FIRST QUARTER ENDED JUNE 30, 2005

Quarterly report

HÉROUX DEVTEK

message to shareholders

On behalf of the Board of Directors, I would like to take this opportunity to present the financial results for Héroux-Devtek's first quarter ended June 30, 2005.

Sales for the period were $53.9 million, up 3.1% from $52.3 million for the first quarter a year ago. The Company reported a net loss from continuing operations of $2.4 million or a loss of $0.09 per share for the first quarter, compared to a net loss from continuing operations of $1.4 million or a loss of $0.05 per share for the first quarter of fiscal 2004-2005. Net income for the first quarter was $6.4 million or $0.24 per share, compared to a net loss of $1.3 million or $0.05 per share for the first quarter of fiscal 2005. Net income for the quarter included an after-tax gain on the sale of Diemaco, our former Logistics & Defence Division. The Diemaco sale closed May 20, 2005. The total sale price was $19.3 million, which resulted in an $8.6 million after-tax gain in the first quarter ended June 30, 2005.

The improvement in market conditions that we have been seeing over the past few quarters continued into the first quarter of this year. While this had a positive impact on our sales, results were affected by delays in deliveries and the persistently high level of the Canadian dollar. Deliveries for both Landing Gear and Aerostructure products were deferred due to operational delays and inefficiencies and the shortage of certain raw materials which resulted in a sales shortfall of about $9 million for the quarter ended June 30, 2005. Sales were also lower by approximately $4 million as a result of the continued strength of the Canadian dollar relative to the US dollar this quarter compared to the corresponding quarter last year. The delivery delays should be substantially recovered going forward as deliveries are made in subsequent quarters this fiscal year.

SECTOR RESULTS

Aerospace sales for the quarter rose by 2% to $48.4 million in the first quarter, this year from $47.5 million for the first quarter last year. The increase was primarily due to Landing Gear sales, which grew by $3.7 million or 14.8% compared to last year, mainly in the area of commercial sales for large aircraft. This increase was achieved in spite of an approximate $6 million sales shortfall due to late deliveries, mainly relating to recent military programs, and reduced productivity in the repair and overhaul work. These deliveries are deferred to subsequent quarters of the current fiscal year. Aerostructure sales decreased by $2.6 million due to a sales shortfall as a result mainly of shortage of certain raw materials on the market. These deliveries are expected to be made during the current second quarter. In total, aircraft engine component sales declined by $0.1 million, representing increased sales on military programs of $1.8 million offset by reduced sales of aircraft engine components on the commercial side.

Industrial sales for the quarter ended June 30, 2005 increased by 13% to $5.5 million from $4.9 million in the first quarter last year. Industrial Gas Turbine sales remained stable, while new parts manufactured for a new customer resulted in a substantial increase in Other Industrial sales for the first quarter, this year.

OUTLOOK

The recent recovery in the commercial aerospace market is expected to favourably impact Héroux-Devtek's sales for fiscal 2005-2006. Projects such as the Boeing 787 and the Airbus A380 will benefit the entire sector. The military aerospace market remains generally strong, with continued interest in unmanned aircraft vehicles and unmanned combat aircraft vehicles, as well as other potential opportunities that could have an impact on the Company's sales for fiscal 2006. In the medium term, we see particular potential in the JSF program. On the industrial side, the power generation market is expected to realize modest growth in calendar 2005. In light of this, the Company is prudently optimistic about the year ahead. Certain challenges remain. The Canadian dollar is expected to remain relatively high. Long delivery lead times for raw materials will almost certainly impact product shipments and extend contract cycle times. The Company must also complete delivery on the lower margin contracts booked during the market downturn. In the near term, particularly the first half of fiscal 2006, profits may continue to be elusive, but a return to profitability is expected as business conditions improve and as the Company effectively executes its business plan, which includes improvements in productivity.

I thank our shareholders for their continuing confidence and support and express appreciation to our employees, suppliers and customers. Recently our unionized employees at the Landing Gear plant in Longueuil voted in favour of renewing their collective agreement through May 2008. This renewal completed the negotiation process at all sites and provides important labour relations stability for the next few years, allowing all to focus on the Company's growth and profitability objectives.

Gilles Labbé
President and Chief Executive Officer
August 4, 2005

NOTICE OF DISCLOSURE OF NON-AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS FOR THE QUARTERS ENDED JUNE 30, 2005 AND 2004.

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if the external auditors have not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that they have not been reviewed by the external auditors.

The accompanying unaudited interim consolidated financial statements of the Company for the quarters ended June 30, 2005 and 2004, have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the Company's management.

The Company's external auditors, Ernst & Young LLP, have not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the external auditors of an entity.

Dated this 3rd day of August 2005.

CONSOLIDATED BALANCE SHEETS

As at June 30, 2005 and March 31, 2005
(In thousands of dollars) (Unaudited)

	Notes	June 2005	March 2005
Assets	5		
Current assets			
Cash and cash equivalents		$ 5,127	$ 9,550
Accounts receivable		32,480	35,955
Income taxes receivable		4,871	2,660
Other receivables		6,362	6,671
Inventories		77,798	71,726
Prepaid expenses		1,817	828
Future income taxes		7,165	7,211
Other current assets		2,290	2,339
Discontinued operations	3	–	7,834
		137,910	144,774
Property, plant and equipment, net		100,917	103,294
Finite-life intangible assets, net		10,965	11,023
Other assets		977	1,092
Future income taxes		6,420	7,572
Goodwill		35,494	35,276
Discontinued operations	3	–	9,099
		$ 292,683	$ 312,130
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 64,471	$ 65,932
Income taxes payable		2,379	994
Future income taxes		1,407	1,329
Current portion of long-term debt	5	15,559	20,185
Discontinued operations	3	–	9,266
		83,816	97,706
Long-term debt	5	54,307	65,660
Other liabilities		7,592	7,613
Future income taxes		10,052	9,820
Discontinued operations	3	–	1,650
		155,767	182,449
Shareholders' Equity			
Capital stock	6	87,301	87,269
Contributed surplus	6	384	340
Cumulative translation adjustment		(4,591)	(5,338)
Retained earnings		53,822	47,410
		136,916	129,681
		$ 292,683	$ 312,130

The accompanying notes are an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

For the quarters ended June 30, 2005 and 2004
(In thousands of dollars, except per share data) (Unaudited)

	Notes	2005	2004 (Restated Note 3)
Sales		$ 53,917	$ 52,318
Cost of sales		47,570	44,973
Amortization		4,286	4,345
Gross profit		2,061	3,000
Selling and administrative expenses		4,153	4,544
Operating loss		(2,092)	(1,544)
Financial expenses	5	1,114	444
Loss before income tax recovery and discontinued operations		(3,206)	(1,988)
Income tax recovery		(774)	(548)
Net loss from continuing operations		(2,432)	(1,440)
Net income from discontinued operations	3	8,844	124
Net Income (loss)		$ 6,412	$ (1,316)
Loss per share from continuing operations – basic and diluted		$ (0.09)	$ (0.05)
Earnings per share from discontinued operations – basic and diluted		$ 0.33	$ –
Earnings (loss) per share – basic and diluted		$ 0.24	$ (0.05)
Weighted-average number of shares outstanding during the quarters		26,959,538	26,864,361

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the quarters ended June 30, 2005 and 2004
(In thousands of dollars) (Unaudited)

	2005	2004
Balance at beginning of period	$ 47,410	$ 49,539
Net Income (loss)	6,412	(1,316)
Balance at end of period	$ 53,822	$ 48,223

The accompanying notes are an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the quarters ended June 30, 2005 and 2004
(In thousands of dollars) (Unaudited)

	Notes	2005	2004 (Restated Note 3)
Cash and cash equivalents provided by (used for):			
Operating activities			
Net loss from continuing operations		$ (2,432)	$ (1,440)
Items not requiring an outlay of cash:			
Amortization		4,368	4,419
Future income taxes		323	(590)
Loss (gain) on sale of property, plant and equipment and finite-life intangible assets		(6)	7
Gain on financial derivative instrument		–	(487)
Amortization of net deferred loss related to financial derivative instrument		35	–
Accretion expense of asset retirement obligations		47	50
Stock-based compensation	6	44	43
Cash flows from continuing operations		2,379	2,002
Net change in non-cash items related to operations	8	(7,501)	(7,963)
Cash and cash equivalents used for operating activities		(5,122)	(5,961)
Investing activities			
Net change in temporary investments		–	(4,972)
Purchase of property, plant and equipment and finite-life intangible assets		(1,178)	(4,325)
Proceeds on disposal of property, plant and equipment		6	793
Business acquisition, net of cash acquired	2	–	(63,554)
Proceeds from the sale of a business	3	19,172	–
Cash and cash equivalents provided by (used for) investing activities		18,000	(72,058)
Financing activities			
Increase in long-term debt	5	–	36,598
Repayment of long-term debt	5	(16,656)	(8,746)
Issuance of common shares	6	32	16,267
Other		–	(80)
Cash and cash equivalents provided by (used for) financing activities		(16,624)	44,039
Effect of changes in exchange rates on cash and cash equivalents		122	252
Cash and cash equivalents used for discontinued operations		(799)	(579)
Change in cash and cash equivalents		(4,423)	(34,307)
Cash and cash equivalents at beginning of period		9,550	53,599
Cash and cash equivalents at end of period		$ 5,127	$ 19,292
Cash and cash equivalents are comprised of:			
Cash and cash equivalents		5,127	19,292
Temporary investments		–	4,972
		5,127	24,264
Supplemental information:			
Interest paid		$ 1,010	$ 822
Income taxes paid		$ 688	$ 367

The accompanying notes are an integral part of these interim consolidated financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the quarters ended June 30, 2005 and 2004
(All dollar amounts in thousands, except share data) (Unaudited)

NOTE 1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Interim consolidated financial statements include the accounts of Héroux-Devtek Inc. (the "Company") and its subsidiaries, all of which are wholly-owned.

The interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles applicable to interim financial statements and follow the same accounting policies and methods in their application as the most recent annual financial statements. In the opinion of Management, all adjustments necessary for a fair presentation are reflected in the interim financial statements. Such adjustments are of a normal and recurring nature. The results of operations for the interim periods are not necessarily indicative of the operating results for the full year. The interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report for the fiscal year ended March 31, 2005.

NOTE 2. BUSINESS ACQUISITION

On April 1, 2004, the Company concluded the asset purchase agreement and plan for merger signed on February 24, 2004 to acquire all outstanding common shares of Progressive Incorporated (along with the net assets of Promilling LP), ("Progressive"), a Texas-based manufacturer of large structural components in the military sector. The earnings of Progressive have been accounted for in the Company's consolidated statement of income (loss) since the acquisition date and are included in the Aerospace segment. The total initial purchase price representing $74,193 (US$56,356) at the acquisition date (April 1, 2004) was adjusted downward by $2,894 to $71,299 at March 31, 2005 to reflect the adjustments to the initial estimated tax impacts on the acquisition transaction, net of the additional payments related to additional profitability performance made or provided for. At March 31, 2005, the total adjusted purchase price and purchase price allocation of $71,299 can be detailed as follows:

Total Adjusted Purchase Price		
Basic purchase price	$	60,951
Tax impacts		3,421
Acquisition of a large specialized manufacturing equipment		4,246
Transaction costs and other		2,681
	$	71,299

Purchase Price Allocation		
Cas	$	2,498
Tangible assets		44,936
Backlog		9,601
Goodwill		18,274
Accounts payable and accrued liabilities		(4,010)
	$	71,299

As part of the asset purchase agreement and plan for merger, additional payments of up to $15,798 in total (US$6,000 for fiscal years 2004 and 2005 and US$6,000 for fiscal year 2006), could also be made based on additional profitability performance.

At March 31, 2005, additional payments of $2,110 (US$1,700) were made or provided for. Additional payments related to profitability performance of up to $7,258 (US$6,000) could still be made or provided for in fiscal year 2006. Should these payments be made, the basic purchase price will be adjusted accordingly.

NOTE 2. BUSINESS ACQUISITION (cont'd)

Financing of the Acquisition

In order to finance this acquisition, the Company used $36,409 of its existing Secured Syndicated Revolving Credit Facilities, issued 3,500,000 common shares through private placements for a total net cash consideration of $16,180 and used $18,710, net of the adjustments to the initial purchase price, of its available cash at March 31, 2004. The financing and the total outlay of cash and cash equivalents related to this business acquisition can be broken down as follows:

Secured Syndicated Revolving Credit Facilities		$ 36,409
Issuance of common shares		16,180
Cash	$ 11,469	
Sale balance in escrow	7,241	18,710
		71,299
Less:		
Cash and cash equivalents acquired		2,498
Additional payments provided for		1,452
		$ 67,349

Last year, as at June 30, 2004, the Company had paid $63,554 for the basic purchase price, the large specialized manufacturing equipment and some of the related transaction costs.

NOTE 3. DISCONTINUED OPERATIONS: SALE OF LOGISTICS AND DEFENCE DIVISION, DIEMACO

On February 10, 2005, the Company entered into an agreement with Colt Defense LLC, a U.S. Company, for the sale of its Logistics & Defence Division, Diemaco. Diemaco is a manufacturer of small arms for military and law enforcement forces. The total sale price amounted to $19,267 of which $19,172 was received at the closing of the sale transaction on May 20, 2005. The remainder of $95 will be collected in the second quarter of the current fiscal year. The total sale price is subject to final adjustments based on the audited balance sheet of Diemaco, as of the closing of the sale transaction, which will be finalized during the current quarter. The gain on the sale transaction amounted to $8,568, net of income taxes of $2,338.

All assets and liabilities in the Company's consolidated balance sheets along with revenues and expenses in the Company's consolidated statements of income (loss) and the cash and cash equivalents in the Company's consolidated statements of cash flows related to the Logistics and Defence Division, Diemaco were segregated and presented as discontinued operations.

Sales, income before income taxes and net income related to Diemaco's operations for the period from April 1, 2005 to May 20, 2005 this year, compared to the first full quarter last year, were as follows:

	2005	2004
Sales	$ 2,440	$ 4,050
Income before taxes	418	200
Net income (including the gain on sale of Diemaco of $8,568)	8,844	124

All the activities of the Logistics & Defence Division, Diemaco operations were excluded from the Company's Aerospace segment and Canadian geographical segment in the segmented information disclosure.

NOTE 4. FINANCIAL INSTRUMENTS: FORWARD FOREIGN EXCHANGE CONTRACTS

The Company entered into forward foreign exchange contracts whereby it will sell at an average exchange rate of 1.3215 an amount of US$126,500 (US$128,000 at an average rate of 1.3308 as at March 31, 2005) for the purpose of foreign exchange risk management related to its export sales and maturing at various dates between July 1, 2005 and December 31, 2009.

NOTE 5. LONG-TERM DEBT

	June 30, 2005	March 31, 2005
Secured Syndicated Revolving Credit Facilities of up to $100,000, which were reduced to $90,000 in May 2005 (see below), (either in Canadian or U.S. currency equivalent) having revolving periods of two (2) years extendible annually, bearing interest at Prime rate plus 1.25% for the Canadian operating facilities (Bankers' acceptance plus 2.0% at March 31, 2005 for the Canadian operating and term facilities), at Libor plus 2.25% for the U.S. operating and term facilities (Libor plus 2.0% at March 31, 2005). At June 30, 2005, the Company used $4,100 and US$5,000 ($10,000 and US$5,000 at March 31, 2005) on operating facilities and used US$28,656 ($5,000 and US$32,656 at March 31, 2005) on term facilities.	$ 45,342	$ 60,549
Loans bearing no interest, repayable in variable annual instalments, with various expiry dates until 2013.	13,913	14,117
Obligations under capital leases bearing interest between 5.4% and 8.1% maturing between July 2006 and October 2009, with amortization periods varying between five (5) to eight (8) years, secured by the related property, plant and equipment.	10,611	11,179
	69,866	85,845
Less: current portion	15,559	20,185
	$ 54,307	$ 65,660

Secured Syndicated Revolving Credit Facilities

These Secured Syndicated Revolving Credit Facilities allowed the Company and its subsidiaries to borrow up to $100,000 (either in Canadian or U.S. currency equivalent) in fiscal years 2005 and 2004 which facilities were reduced to $90,000 in May 2005 and are used for its operations, acquisitions and foreign exchange risks from a group of banks and their American subsidiaries or branches and consist of revolving operating credit facilities up to $30,000 and revolving term credit facilities up to $70,000 in fiscal years 2004 and 2005 which were reduced to $30,000 and $60,000 respectively in May 2005, each having a two (2) year revolving period extendible annually, secured by all assets of the Company, and its subsidiaries and are subject to certain restrictive covenants and corporate guarantees granted by the Company and its subsidiaries. In the event that the credit facilities are not extended, the operating credit facilities will mature at the end of the revolving period. As to the term credit facilities, they will convert at the end of the revolving period into a three-year term loan with an amortization period of five (5) years. These Syndicated Revolving Credit Facilities were extended on February 20, 2004, on a secured basis for a period of two years up to March 21, 2006. In 2005, the Company extended the renewal date of its Secured Syndicated Revolving Credit Facilities from February 19, 2005 to August 30, 2005. However, the anniversary date of the revolving period remains March 21 of each year. On that basis, the balance due on the Syndicated Revolving Operating Credit Facilities of $10,227 at June 30, 2005 ($16,048 at March 31, 2005) was reclassified in the Company's current portion of long-term debt. The annual extension of the Secured Syndicated Revolving Credit Facilities will be negotiated during the current fiscal year.

NOTE 5. LONG-TERM DEBT (cont'd)

Interest rates vary based on prime, Bankers' acceptance, Libor or U.S. base rate plus a relevant margin depending on the level of the Company's indebtedness and cash flows.

These Secured Syndicated Revolving Credit Facilities are governed by two credit agreements (Canadian and American).

The financial expenses, for the quarters ended June 30, are comprised of:

		2005		2004 (Restated Note 3)
Interest	$	989	$	957
Amortization of deferred financing costs		76		75
Standby fees		67		27
Gain on financial derivative instrument		–		(528)
Amortization of net deferred loss related to financial derivative instrument		35		41
Interest revenue		(53)		(128)
Financial expenses	$	1,114	$	444

NOTE 6. CAPITAL STOCK

Authorized capital stock

The authorized capital stock of the Company consists of the following:
An unlimited number of voting common shares, without par value
An unlimited number of first preferred shares, issuable in series
An unlimited number of second preferred shares, issuable in series.

The rights, privileges, restrictions and conditions related to the preferred shares may be established by the Board of Directors.

The issued and outstanding capital stock of the Company consists of the following:

		June 30, 2005		March 31, 2005
26,963,260 common shares (26,954,552 at March 31, 2005)	$	87,301	$	87,269

Issuance of common shares

During the quarter ended June 30, 2005, the Company issued 8,708 common shares at a weighted average price of $3.69 for a total net cash consideration of $32 under the stock purchase and ownership incentive plan (see below).

During the quarter ended June 30, 2004, the Company issued 3,522,500 common shares. Of these shares 3,500,000 common shares were issued in conjunction with the acquisition of Progressive Incorporated on April 1, 2004 and 22,500 common shares following the exercise of stock options. The total net cash consideration represented $16,267.

Stock option plan

The Company has a stock option plan where options to purchase common shares are issued to directors, officers and key employees. The Company expenses all granting of stock options based on their earned period, using the Black & Scholes valuation model to determine their fair value. The expense related to stock options recorded in the quarter ended June 30, 2005 amounted to $44 ($43 for the quarter ended June 30, 2004).

NOTE 6. CAPITAL STOCK (cont'd)

Stock option plan (cont'd)

During the quarter ended June 30, 2005, 65,000 stocks options were granted at a value of $4.28 per share that are vesting over a three-year period and can be exercised over a seven-year period and 135,800 stock options were cancelled.

During the quarter ended June 30, 2004, 22,500 stock options were exercised at an average granted price of $3.89 for a total cash consideration of $87.

Stock purchase and ownership incentive plan

On September 2, 2004, the Board of Directors of the Company approved a stock purchase and ownership incentive plan to induce management employees to hold, on a long-term basis, common shares of the Company.

Under this plan, eligible employees can subscribe monthly, by salary deductions, up to 10% of their base salary, a number of common shares issued by the Company corresponding to their monthly contribution. The subscription price of the issued common shares represents 90% of the average closing price of the Company's common share on the TSX over the five trading days preceding the common share subscription. Also, the Company matches 50% of the employee's contribution by attributing to the employee, on a monthly basis, additional common shares acquired on the TSX at market price. However, the Company's matching attribution cannot exceed 4% of the employee's annual base salary. Common shares attributed to the employee, as well as the subscribed common shares, will be earned and released over a three-year period, the first period beginning July 1, 2005.

A trustee is in charge of the administration of the plan, including market purchases and subscriptions to the Company's common shares for and on behalf of the participating employees.

The aggregate number of shares reserved for issuance under this plan represent 90,000 common shares and has been taken out from the common shares already reserved for the Company's stock option plan.

During the quarter ended June 30, 2005, 8,708 common shares were issued (26,701 since the beginning of the plan) and 3,988 common shares were attributed to the participating employees (12,022 since the beginning of the plan). For the quarter ended June 30, 2005, the expense related to the attributed common shares amounting to $16 is recorded as compensation expense and is included in the Company's selling and administrative expenses.

Stock appreciation right plan

The Company has a Stock Appreciation Right plan (SAR) under which rights are issued to its non-employee directors. The SAR enables the participants to receive by way of bonus, on the exercise date of a SAR, a cash amount equal to the excess of the market price of the Company's common share over the granted price of the SAR. The SARs are expensed on an earned basis and their costs are determined based on the Company's common shares quoted market value over their granted price. No expense was recorded for SAR during the quarters ended June 30, 2005 and 2004.

NOTE 7. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

The Company has funded and unfunded defined benefit pension plans as well as defined contribution pension plans that provide pension benefits to its employees. Retirement benefits provided by the defined benefit pension plans are either based on years of service and flat amount, years of service and final average salary or set out by individual agreements.

Benefits provided by the post-retirement benefit plans are set out by individual agreements, which mostly provide for life insurance coverage and health care benefits. Since their amounts are not significant, they are not included in figures below.

Defined pension plan obligations are impacted by factors including interest rate, adjustments arising from plan amendments, changes in assumptions and experience gains or losses. The 2005 pension costs are based on a measurement of the pension benefit plan obligations and the funds' assets at March 31, 2005. The total pension plan costs are as follows:

	2005	2004 (Restated Note 3)
Defined benefit pension costs	$ 372	$ 411
Defined contribution pension costs	283	279
	$ 655	$ 690

NOTE 8. NET CHANGE IN NON-CASH ITEMS RELATED TO OPERATIONS

The net change in non-cash items related to operations for the quarters ended June 30 can be detailed as follows:

	2005	2004 (Restated Note 3)
Accounts receivable	$ 3,480	$ 1,551
Income taxes receivable	(2,211)	(264)
Other receivables	309	392
Inventories	(6,072)	(2,347)
Prepaid expenses	(989)	33
Other current assets	49	–
Accounts payable and accrued liabilities, and other liabilities	(2,659)	(6,083)
Customers' advance	–	(2,302)
Income taxes payable	273	960
Effect of changes in exchange rate	319	97
	(7,501)	(7,963)

NOTE 9. SEGMENTED INFORMATION FOR THE QUARTERS ENDED JUNE 30

Activity Segments

	2005			2004 (Restated Note 3)		
	Aerospace	**Industrial**	**Total**	Aerospace	Industrial	Total
Sales	$ 48,435	$ 5,482	$ 53,917	$ 47,468	$ 4,850	$ 52,318
Operating income (loss)	(2,149)	57	(2,092)	(585)	(959)	(1,544)
Financial expenses			1,114			444
Loss before income tax recovery and discontinued operations			(3,206)			(1,988)
Assets from continuing operations	273,548	19,135	292,683	295,411	21,613	317,024
Purchase of property, plant and equipment and finite-life intangible assets	1,066	112	1,178	2,388	1,937	4,325
Goodwill acquired	–	–	–	21,447	–	21,447
Amortization	3,851	517	4,368	3,896	523	4,419

Geographic Segments

	2005			2004 (Restated Note 3)		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Sales	$ 33,750	$ 20,167	$ 53,917	$ 29,613	$ 22,705	$ 52,318
Property plant and equipment, net	59,446	41,471	100,917	61,679	49,126	110,805
Finite-life intangible assets, net	2,634	8,331	10,965	3,164	9,790	12,954
Goodwill	16,523	18,971	35,494	17,534	22,530	40,064
Export sales			18,874			17,861

70% of the Company's sales (76% in 2004) were to US customers.

NOTE 10. RECLASSIFICATION

Comparative figures for the financial statements as at June 30, 2004 have been reclassified to comply with the June 30, 2005 presentation.

management discussion and analysis of financial position and operating results

This management discussion and analysis (MD&A) is intended to provide an overview of how the financial position of Héroux-Devtek Inc. ("Héroux-Devtek" or "the Company") changed between March 31, 2005 and June 30, 2005. It also compares the operating results and cash flows for the first quarter ended June 30, 2005 to those for the same period the previous year. It should be read in conjunction with the audited consolidated financial statements dated March 31, 2005 and the related MD&A, both available on the Company's website at www.herouxdevtek.com, and with the interim consolidated financial statements to June 30, 2005. Héroux-Devtek's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company reports its results in Canadian dollars. All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

In the interest of providing shareholders and potential investors with information regarding Héroux-Devtek, including management's assessment of future plans and operations, certain statements in this MD&A are forward-looking statements subject to risks, uncertainties and other important factors that could cause the Company's actual performance to differ materially from those expressed in or implied by such statements.

Such factors include, but are not limited to: the impact of general economic conditions in Canada and the United States; industry conditions including changes in laws and regulations; increased competition; the lack of availability of qualified personnel or management; fluctuations in commodity prices or availability; foreign exchange or interest rates; stock market volatility; and the impact of accounting policies issued by Canadian and US standard setters. Some of these factors are further discussed under Risks and Uncertainties in the Company's MD&A for the year ended March 31, 2005.

Although the Company believes that the expectations conveyed by the forward-looking statements are based on information available to it on the date such statements were made, there can be no assurance that such expectations will prove to be correct. All subsequent forward-looking statements, whether written or orally attributable to the Company or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

OVERVIEW

Héroux-Devtek designs, develops, manufactures and repairs systems and components for two main market segments: Aerospace and Industrial. The Aerospace segment comprises the following:

- landing gear products
- aerostructure products
- aircraft engine components

The Industrial segment includes:

- industrial gas turbine products
- other industrial products

On May 20, 2005, the Company concluded the sale of its Logistics and Defence Division, Diemaco, to Colt Defense LLC.

During the first quarter ended June 30, 2005, the economic and industry factors influencing Héroux-Devtek's business remained essentially unchanged from those discussed at our last fiscal year-end, March 31, 2005. Calendar year 2004 showed the first sign of a turnaround in the civil aerospace market. This recovery in the civil aerospace market is expected to have a favourable impact on Héroux-Devtek's sales for fiscal 2006. The military aerospace market remains generally strong, with continued interest in unmanned aircraft vehicles ("UAV") and unmanned combat aircraft vehicles ("UCAV"), as well as other potential opportunities that could have an impact on the Company's sales for fiscal 2006. On the industrial side, the downturn in the power generation market is believed to have ended in calendar year 2004, and modest growth is expected in calendar year 2005. Finally, the strength of the Canadian dollar and tight supply and price increases for raw materials continue to have a significant negative impact on Héroux-Devtek's results.

RESULTS OF OPERATIONS

CONSOLIDATED SALES

Consolidated sales for the quarter ended June 30, 2005 grew by 3.1% to $53.9 million from $52.3 million for the same period last year.

This sales increase in the first quarter ended June 30, 2005 was mainly due to improved commercial sales for large aircraft landing gear, somewhat offset by reduced aerostructure sales partially due to the lack of availability of raw materials and deliveries deferred to the next quarter. Sales were also negatively affected by the strength of the Canadian dollar relative to the US dollar (US dollar denominated sales), which reduced sales by $4.1 million or 7.8%.

The Company's sales for the Aerospace and Industrial segments were as follows:

	First quarter ended		
Segment	**June 30, 2005** ($'000)	June 30, 2004 (Restated) ($'000)	**% Change**
Aerospace			
Military	10,886	12,261	(11.2)
Civil			
Military products sold to civil customers	14,713	13,707	7.3
Commercial products	22,836	21,500	6.2
Total Civil	37,549	35,207	6.7
Total Aerospace segment	48,435	47,468	2.0
Total Industrial segment	5,482	4,850	13.0
Total	53,917	52,318	3.1

Aerospace Segment

Sales for the Aerospace segment explained above can be broken down by products as follows:

Sector	First quarter ended June 30, 2005 ($'000)	June 30, 2004 (Restated) ($'000)	% Change
Landing Gear	28,648	24,962	14.8
Aerostructure	14,755	17,375	(15.1)
Aircraft Engine Components	5,032	5,131	(1.9)
Total	48,435	47,468	2.0

Sales for the Aerospace segment were up 2.0% in the first three months this year to $48.4 million compared to $47.5 million for the same period last year.

During the first quarter ended June 30, 2005, Landing Gear sales increased by $3.7 million or 14.8% compared to the same period last year, mainly in commercial sales for large aircraft. In spite of this increase, the Landing Gear Division experienced a sales shortfall of about $6 million in the first quarter of the current fiscal year due to late deliveries, mainly on recent military programs, and reduced productivity in repair and overhaul work. These deliveries are deferred to future quarters in the current fiscal year.

Aerostructure sales decreased by $2.6 million, compared to the same period last year, due to late deliveries, which were deferred to the second quarter of this year. Some of these deferred deliveries were due to the lack of availability of raw materials on the market.

Aircraft Engine Component sales declined by $0.1 million, compared to the same period last year, representing reduced sales on the commercial side with GE Aircraft Engines, essentially offset by a $1.8 million increase in military program sales.

Industrial Segment

Sales for the Industrial segment were as follows:

Sector	First quarter ended June 30, 2005 ($'000)	June 30, 2004 (Restated) ($'000)	% Change
Industrial Gas Turbine	3,081	3,056	0.8
Other Industrial	2,401	1,794	33.8
Total	5,482	4,850	13.0

First quarter sales for the Industrial segment totalled $5.5 million this year, up 13% from $4.9 million for the same period last year. Industrial Gas Turbine sales remained stable, while new parts manufactured for Caterpillar resulted in a substantial increase in Other Industrial sales for the quarter, compared to the same period last year.

Sales by Destination

The Company's sales by destination were as follows:

	First quarter ended	
Destination	**June 30, 2005**	June 30, 2004 (Restated)
Canada	28.1 %	22.6 %
US	70.0 %	76.2 %
International	1.9 %	1.2 %
	100.0 %	100.0 %

During the first quarter ended June 30, 2005, increase in sales by destination to Canada reflects the increase in commercial sales made to Canadian customers, compared to the same period last year.

GROSS PROFIT

Expressed as a percentage of sales, consolidated gross profit decreased by 1.9% in the first quarter this year to 3.8% from 5.7% in the same period last year. The continued strength of the Canadian dollar accounted for 1.9% of this decline.

In the Aerospace segment, in spite of the sales increase compared to the same period last year, gross profit was negatively impacted in the first quarter this year by the late deliveries and sales shortfall at the Landing Gear Division. This negative impact was offset in the Industrial segment by the improved performance of Industrial Gas Turbine and Other Industrial products. In the first quarter of last year, Industrial Gas Turbine experienced a sales shortfall of approximately $2 million, due in part to manufacturing problems related to the introduction of new industrial business, as well as to material shortages.

SELLING AND ADMINISTRATIVE EXPENSES

This year's first quarter selling and administrative expenses were down from the same period last year, as shown below:

	First quarter ended	
	June 30, 2005	June 30, 2004 (Restated)
Selling and administrative expenses ($'000)	$ 4,153	$ 4,544
% of sales	7.7 %	8.7 %

The main variation in selling and administrative expenses in the first quarter ended June 30, 2005 compared to the first quarter of last year resulted from a favourable impact of approximately $100,000 attributable to the US/CAN exchange rate.

FINANCIAL EXPENSES

Net financial expenses for the first quarter ended June 30, 2005 were up compared to the corresponding quarter last year, as shown below:

	First quarter ended	
	June 30, 2005 ($'000)	June 30, 2004 (Restated) ($'000)
Interest expense	1,167	1,059
Interest revenue	(53)	(128)
Gain on financial derivative instrument - net	–	(487)
Financial expenses - net	1,114	444

On May 20, 2004, the Company designated its interest rate swap agreement as a hedging instrument to be recorded under the hedge accounting rules. This resulted in a gain of $487,000, representing the change in the fair value of the interest rate swap agreement between April 1, 2004 and May 20, 2004, net of the amortization of the related deferred loss recorded on April 1, 2004.

The interest expense increased in the first quarter of the current fiscal year, compared to the same period last year, in spite of the $15 million capital repayment on the Company's Secured Syndicated Revolving Credit Facilities; this repayment was made late in the first quarter of this fiscal year. In addition, the increase in the interest expense mainly reflects the general increase in US interest rates, which had an impact on the interest expense related to our US credit facilities.

DISCONTINUED OPERATIONS

On May 20, 2005, the Company concluded the sale of its Logistics & Defence Division, Diemaco, to Colt Defense LLC. The total sale price was $19.3 million. All assets and liabilities related to Diemaco were reclassified as discontinued assets and liabilities in the balance sheets. Diemaco's revenues, expenses and net income are shown under discontinued operations in the statements of income (loss), and the impact of Diemaco's operations on the Company's cash and cash equivalents is presented under discontinued operations in the statements of cash flows (see below and Note 3 to the interim consolidated financial statements).

A significant portion of the net proceeds from the sale of Diemaco was essentially used to repay $15.3 million on the Company's Secured Syndicated Revolving Credit Facilities.

NET INCOME (LOSS)

For the first quarter ended June 30, 2005, the Company posted a net income of $6.4 million compared to a net loss of $1.3 million for the same period last year, as shown below:

	First quarter ended	
	June 30, 2005	June 30, 2004 (Restated)
Net loss from continuing operations ($'000)	(2,432)	(1,440)
Net income from discontinued operations ($'000)	8,844	124
Net income (loss) ($'000)	6,412	(1,316)
Loss per share from continuing operations ($)	(0.09)	(0.05)
Earnings per share from discontinued operations ($)	0.33	0.00
Earnings (loss) per share ($)	0.24	(0.05)

In the first quarter ended June 30, 2005, net income from discontinued operations includes the $8.6 million gain on the sale of the Company's Logistics and Defence Division, Diemaco, net of income taxes of $2.3 million and the net income from operations for the period from April 1, 2005 until May 20, 2005, the closing date of the sale transaction.

The increase in the net loss from continuing operations in the first quarter ended June 30, 2005, compared to the same period last year, resulted mainly from the continued strength of the Canadian dollar relative to the US dollar in the first quarter this year and, the non recurring gain on financial derivative instrument recorded in the first quarter last year. Earnings (loss) per share figures are based on weighted averages of 26,959,538 common shares outstanding for the first quarter of this year and 26,864,361 for the same period last year. The increase is due to the issuance of common shares pursuant to the stock purchase and ownership incentive plan and the exercise of stock options (see Note 6 to the interim consolidated financial statements).

On August 3, 2005, the date of this MD&A, the Company had 26,966,012 common shares outstanding.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES

Internally, the Company generated cash flow from continuing operations and used cash flow in operating activities as follows:

	First quarter ended	
	June 30, 2005 ($'000)	June 30, 2004 (Restated) ($'000)
Cash flow from continuing operations	2,379	2,002
Net change in non-cash items related to operations	(7,501)	(7,963)
Cash and cash equivalents used in operating activities	(5,122)	(5,961)

For the first quarter ended June 30, 2005, cash flow from continuing operations increased by $0.4 million to $2.4 million compared to the same period last year due mainly to a $0.3 million future income tax expense included in the Company's net loss from continuing operations.

In the first quarter of this year, the net change in non-cash items included a $2.7 million reduction in accounts payable and accrued liabilities and other liabilities, a $2.2 million increase in income tax receivable and a $6.1 million increase in inventories. The increase in inventories is directly related to the overall increase in business activity and to the sales shortfall experienced in the first quarter this year, explained earlier. These items were partially offset by a $3.5 million reduction in accounts receivable during the quarter ended June 30, 2005.

INVESTING ACTIVITIES

The Company's first quarter investing activities were as follows:

	First quarter ended	
	June 30, 2005 ($'000)	June 30, 2004 (Restated) ($'000)
Net change in temporary investments	–	(4,972)
Purchase of property, plant and equipment and finite-life intangible assets	(1,178)	(4,325)
Proceeds on disposal of property, plant and equipment	6	793
Business acquisition, net of cash acquired	–	(63,554)
Proceeds from the sale of a business	19,172	–
Cash and cash equivalents provided by (used for) investing activities	18,000	(72,058)

On May 20, 2005, the Company concluded the sale of its Logistics and Defence Division, Diemaco.

The total sale price amounted to $19.3 million, of which $19.2 million was received as of the closing date on May 20, 2005. The balance of $0.1 million is included in the Company's other receivables as of June 30, 2005, and will be received in the second quarter of the current fiscal year (see Note 3 to the interim consolidated financial statements).

In the first quarter of last year, on April 1, 2004, the Company acquired Progressive for a total purchase price of $74.2 million (US $56.4 million) which purchase price was adjusted downward to $71.3 million at March 31, 2005. During the first quarter of last year, the Company paid $63.6 million (US $48.3 million), representing payment of the basic purchase price, the acquisition of a new piece of specialized equipment and a portion of the transaction costs (see Note 2 to the interim consolidated financial statements).

Purchase of capital assets totalled $1.2 million in the first quarter of this year compared to $4.3 million for the same period last year, and included $0.8 million for the Landing Gear Division. However, about $6 million in capital expenditures for Landing Gear were deferred and will be affected during the remaining quarters of the current fiscal year.

FINANCING ACTIVITIES

The Company's first quarter financing activities were as follows:

	First quarter ended	
	June 30, 2005 ($'000)	June 30, 2004 (Restated) ($'000)
Increase in long-term debt	–	36,598
Repayment of long-term debt	(16,656)	(8,746)
Issuance of common shares	32	16,267
Other	–	(80)
Cash and cash equivalents provided by (used for) financing activities	(16,624)	44,039

During the first quarter ended June 30, 2005, subsequent to the sale of the Logistics and Defence Division, Diemaco, the Company repaid $15.3 million on its Secured Syndicated Revolving Term Credit Facilities.

In the first quarter last year, the Company drew $36.4 million (US $27.7 million) on its US Syndicated Revolving Term Credit Facility, issued 3.5 million common shares through private placements for a net cash consideration of $16.2 million, and used $18.7 million of its available cash to finance the acquisition of Progressive (see Note 2 to the interim consolidated financial statements).

RESTRICTIVE DEBT COVENANTS

At June 30, 2005, the Company was in compliance with all its restrictive debt covenants. At March 31, 2005, based on the expected results of operations and cash flow levels for the first three quarters of the current fiscal year, the Company renegotiated less restrictive debt covenants on its Secured Syndicated Credit Facilities ("Credit Facilities) for these quarters.

These Credit Facilities were extended on February 20, 2004, on a secured basis for a period of two years up to March 21, 2006.

In fiscal 2005, the Company extended the renewal date (annual extension) of these Credit Facilities to August 30, 2005. On that basis, the balance due on the operating Credit Facilities of $10.2 million at June 30, 2005 ($16.0 million at March 31, 2005) was reclassified in the Company's current portion of Long-term debt.

The annual extension of the Credit Facilities will be negotiated through August 30, 2005 or up to a later date to be agreed upon by the parties involved during the current fiscal year (but before March 21, 2006).

The Company expects to continue to comply with its restrictive debt covenants in the current fiscal year. However, should the Company fail to comply with these covenants, it will attempt to renegotiate them, although the Company cannot predict what would be the outcome of these renegotiations.

CONSOLIDATED BALANCE SHEETS

The following table itemizes and explains the significant changes in the consolidated balance sheets between March 31, 2005 and June 30, 2005:

Item	Change ($ million)	Explanation
Cash and temporary investments	(4.4)	See statements of cash flows
Accounts receivable	(3.5)	Due to reduced sales in the first quarter compared to the last quarter of fiscal 2005
Income tax receivable	2.2	Due to an income tax recovery related to the Company's operating losses
Inventories	6.1	Due to late deliveries and a sales shortfall at the Landing Gear and Aerostructure Divisions
Capital assets	(2.3)	Due to: • Purchase of capital assets ($1.2 million) • A higher US exchange rate used to convert the net assets of self-sustaining US subsidiaries ($0.5 million) Net of: • Amortization ($4.0 million)
Backlog, net ($7.5 Backlog, net included in Finite-life intangible assets)	(0.2)	Represents mainly the amortization on the underlying value of the net backlog acquired as part of the acquisition of Progressive
Goodwill	0.2	Due to a higher US exchange rate used to convert the goodwill of self-sustaining US subsidiaries
Accounts payable and accrued liabilities	(1.5)	Reduction partially due to payment of certain transaction costs related to the sale of the Logistics and Defence Division, Diemaco
Income taxes payable	1.4	Due mainly to the tax impact related to the sale of Logistics and Defence Division, Diemaco ($2.3 million)
Long-term debt (including current portion)	(16.0)	Due to: • Repayment of long-term debt ($16.7 million) Net of: • A higher US exchange rate used to convert the net assets of self-sustaining US subsidiaries ($0.7 million)
Cumulative translation adjustment	0.7	Represents the counterpart of the impact of foreign exchange rate fluctuations on the net assets of self-sustaining US subsidiaries
Retained earnings	6.4	See consolidated statements of retained earnings

At June 30, 2005 and March 31, 2005, the Company's working capital ratio, cash and cash equivalents and long-term debt-to-equity ratio were as follows:

	June 30, 2005	March 31, 2005
Working capital ratio	1.65:1	1.48:1
Cash and cash equivalents	$5.1 million	$9.6 million
Long-term debt-to-equity ratio	0.40:1	0.51:1

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies adopted in the last fiscal year ended March 31, 2005 along with the future changes in accounting policies are discussed in the Company's MD&A included in its annual report for fiscal 2005.

RISKS AND UNCERTAINTIES

Héroux-Devtek operates in industry segments that have a variety of risk factors and uncertainties that could have a material adverse effect on the Company's business, financial condition and results of operations. Such risks and uncertainties include, but are not limited to, those mentioned below, which are more fully described in the Company's MD&A for the year ended March 31, 2005.

- Reliance on large customers
- Operational risks
- General economic conditions
- Military spending
- Foreign currency fluctuations
- Liquidity and access to capital resources
- Restrictive debt covenants
- Changing interest rates
- External business environment
- Warranty casualty claim losses
- Environmental matters
- Collective bargaining agreements

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was prepared as of August 3, 2005. Updated information on the Company, including the annual information form, can be found on the SEDAR web site at www.sedar.com.

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