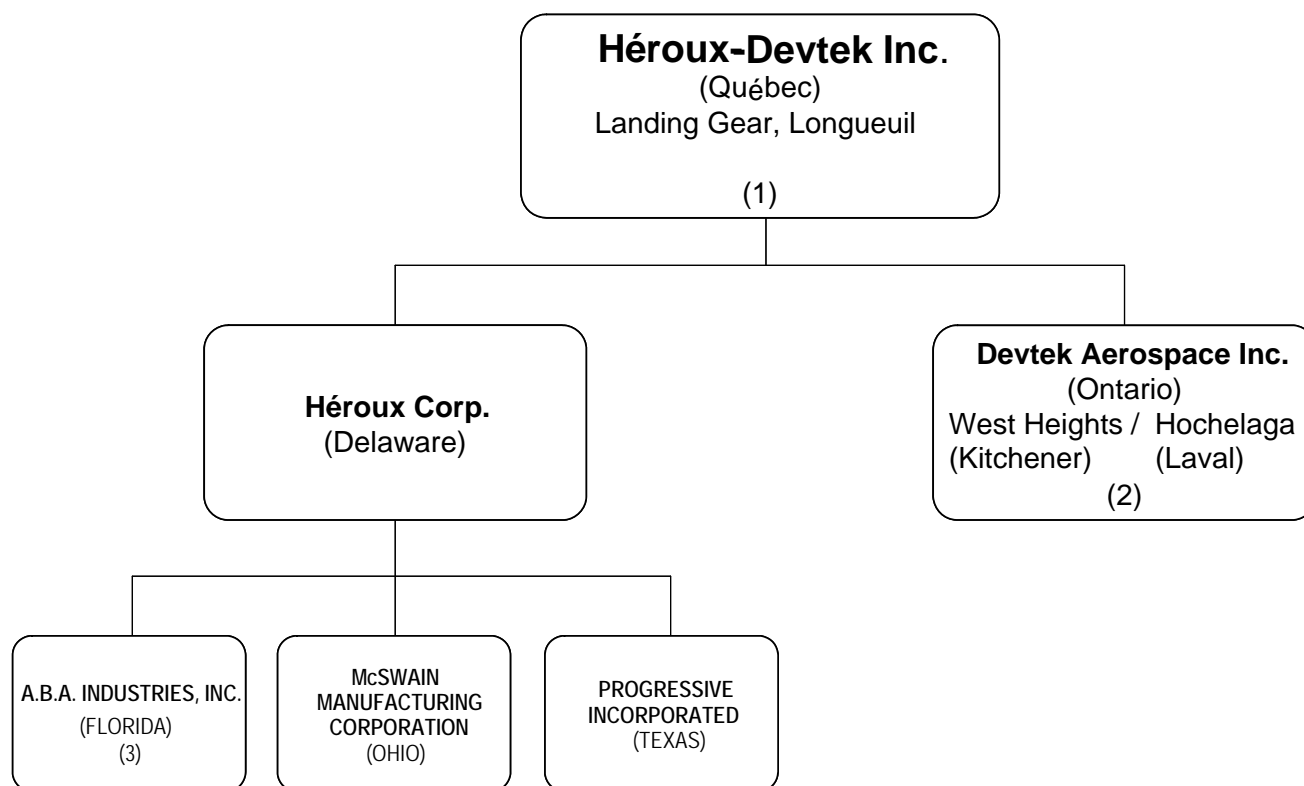
1.1 Name, Address and Incorporation

Héroux-Devtek Inc. (the “**Company**” or “**Héroux-Devtek**”) was initially incorporated on March 17, 1942 by letters patent issued pursuant to Part I of the *Companies Act* (Québec) under the name Héroux Machine Parts Limited. Supplementary letters patent amending the Company’s borrowing powers, name and share capital, among other provisions, were issued on July 6, 1943, August 17, 1947, March 13, 1967, May 25, 1978 and December 15, 1978. The Company was continued under Part IA of the *Companies Act* (Québec) by a certificate of continuance dated September 30, 1982. On June 26, 1985, the Company amalgamated with 2320-4894 Québec Inc., a management company incorporated by the Company’s then two senior executives, in connection with the sale by Bombardier Inc. of its shares in the Company. The Company’s Articles were subsequently amended on September 22, 1986 to increase the number of members of its Board of Directors. The Company’s Articles were changed again on September 29, 1986 to re-amend its share capital. Articles of amendment were filed on September 8, 2000 to change the Company’s name to its current name following the acquisition of Devtek Corporation (“**Devtek**”), effective June 12, 2000. The Company has its principal and registered offices at Suite 658, East Tower, 1111 Saint-Charles Street West, Longueuil, Québec, J4K 5G4. The Company’s fiscal year-end is March 31st. Unless indicated otherwise, “Company” refers to Héroux-Devtek Inc. and its subsidiaries.

On March 30, 2006, Héroux-Devtek Aerostructure Inc., an indirect wholly-owned subsidiary of the Company was wound up into the Company and all the assets, including the three plants owned by it, were transferred to the Company. The operations formerly conducted by Héroux-Devtek Aerostructure Inc. in Dorval, by Les Industries C.A.T. Inc. in Montreal and by Magtron Precision in Toronto are now operated by the Company. Aerostructure (Héroux-Devtek Aerostructure Inc.) is now a division of the Company.

1.2 Subsidiaries and Inter-corporate Relationships

The following organization chart shows the corporate structure of the Company, its subsidiaries, all of which are wholly owned, either directly or indirectly, as well as their respective jurisdiction of incorporation.



- (1) Héroux-Devtek Aerostructure Inc. was wound up into Héroux-Devtek Inc. on March 30, 2006. The operations conducted by Héroux-Devtek Aerostructure Inc. in Dorval, as well as the operations conducted by Les Industries C.A.T. Inc. (Rivière-des-Prairies) and Magtron Precision (Toronto), have been continued by the Company.
- (2) Devtek Corporation and Devtek Aerospace Inc. were amalgamated on April 1st, 2006 and continued their activities under the name Devtek Aerospace Inc.
- (3) Operations integrated with McSwain Manufacturing Corporation.

ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

2.1 General

The Company specializes in the design, development, manufacture and repair of aerospace and industrial products. As of March 31, 2009, the Company operated in two activity segments: Aerospace and Industrial.

For the Aerospace segment, the Company supplies both the commercial and military sectors with landing gear (including spare parts, repair and overhaul services) and airframe structural components including kits. In the Commercial sector, the Company is active in business jet, regional jet, regional turboprop, helicopters and large commercial jet markets. On the Military side, the Company also provides parts and services for major military aircraft mainly in the United States.

As of March 31, 2009, the operations of the Company included three divisions: Landing Gear, Aerostructure and Gas Turbine Components.

The Aerospace segment is comprised of the Landing Gear and Aerostructure Divisions. The Company exited the aircraft engine components market in fiscal 2008. The Industrial segment is comprised of the large components for power generation (industrial gas turbine and wind turbine) and other industrial products of the Gas Turbine Components Division (heavy machinery and earth moving equipment).

The Company started out in 1942 in the Montréal suburb of Longueuil. At the time, it had fewer than 15 employees and manufactured machined parts for the military.

Over the years, the Company sought to expand its activities beyond the military market and gradually specialized in the aeronautics business, earning considerable renown for the development and manufacturing of landing gear. The Company was awarded significant contracts such as the manufacture of the Apollo lunar landing module's landing gear, the development and production of servomechanisms and landing gear for the CL-215 water bomber built by Canadair Limited (currently a division of Bombardier Inc.) and the development and production of the landing gear for various commercial and military aircraft. More recently, the Company was awarded a long-term contract from Lockheed-Martin Aeronautics Company ("**Lockheed- Martin**") to manufacture structural components for the F-35 Lightning II Joint Strike Fighter ("**JSF**") and development contracts of landing gear from Sikorsky for the CH-53K helicopter, from Bombardier Aerospace for the Learjet 85 and from Embraer for the Legacy 450/500 family.

2.2 Major Events

Management Buyout of the Company

In June 1985, all of the Company's outstanding shares, held by Bombardier Inc. since 1973 were sold to a management company owned by Messrs. Sarto Richer and Gilles Labbé, both senior executives of the Company at that time.

Initial Public Offering

In December 1986, the Company completed an initial public offering of its common shares (the "**Common Shares**") with a view to improving its facilities and ramping up its production capacity, given the increasing backlog of orders during this period. The Company's Common Shares were then listed on the Montréal Exchange. The Company completed a second public offering of Common Shares two years later.

United States Market Breakthrough

In 1987, with the objective of expanding further in the United States ("**U.S.**") and into the commercial and industrial sectors, the Company acquired McSwain Manufacturing Corporation ("**McSwain**") located in Cincinnati, Ohio, which brought it closer to its American customers. This acquisition was the first step of the creation of the Gas Turbine Components Division.

Acquisition of Metro Machining Corporation and Les Industries C.A.T. Inc.

In June 1999, the Company entered the promising niche market of structural components for regional jets, when it acquired Metro Machining Corporation ("**Metro**") and Les Industries C.A.T. Inc. ("**C.A.T.**") for a total of \$5.7 million, of which \$4.7 million was paid in cash. In fiscal 2004, the

Company decided to transfer its Metro unit into a new facility located in Dorval, which became the founding block of what is now the Aerostructure Division.

Acquisition of Devtek Corporation

In June 2000, the Company (then Héroux Inc.) and its wholly-owned subsidiary, 1410740 Ontario Limited, acquired all of the outstanding shares of Devtek, a well-established manufacturer of systems, assemblies and components for the aerospace industry whose shares were listed on the Toronto Stock Exchange. The aggregate acquisition price amounted to \$75,036,000. Following this acquisition, the Company was renamed “Héroux-Devtek Inc.” and reorganized into four operating divisions: Landing Gear, Gas Turbine Components, Aerostructure, and Logistics and Defence.

Three business units of Devtek which manufactured landing gear and hydraulic components, namely West Heights Manufacturing (“**West Heights**”), Hochelaga and D.A.L.S. (Devtek Aerospace Logistics Support) whose operations were located in Laval and Kitchener, were integrated into the Company's Landing Gear Division. Devtek's business units also included Diemaco, a military small arms operating unit, which formed the Company's Logistics and Defence Division. This division was sold on May 20, 2005. The final transaction sale price was \$19.0 million. Finally, the fifth business unit of Devtek was Magtron Precision (“**Magtron**”), a precision components manufacturer which, following the acquisition, was integrated into the Company's Aerostructure Division.

Acquisition of Progressive Incorporated

On April 1, 2004, the Company acquired Progressive Incorporated (“**Progressive**”), a privately held Texas based manufacturer of large structural components for military aircraft original equipment manufacturers (“**OEM**”). The Company acquired all the shares of Progressive and all the net assets of Promilling, LP. Employees of Progressive were integrated into the Company. The total initial purchase price was \$74.2 million (US\$56.4 million). In addition to the purchase price, payments were required to be made if certain profitability performance targets were met in each of the current and following fiscal years (2004, 2005 and 2006). As at March 31, 2007, the total initial purchase price representing \$74,193,000 (US\$56,356,000) at the acquisition date (April 1, 2004) was adjusted upward by \$687,000 to \$74,880,000 to reflect the adjustments to the initial estimated tax impacts on the acquisition transaction, net of the additional payments made related to additional profitability performance for fiscal 2004, 2005 and 2006.

2.3 Developments Over the Last Three Fiscal Years

The following events and conditions have affected the general development of the business of the Company over the last three fiscal years.

Each subsection contains information regarding the year to which it refers and does not take into consideration events in future years.

Fiscal Year ended March 31, 2007 (Fiscal Year 2007)

On August 2, 2006, the Company announced the awarding of contracts by Lockheed-Martin worth \$26.5 million for the supply of components for the JSF and F-16 Fighting Falcon program.

On October 23, 2006, the Company announced that it had amended and extended its credit facilities for a period of five years, to October 4, 2011 and had combined its revolving and operating term facilities into one senior syndicated revolving credit facility.

On October 30, 2006, the Company was awarded \$8.6 million in new orders from the US Air Force for the manufacture of various components, mainly for the C-130, B-1 and B-52 aircraft.

On March 28, 2007, the Company announced the signature of a multi-year contract with Lockheed-Martin to manufacture structural components for the JSF. The initial five-year phase of the contract could reach up to \$135 million. The second phase of the agreement, which will last until 2028, should provide the Company with continued business beyond the first five years of the program at a share of approximately 50% of the annual production rate.

Fiscal Year ended March 31, 2008 (Fiscal Year 2008)

In May 2007, the collective agreement for the unionized employees at the Dorval plant (Aerostructure Division) was renewed for three years and will expire in May 2010.

On June 18, 2007, the Company announced that Sikorsky Aircraft Corporation has awarded its Landing Gear Division a contract to participate in the CH-53K Heavy Lift Helicopter program. Under the terms of the agreement, the Company will design, develop, fabricate, assemble, test and deliver the Helicopter's landing gears and tail bumper during the CH53K Heavy Lift program's Systems Design and Development ("SDD") phase. This development phase of the program includes the production of landing gears and tail bumper assemblies for 8 systems. Total revenue for the SDD and the production phase, which will be awarded in a separate contract, is expected to exceed \$95 million.

On August 2, 2007, the Company announced that its Landing Gear Division has been awarded additional contracts for the production of landing gear components mainly for the C-130, C-5, F-16, KC-135, E-3 and B-1B aircraft, essentially from the United States Air Force (USAF). Deliveries are expected to start in fiscal year 2009. The combined value of the contracts is more than \$14.5 million.

On November 22, 2007, the Company announced that its Landing Gear Division has signed a preferred supplier agreement with Messier-Dowty. This strategic agreement was accompanied by orders to manufacture major landing gear components currently estimated at more than \$115 million over the next 10 years. The agreement calls for the Company to manufacture these components for three large commercial aircraft programs. Production of these complex components will require an investment of \$16 million over the next two years in ultra-modern and highly-automated equipment. Deliveries will begin in calendar 2008 and a full production ramp-up is anticipated over an 18-month period.

On January 21, 2008 the Company announced it has received approval from its syndicate of lenders to increase its existing \$80 million credit facilities to an amount of up to \$125 million. This increase in credit facilities was concluded in April 2008. These credit facilities allow the Company and its subsidiaries to borrow (either in Canadian or US currency equivalent) from a group of lenders for working capital, capital expenditures and other general corporate purposes including acquisitions. These credit facilities are secured by all assets of the Company and its subsidiaries, are subject to certain restrictive covenants and corporate guarantees granted by the Company and its subsidiaries and mature on October 4, 2011.

On January 28, 2008, the Company announced that its Aerostructure Division was awarded, by Bombardier Aerospace, a five year contract to manufacture structural detail components that

encompass Bombardier Aerospace's entire portfolio of regional and business aircraft. The agreement, which extends and broadens the current mandate, represents the single largest contract from Bombardier Aerospace in the Company's 65 year history. Under the terms of the agreement, the Company will fabricate, assemble and deliver over 200 structural detail components such as spars, ribs, frames and engine mounts, spanning Bombardier Aerospace's range of regional and business aircraft. This will continue through December 2012 with a relatively consistent revenue stream through the entire period. At current aircraft production rates, the value of this contract is estimated at over \$110 million.

Fiscal Year ended March 31, 2009 (Fiscal Year 2009)

On April 9, 2008, the Company announced that its 140 unionized Landing Gear Division employees at the Laval, Québec facility have voted in favour of a new four-year collective agreement. The Laval facility manufactures, repairs and overhauls small components for landing gear systems and hydraulic flight control actuators. It also houses the Company's test facility for aircraft landing gears.

On April 21 2008, the Company announced that it has concluded with its syndicate of banks the increase of its credit facilities from \$80 million to \$125 million. These credit facilities allow Héroux-Devtek and its subsidiaries to borrow (either in Canadian or US currency equivalent) from a group of banks for working capital, capital expenditures and other general corporate purposes including acquisitions. These credit facilities are secured by all assets of the Company and its subsidiaries, are subject to certain restrictive covenants and corporate guarantees granted by the Company and its subsidiaries and mature on October 4, 2011. The group of banks includes National Bank of Canada, which is also acting as the administrative agent, The Bank of Nova Scotia, The Toronto-Dominion Bank and Laurentian Bank of Canada.

On April 22, 2008, the Company announced that its 315 unionized Landing Gear Division employees at its Longueuil plant have voted in favour of a three-year collective agreement. The Longueuil operations consist of two facilities that manufacture as well as repair and overhaul landing gear components, and complete assembly for the military and commercial market.

On May 15, 2008, the Company announced that the LAHAV Division of Israel Aerospace Industries (IAI-LAHAV) has awarded Progressive a ten-year contract to manufacture structural detail components being used in Israel Aerospace Industries' production of F-15 and F-16 structural assemblies. Under the terms of the agreement, Progressive, will fabricate, assemble and deliver over 50 aluminum and titanium structural detail components such as spars, ribs, and fitting assemblies. This contract is effective and continues through December 2018. The first purchase order was released at a value of approximately \$1 million for the remainder of calendar year 2008. Under the terms of the agreement, future purchase orders will be released on an annual basis, with the total contract value possibly exceeding \$10 to \$12 million.

On June 10, 2008, the Company announced that Bombardier Aerospace has awarded its Landing Gear Division a contract to provide the landing gear for the new Learjet 85 business aircraft program. Under the terms of the agreement, Héroux-Devtek will design, develop, fabricate, assemble, test and deliver landing gear structure and actuation for the Learjet 85 aircraft. This life-cycle mandate also includes the provision of spare parts.

On July 15, 2008, the Company announced that the Brazilian aircraft manufacturer Embraer has awarded its Landing Gear Division a contract to provide the landing gear for the new Embraer Legacy 450 and Legacy 500 business aircraft programs. Under the terms of the agreement, Héroux-Devtek will

design, develop, fabricate, assemble, test and deliver landing gear structure and actuation for the Legacy 450 and Legacy 500 jets. This life-cycle mandate also includes the provision of spare parts.

On July 16, 2008, the Company announced that its Aerostructure Division has signed a letter of agreement with Bell Helicopter Textron. This letter of agreement is accompanied by orders to manufacture primary structural components for the new Bell Helicopter 429, such as cabin, cockpit and aft fuselage components and sub-assemblies. The letter of agreement covers a period up to 2015 and the value of potential orders over that period is currently estimated in stated Canadian currency at about \$57 million.

On August 5, 2008, the Company announced that its Landing Gear Division has been awarded additional contracts for the repair and production of landing gear components, mainly for the B-2, C-5, F-16, P-3 and T-37 aircraft, essentially from the U.S. Air Force and the U.S. Navy. Production will be spread out over the next four years, with deliveries expected to start in fiscal year 2009. The combined value of the contracts is more than \$15.8 million.

On September 3, 2008, the Company announced that Industry Canada would be making a \$27 million repayable contribution for the research and development of Héroux-Devtek's advanced landing gear technologies. The funds will be used as part of the Company's \$77 million project to improve the reliability and performance of landing gear systems, as well as reducing their impact on the environment. The investment will be over a six-year period. The contribution received will become gradually repayable effective one year after the completion of the project.

On November 20, 2008, the Company announced that the Toronto Stock Exchange ("TSX") has accepted a notice filed by Héroux-Devtek of its intention to make a normal course issuer bid. Under the terms of the normal course issuer bid, Héroux-Devtek may acquire up to 1,500,000 of its common shares, representing approximately 5% of the issued and outstanding common shares of Héroux-Devtek as of November 11, 2008.

On January 15, 2009, the Company announced that Fokker Services BV has awarded its Landing Gear Division a contract to manufacture major replacement landing gear components for the Fokker 100 aircraft. Under the terms of the agreement, Héroux-Devtek will supply complete aftermarket kits including major components, such as pistons and cylinders. Deliveries are expected to begin in the spring of 2010 and should be completed by the end of calendar year 2013. Based on current projections, the total value of the contract is estimated to be between \$15 and \$24 million.

On March 12, 2009, the Company announced that its Landing Gear Division has been awarded, by the U.S. Navy, a landing gear repair and overhaul (R&O) contract for its entire P-3 patrol aircraft fleet. The contract is for at least two years and guarantees a certain amount of components to be repaired and overhauled. Furthermore, under the terms of the agreement, the U.S. Navy has the option to extend the agreement for an additional three-year period. Assuming all options are exercised, the total value of the contract is estimated at \$37 million.

ITEM 3: DESCRIPTION OF THE BUSINESS

3.1 Business Overview

The Company designs, develops, manufactures and repairs systems and components for the Aerospace market and manufactures components for the Industrial market. The Aerospace activities of the Company are comprised of the Landing Gear and Aerostructure Divisions. As mentioned in

section 2.1, the Company exited the aircraft engine components market in fiscal 2008. The Industrial segment is comprised of the Gas Turbine Components Division and produces large components for power generation and other industrial products, including products for the wind energy market.

3.2 Description of Market Segments

Aerospace Segment

The Aerospace market is divided into two main markets. The first is the OEM market, for which the Company produces landing-gear assemblies and components as well as aerostructure components. The second market is the aerospace aftermarket, for which the Company supplies landing gear components and out-of-production aircraft parts, and also provides hydraulic system and landing gear repair and overhaul services as well as ready-to-assemble aerostructure kits.

OEM Market

A main feature of the aerospace industry is the use of rapidly evolving technologies to develop, design and manufacture systems that meet the detailed performance specifications of end-users.

Participants in this market are generally divided into four tiers. The first tier is comprised of the OEMs, which are mainly aircraft manufacturers. The second tier participants are systems contractors who possess the requisite technical skill to design, as well as the required management resources and financial strength to produce complete systems for the OEMs. The third and fourth tier participants act as sub-contractors for tier one and tier two participants. While second tier participants require similar skills to those of first tier participants, albeit on a scale appropriate to sub-systems (such as complete landing gear actuation and locking systems for aircraft), third tier participants are not required to design any parts of an end-system. Instead they manufacture assemblies or components which require special skills or technology, or which may call for the creation of specific new manufacturing processes. Fourth tier companies produce less sophisticated components using standard methods. The Company competes primarily in tiers two and three.

Stringent quality assurance standards are established by governments and by major prime contractors. These standards are imposed by contract on the successive tiers of sub-contractors and are a principal barrier to entry in the second and third tiers. Successful management of quality is a condition of profitability in these tiers.

Prime contractors rely on selected sub-contractors that have specialty design, manufacturing, or processing capabilities that enable them to manufacture critical sub-systems and components. These sub-contractors are more numerous and smaller in size than the prime contractors and, depending on the tier, either have specialized product design capabilities or are able to consistently apply certain technologies or manufacturing processes.

A successful aircraft program is generally in production for a period of 10 to 20 years or more. It is unusual for the OEMs to terminate their agreements with subcontractors in the course of a program's production phase, when these subcontractors were deeply involved in the early stage of the program. Accordingly, subcontractors such as the Company are likely to supply components to the OEMs for the entire life of the program, as long as they remain competitive and deliver quality parts on time.

Major aircraft manufacturers are moving away from in-house manufacturing to concentrate on marketing, design, assembly, and service. This trend has shifted a significant amount of manufacturing

work to second tier companies that now need to specialize in the integration of complete systems. Landing gear manufacturers, for instance, are now required to provide not only landing gear, but also all the related systems such as steering and control mechanisms, from the wheels and tires to the cockpit. Similarly, in the aerostructure market, aircraft manufacturers are now outsourcing the design and manufacturing of major airframe components such as empennage, fuselage, and wings.

Historically, the aerospace OEM industry has been affected by economic cycles and, therefore, has experienced significant fluctuations.

The Landing Gear and Aerostructure Divisions of the Company are all active in the OEM aerospace market. The Gas Turbine Components Division is active in the OEM industrial market.

Aerospace Aftermarket

The aviation aftermarket consists primarily of the supply of replacement or substitute components and the servicing of commercial and military aircraft. The U.S. ranks as the world's largest aviation market, which is why the Company's aftermarket services are mainly aimed at that market. The U.S. also operates the largest fleet of military aircraft in the world.

The U.S. aircraft fleet is maintained by a diversified maintenance, repair, and overhaul ("MRO") industry that comprises airlines, OEMs and military and independent repair stations such as the Company. MRO firms that maintain the U.S. aircraft fleet range from small independent repair stations to the largest airlines and OEMs.

On commercial aircraft, maintenance procedures and standards are regulated in the U.S. by the Federal Aviation Administration ("FAA") and, in Canada, by Transport Canada. The FAA ensures that aircraft operating in the U.S. are airworthy and are maintained by certified repair stations and by duly qualified, skilled, and well-equipped workforce.

Outsourcing is now recognized by commercial airlines as an effective way to reduce operating costs and limit capital investments in infrastructure. It also allows airline companies to take advantage of the expertise developed by service providers who have developed specialized repair techniques and achieved economies of scale in their respective fields. Commercial airlines that are parties to international network agreements (such as Star Alliance™) are also looking for closer maintenance cooperation with carefully selected partners.

As a result of FAA systematic requirements for periodic repair and overhaul of commercial aircraft landing gear and the increase in the number of aircraft put into service over the past 15 years, it is expected that the demand for repair and overhaul services will also increase. The Landing Gear Division is active in this market as both a supplier of components and spare parts for out-of-production aircraft, and a provider of repair and overhaul services. However, most of the Aftermarket activities of the Division are for military aircraft.

Industrial Segment

The Industrial segment is comprised of two main markets. The first is the power generation market including the gas turbine components and the wind turbines and the second market is the other industrial products. The Industrial segment produces large components for power generation and other industrial products.

Power Generation Market

Gas Turbine Components

This market is divided into two main sectors: aircraft jet engines (engines specifically designed to propel aircraft) and their aeroderivatives (engines originally designed for aircraft propulsion but adapted to other applications, such as power generation or marine), and power generation engines (larger engines designed specifically for power generation). Following the exit of the aircraft engine component market in fiscal 2008, the Company, through its Gas Turbine Components Division, is now only active in the market of gas turbine engine designed specifically for industrial power generation purposes.

Wind Turbines

Another segment of the power generation market is the wind turbines. The global demand for clean energy and the general energy appetite of the world made that technology economically viable. More and more, projects to develop and implement wind turbine farms around the world are ongoing. In recent years, the Company began the supply of components for wind turbines through its Gas Turbine Components Division.

Other Industrial Products Market

This segment is also active in the heavy industry market by supplying large machine components to OEM's such as Caterpillar or GE Transportation.

3.3 Operating Divisions

Landing Gear Division

The Landing Gear Division specializes in the design, development, manufacture, repair, and overhaul of aircraft landing gear, hydraulic flight control actuators and fracture-critical components. With 927 employees, it is the Company's largest division. It operates out of four sites located in Longueuil, Laval and Montréal, Québec and Kitchener, Ontario. While the maintenance and refurbishing of landing gear for the U.S. Air Force fleet still represent an important part of its activities, this division also manufactures landing gear and related components for a broad range of aircraft.

Following the acquisition of Devtek in 2000, the Landing Gear Division sought to assign a specific mission to each of its four sites, while maintaining the management activities centralized in Longueuil. This specialization process is based on their current expertise: the Longueuil site concentrates on repair and overhaul activities, the manufacture of landing gear major components and full assembly work, the Kitchener site concentrates on the manufacture of large landing gear cylinders and other components and the Laval and Montréal sites focus on helicopter components, hydraulic actuators, and smaller landing gear components. On the other hand, the division's general management, as well as the design, engineering, sales, and marketing activities are centralized in Longueuil and support all four-business

units. Furthermore, the Kitchener site produces spare parts for out-of-production aircraft. The complementary nature of these sites and their integrated management should, in the opinion of management, enable the division to participate in programs of the highest caliber and enhance their efficiency, thereby improving its profitability and competitiveness.

The Company also developed a design engineering expertise with a team of more than 60 employees dedicated to design activities. The design team uses various software for modelling, designing and drafting and well as finite element analysis and dynamic analysis. The team is supported by test facilities which include among other things, drop test tower and fatigue testing equipment.

The Company intends to increase its market share in the landing gear market through a better penetration of the military, regional and business aircraft of 100,000 pounds or less, for which it is already capable of designing and developing proprietary products. In addition, strategic alliances and cooperation with large landing gear manufacturers should allow the Company to participate in the medium and large civilian aircraft markets.

Aerostructure Division

On June 4, 1999, the Company acquired Montréal-based Metro Machining Corp., thus creating the Aerostructure Division which, since the acquisition of Devtek, also incorporates Magtron, a unit specializing in the manufacture of non-airframe structural components. This division includes Progressive since its acquisition on April 1, 2004. As of March 31, 2009, the Aerostructure Division employed 353 persons.

In 2001, the Aerostructure Division completed the construction of a new, 77,000-square-foot plant in Dorval, located close to the facilities of Bombardier Aerospace, one of its major customers (the “**Dorval Plant**”). This investment allows the Aerostructure Division to manufacture larger and more complex structural components and sub-assemblies, such as those used in the wings or fuselage of commercial aircraft. The Aerostructure Division strategy is to develop and acquire further technology and know-how to be able to provide OEMs with more complex assembly services.

The Aerostructure Division manufactures parts according to drawings and specifications issued by their customers (“**build-to-print**”) and are typically responsible for all the machining and processes involved in components production, even if some of the processes (such as plating, anodizing, painting, etc.) are performed by approved suppliers.

The market for aerostructure components and sub-assemblies is expected to develop because of an ongoing trend among OEMs to outsource more and more of the manufacture and assembly activities. This division’s growth strategy thus involves the development of the know-how required in major assembly work, in order to offer value-added products to its customers.

Progressive Incorporated

The acquisition of Progressive, completed on April 1, 2004, has complemented the ability of the Company to manufacture large and complex structural components for military aircraft OEMs.

Progressive is located in Arlington, Texas, and operates out of approximately 223,000 square foot facilities located on 14 acres of land. Located in one of the major US aerospace hubs, it has been able to build a strong relationship with major OEMs such as Lockheed-Martin and The Boeing Company. In fiscal 2006, the Company built an extension of 12,500 square feet to support work on the JSF and other

aircraft programs while in fiscal 2007, the Company began the construction of a new 72,000 square-foot building to allow manufacturing of large components for the JSF. The building and its equipment began operations in fiscal 2008.

The Company is able to manufacture complex five-axis components in aluminum, aluminum-lithium or titanium. Over the years, Progressive has been able to capitalize on this expertise and develop specific know-how particularly in the difficult area of military fighter aircraft components. Progressive is a supplier for major US fighter programs such as F-15, F-16, F-18, F-22 and JSF, as well as non-fighter aircraft such as C-17.

In response to the OEMs' trend toward the reduction of their supplier base and increased outsourcing, Progressive entered into the kitting market. Kitting consists of delivering to customers not only one single component, but a "kit" including all related components. By doing so, OEMs are able to significantly reduce the number of suppliers, thus relying on an array of larger suppliers which, in return, are responsible for the procurement required from smaller suppliers.

Magtron Precision

Magtron is a provider of precision components and assemblies to the defence and aerospace industries. Magtron, through the use of its metal joining technology, also manufactures electronic enclosures, heat exchangers, and cabinets for suppliers of airborne radar, electro-optic systems, and aircraft engine controls. Magtron's electro-mechanical assemblies include power dividers for naval radar systems and space payload interfaces for manoeuvre and retrieval systems. Magtron is located in Toronto, Ontario, and operates from a 36,000 square-foot leased plant.

Gas Turbine Components Division

The Gas Turbine Components Division is a major supplier for power generation engine manufacturers. In fiscal 2004, due to the downturn in aerospace and power generation markets, the Company completed the consolidation of its gas turbine component production by merging and transferring its Tampa operations into its Cincinnati business unit. The division currently employs a total of 157 persons.

Within the power generation industry, the Company's Gas Turbine Components Division ranks as a major supplier to the largest producers of gas turbines in the world, owing to substantial investments in high-quality equipment and excellent customer service.

In the power generation and industrial markets, the Company is soliciting new customers to take full advantage of its existing capabilities and skills and consolidate its position as a preferred supplier in this market.

The products manufactured by the Gas Turbine Components Division now fall into two main categories: large components for power generation industry and other components intended for industrial markets. Major components for industrial gas turbines are mainly sold to customers in the power generation industry, while other mechanical components are used by other industrial segments such as heavy industry.

For instance, the division has been successful in developing new industrial segments consisting of heavy equipment manufacturers such as Caterpillar. The similarity in the size of the components

required for heavy equipment makes them compatible with the current large machining capability of the division.

The Gas Turbine Components Division also diversifies its power generation portfolio by supplying components to the growing wind turbine market.

Business Management

The Company's segments or divisions are operated through decentralized operations, hereby encouraging entrepreneurship and the involvement of every employee. Each division has the management, engineering, manufacturing and marketing resources needed to meet the needs of its specific market segments. The growth and profitability of each division is under the supervision of a Vice-President, General Manager who reports directly to the Company's President and Chief Executive Officer while the Vice-President, Finance of each division reports directly to the Company's Executive Vice-President and Chief Financial Officer.

The Company's Corporate Office is responsible for the Company's public financial and other reporting and disclosure requirements and for all financial and major business development decisions. It also provides each division with support in establishing budget and strategic plans, developing new products and markets, and with assistance for public relations, financial controls and reporting, legal, tax and counsel human resources and, information technology.

The following table contains a description of management positions, plant locations and other corporate management information.

HÉROUX-DEVTEK INC. Suite 658, East Tower Complexe Saint-Charles 1111 Saint-Charles Street West Longueuil, Québec Canada J4K 5G4 Tel.: (450) 679-3330 Fax: (450) 679-3666	Corporate Management		
	JOHN M. CYBULSKI¹ Chairman of the Board	RÉAL BÉLANGER Executive Vice-President and Chief Financial Officer	GABRIEL DUVAL Vice-President Corporate Affairs
	GILLES LABBÉ President and Chief Executive Officer	PATRICE GAUVIN Vice-President Business Development	MICHEL ROBILLARD Vice-President Internal Audit and Conformity
		GILBERT GUÉRIN Corporate Director Human Resources	JEAN-FRANÇOIS BOURSIER Corporate Controller
LANDING GEAR DIVISION	AEROSTRUCTURE DIVISION	GAS TURBINE COMPONENTS DIVISION	
MARTIN BRASSARD Vice-President General Manager	RICHARD ROSENJACK Vice-President General Manager	MICHAEL MESHAY Vice-President General Manager	
Gaétan Roy Vice-President, Plant Manager LONGUEUIL 755 Thurber Street Longueuil, Québec Canada J4H 3N2 Tel.: (450) 679-5450 Fax: (450) 679-4554	Christopher O'Neill Plant Manager HÉROUX-DEVTEK AEROSTRUCTURE 123 Avro Street Dorval, Québec Canada H9P 2Y9 Tel.: (514) 421-0344 Fax: (514) 421-0377	Ken Bertrand Operation Manager CINCINNATI 189 Container Place Cincinnati, Ohio U.S.A. 45246 Tel.: (513) 619-1222 Fax: (513) 619-1903	
Jack Curley Plant Manager KITCHENER 1665 Highland Rd W. Kitchener, Ontario Canada N2N 3K5 Tel.: (519) 576-8910 Fax: (519) 576-5119	Hans Kleiner Operations Manager MAGTRON 1480 Birchmount Rd Toronto, Ontario Canada M1P 2G2 Tel.: (416) 757-2366 Fax: (416) 752-4838		
Daniel Normandin Plant Manager LAVAL 3675 Industrial Blvd Laval, Québec Canada H7L 4S3 Tel.: (450) 629-3454 Fax: (450) 629-5682	Mike Moser Plant Manager PROGRESSIVE INCORPORATED 1030 Commercial Blvd North Arlington, Texas U.S.A. 76001 Tel: (817) 465-3221 Fax: (817) 465-1289		
Nagi Homsy Vice-President Engineering and Quality Assurance ENGINEERING 1010, de Sérigny, Suite 350 Longueuil, Québec Canada J4K 5G7 Tel.: (450) 646-9432 Fax: (450) 646-8497			
Sylvain Paquette Operations Manager LES INDUSTRIES C.A.T. 11800 Adolphe-Caron Montréal, Québec Canada H1E 7J3 Tel.: (514) 494-2335 Fax: (514) 494-8497			

¹ Mr. Cybulski has been appointed Chairman of the Board on August 2, 2007.

Properties

The Company operates 14 plants, 7 of which are located in Canada and 7 in the United States. The following table briefly describes the features of each plant:

Location	Size	Use	Status
Landing Gear Division			
Longueuil, Québec (2 plants)	191,400 sq.-ft.	Repair, overhaul and manufacture landing gear.	Owned
Laval, Québec	45,000 sq.-ft.	Manufacture, repair, and overhaul flight critical parts including hydraulic and mechanical actuators as well as rotor hubs. Engineering test center for the division.	Owned
Kitchener, Ontario	99,000 sq.-ft.	Manufacture medium to large complex landing gear components.	Owned
Montréal, Québec (C.A.T.)	15,000 sq.-ft.	Manufacture aircraft structural components.	Owned
Gas Turbine Components Division			
Cincinnati, Ohio (2 plants)	117,000 sq.-ft.	Manufacture gas turbine, wind and other industrial components.	Owned
Aerostructure Division			
Dorval, Québec	77,000 sq.-ft.	Manufacture large aerostructure components.	Owned
Toronto, Ontario (Magtron)	36,000 sq.-ft.	Production of precision hardware for the defence and aerospace industries.	Leased
Arlington, Texas (Progressive) (5 plants)	223,000 sq.-ft.	Manufacture large aerostructure components.	Owned

Competition

The markets in which the Company is active are characterized by tough competition with respect to price, delivery deadlines and quality of products and services.

The Company ranks third in North America in the landing gear manufacturing market, as well as in the landing gear and servomechanism repair and overhaul market. It is also the largest independent provider of repair and overhaul services for military aircraft landing gear.

Management is of the opinion that the Company has a number of advantages over its competitors, such as its flexible and cost-effective management structure, its renowned quality and the reputation of its products and services, and its design engineering team. Furthermore, the layout of the Company's Longueuil facilities, where the manufacturing plant is separate from yet adjacent to the repair plant, enables it to integrate its operations, maintain control, and foster greater customer confidence as to contract performance supervision.

In the aerostructure market for large structural components, there are few local competitors and several throughout North America. The strategy of further acquiring know-how in order to build large sub-assemblies should enable the Company to expand in an area in which penetration will be more difficult for its competitors.

In the power generation market, for which the Company manufactures major components for industrial gas turbines, competition is intense but also relatively concentrated. Management believes that state-of-the-art facilities and equipment, coupled with high quality standards and efficient management, should allow the Company to establish itself as a dominant player in that industry.

Marketing Approach

The majority of the Company's business comes from aircraft OEMs or second tier system suppliers. A critical success factor is to take part in aircraft development programs from the beginning. In the case of the Company's Landing Gear Division, this participation can start as early as at the design stage, allowing that division to enter programs as a risk-sharing partner.

For the Aerostructure Division, entering an aircraft development program at the beginning of the design phase is also a means of getting "built-to-print" business.

Additional sales opportunities are also derived by attending various trade shows and operator conferences.

Each of the Company's three divisions is responsible for its own sales. They all have tailored their sales activities and development strategies according to the unique attributes of each specific market in which they operate.

Several sales representatives are appointed throughout the Company's three divisions to ensure optimal representation of the Company on a customer-by-customer basis, as well as in each geographic area. Most of the Company's sales activities are aimed toward North American customers.

Customer Base

The Company serves a broad range of customers in the different markets in which it operates. In the aerospace landing gear and aerostructure markets, the Company serves mainly OEMs and second-tier system suppliers. Its commercial customers include Bell Helicopter Textron, Boeing, Bombardier Aerospace, Goodrich, Lockheed-Martin, Messier-Dowty, Northrup Grumman, Embraer, Sikorsky and Vought, among others. In the military sector, the Company's customers include the U.S. Air Force, the U.S. Navy, the Canadian Air Force, and NATO countries.

In the power generation market, the Company's most prominent and principal customer is GE Energy. Other industrial customers of the Gas Turbine Components Division include Caterpillar Inc.

Principal Customers

Héroux-Devtek's principal customers are the U.S. Air Force and Navy and OEMs such as Bombardier Aerospace, Goodrich and Lockheed-Martin. In fiscal 2009, sales to these principal customers represented approximately 54% of the Company's total sales. Principal customers are customers for which the Company sales are 10% or more.

No other customers accounted for more than 10% of the Company's consolidated sales in the fiscal year ended March 31, 2009.

Research and Development

The majority of the Company's research and development (R&D) costs for the year ended March 31, 2009 were incurred by the Landing Gear Division. They usually relate to specific development programs and are therefore included in these contracts' costs. The Company expects to continue to invest about 4% of its total sales in R&D over the coming years.

3.4 Human Resources

The following table shows the total number of employees of the Company as at March 31, 2009.

<u>Division</u>	Number of Employees	
	as at March 31,	
	2009	2008
Landing Gear	927	887
Aerostructure	353	350
Gas Turbine Components	157	144
Corporate Office	14	13
Total	<u>1,451</u>	<u>1,394</u>

Subsequent to the fiscal year ended March 31, 2008, the Company renewed the collective labour agreements at its Laval and Longueuil plants for four-year and three-year periods, respectively. The Company now has collective labour agreements in place with all its unionized employees for the next fiscal year.

The Company considers that its relations with its employees are good.

3.5 Environmental Matters

The Company's activities are subject to environmental laws and regulations associated with risks to human health and the environment. The Company believes it is in substantial compliance with all applicable environmental laws and regulations. Certain cases of non-compliance identified during the internal environmental audits completed during the year were or are being corrected. These cases were reported to the government authorities when required. In all such cases, corrective measures were explored and solutions are being developed. An environmental policy has been implemented by the Company and an environmental management system is in place.

As part of its environmental management system, the Company performed Environmental Compliance Audits with external environmental auditors at all its manufacturing sites in fiscal year 2009. No non-

compliance items represent unusual risks to the operations of the Company. Only the Longueuil plant of the Landing Gear Division is considered to be a higher risk, mainly due to the nature of its operations, which include various plating and chemical processes, and its current location, in a residential area. The management of the Company believes it has taken all appropriate action to maintain level of risk into acceptable limit.

The Company is conducting on an ongoing basis, repairs and replacement of equipment as required to upgrade the facility and minimize risks of contamination.

The Company is also subject to several environmental laws and regulations, particularly in regard to the various chemical products it utilizes in its processes. Changes in such regulations could require further capital investments in equipment and facilities.

The Company does not foresee making any expenditure outside the normal course of business to comply with environmental requirements and standards.

3.6 Risk Factors

The Company operates in industry segments that have a variety of risk factors and uncertainties. The Company's business, financial condition and results of operations could be materially adversely affected by any of the risks and uncertainties described below. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently believes to be immaterial may also adversely affect its business. For other risks and uncertainties facing the Company, reference is made to the section entitled "*Risk and Uncertainties*" of the Company's Management's Discussion and Analysis for the fiscal year ended March 31, 2009 (filed on SEDAR at www.sedar.com), which section is hereby incorporated in, and forms part of, this Annual Information Form.

Risks Associated With Contracts

Although the Company has diversified its customer base in recent years, its business volume with some customers remains significant. Should there be a significant deterioration in their financial position or should the Company lose certain orders from these customers, there could be a negative impact on its results.

Risks Associated With Raw Materials

In connection with its manufacturing and distribution activities, the Company procures different materials and components, as well as outside services, mainly in North America. Major items include forgings and various metals. With respect to raw materials, the Company purchases mainly aluminum, steel, and titanium. The ability of suppliers to meet performance, quality, and delivery schedules is extremely important. Although the Company often relies on a limited number of supply sources, it has been able to avoid significant shortages to date.

In recent years, the general increase in the costs of raw material in world markets has negatively affected the profitability of the Company.

The Landing Gear Division purchases a significant amount of steel from a broad range of forging houses. In most cases, forging houses own the dies and the Company owns exclusivity rights to their use.

Depending on market conditions, delivery delays by forging houses may occur, thereby affecting the Company's ability to deliver finished parts on schedule. In the course of the Company's planning process, several measures have been taken to limit this risk, and, to date, the Landing Gear Division has been able to mitigate the effects of delays on deliveries.

The main material used by the Aerostructure Division is aluminum. Due to the large quantities of aluminum required when building an aircraft, OEMs will often negotiate the raw material's price and supply directly with its suppliers. Sub-contractors such as the Company often benefit from these agreements, as they can obtain all the raw material required to fulfill their obligations with the OEMs directly from their supplier, at the OEM's price. The aerospace industry experienced and continues to experience from time to time raw material shortages. The recent economic downturn alleviated this issue but the Company remains subject to fluctuations of availability. However, when shortages occurred, the Aerostructure Division was able to mitigate the impact of raw material supply.

As for the Gas Turbine Components Division, raw materials represent a significant portion of the cost of large components. In most cases, large forgings are supplied free of charge by customers to be properly machined.

The Company also makes use of titanium, albeit in less than 10% of its manufactured components. To date, the Company has been able to procure all the required raw materials in spite of having experienced certain short-term raw material shortages.

Risks Associated with Foreign Operations and Sales

During the fiscal year ended March 31, 2009, 68% of the Company's sales (compared to 69% for the preceding year) were made outside Canada, including 66% in the U.S. Accordingly, the majority of sales made outside Canada are in U.S. currency. Management made every effort to hedge against the risks associated with U.S. exchange rates with forward foreign exchange contracts. As at March 31, 2009, the Company had entered into forward foreign exchange contracts totalling U.S.\$162.8 million to sell U.S. dollars at a weighted average rate of CAN\$1.1396 at different dates between April 2009 and March 2014. The Company's Landing Gear Division accounts for the majority of export sales.

As at March 31, 2009, the Company had also entered into forward foreign exchange contracts totalling U.S.\$11.3 million at an average rate of 1.2396 at different dates between April 2010 and December 2013 to cover foreign exchange risk related to certain embedded derivatives.

The following tables show the distribution of sales by country of origin and country of destination over the periods indicated.

Sales Originated From:	Fiscal Years ended March 31		
	(%)		
	2009	2008	2007
Canada	68	72	72
U.S.A.	32	28	28
Total:	100	100	100

Sales Destined To:	Fiscal Years ended March 31		
	(%)		
	2009	2008	2007
Canada	32	31	31
U.S.A.	66	68	68

Other	2	1	1
Total:	100	100	100

Distribution of Sales Among the Company's Segments

The following table shows the Company's activity segments over the periods indicated:

	Fiscal Years ended March 31		
	(in thousands of \$)		
	2009	2008	2007
Aerospace Segment			
Landing Gear	190,701	181,876	165,317
Aerostructure	107,563	95,053	87,906
Aircraft Engine Components ⁽¹⁾	1,154	1,990	4,101
Sub-total	299,418	278,919	257,324
Industrial Segment			
Industrial Gas Turbine			
Components	17,630	15,154	12,551
Wind Turbines	6,159	3,245	4,623
Other Industrial Products	14,428	10,564	8,788
Sub-total	38,217	28,963	25,962
Total	337,635	307,882	283,286

⁽¹⁾ The Company essentially exited this market by the end of fiscal year 2008.

For fiscal 2009, Military related sales represented 50% (49% for fiscal 2008 and 2007) of the Company's total sales.

ITEM 4: DIVIDENDS

Over the last five years, the Company did not pay any dividends on its Common Shares, First Preferred Shares and Second Preferred Shares. The Company does not intend to pay dividends on any of its securities in the foreseeable future.

Subject to the rights of the holders of shares of any other class or particular series ranking in priority to the Common Shares, the holders of the Common Shares are entitled to receive all dividends declared by the Company. The First Preferred Shares and the Second Preferred Shares shall rank prior to the Common Shares and the First Preferred Shares shall rank prior to the Second Preferred Shares in respect of the payment of dividends.

ITEM 5: DESCRIPTION OF CAPITAL STRUCTURE

Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of Common Shares, 31,171,688 of which were outstanding as at March 31, 2009, and an unlimited number of First Preferred Shares and Second Preferred Shares (collectively the "Preferred Shares"), none of which were outstanding as at March 31, 2009.

Preferred Shares

The First Preferred Shares and the Second Preferred Shares are issuable at any time in one or more series as the Company's Board of Directors may determine. The Preferred Shares, when issued, shall have preference over the Common Shares with respect to the payment of dividends and return of capital. The Second Preferred Shares shall rank junior to the First Preferred Shares with respect to the payment of dividends and return of capital. Subject to the provisions of the *Companies Act* (Québec), the holders of Preferred Shares are neither entitled to receive notice of or attend any meeting of shareholders of the Company, nor to vote at any such meeting.

Common Shares

Subject to the rights, privileges, restrictions and conditions applicable to the Preferred Shares as a class, the Common Shares entitle their holders: (i) to vote, on the basis of one vote per Common Share held, whenever a shareholders' vote is held; (ii) to receive any dividend declared by the Company other than dividends declared on the Preferred Shares; and (iii) to share proportionately in the remaining assets of the Company in the event of its liquidation or dissolution.

ITEM 6: MARKET FOR SECURITIES

The Company's Common Shares are listed and posted for trading on the TSX under the symbol "HRX". The following table indicates the price ranges and volume traded on a monthly basis for each month of the most recently completed financial year:

Period	High	Low	Volume (Common Shares)
2008			
April	8.90	7.49	196,242
May	8.07	7.00	968,726
June	8.05	7.60	279,024
July	8.04	7.18	437,619
August	7.89	6.50	884,260
September	7.34	6.00	1,204,324
October	6.24	4.00	533,497
November	5.00	3.16	555,831
December	3.80	2.45	766,781
2009			
January	6.05	2.85	455,295
February	5.13	3.72	309,989
March	4.20	3.60	489,004

Prior Sales

For additional information with respect to the prior sales during the fiscal year 2008 of each class of securities not listed, please refer to the section entitled "**Capital Stock, Stock Option Plan and Stock Purchase and Ownership Incentive Plan (Stock Purchase Plan)**" in the Management's Discussion and Analysis of the Company's for the fiscal year ended on March 31, 2009 on the Company's Web site at www.herouxdevtek.com.

ITEM 7: ESCROWED SHARES AND SHARES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the knowledge of the Company, there are no securities of the Company which are being currently held in escrow.

Pursuant to a shareholders agreement between Gilles Labbé, 2635-6246 Québec Inc., Caisse de dépôt et placement du Québec (the "**Caisse**") (collectively the "**Shareholders**") and the Company dated August 29, 1989, as amended on December 7, 1994 by supplemental agreement between the Shareholders, 2945-0228 Quebec Inc. (a company wholly-owned by Gilles Labbé) and the Company (the "**Shareholders Agreement**"), the Shareholders enjoy rights of first refusal among themselves. Notwithstanding certain specific exception, pursuant to the right of first refusal, as long as the Caisse's participation in the Company is not less than 10%, any shareholder intending (i) to accept an offer from a third party to purchase its shares; (ii) to offer to sell its shares to a third party; or (iii) to solicit potential offerors to purchase its shares must, in priority, and under the same terms and conditions, offer its shares to the other Shareholders. The Company has granted rights of pre-emption in favor of the Shareholders. The Shareholders Agreement also provides that the parties must exercise the voting

rights attached to their shares so as to cause a certain number of nominees of the Caisse (which number is dependent on the Caisse's participation in the share capital of the Company and is never to be less than one) to be elected to the Board of Directors of the Company. The Shareholders Agreement further provides that the approval of the Shareholders shall be required for certain decisions of the Company relating *inter alia* to: changes in the nature of the operations of the Company and its subsidiaries; amendments to the Company's Articles or changes to its capital structure; the granting of financial assistance; and, in certain circumstances, the distribution of assets by the Company or its subsidiaries, the approval of capital expenditures, the declaration of dividends and investments in non-related businesses and acquisitions.

**ESCROWED SECURITIES AND SECURITIES SUBJECT TO
CONTRACTUAL RESTRICTION ON TRANSFER**

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Common Shares	8,659,184	27.78%

ITEM 8: DIRECTORS AND EXECUTIVE OFFICERS

The names, provinces and countries of residence of the directors and executive officers of the Company, their principal occupations and the year in which each director first became a director are set out below.

Directors

Each of the directors has served continuously as a director since the date he was first elected or appointed. The present term of each director will expire immediately prior to the election of directors at the next Annual Meeting of Shareholders, which is scheduled to be held on August 6, 2009.

Name	Principal Occupation during the five preceding years	Director Since	Number of Common Shares
Claude Boivin ⁽¹⁾ Québec, Canada	Consultant and member of various Boards of Directors	1994	18,000 ⁽³⁾
John M. Cybulski ⁽¹⁾ Florida, U.S.A.	Principal, Aeroglobe LLC (International Business Consulting Company) and Chairman of the Board Héroux-Devtek Inc.	2004	135,900
Christian Dubé ⁽²⁾ Québec, Canada	Vice-President and Chief Financial Officer, Cascades Inc. (leader in the production, conversion and the marketing of packaging products-boxboard, cartonboard-fine specialty papers and tissue papers made primarily with recycled fibre)	2004	5,000

Name	Principal Occupation during the five preceding years	Director Since	Number of Common Shares
Jean-Louis Fontaine ⁽¹⁾ Québec, Canada	Vice-Chairman of the Board and director, Bombardier Inc. (diversified manufacturer of transportation equipment)	1990	48,000 ⁽⁴⁾
Gilles Labbé Québec, Canada	President and Chief Executive Officer, Héroux-Devtek Inc.	1985	4,422,001 ⁽⁵⁾
Brian A. Robbins ⁽²⁾ Ontario, Canada	President and Chief Executive Officer, Exco Technologies Limited (supplier of moulded and extruded parts for the automotive and industrial markets)	2000	40,000 ⁽⁶⁾
Louis Morin ⁽²⁾ Québec, Canada	Consultant. Up to March 31, 2009, Vice-President and Chief Financial Officer of Quebecor Inc. (Quebecor is one of Canada's largest media companies).	2008	4,000

(1) Member of the Human Resources and Corporate Governance Committee.

(2) Member of the Audit Committee.

(3) These shares are held by Gestion Marclo Inc., a company controlled by Mr. Claude Boivin.

(4) 4,000 Common Shares included in this number are held by Gestion Jean-Louis Fontaine Inc., a company controlled by Mr. Jean-Louis Fontaine.

(5) 4,392,501 Common Shares included in this number are held by 2635-6246 Québec Inc. and 2945-0228 Québec Inc., companies controlled by Mr. Gilles Labbé.

(6) These shares are held by 555319 Ontario Limited, a corporation wholly-owned by Mr. Brian A. Robbins.

Helmut Hoffman has been director of the Company from 2000 until 2008 but was no longer eligible to stand for re-election and ceased to hold office on the Board at the last annual general meeting held on August 6, 2008. The Board appointed Mr. Hofmann as an honorary director and as an honorary member of the Human Resources and Corporate Governance Committee following such meeting. Mr. Hofmann attends Board and Human Resources and Corporate Governance Committee meetings and as such, receives a compensation equivalent to the compensation paid to the elected directors of the Company acting in such capacities.

Executive Officers

Executive Officer's Name	Position in the Company	Number of Common Shares
Gilles Labbé	President and Chief Executive Officer Héroux-Devtek Inc.	4,422,001 ⁽¹⁾
Réal Bélanger	Executive Vice-President and Chief Financial Officer Héroux-Devtek Inc.	115,475
Michael Meshay	Vice-President, General Manager Gas Turbine Components Division	17,878
Martin Brassard	Vice-President, General Manager Landing Gear Division	24,792
Richard Rosenjack	Vice-President, General Manager Aerostructure Division	15,754

(1) 4,392,501 Common Shares included in this number are held by 2635-6246 Québec Inc. and 2945-0228 Québec Inc., companies controlled by Mr. Gilles Labbé.

During the past five years, all directors and executive officers of the Company have been engaged in the same principal occupation or other executive capacities as disclosed above, except for Mr. Louis Morin who was, Senior Vice-President and Chief Financial Officer of Bombardier Inc. from April 1999 until February 2003, Chief Financial Officer of Bombardier Recreational Products Inc. until January 2006 and Vice-President and Chief Financial officer of Quebecor Inc. until March 31 2009, Mr. Michael Meshay who was President of PerkinElmer Detection Systems from February 2000 until August 2002, and President of Triumph Components Arizona from August 2003 prior to joining the Company in July 2005, Mr. Martin Brassard who was Vice-President Control and Information Technology of the Company from 1999 to 2005, until he became Vice-president, General Manager of the Company in May 2005, and M. Richard Rosenjack who was Vice-President, Supply Chain Management of Bell Helicopter Textron from 2000 to 2002 and Senior Vice-President of Bell Helicopter Textron from 2002 prior to joining the Company in July 2005.

As at March 31, 2009, the directors and executive officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control or direction over 4,842,800 Common Shares representing approximately 15.5% of the outstanding Common Shares of the Company.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the Company's knowledge, no director or executive officer of the Company is, at the date of this Annual Information Form, or has been, within 10 years before the date of the Annual Information Form, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (ii) was subject to an event that resulted, after the director, chief executive

officer or chief financial officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days except for Louis Morin who was executive officer of Quebecor Inc. when the Autorité des marchés financiers imposed a management cease trade order from April 2 to May 20, 2008, in the context of the late filing of Quebecor's 2007 annual financial statements and related management's discussion and analysis following the filing of Quebecor World Inc. for creditor protection under the Companies' Creditors Arrangement Act (Canada).

To the Company's knowledge, no director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company is, at the date of this Annual Information Form, or has been, within 10 years before the date of the Annual Information Form, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

In addition, to the knowledge of the Company, no director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the directors, executive officers or shareholders.

Furthermore, to the knowledge of the Company, no director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

ITEM 9 INTEREST OF EXPERTS

Ernst & Young LLP are the external auditors who prepared the Auditors' Report to the shareholders of the Company under Canadian generally accepted auditing standards. Ernst & Young LLP has confirmed to the Company that it is independent within the meaning of the Rules of Professional Conduct of the *Ordre des comptables agréés du Québec*. These rules are equivalent or similar to Rules of Professional Conduct applicable to chartered accountants in the other provinces of Canada.

ITEM 10 THE AUDIT COMMITTEE

The Board of Directors has reviewed the requirements provided under National Instrument 52-110 - Audit Committees (or in Québec, Regulation 52-110) ("**52-110**") and is of the view that the Company complies with such practices. The following discussion addresses the Company's position with the requirements of 52-110 and has been prepared in conformity with Form 52-110FI - *Audit Committee Information Required in an AIF*.

The Audit Committee's Charter

The Board of Directors of the Company has established an audit committee (the “**Audit Committee**”). The written charter of the Audit Committee that sets out its mandate and responsibilities was first adopted on February 15, 1996, then modified on April 20, 2000 and revised on November 15, 2002, and finally approved by the Board of Directors on February 18, 2003. It was thereafter revised and confirmed on October 27, 2004, November 2, 2005, February 27, 2006, February 8, 2007, February 6, 2008, October 30, 2008 and February 4, 2009 (see Schedule A to this Annual Information Form for the complete text of the Audit Committee's Charter).

Composition of the Audit Committee

The Audit Committee is composed of three members being Mr. Brian A. Robbins, Mr. Christian Dubé, and Mr. Louis Morin. Each of the Audit Committee members is independent and financially literate within the meaning of 52-110, which means that each of them (i) has no direct or indirect material relationship with the Company, other than being one of its directors and (ii) has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Relevant Education and Experience

Each member of the Audit Committee has developed considerable experience and expertise related to financial and accounting matters which are relevant to the performance of their respective responsibilities as an Audit Committee member. More particularly, each of them has developed and acquired (i) an understanding of the accounting principles used by the Company to prepare its financial statements; (ii) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities; and (iv) an understanding of internal controls and procedures for financial reporting.

The following is a description of the education and experience of each Audit Committee member that is relevant to the performance of their responsibilities as Audit Committee members:

Brian A. Robbins

Mr. Robbins is a director of the Company and a member of the Audit Committee since 2000. His principal occupation is currently as President and Chief Executive Officer of Exco Technologies Limited. He is a former director of Ontario Power Generation Inc., TecSyn International, Inc., Telepanel Systems Inc., Allgoods Inc., Noma Industries Inc. and Dofasco Inc.

Mr. Robbins is currently a member of the board of directors of AirBoss of America Corp. and Exco Technologies Limited.

Mr. Robbins holds a Bachelor's Degree in applied science from the University of Waterloo, Ontario and is a P.Eng. in Mechanical Engineering. He is a member of the Association of Professional Engineers of Ontario.

Christian Dubé

Mr. Dubé has been a director of the Company since April 1, 2004 and was appointed as a member of the Audit Committee on May 10, 2004. His principal occupation is currently as Vice-President and Chief Financial Officer of Cascades Inc., a position he has held since May 2004. Previously, he was the Senior Vice-President and Chief Financial Officer of Domtar Inc. until 1998. Before joining Domtar Inc., Mr. Dubé was a Principal with a major international accountancy firm and was active in M&As and financing for its international clients.

Mr. Dubé is currently a member of the Management Committee of Cascades Inc. Mr. Dubé has been a Chartered Accountant since 1979, and is a member of the Canadian Institute of Chartered Accountants. He holds a Bachelor's Degree in business administration from Laval University, Québec City.

Louis Morin

Louis Morin is a consultant. Up to March 31 2009, he was Vice-President and Chief Financial Officer of Quebecor Inc. since January 15, 2007. From December 2003 until January 2006, he was the Chief Financial Officer of Bombardier Recreational Products Inc. From April 1999 until February 2003, Mr. Morin was also the Senior Vice-President and Chief Financial Officer of Bombardier Inc. where he was working since 1982. Mr. Morin holds a Bachelor's and a Master's degrees in business administration from l'École des Hautes Études Commerciales (HEC) and is a Chartered Accountant. Mr. Morin was appointed to the Audit Committee in March 2008.

Pre-Approved Policies

The Board of Directors of the Company and the Audit Committee has adopted certain policies with respect to services rendered by external auditors.

Specific services may be rendered by the external auditors of the Company which are not incompatible, as to their nature, with the maintenance of their professional independence. Certain of these services reflect the statutory role of the external auditors and are grouped under "Audit Services" below. Other services under "Audit Related" and "Taxation Services" below can be rendered by the external auditors as well as other service providers, at Company management's discretion. Certain types of services listed under "Prohibited Services" below generally cannot, except in limited cases, be provided by external auditors without impairing their professional independence.

Audit Services

- Examination (Audit) of the Company's annual consolidated financial statements;
- Examination (Audit) of the annual financial statements of certain related entities or groups;
- Review of the Company's annual information form, management, discussion and analysis, management proxy circular and other annual filing documents;
- Review of quarterly consolidated financial statements of the Company;
- Review of the Company's prospectuses or other financing documents and issuance of appropriate consent, comfort or other required letters to interested parties;
- Accounting research and consultations on the application of GAAP;

Audit Related Services

- Examination (Audit) of the annual financial statements of the employee pension plans;
- Special reports to third parties required to comply with various contractual or other obligations of the Company or any of its subsidiaries or affiliates;
- Special audits on control procedures;
- Information systems reviews not performed in conjunction with the Audit;
- Due diligence services to assist management in the context of business investment or divestiture decisions;
- Advisory services in preparation for compliance under National Instrument 52-109;

Taxation Services

- Preparation and/or review of income or other tax returns of the Company's domestic or foreign business units;
- Consultations with respect to income tax compliance or planning with domestic or foreign jurisdictions, including federal, provincial, state and capital taxes; international tax financing, structuring and repatriation strategies; loss utilization strategies; advice with respect to research and development expenditures;
- Consultations with respect to transfer pricing risk and assessment;
- Executive compensation plans including pensions, stock options, and deferred compensation plans;
- Expatriate tax compliance and planning, including tax return preparation services with respect thereto;
- Foreign office tax advice regarding international tax projects and co-ordination thereof;
- Discussions regarding new tax developments and responses to tax queries as they arise;
- Support regarding tax authority audits;
- Commodity tax advice.

Other Services

Translation of financial information, including financial statements, management, discussion and analysis, press release, annual and quarterly reports.

Other Services not Specifically Prohibited

While the possibility of other services being rendered by the Company's external auditors is not in and of itself excluded, such services will be rendered only on the specific approval of the Audit Committee or one of its designated members.

Prohibited Services

Certain services are considered to be incompatible with the objective of preserving the independence of external auditors and therefore are prohibited. Such services, with some exceptions, include the following:

- Bookkeeping and accounting services;
- Internal audit services (other than non-recurring, discrete services, items or programs);

- Expert services/litigation support (other than special or forensic investigations);
- IT systems services related to financial systems;
- Actuarial services (other than special reviews in a non financial context);
- Valuation services (other than for non financial purposes i.e. transfer pricing or other tax-only purposes or other limited circumstances);
- Legal services and any other advocacy services;
- Management functions;
- Human resource services (other than tax planning and compliance services);
- Financial information systems design and implementation;
- Corporate finance and similar activities.

External Auditors Service Fees

The following are the aggregate fees billed by the Company's external auditors in each of the last two fiscal years by category of services provided to the Company by said auditors.

	Fiscal Year ended March 31	
	2009	2008
Audit Fees	391,500	453,000
Audit-Related Fees	79,550	57,600
Other Fees	11,770	19,630
Income Tax Fees	29,300	25,750
Total	\$512,120	\$555,980

ITEM 11: LEGAL PROCEEDINGS

Management of the Company is not aware of any legal proceeding or litigation outstanding, threatened or pending as of the date hereof by or against the Company or relating to its business which would be material to an existing or potential holder of Common Shares.

ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, there hasn't been any material interest, direct or indirect, of any director or executive officer of the Company, or a person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of the outstanding voting securities of the Company, or any associate or affiliate thereof, within the three most recently completed financial years, that has materially affected the Company or is reasonably expected to materially affect the Company.

ITEM 13: TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares of the Company is Computershare Trust Company of Canada at its place of business in the city of Montréal, Québec.

ITEM 14: MATERIAL CONTRACTS

The Company has no material contracts other than its Amended and Restated Credit Agreements entered into by the Company, HDI Finance Limited Partnership and a group of banks including National Bank of Canada, which is also acting as the administrative agent, The Bank of Nova Scotia, The Toronto-Dominion Bank and Laurentian Bank of Canada (the “**Agreements**”). The Company and HDI Finance Limited Partnership have increased their credit facilities under the Agreements to \$125 million in April 2008. These credit facilities allow Héroux-Devtek and its subsidiaries to borrow (either in Canadian or US currency equivalent) from a group of banks for working capital, capital expenditures and other general corporate purposes including acquisitions. These credit facilities are secured by all assets of the Company and its subsidiaries, are subject to certain restrictive covenants and corporate guarantees granted by the Company and its subsidiaries and mature on October 4, 2011.

ITEM 15: ADDITIONAL INFORMATION

Additional information including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities and, options to purchase securities where applicable, is contained in the Company’s Management Proxy Circular to be dated July 6, 2009 and prepared in connection with the Annual Meeting of Shareholders of the Company, to be held on August 6, 2009. Additional information is provided in the Company’s comparative consolidated financial statements and management, discussion and analysis for its most recently completed fiscal year.

The Company shall provide to any person or company, upon request to the Company’s Corporate Secretary, at Héroux-Devtek Inc., Suite 658, East Tower, 1111 Saint-Charles Street West, Longueuil, Québec, J4K 5G4:

- (a) when the securities of the Company are in the course of a distribution under a preliminary short form prospectus or a short form prospectus:
 - (i) a copy of this Annual Information Form together with one copy of any document (or the relevant pages of any document) incorporated by reference therein;
 - (ii) a copy of the comparative consolidated financial statements of the Company for its most recently completed fiscal year, together with the accompanying report of the auditors thereon, and one copy of any interim consolidated financial statements of the Company that has been filed subsequent to the consolidated financial statements for its most recently completed fiscal year;
 - (iii) a copy of the Company’s Management Proxy Circular with respect to the Company’s most recent shareholders’ meeting that involved the election of directors; and
 - (iv) a copy of any other document incorporated by reference into the preliminary short form prospectus or the short form prospectus that is not required to be provided under (i), (ii), or (iii) above; or

- (b) at any other time, a copy of any document referred to in (a)(i), (ii), and (iii) above, provided that the Company may require the payment of a reasonable charge if the request is made by a person or a company who or which is not a security holder of the Company.

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

SCHEDULE A
MANDATE OF THE AUDIT COMMITTEE



1. Mission

1.1 The Audit Committee assists the Board of Directors in its general management responsibilities of the Company by:

- a) selecting and recommending the external auditors and reviewing their independence and effectiveness;
- b) reviewing:
 - (i) the financial statements;
 - (ii) the processes for presenting financial information;
 - (iii) the internal controls;
 - (iv) the audit processes;
 - (v) the management information systems; and
 - (vi) the financial risk management processes and control methods for managing such risks;

for the purpose of determining the integrity and effectiveness thereof; and

- c) serving as intermediary between the Board of Directors and the independent oversight functions (internal and external auditing).

1.2 The Company's external auditors are responsible for reporting to the Board of Directors and to the Audit Committee acting as the shareholders' representatives, and these shareholders' representatives have the ultimate power and responsibility of choosing, evaluating and, where necessary, recommending the replacement of the external auditors.

1.3 The Committee fulfills its responsibilities to the Board by carrying out the duties set forth in section 10 of this Mandate.

1.4 Although the Audit Committee has the powers and responsibilities set forth in this Mandate, the role of the Audit Committee is oversight. The members of the Audit Committee are not full-time employees of the Company and may or may not be accountants or auditors by profession and, in any event, do not serve in such capacity on the Audit Committee. Consequently, it is not the duty of the Audit Committee to conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with the Canadian generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the external auditors.

2. Composition

- 2.1 The Committee is comprised of at least three (3) members appointed annually by the Board of Directors from among the Company's directors.
- 2.2 Every Committee member shall be independent within the meaning of Multilateral Instrument 52-110.
- 2.3 No officer or employee of the Company or of a subsidiary of the Company shall be a member of the Committee.
- 2.4 Every Committee member shall be financially literate within the meaning of Multilateral Instrument 52-110, i.e. shall have the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

At least one Committee member shall have "related accounting or financial expertise" acquired either through previous work experience in finance or accounting, through the required professional certification in accounting, or through any other comparable experience or training giving him financial sophistication, such as being or having been a chief executive officer or chief financial officer of a company, or having held another position with a company as a senior executive with financial oversight responsibilities. This member shall have the ability to analyze and interpret a complete set of financial statements, including the accompanying notes, in accordance with Canadian generally accepted accounting principles.

3. Chairperson

- 3.1 The chair of the Committee is appointed by the Board of Directors. Where the chair is absent or unable to attend a meeting, the meeting shall be chaired by a member chosen by the Committee.
- 3.2 Subject to a contrary decision by the Board of Directors, members who have sat on the Committee for two years are eligible for appointment as Committee chairperson.
- 3.3 Subject to a contrary decision by the Board of Directors, the mandate of the Committee chairperson granted to a Committee member shall not exceed five years.
- 3.4 The Committee chairperson may make suggestions to the Chairman of the Board concerning the content of the agendas of certain meetings of the Board of Directors, where he considers it appropriate or necessary to do so.

4. Secretary

The Corporate Secretary, an assistant secretary or any other person appointed by the Secretary shall act as Committee secretary.

5. Holding and calling of meetings

- 5.1 The Audit Committee meets at least once per quarter and the Committee's meetings are held on the dates and at the time and place fixed by the Board of Directors. The Committee members shall be notified annually in writing of the dates, times and places of the Committee meetings, without any other notice being required.
- 5.2 An off-schedule meeting may be called at any time by the Committee chairperson, the Chairman of the Board, the President and Chief Executive Officer, one of the members of the Committee, the Executive

Vice-President and Chief Financial Officer, the Corporate Secretary or an assistant corporate secretary of the Company, and by the external auditors and auditors in charge of the internal audit function.

A notice stipulating the purpose, place, date and time of every off-schedule meeting shall be sent to each of the Committee members by mail or by any other means of telephone or electronic communication at least twenty-four (24) hours before the scheduled time and date of the meeting.

Off-schedule meetings of the Committee may be held without notice when all Committee members are present or when absent members give written waiver of notice of such meeting.

- 5.3 The Committee meetings may be held by telephone or by any other means enabling all members to communicate adequately and simultaneously with each other. In such case, the persons participating in a meeting by telephone or by any other means of communication are deemed to be present at the meeting.
- 5.4 The external auditors are entitled to receive the notices of the Committee's meetings and to be heard at such meetings.
- 5.5 The Committee may call a meeting of the Board of Directors to study issues of interest to the Committee.
- 5.6 The Committee members shall meet in closed sessions, at least once a year, under the direction of the Committee chairperson.

6. Quorum

- 6.1 Quorum for the Committee shall be a majority of the Committee members.
- 6.2 There shall be a quorum at every meeting in order for the Committee members to validly conduct proceedings and make decisions.
- 6.3 Subject to sections 6.1 and 6.2 above, the subjects submitted for consideration to every Committee meeting requiring a decision shall be approved by a majority of votes of the members present.

7. Minutes

- 7.1 The secretary shall keep the minutes of every Committee meeting, duly approved by it, in a register especially for this purpose.
- 7.2 The minutes of every Committee meeting, duly approved by it, shall be attached to the agenda of a subsequent meeting of the Board of Directors for its information. The Committee chairperson shall make a verbal report of the proceedings of every Committee meeting at a subsequent meeting of the Board of Directors.

8. Vacancy

Vacancies on the Committee shall be filled by the Board of Directors, where it considers appropriate. A failure to fill a vacancy shall not invalidate the Committee's decisions provided that there is a quorum.

9. Hiring of external advisors

The Audit Committee has the authority to retain the services of expert advisors at the Company's expense. In case of an emergency, this responsibility is vested in the Committee chairperson. The Committee may request any officer or employee of the Company, its outside legal counsel or its internal or external auditors to attend an Audit Committee meeting or meet any of its members or advisors.

The Audit Committee shall notify the Board of Directors on the extent of the financing required to pay for the compensation of the independent expert advisors retained to advise the Committee.

10. Duties and responsibilities

The Committee's duties are as follows:

10.1 Internal control

- 10.1.1 review the mandate of the internal audit function on an annual basis and ensure that it has the resources necessary to fulfill its mandate and the responsibilities set for it;
- 10.1.2 if the internal audit function has been outsourced in whole or in part to an external consulting firm, make recommendations to the Company's Board of Directors on the appointment of such consultants and their compensation;
- 10.1.3 require management to set up and maintain appropriate internal control policies and mechanisms, and review, evaluate and approve such policies and mechanisms;
- 10.1.4 evaluate the effectiveness of the Company's internal control policies and mechanisms with the Executive Vice-President and Chief Financial Officer, or any other officer or employee of the Company exercising responsibility for the internal audit function;
- 10.1.5 review the report(s) of the internal audit group on a quarterly or annual basis and ensure that the necessary measures are taken to follow up on the suggestions arising from such report(s);
- 10.1.6 review the recommendations of the Company's management and recommend to the Board of Directors the appointment or removal of an officer responsible for the internal audit function of the Company;
- 10.1.7 review and approve the annual internal audit plan and ensure the independence and effectiveness of this function;
- 10.1.8 require that the internal audit function be free of any influence which could interfere with its ability to carry out its responsibilities in an objective manner and, to this end, obtain disclosure from management of the services other than internal auditing provided to the Company by the consultants to whom this function has been outsourced;
- 10.1.9 evaluate the overall performance of the external consultants to whom the internal audit function has been outsourced, whether in whole or in part, including the other services rendered by these consultants, and analyze the effect of such services on their independence;
- 10.1.10 ensure that there is effective cooperation between internal auditing and the external auditors of the Company;
- 10.1.11 meet, in the absence of management, with the Company's officer in charge of the internal audit function, or the external consultant to whom this function has been outsourced;
- 10.1.12 review any management representation letters on the internal financial systems and controls addressed to the external auditors;
- 10.1.13 review and comment to the Board of Directors on all related-party transactions;

- 10.1.14 review any change in the Company's code of ethics for senior financial officers;
- 10.1.15 review the recommendations made by the regulatory bodies or external or internal auditors and report to the Board of Directors;
- 10.1.16 establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;
- 10.1.17 review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the external auditors that meet the CICA Rules of Professional Conduct;

10.2 External auditors

- 10.2.1 submit recommendations to the Company's Board of Directors for the appointment and compensation of the external auditors;
- 10.2.2 review and discuss the external auditors' detailed report on all the factors influencing their independence and objectivity; make recommendations for measures to be taken by the Board of Directors to ensure the independence of the external auditors;
- 10.2.3 pre-approve all non-audit services to be provided to the Company or its subsidiaries by the auditors and, ensure that the external auditors shall not provide the following services to the Company:

Prohibited Non-Audit Services

- Bookkeeping or other services related to the accounting records or financial statements of the Company.
 - Expert services, litigation support unrelated to the audit.
 - Financial information systems design and implementation.
 - Appraisal or valuation services, fairness opinions or contribution-in-kind reports.
 - Actuarial services.
 - Internal audit outsourcing services.
 - Management functions.
 - Human resources services.
 - Broker-dealer, investment adviser or investment banking services.
 - Legal Services and any other advocacy services.
 - Preparation of journal entries and source documents.
 - IT Services.
 - Corporate finance and similar activities.
- 10.2.4 review the nature and scope of the work of the Company's external auditors and recommend to the Board their compensation;
 - 10.2.5 meet with the external auditors and management to discuss the annual financial statements or transactions which may be detrimental to the sound financial situation of the Company;
 - 10.2.6 discuss with the external auditors not only the acceptability but also the quality of the accounting principles followed by the Company in its financial reports;

- 10.2.7 review the Company's guidelines for awarding professional services contracts to the external auditors outlining the criteria and levels of authorization required for types of services other than auditing which the external auditors are authorized to offer the Company;
 - 10.2.8 review the annual letter of recommendation on internal control by the Company's external auditors and follow up on the measures subsequently taken by management;
 - 10.2.9 meet the Company's external auditors on a regular basis, in the absence of the management;
 - 10.2.10 evaluate the overall performance of the external auditors, including the auditing services and non-auditing services, and analyze the effect of these services on the auditors' independence; and
 - 10.2.11 determine that the external auditors audit firm has a process in place to address the rotation of the lead audit partner and other audit partners serving the account as required under the CICA independence rules;
- 10.3 Financial information
- 10.3.1 review the Company's quarterly and annual consolidated financial statements after the review or audit thereof by the external auditors, and recommend their approval to the Company's Board of Directors; review the unaudited financial statements of certain subsidiaries as appropriate;
 - 10.3.2 obtain an annual report from management, which may be in either oral or written form, on the accounting principles used in the preparation of the Company's financial statements, including those policies for which management is required to exercise discretion or judgment regarding the implementation thereof;
 - 10.3.3 annually review separately with each of management, the external auditors and the internal audit group (a) any significant disagreement between management and the external auditors or the internal audit group in connection with the preparation of the financial statements, (b) any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and (c) management's response to each;
 - 10.3.4 annually or periodically, as appropriate, review any significant changes to the Company's accounting principles and financial disclosure practices as suggested by the external auditors, management or the internal audit group; review with the external auditors, management and the internal audit group, at appropriate intervals, the extent to which any changes or improvements in accounting or financial practices, as approved by the Audit Committee, have been implemented;
 - 10.3.5 review all the investments and transactions which may be detrimental to the Company's sound financial situation, when they are brought to its attention by the external auditors or an officer;
 - 10.3.6 review and recommend the approval to the Board of Directors of the informational documents containing financial information, whether audited or unaudited, in particular, management's analysis of the financial situation and operating results, the annual information form and the press releases concerning the publication of the Company's quarterly and annual consolidated financial statements;
 - 10.3.7 review and discuss with management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), commitments and other relationships of the Company or any of its subsidiaries with unconsolidated entities or other persons, that may have a

material current or future effect on the financial condition, changes in the financial condition, results of operations, liquidity, capital resources or significant components of revenues or expenses;

10.3.8 enquire with management concerning any significant changes adopted by bodies such as the stock exchanges or securities commissions, as well as changes to accounting standards that may have an effect on the preparation or disclosure of the financial statements of the Company or its subsidiaries, and inform the Board of Directors thereof where appropriate; and

10.3.9 review the report of management on any dispute, notice of assessment or any other claim of a similar nature which may have a material effect on the Company's financial situation, and ensure that these material claims are correctly disclosed in the financial statements.

10.4 Miscellaneous

Exercise any other functions entrusted to it by the Board of Directors and make such recommendations to it as it considers appropriate on the subjects within its competence.

*Adopted on February 15, 1996.
Modified on April 20, 2000.
Revised on November 15, 2002.
Adopted on February 18, 2003.
Revised and confirmed on October 27, 2004*

*Revised and confirmed on November 2, 2005.
Revised and confirmed on February 27, 2006.
Revised and confirmed on February 8, 2007.
Revised and confirmed on February 6, 2008.
Revised and confirmed on October 30, 2008
Revised and confirmed on February 4, 2009*