



ANNUAL INFORMATION FORM

FISCAL YEAR ENDED MARCH 31, 2004

JUNE 29, 2004

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FORWARD LOOKING STATEMENTS

Certain statements contained in this Annual Information Form constitute forward-looking statements. The use of any of the words “anticipate”, “continue”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form and reference is made to the “Risk Factors” section for further discussion about the inherent risks and uncertainties surrounding future expectations. These factors should not be construed as exhaustive. Neither the Company nor its affiliates undertakes any obligation to publicly update or revise any forward-looking statements.

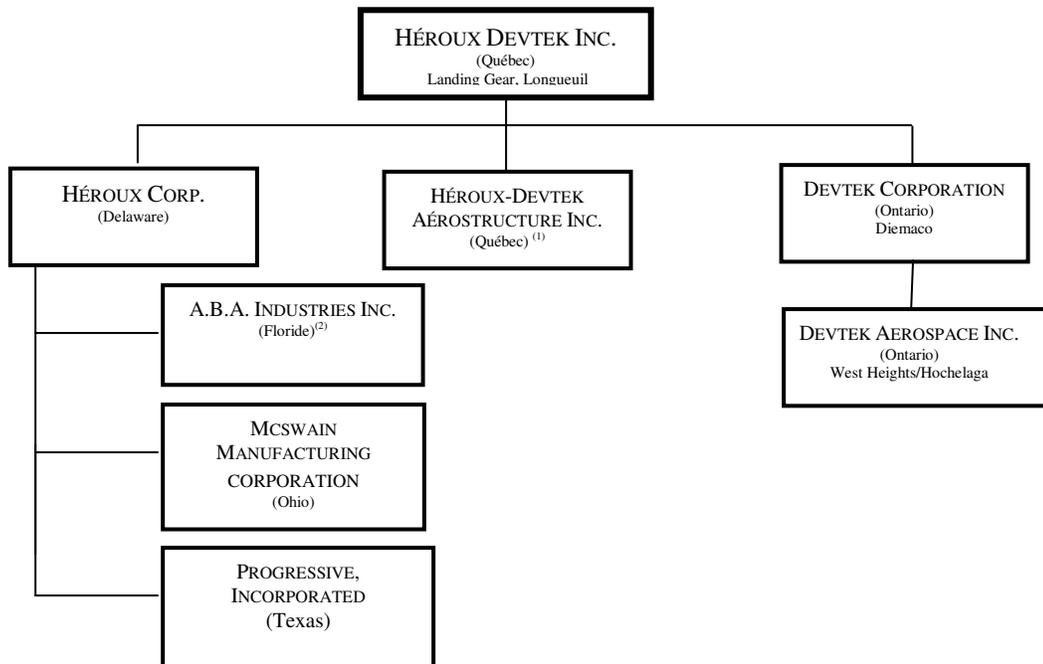
ITEM 1: CORPORATE STRUCTURE

Name, address and Incorporation

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

Subsidiaries and Intercorporate Relationship

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



(1) Includes the Dorval and Metro Machinery Corporation operations as well as Les Industries C.A.T. Inc. and Magtron Precision.

(2) Operations integrated with McSwain Manufacturing Corporation.

ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

General

The Company specializes in the design, development, manufacture and repair of aerospace and industrial products. It operates nine (9) business units located across North America and grouped into four divisions: Landing Gear, Aerostructure, Gas Turbine Components, and Logistics and Defence.

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

Over the years, the Company sought to expand its activities beyond the military market and gradually specialized in the aeronautics business, earning considerable renown for the development and manufacturing of landing gear. The Company was awarded significant contracts such as the manufacturing of the Apollo lunar landing module's landing gear and the development and production of servomechanisms and landing gear for the CL-215 water bomber built by Canadair Limited (currently a division of Bombardier Inc.).

Major Events and Past Results

Management Buyout of the Company

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

Initial Public Offering

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

United States Market Breakthrough

In 1987, with the objective of expanding further in the U.S. and toward the commercial and industrial sectors, the Company acquired McSwain Manufacturing Corporation ("**McSwain**") located in Cincinnati, Ohio, which brought it closer to its American customers.

In March 1989, the Company acquired a majority interest in A.B.A. Industries, Inc. ("**A.B.A.**"), a manufacturer of aircraft engine components located in Tampa Bay, Florida. This was consistent with the Company's strategic plan to significantly increase its visibility in the U.S. and enter new markets. This acquisition, among other factors, allowed the Company to become a certified supplier of Pratt & Whitney and General Electric, two of the world's leading aircraft engine manufacturers. The remaining shares of A.B.A. were acquired shortly thereafter. In fiscal year 2003, the Company decided to close the A.B.A. manufacturing plants in Tampa and to transfer production to its plants in Cincinnati.

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

In June 1999, the Company entered the promising niche market of structural components for regional jets when it acquired Metro Machining Corporation (“**Metro**”) and Les Industries C.A.T. Inc. (“**C.A.T.**”) for a total of \$5.7 million of which \$4.7 million was paid in cash. The Company has decided in 2003/2004 to transfer its Metro unit to its Dorval facility.

Acquisition of Devtek Corporation

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

Three business units of Devtek which manufactured landing gear and hydraulic components, West Heights Manufacturing (“**West Heights**”), Hochelaga and D.A.L.S. (Devtek Aerospace Logistics Support) were integrated into the Company’s Landing Gear Division, whose operations are located in Longueuil, Laval and Kitchener. Devtek’s business units also included Diemaco, a military small arms operating unit, which formed the Company’s Logistics and Defence Division. Finally, the fifth business unit of Devtek was Magtron Precision (“**Magtron**”), a precision component manufacturer which, following the acquisition, was integrated into the Company’s Aerostructure Division.

Recent Years

Year Ended March 31, 2002

In spite of a difficult operating environment characterized by increasing economic and financial market weakness and the impact of the September 11th events on the aviation industry, year 2001/2002 remained a positive year for the Company.

The Company showed excellent results, as sales reached \$316.3 million, up 22% compared to the preceding year, while net income also went up 40% from \$12.5 million in 2000/2001 to \$17.4 million in 2001/2002.

Still on the financial front, in March 2002, the Company and its subsidiaries restructured their bank credit facilities to support its operations and provide for future acquisitions. The Company entered into Unsecured Syndicated Evergreen Revolving Credit Facilities of up to \$100 million, either in Canadian dollars or U.S. currency equivalent. The Company also raised \$9.9 million in proceeds from a private placement of Common Shares with Le Fonds d’investissement REA Inc. at a unit-price of \$ 9.91.

In April 2001, the Company completed the construction of a new 77,000 square-foot facility in Dorval for its Aerostructure division. New equipment, including two new five-axis gantries, has also been bought by Héroux-Devtek Aerostructure and the plant began its operations in September 2001. In the opinion of management, this new plant should enable the Company to consolidate its position as a preferred supplier to major aircraft and regional jet manufacturers in the coming years. In this regard, the Company’s Aerostructure Division has secured a new

contract pertaining to the production of aerostructure components used in Bombardier Aerospace's Challenger jet CRJ 200 and the CRJ 700, the whole for approximately \$18 million.

Year Ended March 31, 2003

Year 2002/2003 saw ongoing security concerns and geopolitical conflicts and their impact on air travel continued to cloud industry performance. The commercial aircraft market was still depressed and not expected to turn around until after the U.S. economy picks up, possibly in 2005. The power generation market was also in a downturn in response of the general economic slowdown and following the Enron scandal. In this environment, consolidated sales of the Company for 2002/2003 were \$260.6 million, down 17.6% from sales of \$316.3 million for 2001/2002. Net income decreased sharply to \$154,000 from \$17.4 million in 2001/2002. Civil Aerospace & Defence sales dropped by 15%, mainly due to sustained reduction in demand for large civil aerospace products and out-of-production aircraft parts. Military aerospace sales, particularly in the large aircrafts sector, remained strong, however, with a 3.5% increase.

On the basis of the significant reduction in demand in the industrial gas turbine market, the economic environment in the United States and the Company's manufacturing capacity utilization, management took steps in 2002/2003 to consolidate production and cut its fixed manufacturing and general overhead costs. The Company decided to close its gas turbine components manufacturing plants in Tampa and to transfer production to its plants in Cincinnati. The Company recorded restructuring charges and goodwill impairment of \$9.2 million in fiscal 2003 to provide for the following:

- The write-down of capital assets to be disposed of;
- Provisions for unused leased equipment;
- Goodwill impairment related to the Gas Turbine Component Division;
- Additional related direct expenses necessary to the realization of the restructuring plan.

Management also decided to account for goodwill impairment related to the Company's Gas Turbine Components Division due to the significant reduction in industrial gas turbine business volume. The goodwill impairment represented an amount of \$2.1 million less \$0.9 million due to the write-off of related accrued liabilities recorded at the time this Division was acquired.

The impact of these restructuring charges and goodwill impairment on net income represented \$6.5 million, net of income taxes.

In July 2002, the Landing Gear Division was chosen by The Boeing Company to design and manufacture the landing gear for the X-45 Unmanned Combat Air Vehicle (UCAV) demonstrator aircraft, being developed for the U.S. Defence Advanced Research Project Agency and Air Force. The first phase of the program is scheduled to take place over 18 months and will involve the design and manufacture of the first prototypes. Following this phase, the customer may exercise a first option for the production of landing gear for 30 additional aircrafts followed by a second option of up to 150 units.

The Landing Gear Division also decided to consolidate its operations in 2002/2003 by transferring its DALs operations into its West Heights operations, a process that is now complete.

With the goal of increasing capacity utilization, improving efficiency and reducing manufacturing overhead costs, the Aerostructure Division transferred part of its Metro unit to its Dorval facility.

This transfer, completed in 2003/2004, was in line with the Company's strategy of creating centers of excellence.

In August 2002, the Company obtained the Toronto Stock Exchange (the "TSX") approval for the purchase for cancellation of up to 1,222,195 Common Shares during the 12-month period ending on August 20, 2003 in accordance with a normal course issuer bid. In May 2003, the Company obtained TSX approval to increase the number of Common Shares to be purchased during that period to 1,585,700 Common Shares. During the fiscal year ended on March 31, 2003, the Company had purchased a total of 934,278 Common Shares for a cash consideration of \$4.5 million.

The Company renewed its collective labour agreements with the workers of its Landing Gear and Aerostructure Divisions, on April 7, 2002 and May 6, 2002 respectively, without any work stoppage or slowdown.

Pursuant to ongoing maintenance of the S&P/TSX Canadian Indices, Standard & Poor's has made index changes on September 20, 2002 and has then removed the Company's stock from Toronto Stock Exchange S&P/TSX Composite Index (formerly TSE-300 Index).

Year Ended March 31, 2004

Since 2001, the commercial aerospace market has been in a downturn. Large aircraft orders continued to decline in 2003/2004. At present, only two companies manufacture large commercial jets, namely Boeing and Airbus. In 2003, Boeing¹ deliveries fell 26% to 281 aircraft from 381 units in 2002, while Airbus² deliveries held fairly steady at 305 aircraft. Commercial aerospace deliveries are expected to remain fairly flat in 2004 and 2005, with renewed demand beginning in 2005 and delivery increases in 2006. Parts suppliers such as the Company should begin to see the impact of the upturn beginning in 2005.

Corporate jet deliveries declined by 22% from 639 units in 2002 to 499 in 2003³. Analysts expect this market to increase modestly in 2004. In the interim, traffic on regional airlines continued to grow. In 2003, air traffic (measured in revenue passenger miles) grew 29% while available seat miles increased by 23%. The military market also remains strong. The total U.S. defence budget request made public on February 2nd, 2004 is planning an increase of US\$112.4 billion for the period 2004 to 2009, from US\$375.3 billion in 2004 to US\$487.7 billion in 2009, including US \$114 billion for procurement. Significant growth is expected to come from emerging programs for next generation aircraft, including the Joint Strike Fighter and F-22 programs. On the industrial side, the downturn in the power generation market continues and is expected to reach its low in 2004, with renewed growth beginning in 2005.

Furthermore, the strength of the Canadian dollar has been a significant factor for the Company in the past two years. Consolidated sales for the year ended March 31, 2004 were \$213.2 million, down 18.2% from sales of \$260.6 million for fiscal 2003, mainly due to the decrease of sales for the Landing Gear Division, which were \$127.4 million in 2003/2004 compared to \$161.3 million last year. Consolidated gross profit decreased from 12.4% in fiscal 2003 to 9.1% in fiscal 2004.

¹ Source: Boeing Report Fourth Quarter and Full 2003 Results, January 29, 2004.

² Source: Annual Review, Airbus 2003 Results.

³ Source: Merrill Lynch, Commercial Aerospace – Business Jet Data, March 4, 2004.

In August 2003, the Company was awarded the repair and overhaul contract for the U.S. Air Force. The contract, which covers a total of 10 years, is firm for one year with options to renew for the following nine years. The aggregate value of the contract was estimated by the Company to be approximately \$140 million.

On August 28, 2003, the Company was certified by The Boeing Company as a “Preferred Supplier”, and shortly thereafter, signed a long term agreement with Boeing, Phantom Works which defined Héroux-Devtek as sole source of supply for the landing gear system for the Air Force portion of the Boeing X-45C Joint Unmanned Combat Air System (J-UCAS) Program, and subsequent X-45 models for the Air Force. This performance-based agreement is expected to extend into the next decade. The Company is currently working with The Boeing Company to design, develop and deliver the landing gear for the UCAV X-45C, the next step on X-45 spiral development process. Through this agreement, the Company and Boeing have entered into a “shared destiny” relationship for the J-UCAS Program for future Air Force Spirals. The X-45C system is being developed on behalf of the Defense Advanced Research Projects Agency, the US Navy and the US Air Force, which have formed the Joint Unmanned Combat Air System Joint System Management Office.

On August 29, 2003, the Company received TSX approval to make a new normal course issuer bid providing for the purchase, for cancellation, of up to 1,172,772 Common Shares, representing approximately 5% of the Company’s issued and outstanding Common Shares as at August 20, 2003. The normal course issuer bid is being carried out through the TSX and will expire at the latest on September 2, 2004. During the fiscal year ended on March 31, 2004, the Company had purchased an additional 143,100 Common Shares for a cash consideration of \$579,000.

On September 4, 2003, the Company has been awarded a contract for the design and development of the landing gear of Northrop Grumman’s next generation Global Hawk Unmanned Air Vehicle for the U.S. Air Force. This contract is valued at \$6.6 million. The Global Hawk is a high-altitude, long-endurance unmanned aerial reconnaissance system designed to provide military fieldcommanders with high resolution, near-real-time imagery of large geographic areas.

On February 26, 2004, the Company was chosen by Lockheed Martin for the design and manufacture of components and assemblies on the F-35 Joint Strike Fighter program. The Company’s Aerostructure Division in Dorval, Québec, has been awarded 43 different structural components while the Landing Gear Division in Longueuil, Québec, will have the responsibility of engineering, development and the manufacture for 8 models of Door Lock Assemblies. The current firm value of this new business is estimated at \$10.5 million with a potential extension to a maximum of \$99 million through 2026.

The Acquisition of Progressive

On February 24, 2004, the Company signed an agreement to acquire Progressive, Incorporated (“**Progressive**”), a privately-held Texas based manufacturer of large structural components to military aircraft original equipment manufacturers (“**OEM**”). The transaction strengthened the Company’s Aerostructure Division by providing access to the important military aerospace sector, including the F-35 Joint Strike Fighter program. The Company acquired all the shares of Progressive and all the net assets of Promilling, LP. Employees of Progressive were integrated to the Company. The total purchase price was US\$56.4 million, which included US\$11.2 million for tax impacts, transaction costs and new equipment, subject to certain net asset adjustments. In addition to the purchase price, payments of up to US\$12.0 million in total may be made if certain

profitability performance targets are met in each of the current and following two fiscal years. This acquisition was financed by the renewal of the Company's syndicated evergreen revolving operating and term credit facilities (on a secured basis), the Company's current liquidity, and a \$16.2 million bought deal private placement of subscription receipts completed on March 11, 2004 (the "**Private Placement**"). The acquisition transaction closed on April 1, 2004.

Progressive is located in Arlington, Texas, 20 minutes away from the Dallas-Forth Worth airport. This company was founded in 1971 by Mr. Guinn Crousen. It currently operates out of approximately 142,500 square foot facilities located on 12.5 acres of land. As of March 31, 2004, Progressive employed 107 persons. Located in one of the major US aerospace hubs, it has been able to build a strong relationship with major OEMs such as Lockheed-Martin Aeronautics and The Boeing Company. These two customers currently represent over 90% of the total sales of Progressive. In fiscal year 2003, Progressive posted sales of US\$28.8 million and current annual sales represent approximately US\$37 million.

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

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

Management of the Company believes that the acquisition of Progressive will provide numerous benefits to other business units of the Aerostructure Division. By sharing best practices, it should strengthen the knowledge of the group relating to the manufacturing of large and complex components and should also provide a unique platform to further diversify the Division. Furthermore, it should ease the penetration on the military market. With the integration of Progressive into the Aerostructure Division, management of the Company believes that the sales mix and customer diversification between commercial and military aerospace should be greatly enhanced.

In order to ensure a smooth integration of Progressive into the Company, Mr. Guinn Crousen, President and founder of Progressive and Mr. Buddie Langford, Vice-President, have agreed to remain with the Company until June 2006.

For details regarding the performance of, and the milestone events specific to, each of the Company's operating Divisions, please refer to the following subsection entitled "Overview and Outlook", below.

Overview and Outlook

This Section should be read in conjunction with the Company's Management's Discussion and Analysis for the fiscal year 2003/2004 (filed on SEDAR at www.sedar.com) which is hereby incorporated in, and forms part of, this Annual Information Form.

Landing Gear Division

Overview of Fiscal 2003/2004

Due to the continued slowdown in the large civil aerospace sector and the general downturn in the aerospace industry, the Landing Gear Division sales declined by 21.0% to \$127.4 million. During 2003/2004, the weighting of Landing Gear Division sales continued to shift slightly from the commercial toward the military sector, and from manufacturing toward repair and overhaul products and services. Divisional gross profit for 2003/2004 was adversely affected by sales volume and pressure on margins.

The Landing Gear Division is continuing to build on its design engineering department, particularly with new design contracts with Lockheed-Martin on the Joint Strike Fighter program.

Projects and Outlook

The Division's biggest challenge in the upcoming year will be to maintain its landing gear business volume in a period of decline in commercial aircraft purchases and the general aerospace downturn.

The general decline in commercial aerospace activities has attracted suppliers that were traditionally focused on the commercial segment into the military segment. Although the shift from commercial products to military products is not always easy to achieve and may limit the market gains for these new entrants, it nevertheless increases pressure on margins.

Maintaining gross profit under these conditions will involve a renewed focus on productivity enhancing strategies and an entry into new markets, particularly in the commercial repair and overhaul and small landing gear markets, which were less affected than the OEM market. Another key objective is the continued development of program management expertise.

Other steps to be taken will include mainly significant new investments in lean manufacturing, the optimization of processing facilities to improve lead time and quality, as well as the reorganization of the Division into specialized operating sites.

Aerostructure Division

Overview of Fiscal 2003/2004

Aerostructure Division sales declined slightly in 2003/2004 to \$23.0 million, down 4.2% from the \$24.0 million the previous year. The downturn in the aerospace market, combined with the start-up of the facility in Dorval, has impacted not only the sales but also the profitability of the Division. The gross margins of the Division were therefore affected and final results were below expectations.

The Company's future growth prospects in this Division lies principally in the business jets and regional jets segments, although management believes that the acquisition of Progressive will open new business opportunities. During the last three years, more than \$25.2 million were invested in capital expenditures into this Division, with the construction in 2001/2002 of a new 77,000 square-foot facility in Dorval, Québec, located adjacent to Bombardier Aerospace, its largest customer, and the acquisition of four new specialized 5-axis gantries. These investments

enable the Division to manufacture large structural components used in airframe, including wings or fuselage of commercial and military aircrafts.

During fiscal year 2003/2004, the Aerostructure Division was restructured so that its management is now under the responsibility of the Landing Gear Division, which shares the same customer and supplier base. The division will benefit particularly from the established purchasing, quality, engineering, sales and marketing capabilities of the Landing Gear Division, which should have, in the opinion of management, a favorable impact on the Company's product offering and production costs.

Manufacturing and productivity enhancing techniques continue to be integrated into operations, notably through the implementation of lean manufacturing and the development of new synergies through the refinement and specialization of operations.

Now that the plant and equipment are all in place and operational at the Dorval facility, management of the Company believes that the productivity and performance of the Aerostructure Division should improved.

Projects and Outlook

The market for regional jets has reached a plateau and forecasters predict a slight decline in the numbers of jets to be delivered in the coming years. The second major segment of this Division, the business jet market, is expected to begin increasing production in 2005, assuming a continuing recovery of the North American economy. The Division, with sales currently highly concentrated with one major customer, sees more and more opportunities to diversify with other OEMs. The severe downturn of the last few years has forced some suppliers to cease activities and OEMs to outsource some of their components. This outsourcing brings new opportunities to this Division.

With the completion of the installation of a fourth large piece of equipment, and the current capacity utilization of the Dorval facility, management of the Company believes that the Aerostructure Division is well positioned with all the new equipment to respond to the possible increase in demand from OEMs.

With the goal of increasing capacity utilization, improving efficiency and reducing manufacturing overhead costs, the Division has completed the transfer of its Metro unit to its Dorval facility during fiscal year 2003/2004. The Division continues to pursue projects for major sub-assembly and to develop the technological expertise required for growing this important aspect of the business. The Division realizes the enormous potential of providing affordability to their customers through value-added sub-assembly supply. The acquisition of Progressive should, in the opinion of management, also provide synergies on both operational and sales levels.

Gas Turbine Component Division

Overview of Fiscal 2003/2004

Despite a significant increase in the sales of aircraft engine components, the Division's sales decreased slightly in 2003/2004 mainly due to the continued and severe decline in the power generation market. The Division saw its sales decrease by 19.3% to \$42.3 million, including a 11.4% sales decrease due to Canadian/U.S. exchange rate fluctuations.

During fiscal year 2003-2004, the Gas Turbine Component Division also completed the transfer of the Tampa operation to the Cincinnati site.

Projects and Outlook

Building on the development of new customers in the industrial market over the last two years, management of the Company believes that the Gas Turbine Component Division should see its sales grow in the coming years. Management of the Company also believes that the power generation market should recover in 2006 due to the expected increase in demand for power generation units to be built.

Logistics and Defence Division

Overview of Fiscal 2003/2004

Sales for the Logistics & Defence division fell 10.4% in fiscal 2003/2004 to \$20.5 million from \$22.9 million a year earlier, mainly due to the delay of some of the programs of the customer. Despite sales decline, the product mix of the division in fiscal year 2003-2004 allowed for better gross margins which led to an improved profitability.

During the period, the Division continued deliveries in connection with its major contract with Denmark. This contract, now in its fifth year, is to be completed by 2006.

Projects and Outlook

With replacement programs expected to begin in the next year, management of the Company believes that the Division is in good position to increase its sales volume.

ITEM 3: DESCRIPTION OF THE BUSINESS

Markets

Most of the Company's products and services are intended for the Aerospace and Gas Turbine Components markets.

Aerospace Market

The Aerospace market is divided in two main segments. The first is the original equipment manufacturer (or OEM) segment, for which the Company produces landing gear assemblies and components as well as aircraft engine and aerostructure components. The second segment is the aftermarket, for which the Company supplies landing gear components and out-of-production

aircraft parts, and further provides hydraulic system and landing gear repair and overhaul services.

OEM Market

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

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

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

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

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

Major aircraft manufacturers are moving away from in-house manufacturing to concentrate on marketing, design, assembly, and service. This trend has shifted a significant amount of manufacturing work to second tier companies that now need to specialize in the integration of complete systems. Landing gear manufacturers, for instance, are now required to provide not only landing gear, but also all the related systems such as steering and control mechanisms, from the wheels and tires to the cockpit. Similarly, in the aerostructure market, aircraft manufacturers are now outsourcing the design and manufacturing of major airframe components such as empennage, fuselage, and wings.

Historically, the aerospace OEM industry has been affected by economic cycles and, therefore, has experienced significant fluctuations. From 1992 to 1994, the industry suffered serious

difficulties as a result of a severe decline in new aircraft orders from major commercial airline companies and in defence procurement contracts. Conversely, the industry has experienced a growth cycle since 1994, especially in the regional jet segment, as the delivery of commercial aircraft has steadily increased from 1994 to 1999. As forecasted, commercial aircraft deliveries peaked in late 2000 and early 2001, and then markedly declined by the end of that year. Such decline, which was expected by most analysts, was further accelerated by the events of September 11th. While the large commercial aircraft (over 100 passengers) deliveries were significantly less in 2002 compare to 2001, the regional jet market (less than 100 passengers) was less affected.

Calendar year 2003 was another year of decline of production for major commercial aircraft OEMs but management of the Company feels that the first signs of recovery have begun to emerge. In its FAA Forecast Fact Sheet released on March 25, 2004, the US Federal Aviation Administration (the “**FAA**”) stated that U.S. domestic large carrier enplanements are forecasted to increase at an average annual rate of 3.6% between 2003 and 2015, and are projected to return to pre-September 11th levels by 2007.

In another segment, management of the Company believes that the regional jets market appears to have reached a plateau in 2001 and is expected to experience a slight decline in the coming years, mainly due to the completion of the replacement of turboprops by regional jets during the last decade. The business jet market, generally following the health of the economy, should begin to see increases in delivery beginning in 2005, assuming the North American economy maintains its recovery.

On the military side, the projected military spending of the American government, by far the largest military budget in the world, are expected to continue their growth. World military fighter aircraft deliveries increased significantly in 2003 after three years where deliveries had been at the lowest of the jet engine era.

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

Aerospace Aftermarket

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

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

Aircraft maintenance procedures and standards are regulated in the U.S. by the FAA and, in Canada, by Transport Canada. The FAA ensures that aircraft operating in the U.S. are airworthy and maintained by certified repair stations and by duly qualified, skilled, and well-equipped workforce.

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

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

Gas Turbine Components Market

This market is divided into three main segments: aircraft jet engines (engines specifically designed to propel aircraft), aero-derivatives (engines originally designed for aircraft propulsion but adapted to other applications, such as power generation or marine), and power generation engines (larger engines designed specifically for power generation). The Company, through its Gas Turbine Components Division, is active in all three segments.

This market consists of the production of engines used for power generation purposes or for aircraft propulsion. In general terms, a jet aircraft engine used to propel modern jetliners and a turbine used for power generation are very similar in concept and in the way they operate. However, the technical requirements in terms of weight and physical dimensions applicable to aircraft engines are not the same as those applicable to turbines used for power generation. Furthermore, since safety is of paramount importance with all aircraft, reliability of an aircraft engine also has to be second to none. Lastly, being much bigger than even the largest aircraft engines, turbines used for power generation will be designed exclusively for that purpose.

Aircraft Engines

The design of an aircraft engine is an elaborate process. While power and efficiency are basic parameters in an engine design, characteristics such as emissions, weight, reliability, and cost are also vital. Such a complex system involves enormous development costs. All these factors combined explain why very few companies possess the necessary skill, technology, expertise, and financial strength to design and manufacture aircraft engines. There are few engine manufacturers worldwide and the market essentially revolves around a small number of major players.

Regardless of the intended application, a good engine design stems from components that are engineered as a system and are perfectly matched to each other. For that reason, engine manufacturers will seldom outsource the design of a component used in their engines. While aircraft manufacturers can outsource part of the design of an airframe assembly such as the wings or even a section of the fuselage, aircraft engine manufacturers are quite limited, in comparison, in what they can outsource in terms of design. Therefore, components suppliers to engine manufacturers are mainly “built-to-print” shops, which produce parts that precisely match the specifications set forth by the manufacturer who designed the whole engine. The Company supplies a significant number of parts for different types of aircraft engines, including those used in the growing regional jet segment.

Power Generators

The power generation market has been significantly down in the last three years due to a downturn in the economy and the collapse of companies like Enron. After having reached record deliveries in 2001, the industry entered in severe downturn. While the decline in 2002 and 2003 has been dramatic, the market is currently stabilizing. While no increase in the power generation market is foreseen in 2004, the Company believes that the industry has reached the low of the cycle and there are indications that an increase in orders and deliveries of power generation engines should begin in 2005.

The US Department of Energy (“DOE”) has indicated in its 2004 Annual Energy Outlook that changes in expected future natural gas prices, combined with the recent addition of natural gas power generation capacity, indicate that the future growth of that segment is less than anticipated in 2003. Still, the DOE is forecasting the addition of 219 gigawatts of new natural gas power generation capacity from 2003 to 2025 compared to a forecast of 292 gigawatts a year ago. Therefore, the Company believes that the growth in power generation engines should be more stable in the near future.

Operating Divisions and Their Activities

Landing Gear Division

The Landing Gear Division specializes in the design, development, manufacture, repair, and overhaul of aircraft landing gear, hydraulic flight control actuators and fracture-critical components. With the integration of D.A.L.S. in the Kitchener site, the Landing Gear Division also manufactures spare parts for out-of-production aircraft. With 677 employees, it is the Company’s largest division. It operates out of three sites located in Longueuil and Laval, Québec and Kitchener, Ontario. While the maintenance and refurbishing of landing gear for the U.S. Air Force fleet still represent an important part of its activities, the Division also manufactures landing gear and related components for a broad range of aircrafts.

Following the acquisition of Devtek, the Landing Gear Division sought to assign a specific mission to each of its three sites, while maintaining the management activities centralized in Longueuil. This specialization process is based on their current expertise: the Longueuil site concentrates on repair and overhaul activities and the manufacture of landing gear pistons, the Kitchener site concentrates on manufacture of landing gear cylinders and the Laval site focuses on helicopter components, hydraulic actuators, and smaller landing gear components. On the other hand, the Division’s general management, as well as the design, engineering, sales, and marketing activities are centralized in Longueuil and support all three business units. Furthermore, the Kitchener site produces spare parts for out-of-production aircrafts. The complementary nature of these sites and their integrated management should, in the opinion of management, enable the Division to participate in programs of the highest caliber and enhance their efficiency, thereby improving its profitability and competitiveness.

The Company intends to increase its market share in the landing gear market through a better penetration of the military, regional and business aircraft segments, for which it is already capable of designing and developing proprietary products. In addition, strategic alliances and cooperation with large landing gear manufacturers should allow the Company to participate in the medium and large civilian aircraft markets. Commercial airlines will be increasingly targeted, as the Company is able to offer both narrow and wide-body aircraft maintenance services.

Longueuil Site

The Longueuil site is the largest of this Division's three sites and operates two plants totaling 190,000 square feet. This site is home to the Division's general management as well as to the Division's design engineering, sales and marketing groups. It is capable of manufacturing and repairing landing gear while providing any of the aforementioned services to the Laval and Kitchener plants, as required.

Laval Site

The Laval site manufactures critical hydraulic flight control actuators for aircraft such as the the Bombardier regional jet family, as well as rotor hub assemblies and components for helicopters, such as the Bell Helicopter 206, and various landing gear components. The site also handles repair and overhaul of hydraulic flight control actuators for major airlines.

Kitchener Site

The Kitchener site manufactures medium-to-large landing gear and high strength airframe components for both military and commercial aircraft. It specializes in the precision machining of close tolerance components in titanium, 300M, and other high strength alloys used by a variety of aircraft manufacturers including Airbus, Boeing, and Bombardier. Components such as pistons, cylinders, yokes and spindles are currently supplied for programs such as the Boeing 737, 747, 757, and 777 aircraft, Bombardier regional jet and business aircraft, and for the Airbus 330/340 and the new Jumbo Jet A-380 currently under development. The Kitchener site also provides spare parts solutions for out-of-production aircraft.

Design and Manufacture of Landing Gear

Design Phase

Aircraft landing gear design is a complex and demanding process, which starts with the issuance, by the aircraft manufacturer, of the basic aircraft requirements and geometrical envelope. At this stage, the principal parameters involved are expected aircraft design life, working environment, and expected reliability and maintainability. A preliminary design by the landing gear manufacturer is then made in conjunction with the aircraft manufacturer. Concurrently, integration of the landing gear with the aircraft's other systems is undertaken. Once the preliminary design and validation with peripheral systems are completed, a detailed design is made.

The detailed design will be subject to several computer modeling and analyses. Structural integrity and mechanical studies will be conducted to ensure the design's quality. Among other things, static and dynamic stability need to be analyzed in the same way. A range of software is used in connection with these tasks. The Landing Gear Division uses Pro-Engineer and Catia for the modeling, design, and drafting, as well as PATRAN for the finite element analysis. Following the validation of the design, production of the first units will begin.

These first units will be used to validate the theoretical computer model by performing both destructive and non-destructive tests. A drop-test is typically made on all new designs, in order to physically simulate an aircraft's landing conditions and validate the projected dynamic characteristics. Other tests include limit and ultimate static loads, fatigue loads, and

environmental tests. Once all the tests are successfully performed, certification is sought jointly with the aircraft certification.

Significant resources are invested during the initial phases of a design program. Landing gear designers such as the Company are requested by aircraft OEMs to participate as a risk-sharing partner in product development. Such investments and participation are decided upon discussion and review, with OEMs, of every particular program's specific requirements. The Landing Gear Division has been involved in this way in several new design programs for a variety of aircraft.

In most cases, the company that designs a particular landing gear owns all the intellectual property rights in connection with these pieces of equipment. Subject to contractual agreements with the aircraft manufacturer, once a landing gear manufacturer has completed a design, it may become the sole manufacturer for that particular system, most typically for the entire aircraft manufacturing program's life. In such instances, the design of landing gear is also a preferred position for a company to serve the aftermarket and provide repair and overhaul services to the OEM.

Manufacturing Phase

Landing gear system manufacture is a highly specialized activity, which the Company has come to master over the years. It involves work with high strength steels and, since the reliability of these pieces must be beyond compare, the process requires sophisticated equipment, highly qualified staff, and very strict quality assurance procedures.

The process starts with the machining of rolled, drawn, or forged raw material, most often composed of high strength steel, but also of aluminum and, in some cases, of titanium. The machining process is extensive and creates lots of metal chips. In fact, removed material may represent as much as 90% of the raw material purchased. These chips are recuperated and sold as recycled metal.

Once the rough machining has been completed, the parts are subjected to heat treatment, which either modifies the metallurgical characteristics of the part or reduces stress ('stress relief') that may accumulated throughout the different manufacturing processes. After heat treatment, the parts are finished through further machining to attain the close tolerances required.

The parts will then be subjected to electroplating, an electro-chemical process that coats an existing metal surface with a different type of metal. Plating processes will typically build up a thin coat of metal such as chrome, cadmium, or nickel on a base metal primarily composed of steel. The coating is especially useful when specific surface characteristics are needed but are not provided by a base metal. The type of plating to be selected will depend on the characteristics needed from the finished components. Most commonly, the coating will aim at providing a very hard surface that is resistant to abrasion or corrosion. For instance, chrome will be used when extremely high wear resistance is required, while cadmium will be selected because of its corrosion resistance.

The Landing Gear Division has developed processes for chrome plating to size ('plate-to-size'), which contributes to greater production efficiency and significantly reduces the need for grinding following the plating process. As an added benefit, this helps reduce the stress generated by grinding operations. Electroplating is a crucial step in the manufacture and overhaul of landing

gear. The Landing Gear Division is certified by most of the major airframe manufacturers for electroplating in compliance with their specifications.

Painting is another surface treatment for individual parts, as well as assemblies. Once all the parts are finished, they are assembled into larger sub-assemblies or complete landing gear. Finally, assemblies will go through a series of acceptance tests.

Each step in the manufacturing and assembling process is quality controlled as required by the customer and by governmental agencies regulating the aerospace industry. All major components are serialized and the manufacturing process is documented for traceability.

In recent years, the Landing Gear Division has undertaken major work to modernize and improve upon its operations. Over the years, in order to meet the exact requirements of its customers, the Landing Gear Division acquired state-of-the-art machines that meet the specific needs of landing gear manufacturing.

The Landing Gear Division has built a solid reputation in the industry and is currently manufacturing aircraft landing gear, spare parts, and other aircraft components.

Repair and Overhaul of Landing Gear and Servomechanisms

The overhaul of landing gear and servomechanisms, similar to their manufacture, is a precision operation requiring skilled labour, sophisticated facilities, and strict quality control. The servomechanisms overhauled by the Company include hydraulic systems used to activate various aircraft components such as ailerons, flaps, and landing gear. At predetermined intervals, these systems undergo a complete maintenance cycle in compliance with safety standards set by governmental regulatory authorities. This work is either performed by airlines or by specialized firms such as the Company's Landing Gear Division. It is normally scheduled every five to nine years of service, although intervals may vary from one aircraft to the other, based on their respective duty cycles, their estimated number of take-offs and landings per flight hour, and their working environments.

The overhaul cycle, which lasts from 30 to 45 business days, begins with the unit's disassembly. All components are then cleaned to allow inspection, measurements, testing, and evaluation. A repair process will then be issued and the necessary parts will be manufactured, rebuilt, or repaired.

All main parts are identified and tagged using a coding system to allow the Company to trace the components' origins. The parts' status will dictate the nature of repair and overhaul required for each specific component. Some parts may be systematically replaced, while others will go through a rebuild process.

Once all the parts are available at the end of the repair or rebuild process, the landing gear or servomechanism is reassembled, inspected, and tested using the same criteria as for new equipment.

The Landing Gear Division overhauls landing gear of military fighter aircraft and transport aircraft, as well as that of selected commercial transport aircraft. It can provide repair and overhaul services on landing gear for narrow-body as well as wide-body aircraft such as the McDonnell Douglas DC-10 and the Lockheed L-1011.

The Landing Gear Division's Laval and Longueuil sites are both unionized. The collective agreement at the Laval site was renewed in December 2003 and will expire in December 2007, while the one in Longueuil was renewed in April 2002 and will expire in May 2005.

Aerostructure Division

On June 4, 1999, the Company acquired Montréal-based Metro and C.A.T., thus creating the Aerostructure Division which, since the acquisition of Devtek, also incorporates Magtron Precision, a unit specializing in the manufacture of non airframe structural components. As of March 31, 2004, this Division employed 180 persons. In 2003/2004, the Aerostructure Division completed the transfer of its Metro plant operations to its facilities in Dorval. C.A.T. continues to operate from a 15,000-sq.-ft. owned plant, located in Montréal where it produces small to medium size aerostructure components

In April 2001, the Aerostructure Division completed the construction of a new, 77,000-sq.-ft. plant in Dorval, located close to the facilities of Bombardier, its largest customer. During the last three fiscal years, \$25.2 million were invested in capital expenditures in this Division, in part to acquire new five-axis gantries enabling Héroux-Devtek Aerostructure to manufacture larger and more complex structural components and sub-assemblies, such as those used in wings or fuselage of commercial aircraft. Héroux-Devtek Aerostructure's strategy is to develop and acquire further technology and know-how to be able to provide OEMs with more complex assembly services.

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

The recent acquisition of Progressive, which was completed on April 1, 2004, will complement the ability of the Company to manufacture large structural components for military aircraft OEM.

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

Héroux-Devtek Aérostructure is unionized and its collective agreement will expire in December 2004. C.A.T.'s collective agreement has been renewed in September 2003 and will expire in September 2009.

Magtron Precision

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

Progressive Incorporated

Progressive manufactures large structural components to military aircraft OEMs. It has been acquired by the Company on April 1, 2004 and will be gradually integrated into the other business units of the Aerostructure Division.

Gas Turbines Component Division

The Gas Turbines Component Division is a major supplier for aircraft and power generation engine manufacturers. In 2003/2004, due to the downturn in aerospace and power generation markets, the Company completed the consolidation of its gas turbine component production by merging and transferring its Tampa operations into its Cincinnati business unit, which was initiated in 2002/2003. The Division currently employs a total of 119 persons.

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

This division lies on large specialized turning and milling equipments, which can machine components measuring up to 144 inches in diameter and weighing up to 15 tons. Industry standards are extremely rigorous in that area; despite the components' imposing size, tolerances are exceedingly low. As a result, only a handful of companies throughout North America have the ability to produce such parts. The Company's Gas Turbine Components Division possesses all the necessary tooling and can count on the engineering personnel required to manufacture such specialized components.

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

The Cincinnati Site

This manufacturing site is home to the Division's general management. It specializes in the machining of precision components and assemblies for the power generation, aerospace and other industrial components. Since its acquisition by the Company in 1987, this site has invested in large and sophisticated machining equipment to improve service to its existing customers. These investments, coupled with the introduction of total quality management principles, have positioned the Cincinnati site as a long-term supplier to its major customers. This site operates out of two owned plants representing 70,000 square feet and 47,000 square feet, respectively.

The products manufactured by the Gas Turbine Division now fall into three main categories: large gas turbine components, aircraft engine parts and other components intended for various industrial markets. Major components for industrial gas turbines are mainly sold to customers in the power generation industry, aircraft engine parts are sold to the largest aircraft engine manufacturers in the world, while other mechanical components are used for computer data storage systems or other industrial segments.

For instance, the Division has been successful in developing new industrial segments consisting of heavy equipment. The similarity in the size of the components required for heavy equipment makes them compatible with the current large machining capability of the Division.

The Division also possesses the required tooling, including FMS systems (flexible manufacturing systems), to manufacture smaller components out of aluminum. The use of such machines allows for almost continuous machining, making this Division an extremely efficient manufacturer for such parts.

In addition, the Gas Turbine Component Division is using Six Sigma techniques for continuous process improvement. Six Sigma allows effective measurement of defects, as well as analysis for causes, suggested improvements, and controls, helping to produce near-perfect results, while focusing on issues that matter most to its customers. The Division is a partner of GE Power Systems to carry out Six Sigma projects on a continuous basis.

In June 2003, the Company completed the transfer of its A.B.A. manufacturing production in Tampa to its plants in Cincinnati.

Logistics and Defence Division

The Logistics and Defence Division operates a facility in Kitchener, Ontario and employs a total of 102 persons.

Diemaco

The government of Canada has selected Diemaco as the Canadian Center of Excellence for development, testing, production, and life cycle support of military small arms. Under this concept, Diemaco is the sole source supplier of all military small arms and related weapon systems and components for the Canadian Military. Diemaco, through the Canadian Commercial Corporation (which deals with government-to-government contracting), has been successful in winning major small arms re-equipment contracts in both the Netherlands and Denmark. Diemaco operates from a 44,000-sq.-ft. owned plant. Diemaco's sales are exclusively made to governments or government agencies.

The market for small arms is characterized by stringent government controls and by a relatively small number of manufacturers, many of which do business exclusively in their respective national markets. With governments being the sole customers, the market is captive and has a limited growth potential.

Business Management

The Company's divisions are operated as independent profit centers, thereby encouraging entrepreneurship and the involvement of every employee in each of the four divisions. Each division has the management, engineering, manufacturing, and marketing resources needed to meet the needs of its specific market segment. The growth and profitability of each division is under the supervision of a president.

The Company's head office is responsible for all financial and major business development decisions and provides each division with support in preparing strategic plans, developing new products and markets, and with assistance with public relations, financial controls and reporting, and capital expenditure programs. The head office currently employs 9 persons, including the Company's officers.

Management positions, plant locations and other corporate management information are provided in the following table:

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<p>HELMUT HOFMANN Chairman of the Board</p>		<p>RÉAL BÉLANGER Executive Vice-President and Chief Financial Officer</p>		<p>HELMUT HOFMANN Chairman of the Board</p>			
<p>GILLES LABBÉ President and Chief Executive Officer</p>		<p>GILLES LABBÉ President and Chief Executive Officer</p>					
<p>LANDING GEAR DIVISION</p>		<p>AEROSTRUCTURE DIVISION</p>		<p>GAS TURBINE COMPONENTS DIVISION</p>			
<p>GILLES LABBÉ President</p>				<p>ALVIN COOK President</p>			
<p>René Lalande Vice-President, Operations</p> <p>Yvon Castonguay Operations Manager Manufacturing/Procedures</p> <p>Martin Loïselle Operations Manager Repair & Overhaul</p> <p>LONGUEUIL 755 Thurber Street Longueuil (Québec) Canada J4H 3N2 Tel.: (450) 679-5450 Fax: (450) 679-4554</p> <p>Gaëtan Roy Plant Manager KITCHENER / DALS 1665 Highland Rd W. Kitchener (Ontario) Canada N2N 3K5 Tel.: (519) 576-8910 Fax: (519) 576-5119</p> <p>Daniel Normandin Plant Manager LAVAL 3675 Industrial Blvd Laval (Québec) Canada H7L 4S3 Tel.: (450) 629-3454 Fax: (450) 629-5682</p>		<p>Denis Trudel Plant Manager Aerostructure Division</p> <p>HÉROUX-DEVTEK AEROSTRUCTURE 123 Avro Street Dorval (Québec) Canada H9P 2Y9 Tel.: (514) 421-0344 Fax: (514) 421-0377</p> <p>Frédéric Gagné Operations Manager LES INDUSTRIES C.A.T. 11800 Adolphe-Caron Montréal (Québec) Canada H1E 7J3 Tel.: (514) 494-2335 Fax: (514) 494-8497</p> <p>Wolfgang Mildenberger Operations Manager MAGTRON 1480 Birchmount Rd Scarborough (Ontario) Canada M1P 2G2 Tel.: (416) 757-2366 Fax: (416) 752-4838</p> <p>Guinn D. Crousen President PROGRESSIVE INC. 1030 Commercial Blvd North Arlington, Texas 76001 Tel: (817) 465-3221 Fax: (817) 465-1289</p>		<p>Dave Cook Operations Manager CINCINNATI 382 Circle Freeway Drive Cincinnati (Ohio) U.S.A. 45246 Tel.: (513) 619-1222 Fax: (513) 619-1225</p> <p>189 Container Place Cincinnati (Ohio) U.S.A. 45246 Tel.: (513) 619-1222 Fax: (513) 619-1903</p>		<p>Jeff M^{ac}Leod General Manager DIEMACO 1036 Wilson Avenue Kitchener (Ontario) Canada N2C 1J3 Tel.: (519) 893-6840 Fax: (519) 893-3144</p>	

Properties

The Company operates 14 plants, 10 of which are located in Canada and 4 in the United States. The following table briefly describes the features of each plant:

<u>Location</u>	<u>Size</u>	<u>Use</u>	<u>Status</u>
Landing Gear Division			
Longueuil, Québec	140,000 sq.-ft.	Repair and overhaul of landing gear	Owned
Longueuil, Québec	51,400 sq.-ft.	Manufacture of landing gear	Owned
Laval, Québec	39,000 sq.-ft.	Manufacture, repair, and overhaul of hydraulic and mechanical actuators.	Owned
Kitchener, Ontario	72,000 sq.-ft.	Manufacture of landing gear components.	Owned
Gas Turbine Components Division			
Pinellas Park, Florida ⁽¹⁾ (2 plants)	87,000 sq.-ft.	The plants have ceased their manufacturing activities	Owned
Cincinnati, Ohio (2 plants)	117,000 sq.-ft.	Manufacture of gas turbine and other industrial components	Owned
Aerostructure Division			
Dorval, Québec	77,000 sq.-ft.	Manufacture of large aerostructure components	Owned
Montréal, Québec ⁽²⁾ (2 plants)	32,000 sq.-ft.	The plants have ceased their manufacturing activities	Owned
Montréal, Québec	15,000 sq.-ft.	Manufacture of aircraft structural components	Owned
Scarborough, Ontario	36,000 sq.-ft.	Production of precision hardware for the defence and aerospace industries	Leased
Texas, United States ⁽³⁾	142,500 sq. - ft.	Manufacturing of large aerostructure components	Two owned and one leased
Logistics and Defence Division			
Kitchener, Ontario	44,000 sq.-ft.	Production of military small arms	Owned

(1) Production was transferred to Cincinnati, Ohio and the facilities are currently for sale.

(2) Production was transferred to Dorval. One plant is currently in process of being sold, while the other is currently for sale.

(3) Three manufacture and warehouse facilities acquired on April 1, 2004 (the acquisition of Progressive).

Competition

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

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

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

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

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

The market for small arms, in which the Company's Logistics and Defence operates (through Diemaco) is a highly regulated market with a limited number of competitors.

Marketing Approach

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

For the Gas Turbine Components and Aerostructure Divisions, entering an aircraft development program at the beginning of the design phase is also a means of getting 'built-to-print' business.

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

Each of the Company's four divisions is responsible for its own sales. They all have tailored their sales activities and development strategies according to the unique attributes of each specific market in which they operate. Landing Gear and Aerostructure Division share a common sale and marketing team.

Several sales representatives are appointed throughout the Company's four divisions to ensure optimal representation of the Company on a customer by customer basis as well as in each

geographic area. Most of the Company's sales activities are aimed toward North American customers.

Customer Base

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

In the power generation and aircraft engines market, the Company's most prominent and principal customers are GE Power Systems, GE Aircraft Engines, Siemens-Westinghouse, and SNECMA.

The Logistic and Defence Division's sales (through Diemaco) are made exclusively to NATO countries, either to their army or law-enforcement brigades.

Other industrial customers of the Gas Turbine Components Division include mainly Storage Technology and Caterpillar Inc.

Principal Customers

Héroux-Devtek sells mainly into the aftermarket, where its principal customers are the U.S. Air Force and Navy and to original equipment manufacturers (OEMs) such as General Electric Company, Boeing and Bombardier. In fiscal 2004, sales to these principal customers represented approximately 63% of the Company's total sales. The U.S. government obtains products and services from the Company through the U.S. Air Force and U.S. Navy. The General Electric Company procures the Company's products mostly through its subsidiaries, GE Power Systems, and GE Aircraft Engines.

No other customers accounted for more than 10% of the Company's consolidated sales in the fiscal year ended March 31, 2004.

Research and Development

The majority of the Company's R&D costs for the year ended March 31, 2004 were incurred by the Landing Gear Division. They usually relate to specific development programs and are therefore included in these programs' costs.

Environmental Matters

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

There are no material environmental issues associated with the Company's business, except for the Landing Gear Division's Longueuil plant, which shows a certain degree of chromium and cadmium contamination resulting from a plating tank leakage which occurred in 1997. This problem has been reported to the Québec Ministry of Environment ("MENV") when identified.

Furthermore, in 2003/2004, the Company proceeded with the replacement of a secondary containment following a notice of violation issued by the MENV in July 2002 in connection with a former secondary containment. The MENV inspected and approved the replacement.

Risk Factors

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

Risks Associated With Contracts

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

Risks Associated With Raw Materials

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

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

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

The main material used by the Aerostructure Division is aluminum. Due to the large quantities of aluminum required when building an aircraft, OEMs will often negotiate the raw material's price and supply directly with its suppliers. Sub-contractors such as the Company often benefit from these agreements, as they can obtain all the raw material required to fulfill their obligations with the OEMs directly from their supplier, at the OEM price. The aerospace industry has experienced

aluminum shortages in the recent past. However, on these occasions, the Aerostructure Division has always been able to negotiate with OEMs a proper supply of raw material.

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

The Company also makes use of titanium, albeit in less than 10% of its manufacture components. To date, the Company has been able to procure all the required raw material at market value, without experiencing any major or specific shortages.

Risks Associated with Foreign Operations and Sales Made Outside Canada

During the fiscal year ended March 31, 2004, 72% of the Company's sales (compared to 73% for the preceding year) were made outside Canada, including 64% in the U.S. Accordingly, the majority of sales made outside Canada are in U.S. currency. Management made every effort to hedge against the risks associated with U.S. exchange rates with forward foreign exchange contracts. As at March 31, 2004, the Company had entered into forward foreign exchange contracts totaling U.S.\$103.1 million to sell U.S. dollars at an average rate of CAN\$1.4089 at different dates between April 2004 and October 2008. The Company's Landing Gear Division accounts for the majority of export sales.

The following tables shows the distribution of sales by countries of origin and countries of destination over the periods indicated.

Sales Originated From:	Fiscal Years Ended March 31 (%)			
	Pro Forma ⁽¹⁾			
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Canada	65	80	80	72
U.S.A.	35	20	20	28
Total:	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Sales Destined To:	Fiscal Years Ended March 31 (%)			
	Pro Forma ⁽¹⁾			
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Canada	22	28	27	26
U.S.A	71	64	65	64
Other	7	8	8	10
Total:	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

⁽¹⁾ Based on the Company's actual results as at March 31, 2004 and including the \$50 million current annual sales of Progressive acquired on April 1, 2004.

Distribution of Revenues Among the Company's Divisions

The following table shows the revenues for each of the Company's four operating divisions over the periods indicated:

Divisions:	Fiscal years ended March 31 (in thousands of \$)			
	Pro Forma ⁽¹⁾			
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Landing Gear	127,356	127,356	161,252	174,534
Aerostructure	72,983	22,983	23,986	23,503
	200,339	150,339	185,238	198,037
Gas Turbine Components	42,339	42,339	52,486	89,370
Logistics and Defence	20,531	20,531	22,907	28,873
Total:	<u>263,209</u>	<u>213,209</u>	<u>260,631</u>	<u>316,280</u>

⁽¹⁾ Based on the Company's actual results as at March 31, 2004 and including the \$50 million current annual sales of Progressive acquired on April 1, 2004.

Sales by Market Segments

The following table shows the distribution of sales by activity segment over the periods indicated.

Segment:	Fiscal years ended March 31 (as a %)			
	Pro Forma ⁽¹⁾			
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Aerospace and Defence				
Military (aerospace)	25	29	30	24
Defence	9	12	10	10
Civilian (aerospace)				
• military products ⁽²⁾	26	10	10	5
• commercial products ⁽³⁾	32	39	38	41
	92	90	88	80
Industrial				
Gas turbines	6	8	10	18
Others	2	2	2	2
	8	10	12	20
Total:	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

⁽¹⁾ Based on the Company's actual results as at March 31, 2004 and including the \$50 million current annual sales of Progressive acquired on April 1, 2004.

⁽²⁾ Aerospace military products sold directly to governments.

⁽³⁾ Aerospace products sold directly to commercial customers.

ITEM 4: SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information of the Company should be read in conjunction with the Company's Audited Consolidated Financial Statements for the fiscal year ended March 31, 2004 (filed on SEDAR at www.sedar.com), which are hereby incorporated by reference in, and form part of, this Annual Information Form.

Fiscal years ended March 31
(in thousand of \$)

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Sales	213,209	260,631	316,280
Restructuring charges and goodwill impairment, net of income tax recovery	(694)	(6,467)	-
EBITDA ⁽¹⁾	12,489	25,543	42,922
Net income (loss)	(2,212)	154	17,424
Earnings per share (\$): Basic	(0.09)	0.01	0.72
Diluted	(0.09)	0.01	0.72
Total assets	283,054	289,067	299,637
Long-term debt	59,464	63,650	59,565
Cash and temporary investments	58,560	52,972	55,966

⁽¹⁾ Represents the Company's net income before amortization, income taxes (or income tax recovery), restructuring charges and goodwill impairment, and financial expenses.

ITEM 5: DIVIDENDS

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

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

ITEM 6: MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to the Management's Discussion and Analysis of the Company's for fiscal year ended March 31, 2004 (filed on SEDAR at www.sedar.com), which is hereby incorporated by reference in, and forms part of, this Annual Information Form.

ITEM 7: DESCRIPTION OF CAPITAL STRUCTURE

Authorized Share Capital

The Company's authorized capital consists of an unlimited number of Common Shares, 23,401,559 of which were outstanding as at March 31, 2004 and an unlimited number of First Preferred Shares and Second Preferred Shares (collectively the "**Preferred Shares**"), none of which are outstanding.

Preferred Shares

The First Preferred Shares and the Second Preferred Shares are issuable at any time in one or more series as the Company's Board of Directors may determine. The Preferred Shares, when issued, shall have preference over the Common Shares with respect to the payment of dividends and return of capital. The Second Preferred Shares shall rank junior to the First Preferred Shares

with respect to payment of dividends and return of capital. Subject to the provisions of the *Companies Act* (Québec), the holders of Preferred Shares are neither entitled to receive notice of or attend any meeting of shareholders of the Company, nor to vote at any such meeting.

Common Shares

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

ITEM 8: MARKET FOR SECURITIES

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

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u> (Common Shares)
<u>2003</u>			
April	3.40	3.00	370,698
May	4.25	3.00	163,496
June	5.20	4.03	472,235
July	5.60	4.33	166,750
August	5.34	4.50	135,854
September	6.00	5.10	174,324
October	5.86	5.10	213,796
November	5.25	4.75	775,519
December	5.50	4.85	724,059
<u>2004</u>			
January	5.60	5.00	504,667
February	5.35	4.91	189,098
March	5.10	4.80	368,751

ITEM 9: ESCROWED SHARES

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

ITEM 10: DIRECTORS AND EXECUTIVE OFFICERS

The names and municipalities of residence of the directors and executive officers of the Company, their principal occupations and the year in which each director first became a director are set out below. Each of the directors has served continuously as a director since the date he was first elected or appointed. The present term of each director will expire immediately prior to the election of directors at the next Annual General Meeting of Shareholders, which is scheduled for September 2, 2004.

Director's Name and Municipality of Residence	Principal Occupation	Director Since	Number of Common Shares held as at March 31, 2004
Helmut Hofmann ⁽¹⁾ Unionville, Ontario	Chairman of the Board Héroux-Devtek Inc.	2000	896,294 ⁽³⁾
Gilles Labbé ⁽⁶⁾ St-Bruno, Québec	President and Chief Executive Officer, Héroux-Devtek Inc.	1985	5,208,500 ⁽⁴⁾
Jean-Louis Fontaine ⁽¹⁾ Westmount, Québec	Vice-Chairman of the Board and Director, Bombardier Inc.	1990	21,000
Claude Boivin ⁽¹⁾ St-Lambert, Québec	Consultant and member of various boards of directors	1994	16,000
Pierre Marcouiller ⁽²⁾ Magog, Québec	Chairman of the Board and Chief Executive Officer, Camoplast Inc.	1998	3,400
John M. Cybulski Charlotte, North Carolina	Principal, Aeroglobe LLC	2004	—
Christian Dubé ⁽²⁾ Nuns' Island, Québec	Vice-President and Chief Financial Officer, Cascades Inc.	2004	—
Brian A. Robbins ⁽²⁾ Aurora, Ontario	President and Chief Executive Officer, Exco Technologies Limited	2000	40,000 ⁽⁵⁾

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

⁽²⁾ Member of the Audit Committee.

⁽³⁾ 544,293 Common Shares included in this number are held by H. Hofmann Management Inc., a company controlled by Mr. Hofmann.

⁽⁴⁾ 5,029,000 Common Shares included in this number are held by 2635-6246 Québec inc. and by 2945-0228 Québec inc., companies controlled by Mr. Gilles Labbé. This number also include 525,000 Common Shares subscribed on April 1, 2004 by Mr. Gilles Labbé in connection with the Private Placement.

⁽⁵⁾ Held by 55319 Ontario Limited, a corporation wholly owned by Mr. Brian A. Robbins.

⁽⁶⁾ Mr. Labbé attends the Human Resources and Corporate Governance Committee meetings. However, he does not take part in deliberations respecting corporate governance matters or its own compensation.

Executive Officer's Name	Position in the Company	Number of Common Shares
Réal Bélanger Laval, Québec	Executive Vice-President, Chief Financial Officer	52,628
Alvin Cook West Chester, Ohio	President, Gas Turbine Components Division	—
Patrice Gauvin Longueuil, Québec	Vice-President, Business Development	400
Jacques Paquin Beaconsfield, Québec	Corporate Secretary	4,792

During the past five years, all directors and executive officers of the Company have been engaged in the same principal occupation or other executive capacities as disclosed above, except for Mr. Helmut Hofmann, who was Chairman of the Board and Chief Executive Officer of Devtek from 1981 to June 12, 2000, for Mr. Pierre Marcouiller, who was Chairman and Chief Operating Officer of Venmar Ventilation Inc. from 1986 to 1996 and a private investor from 1997 to June 2000, for Mr. Christian Dubé, who was Senior Vice-President and Chief Financial Officer of

Domtar Inc. from 1998 until joining Cascades Inc. in 2004, and for Mr. Jacques Paquin, who was Director of the Company before being nominated as Corporate Secretary of the Company in September 2002.

As at March 31, 2004, the directors and executive officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control or direction over 5,725,222 Common Shares representing approximately 24.5% of the outstanding Common Shares of the Company.

Pursuant to a shareholders agreement between Gilles Labbé (the Chairman of the Board and Chief Executive Officer of the Company), 2635-6246 Québec Inc. (a corporation wholly-owned by Gilles Labbé), the Caisse de depot et placement du Québec (the “**Caisse**”) (collectively the “**Shareholders**”) and the Company dated August 29, 1989, as amended on December 7, 1994 by supplemental agreement between the Shareholders, 2945-0228 Quebec Inc. and the Company (the “**Shareholders Agreement**”), the Shareholders enjoy rights of first refusal among themselves and the Company has granted rights of preemption in favour of the Shareholders. The Shareholders Agreement also provides that the parties must exercise the voting rights attached to their shares so as to cause a certain number of nominees of the Caisse (which number is dependent on the Caisse’s participation in the share capital of the Company and is never to be inferior to one) to be elected to the Board of Directors of the Company. The Shareholders Agreement further provides that the approval of the Shareholders shall be required for certain decisions of the Company relating *inter alia* to: changes in the nature of the operations of the Company and its subsidiaries; amendments to the Company’s Articles or changes to its capital structure; the granting of financial assistance; and, in certain circumstances, the distribution of assets by the Company or its subsidiaries, the approval of capital expenditures, the declaration of dividends and investments in non-related businesses and acquisitions.

ITEM 11 THE AUDIT COMMITTEE

The Audit Committee’s Charter

The Board of Directors of the Company has established an audit committee (the “**Audit Committee**”). The written charter of the Audit Committee that sets out its mandate and responsibilities was first adopted in February 1996, then modified in April 2000 and revised on November 2002, and finally approved by the Board of Directors on February 18, 2003. See Schedule A to this Annual Information Form for the complete text of the Audit Committee’s Charter.

Composition of the Audit Committee

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

Relevant Education and Experience

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

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

Pierre Marcouiller

Mr. Marcouiller is a Director of the Company and a member of the Audit Committee since 1998. His principal occupations are currently Chairman of the Board and Chief Executive Officer of Camoplast Inc. In 1996, he founded Nexcap Inc. He joined Venmar Ventilation in 1982, and had been its President and Chief Executive Officer from 1986 until 1996. In 1991, following a management buyout that he was part of, he became the controlling shareholder of the company.

Mr. Marcouiller is currently member of the boards of directors of Exfo Inc. and Procycle Inc., and is also member of several business associations.

Mr. Marcouiller holds a Master in Business Administration (MBA) from the University de Sherbrooke, Québec.

Brian A. Robbins

Mrs Robbins is a Director of the Company and a member of the Audit Committee since 2000. His principal occupation is currently President and Chief Executive Officer of Exco Technologies Limited. In 1980, he joined Unex Enterprises Ltd. of which he had been President. He is a former Director of Ontario Power Generation Inc., TecSyn International, Inc., Telepanel Systems Inc., Allgoods Inc. and Noma Industries Inc.

Mr. Robbins is currently member of the board of directors of AirBoss of America Corp. and is member of several associations and clubs.

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

Christian Dubé

Mr. Dubé is a Director of the Company since April 1, 2004 and was appointed member of the Audit Committee on May 10, 2004. His principal occupation is currently Vice-President and Chief Financial Officer of Cascades Inc. since May 2004. Previously, he was Senior Vice-

President and Chief Financial Officer of Domtar Inc. since 1998. Before joining Domtar Inc., Mr. Dubé was Principal with a major international accountancy firm and was active in M&A and financing for its international clients.

Mr. Dubé is currently member of the Management Committee of Cascades Inc. and is also member of the boards of directors of NB Capital Corporation and Microcell Telecommunications Inc.

Mr. Dubé is a Chartered Accountant since 1979 and a member of the Canadian Institute of Chartered Accountant. He holds a Bachelor's Degree in business administration from the University Laval, Québec.

Pre-Approved Policies

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

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

Audit Services

- Examination of the Company's annual consolidated financial statements;
- Examination of the annual financial statements of certain related entities or groups;
- Review of the Company's AIF, MD&A, Management Proxy Circular and other annual filing documents;
- Review of the Company's prospectuses or other financing documents and issuance of appropriate consent, comfort or other required letters to interested parties;
- Accounting research and consultations on the application of GAAP;

Audit Related Services

- Examination of the annual financial statements of the employee pension plans;
- Special reports to 3rd parties required to comply with various contractual or other obligations of the Company or any of its subsidiaries or affiliates;
- Special audits on control procedures;
- Due diligence services to assist management in the context of business investment or divestiture decisions;
- Advisory services in preparation for compliance under Bill 198;

Taxation Services

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

Other Services not Specifically Prohibited

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

Prohibited Services

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

- Bookkeeping and accounting services;
- Internal audit services (other than non-recurring, discrete services, items or programs);
- Expert services/litigation support (other than special or forensic investigations);
- IT systems services related to financial systems;
- Actuarial services (other than special reviews in a non financial context);
- Valuation services (other than for non financial purposes i.e. transfer pricing or other tax-only purposes or other limited circumstances);
- Legal services and any other advocacy services;
- Management functions;
- Human resource services (other than tax planning and compliance services).

External Auditors Services Fees

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

	Fiscal year ended March 31	
	<u>2004</u>	<u>2003</u>
Audit Fees	\$225,000	\$233,000
Audit Related Fees	\$203,000	\$134,000
Tax Fees	\$280,000	\$278,000
All Other Fees	\$—	\$—

ITEM 12: LEGAL PROCEEDINGS

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

ITEM 13: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTION

Gilles Labbé, the President and Chief Executive Officer of the Company purchased 525,000 subscription receipts of the Company, pursuant to the Private Placement by the Company of 3,500,000 subscription receipts, each subscription receipt entitling the holder thereof to receive one Common Share upon the completion of the acquisition of Progressive (each a "**Subscription Receipt**"). In connection with the Private Placement, Capital d'Amérique CDPQ ("**CDPQ**") which beneficially owns 12.38% of the issued and outstanding Common Shares purchased 433,433 Subscription Receipts and Natcan Investment Management Inc. ("**Natcan**") which beneficially owns 11.02% of the issued and outstanding Common Shares purchased 400,000 Subscription Receipts. On April 1, 2004, Subscription Receipts held by Gilles Labbé, CDPQ and Natcan were exchanged for Common Shares on a basis of one-for-one in accordance with the terms of the Private Placement.

ITEM 14: TRANSFER AGENTS AND REGISTRARS

The transfer agents for the Common Shares of the Company are National Bank Trust (for the Province of Québec) at its principal place of business in the city of Montréal, Québec, and Natcan Trust Company (for the rest of Canada) at its principal place of business in the city of Toronto, Ontario. The registrar for the Common Shares of the Company is National Bank Trust at its principal place of business in the city of Montréal, Québec.

ITEM 15: MAJOR CONTRACTS

The only material contract entered into by the Company, other than contracts entered into in the ordinary course of business, within the most recently completed financial year, is the following. In connection with the acquisition of Progressive, which acquisition closed on April 1, 2004, the

Company, through its indirect wholly-owned subsidiary HDA Aero Acquisition Co., entered into a Asset Purchase Agreement and Plan for Merger dated February 24, 2004 with Progressive, Promilling L.P. (now known as Crousen Holdings Partners L.P.), Guinn Dale Crousen and Buddie Ray Langford.

ITEM 16: ADDITIONAL INFORMATION

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities, and interests of insiders in material transactions, where applicable, is contained in the Company's Management Proxy Circular to be dated July 22, 2004 and prepared in connection with the Annual Meeting of Shareholders of the Company, to be held on September 2, 2004. Additional information is provided in the Company's comparative financial statements and MD&A for its most recently completed fiscal year.

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

- a) when the securities of the Company are in the course of a distribution under a preliminary short form prospectus or a short form prospectus:
 - (i) a copy of this Annual Information Form together with one copy of any document (or the relevant pages of any document) incorporated by reference therein;
 - (ii) a copy of the comparative financial statements of the Company for its most recently completed fiscal year, together with the accompanying report of the auditors thereon, and one copy of any interim financial statements of the Company that has been filed subsequent to the financial statements for its most recently completed fiscal year;
 - (iii) a copy of the Company's Management Proxy Circular with respect to the Company's most recent shareholders' meeting that involved the election of directors; and
 - (iv) a copy of any other document incorporated by reference into the preliminary short form prospectus or the short form prospectus that is not required to be provided under (i), (ii), or (iii) above; or
- b) at any other time, a copy of any document referred to in (a)(i), (ii), and (iii) above, provided that the Company may require the payment of a reasonable charge if the request is made by a person or a company who or which is not a security holder of the Company.

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

SCHEDULE A
CHARTER OF THE AUDIT COMMITTEE

1 MISSION

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

1.1.1 selecting and recommending the external auditors and reviewing their independence and effectiveness;

1.1.2 reviewing:

- (i) the financial statements;
- (ii) the processes for presenting financial information;
- (iii) the internal controls;
- (iv) the audit processes;
- (v) the management information systems; and
- (vi) the financial risk management processes and control methods for managing such risks;

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

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

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

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

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

2 COMPOSITION

2.1 The Audit Committee is comprised of at least three (3) members appointed annually by the Board of Directors from among the Company's directors.

2.2 All the Audit Committee members shall be unrelated within the meaning of the applicable requirements of the Toronto Stock Exchange.

- 2.3 No officer or employee of the Company or of a subsidiary of the Company shall be a member of the Audit Committee.
- 2.4 All the Audit Committee members shall have a “basic knowledge of financial matters” in that they shall have the ability to read and understand financial statements, a balance sheet, an income statement and a cash-flow statement.
- 2.5 At least one Audit Committee member shall have “related accounting or financial expertise” acquired either through previous work experience in finance or accounting, through the required professional certification in accounting, or through any other comparable experience or training giving him financial sophistication, such as being or having been a chief executive officer or chief financial officer of a company, or having held another position with a company as a senior executive with financial oversight responsibilities. This member shall have the ability to analyze and interpret a complete set of financial statements, including the accompanying notes, in accordance with Canadian generally accepted accounting principles.

3 CHAIRPERSON

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

4 SECRETARY

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

5 HOLDING AND CALLING OF MEETINGS

- 5.1 The Audit Committee meets at least once per quarter and the Audit Committee's meetings are held on the dates and at the time and place fixed by the Board of Directors. The Committee members shall be notified annually in writing of the dates, times and places of the Committee meetings, without any other notice being required.
- 5.2 An off-schedule meeting may be called at any time by the Audit Committee chairperson, the Chairman of the Board, the President and Chief Executive Officer, one of the members of the Audit Committee, the Executive Vice-President and Chief Financial Officer, the Corporate Secretary or an assistant corporate secretary of the Company, and by the external auditors and auditors in charge of the internal audit function.

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

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

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

6 QUORUM

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

7 MINUTES

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

8 VACANCY

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

9 HIRING OF EXTERNAL ADVISORS

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

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

10 DUTIES AND RESPONSIBILITIES

The Audit Committee's duties are as follows:

10.1 Internal control

- 10.1.1 review the mandate of the internal audit function on an annual basis and ensure that it has the resources necessary to fulfill its mandate and the responsibilities set for it;
- 10.1.2 if the internal audit function has been outsourced in whole or in part to an external consulting firm, make recommendations to the Company's Board of Directors on the appointment of such consultants and their compensation;
- 10.1.3 require management to set up and maintain appropriate internal control policies and mechanisms, and review, evaluate and approve such policies and mechanisms;
- 10.1.4 evaluate the effectiveness of the Company's internal control policies and mechanisms with the Executive Vice-President and Chief Financial Officer, or any other officer or employee of the Company exercising responsibility for the internal audit function;
- 10.1.5 review the report(s) of the internal audit group on a quarterly or annual basis and ensure that the necessary measures are taken to follow up on the suggestions arising from such report(s);
- 10.1.6 review the recommendations of the Company's management and recommend to the Board of Directors the appointment or removal of an officer responsible for the internal audit function of the Company;
- 10.1.7 review and approve the annual internal audit plan and ensure the independence and effectiveness of this function;
- 10.1.8 require that the internal audit function be free of any influence which could interfere with its ability to carry out its responsibilities in an objective manner and, to this end, obtain disclosure from management of the services other than internal auditing provided to the Company by the consultants to whom this function has been outsourced;

- 10.1.9 evaluate the overall performance of the external consultants to whom the internal audit function has been outsourced, whether in whole or in part, including the other services rendered by these consultants, and analyze the effect of such services on their independence;
 - 10.1.10 ensure that there is effective cooperation between internal auditing and the external auditors of the Company;
 - 10.1.11 meet, in the absence of management, with the Company's officer in charge of the internal audit function, or the external consultant to whom this function has been outsourced;
 - 10.1.12 review any management representation letters on the internal financial systems and controls addressed to the external auditors;
 - 10.1.13 review and comment to the Board of Directors on all related-party transactions;
 - 10.1.14 review any change in the Company's code of ethics for senior financial officers;
 - 10.1.15 review the recommendations made by the regulatory bodies or external or internal auditors and report to the Board of Directors;
- 10.2 External auditors
- 10.2.1 submit recommendations to the Company's Board of Directors for the appointment and compensation of the external auditors;
 - 10.2.2 review and discuss the external auditors' detailed report on all the factors influencing their independence and objectivity; make recommendations for measures to be taken by the Board of Directors to ensure the independence of the external auditors;
 - 10.2.3 review the nature and scope of the work of the Company's external auditors and recommend to the board their compensation;
 - 10.2.4 meet with the external auditors and management to discuss the annual financial statements or transactions which may be detrimental to the sound financial situation of the Company;
 - 10.2.5 discuss with the external auditors not only the acceptability but also the quality of the accounting principles followed by the Company in its financial reports;
 - 10.2.6 review the Company's guidelines for awarding professional services contracts to the external auditors outlining the criteria and levels of authorization required for types of services other than auditing which the external auditors are authorized to offer the Company;
 - 10.2.7 review the annual letter of recommendation on internal control by the Company's external auditors and follow up on the measures subsequently taken by management;

- 10.2.8 meet the Company's external auditors on a regular basis, in the absence of the management; and
 - 10.2.9 evaluate the overall performance of the external auditors, including the auditing services and non-auditing services, and analyze the effect of these services on the auditors' independence;
- 10.3 Financial information
- 10.3.1 review the Company's quarterly and annual consolidated financial statements after the review or audit thereof by the external auditors, and recommend their approval to the Company's Board of Directors; review the unaudited financial statements of certain subsidiaries as appropriate;
 - 10.3.2 obtain an annual report from management, which may be in either oral or written form, on the accounting principles used in the preparation of the Company's financial statements, including those policies for which management is required to exercise discretion or judgment regarding the implementation thereof;
 - 10.3.3 annually review separately with each of management, the external auditors and the internal audit group (a) any significant disagreement between management and the external auditors or the internal audit group in connection with the preparation of the financial statements, (b) any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and (c) management's response to each;
 - 10.3.4 annually or periodically, as appropriate, review any significant changes to the Company's accounting principles and financial disclosure practices as suggested by the external auditors, management or the internal audit group; review with the external auditors, management and the internal audit group, at appropriate intervals, the extent to which any changes or improvements in accounting or financial practices, as approved by the Audit Committee, have been implemented;
 - 10.3.5 review all the investments and transactions which may be detrimental to the Company's sound financial situation, when they are brought to its attention by the external auditors or an officer;
 - 10.3.6 review and recommend the approval to the Board of Directors of the informational documents containing financial information, whether audited or unaudited, in particular, management's analysis of the financial situation and operating results, the annual information form and the press releases concerning the publication of the Company's quarterly and annual consolidated financial statements;
 - 10.3.7 review and discuss with management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations) commitments and other relationships of the Company or any of its subsidiaries with unconsolidated entities or other persons, that may have a material current or future effect on the financial condition, changes in the financial condition, results of operations, liquidity, capital resources or significant components of revenues or expenses;

- 10.3.8 enquire with management concerning any significant changes adopted by bodies such as the stock exchanges or securities commissions, as well as changes to accounting standards that may have an effect on the preparation or disclosure of the financial statements of the Company or its subsidiaries, and inform the Board of Directors thereof where appropriate; and
- 10.3.9 review the report of management on any dispute, notice of assessment or any other claim of a similar nature which may have a material effect on the Company's financial situation, and ensure that these material claims are correctly disclosed in the financial statements;

10.4 Miscellaneous

- 10.4.1 exercise any other function entrusted to it by the Board of Directors and make such recommendations to it as it considers appropriate on the subjects within its competence.