Management Discussion and Analysis
of Financial Position and Operating Results

The purpose of this analysis is to provide the reader with an overview of how the financial position of Héroux-Devtek Inc. (“Héroux-Devtek” or “the Company”) changed between March 31, 2003 and December 31, 2003. It also compares the operating results and cash flows for the quarter and nine-month period ended December 31, 2003 to those for the same periods the previous year. This analysis should be read in conjunction with the audited consolidated financial statements and the management discussion and analysis (“MD&A”) for the year ended March 31, 2003 and the interim financial statements and MD&As to June 30 and September 30, 2003.

Forward-Looking Statements

In the interest of providing shareholders and potential investors with information regarding Héroux-Devtek, including management’s assessment of future plans and operations, certain statements in this MD&A are forward-looking statements subject to risks, uncertainties and other important factors that could cause the Company’s actual performance to differ materially from those expressed in or implied by such forward-looking 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; foreign exchange or interest rates; stock market volatility; and the impact of accounting policies issued by Canadian and U.S. standard setters.

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

Overview

Héroux-Devtek designs, develops, manufactures and repairs systems and components for the aerospace and industrial sectors. Its primary products are landing gear, aircraft structural components and components for aircraft and industrial gas turbines.

In the aerospace industry, there is a broad trend toward OEMs outsourcing manufacturing activities. Within this general trend, the large civil aerospace and business aircraft markets are presently in a downturn from which they are expected to recover by 2006. Because of the downturn, Héroux-Devtek is experiencing strong competition at the supplier level, which in turn puts pressure on margins. However, there continues to be good activity in the military aerospace market, with a clear interest emerging in unmanned aircraft vehicles (“UAV”) and unmanned combat aircraft vehicles (“UCAV”) as replacements for fighter aircraft. Héroux-Devtek is positioned to become a key supplier in this emerging market.

In the past three months, US mainline air traffic continued to climb gradually, an indication that the civil aerospace industry is slowly recovering. The International Civil Aviation Organization is forecasting 4.4% growth in 2004 and 6.3% in 2005. Nonetheless, it will take some time for this growth in air traffic to translate into deliveries for aerospace suppliers, and large aircraft deliveries are still not expected to pick up before 2006. However, in a further sign of market confidence, the board of Boeing approved the offering of the company’s new 7E7 aircraft to customers last December.

New Canadian regional jet commitments by a Canadian air carrier in December 2003 were another positive indicator for the civil aerospace market. However, Bombardier’s regional jet deliveries are believed to have stabilized.

In the meantime, the military aerospace market is expected to remain strong, with budgets remaining high for the foreseeable future.

On the industrial side, the power generation market is still slow and shows no sign of recovering before 2006, as previously forecast. However, sales appear to have stabilized, indicating an end to the drastic decline in demand seen last year.

With both its main markets depressed, Héroux-Devtek continues to place a high priority on the cost rationalization process initiated last year. The Company closed three of its eleven manufacturing plants in the past year, and continues to seek further means of improving its cost structure.

RESULTS OF OPERATIONS

Consolidated Sales

Consolidated sales for the third quarter ended December 31, 2003 totalled $45.2 million, 23.8% lower than for the same quarter last year. The Company reported sales of $150.8 million for the first nine months of the year, down 21.0% from sales of $190.9 million for the same period in fiscal 2003.

In the third quarter, Héroux-Devtek's results continued to be negatively impacted by a stronger Canadian dollar, which alone accounted for a $3.0 million decline in sales not covered by forward foreign exchange contracts on a year-over-year basis. So far this year, the strengthening of the Canadian currency is responsible for a $7.3 million decline in the Company's sales not covered by forward foreign exchange contracts, and a $9.9 million decrease including the impact of

Canadian currency fluctuations on the average of forward foreign exchange contracts sold in the first nine months, year over year.

Sales by division for the third quarter and nine months of the year were as follows:

Division	Third quarters ended December 31			Nine months ended December 31		
	2003 ($'000)	**2002 ($'000)**	**% Change**	**2003 ($'000)**	**2002 ($'000)**	**% Change**
Landing Gear	26,322	38,611	-31.8	90,704	116,071	-21.9
Aerostructure	5,564	5,080	+9.5	17,875	17,187	+4.0
Sub-total	31,886	43,691	-27.0	108,579	133,258	-18.5
Gas Turbine Components	9,418	10,454	-9.9	29,847	40,131	-25.6
Logistics & Defence	3,933	5,249	-25.1	12,355	17,464	-29.3
Total	45,237	59,394	-23.8	150,781	190,853	-21.0

Landing Gear and Aerostructure Divisions

a) Landing Gear

The Landing Gear Division posted disappointing third quarter sales of $26.3 million, down 31.8% from $38.6 million last year. Despite the fact that sales for the division were largely covered by forward foreign exchange contracts, the stronger Canadian dollar still had a negative impact of $1.2 million on third quarter sales. Sales for the first nine months of the year amounted to $90.7 million this year compared to $116.1 million last year, with the impact of the Canadian currency accounting for $4.8 million of the total $25.4 million drop.

Military landing gear sales for the quarter were impacted by lower demand for the KC135R product, which accounted for $4.6 million of the total $7.7 million decline in military sales. Other negative factors were $1.0 million in late deliveries in the repair and overhaul sector, and a $1.7 million delivery shortfall caused by the start-up period for new sales programs. These two last factors represent delays only, and therefore are expected to be made up in the coming quarter.

Commercial landing gear sales were down 23.6% or $4.6 million from $19.5 million last year. This decline was mainly due to the completion of the DALS spare parts contract for out-of-production aircraft last December, as well as ongoing weak demand for large civil aerospace products.

Engineering sales for the Landing Gear Division were $1.3 million for the quarter, up from $1.0 million last year. Despite the increase, engineering sales were $1.2 million lower than expected due to customer push-outs on some military design programs.

The following table shows the weighting of third quarter and year-to-date Landing Gear sales for fiscal 2004:

	Third quarters ended December 31			Nine months ended December 31		
	2003 ($'000)	**2002 ($'000)**	**% Change**	**2003 ($'000)**	**2002 ($'000)**	**% Change**
Military	11,431	19,122	-40.2	42,235	56,141	-24.8
Commercial	14,891	19,489	-23.6	48,469	59,930	-19.1
Total	26,322	38,611	-31.8	90,704	116,071	-21.9
Manufacturing	17,662	27,670	-36.2	66,475	88,535	-24.9
Repair and overhaul	8,660	10,941	-20.8	24,229	27,536	-12.0
Total	26,322	38,611	-31.8	90,704	116,071	-21.9

The Landing Gear Division is expected to finish the year with a strong fourth quarter, which will include the late third quarter deliveries discussed above.

b) Aerostructure
Aerostructure sales of $5.6 million for the third quarter increased 9.5% compared to sales of $5.1 million for the same period a year ago. However, last year's third quarter sales were impacted by manufacturing inefficiencies and parts rework. For the first nine months of this year, Aerostructure sales amounted to $17.9 million, 4.0% higher than sales of $17.2 million for the same period last year. Fourth quarter sales are expected to be about 10% higher than in the third quarter, reflecting the Company's higher share of the regional jet market.

Gas Turbine Components
Third quarter sales for the Gas Turbine Components Division were 9.9% lower than last year, due solely to a stronger Canadian dollar. In fact, US dollar sales for the quarter were 6.9% higher than last year. For the first nine months of the year, sales were down 25.6%, with approximately 40% of this drop attributable to the Canadian/US currency exchange.

A breakdown of division sales for the third quarter and year to date is as follows:

	Third quarters ended December 31			**Nine months ended December 31**		
	2003 ($'000)	**2002 ($'000)**	**% Change**	**2003 ($'000)**	**2002 ($'000)**	**% Change**
Aerospace	4,718	5,098	-7.5	14,091	13,865	+1.6
Industrial Gas Turbine	3,230	3,853	-16.2	12,972	23,008	-43.6
Other Industrial	1,470	1,503	-2.2	2,784	3,258	-14.5
Total	9,418	10,454	-9.9	29,847	40,131	-25.6

Industrial gas turbine sales show a 16.2% decline for the third quarter from the same period a year ago. However, as US dollar sales remained at the same level year-over-year, this decrease is once again attributable to the stronger Canadian dollar.

Aerospace sales for the Gas Turbine Components Division were not as strong as expected due to the start-up of aerospace parts manufacturing at the Cincinnati plants. Difficulties encountered in the transfer of know-how from Tampa to Cincinnati significantly impacted deliveries and created a sales shortfall of $2.7 million in the third quarter. Once these operational issues are resolved and deliveries improve, the current backlog will result in renewed profitability for the division, likely in the fourth quarter of this year.

Logistics & Defence
Sales for the Logistics & Defence Division declined by $1.3 million to $3.9 million in the third quarter from $5.2 million last year. Sales declined by $5.1 million to $12.4 million for the first nine months of the year, in part due to a special order received in the first quarter of last year from the Norway Special Forces.

The division is expected to post a strong fourth quarter and show annual sales of approximately $20.0 million for the year as a whole.

Sales by Segment

The Company's sales by segment and destination were as follows:

Segment	Third quarters ended December 31			Nine months ended December 31		
	2003 ($'000)	2002 ($'000)	% Change	2003 ($'000)	2002 ($'000)	% Change
Aerospace & Defence						
Civil	24,162	28,203	-14.3	76,279	85,639	-10.9
Military	11,542	19,849	-41.9	43,470	58,971	-26.3
Defence	4,833	5,986	-19.3	15,276	19,977	-23.5
Sub-total	40,537	54,038	-25.0	135,025	164,587	-18.0
Industrial						
Gas Turbine Components	3,230	3,860	-16.3	12,972	23,008	-43.6
Other Industrial	1,470	1,496	-1.7	2,784	3,258	-14.5
Sub-total	4,700	5,356	-12.2	15,756	26,266	-40.0
Total	45,237	59,394	-23.8	150,781	190,853	-21.0

Destination	Third quarters ended December 31		Nine months ended December 31	
	2003	2002	2003	2002
Canada	27%	29%	27%	28%
U.S.	65%	64%	65%	64%
International	8%	7%	8%	8%
	100%	100%	100%	100%

Gross Profit

Consolidated gross profit was 6.5% of sales in the third quarter, compared to 2.6% for the same period last year. Gross profit for the year-to-date represented 9.3% of sales compared to 11.3% last year.

The low gross margin for the third quarter of last year reflected the impact of the sharp drop in sales for the period. The Company reacted to the new market realities by taking initiatives to cut its fixed overhead manufacturing costs, in particular by closing three of its plants (Tampa, Metro and DALS) and integrating these operations into its other facilities.

Gross profit nonetheless remained low in the third quarter of this year, primarily due to the lower sales volume and a stronger Canadian dollar.

Landing Gear
Third quarter gross profit as a percentage of sales for the Landing Gear Division decreased by 3.8% from last year. The stronger Canadian dollar accounted for a 2.4% drop in gross profit, with the remainder mainly due to the low sales volume and the start-up of new programs discussed above. It should also be noted that the division recorded a favourable $0.7 million tax credit against its cost of sales for the quarter.

The Landing Gear Division continues to review its manufacturing overhead costs with a view to reducing them in order to adjust to the current sales volume. Mr. Gilles Labbé, President and Chief Executive Officer of the Company, assumed responsibility for the division in January 2004, on an interim basis, following the departure of former division president Jean Guilbault.

Aerostructure
Third quarter gross profit for the Aerostructure Division improved by 1.5% of sales compared to last year, while gross profit for the first nine months of the year declined by 7.3% from a year ago. The low gross profit level for the division is mainly due to the low sales volume. The division is currently operating at approximately 50% of its production capacity, which translates into a high level of non-absorption of fixed manufacturing overhead costs.

Gas Turbine Components
The third quarter gross profit for the Gas Turbine Components Division improved compared to last year due to the rationalization of the division's operations. Gross profit as a percentage of sales was up 1.3% from the second quarter.

Gross profit for the division nonetheless remains well below management's expectations. The delay in the division's profitability plan is due to low sales volume and the delayed deliveries described above. Nevertheless, the division cut its operational losses by $0.3 million compared to the second quarter, and expects to return to profitability in the fourth quarter of the current fiscal year.

Since the beginning of this year, the Gas Turbine Components Division has incurred non-recurring expenses for the transfer of know-how and workload from Tampa to Cincinnati. Under GAAP, these charges could not be included in the restructuring charges taken last year. Shown as a separate item on the income statement, these one-time charges amounted to $217,000 for the third quarter and $1.1 million for the nine-months ended December 31, 2003.

Logistics & Defence
Third quarter gross profit for the Logistics & Defence Division remained at the same level as last year. Gross profit for the first nine months of the year increased by 3.3%

due to improved manufacturing processes and re-engineering initiatives introduced last year.

Selling and Administrative Expenses

Selling and administrative expenses for the third quarter and year-to-date are as follows:

	Third quarters ended December 31		Nine months ended December 31	
	2003	**2002**	**2003**	**2002**
Selling and administrative expenses ($'000)	5,127	5,156	16,767	15,722
% of sales	11.3	8.7	11.1	8.2

The increases in selling and administrative expenses as a percentage of sales for the third quarter and year to date are attributable to the lower sales volumes for the periods, given that such expenses are relatively fixed.

Selling and administrative expenses for the third quarter and first nine months of the year include $150,000 and $450,000 respectively in professional fees related to a potential acquisition that did not materialize. Year-to-date expenses include a loss on U.S. exchange of $0.5 million resulting from the translation of foreign currency monetary items included under current assets and liabilities and not covered by forward foreign exchange contracts.

Selling and administrative expenses also include expenses related to the granting of stock options. Such expenses amounted to $30,000 in the third quarter compared to $25,000 last year, and $90,000 for the first nine months of this year compared to $57,000 a year ago.

Operating Income

For the third quarter of fiscal 2004, the Company posted an operating loss of $2.2 million or 4.8% of sales compared to $3.6 million or 6.1% of sales last year.

The Aerospace & Defense sector showed an operating loss of $1.5 million or 3.7% of sales compared to an operating income of $0.9 million or 1.6% last year. Within this sector, civil aerospace declined by 1.6%, military by 8.5% and defence by 2.1%.

On the Industrial side, the third quarter operating loss was $0.7 million compared to $4.5 million last year, for a decrease of $3.8 million.

For the first nine months of the year, the operating loss amounted to $2.8 million or 1.8% of sales compared to an operating income of $5.9 million or 3.1% of sales for the same period last year. The Aerospace & Defense operating income fell by $8.9 million to $0.8 million, while the Industrial operating loss decreased by $0.2 million to $3.6 million.

Restructuring Charges

In the third quarter of 2002-2003, in light of the prevailing economic environment in the United States, a severe reduction in the industrial gas turbine market and the resulting manufacturing capacity utilization of its gas turbine operations, the Company decided to close its gas turbine operation in Tampa and move this production to its Cincinnati operation. A transition plan was put in place and restructuring charges of $7.4 million were recorded to account for the write-down of capital assets to be disposed of, a provision for unused leased equipment and other related direct expenses required by the plan.

During the quarter and nine-month periods ended December 31, 2003, the Company incurred $217,000 and $1.1 million respectively in non-recurring expenses for the transfer of know-how and workload from Tampa to Cincinnati. Under GAAP, these charges could not be included in the restructuring charges taken last year. These one-time expenses shown under restructuring charges include relocation expenses, retention bonuses, training expenses related to the operations in Cincinnati, and other expenses related to the maintenance of the unused production facility in Tampa.

Income Taxes

Expressed as a percentage of the loss before income taxes, the Company posted an income tax recovery of 43.1% for the third quarter of fiscal 2004 compared to 40.3% the previous year. The recovery for fiscal 2004 was impacted by a $0.7 million research and development tax credit recorded this year for the Landing Gear division. This credit is net of taxes and is included in cost of sales.

For the nine-month period ended December 31, 2003, the income tax recovery expressed as a percentage of the loss before income taxes amounted to 38.6%.

Net Loss

The table below shows the third quarter net loss and loss per share on a fully diluted basis. The diluted losses per share are based on weighted averages of 23,416,790 common shares in the third quarter and 24,449,964 common shares in the first nine months of fiscal 2004. The diluted losses per share for last year are based on weighted averages of 24,149,241 common shares for the third quarter and 24,333,491 common shares for the nine months ended December 31, 2002.

	Third quarters ended December 31		Nine months ended December 31	
	2003	2002	2003	2002
Net loss ($'000)	(1,595)	(6,814)	(3,237)	(907)
Loss per share, fully diluted ($)	(0.07)	(0.28)	(0.14)	(0.04)

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2003, the Company had cash and temporary investments of $40.4 million, of which $24.2 million was in temporary investments.

Operating Activities
The Company generated and used cash flow in its operating activities as follows:

	Third quarters ended December 31		Nine months ended December 31	
	2003 ($'000)	2002 ($'000)	2003 ($'000)	2002 ($'000)
Cash flow from operations	1,844	(2,944)	5,415	8,910
Net change in non-cash items related to operations	2,248	6,093	(5,069)	(5,719)
Cash flow provided by operating activities	4,092	3,149	346	3,191

In the third quarter of fiscal 2004, cash flow from operations increased by $4.8 million. This difference is almost entirely explained by a net loss that was $5.2 million lower than last year. Other major differences between the two periods were $3.9 million recorded last year to account for the non-cash impact of the restructuring charges for the write-down of capital assets, which was almost entirely offset by a $3.9 million variation in future income taxes in the same period, arising mainly from the income tax recovery related to the restructuring charges.

The Company's operating activities provided cash flow of $4.1 million, including a net change of $2.2 million in non-cash items related to operations. These items consisted primarily of the collection of $2.7 million in income tax receivable at the Gas Turbine Components Division and a $1.9 million reduction in accounts receivable arising from the lower sales volume, partially offset by an increase of $3.1 million in inventories resulting from the late deliveries.

In the first nine months of the year, cash flow from operations decreased by $3.5 million, mainly due to the $2.3 million increase in the net loss over last year, the net variation of $3.2million in future income taxes explained above, and the $3.9 million write-down of capital assets booked last year as part of the restructuring charges, also discussed above. The net change in non-cash items related to operations decreased cash flow from operating activities by $5.1 million. This item consisted mainly of a $9.3 million reduction in accounts payable and accrued liabilities, a $3.1 million increase in inventories and a $2.3 million reduction in customer advances, offset by a $7.9 million reduction in accounts receivable (see under Consolidated Balance Sheets below).

Investing Activities
The Company's investing activities provided $7.7 million and $11.4 million in cash and cash equivalents in the three and nine-month periods ended December 31, 2003 respectively compared to $3.6 million and $7.1 million used for these activities in the same periods in 2002.

Purchases of capital assets amounted to $5.0 million for the quarter, net of $0.3 million in capital leases. This item includes $2.8 million in early purchase options exercised by the Gas Turbine Components Division of machinery and equipment under operating leases. The Landing Gear and Aerostructure division also invested $1.4 million and $1.1 million respectively in new capital assets during the quarter.

For the first nine months of the year, the purchase of capital assets amounted to $9.8 million, net of $0.3 million in capital leases. The total includes $3.9 million invested by the Landing Gear Division, $2.5 million by the Aerostructure Division and $3.7 million by the Gas Turbine Components Division.

At December 31, 2003, cash and cash equivalents of $24.2 million were invested in temporary investments with a term of over three months, $12.6 million less than at September 30, 2003. The net change in temporary investments has provided $21.0 million in cash and cash equivalents since the beginning of the year.

In the fourth quarter, the Company will put its excess capital assets up for sale. These assets consist of buildings, machinery and equipment from the Tampa and Metro operations, which were closed earlier this year. The Company expects to obtain approximately $5.0 million from the sale of these assets.

Financing Activities
In the third quarter of this year, $0.7 million in cash and cash equivalents were used for financing activities, the same amount as last year. For the first nine months of the year, financing activities used $3.2 million in cash and cash equivalents, again approximately the same amount as last year.

In August 2002, the Company obtained TSX approval for the repurchase of up to 1,222,195 common shares during the 12-month period ending on August 20, 2003. In April 2003, the Company obtained TSX approval to increase the number of common shares to be repurchased during that period to 1,585,700 shares. During the period from August 21, 2002 to August 20, 2003, a total of 1,023,478 shares were repurchased for $4.8 million or $4.72 per share. On September 3, 2003, the Company obtained another approval from the TSX to repurchase up to 1,172,772 common shares prior to

September 2, 2004. During the quarter ended December 31, 2003, the Company repurchased 47,700 shares for cancellation, compared to 248,300 shares during the same period last year. To date this year, the Company has repurchased 143,100 shares, compared to 445,400 shares in the first nine months of last year.

Consolidated Balance Sheets

The following table itemizes and explains the significant changes in the consolidated balance sheets between December 31, 2003 and March 31, 2003:

Item	Change ($ millions)	Explanation
Cash and temporary investments	(12.6)	See statement of cash flows.
Accounts receivable	(7.9)	Related to reduced business volume in the quarter ended December 31, 2003.
Other receivables	(0.8)	Collection of a cash deposit for the purchase of equipment.
Income taxes receivable	(2.6)	Collection in the third quarter of the Gas Turbine Components Division, an income tax refund related to the fiscal year ended March 31, 2003.
Inventories	3.1	Increase at the Gas Turbine Components and Landing Gear divisions due to late deliveries.
Capital assets	(3.7)	Decrease due to: - Lower U.S. exchange rate used to convert the net assets of self-sustaining U.S. subsidiaries (-$2.9 million). - Amortization of capital assets (-$10.2 million). - Write-off of two pieces of equipment not required due to the transfer of Metro operations to Dorval (-$0.5 million). - Sale of capital assets (-$0.2 million) - Purchase of capital assets (+$10.1 million).

Accounts payable and accrued liabilities	(10.2)	Reduction related to reduced business volume in 2003. $1.8 million reduction in the restructuring charge accrued liabilities recorded last year at the Gas Turbine Components Division.
Customers' advances	(2.3)	Represents unearned amounts received by the Logistics & Defence and Landing Gear divisions. These advances are liquidated based on units delivered to customers (see Note 10 to the consolidated financial statements dated March 31, 2003).
Long-term debt (including current portion)	(5.1)	Decrease due to: - Favourable impact of $3.2 million on net assets of self-sustaining U.S. subsidiaries resulting from a lower U.S. exchange rate. - Capital repayments of $2.6 million. - Increase of $0.7 million in new long-term debt (capital lease obligations and non-interest-bearing loans).
Capital stock	(0.4)	Represents the repurchase of 143,100 common shares at average book value since the beginning of the year.
Cumulative translation adjustment	(2.1)	Reflects the counterpart of the impact of foreign exchange rate fluctuations on the net assets of self-sustaining U.S. subsidiaries.
Retained earnings	(3.4)	See statements of retained earnings.

The Company continues to enjoy a strong balance sheet position.

The Company's long-term debt-to-equity ratio was 0.49:1 on December 31, 2003 compared to 0.51:1 on March 31, 2003. At December 31, 2003, the balance sheet included cash and temporary investments of $40.4 million compared to $53.0 million on March 31, 2003.

Off-Balance Sheet Items and Commitments

Héroux-Devtek has operating lease obligations for machinery and equipment amounting to $12.9 million as of December 31, 2003. These amounts are mainly repayable over the next five years.

The Company also has leases on buildings used for manufacturing operations and administration. Its total lease commitments at December 31, 2003 amounted to $1.1 million, excluding escalation clauses.

At December 31, 2003, the Company held forward foreign exchange contracts totalling U.S. $104.5 million at an average exchange rate of 1.4233. These contracts relate to its export sales and mature at various dates between Jan 1, 2004 and October 31, 2008. This compares to $60.5 million at an average exchange rate of 1.5063 held at March 31, 2003.

SUBSEQUENT EVENTS

Purchase Agreement to acquire Progressive, Incorporated
On February 24, 2004, the Company entered into an asset purchase agreement and plan for merger (purchase agreement) to acquire Progressive, Incorporated (and the net assets of Promilling LP), a Texas-based manufacturer of large structural components in the military sector. The total purchase price is US$57.6 million which includes US$12.1 million for tax impacts, transaction costs and new equipment. Additional payments of up to US$12.0 million in total over the current and next two fiscal years could also be made based on additional profitability performance targets. See note 8 to the consolidated financial statements.

Bought Deal Agreement and credit facilities renewal
In conjunction with the purchase referred to above, the Company entered into a bought deal agreement to issue by way of private placement subscription receipts, subject to the closing of the acquisition transaction. The Company also renewed its existing Syndicated Evergreen Revolving Operating and Term Credit facilities for up to CAN$100.0 million, on a secured basis. See note 8 to the consolidated financial statements. More details concerning the acquisition transaction are available on the Company's website, www.herouxdevtek.com.

The net proceeds of the offering, the renewal of the Company's credit facilities and its current liquidity will fully fund the acquisition of Progressive, Incorporated.

RISKS AND UNCERTAINTIES

Héroux-Devtek operates in industry segments that have a variety of risk factors and uncertainties that could have a material adverse effect on the Company's business, financial condition and results of operations. Such risks and uncertainties include, but are not limited to, those mentioned below, which are more fully described in the Company's MD&A for the year ended March 31, 2003.

- Reliance on large customers
- Operational risk
- 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