Management Discussion and Analysis of Financial Position and Operating Results

This Management Discussion and Analysis of Financial Position and Operating Results (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, 2007 and June 30, 2007. It also compares the operating results and cash flows for the first quarter ended June 30, 2007 to those for the same period in the previous year. It should be read in conjunction with the audited consolidated financial statements dated March 31, 2007 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, 2007. Héroux-Devtek's consolidated 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 results 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 and 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, 2007. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive. Undue reliance should not be placed on forward-looking statements.

Although the Company believes that the expectations conveyed by the forward-looking statements are based on information available 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. Unless otherwise required by applicable securities laws, the Company expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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, including products for the wind energy market.

The Company is continuing on the positive trend initiated with the quarter ended December 31, 2005 and is posting positive results for the seventh consecutive quarter. General economic and industrial factors remained basically unchanged since last year and, as previously announced, the Company all but exited the aircraft engine components market. It should also be noted that, the strength of the Canadian dollar could continue to have a significant negative impact on Héroux-Devtek's results, especially in light of the recent trend in the quarter ended June 30, 2007.

RESULTS OF OPERATIONS

Consolidated Sales

Consolidated sales for the quarter ended June 30, 2007 grew by 18.8% to $78.8 million from $66.3 million for the same period last year.

The increase in first quarter sales was mainly due to continued improved sales for commercial products, consisting of landing gear products for large aircraft, business jets and turboprops, as well as growth in sales of military products. The ongoing strength of the Canadian dollar against the US dollar once again had a negative impact on US dollar denominated sales, reducing total sales by $0.9 million or 1.4%, compared to last year.

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

Segment	**Quarter ended June 30**			
	2007	2006	**VARIANCE**	
	($'000)	($'000)	**($'000)**	**%**
Aerospace				
Military				
Military sales to government	**14,848**	14,684	**164**	**1.1**
Military sales to civil customers	**18,658**	13,213	**5,445**	**41.2**
Total Military	**33,506**	27,897	**5,609**	**20.1**
Total Commercial	**38,197**	32,465	**5,732**	**17.7**
Total Aerospace	**71,703**	60,362	**11,341**	**18.8**
Total Industrial	**7,073**	5,955	**1,118**	**18.8**
Total	**78,776**	66,317	**12,459**	**18.8**

RESULTS OF OPERATIONS (cont'd)

Aerospace Segment

Sales for the Aerospace segment, shown in the table above, can be broken down by product as follows:

Product	Quarter ended June 30			
	2007	2006	**VARIANCE**	
	($'000)	($'000)	**($'000)**	**%**
Landing Gear	**45,858**	40,704	**5,154**	**12.7**
Aerostructure	**25,624**	18,348	**7,276**	**39.7**
Aircraft Engine Components	**221**	1,310	**(1,089)**	**(83.1)**
Total	**71,703**	60,362	**11,341**	**18.8**

For the first quarter ended June 30, 2007, overall sales for the Aerospace segment were up 18.8% to $71.7 million compared to $60.4 million for the same period last year.

During the first quarter, Landing Gear sales increased by $5.2 million or 12.7% relative to the same period last year. This resulted from continued growth in sales for large commercial and business jets.

First quarter Aerostructure sales were $25.6 million, $7.3 million or 39.7% higher than last year. This reflects the increase in commercial turboprops parts and military electronic enclosures sales. It also reflects the increase in deliveries on the JSF development program compared to last year.

As previously mentioned, the Company has essentially exited the aircraft engine components market, which explains the $0.2 million in sales for this quarter. Residual sales are expected for the remainder of the year.

Industrial Segment

Sales for the Industrial segment were as follows:

Product	Quarter ended June 30			
	2007	2006	**VARIANCE**	
	($'000)	($'000)	**($'000)**	**%**
Gas Turbine	**3,683**	2,450	**1,233**	**50.3**
Other Industrial	**3,390**	3,505	**(115)**	**(3.3)**
Total	**7,073**	5,955	**1,118**	**18.8**

First quarter sales for the Industrial segment totalled $7.1 million this year, 18.8% higher than last year. The positive trend in gas turbine sales that started in the second quarter of fiscal 2007 continued in fiscal 2008, with sales improving by $1.2 million year-over-year.

Sales by Destination

The Company's sales by destination were as follows:

Destination	Quarter ended June 30	
	2007	2006
Canada	**30%**	29%
US	**68%**	68%
International	**2%**	3%
	100%	100%

Increased Canadian commercial sales explain the year-over-year variance.

RESULTS OF OPERATIONS (cont'd)

Gross Profit

For the quarter ended June 30, 2007, consolidated gross profit as a percentage of sales was 13.5%, up 5.3% from 8.2% last year.

Gross profit was favourably impacted by higher sales volume and improved margins on certain contracts at the Landing Gear and Aerostructure divisions and by the continued turnaround at the Gas Turbine division. However, improvement in Aerostructure division gross profit was somewhat slowed, again this quarter, by the development phase of the JSF program. The stronger Canadian dollar had basically no major impact on the consolidated gross profit margin in the quarter ended June 30, 2007, compared to the same period last year. The Company uses forward foreign exchange contracts to mitigate the risks related to the Canadian currency fluctuations towards the US currency (see below).

The implementation of the changes in accounting policies (see below) reduced the amortization expense in the first quarter this year by $114,000 and increased marginally the gross profit by 0.1%.

Selling and Administrative Expenses

First quarter selling and administrative expenses were as follows:

	Quarter ended June 30	
	2007	2006
Selling and administrative expenses ($'000)	**4,240**	3,918
% of sales	**5.4**	5.9

First quarter selling and administrative expenses were $0.3 million higher than last year but 0.5% lower as a percentage of sales. Selling and administrative expenses were reduced by a $0.6 million gain on currency translation in the first quarter of fiscal 2008 compared to a gain of $0.9 million for the same period last year.

Operating Income (Loss)

Aerospace Segment

Aerospace operating income was $6.4 million or 9.0% of sales in the first quarter compared to $2.2 million or 3.6% of sales in the first quarter of last year, essentially reflecting higher sales and improved performance at both the Landing Gear and Aerostructure divisions. It also reflects improved margins, following the exit of the aircraft engine components market.

Industrial Segment

The operating loss of $0.1 million for the first quarter of this year compares to a $0.6 million operating loss for the same period last year, and reflects continued operational improvements, the improvement in margins and the increase in industrial sales experienced in the first quarter compared to last year.

Financial Expenses

	Quarter ended June 30	
	2007	2006
	($'000)	($'000)
Interest expense	**1,208**	809
Amortization of deferred financing costs	**46**	21
Standby fees	**58**	48
Accretion expense of asset retirement obligations	**51**	47
Amortization of net deferred loss related to financial derivative instrument	**33**	87
Interest revenue	**(150)**	(138)
Financial expenses – net	**1,246**	874

RESULTS OF OPERATIONS (cont'd)

For the first quarter ended June 30, 2007, financial expenses were $1.2 million, $0.4 million higher than for the same period last year. The increase is attributable to the Company's higher average debt level.

The implementation of the changes in accounting policies (see below) increased the financial expenses by $191,000 in the first quarter this year.

Income Tax Expense

The Company's effective income tax rate for the first quarter ended June 30, 2007 was 19.1% compared to its blended Canadian statutory rate of 32.7%. This difference can be mainly explained by the favourable impact of permanent differences, which reduced the income tax rate by 3.8% and by the recognition of $300,000 income tax benefits from the utilization of tax losses carried forward for which no income tax benefits had been recognized in prior years. The remainder represents favourable future tax adjustments.

At June 30, 2007, the Company had tax losses carried forward and other temporary differences of $6.8 million (7.8 million at March 31, 2007) for which no related income tax assets or benefits have been recognized yet in the consolidated financial statements.

Net Income

	Quarter ended June 30	
	2007	2006
Net income ($'000)	**4,151**	688
Earnings per share – basic & diluted ($)	**0.13**	0.02

The Company posted net income of $4.2 million for the first quarter ended June 30, 2007, compared to net income of $0.7 million for the quarter ended June 30, 2006. These results reflect increased sales volume and improved gross profit margins in all our divisions.

The implementation of the changes in accounting policies (see below) reduced the net income by $52,000 in the first quarter this year.

Earnings per share figures are based on weighted averages of 31,551,999 common shares outstanding for the first quarter of this year and 31,492,855 for the same period last year. The increase in the number of shares is essentially due to the issuance of 7,421 common shares pursuant to the Company's stock purchase and ownership incentive plan and the issuance of 83,300 common shares following the exercise of stock options (see Note 5 to the interim consolidated financial statements).

On August 1, 2007, the date of this MD&A, the Company had 31,620,983 common shares outstanding.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Internally, the Company generated cash flows from operations and used cash flows for operating activities as follows:

	Quarter ended June 30	
	2007	2006
	($'000)	($'000)
Cash flows from operations	**8,938**	4,860
Net change in non-cash items related to operations	**(11,115)**	(11,228)
Cash flows relating to operating activities	**(2,177)**	(6,368)

LIQUIDITY AND CAPITAL RESOURCES (cont'd)

For the first quarter ended June 30, 2007, cash flows from operations were $8.9 million, $4.1 million higher than for the same period last year, due mainly to a $3.5 million improvement in net income.

The net change of $11.1 million in non-cash items for the first quarter ended June 30, 2007, arose mainly from a decrease in accounts payable and accrued liabilities and other liabilities of $14.7 million following payment in the first quarter of fiscal 2008 of capital expenditures outstanding as at March 31, 2007, payment of raw material received late in the last fiscal year and a return to more normal payable level. Other receivables increased by $6.5 million, with this variance mainly explained by the invoicing of development costs for the JSF contract following the completion of established milestones. These changes were partly offset by a $6.4 million reduction in accounts receivable resulting from improved collection, and a $7.4 million reduction in inventories.

The implementation of the change in accounting policies (see below) had no impact on the cash flows from operations and cash flows relating to operating activities for the first quarter ended June 30, 2007.

The net change of $11.2 million in non-cash items for the first quarter ended June 30, 2006, was mainly caused by a $6.5 million increase in inventories in line with the increased level of activity, and a $9.4 million reduction in accounts payable and accrued liabilities and other liabilities. These were somewhat offset by decreases of $3.1 million in accounts receivable and $3.5 million in other receivables.

Investing Activities

The Company's investing activities were as follows:

	Quarter ended June 30	
	2007	2006
	($'000)	($'000)
Purchase of property, plant and equipment and finite-life intangible assets	**(4,721)**	(2,063)
Business acquisition, additional payments	**-**	(1,577)
Cash flows relating to investing activities	**(4,721)**	(3,640)

First quarter purchase of property, plant and equipment and finite-life intangible assets (capital expenditures) totalled $4.7 million this year compared to $2.1 million last year. In all, capital expenditures of about $37 million are planned for the current fiscal year, including $23 million which are related to the completion of the new manufacturing facility in Arlington, Texas, for the JSF program and for the renovation of the plating facility at the landing gear plant in Longueuil, Quebec.

The $1.6 million business acquisition in the first quarter ended June 30, 2006, represents the final additional payments made regarding fiscal 2006 profitability performance in relation to the acquisition of Progressive on April 1, 2004.

Financing Activities

The Company's financing activities were as follows:

	Quarter ended June 30	
	2007	2006
	($'000)	($'000)
Repayment of long-term debt	**(3,546)**	(2,380)
Issuance of common shares	**473**	29
Cash flows relating to financing activities	**(3,073)**	(2,351)

LIQUIDITY AND CAPITAL RESOURCES (cont'd)

There was no increase to the Company's long-term debt in the quarters ended June 30, 2007 and 2006. The year-over-year increase in common shares issued resulted from the exercise of 83,300 options at a price of $4.96 per common share for a total of $0.4 million.

Extension of Secured Syndicated Revolving Credit Facilities (Credit Facilities)

Last year, in the third quarter ended December 31, 2006, the Company successfully concluded the amendment and extension of its Credit Facilities for a five-year period, whereby the previous banks' revolving operating and term credit facilities were combined into Senior Secured Revolving credit facilities of $80 million that will mature in about five years, on October 4, 2011, with no extension. These facilities are secured by all the assets of the Company and its subsidiaries and are subject to certain restrictive covenants and corporate guarantees granted by the Company and its subsidiaries. This agreement was concluded with a syndication of banks comprising National Bank of Canada, which also acted as the administrative agent, Bank of Nova Scotia, Toronto Dominion Bank and Laurentian Bank of Canada.

Consequently, at June 30, 2007, the outstanding debt relating to these credit facilities amounting to $49.3 million was included in the Company's long-term debt. As of June 30, 2006, the outstanding amount relating to the operating portion of the former credit facilities, amounting to $5.6 million, was included in the current portion of the long-term debt.

The Company was in compliance with all its restrictive debt covenants at June 30, 2007, and expects to remain so for the balance of the current fiscal year.

Stock Option Plan

The Company has a stock option plan whereby options to purchase common shares are issued to officers and key employees. At June 30, 2007, the Company had 1,007,221 outstanding stock options at a weighted average exercise price of $6.35 that will expire over the next seven years (between September 2007 and August 2013).

An aggregate of 2,808,257 shares are reserved for issuance under this plan, of which 691,718 had not yet been granted at June 30, 2007. The Company also has a stock purchase and ownership incentive plan for management employees and a stock appreciation rights plan for its non-employee directors. (See Note 5 to the interim consolidated financial statements).

CONSOLIDATED BALANCE SHEETS

The following table itemizes and explains the significant changes to the consolidated balance sheets between March 31, 2007 and June 30, 2007:

Item	Change ($ millions)	Explanation
Cash and cash equivalents	(9.7)	See consolidated statements of cash flows.
Accounts receivable	(6.4)	Increased level of business activity more than offset by improved accounts receivable collection. The impact of the stronger Canadian dollar, since March 31, 2007, on US denominated accounts receivable ($1.7 million) also explains this reduction.
Other receivables	6.5	Mainly reflects the invoicing of JSF development costs during the first quarter.
Inventories	(7.4)	Mainly reflects the invoicing of JSF development costs during the first quarter and improved focus on overall inventory levels.

Item	Change ($ millions)	Explanation
Other current assets	10.2	Essentially reflects the recognition in the Company's balance sheet of financial instruments measured at fair value – see below, Changes in accounting policies.
Property, plant and equipment, net	(3.2)	Due to: • Purchase of capital assets ($4.7 million); Net of: • Amortization ($3.9 million); • A lower US exchange rate used to convert the net assets of self-sustaining US subsidiaries ($3.1 million). It also reflects the recognition in the Company's balance sheet of financial instruments measured at fair value – see below, Changes in accounting policies.
Finite-life intangible assets, net (includes a $5.3 million net backlog)	(0.9)	Represents mainly the amortization on the underlying value of the net backlog acquired as part of the acquisition of Progressive and the lower US exchange rate used to convert the net assets of self-sustaining US subsidiaries.
Other assets	7.0	Essentially reflects the recognition in the Company's balance sheet of the financial instruments measured at fair value – see below, Changes in accounting policies.
Goodwill	(1.6)	Due to the lower US exchange rate used to convert the net assets of self-sustaining US subsidiaries.
Accounts payable and accrued liabilities	(14.3)	Mainly reflects the impact of the payment of increased raw material purchased at the end of the fourth quarter of last year and, the payment of outstanding capital expenditures, both made in the first quarter of this fiscal year. The impact of the stronger Canadian dollar, since March 31, 2007, on US denominated accounts payable and accrued liabilities ($2.0 million) also explains this reduction.
Future income taxes (current liabilities)	3.0	Reflects mainly the future income tax impact of the recognition in the Company's balance sheet of the financial instruments measured at fair value – see below, Changes in accounting policies.
Long-term debt (including current (including current portion)	(10.1)	Due to: • Capital repayments of long-term debt ($3.5 million); and • A lower US exchange rate used to convert the net assets of self-sustaining US subsidiaries ($3.2 million). It also reflects the recognition in the Company's balance sheet of financial instruments measured at fair value – see below, Changes in accounting policies.

Item	Change ($ millions)	Explanation
Future income taxes (Long-term liabilities)	3.1	Reflects mainly the future income tax impact of the recognition in the Company's balance sheet of the financial instruments measured at fair value – see below, Changes in accounting policies.
Accumulated other comprehensive loss	6.3	Represents the counterpart of the impact of foreign exchange rate fluctuations on the net assets of self-sustaining US subsidiaries and the unrealized gains, net of taxes, on the fair value of the financial instruments designated as cash flow hedges – see below, Changes in accounting policies.
Retained earnings	5.9	See consolidated statements of changes in shareholders' equity and Changes in accounting policies, below.

At June 30, 2007 and March 31, 2007, the Company's working capital ratio, cash and cash equivalents and long-term debt-to-equity ratio were as follows:

	June 30, 2007	March 31, 2007
Working capital ratio	2.18:1	1.94:1
Cash and cash equivalents	$10.4 million	$20.1 million
Long-term debt-to-equity ratio	0.34:1	0.41:1

OFF-BALANCE SHEET ITEMS AND COMMITMENTS

The Company had entered into operating leases amounting to $11.7 million as at June 30, 2007 ($12.9 million as at March 31, 2007), essentially for machinery and equipment. All these amounts are repayable over the next seven years. At June 30, 2007, the Company also had purchase commitments totalling $18.8 million ($20.2 million to March 31, 2007), mainly for machinery and equipment and construction in progress, for which $3.3 million ($2.0 million to March 31, 2007) deposits on machinery and equipment were made and are included in the Company's other current assets. These commitments mainly relate to the Longueuil plant modernization of the plating department and the construction of a new manufacturing facility in Arlington, Texas.

At June 30, 2007, the Company had entered into forward foreign exchange contracts to sell US$112.3 million at an average exchange rate of 1.2055 (US$129.5 million at an average rate of 1.2110 as at March 31, 2007 and US$140.3 million at an average rate of 1.2511 as at June 30, 2006) for the purpose of foreign exchange risk management, essentially related to its export sales. These contracts mature at various dates between July 2007 and December 2010, with the majority maturing in fiscal 2008 and 2009.

CHANGES IN ACCOUNTING POLICIES

In April 2005, the Accounting Standards Board issued three new accounting standards: Section 1530 "Comprehensive Income", Section 3855 "Financial Instruments – Recognition and Measurement" and Section 3865 "Hedges". Effective April 1, 2007, the Company adopted these new accounting standards.

CHANGES IN ACCOUNTING POLICIES (cont'd)

A new statement entitled "consolidated statement of changes in shareholders' equity" was added to the Company's interim consolidated financial statements and includes the changes in capital stock, contributed surplus and retained earnings as well as comprehensive income and accumulated other comprehensive income (loss).

Section 1530 introduces comprehensive income, which comprises net income and other comprehensive income (loss) ("OCI") and represents the changes in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources (not related to shareholders). OCI includes unrealized gains and losses, net of taxes, arising from the translation of the financial statements of self-sustaining foreign operations, as well as unrealized gains and losses, net of taxes, arising from changes in fair value of available-for-sale financial assets and the effective portion of changes in fair value of cash flow hedging instruments.

Section 3855 requires that financial instruments be recognized on the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. On initial recognition, all financial instruments subject to Section 3855, including embedded derivatives financial instruments that are not closely related to the host contract, are measured at fair value. The Company has selected April 1, 2003, as the date for identification of embedded derivatives. After initial recognition, the measurement of financial instruments depends on their classification: held for trading ("HFT"), available-for-sale ("AFS"), loans and receivables ("L&R"), held-to-maturity ("HTM") or other than HFT liabilities.

Financial assets and financial liabilities classified as HFT are measured at fair value, with gains and losses recognized to income for the period in which they arise. Financial assets classified as L&R or HTM and financial liabilities classified as other than HFT are measured at amortized cost using the effective interest method.

Financial assets classified as AFS are measured at fair value. Unrealized gains and losses including changes in foreign exchange rates are recognized directly to OCI, except for impairment losses, which are recognized to income, until the financial assets are derecognized, at which time the cumulative gains or losses previously recognized in accumulated OCI are recognized in income for the period.

The Company has made the following classification of its financial instruments:

- Cash and cash equivalents are classified as HFT.
- Amounts receivable are classified as L&R.
- Amounts payable in current liabilities and long-term debt (including current portion) are classified as other than HFT liabilities.

Section 3865 specifies that in a cash flow hedge relationship, the portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized to OCI, while the ineffective portion is recognized to income. The amounts recognized to OCI are reclassified to income in the period during which the hedged item affects income.

The Company elected to continue to apply hedge accounting for its forward foreign exchange contracts and for its interest rate swap agreement as cash flow hedges.

The impact of the implementation of these new accounting standards was recognized as an adjustment to the carrying amount of the related financial instruments and recorded in shareholders' equity as at April 1, 2007. This transition adjustment resulted in an increase of $5.6 million recorded to accumulated OCI and, an increase of $1.7 million recorded to retained earnings. The impact of these changes on the Company's consolidated balance sheet accounts at April 1st 2007 can be summarized as follow:

CHANGES IN ACCOUNTING POLICIES (cont'd)

	April 1, 2007 Increase (decrease) ($ million)
Current assets - Other current assets	5.2
Long-term assets - Property, plant and equipment, net	(1.0)
Long-term assets - Other assets	4.1
Current liabilities - Accounts payable and accrued liabilities	0.6
Current liabilities - Future income taxes	1.5
Long-term liabilities - Long-term debt	(3.6)
Long-term liabilities - Other liabilities	0.4
Long-term liabilities - Future income taxes	2.0
Accumulated other comprehensive income	5.6
Retained earnings	1.7

The implementation of these new accounting standards reduced the Company's consolidated net income by $52,000 for the first quarter this year, while it had no impact on cash flows from operations and on cash flows relating to operating activities for the same period.

Impact on June 30, 2007 first quarter consolidated net income

	($ '000)
• Decrease in amortization expense	114
• Increase in financial expenses	(191)
	(77)
• Income tax impact	25
• Reduction in net income	(52)

These accounting standards and the impact of these changes on the Company's consolidated financial statements are discussed in Note 2 - Changes in Accounting Policies (see also the new Consolidated Statement of Changes in Shareholders' Equity).

CONTROLS AND PROCEDURES

In accordance with the Canadian Securities Administrators Multilateral Instrument 52 109, the Company has filed certificates signed by the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer that, among other things, report on the design of disclosure controls and procedures and the design of internal control over financial reporting.

The President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer have evaluated that there were no changes to the Company's internal controls over financial reporting during the first quarter ended June 30, 2007, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

SUBSEQUENT EVENT: FINANCIAL INSTRUMENTS – Interest rate SWAP

Subsequent to the end of the first quarter ended June 30, 2007, in order to limit the effect of interest rate variations over the portion of its long-term debt in US currency, the Company entered into a four-year interest rate swap agreement for an amount of US $15 million that fixes the Libor US rate at 5.53% and matures on August 1, 2011.

RISKS AND UNCERTAINTIES

Héroux-Devtek operates in industry segments with 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, 2007.

- Reliance on large customers
- Availability and cost of raw materials
- 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
- Skilled labour

OUTLOOK

With strong activity in all its market segments, Héroux-Devtek expects sales to continue to trend upward in the coming quarters. As reported in the MD&A for the year ended March 31, 2007, the Company expects to achieve approximately 10% internal sales growth in fiscal 2008, as well as further profitability gains from its lean manufacturing initiatives. This being said, it should be noted that the second quarter is traditionally somewhat slower due to vacations and plant shutdowns.

While markets are currently strong and the business cycle is on an upswing, the Company wishes to underscore that, in light of the continued strength of the Canadian dollar toward the US currency, it must continue to improve or make productivity gains to maintain its competitiveness. In addition, with nearly 70% of its sales to the US, the Company continues to manage its exposure to the US currency through the use of forward foreign exchange contracts.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was approved by the Audit Committee and the Board of Directors on August 1, 2007. Updated information on the Company, including the annual information form, can be found on the SEDAR web site at www.sedar.com.