



HÉROUX DEVTEK 

Growing together

Quarterly report

THIRD QUARTER ENDED
DECEMBER 31, 2007

3

Message to Shareholders

On behalf of the Board of Directors, I am pleased to present the financial results for Héroux-Devtek's third quarter ended December 31, 2007.

We had a solid quarter in all of our operations and we are pleased with sound revenue growth and further profitability improvements in both our Aerospace and Industrial segments. Héroux-Devtek continues to benefit from solid business activity in all of its markets and our strategic decision to invest in state-of-the-art equipment, adequate training for our dedicated employees and lean manufacturing initiatives at all levels of the organization enabled us to improve our profitability in spite of a strong Canadian dollar.

The Landing Gear Division further benefited from buoyant market conditions for business jets as well as of increased component sales for military aircraft programs. Engineering work on the Sikorsky CH-53K program also began during the quarter. In our Aerostructure Division, lower sales for regional jet programs and the strength of the Canadian dollar offset greater sales for the F-16 program as well as further schedule recovery of orders for commercial aircraft programs. Finally, the positive trend in gas turbine sales that started in the second quarter of fiscal 2007 continued in the quarter ended December 31, 2007.

Overall, sales for our third quarter reached \$76.3 million, an increase of 6.6% over sales of \$71.5 million in the same quarter a year ago. Landing Gear sales grew by 16.1% to \$45.7 million, while Aerostructure sales were down 7.8% compared with the same period a year earlier, to reach \$23.0 million. Sales from our Industrial segment totalled \$7.2 million, up 6.2% over last year due to further improvement in the gas turbine market. However, the strong Canadian dollar reduced total sales by \$7.8 million or 10.9% compared with the same period last year.

Gross profit was favourably impacted by higher sales volume, improved productivity and by the continued turnaround at the Gas Turbine division. The stronger Canadian dollar had a 1.6% negative impact on the gross profit margin in the quarter ended December 31, 2007, compared with the same period last year.

The impact of the stronger Canadian dollar against the US currency on the Company's gross profit margin, expressed as a percentage of sales, is mitigated by the use of forward foreign exchange sales contracts and the natural hedging from the purchase of materials made in US dollars.

Third quarter operating income reached \$6.6 million, or 8.6% of sales, compared with \$3.8 million, or 5.3% of sales last year, with solid improvements in both the Aerospace and Industrial segments. As a result, and reflecting the utilization of certain tax losses carried forward for which no income tax benefits had previously been recognized, third quarter net income was \$5.3 million, or \$0.17 per share, fully diluted, compared with \$2.2 million, or \$0.07 per share, fully diluted, for the same quarter last year.

For the first nine months of the current fiscal year, sales increased by 12.1% to reach \$224.8 million, versus \$200.5 million last year. Gross profit, as a percentage of sales, also improved year-to-date from 10.7% last year to 13.9% this year. Besides the factors already mentioned, improved margins on certain contracts at the Landing Gear and Aerostructure divisions favourably impacted gross profit margin. Operating income of \$18.1 million compares favourably with \$7.6 million a year earlier. Year-to-date net income amounted to \$12.5 million, or \$0.39 per share, fully diluted, versus \$4.4 million, or \$0.14 per share, fully diluted, a year ago.

During the quarter, our Landing Gear Division signed a preferred supplier agreement with Messier-Dowty accompanied by orders to manufacture major landing gear components currently estimated in stated Canadian currency at more than \$115 million over the next 10 years. The agreement calls for Héroux-Devtek 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 the current calendar year and a full production ramp-up is anticipated over an 18-month period.

The order books of large commercial aircraft manufacturers continue to be strong, a situation conducive to yield business opportunities for suppliers such as Héroux-Devtek. The military aerospace market also remains solid. Meanwhile, the power generation industry's sustained recovery should further improve operating profitability in the Industrial segment.

In light of current economic risks and the continued strength of the Canadian dollar against the US currency, we must continue to make productivity gains to maintain our competitiveness. Our significant capital expenditure investment plan and employee training programs, along with continuous lean manufacturing initiatives, should contribute to improving our productivity. Given our solid backlog, we continue to expect achieving approximately 10% internal sales growth in fiscal 2008.

(Signed)

Gilles Labbé

President and Chief Executive Officer

February 6, 2008

NOTICE OF DISCLOSURE OF NON-AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS FOR THE QUARTERS ENDED DECEMBER 31, 2007 AND 2006.

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 December 31, 2007 and 2006, 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 6th day of February 2008.

CONSOLIDATED BALANCE SHEETS

As at December 31, 2007 and March 31, 2007

(In thousands of dollars) (Unaudited)

	Notes	December 2007	March 2007
Assets	3,5		
Current assets			
Cash and cash equivalents		\$ 7,743	\$ 20,124
Accounts receivable		39,657	46,850
Income tax receivable		4,117	2,523
Other receivables		5,537	4,665
Inventories		94,038	97,686
Prepaid expenses		1,779	974
Future income taxes		6,850	8,226
Other current assets	2	13,137	2,041
		172,858	183,089
Property, plant and equipment, net	2	116,467	109,682
Finite-life intangible assets, net		5,636	7,722
Other assets	2	6,077	875
Future income taxes		1,067	-
Goodwill		35,186	38,093
		\$ 337,291	\$ 339,461
Liabilities	3		
Current liabilities			
Accounts payable and accrued liabilities	2	\$ 66,085	\$ 87,573
Income tax payable		1,264	-
Future income taxes	2	5,726	2,542
Current portion of long-term debt	2,5	4,982	6,691
		78,057	96,806
Long-term debt	2,5	63,923	67,086
Other liabilities	2	7,376	6,462
Future income taxes	2	10,226	8,259
		159,582	178,613
Shareholders' equity			
Capital stock	6	104,205	103,620
Contributed surplus	6	994	691
Accumulated other comprehensive loss	2	(6,351)	(8,034)
Retained earnings	2	78,861	64,571
		177,709	160,848
		\$ 337,291	\$ 339,461

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

CONSOLIDATED STATEMENTS OF INCOME

For the periods ended December 31, 2007 and 2006

(In thousands of dollars, except per share data) (Unaudited)

	Notes	Quarters ended December 31		Nine months ended December 31	
		2007	2006	2007	2006
Sales		\$ 76,260	\$ 71,519	\$ 224,794	\$ 200,505
Cost of sales		60,917	57,881	181,095	166,485
Amortization	2	4,038	4,224	12,345	12,591
Gross profit		11,305	9,414	31,354	21,429
Selling and administrative expenses		4,744	5,607	13,213	13,784
Operating income		6,561	3,807	18,141	7,645
Financial expenses, net	2,5	1,254	1,118	4,006	2,872
Income before income tax expense		5,307	2,689	14,135	4,773
Income tax expense	2	20	491	1,590	391
Net income		\$ 5,287	\$ 2,198	\$ 12,545	\$ 4,382
Earnings per share – basic		\$ 0.17	\$ 0.07	\$ 0.40	\$ 0.14
Earnings per share – diluted		\$ 0.17	\$ 0.07	\$ 0.39	\$ 0.14
Weighted-average number of shares outstanding during the periods		31,629,197	31,518,561	31,601,154	31,507,054

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the periods ended December 31, 2007 and 2006

(In thousands of dollars) (Unaudited)

For the quarter ended December 31, 2007

	Notes	Capital Stock	Contributed surplus	Accumulated other comprehensive income (loss)	Cumulative translation adjustment	Retained earnings	Comprehensive income (loss)
Balance at September 30, 2007		\$ 104,149	\$ 872	\$ (3,276)	\$ -	\$ 73,574	\$ -
Common shares issued:	6						
Under the stock option plan		-	-	-	-	-	-
Under the stock purchase and ownership plan		56	-	-	-	-	-
Stock-based compensation	6	-	122	-	-	-	-
Net income		-	-	-	-	5,287	5,287
Net gains (losses) on derivative financial instruments designated as cash flow hedges, net of taxes of \$168		-	-	(404)	-	-	(404)
Net gains (losses) on derivative financial instruments designated as cash flow hedges in prior periods transferred to net income in the current period, net of taxes of \$1,187		-	-	(2,465)	-	-	(2,465)
Cumulative translation adjustment		-	-	(206)	-	-	(206)
Balance at December 31, 2007		\$104,205	\$ 994	\$ (6,351)	\$ -	\$ 78,861	\$ 2,212

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (cont'd)

For the nine-month period ended December 31, 2007

	Notes	Capital Stock	Contributed surplus	Accumulated other comprehensive income (loss)	Cumulative translation adjustment	Retained earnings	Comprehensive income (loss)
Balance at March 31, 2007,							
as previously reported		\$ 103,620	\$ 691	\$ -	\$ (8,034)	\$ 64,571	\$ -
Change in accounting policies:	2						
Loans bearing no interest		-	-	-	-	1,745	-
Cumulative translation adjustment		-	-	(8,034)	8,034	-	-
Accumulated gains on derivative financial instruments designated as cash flow hedges, net of taxes of \$2,753		-	-	5,597	-	-	-
Balance at March 31, 2007, adjusted		103,620	691	(2,437)	-	66,316	-
Common shares issued:	6						
Under the stock option plan		413	-	-	-	-	-
Under the stock purchase and ownership plan		172	-	-	-	-	-
Stock-based compensation expense	6	-	303	-	-	-	-
Net income		-	-	-	-	12,545	12,545
Net gains on derivative financial instruments designated as cash flow hedges, net of taxes of \$4,957		-	-	9,567	-	-	9,567
Net gains (losse) on derivative financial instruments designated as cash flow hedges in prior periods transferred to net income in the current period, net of taxes of \$2,521		-	-	(5,237)	-	-	(5,237)
Cumulative translation adjustment		-	-	(8,244)	-	-	(8,244)
Balance at December 31, 2007		\$ 104,205	\$ 994	\$ (6,351)	\$ -	\$ 78,861	\$ 8,631

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (cont'd)

For the quarter ended December 31, 2006

	Notes	Capital Stock	Contributed surplus	Accumulated other comprehensive income (loss)	Cumulative translation adjustment	Retained earnings	Comprehensive income (loss)
Balance at September 30, 2006,							
as previously reported		\$ 103,542	\$ 661	\$ -	\$ (9,844)	\$ 57,849	\$ -
Change in accounting policies:	2						
Cumulative translation adjustment		-	-	(9,844)	9,844	-	-
Balance at September 30, 2006, adjusted		103,542	661	(9,844)	-	57,849	-
Common shares issued:	6						
Under the stock option plan		-	-	-	-	-	-
Under the stock purchase and ownership plan		33	-	-	-	-	-
Stock-based compensation		-	79	-	-	-	-
Net income		-	-	-	-	2,198	-
Cumulative translation adjustment		-	-	2,357	-	-	-
Balance at December 31, 2006		\$ 103,575	\$ 740	\$ (7,487)	\$ -	\$ 60,047	\$ -

For the nine-month period ended December 31, 2006

	Notes	Capital Stock	Contributed surplus	Accumulated other comprehensive income (loss)	Cumulative translation adjustment	Retained earnings	Comprehensive income (loss)
Balance at March 31, 2006,							
as previously reported		\$ 103,447	\$ 544	\$ -	\$ (7,372)	\$ 55,665	\$ -
Change in accounting policies:	2						
Cumulative translation adjustment		-	-	(7,372)	7,372	-	-
Balance at March 31, 2006, adjusted		103,447	544	(7,372)	-	55,665	-
Common shares issued:	6						
Under the stock option plan		38	-	-	-	-	-
Under the stock purchase and ownership plan		90	-	-	-	-	-
Stock-based compensation expense	6	-	196	-	-	-	-
Net income		-	-	-	-	4,382	-
Cumulative translation adjustment		-	-	(115)	-	-	-
Balance at December 31, 2006		\$ 103,575	\$ 740	\$ (7,487)	\$ -	\$ 60,047	\$ -

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the periods ended December 31, 2007 and 2006

(In thousands of dollars) (Unaudited)

	Notes	Quarters ended		Nine months ended	
		December 31		December 31	
		2007	2006	2007	2006
Cash and cash equivalents provided					
by (used for):					
Operating activities					
Net income		\$ 5,287	\$ 2,198	\$ 12,545	\$ 4,382
Items not requiring an outlay of cash:					
Amortization	2	4,038	4,224	12,345	12,591
Future income taxes	2	(1,098)	(118)	(213)	(31)
Loss on sale of property, plant and equipment		-	40	-	40
Amortization of deferred financing costs	5	50	57	126	194
Amortization of net deferred loss related to a financial derivative instrument	5	-	30	46	104
Accretion expense of asset retirement obligations and loans bearing no interest		265	47	730	141
Stock-based compensation expense	6	122	101	303	218
Cash flows from operations		8,664	6,579	25,882	17,639
Net change in non-cash items related to operations	8	(4,504)	2,154	(19,146)	(19,050)
Cash flows relating to operating activities		4,160	8,733	6,736	(1,411)
Investing activities					
Purchase of property, plant and equipment and finite-life intangible assets		(12,051)	(9,157)	(27,165)	(15,098)
Proceeds on disposal of property, plant and equipment		-	134	-	2,305
Business acquisition – additional payments		-	-	-	(1,577)
Cash flows relating to investing activities		\$ (12,051)	\$ (9,023)	\$ (27,165)	\$ (14,370)

CONSOLIDATED STATEMENTS OF CASH FLOWS (cont'd)

For the periods ended December 31, 2007 and 2006

(In thousands of dollars) (Unaudited)

	Notes	Quarters ended December 31		Nine months ended December 31	
		2007	2006	2007	2006
Financing activities					
Increase in long-term debt	5	\$ 11,924	\$ 7,019	\$ 11,924	\$ 13,514
Repayment of long-term debt	5	(282)	(644)	(4,469)	(3,607)
Issuance of common shares	6	56	33	585	128
Other		(61)	-	(56)	-
Cash flows relating to financing activities		11,637	6,408	7,984	10,035
Effect of changes in exchange rates on cash and cash equivalents					
		(241)	372	64	(72)
Change in cash and cash equivalents		3,505	6,490	(12,381)	(5,818)
Cash and cash equivalents at beginning of period		4,238	8,555	20,124	20,863
Cash and cash equivalents at end of period		\$ 7,743	\$ 15,045	\$ 7,743	\$ 15,045
Supplemental information:					
Interest paid		\$ 802	\$ 773	\$ 2,346	\$ 2,257
Income taxes paid		\$ -	\$ 84	\$ 489	\$ 1,040

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended December 31, 2007 and 2006

(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, 2007.

NOTE 2. CHANGES IN ACCOUNTING POLICIES

In April 2005, the Accounting Standards Board ("AcSB") 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. The comparative consolidated financial statements have not been restated. The effect of adopting the new accounting standards as at April 1, 2007 is presented as changes in accounting policies in the consolidated statement of changes in shareholders' equity.

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.

NOTE 2. CHANGES IN ACCOUNTING POLICIES (cont'd)

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.

On adoption of these new standards, the transition rules require that the Company adjusts the accumulated other comprehensive income (loss) as if the rules had always been applied in the past, without restating comparative figures for prior years. Accordingly, the following adjustments were recorded in the consolidated financial statements as at April 1, 2007:

	April 1, 2007
Current assets – Other current assets	\$ 5,220
Long-term assets – Property, plant and equipment, net	(1,003)
Long-term assets – Other assets	4,145
Current liabilities – Accounts payable and accrued liabilities	590
Current liabilities – Future income taxes	1,544
Current liabilities – Current portion of long-term debt	(113)
Long-term liabilities – Long-term debt	(3,475)
Long-term liabilities – Future income taxes	2,049
Long-term liabilities – Other liabilities	425
Accumulated other comprehensive income	5,597
Retained earnings	1,745

The adoption of these new standards also impacted the Company's third quarter and nine-month period results ended December 31, 2007. During the three- and nine-month periods ended December 31, 2007, this impact represented a reduction of \$127 and \$356 of the amortization expense, an increase of \$214 and \$577 of financial expenses respectively and a reduction of \$26, all in the third quarter, of the cost of sales, totalling a net reduction of \$41 and \$129 of the Company's net income for these periods. However, this adoption of new standards had no impact on the Company's cash flows from operations and cash flows relating to operating activities for the three- and nine-month periods ended December 31, 2007.

NOTE 3. FINANCIAL INSTRUMENTS

The classification of financial instruments under the new accounting standards effective April 1, 2007, and their carrying amounts and fair values were as follows as at:

	December 31, 2007				March 31, 2007			
	Carrying value			Fair Value	Carrying value			Fair Value
	HFT	L&R	Total(1)		HFT	L&R	Total (1)	
Financial Assets								
Cash and cash equivalents	\$ 7,743	\$ -	\$ 7,743	\$ 7,743	\$ 20,124	\$ -	\$ 20,124	\$ 20,124
Accounts receivable ⁽²⁾	-	39,657	39,657	39,657	83	46,767	46,850	46,850
Other receivables ⁽³⁾	72	3,733	3,805	3,837	-	2,461	2,461	2,461
Other current assets ⁽⁴⁾	10,020	3,117	13,137	13,137	-	2,041	2,041	2,041
Other assets ⁽⁵⁾	6,011	-	6,011	6,011	-	-	-	-
	\$ 23,846	\$ 46,507	\$ 70,353	\$ 70,385	\$ 20,207	\$ 51,269	\$ 71,476	\$ 71,476

	December 31, 2007				March 31, 2007			
	Carrying value			Fair Value	Carrying value			Fair Value
	HFT	L&R	Total(1)		HFT	L&R	Total (1)	
Financial Liabilities								
Accounts payable and accrued liabilities ⁽⁵⁾	\$ 221	\$ 50,074	\$ 50,295	\$ 50,295	\$ -	\$ 72,585	\$ 72,585	\$ 72,585
Long-term debt, including current portion	-	69,598	69,598	71,013	-	73,777	73,777	71,359
Long-term liabilities – Other liabilities ⁽⁶⁾	1,105	-	1,105	1,105	-	-	-	-
	\$ 1,326	\$ 119,672	\$ 120,998	\$ 122,413	\$ -	\$ 146,362	\$ 146,362	\$ 143,944

(1) Represents only the carrying values of financial assets and liabilities included in the corresponding balance sheet caption.

(2) Comprised of trade receivables.

(3) Comprised of certain other receivables.

(4) Comprised of short-term derivative financial instruments designated in a hedging relationship and of deposits on machinery and equipment.

(5) Comprised of trade accounts payable, accrued liabilities, interest and certain payroll-related liabilities.

(6) Comprised of long-term derivative financial instruments designated in a hedging relationship.

Fair value of financial instruments

Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value is determined by reference to quoted bid or ask prices, as appropriate, in the most advantageous active market for the instrument to which the Company has immediate access. When bid and ask prices are unavailable, the Company uses the closing price of the most recent transaction of that instrument. In the absence of an active market, the Company determines fair value based on internal or external valuation models, such as discounted cash flow analysis and using observable market-based inputs.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining these assumptions, the Company uses primarily external, readily observable market inputs, including factors such as interest rates, currency rates, and price and rate volatilities, as applicable. Assumptions or inputs that are not based on observable market data are used when external data are unavailable.

No profit or loss was accounted for during the quarter and the nine-month period ended December 31, 2007 on financial instrument designated as HFT.

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS: FORWARD FOREIGN EXCHANGE CONTRACTS AND INTEREST RATE SWAP AGREEMENT

Forward foreign exchange contracts

At December 31, 2007, the Company had entered into forward foreign exchange contracts whereby it will sell at an average exchange rate of 1.1248 an amount of US\$123,750 (US\$129,500 at an average rate of 1.2110 as at March 31, 2007 and US\$128,750 at an average rate of 1.2241 as at December 31, 2006) for the purpose of foreign exchange risk management related essentially to its export sales and maturing at various dates between January 1, 2008 and March 31, 2011.

Interest rate swap agreement

On July 11, 2007, in order to limit the effect of interest rate variations over a portion of its long-term debt in U.S. 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

NOTE 5. LONG-TERM DEBT

	December 31, 2007	March 31, 2007
Senior Secured Syndicated Revolving Credit Facilities ("Credit Facilities") of up to \$80,000 (see below), either in Canadian or U.S. currency equivalent, maturing on October 4, 2011, with no extension, which bear interest at bankers' acceptance plus 1.0% for the Canadian Credit Facilities at December 31, 2007 (representing an effective interest rate of 5.6%) and at Libor plus 1.0% at December 31, 2007 for the U.S. Credit Facilities (representing an effective interest rate of 6.2%) and bankers' acceptance plus 1.4% for the Canadian Credit facilities at March 31, 2007 (representing an effective interest rate of 5.7%), and Libor plus 1.4% at March 31, 2007 for the U.S. Credit Facilities (representing an effective interest rate of 5.6%).		
At December 31, 2007, the Company used \$12,000 (\$12,000 at March 31, 2007) and U.S.\$35,000 (U.S.\$35,000 at March 31, 2007) on the Credit Facilities.	\$ 46,696	\$ 52,411
Loans bearing no interest, repayable in variable annual instalments, with various expiry dates until 2017.	15,026	15,518
Obligations under capital leases bearing interest between 5.4% and 8.8% maturing between January 2008 and November 2014, with amortization periods varying between five to eight years, secured by the related property, plant and equipment, net of interest of \$800 (\$419 as at March 31, 2007).	7,876	5,848
Deferred financing costs	(693)	-
	68,905	73,777
Less: current portion	4,982	6,691
	\$ 63,923	\$ 67,086

The implementation of the new accounting standards (see note 2 – Changes in accounting policies) reduced the carrying value of the non-interest bearing loans by \$3,588 as at April 1, 2007.

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

Secured Syndicated Revolving Credit Facilities

Last fiscal year, during the third quarter ended December 31, 2006, the Company successfully concluded the amendment and extension of its Credit Facilities for a five-year period whereas the previous revolving operating and term facilities were combined into Senior Secured Revolving Credit Facilities that will mature in about five years, on October 4, 2011, with no extension.

These Credit Facilities allow the Company and its subsidiaries to borrow up to \$80,000 (either in Canadian and U.S. currency equivalent) from a group of banks and their American subsidiaries or branches and are used for working capital, capital expenditures and other general corporate purposes, are 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.

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 Credit Facilities are governed by two credit agreements (Canadian and American).

The financial expenses, for the periods ended December 31, are comprised of:

	Quarters ended December 31		Nine months ended December 31	
	2007	2006	2007	2006
Interest expense	\$ 1,440	\$ 1,049	\$ 4,106	\$ 2,635
Amortization of deferred financing costs	50	57	126	194
Standby fees	47	46	156	142
Accretion expense of asset retirement obligations	51	47	153	141
Amortization of net deferred loss related to financial derivative instrument	-	30	46	104
Interest revenue	(334)	(111)	(581)	(344)
Financial expenses, net	\$ 1,254	\$ 1,118	\$ 4,006	\$ 2,872

During the three- and nine-month periods ended December 31, 2007, the implementation of the new accounting standards (see note 2 – Changes in accounting policies) increased the interest expense by \$214 and \$577, respectively.

Increase of the Credit Facilities

Subsequent to the end of the quarter, on January 21, 2008, the Company announced it had received approval from its syndicate of banks to increase its existing \$80 million Credit Facilities to an amount of up to \$125 million. The final amount must be confirmed by the Company before March 31, 2008.

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; and

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:

	Dec. 31, 2007	March 31, 2007
31,631,919 common shares (31,528,017 at March 31, 2007)	\$104,205	\$103,620

Issuance of common shares

During the three- and nine-month periods ended December 31, 2007, the Company issued 6,751 common shares and 103,902 common shares respectively, at weighted average prices of \$8.29 and \$5.63 respectively for a total cash consideration of \$56 and \$585. A number of 83,300 common shares were issued (all in the first quarter of fiscal 2008) following the exercise of stock options for a total cash consideration of \$413 and the remainder of 20,602 common shares were issued under the Company's stock purchase and ownership incentive plan for a total cash consideration of \$172.

During the three- and nine-month periods ended December 31, 2006, the Company issued 7,265 common shares and 32,702 common shares respectively, at weighted-average prices of \$4.48 and \$3.91 respectively for a total cash consideration of \$33 and \$128. A number of 12,000 common shares were issued (all in the second quarter of fiscal 2007) following the exercise of stock options for a total cash consideration of \$38 and the remainder of 20,702 common shares were issued under the Company's stock purchase and ownership incentive plan for a total cash consideration of \$90.

Stock option plan

The Company has a stock option plan where options to purchase common shares are issued to 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 December 31, 2007 amounted to \$122 (\$101 for the quarter ended December 31, 2006) and to \$303 for the nine-month period ended December 31, 2007 (\$218 in 2006) and is included in the Company's selling and administrative expenses.

During the nine-month period ended December 31, 2007, 355,000 stock options were granted (all in the second quarter of fiscal 2008) at a granted value of \$9.90 per share. These options are performance based and are vesting over a four-year period and can be exercised over a seven-year period.

During the nine-month period ended December 31, 2006, 325,000 stock options were granted (all in the second quarter of fiscal 2007) at a granted value of \$4.79 per share. These options are performance based and are vesting over a three-year period and can be exercised over a seven-year period. During the same nine-month period, 95,500 stock options were cancelled.

At December 31, 2007, the Company had 1,362,221 outstanding stock options at a weighted exercise average price of \$7.28 which will expire over the next seven years (between January 2008 and August 2014).

Stock purchase and ownership incentive plan

The Company has a stock purchase and ownership incentive plan to induce management employees to hold, on a long-term basis, common shares of the Company.

NOTE 6. CAPITAL STOCK (cont'd)

During the three- and nine-month periods ended December 31, 2007, 6,751 and 20,602 common shares were issued (100,060 since the beginning of the plan) and 3,069 and 9,190 common shares attributed to the participating employees respectively (44,489 since the beginning of the plan). For the three- and nine-month periods ended December 31, 2007, the expense related to the attributed common shares amounting to \$28 and \$86 respectively, is recorded as compensation expense and is included in the Company's selling and administrative expenses.

During the three- and nine-month periods ended December 31, 2006, 7,265 and 20,702 common shares were issued and 3,091 and 9,032 common shares were attributed to the participating employees respectively. For the three- and nine-month periods ended December 31, 2006, the expense related to the attributed common shares amounting to \$16 and \$45 respectively, 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 SARs enables the participants to receive by way of bonus, on the exercise date of a SARs, a cash amount equal to the excess of the market price of the Company's common share over the granted price of the SARs. During the nine-month period ended December 31, 2007, 24,000 SARs were granted (all in the second quarter of fiscal 2008) at a granted value of \$9.90 (24,000 SARs at a granted value of \$4.79 for the same period in fiscal 2007, all in the second quarter). 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. During nine-month periods ended December 31, 2007, an expense of \$269 was recorded (\$22 for the period ended December 31, 2006).

During the nine-months period ended December 31, 2007, 7,500 SARs were exercised at an average granted value of \$6.56 (none exercised for the same period of 2006) and 9,000 SARs were cancelled (none cancelled for the same period in 2006), all in the second quarter.

At December 31, 2007, on a cumulative basis 95,500 SARs were still outstanding at a weighted-average granted value of \$6.53 which expire at various dates between fiscal years 2009 and 2014.

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 total pension plan costs for the periods ended December 31 are as follows:

	Quarters ended		Nine months ended	
	December 31		December 31	
	2007	2006	2007	2006
Defined benefit pension costs	\$ 213	\$ 291	\$ 653	\$ 860
Defined contribution pension costs	360	358	1,127	1,029
	\$ 573	\$ 649	\$ 1,780	\$ 1,889

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

The net change in non-cash items related to operations for the quarters and the nine-month periods ended December 31 can be detailed as follows:

	Quarters ended December 31		Nine months ended December 31	
	2007	2006	2007	2006
Accounts receivable	\$ 364	\$ 136	\$ 7,193	\$ 4,551
Income tax receivable	292	(47)	(1,594)	(1,422)
Other receivables	713	679	(872)	3,154
Inventories	(474)	(1,686)	3,362	(18,382)
Prepaid expenses	(540)	351	(805)	622
Other current assets	(1,364)	(800)	(1,116)	(1,610)
Accounts payable and accrued liabilities, and other liabilities	(4,004)	2,145	(21,832)	(3,633)
Income tax payable	695	350	1,264	(2,355)
Effect of changes in exchange rate	(186)	1,026	(4,746)	25
	\$ (4,504)	\$ 2,154	\$ (19,146)	\$ (19,050)

NOTE 9. SEGMENTED INFORMATION

Quarters ended December 31

Activity Segments

	2007			2006		
	Aerospace	Industrial	Total	Aerospace	Industrial	Total
Sales	\$ 69,095	\$ 7,165	\$ 76,260	\$ 64,775	\$ 6,744	\$ 71,519
Operating income (loss)	6,297	264	6,561	4,250	(443)	3,807
Financial expenses	-	-	1,254	-	-	1,118
Income before income tax expense	-	-	5,307	-	-	2,689
Assets	316,167	21,124	337,291	302,412	22,304	324,716
Goodwill	34,298	888	35,186	37,242	1,043	38,285
Purchase of property, plant and equipment	10,793	1,181	11,974	8,828	269	9,097
Purchase of finite-life intangible assets	41	36	77	58	2	60
Amortization	3,450	588	4,038	3,539	685	4,224

NOTE 9. SEGMENTED INFORMATION (cont'd)

Geographic Segments

	2007			2006		
	Aerospace	Industrial	Total	Aerospace	Industrial	Total
Sales	\$ 54,704	\$ 21,556	\$ 76,260	\$ 49,821	\$ 21,698	\$ 71,519
Property plant and equipment, net	73,718	42,749	116,467	62,743	37,344	100,087
Finite-life intangible assets, net	648	4,988	5,636	1,485	6,558	8,043
Goodwill	17,534	17,652	35,186	17,534	20,751	38,285
Export sales⁽¹⁾	\$ 31,330			\$ 30,526		

65% of the Company's sales (71 % in 2006) were to US customers.

(1) Export sales are attributed to countries based on the location of the customers.

Nine months ended December 31

Activity Segments

	2007			2006		
	Aerospace	Industrial	Total	Aerospace	Industrial	Total
Sales	\$203,296	\$ 21,498	\$224,794	\$ 181,341	\$ 19,164	\$ 200,505
Operating income (loss)	18,082	59	18,141	9,481	(1,836)	7,645
Financial expenses	-	-	4,006	-	-	2,872
Income before income tax expense	-	-	14,135	-	-	4,773
Assets	316,167	21,124	337,291	302,412	22,304	324,716
Goodwill	34,298	888	35,186	37,242	1,043	38,285
Purchase of property, plant and equipment	25,141	1,941	27,082	13,663	1,097	14,760
Purchase of finite-life intangible assets	47	36	83	332	6	338
Goodwill acquired	-	-	-	440	-	440
Amortization	10,495	1,850	12,345	10,683	1,908	12,591

NOTE 9. SEGMENTED INFORMATION (cont'd)

Geographic Segments

	2007			2006		
	Canada	U.S.	Total	Canada	U.S.	Total
Sales	\$162,366	\$ 62,428	\$224,794	\$ 144,626	\$ 55,879	\$ 200,505
Property plant and equipment, net	73,718	42,749	116,467	62,743	37,344	100,087
Finite-life intangible assets, net	648	4,988	5,636	1,485	6,558	8,043
Goodwill	17,534	17,652	35,186	17,534	20,751	38,285
Export sales⁽¹⁾	\$ 90,626			\$ 86,921		

67% of the Company's sales (69% in 2006) were to US customers.

(1) Export sales are attributed to countries based on the location of the customers.

NOTE 10. SEGMENTED INFORMATION

Comparative figures for the consolidated financial statements for the periods ended December 31, 2006, and March 31, 2007, have been reclassified to comply with the December 31, 2007 presentation.

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 December 31, 2007. It also compares the operating results and cash flows for the three- and nine-month periods ended December 31, 2007 to those for the same periods 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 of June 30, 2007, September 30, 2007 and December 31, 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, although the Company will fully exit this market by the end of this fiscal year.

The Industrial segment includes:

- industrial gas turbine products;
- other industrial products, including products for the wind energy market.

The Company maintained its good performance in the third quarter of fiscal 2008. The favourable market conditions that have prevailed over the last two years, the lean manufacturing initiatives introduced by the Company and the improved performance of the Industrial sector all helped the Company achieve these good results. Once again, the stronger Canadian dollar had, and will continue to have, a significant negative impact on Héroux-Devtek's results. However, the Company uses forward foreign exchange contracts to mitigate this risk.

RESULTS OF OPERATIONS

Consolidated Sales

Consolidated sales for the third quarter ended December 31, 2007 grew by 6.6% to \$76.3 million from \$71.5 million for the same period last year.

The increase in third quarter sales this year was mainly due to higher Landing Gear products sales, mainly on the military products side. 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 \$7.8 million or 10.9% compared to last year.

Year-to-date consolidated sales now stand at \$224.8 million, \$24.3 million or 12.1% higher than the \$200.5 million posted nine months into last year. Increased sales of large aircraft, military products and, to a lesser degree, business jet products have all contributed to the year-to-date improvement. The military product sales were somewhat offset by reduced military repair and overhaul work due to a sales mix with lower supplied material content. The exit of the Aircraft Engine Components market reduced the Company's nine-month sales by \$1.6 million compared to the same period last year. Year-to-date, the stronger Canadian dollar reduced sales by \$12.5 million or 6.2% compared to last year.

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

Segment	Quarters ended December 31				Nine months ended December 31			
	2007 (\$'000)	2006 (\$'000)	VARIANCE		2007 (\$'000)	2006 (\$'000)	VARIANCE	
			(\$'000)	%			(\$'000)	%
Aerospace								
Military								
Military sales to government	15,929	12,108	3,821	31.6	41,746	39,775	1,971	5.0
Military sales to civil customers	23,767	21,883	1,884	8.6	67,389	52,209	15,180	29.1
Total Military	39,696	33,991	5,705	16.8	109,135	91,984	17,151	18.6
Total Commercial	29,399	30,784	(1,385)	(4.5)	94,161	89,357	4,804	5.4
Total Aerospace	69,095	64,775	4,320	6.7	203,296	181,341	21,955	12.1
Total Industrial	7,165	6,744	421	6.2	21,498	19,164	2,334	12.2
Total	76,260	71,519	4,741	6.6	224,794	200,505	24,289	12.1

Comparative figures for the Aerospace segment of last year have been reclassified to comply with this year presentation.

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 December 31				Nine months ended December 31			
	2007	2006	VARIANCE		2007	2006	VARIANCE	
	(\$'000)	(\$'000)	(\$'000)	%	(\$'000)	(\$'000)	(\$'000)	%
Landing Gear	45,692	39,345	6,347	16.1	132,541	118,595	13,946	11.8
Aerostructure	23,009	24,949	(1,940)	(7.8)	69,532	59,966	9,566	15.9
Aircraft Engine Components	394	481	(87)	(18.1)	1,223	2,780	(1,557)	(56.0)
Total	69,095	64,775	4,320	6.7	203,296	181,341	21,955	12.1

For the third quarter ended December 31, 2007, overall sales for the Aerospace segment rose 6.7% to \$69.1 million compared to \$64.8 million for the same period last year.

During the third quarter, Landing Gear sales increased by \$6.3 million or 16.1% relative to the same period last year. This increase can be explained, mostly, by increased sales of military products to governments, mainly for the C-130, KC-135, B1B and E3 programs and also by increased business jet sales. The division also started engineering work on the recently-announced Sikorsky CH-53K helicopter program and continued work on other programs such as the JSF, which also contributed to the sales increase.

Third quarter Aerostructure sales were \$23.0 million, \$1.9 million or 7.8% lower than last year. The increase in sales of Aerostructure parts on the F-16 program and the schedule recovery on the A330-340 programs were more than offset by the impact of the stronger Canadian dollar impact and a decrease in Aerostructure regional jet (R)700 and R)900 programs sales.

Year-to-date sales for the Aerospace segment increased 12.1% to \$203.3 million. This increase came from both the Landing Gear and Aerostructure divisions for the above-mentioned reasons. The Landing Gear division benefited from higher sales for large aircraft, business jets and military products, somewhat reduced by lower military repair and overhaul work due to a sales mix with lower supplied material content. Aerostructure sales, for their part, were higher for the above-mentioned reasons and because of higher year-to-date sales for the Joint Strike Fighter (JSF) program.

As previously mentioned, the Company has essentially exited the aircraft engine components market, which explains the \$1.6 million drop in sales year-to-date. Residual sales are expected for the remainder of the year.

Industrial Segment

Sales for the Industrial segment were as follows:

Product	Quarter ended December 31				Nine months ended December 31			
	2007	2006	VARIANCE		2007	2006	VARIANCE	
	(\$'000)	(\$'000)	(\$'000)	%	(\$'000)	(\$'000)	(\$'000)	%
Gas Turbine	3,776	3,360	416	12.4	11,167	9,171	1,996	21.8
Other Industrial	3,389	3,384	5	0.1	10,331	9,993	338	3.4
Total	7,165	6,744	421	6.2	21,498	19,164	2,334	12.2

Third quarter sales for the Industrial segment totalled \$7.2 million this year, 6.2% higher than last year, while year-to-date sales increased 12.2% to \$21.5 million when compared to the first nine months of last year. The positive trend in Industrial Gas Turbine sales that started in the second quarter of fiscal 2007 continued in fiscal 2008, with sales improving by \$0.4 million for the second quarter and \$2.0 million for the first nine months when compared to the same periods last year.

RESULTS OF OPERATIONS (cont'd)

Sales by Destination

The Company's sales by destination were as follows:

Destination	Quarters ended December 31		Nine months ended December 31	
	2007	2006	2007	2006
Canada	34%	27%	32%	29%
US	65%	71%	67%	69%
International	1%	2%	1%	2%
	100%	100%	100%	100%

Increased Canadian commercial sales and the exit of the Aircraft Engine market explain both the quarter and year-to-date variances to last year.

Gross Profit

For the quarter ended December 31, 2007, consolidated gross profit as a percentage of sales was 14.8%, up 1.6% from 13.2% last year.

Gross profit improvement was essentially due to the continued turnaround at the Gas Turbine division. The stronger Canadian dollar had a 1.6% negative impact on the consolidated gross profit margin in the quarter ended December 31, 2007, compared to the same period last year. The Company uses forward foreign exchange contracts to mitigate the risks related to fluctuations in the Canadian currency against the US currency.

For the nine months ended December 31, 2007, consolidated gross profit as a percentage of sales stood at 13.9%, 3.2% higher than last year. The higher sales volume and improved margins on certain contracts at the Landing Gear and Aerostructure divisions favourably impacted gross profit margin while the reduced military repair and overhaul sales at the Landing Gear Division had a year-to-date negative impact on the gross profit margin, as already explained above. The improved operational performance at the Aerostructure Dorval operation also positively contributed to the gross profit improvement. The stronger Canadian dollar had a 0.8% negative impact on consolidated gross profit year-to-date, when compared to the same period last year.

The impact of the stronger Canadian dollar against the US currency on the Company's gross profit margin, expressed as a percentage of sales, is mitigated by the use of forward foreign exchange sales contracts and the natural hedging from the purchase of materials made in US dollars.

The implementation of changes in accounting policies (see below) reduced the amortization expense in the second quarter of this year by \$127,000 (\$356,000 for the first nine months) and marginally increased gross profit by 0.2% (0.2% year-to-date).

Selling and Administrative Expenses

Third quarter selling and administrative expenses were as follows:

	Quarters ended December 31		Nine months ended December 31	
	2007	2006	2007	2006
Selling and administrative expenses (\$'000)	4,744	5,607	13,213	13,784
% of sales	6.2	7.8	5.9	6.9

RESULTS OF OPERATIONS (cont'd)

Third quarter selling and administrative expenses were \$0.9 million lower than last year and 1.6% lower as a percentage of sales. Year-to-date, selling and administrative expenses were \$0.6 million lower than last year and 1.0% lower as a percentage of sales. These reductions are explained by the impact from the gain on conversion of the Company's net monetary items which are shown against selling and administrative expenses (\$0.5 million for the quarter, \$0.8 million year-to-date), a concerted effort to curtail these costs, and, to a lesser extent, to the lower exchange rate used to convert the US base operations' selling and administrative expenses.

Operating Income (Loss)

Aerospace Segment

Aerospace operating income for the third quarter ended December 31, 2007, increased to \$6.3 million or 9.1% of sales from \$4.3 million or 6.6% of sales in the third quarter of last year, essentially reflecting higher sales and improved performance, mainly from the Landing Gear division, improved margins following the exit of the aircraft engine components market at the Gas Turbine division, and, to a lesser degree, the improved Aerostructure division results.

Year-to-date, Aerospace operating income stood at \$18.1 million or 8.9% of sales, \$8.6 million better than the \$9.5 million or 5.2% of sales reported for the first nine months of last year, for the same reasons explained above.

Industrial Segment

The Industrial operating income of \$0.3 million for the third quarter of this year compares to a \$0.4 million operating loss for the same period last year, while the year to-date Industrial operating income was \$0.1 million compared to a loss of \$1.8 million for the first nine months of last year. These favourable variances reflect continued operational improvements, increased margins and an increase in overall Industrial sales compared to last year.

Financial Expenses	Quarters ended December 31		Nine months ended December 31	
	2007 (\$'000)	2006 (\$'000)	2007 (\$'000)	2006 (\$'000)
Interest expense	1,440	1,049	4,106	2,635
Amortization of deferred financing costs	50	57	126	194
Standby fees	47	46	156	142
Accretion expense of asset retirement obligations	51	47	153	141
Amortization of net deferred loss related to financial derivative instrument	-	30	46	104
Interest revenue	(334)	(111)	(581)	(344)
Financial expenses – net	1,254	1,118	4,006	2,872

Third quarter financial expenses stood at \$1.3 million, \$136,000 higher than last year, while the year-to-date financial expenses stood at \$4.0 million, \$1.1 million higher than last year. These increases can be explained by the higher average long-term debt due to additional working capital and capital expenditure investments required to support the Company's sales growth, somewhat offset by higher interest revenue (\$220,000) from a non-recurring, one-time item.

The implementation of the changes in accounting policies (see below) increased the financial expenses by \$214,000 in the third quarter and \$577,000 year-to-date, this year.

RESULTS OF OPERATIONS (cont'd)

Income Tax Expense

The Company's effective income tax rate for the nine months ended December 31, 2007 was 11.2% compared to its blended Canadian statutory rate of 32.7%. This difference can be mainly explained by the favourable impact of permanent differences of \$594,000 (\$198,000 in each quarter of this fiscal year) and by the recognition of \$1,620,000 (\$300,000 in the first quarter, \$420,000 in the second quarter and \$900,000 in the third quarter) in 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, net of the impact on future income taxes of the reduction in the federal income tax rate (\$260,000) announced this quarter.

At December 31, 2007, the Company had tax losses carried forward and other temporary differences of \$2.6 million at December 31, 2007 (\$7.8 million at March 31, 2007), for which no related income tax assets or benefits (\$0.8 million) have yet been recognized in the consolidated financial statements.

Net Income

	<u>Quarters ended December 31</u>		<u>Nine months ended December 31</u>	
	2007	2006	2007	2006
Net income (\$'000)	5,287	2,198	12,545	4,382
Earnings per share – basic (\$)	0.17	0.07	0.40	0.14
Earnings per share – diluted (\$)	0.17	0.07	0.39	0.14

The Company posted net income of \$5.3 million for the third quarter ended December 31, 2007, compared to net income of \$2.2 million for the quarter ended December 31, 2006. Year-to-date, net income stood at \$12.5 million, \$8.1 million higher than last year's net income of \$4.4 million. These results reflect the increased sales volume and improved gross profit margins in all three divisions and the favourable impact of the tax loss utilization, from prior years, already mentioned.

The implementation of the changes in accounting policies (see below) reduced net income by \$41,000 in the third quarter of this year and \$129,000 for the first nine months of fiscal 2008.

Basic earnings per share figures are based on weighted averages of 31,629,197 common shares outstanding for the third quarter of this year and 31,518,561 for the same period last year. Year-to-date basic earnings per share figures are based on weighted averages of 31,601,154 common shares outstanding this year and 31,507,054 for the same period last year. The increase in the number of shares is essentially due to the issuance of 6,751 common shares in the third quarter this year (20,602 common shares year-to-date) pursuant to the Company's stock purchase and ownership incentive plan, and the issuance of 83,300 common shares pursuant to the exercise of stock options in the first quarter of this year (see Note 6 to the interim consolidated financial statements).

Diluted earnings per share figures are based on the weighted average numbers of common shares including the impact of the 'in-the-money' outstanding options (see stock option plan section below). Certain basic and diluted earnings per share covered by this MD&A are the same, as the 'in-the-money' outstanding options had no material impact on the weighted average number of common shares outstanding.

On February 6, 2008, the date of this MD&A, the Company had 31,634,139 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:

	<u>Quarters ended December 31</u>		<u>Nine months ended December 31</u>	
	2007	2006	2007	2006
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Cash flows from operations	8,664	6,579	25,882	17,639
Net change in non-cash items related to operations	(4,504)	2,154	(19,146)	(19,050)
Cash flows relating to operating activities	4,160	8,733	6,736	(1,411)

The third quarter improvement in cash flows from operations of \$2.1 million comes mainly from the improvement in net income, somewhat offset by the future income taxes impact. Year-to-date, the \$8.2 million improvement in cash flows from operations is mainly coming from the improved net income.

The net negative change of \$4.5 million in non-cash items for the third quarter ended December 31, 2007, arose mainly from an increase of \$0.5 million in inventories, in line with the upcoming increase in business activities, and an increase of \$1.4 million in other current assets. These were partially offset by a combined reduction of \$1.4 million in accounts receivable, income tax receivable and other receivables and a \$4.0 million decrease in accounts payable and accrued liabilities and other liabilities (see Consolidated Balance Sheet section below).

The net change of \$2.2 million in non-cash items for the third quarter ended December 31, 2006, was mainly caused by a \$2.1 million increase in accounts payable and accrued liabilities and other liabilities and a \$1.0 million favourable impact from the effect of changes in the exchange rate on US denominated non-cash balance sheet items. These changes were somewhat offset by an increase of \$1.7 million in inventories, in line with the rising level of business activity.

The net negative change of \$19.1 million in non-cash items for the first nine months ended December 31, 2007, can be mainly explained by a decrease of \$21.8 million in accounts payable and accrued liabilities which included the payment in the first quarter of this year of capital expenditures outstanding as at March 31, 2007, and payment for raw materials received late in the last fiscal year. It also includes a \$4.7 million negative impact from the translation of US denominated non-monetary items and a \$3.4 million decrease in inventory. These were somewhat offset by a \$7.2 million reduction in accounts receivable driven by an improvement in accounts receivable collection (see Consolidated Balance Sheet section below).

The net negative change of \$19.0 million in non-cash items for the period ended December 31, 2006, included a \$18.4 million increase in inventories from the beginning of the previous fiscal year to support upcoming activity levels, a \$3.6 million reduction in accounts payable and accrued liabilities and other liabilities and a \$2.4 million reduction in income tax payable, offset by a \$4.5 million reduction in accounts receivable.

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 third quarter and the first nine months ended December 31, 2007.

LIQUIDITY AND CAPITAL RESOURCES (cont'd)

Investing Activities

The Company's investing activities were as follows:

	Quarters ended December 31		Nine months ended December 31	
	2007	2006	2007	2006
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Purchase of property, plant and equipment and finite-life intangible assets	(12,051)	(9,157)	(27,165)	(15,098)
Proceeds on disposal of property, plant and equipment	-	134	-	2,305
Business acquisition, additional payments	-	-	-	(1,577)
Cash flows relating to investing activities	(12,051)	(9,023)	(27,165)	(14,370)

Purchase of property, plant and equipment and finite-life intangible assets (capital expenditures) totalled \$12.1 million in the third quarter of this fiscal year and \$27.2 million for the nine months ended December 31, 2007. This compares to \$9.2 million in the third quarter last year and \$15.1 million after nine months last fiscal year. In all, capital expenditures of about \$37 million are still 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 \$2.3 million proceeds on disposal of property, plant and equipment last year came from the sale of the Company's facility in Tampa, Florida, which was closed some years ago when its operations were transferred to the facility in Cincinnati, Ohio. The \$1.6 million business acquisition made last year represents final additional payments related to 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:

	Quarters ended December 31		Nine months ended December 31	
	2007	2006	2007	2006
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Increase in long-term debt	11,924	7,019	11,924	13,514
Repayment of long-term debt	(282)	(644)	(4,469)	(3,607)
Issuance of common shares	56	33	585	128
Other	(61)	-	(56)	-
Cash flows relating to financing activities	11,637	6,408	7,984	10,035

The \$11.9 million increase in long-term debt comes mainly from new non-interest bearing loans to support capital investments made in the Aerospace segment and from new obligations under capital leases (see Note 5 to the interim consolidated financial statements). The year-to-date increase in common shares issued resulted from the exercise of 83,300 options at an exercise price of \$4.96 per common share for a total of \$0.4 million, all in the first quarter of this fiscal year, and the issuance of 20,602 common shares under the employee stock purchase and ownership incentive plan for a total of \$0.2 million.

The issuance of common shares for the three- and nine-month periods ended December 31, 2006, was for the employee stock purchase and ownership incentive plan (see Note 6 to the interim consolidated financial statements).

LIQUIDITY AND CAPITAL RESOURCES (cont'd)

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 (see Note 5 to the interim consolidated financial statements).

Furthermore, subsequent to the end of the quarter, on January 21, 2008, the Company announced it had received approval from its syndicate of banks to increase its existing \$80 million Credit Facilities to an amount of up to \$125 million. The final amount must be confirmed by the Company before March 31, 2008.

These Credit Facilities allow Héroux-Devtek and its subsidiaries to borrow (either in Canadian or US currency equivalent) from the above-mentioned group of banks for working capital, capital expenditures and other general corporate purposes, including acquisitions.

The Company was in compliance with all its restrictive debt covenants at December 31, 2007, and expects to remain so for the next twelve months.

Stock Option Plan

The Company has a stock option plan whereby options to purchase common shares are issued to officers and key employees. At December 31, 2007, the Company had 1,362,221 outstanding stock options at a weighted average exercise price of \$7.28 that will expire over the next six years (between January 2008 and August 2014). Included in these outstanding stock options is the granting of 355,000 stock options in the second quarter ended September 30, 2007, at an exercise price of \$9.90. In the second quarter ended September 30, 2006, 325,000 stock options were granted at an exercise price of \$4.79.

An aggregate of 2,808,257 shares are reserved for issuance under this plan, of which 336,718 had not yet been granted at December 31, 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 6 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 December 31, 2007:

Item	Change (\$ millions)	Explanation
Cash and cash equivalents	(12.4)	See consolidated statements of cash flows.
Accounts receivable	(7.2)	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 (\$3.5 million) also explains this reduction.
Inventories	(3.6)	Mainly reflects the invoicing of JSF development costs during the first quarter this year, somewhat offset by an increase in line with the upcoming activity level.
Other current assets	11.1	Essentially reflects the recognition in the Company's balance sheets of financial instruments measured at fair value – see "Changes in accounting policies" below, and the increase (\$1.1 million) in deposits for machinery and equipment purchase commitments – see "Off-balance sheet items and commitments" below.
Property, plant and equipment, net	6.8	Due to: <ul style="list-style-type: none"> • Purchase of capital assets (\$27.1 million); Net of: <ul style="list-style-type: none"> • Amortization (\$11.1 million); • A lower US exchange rate used to convert the net assets of self-sustaining US subsidiaries (\$6.0 million). • recognition in the Company's balance sheets of financial instruments measured at fair value - see "Changes in accounting policies" below (\$3.2 million)
Finite-life intangible assets, net (includes a \$4.8 million net backlog)	(2.1)	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	5.2	Essentially reflects the recognition in the Company's balance sheets of the financial instruments measured at fair value – see "Changes in accounting policies" below.
Goodwill	(2.9)	Due to the lower US exchange rate used to convert the net assets of self-sustaining US subsidiaries.
Accounts payable and accrued liabilities	(21.5)	Mainly reflects the impact of the payment of increased raw material purchased at the end of the fourth quarter of last year and the outstanding payment of 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 (\$3.4 million) also explains this reduction.

CONSOLIDATED BALANCE SHEETS (cont'd)

Item	Change	Explanation
(\$ millions)		
Future income taxes (Current liabilities)	3.2	Reflects mainly the future income tax impact of the recognition in the Company's balance sheets of the financial instruments measured at fair value – see "Changes in accounting policies" below.
Long-term debt (including current portion)	(4.9)	<p>Due to:</p> <ul style="list-style-type: none"> • Capital repayment of long-term debt (\$3.9 million); • Deferred financing costs presented as a reduction of long-term debt since the implementation of the new accounting rules (\$0.7 million); • A lower US exchange rate used to convert the net assets of self-sustaining US subsidiaries (\$6.1 million); and Recognition in the Company's balance sheets of financial instruments measured at fair value – see "Changes in accounting policies" below (\$6.1 million) <p>Net of:</p> <ul style="list-style-type: none"> • Proceeds from new debt: <ul style="list-style-type: none"> • Non-interest bearing loans (\$7.3 million) • Obligations under capital leases (\$4.6 million)
Future income taxes (Long-term liabilities) (Long-term liabilities)	2.0	Reflects mainly the future income tax impact of the recognition in the Company's balance sheets of the financial instruments measured at fair value – see "Changes in accounting policies" below.
Accumulated other comprehensive loss	1.7	Represents the counterpart of the impact of foreign exchange rate fluctuations on the net assets of self-sustaining US subsidiaries and the unrealized net gains (losses), net of taxes, on the fair value of the financial instruments designated as cash flow hedges – see "Changes in accounting policies" below.
Retained earnings	14.3	See consolidated statements of changes in shareholders' equity and "Changes in accounting policies", below.

At December 31, 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:

	December 31, 2007	March 31, 2007
Working capital ratio	2.21:1	1.89:1
Cash and cash equivalents	\$7.7 million	\$20.1 million
Long-term debt-to-equity ratio	0.36:1	0.41:1

OFF-BALANCE SHEET ITEMS AND COMMITMENTS

The Company had entered into operating leases amounting to \$10.2 million as at December 31, 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 December 31, 2007, the Company had also purchase commitments totalling \$14.6 million (\$20.2 million to March 31, 2007), mainly for machinery and equipment and construction in progress, for which \$3.1 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 modernization of the Longueuil plant plating department and new capital investments at the Company's Kitchener plant and, construction of a new manufacturing facility in Arlington, Texas.

OFF-BALANCE SHEET ITEMS AND COMMITMENTS (cont'd)

At December 31, 2007, the Company had entered into forward foreign exchange contracts to sell US\$123.8 million at an average exchange rate of 1.1248 (US\$129.5million at an average rate of 1.2110 as at March 31, 2007 and US\$128.8 million at an average rate of 1.2241 as at December 31, 2006) for the purpose of foreign exchange risk management, essentially related to its export sales. These contracts mature at various dates between January 2008 and March 2011, with the majority maturing in fiscal 2008 and 2009.

On July 11, 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 that will mature on August 1, 2011.

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". The Company adopted these new accounting standards effective April 1, 2007.

A new statement entitled "consolidated statement of changes in shareholders' equity" has been 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 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, long-term debt (including current portion) and other liabilities are classified as other than HFT liabilities.

CHANGES IN ACCOUNTING POLICIES (cont'd)

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 1, 2007, can be summarized as follows:

	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 \$41,000 for the third quarter this year and \$129,000 for the nine months ended December 31, 2007, while it had no impact on cash flows from operations and cash flows relating to operating activities for the same periods.

Impact on the Company's consolidated net income for the three- and nine-month periods ended December 31, 2007:

	Quarter ended December 31, 2007 (\$ '000)	Nine-month period ended December 31, 2007 (\$ '000)
• Decrease in cost of sales	26	26
• Decrease in amortization expense	127	356
• Increase in financial expenses	(214)	(577)
	(61)	(195)
• Income tax impact	20	66
• Reduction in consolidated net income	(41)	(129)

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 controls over financial reporting.

The President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer have determined that there were no changes to the Company's internal controls over financial reporting during the three- and nine-month periods ended December 31, 2007, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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

The order books of large commercial aircraft manufacturers continue to be strong, a situation conducive to further business opportunities for suppliers such as Héroux-Devtek. The military aerospace market also remains solid. Meanwhile, the power generation industry continues to improve, which should help further increase operating profitability in the Industrial segment. Nevertheless, economic risk caused by a recession in the United States could impact the Company's key sectors of activity.

The collective labour agreement at the Laval, Quebec, plant expired in December 2007. Negotiations are still in progress. Meanwhile, the collective labour agreement at the Longueuil, Quebec plant will expire in April 2008. The Company enjoys good relations with its employees and expects a successful renewal of both agreements.

Given the Company's solid backlog, it continues to expect approximately 10% internal sales growth in fiscal 2008 compared with fiscal 2007. In light of the sustained strength of the Canadian dollar against the US currency, Héroux-Devtek must continue to improve and make productivity gains to maintain its competitiveness. The Company's significant capital expenditure and employee training investment programs, along with continuous lean manufacturing initiatives, should contribute to improving its productivity.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was approved by the Audit Committee and the Board of Directors on February 6, 2008. Updated information on the Company, including the annual information form, can be found on the SEDAR web site at www.sedar.com.



www.herouxdevtek.com

Head Office

Suite 658, East Tower,
Complexe Saint-Charles
1111 Saint-Charles Street West
Longueuil, Québec, Canada
J4K 5G4

Investor Relations

Tel.: (450) 679-3330
Fax: (450) 679-3666
ir@herouxdevtek.com

MaisonBrison/BarnesMcInerney
Capital Market Communications
Tel.: (514) 731-0000
brison1@maisonbrison.com

Share Listing

Toronto Stock Exchange
Ticker symbol: HRX