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SECOND QUARTER ENDED
SEPTEMBER 30, 2005

Quarterly report

HÉROUX DEVTEK

message to shareholders

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

I am pleased to report that our sales for the period were up 9.0% to $62.3 million, compared to the same period a year ago. Both of our segments contributed to the overall growth, with the Aerospace segment experiencing an increase in sales of 9.0% and the Industrial segment of 9.3%. Landing Gear sales were the main driver for the quarter's sales growth in the Aerospace segment, which segment accounts for 91% of our total sales. Landing Gear sales growth came mainly from the commercial markets but also from the military markets.

We also made progress in terms of profitability. Increased business volume in each segment and improved pricing resulted in a significant increase in our gross profit for the quarter compared to the second quarter of the last fiscal year. As a percent of sales, our gross profit for the quarter was 7.8% compared to 4.8% for the same quarter last year. This contributed significantly to the reduction in the net loss from continuing operations, which was $0.3 million for the quarter, $1.5 million less than the net loss from continuing operations for the second quarter last year. As discontinued operations had no impact on this quarter's results, the Company's net loss for the second quarter was also $0.3 million or $0.01 per share, compared to a net loss of $1.6 million or $0.06 per share for the second quarter of fiscal 2005.

Our single most important objective this year is a return to profitability. We have begun to reap the benefits of improving market conditions, which led to an increase in second quarter results over last year. As well, over the past several months, we have been able to announce a number of multi-year contracts that we have been awarded from customers such as Lockheed Martin, Boeing, Goodrich and the United States Air Force, which are worth approximately $185 million in total. In the current environment of improving market conditions, we expect the financial performance of the Company to continue to improve through the second half of this year as we execute the operational initiatives embedded in our business plan.

We are also taking steps to strengthen the financial position of the Company. On October 27, 2005, we announced that the Company entered into an Underwriting arrangement to sell common shares for net proceeds of approximately $15.5 million.

We look forward to reporting back to you on our progress over the coming quarters.

Gilles Labbé
President and Chief Executive Officer
November 2, 2005

consolidated financial statements

for the periods ended september 30, 2005 and 2004

CONSOLIDATED BALANCE SHEETS

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

	Notes	September 2005	March 2005
Assets	5		
Current assets			
Cash and cash equivalents		$ 8,403	$ 9,550
Accounts receivable		37,824	35,955
Income taxes receivable		5,881	2,660
Other receivables		3,942	6,671
Inventories		75,794	71,726
Prepaid expenses		1,919	828
Future income taxes		7,337	7,211
Other current assets		1,837	2,339
Discontinued operations	3	–	7,834
		142,937	144,774
Property, plant and equipment, net		96,766	103,294
Finite-life intangible assets, net		9,934	11,023
Other assets		841	1,092
Future income taxes		5,957	7,572
Goodwill		35,431	35,276
Discontinued operations	3	–	9,099
		$ 291,866	$ 312,130
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 64,261	$ 65,932
Income taxes payable		2,136	994
Future income taxes		1,556	1,329
Current portion of long-term debt	5	17,977	20,185
Discontinued operations	3	–	9,266
		85,930	97,706
Long-term debt	5	53,912	65,660
Other liabilities		7,578	7,613
Future income taxes		10,797	9,820
Discontinued operations	3	–	1,650
		158,217	182,449
Shareholders' Equity			
Capital stock	6	87,331	87,269
Contributed surplus	6	436	340
Cumulative translation adjustment		(7,684)	(5,338)
Retained earnings		53,566	47,410
		133,649	129,681
		$ 291,866	$ 312,130

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

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

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

	Notes	Quarters ended September 30 2005	2004 (Restated, Note 3)	Six months ended September 30 2005	2004 (Restated, Note 3)
Sales		$ 62,303	$ 57,165	$ 116,220	$ 109,483
Cost of sales		53,194	49,965	100,764	94,938
Amortization		4,255	4,460	8,541	8,805
Gross profit		4,854	2,740	6,915	5,740
Selling and administrative expenses		3,206	4,342	7,359	8,886
Operating Income (loss)		1,648	(1,602)	(444)	(3,146)
Financial expenses	5	1,211	1,010	2,325	1,454
Income (loss) before income taxes (recovery) and discontinued operations		437	(2,612)	(2,769)	(4,600)
Income taxes (recovery)		693	(878)	(81)	(1,426)
Net loss from continuing operations		(256)	(1,734)	(2,688)	(3,174)
Net income from discontinued operations	3	–	173	8,844	297
Net income (loss)		$ (256)	$ (1,561)	$ 6,156	$ (2,877)
Loss per share from continuing operations – basic and diluted		$ (0.01)	$ (0.06)	$ (0.10)	$ (0.12)
Earnings per share from discontinued operations – basic and diluted		$ –	$ –	$ 0.33	$ 0.01
Earnings (loss) per share – basic and diluted		$ (0.01)	$ (0.06)	$ 0.23	$ (0.11)
Weighted average number of shares outstanding during the periods		26,968,367	26,931,202	26,963,953	26,917,135

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the periods ended September 30, 2005 and 2004
(In thousands of dollars) (Unaudited)

	Quarters ended September 30 2005	2004	Six months ended September 30 2005	2004
Balance at beginning of period	$ 53,822	$ 48,223	$ 47,410	$ 49,539
Net Income (loss)	(256)	(1,561)	6,156	(2,877)
Balance at end of period	$ 53,566	$ 46,662	$ 53,566	$ 46,662

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the periods ended September 30, 2005 and 2004
(In thousands of dollars) (Unaudited)

	Notes	Quarters ended September 30 2005	Quarters ended September 30 2004 (Restated, Note 3)	Six months ended September 30 2005	Six months ended September 30 2004 (Restated, Note 3)
Cash and cash equivalents provided by (used for):					
Operating activities					
Net loss from continuing operations		$ (256)	$ (1,734)	$ (2,688)	$ (3,174)
Items not requiring an outlay of cash:					
Amortization		4,255	4,460	8,541	8,805
Future income taxes		941	(1,050)	1,264	(1,640)
Loss (gain) on sale of property, plant and equipment		–	–	(6)	7
Amortization of deferred financing costs	5	82	71	164	145
Gain on financial derivative instrument	5	–	–	–	(528)
Amortization of net deferred loss related to financial derivative instrument	5	35	39	70	80
Accretion expense of asset retirement obligation		47	50	94	100
Stock-based compensation	6	52	48	96	91
Cash flows from continuing operations		5,156	1,884	7,535	3,886
Net change in non-cash items related to operations	8	(1,724)	(6,235)	(9,225)	(14,198)
Cash and cash equivalents provided by (used for) operating activities		3,432	(4,351)	(1,690)	(10,312)
Investing activities					
Net change in temporary investments		–	4,972	–	–
Purchase of property, plant and equipment and finite-life intangible assets		(1,552)	(2,330)	(2,730)	(6,655)
Proceeds on disposal of property, plant and equipment		7	–	13	793
Business acquisition, net of cash acquired	2	(2,335)	(8,141)	(2,335)	(71,695)
Proceeds from the sale of a business	3	(137)	–	19,035	–
Cash and cash equivalents provided by (used for) investing activities		$ (4,017)	$ (5,499)	$ 13,983	$ (77,557)

CONSOLIDATED STATEMENTS OF CASH FLOWS (cont'd)

For the periods ended September 30, 2005 and 2004
(In thousands of dollars) (Unaudited)

	Notes	Quarters ended September 30 2005	Quarters ended September 30 2004 (Restated, Note 3)	Six months ended September 30 2005	Six months ended September 30 2004 (Restated, Note 3)
Financing activities					
Increase in long-term debt	5	$ 5,963	$ 7,000	$ 5,963	$ 43,598
Repayment of long-term debt	5	(1,659)	(7,705)	(18,315)	(16,451)
Issuance of common shares	6	30	45	62	16,312
Other		–	(80)	–	(160)
Cash and cash equivalents provided by (used for) financing activities		4,334	(740)	(12,290)	43,299
Effect of changes in exchange rates on cash and cash equivalents		(473)	(568)	(351)	(316)
Cash and cash equivalents provided by (used for) discontinued operations	3	–	541	(799)	(38)
Change in cash and cash equivalents		3,276	(10,617)	(1,147)	(44,924)
Cash and cash equivalents at beginning of period		5,127	19,292	9,550	53,599
Cash and cash equivalents at end of period		$ 8,403	$ 8,675	$ 8,403	$ 8,675
Cash and cash equivalents are comprised of:					
Cash and cash equivalents		$ 8,403	$ 8,675	$ 8,403	$ 8,675
Temporary investments		–	–	–	–
		$ 8,403	$ 8,675	$ 8,403	$ 8,675
Supplemental information:					
Interest paid		$ 963	$ 728	$ 1,973	$ 1,550
Income taxes paid		$ 582	$ 666	$ 1,270	$ 1,033

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

NOTE 2. BUSINESS ACQUISITION

On April 1, 2004, the Company concluded the asset purchase agreement and plan for merger signed on February 24, 2004 to acquire all outstanding common shares of Progressive Incorporated (along with the net assets of Promilling LP), ("Progressive"), a Texas-based manufacturer of large structural components in the military sector. The earnings of Progressive have been accounted for in the Company's consolidated statement of income (loss) since the acquisition date and are included in the Aerospace segment. The total initial purchase price representing $74,193 (US$56,356) at the acquisition date (April 1, 2004) was adjusted downward by $2,011 to $72,182 at September 30, 2005 to reflect the adjustments to the initial estimated tax impacts on the acquisition transaction, net of the additional payments related to additional profitability performance made. At September 30, 2005, the total adjusted purchase price and purchase price allocation of $72,182 can be detailed as follows:

Total Adjusted Purchase Price		
Basic purchase price	$	61,834
Tax impacts		3,421
Acquisition of a large specialized manufacturing equipment		4,246
Transaction costs and other		2,681
	$	72,182
Purchase Price Allocation		
Cash	$	2,498
Tangible assets		44,936
Backlog		9,601
Goodwill		19,157
Accounts payable and accrued liabilities		(4,010)
	$	72,182

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

At September 30, 2005, additional payments of $2,993 (US$2,400) were made. Additional payments related to profitability performance of up to $8,800 (US$7,500) could still be made or provided for in fiscal year 2006. Should these payments be made, the basic purchase price will be adjusted accordingly.

NOTE 2. BUSINESS ACQUISITION (cont'd)

Financing of the Acquisition

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

Secured Syndicated Revolving Credit Facilities		$ 36,409
Issuance of common shares		16,180
Cash	$ 12,352	
Sale balance in escrow	7,241	19,593
		72,182
Less:		
Cash and cash equivalents acquired		2,498
		$ 69,684

Last year, as at September 30, 2004, the Company had paid $71,695 for the basic purchase price, the large specialized manufacturing equipment, the tax impacts on the acquisition transaction and some of the related transaction costs.

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

On February 10, 2005, the Company entered into an agreement with Colt Defense LLC, a U.S. Company, for the sale of its Logistics & Defence Division, Diemaco. Diemaco is a manufacturer of small arms for military forces and law enforcement agencies. The final total sale price amounted to $19,035. The sale transaction closed on May 20, 2005. The gain on the sale transaction amounted to $8,568, net of income taxes of $2,338.

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

Sales, income before income taxes and net income related to Diemaco's operations for the period from April 1, 2005 to May 20, 2005 this year, compared to the second quarter last year and the six-month period ended September 30, 2004 were as follows:

	Quarters ended September 30		Six months ended September 30	
	2005	2004	**2005**	2004
Sales	**$ –**	$ 3,901	**$ 2,440**	$ 7,951
Income before taxes	**–**	278	**418**	478
Net income (including the gain on sale of Diemaco of $8,568 in 2005)	**–**	173	**8,844**	297

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

NOTE 4. FINANCIAL INSTRUMENTS: FORWARD FOREIGN EXCHANGE CONTRACTS

At September 30, 2005, the Company entered into forward foreign exchange contracts whereby it will sell at an average exchange rate of 1.3089 an amount of US$128,000 (US$128,000 at an average rate of 1.3308 as at March 31, 2005) for the purpose of foreign exchange risk management related to its export sales and maturing at various dates between October 1, 2005 and December 31, 2009.

NOTE 5. LONG-TERM DEBT

	September 30, 2005	March 31, 2005
Secured Syndicated Revolving Credit Facilities of up to $90,000 ($100,000 at March 31, 2005) (see below), (either in Canadian or U.S. currency equivalent) extendible annually, bearing interest at Prime rate plus 1.75% and at Banker's acceptance plus 2.75% for the Canadian operating facilities (Bankers' acceptance plus 2.0% at March 31, 2005 for the Canadian operating and term facilities), at Libor plus 2.75% for the U.S. operating and term facilities (Libor plus 2.0% at March 31, 2005). At September 30, 2005, the Company used $7,900 and US$5,000 ($10,000 and US$5,000 at March 31, 2005) on operating facilities and used US$28,656 ($5,000 and US$32,656 at March 31, 2005) on term facilities.	$ 47,032	$ 60,549
Loans bearing no interest, repayable in variable annual instalments, with various expiry dates until 2013.	15,003	14,117
Obligations under capital leases bearing interest between 5.4% and 8.1% maturing between July 2006 and October 2009, with amortization periods varying between five (5) to eight (8) years, secured by the related property, plant and equipment.	9,854	11,179
	71,889	85,845
Less: current portion	17,977	20,185
	$ 53,912	$ 65,660

Secured Syndicated Revolving Credit Facilities

These Secured Syndicated Revolving Credit Facilities ("Credit Facilities") allow the Company and its subsidiaries to borrow up to $90,000 (either in Canadian or U.S. currency equivalent) and are used for its operations, acquisitions and foreign exchange risks from a group of banks and their American subsidiaries or branches and consist of revolving operating credit facilities of up to $30,000 and revolving term credit facilities of up to $60,000, each having up to 21 month revolving period (2 years in 2005), extendible annually, secured by all assets of the Company, and its subsidiaries and are subject to certain restrictive covenants and corporate guarantees granted by the Company and its subsidiaries. As to the revolving term credit facilities, they will convert at the end of the revolving period into a three-year term loan with an amortization period of five (5) years. These Credit Facilities were extended on February 20, 2004, on a secured basis for a period of two years up to March 21, 2006. The Company extended the renewal date deadline of its Credit Facilities from February 19, 2005 to October 31, 2005 (renewal date period being now between July 1st and October 31st of each year). On that basis, the balance due on the revolving operating credit facilities of $13,714 at September 30, 2005 ($16,048 at March 31, 2005) was included in the Company's current portion of long-term debt.

On October 19, 2005, the Company submitted its annual request for extension of its Credit Facilities from March 21, 2006 to March 21, 2007. Pursuant to this request, these Credit Facilities would be reduced from $90,000 to $80,000 (up to $30,000 revolving operating credit facilities and $50,000 revolving term credit facilities) based essentially on the same actual terms and conditions. The Company is currently negotiating this extension. In the event that the Credit Facilities are not extended, the operating Credit Facilities will mature at the end of the revolving period. As to the term Credit Facilities, they will convert at the end of the revolving period into a three-year term loan with an amortization period of five (5) years.

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

At September 30, 2005, the Company was in compliance with all its restrictive debt covenants and expects to continue to comply for the current fiscal year.

Interest rates vary based on Prime, Bankers' acceptance, Libor or US base rate plus a relevant margin depending on the level of the Company's indebtedness and cash flows. These Secured Syndicated Revolving Credit Facilities are governed by two credit agreements (Canadian and American).

The financial expenses, for the quarters and the six-month periods ended September 30 are comprised of:

	Quarters ended September 30		Six months ended September 30	
	2005	2004 (Restated, Note 3)	**2005**	2004 (Restated, Note 3)
Interest	**$ 1,059**	$ 892	**$ 2,042**	$ 1,850
Amortization of deferred financing costs	**82**	71	**164**	145
Standby fees	**71**	47	**138**	74
Gain on financial derivative instrument	**–**	–	**–**	(528)
Amortization of net deferred loss related to financial derivative instrument	**35**	39	**70**	80
Interest revenue	**(36)**	(39)	**(89)**	(167)
Financial expenses	**$ 1,211**	$ 1,010	**$ 2,325**	$ 1,454

NOTE 6. CAPITAL STOCK

Authorized capital stock

The authorized capital stock of the Company consists of the following:

An unlimited number of voting common shares, without par value

An unlimited number of first preferred shares, issuable in series

An unlimited number of second preferred shares, issuable in series

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

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

	September 30, 2005	March 31, 2005
26,971,498 common shares (26,954,552 at March 31, 2005)	**$ 87,331**	$ 87,269

Issuance of common shares

During the quarter and the six-month period ended September 30, 2005, the Company issued 8,238 and 16,946 common shares at a weighted average price of $3.61 and $3.65 for a total net cash consideration of $30 and $62 under the stock purchase and ownership incentive plan (see below).

On April 1, 2004, in conjunction with the closing of the acquisition of Progressive, the Company issued 3,500,000 common shares for a total net cash consideration of $16,180. During the quarter and the six-month period ended September 30, 2004, the Company also issued 12,500 and 35,000 common shares at a weighted average price of $3.60 and $3.79 for a total net cash consideration of $45 and $132 under the stock option plan (see below).

NOTE 6. CAPITAL STOCK (cont'd)

Stock option plan

The Company has a stock option plan where options to purchase common shares are issued to directors, officers and key employees. The Company expenses all granting of stock options based on their earned period, using the Black & Scholes valuation model to determine their fair value. The expense related to stock options recorded in the quarter ended September 30, 2005 amounted to $52 ($48 in 2004) and to $96 ($91 in 2004) for the six-month period ended September 30, 2005.

During the quarter and the six-month period ended September 30, 2005, 135,000 and 200,000 stock options were granted at a strike price of $3.84 and $3.98 per share that are vesting over a three-year period and can be exercised over a seven-year period. To September 30, 2005, 135,800 stock options were cancelled, all in the first quarter.

During the quarter ended September 30, 2004, 200,000 stock options were granted at a strike price of $5.00 per share that are vesting over a three-year period and can be exercised over a seven-year period. There was no stock option granted in last year's first quarter. During the quarter and the six-month period ended September 30, 2004, 12,500 and 35,000 stock options were exercised at an average granted price of $3.60 and $3.79 for a total cash consideration of $45 and $132. A total of 149,059 stock options were cancelled in the quarter ended September 30, 2004.

Stock purchase and ownership incentive plan

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

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

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

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

During the quarter and the six-month period ended September 30, 2005, 8,238 and 16,946 common shares were issued (34,939 since the beginning of the plan) and 3,634 and 7,622 common shares were attributed to the participating employees (15,500 since the beginning of the plan). For the quarter and the six-month period ended September 30, 2005, the expense related to the attributed common shares amounting to $15 and $31 is recorded as compensation expense and is included in the Company's selling and administrative expenses. No shares were issued under this plan for the quarter and six-month period ended September 30, 2004.

Stock Appreciation Right plan

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

During the quarter and the six-month period ended September 30, 2005, 15,000 SAR were granted at a strike price of $3.84 (15,000 at a strike price of $5.00 for the same period in 2004).

NOTE 7. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

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

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

Defined pension plan obligations are impacted by factors including interest rate, adjustments arising from plan amendments, changes in assumptions and experience gains or losses.

The total pension plan costs are as follows:

	Quarters ended September 30		Six months ended September 30	
	2005	2004 (Restated, Note 3)	**2005**	2004 (Restated, Note 3)
Defined benefit pension costs	**$ 275**	$ 457	**$ 647**	$ 963
Defined contribution pension costs	**313**	403	**596**	682
	$ 588	$ 860	**$ 1,243**	$ 1,645

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

The net change in non-cash items related to operations for the quarters and the six-month periods ended September 30 can be detailed as follows:

	Quarters ended September 30		Six months ended September 30	
	2005	2004 (Restated, Note 3)	**2005**	2004 (Restated, Note 3)
Accounts receivable	**$ (5,344)**	$ (936)	**$ (1,864)**	$ 615
Income taxes receivable	**(1,010)**	(716)	**(3,221)**	(980)
Other receivables	**2,420**	(115)	**2,729**	277
Inventories	**2,004**	(757)	**(4,068)**	(3,104)
Prepaid expenses	**(102)**	(634)	**(1,091)**	(601)
Other current assets	**453**	–	**502**	–
Accounts payable and accrued liabilities, and other liabilities	**1,343**	(636)	**(1,316)**	(6,719)
Customers' advances	**–**	(1,101)	**–**	(3,403)
Income taxes payable	**(243)**	140	**30**	1,100
Effect of changes in exchange rate	**(1,245)**	(1,480)	**(926)**	(1,383)
	$ (1,724)	$ (6,235)	**$ (9,225)**	$ (14,198)

NOTE 9. SEGMENTED INFORMATION

Quarters ended September 30

Activity Segments

	2005			2004 (Restated, Note 3)		
	Aerospace	**Industrial**	**Total**	Aerospace	Industrial	Total
Sales	$ 56,422	$ 5,881	$ 62,303	$ 51,784	$ 5,381	$ 57,165
Operating income (loss)	2,097	(449)	1,648	(739)	(863)	(1,602)
Financial expenses			1,211			1,010
Income (loss) before income tax (recovery) and discontinued operations			437			(2,612)
Assets from continuing operations	273,050	18,816	291,866	271,664	24,684	296,348
Purchase of property, plant and equipment and finite-life intangible assets	1,478	74	1,552	2,096	234	2,330
Goodwill acquired	883	–	883	–	–	–
Amortization	3,740	515	4,255	3,744	716	4,460

Geographic Segments

	2005			2004 (Restated, Note 3)		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Sales	$ 36,807	$ 25,496	$ 62,303	$ 31,126	$ 26,039	$ 57,165
Property plant and equipment, net	58,519	38,247	96,766	60,604	45,788	106,392
Finite-life intangible assets, net	2,358	7,576	9,934	3,164	8,954	12,118
Goodwill	17,534	17,897	35,431	17,534	21,368	38,902
Export sales			21,933			18,808

73% of the Company’s sales (75% in 2004) were to US customers.

NOTE 9. SEGMENTED INFORMATION (cont'd)

Six-months ended September 30

Activity Segments

	2005			2004 (Restated, Note 3)		
	Aerospace	**Industrial**	**Total**	Aerospace	Industrial	Total
Sales	$104,857	$ 11,363	$116,220	$ 99,252	$ 10,231	$109,483
Operating loss	(52)	(392)	(444)	(1,324)	(1,822)	(3,146)
Financial expenses			2,325			1,454
Loss before income tax recovery and discontinued operations			(2,769)			(4,600)
Assets from continuing operations	273,050	18,816	291,866	271,664	24,684	296,348
Purchase of property, plant and equipment and finite-life intangible assets	2,544	186	2,730	4,484	2,171	6,655
Goodwill acquired	883	–	883	21,168	–	21,168
Amortization	7,516	1,025	8,541	7,575	1,230	8,805

Geographic Segments

	2005			2004 (Restated, Note 3)		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Sales	$ 70,557	$ 45,663	$116,220	$ 60,739	$ 48,744	$109,483
Property plant and equipment, net	58,519	38,247	96,766	60,604	45,788	106,392
Finite-life intangible assets, net	2,358	7,576	9,934	3,164	8,954	12,118
Goodwill	17,534	17,897	35,431	17,534	21,368	38,902
Export sales			40,807			36,669

71% of the Company's sales (76% in 2004) were to US customers.

NOTE 10. SUBSEQUENT EVENT

On October 27, 2005, the Company entered into an Underwriting Agreement with National Bank Financial Inc., GMP Securities Ltd, Raymond James Ltd. and Versant Partners Ltd. for the purchase, on a bought deal basis, of an aggregate of 4,500,000 common shares at a price of $3.75 per share. The offering will result in total net proceeds of approximately $15.5 million, net of fees and expenses. The Company also granted to the underwriters of the offering an over-allotment option, exercisable within 30 days of closing, to acquire an additional 250,000 common shares. Following the filing of a final prospectus, closing of the transaction is expected to occur on or about November 10, 2005 and this subject to certain conditions including the approval of the Canadian securities regulatory authorities. The net proceeds from the sale of the common shares will be applied by the Company in reduction of its revolving lines of credit under the credit facilities, but not as a permanent reduction thereof and the amounts available under the credit facilities will be thereafter used for workig capital, capital expenditures and other general corporate purposes.

A preliminary short-form prospectus was filed in all provinces of Canada on October 27, 2005.

NOTE 11. RECLASSIFICATION

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

management discussion and analysis of financial position and operating results

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

FORWARD-LOOKING STATEMENTS

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

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

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

OVERVIEW

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

- landing gear products
- aerostructure products
- aircraft engine components

The Industrial segment includes:

- industrial gas turbine products
- other industrial products

On May 20, 2005, the Company concluded the sale of its Logistics and Defence Division, Diemaco, to Colt Defense LLC. Where required, last year figures were restated to reflect this transaction, which was accounted for as discontinued operations.

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

RESULTS OF OPERATIONS

CONSOLIDATED SALES

Consolidated sales for the quarter ended September 30, 2005 grew by 9.0% to $62.3 million from $57.2 million for the same period last year.

The rise in second quarter sales was mainly due to improved commercial product sales, consisting of landing gear and industrial components for large aircraft, business jets and turboprops (commuters), as well as growth in military repair and overall and engineering sales. However, the strength of the Canadian dollar relative to the US dollar (US dollar denominated sales) reduced sales by $4.4 million or 7.1%.

Consolidated sales for the first six months of the year stood at $116.2 million compared to $109.5 million last year, up $6.7 million or 6.2% from last year. The increase mainly represents continued growth in sales of landing gear for larger aircraft and business jets since the beginning of the current year. This was partially offset by the stronger Canadian dollar, which had a negative impact of $8.6 million or 7.4% of sales.

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

Segments	**Quarters ended September 30**				**Six months ended September 30**			
	2005	2004 (Restated)	**Variance**		**2005**	2004 (Restated)	**Variance**	
	($'000)	($'000)	**($'000)**	**%**	**($'000)**	($'000)	**($'000)**	**%**
Aerospace								
Military	12,043	11,662	381	3.3	22,929	23,923	(994)	(4.1)
Civil								
Military products sold to civil customers	19,486	20,310	(824)	(4.1)	34,199	34,017	182	0.5
Commercial products	24,893	19,812	5,081	25.7	47,729	41,312	6,417	15.5
Total Civil	44,379	40,122	4,257	10.6	81,928	75,329	6,599	8.8
Total Aerospace	56,422	51,784	4,638	9.0	104,857	99,252	5,605	5.6
Total Industrial	5,881	5,381	500	9.3	11,363	10,231	1,132	11.1
Total	62,303	57,165	5,138	9.0	116,220	109,483	6,737	6.2

Aerospace Segment

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

Sectors	**Quarters ended September 30**				**Six months ended September 30**			
	2005	2004 (Restated)	**Variance**		**2005**	2004 (Restated)	**Variance**	
	($'000)	($'000)	**($'000)**	**%**	**($'000)**	($'000)	**($'000)**	**%**
Landing Gear	31,384	25,915	5,469	21.1	60,032	50,877	9,155	18.0
Aerostructure	20,123	21,077	(954)	(4.5)	34,878	38,452	(3,574)	(9.3)
Aircraft Engine Components	4,915	4,792	123	2.6	9,947	9,923	24	0.3
Total	56,422	51,784	4,638	9.0	104,857	99,252	5,605	5.6

For the second quarter ended September 30, 2005, overall sales for the Aerospace segment were up 9.0% to $56.4 million compared to $51.8 million for the same period last year.

During the second quarter, Landing Gear sales increased by $5.5 million or 21.1% compared to the same period last year, mainly due to commercial sales for large aircraft and, military repair and overall and engineering sales.

Aerostructure sales decreased by $1.0 million, almost all of which was attributable to the stronger Canadian dollar. However, military Aerostructure sales remained strong during the quarter compared to last year, while higher commercial Aerostructure sales for business jets and turboprops (commuters) were somewhat offset by reduced sales for regional jets.

For the first six months of the year, sales for this segment rose 5.6%, from $99.3 million last year to $104.9 million this year.

Industrial Segment

Sales for the Industrial segment were as follows:

Sectors	**Quarters ended September 30**				**Six months ended September 30**			
	2005	2004	**Variance**		**2005**	2004	**Variance**	
	($'000)	($'000)	**($'000)**	**%**	**($'000)**	($'000)	**($'000)**	**%**
Industrial								
Gas Turbine	3,627	3,565	62	1.7	6,708	6,621	87	1.3
Other Industrial	2,254	1,816	438	24.1	4,655	3,610	1,045	28.9
Total	5,881	5,381	500	9.3	11,363	10,231	1,132	11.1

Second quarter sales for the Industrial segment totalled $5.9 million this year, up almost 10% from $5.4 million last year. Industrial Gas Turbine sales grew by 1.7%, while other industrial sales increased by 24%.

Year-to-date Industrial segment sales of $11.4 million were $1.1 million or 11% higher than last year.

Sales by Destination

The Company's sales by destination were as follows:

Destinations	**Quarters ended September 30**		**Six months ended September 30**	
	2005	2004 (Restated)	**2005**	2004 (Restated)
Canada	**24 %**	23 %	**26 %**	22 %
US	**73 %**	75 %	**71 %**	76 %
International	**3 %**	2 %	**3 %**	2 %
	100 %	100 %	**100 %**	100 %

The year-to-date increase in sales in Canada reflects improved commercial sales made to Canadian customers relative to the same period last year.

GROSS PROFIT

For the second quarter ended September 30, 2005, consolidated gross profit as a percentage of sales was 7.8%, up from 4.8% last year in spite of a 2.2% negative impact attributable to the continued strength of the Canadian dollar relative the US currency.

Both the Aerospace and Industrial segments contributed positively to the improvement in gross profit, due mainly to increased business volume in each segment and improved pricing mainly in the civil aerospace.

Year-to-date consolidated gross profit as a percentage of sales also increased year-over-year from 5.2% to 5.9% in spite of the 2.1% negative impact of the stronger Canadian dollar.

SELLING AND ADMINISTRATIVE EXPENSES

Second quarter selling and administrative expenses were down this year, as shown below:

	Quarters ended September 30		**Six months ended September 30**	
	2005	2004 (Restated)	**2005**	2004 (Restated)
Selling and administrative expenses ($'000)	**$ 3,206**	**$ 4,342**	$ 7,359	$ 8,886
% of sales	**5.1 %**	**7.6 %**	6.3 %	8.1 %

The lower selling and administrative expenses reflect in part the favourable impact of the US/Can exchange rate, and include a gain on currency translation of approximately $900,000 in the second quarter of this year compared to a gain of approximately $700,000 in the corresponding quarter last year. It also reflects the reduction of professional fees and expenses related to certain specific projects.

Year-to-date selling and administrative expenses of $7.4 million were $1.5 million lower than last year, reflecting the above mentioned variances.

FINANCIAL EXPENSES

	Quarters ended September 30		**Six months ended September 30**	
	2005	2004 (Restated)	**2005**	2004 (Restated)
	($'000)	($'000)	**($'000)**	($'000)
Interest expense	**1,247**	1,010	2,414	2,069
Interest revenue	**(36)**	(39)	(89)	(167)
Gain on financial derivative instrument - net	**–**	39	–	(448)
Financial expenses – net	**1,211**	1,010	2,325	1,454

For the second quarter ended September 30, 2005, financial expenses were $1.2 million, $0.2 million higher than for the same period last year.

For the year to date, financial expenses were up $0.9 million from last year at $2.3 million. This increase occurred in spite of a $15 million capital repayment on the Company's Secured Syndicated Revolving Credit Facilities made late in the first quarter of this fiscal year. On May 20, 2004, the Company designated its interest rate swap agreement as a hedging instrument to be recorded under the hedge accounting rules. This resulted in a gain of $487,000, representing the change in the fair value of the interest rate swap agreement between April 1, 2004 and May 20, 2004, net of the amortization of the related deferred loss recorded on April 1, 2004.

The increase in the interest expense also reflects the general increase in US interest rates, which had an impact on the interest expense related to our US credit facilities.

PROVISION FOR INCOME TAXES (INCOME TAX RECOVERY)

The effective tax rate for the second quarter and six months ended September 30, 2005, differs from the statutory rate due mainly to the non-recognition of tax benefits relating to certain operating losses incurred by a Canadian subsidiary.

DISCONTINUED OPERATIONS

On May 20, 2005, the Company concluded the sale of its Logistics & Defence Division, Diemaco, to Colt Defense LLC. The final total sale price was $19.0 million. All assets and liabilities related to Diemaco were reclassified as discontinued assets and liabilities in the consolidated balance sheets. Diemaco's revenues, expenses and net income are shown under discontinued operations in the consolidated statements of income (loss), and the impact of Diemaco's operations on the Company's cash and cash equivalents is presented under discontinued operations in the consolidated statements of cash flows (see below and Note 3 to the interim consolidated financial statements).

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

NET INCOME (LOSS)

	Quarters ended September 30		Six months ended September 30	
	2005	2004 (Restated)	**2005**	2004 (Restated)
Net loss from continuing operations ($'000)	**(256)**	(1,734)	**(2,688)**	(3,174)
Net income from discontinued operations ($'000)	**–**	173	**8,844**	297
Net income (loss) ($'000)	**(256)**	(1,561)	**6,156**	(2,877)
Loss per share from continuing operations ($)	**(0.01)**	(0.06)	**(0.10)**	(0.12)
Earnings per share, from discontinued operations ($)	**–**	–	**0.33**	0.01
Earnings (loss) per share ($)	**(0.01)**	(0.06)	**0.23**	(0.11)

The Company posted a net loss for the quarter ended September 30, 2005, of $256,000 compared to a net loss of $1.6 million for the same period last year.

Year-to-date net income stood at $6.2 million compared to a loss of $2.9 million last year. Net income from discontinued operations includes the $8.6 million gain on the sale of the Company's Logistics and Defence Division, Diemaco, net of income taxes of $2.3 million and the net income from operations of $0.2 million for the period from April 1, 2005 until May 20, 2005, the closing date of the sale transaction.

Earnings (loss) per share figures are based on weighted averages of 26,968,367 common shares outstanding for the second quarter of this year and 26,931,202 for the same period last year. The increase is due to the issuance of common shares pursuant to the stock purchase and ownership incentive plan and the exercise of stock options (see Note 6 to the interim consolidated financial statements).

On November 2nd, 2005, the date of this MD&A, the Company had 26,974,148 common shares outstanding.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES

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

	Quarters ended September 30		Six months ended September 30	
	2005	2004 (Restated)	**2005**	2004 (Restated)
	($'000)	($'000)	**($'000)**	($'000)
Cash flows from continuing operations	**5,156**	1,884	**7,535**	3,886
Net change in non-cash items related to operations	**(1,724)**	(6,235)	**(9,225)**	(14,198)
Cash and cash equivalents provided by (used for) operating activities	**3,432**	(4,351)	**(1,690)**	(10,312)

For the second quarter ended September 30, 2005, cash flow from continuing operations was $5.2 million, $3.3 million higher than for the same period last year due mainly to a $1.5 million improvement in net results and an increase in the non-cash future income tax expense.

For the second quarter ended September 30, 2005 the net change in non-cash items included increases of $5.3 million in accounts receivable and $1.0 million in income taxes receivable partially offset by decreases of $2.4 million in other receivables and $2.0 million in inventories.

For the six months ended September 30, 2005 cash flow from continuing operations increased from $3.9 million last year to $7.5 million this year for the reason mentioned above. The net change in non-cash items included increases of $1.9 million in accounts receivable, $3.2 million in income taxes receivable, $4.1 million in inventory and $1.3 million decrease in accounts payable and accrued liabilities. The increases in accounts receivable and inventories are mainly related to the overall growth in business activity.

In the second quarter ended September 30, 2004, the $6.2 million net change in non-cash items was mainly due to a $1.1 million decrease in customers' advances and incresases of $0.8 million in inventories, $0.9 million in accounts receivable and $0.6 million in prepaid expenses. The $14.2 million net change in non-cash items for the first six months of 2004 consisted primarily of reductions of $3.4 million in customers' advances and $6.7 million in accounts payable and accrued liabilities, and other liabilities as well as a $4.1 million increase in inventory.

INVESTING ACTIVITIES

The Company's investing activities were as follows:

	Quarters ended September 30		Six months ended September 30	
	2005	2004 (Restated)	**2005**	2004 (Restated)
	($'000)	($'000)	**($'000)**	($'000)
Net change in temporary investments	**–**	4,972	**–**	–
Purchase of property, plant and equipment and finite-life intangible assets	**(1,552)**	(2,330)	**(2,730)**	(6,655)
Proceeds on disposal of property, plant and equipment	**7**	–	**13**	793
Business acquisition, net of cash acquired	**(2,335)**	(8,141)	**(2,335)**	(71,695)
Proceeds on sale of Logistics and Defence Division, Diemaco	**(137)**	–	**19,035**	–
Cash and cash equivalents provided by (used for) investing activities	**(4,017)**	(5,499)	**13,983**	(77,557)

Second quarter capital expenditures were $1.6 million this year compared to $2.3 million last year. During the quarter ended September 30, 2004, the Company paid $8.1 million in relation to the Progressive acquisition, consisting of the $7.8 million tax impact plus the outstanding balance of the transaction cost. In the second quarter of this year, the Company made additional payments of $2.3 million (US $1.9 million) based on additional profitability performance in relation to the Progressive acquisition.

Year-to-date capital expenditures stood at $2.7 million this year compared to $6.7 million last year. However, about $6 million in capital expenditures for Landing Gear were deferred and will be made during the remaining quarters of the current fiscal year.

On May 20, 2005, the Company concluded the sale of its Logistics and Defence Division, Diemaco. The final total sale price amounted to $19.0 million. In 2004, the business acquisition reflects the purchase price of Progressive Incorporated on April 1, 2004 (see Note 3 to the interim consolidated financial statements).

FINANCING ACTIVITIES

The Company's financing activities were as follows:

	Quarters ended September 30		Six months ended September 30	
	2005	2004 (Restated)	**2005**	2004 (Restated)
	($'000)	($'000)	**($'000)**	($'000)
Increase in long-term debt	**5,963**	7,000	**5,963**	43,598
Repayment of long-term debt	**(1,659)**	(7,705)	**(18,315)**	(16,451)
Issuance of common shares	**30**	45	**62**	16,312
Other	**–**	(80)	**–**	(160)
Cash and cash equivalents provided by (used for) financing activities	**4,334**	(740)	**(12,290)**	43,299

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

In 2004, the Company drew $36.4 million (US $27.7 million) on its US Syndicated Revolving Term Credit Facility, issued 3.5 million common shares through private placements for a net cash consideration of $16.2 million, and used $18.7 million of its available cash to finance the acquisition of Progressive (see Note 2 to the interim consolidated financial statements).

SECURED SYNDICATED REVOLVING CREDIT FACILITIES ("CREDIT FACILITIES")

The Company was in compliance with all its restrictive debt covenants at September 30, 2005, and expects to remain so for the balance of the current fiscal year.

During the quarter ended September 30, 2005, the Company extended the renewal date period of its Credit Facilities, being now from July 1st to October 31st of each year. These Credit Facilities are extendable annually.

As of September 30, 2005, the Credit Facilities allowed the Company to borrow up to $90 million (either in Canadian or equivalent US currency), including up to $30 million and $60 million for the revolving operating and term credit facilities respectively, and will mature on March 21, 2006. On October 19, 2005, the Company submitted its annual request for extension of its Credit Facilities from March 21, 2006 to March 21, 2007. Pursuant to this request, these Credit Facilities would be reduced from $90 million to $80 million (including up to $30 million in revolving operating credit facilities and $50 million in revolving term credit facilities) based essentially on the same terms and conditions. The Company is currently negotiating this extension and cannot predict the outcome of these negotiations. In the event that the Credit Facilities are not extended, the operating Credit Facilities will mature at the end of the revolving period. As to the term Credit Facilities, they will convert at the end of the revolving period into a three-year term loan with an amortization period of five (5) years.

CONSOLIDATED BALANCE SHEETS

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

Item	Change ($ million)	Explanation
Cash and cash equivalents	(1.1)	See consolidated statements of cash flows
Accounts receivable	1.9	Due to the increased level of activity in the second quarter
Income tax receivable	3.2	Due to an income tax recovery related to the Company's operating losses last year and for the first six months this year
Other receivables	(2.7)	Collection of other receivables related to tooling invoiced to customers
Inventories	4.1	Mainly related to increased business activity
Property, plant and equipment, net	(6.5)	Due to: • Purchase of capital assets ($2.7 million) Net of: • Amortization ($8.0 million) • A lower US exchange rate used to convert the net assets of self-sustaining US subsidiaries ($1.5 million)
Finite-life intangible assets, net (include $6.9 million net backlog)	(1.1)	Represents mainly the amortization on the underlying value of the net backlog acquired as part of the acquisition of Progressive
Goodwill	0.2	Due to the variation in additional payments related to the profitability performance of Progressive ($0.9 million) net of the lower US exchange rate used to convert the net assets of self-sustaining US subsidiaries ($0.7 million)
Accounts payable and accrued liabilities	(1.7)	Represents partially the favourable impact of the US exchange rate
Income taxes payable	1.1	Due mainly to the tax impact related to the sale of the Logistics and Defence Division, Diemaco
Long-term debt (including current portion)	(14.0)	Due to: • Net repayment of long-term debt ($12.4 million) and to: • A lower US exchange rate used to convert the net assets of self-sustaining US subsidiaries ($1.6 million)
Cumulative translation adjustment	(2.3)	Represents the counterpart of the impact of foreign exchange rate fluctuations on the net assets of self-sustaining US subsidiaries
Retained earnings	6.2	See consolidated statements of retained earnings

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

	September 30, 2005	March 31, 2005
Working capital ratio	**1.66:1**	1.48:1
Cash and cash equivalents	**$8.4 million**	$9.6 million
Long-term debt-to-equity ratio	**0.40:1**	0.51:1

CHANGES IN ACCOUNTING POLICIES

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

SUBSEQUENT EVENT

On October 27, 2005, the Company entered into an Underwriting Agreement with National Bank Financial Inc., GMP Securities Ltd., Raymond James Ltd, and Versant Partners Ltd. for the purchase, on a bought deal basis, of an aggregate of 4,500,000 common shares at a price of $3.75 per share. The offering will result in total net proceeds of approximately $15.5 million (See Note 10 to the interim consolidated financial statements). A preliminary short form prospectus was filed in all provinces of Canada on October 27, 2005.

RISKS AND UNCERTAINTIES

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

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

OUTLOOK

The Company expects its business to continue to improve through the second half of this year and into next year as we continue to execute on our business plan. Military sales should remain solid. At this time, sales for large commercial aircraft and business jets should increase as the civil market continues to improve. Aircraft Engine Component sales have been impacted by ongoing delivery and quality issues at the Gas Turbine Components Division, and while improvements have been made, sales are expected to remain flat or could even decline in the coming quarters. Meanwhile, however, the recent penetration of the Company into the wind energy market will contribute positively to the future industrial product sales.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was prepared as of November 2nd 2005. Updated information on the Company, including the annual information form, can be found on the SEDAR web site at www.sedar.com.

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