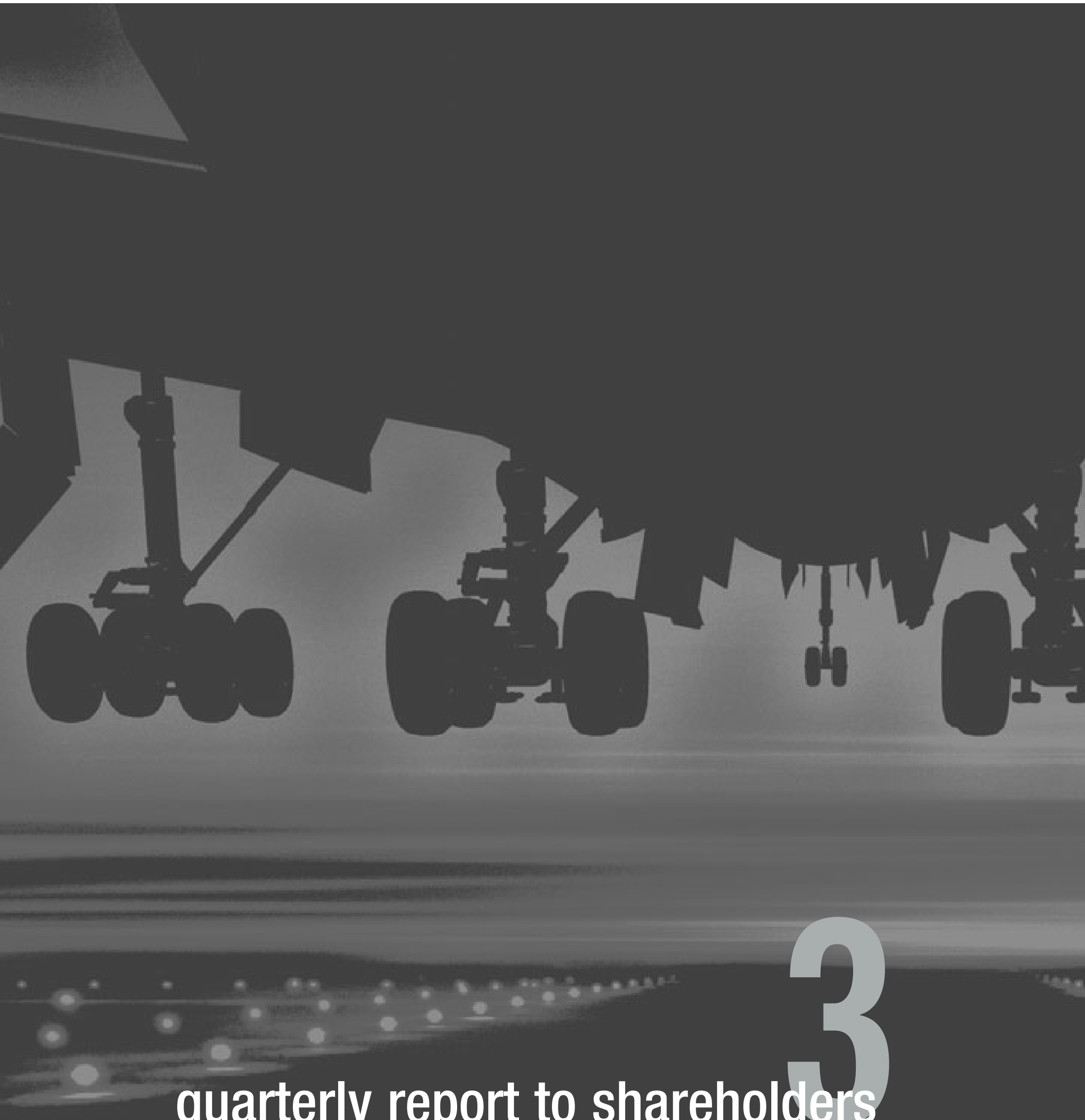

quarterly report to shareholders 3

THIRD QUARTER ENDED DECEMBER 31, 2003

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 third quarter and nine-month periods ending December 31, 2003.

The Company reported a net loss of $1.6 million ($0.07 per share, fully diluted) on consolidated sales of $45.2 million during the quarter. This compares to a net loss of $6.8 million ($0.28 per share, fully diluted) on sales of $59.4 million in the corresponding period last year, when the Company recorded restructuring charges of $7.4 million. For the first nine months of the year, the Company reported a net loss of $3.2 million ($0.14 per share, fully diluted) on sales of $150.8 million compared to a net loss of $907 thousand ($0.04 per share, fully diluted) on sales of $190.9 million last year.

Third quarter results continued to be negatively impacted by the stronger Canadian dollar, which accounted for a $3.0 million decline in sales not covered by forward foreign exchange contracts on a year-over-year basis. So far this year, the strengthening of the Canadian currency is responsible for a $7.3 million decline in the Company's sales not covered by forward foreign exchange contracts. In addition to the effects of the rising Canadian dollar, aerospace sales in the Gas Turbine Components Division were not as strong as expected due to delays in completing the transfer of our U.S. activities from Tampa to Cincinnati. The Landing Gear Division posted disappointing third quarter sales mainly due to the combined impact of foreign exchange, and certain operational issues. We have actively been working to resolve these matters and expect to have the majority of these issues corrected during the fourth quarter.

New acquisition

I am very pleased to report that subsequent to quarter-end, the Company announced an agreement to acquire Progressive Incorporated, a privately-held Texas-based manufacturer of large structural components to military aircraft OEM's, for a total purchase price of US$57.6 million which includes US$12.1 million for tax impacts, transaction costs and new equipment. Additional payments of up to US$12.0 million could also be made over the current and next two fiscal years based on additional profitability performance targets. The transaction strengthens Héroux-Devtek's Aerostructure Division by providing access to the important military aerospace sector, including the F-35 Joint Strike Fighter (JSF) program, increasing critical mass in the manufacture of sub-assemblies in the aerostructure division and providing immediate accretion to the Company's earnings with an expected 2004-2005 contribution in the range of $0.12 to $0.15 per share once synergies are realized.

In conjunction with the purchase of Progressive Incorporated, the Company entered into a bought deal agreement with a syndicate of underwriters to issue by way of a private placement 2,975,000 subscription receipts, subject to the closing of the acquisition referred to above. I also agreed to purchase 525,000 subscription receipts through a concurrent private placement on the same terms as the underwritten bought deal. The Company also renewed its existing Syndicated Evergreen Revolving Operating and Term Credit facilities for up to CAN$100.0 million, on a secured basis.

Corporate Governance award

It is with great pride that I inform you that your Company recently received the Korn/Ferry–Revue Commerce award for Excellence in Corporate Governance in the mid-sized company category. The award recognizes the Company for our strong corporate governance practices and our financial performance over the last five years.

Outlook

The sectors in which we operate remain under pressure. Nonetheless we have been successful in increasing market share and are continuing to reduce costs as we aggressively address all aspects of our operations. While we cannot control the strength of the Canadian dollar, we will continue to seek methods of mitigating the negative effects of the currency.

Despite factors that affected the Landing Gear Division, it is expected to finish the year with a strong fourth quarter. Fourth quarter Aerostructure sales are expected to grow organically by approximately 10% from third quarter levels, reflecting the Company's higher share of the regional jet market. We also expect to resolve operational issues that have impacted deliveries during the current quarter. Consolidated sales in the fourth quarter are expected to grow 20% to 25% compared to the third quarter, which we anticipate will allow us to achieve profitability in the fourth quarter.

Furthermore, our acquisition of Progressive bodes well for the Company, as it clearly positions us for growth in the military aerospace sector and will generate significant gains as early as the current year.

I wish to thank our shareholders for their continuing confidence and support. The management of Héroux-Devtek reiterates its commitment to the Company's growth and profitability objectives in these challenging times.

Gilles Labbé
President and Chief Executive Officer
February 24, 2004

Consolidated balance sheets

As at December 31, 2003 and March 31, 2003 (In thousands of dollars)

	December 2003 (Unaudited)	March 2003 (Audited)
Assets		
Current assets		
Cash and temporary investments	**$ 40,354**	$ 52,972
Accounts receivable	**28,392**	36,323
Income taxes receivable	**1,139**	3,785
Other receivables	**3,223**	4,010
Inventories	**61,780**	58,650
Prepaid expenses	**953**	2,212
Future income taxes	**4,963**	5,930
	140,804	163,882
Capital assets, net	**93,685**	97,397
Other assets	**737**	962
Future income taxes	**7,460**	4,766
Goodwill, net	**22,060**	22,060
	$ 264,746	$ 289,067
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 62,926**	$ 73,115
Customers' advances	**1,590**	3,912
Income taxes payable	**100**	1,275
Future income taxes	**433**	380
Current portion of long-term debt	**3,640**	3,340
	68,689	82,022
Long-term debt	**58,207**	63,650
Other liabilities	**7,356**	7,348
Future income taxes	**11,392**	11,128
	145,644	164,148
Shareholders' Equity		
Capital stock (Note 4)	**70,883**	71,317
Contributed surplus (Note 4)	**171**	81
Cumulative translation adjustment	**(288)**	1,803
Retained earnings	**48,336**	51,718
	119,102	124,919
	$ 264,746	$ 289,067

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

Consolidated statements of income

For the periods ended December 31, 2003 and 2002
(In thousands of dollars, except per share data) (Unaudited)

	Quarters ended December 31		Nine months ended December 31	
	2003	2002	**2003**	2002
Sales	**$ 45,237**	$ 59,394	**$ 150,781**	$ 190,853
Cost of sales	**39,057**	53,896	**126,618**	157,871
Amortization	**3,231**	3,959	**10,172**	11,338
Gross profit	**2,949**	1,539	**13,991**	21,644
Selling and administrative expenses	**5,127**	5,156	**16,767**	15,722
Operating income (loss)	**(2,178)**	(3,617)	**(2,776)**	5,922
Financial expenses (Note 5)	**408**	430	**1,442**	1,334
Income (loss) before restructuring charges and income taxes	**(2,586)**	(4,047)	**(4,218)**	4,588
Restructuring charges (Note 3)	**217**	7,376	**1,052**	7,376
(Loss) before income taxes	**(2,803)**	(11,423)	**(5,270)**	(2,788)
Income taxes (recovery)	**(1,208)**	(4,609)	**(2,033)**	(1,881)
Net (loss)	**$ (1,595)**	$ (6,814)	**$ (3,237)**	$ (907)
(Loss) per share	**$ (0.07)**	$ (0.28)	**$ (0.14)**	$ (0.04)
(loss) per share – fully diluted	**$ (0.07)**	$ (0.28)	**$ (0.14)**	$ (0.04)
Weighted-average number of shares outstanding during the periods	**23,416,790**	24,149,241	**23,449,964**	24,333,491

Consolidated statements of retained earnings

For the periods ended December 31, 2003 and 2002
(In thousands of dollars) (Unaudited)

	Quarters ended December 31		Nine months ended December 31	
	2003	2002	**2003**	2002
Balance at beginning of period	**$ 50,031**	$ 58,605	**$ 51,718**	$ 53,283
Repurchase of common shares (Note 4)	**(100)**	(436)	**(145)**	(1,021)
Net (loss)	**(1,595)**	(6,814)	**(3,237)**	(907)
Balance at end of period	**$ 48,336**	$ 51,355	**$ 48,336**	$ 51,355

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

Consolidated statements of cash flows

For the periods ended December 31, 2003 and 2002
(In thousands of dollars) (Unaudited)

	Quarters ended December 31		Nine months ended December 31	
	2003	2002	**2003**	2002
Cash and cash equivalents provided by (used for):				
Operating activities				
Net (loss)	**$ (1,595)**	$ (6,814)	**$ (3,237)**	$ (907)
Items not requiring an outlay of cash				
Amortization	**3,301**	4,028	**10,386**	11,547
Future income taxes	**108**	(3,873)	**(1,798)**	(5,008)
Gain (loss) on sale of capital assets	**-**	312	**(26)**	251
Write-down of capital assets	**-**	3,937	**-**	3,937
Write-off of loans bearing no interest	**-**	(559)	**-**	(967)
Stock-based compensation (Note 4)	**30**	25	**90**	57
Cash flow from operations	**1,844**	(2,944)	**5,415**	8,910
Net change in non-cash items related to operations (Note 6)	**2,248**	6,093	**(5,069)**	(5,719)
Cash and cash equivalents provided by operating activities	**4,092**	3,149	**346**	3,191
Investing activities				
Net change in temporary investments	**12,554**	178	**21,015**	2,781
Purchase of capital assets	**(5,000)**	(4,671)	**(9,761)**	(10,842)
Proceeds on disposal of capital assets	**108**	436	**182**	498
Other	**-**	421	-	421
Cash and cash equivalents provided by (used for) investing activities	**7,662**	(3,636)	**11,436**	(7,142)
Financing activities				
Increase in long-term debt	**303**	1,085	**411**	2,919
Repayment of long-term debt	**(600)**	(454)	**(2,646)**	(3,412)
Repurchase of common shares (Note 4)	**(246)**	(1,188)	**(579)**	(2,370)
Issuance of common shares (Note 4)	**-**	-	-	148
Other	**(180)**	(166)	**(416)**	(576)
Cash and cash equivalents used for financing activities	**(723)**	(723)	**(3,230)**	(3,291)
Effect of changes in exchange rates on cash and cash equivalents	**(25)**	(55)	**(155)**	(97)
Change in cash and cash equivalents	**11,006**	(1,265)	**8,397**	(7,339)
Cash and cash equivalents at beginning of period	**5,172**	7,642	**7,781**	13,716
Cash and cash equivalents at end of period	**$ 16,178**	$ 6,377	**$ 16,178**	$ 6,377
Cash and temporary investments are comprised of:				
Cash and cash equivalents	**$ 16,178**	$ 6,377	**$ 16,178**	$ 6,377
Temporary investments	**24,176**	39,469	**24,176**	39,469
	$ 40,354	$ 45,846	**$ 40,354**	$ 45,846
Interest paid	**$ 651**	$ 630	**$ 2,025**	$ 1,859
Income taxes paid	**$ 946**	$ 1,708	**$ 5,256**	$ 10,352

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

Notes to consolidated financial statements

For the periods ended December 31, 2003 and 2002
(All dollar amounts in thousands, except per share data) (Unaudited)

Note 1: Consolidated interim financial statements

The consolidated interim financial statements include the accounts of Héroux-Devtek Inc. and its subsidiaries, all of which are wholly-owned.

The consolidated interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles applicable to interim financial statements and follow the same accounting policies and methods in their application as the most recent annual financial statements, except for the changes in accounting policies for impairment and disposal of long-lived assets described in note 2. In the opinion of Management, all adjustments necessary for a fair presentation are reflected in the interim financial statements. Such adjustments are of a normal and recurring nature. The results of operations for the interim periods are not necessarily indicative of the operating results for the full year. The interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report for the fiscal year ended March 31, 2003.

Note 2: Changes in accounting policies

Effective April 1, 2003, the Company adopted prospectively the new accounting policies in regard to the impairment and disposal of long-lived assets.

Impairment and disposal of long-lived assets

This new standard requires an impairment loss for a long-lived asset to be held and used be recognized when its carrying amount exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The adoption of this new standard had no impact on the Company's financial situation or results at December 31, 2003.

Disposal of long-lived assets

This new standard provides guidance on the recognition, measurement and disclosure of the disposal of long-lived assets. The adoption of this new standard had no impact on the Company's financial situation or results at December 31,2003.

Note 3: Restructuring charges

Last fiscal year, management decided to consolidate its Gas Turbine operations and transferred all of its Tampa plants' operations to the Cincinnati plants. In the fiscal year ended March 31, 2003, the Company recorded restructuring charges to account for the closure of the Tampa plants.

On June 30, 2003 the six-month transition plan was completed and all operations made in Tampa were moved to Cincinnati. In order to minimize the impact on the customer deliveries and to transfer the production expertise, the Company incurred non-recurring expenses that could not be included in the restructuring charges booked last year under GAAP. These expenses are comprised mainly of relocation expenses, retention bonuses, training expenses related to the operations in Cincinnati and other expenses related to the maintenance of the unused production facility in Tampa.

Restructuring charges amounted to $217 in the third quarter ended December 31, 2003 and to $1,052 for the nine-month period ended December 31, 2003 ($7,376 for the quarter and the nine-month period ended December 31, 2002). At December 31, 2003 the remaining balance of accrued liabilities related to the restructuring charges amounted to $1,741 ($3,510 at March 31, 2003) and is included in the accounts payable and accrued liabilities.

Note 4 : Capital stock

Authorized capital stock

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

An unlimited number of common shares
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:

	December 31 2003	March 31 2003
23,401,559 common shares (23,544,659 at March 31, 2003)	**$ 70,883**	$ 71,317

Stock-based compensation

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 model to determine their fair value. The expense related to stocks options recorded in the quarter and the nine-month period ended December 31, 2003 amounted to $30 and $90 respectively. ($25 and $57 for the quarter and the nine-month period ended December 31, 2002.)

During the quarter ended December 31, 2003, the Company issued no stock option and cancelled 11,000 stock options at an average price of $9.20. For the nine-month period ended December 31, 2003, the Company issued and cancelled 199,903 and 274,250 stock options at an average price of $4.78 and $6.08 respectively.

Stock appreciation rights

The Company has a Stock Appreciation Right plan (SAR) where 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 a 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 quarter and the nine-month period ended December 31, 2003.

Repurchase of common shares

Last fiscal year, on August 21, 2002, the Company obtained approval from the Toronto Stock Exchange (TSX) to proceed with its normal course issuer bid allowing the Company to purchase up to 1,222,195 of its common shares during the twelve-month period ending August 20, 2003. In April 2003, the Company obtained TSX approval to increase the number of common shares to be repurchased at 1,585,700. During the twelve-month period ended August 20, 2003 the Company repurchased for cancellation, a total of 1,023,478 common shares for a total cash consideration of $4,848.

On September 3, 2003, the Company obtained another approval from the TSX to proceed with its normal course issuer bid to purchase up to 1,172,772 common shares during the twelve-month period ending September 2, 2004.

During the quarters ended December 31, 2003 and 2002, the Company repurchased for cancellation 47,700 and 248,300 common shares for a total cash consideration of $246 and $1,188 respectively. For the nine-month periods ended December 31, 2003 and 2002, the Company repurchased for cancellation a total of 143,100 and 445,400 common shares for a total cash consideration of $579 and $2,370 respectively.

The excess ($100 for the quarter and $145 for the nine-month period ended December 31, 2003 and $436 for the quarter and $1,021 for the nine-month period ended December 31, 2002) of the cost of the common shares repurchased over their average book value ($146 for the quarter and $434 for the nine-month period ended December 31, 2003 and $752 for the quarter and $1,349 for the nine-month period ended December 31, 2002) was accounted for in reduction of the Company's retained earnings.

Diluted earnings per share

The use of the treasury method, for the diluted earnings per share calculations had no impact on the average number of common shares for the quarters ended December 31, 2003 and 2002 and for the nine-month period ended December 31, 2003, but increased the average number of common shares by 56,694 to 24,390,185 for the nine-month period ended December 31, 2002.

Note 5 : Financial expenses

The financial expenses for the quarters and the nine-month periods ended December 31 are as follows:

	Quarters ended December 31		Nine months ended December 31	
	2003	2002	**2003**	2002
Interest expense	**$ 644**	$ 768	**$ 2,320**	$ 2,303
Interest revenue	**(236)**	(338)	**(878)**	(969)
Financial expenses	**$ 408**	$ 430	**$ 1,442**	$ 1,334

Note 6: Net change in non-cash items related to operations

The net change in non-cash items related to operations represents the following:

	Quarters ended December 31		Nine months ended December 31	
	2003	2002	**2003**	2002
Accounts receivable	**$ 1,908**	$ 3,177	**$ 7,931**	$ 11,305
Income taxes receivable	**2,655**	(3,506)	**2,646**	(3,966)
Other receivables	**(867)**	(317)	**787**	(559)
Inventories	**(3,068)**	182	**(3,130)**	(2,752)
Prepaid expenses	**395**	767	**1,259**	1,295
Accounts payable and accrued liabilities and other liabilities	**237**	5,365	**(9,251)**	(2,436)
Customers' advance	**1,586**	-	**(2,322)**	(6,115)
Income taxes payable	**(144)**	551	**(1,175)**	(2,265)
Effect of changes in exchange rate	**(454)**	(126)	**(1,814)**	(226)
Net change in non-cash items related to operations	**$ 2,248**	$ 6,093	**$ (5,069)**	$ (5,719)

Note 7: Segmented information

Quarters ended December 31

Activity Segments

	2003			2002		
	Products related to Aerospace & Defence	Industrial Products	Total	Products related to Aerospace & Defence	Industrial Products	Total
Sales	**$ 40,537**	**$ 4,700**	**$ 45,237**	$ 54,038	$ 5,356	$ 59,394
Operating income (loss)	**(1,517)**	**(661)**	**(2,178)**	882	(4,499)	(3,617)
Financial expenses			**408**			430
Restructuring charges			**217**			7,376
(Loss) before income taxes			**(2,803)**			(11,423)
Assets	**243,433**	**21,313**	**264,746**	245,290	42,415	287,705
Goodwill	**22,060**	**-**	**22,060**	22,060	2,100	24,160
Purchase of capital assets	**3,474**	**1,815**	**5,289**	8,675	488	9,163
Amortization	**2,708**	**593**	**3,301**	3,086	942	4,028

Note 7: Segmented information (cont'd)

Geographic Segments

	2003			2002		
	Canada	Outside Canada	Total	Canada	Outside Canada	Total
Sales	**$ 35,820**	**$ 9,417**	**$ 45,237**	$ 48,937	$ 10,457	$ 59,394
Operating income (loss)	**(1,021)**	**(1,157)**	**(2,178)**	2,623	(6,240)	(3,617)
Financial expenses			**408**			430
Restructuring charges			**217**			7,376
(Loss) before income taxes			**(2,803)**			(11,423)
Assets	**217,534**	**47,212**	**264,746**	227,445	60,260	287,705
Goodwill	**20,977**	**1,083**	**22,060**	20,977	3,183	24,160
Purchase of capital assets	**2,466**	**2,823**	**5,289**	8,624	539	9,163
Amortization	**2,402**	**899**	**3,301**	2,654	1,374	4,028

Nine months ended December 31

Activity Segments

	2003			2002		
	Products related to Aerospace & Defence	Industrial Products	Total	Products related to Aerospace & Defence	Industrial Products	Total
Sales	**$ 135,025**	**$ 15,756**	**$ 150,781**	$ 164,587	$ 26,266	$ 190,853
Operating income (loss)	**814**	**(3,590)**	**(2,776)**	9,727	(3,805)	5,922
Financial expenses			**1,442**			1,334
Restructuring charges			**1,052**			7,376
(Loss) before income taxes			**(5,270)**			(2,788)
Assets	**243,433**	**21,313**	**264,746**	245,290	42,415	287,705
Goodwill	**22,060**	**-**	**22,060**	22,060	2,100	24,160
Purchase of capital assets	**7,628**	**2,422**	**10,050**	15,032	3,908	18,940
Amortization	**8,509**	**1,877**	**10,386**	8,664	2,883	11,547

Geographic Segments

	2003			2002		
	Canada	Outside Canada	Total	Canada	Outside Canada	Total
Sales	**$ 120,936**	**$ 29,845**	**$ 150,781**	$ 150,721	$ 40,132	$ 190,853
Operating income (loss)	**1,801**	**(4,577)**	**(2,776)**	11,761	(5,839)	5,922
Financial expenses			**1,442**			1,334
Restructuring charges			**1,052**			7,376
(Loss) before income taxes			**(5,270)**			(2,788)
Assets	**217,534**	**47,212**	**264,746**	227,445	60,260	287,705
Goodwill	**20,977**	**1,083**	**22,060**	20,977	3,183	24,160
Purchase of capital assets	**6,336**	**3,714**	**10,050**	13,530	5,410	18,940
Amortization	**7,485**	**2,901**	**10,386**	7,647	3,900	11,547

Note 8: Subsequent Events

Purchase Agreement to acquire Progressive Incorporated,

On February 24 2004, the Company, through a wholly-owned U.S. subsidiary, entered into an asset purchase agreement and plan for merger ("purchase agreement") to acquire Progressive Incorporated, (and the net assets of Promilling LP), a privately-held Texas-based manufacturer of large structural components to military aircrafts OEM's. Progressive Incorporated, posted sales in fiscal year ended December 31, 2003 of approximately US$28,500 and forecasts sales of US$37,000 for fiscal 2004. The purchase price represents US$45,500 for the net assets of Progressive Incorporated, (and the net assets of Promilling LP), US$8,931 for tax impacts and transaction costs and US$3,225 for new equipment, for a total of US$57,656 subject to working capital adjustments at the closing date of the transaction. In addition to the purchase price, payments of up to US$12,000 in total may be made if certain additional profitability targets are met over the current and next two fiscal years ending March 31, 2004, 2005 and 2006.

The closing of this transaction is subject to certain conditions precedent and should take place within the next 30 to 60 days.

Under the terms of the purchase of Progressive Incorporated, the main executives will remain with the organization until June 2006 in accordance with their related employment contracts and subject to non competition agreements.

Bought deal agreement and credit facilities renewal

In conjunction with the purchase of Progressive Incorporated, the Company entered into a bought deal agreement with National Bank Financial Inc. and GMP Securities Ltd. as co-lead managers ("Underwriters") to issue subscription receipts by way of private placement. Under terms of the agreement, the Underwriters, purchased for resale, on a firm bought deal basis, 2,975,000 subscription receipts of the Company, each representing the right to receive one common share of the Company at $4.90 per share, resulting in a net cash consideration of $13,649 (net of $929 commissions and expenses). In addition, Héroux-Devtek President, CEO and principal shareholder, Gilles Labbé, has agreed to purchase 525,000 subscription receipts through a concurrent offering on the same terms as the under-written bought deal. The bought deal transaction is subject to the acquisition of Progressive Incorporated, and customary regulatory and stock exchange approvals.

The Company also announced the renewal of its Syndicated Evergreen Revolving Credit Facilities for up to $100,000 on a secured basis, granting first ranking liens on all the Company and its subsidiaries' assets. These credit facilities have a two year revolving period, extendible annually and are subject to certain restrictive covenants and corporate guarantees granted by the Company and its subsidiaries. In the event that the credit facilities are not extended, the operating credit facilities will mature at the end of the revolving period and the term credit facilities will convert into a three-year term loan with an amortization period of five years. Interest rates vary based on prime, Bankers' Acceptance, LIBOR or U.S. base rate plus a relevant margin, depending on the Company's indebtedness and cash flows.

Note 9: Reclassification

Comparative figures for the financial statements as at December 31, 2002 have been reclassified to comply with the December 31, 2003 presentation.

Management discussion and analysis of financial position and operating results

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

Forward-Looking Statements

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

Such factors include, but are not limited to: the impact of general economic conditions in Canada and the United States; industry conditions including changes in laws and regulations; increased competition; the lack of availability of qualified personnel or management; fluctuations in commodity prices; foreign exchange or interest rates; stock market volatility; and the impact of accounting policies issued by Canadian and U.S. standard setters.

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

Overview

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

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

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

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

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

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

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

Results of operations

Consolidated Sales

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

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

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

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

Landing Gear and Aerostructure Divisions

a) Landing Gear

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

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

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

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

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

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

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

b) Aerostructure

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

Gas Turbine Components

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

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

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

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

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

Logistics & Defence

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

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

Sales by Segment

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

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

Destination

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

Gross Profit

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

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

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

Landing Gear

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

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

Aerostructure

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

Gas Turbine Components

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

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

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

Logistics & Defence

Third quarter gross profit for the Logistics & Defence Division remained at the same level as last year. Gross profit for the first nine months of the year increased by 3.3% due to improved manufacturing processes and re-engineering initiatives introduced last year.

Selling and Administrative Expenses

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

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

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

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

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

Operating Income

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

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

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

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

Restructuring Charges

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

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

Income Taxes

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

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

Net Loss

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

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

Liquidity and Capital Resources

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

Operating Activities

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

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

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

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

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

Investing Activities

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

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

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

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

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

Financing Activities

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

In August 2002, the Company obtained TSX approval for the repurchase of up to 1,222,195 common shares during the 12-month period ending on August 20, 2003. In April 2003, the Company obtained TSX approval to increase the number of common shares to be repurchased during that period to 1,585,700 shares. During the period from August 21, 2002 to August 20, 2003, a total of 1,023,478 shares were repurchased for $4.8 million or $4.72 per share. On September 3, 2003, the Company obtained another approval from the TSX to repurchase up to 1,172,772 common shares prior to September 2, 2004. During the quarter ended December 31, 2003, the Company repurchased 47,700 shares for cancellation, compared to 248,300 shares during the same period last year. To date this year, the Company has repurchased 143,100 shares, compared to 445,400 shares in the first nine months of last year.

Consolidated Balance Sheets

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

Item	Change ($ million)	Explanation
Cash and temporary investments	(12.6)	See statement of cash flows.
Accounts receivable	(7.9)	Related to reduced business volume in the quarter ended December 31, 2003.
Other receivables	(0.8)	Collection of a cash deposit for the purchase of equipment.
Income taxes receivable	(2.6)	Collection in the third quarter of the Gas Turbine Components Division, an income tax refund related to the fiscal year ended March 31, 2003.
Inventories	3.1	Increase at the Gas Turbine Components and Landing Gear divisions due to late deliveries.
Capital assets	(3.7)	Decrease due to: • Lower U.S. exchange rate used to convert the net assets of self-sustaining U.S. subsidiaries (-$2.9 million). • Amortization of capital assets (-$10.2 million). • Write-off of two pieces of equipment not required due to the transfer of Metro operations to Dorval (-$0.5 million). • Sale of capital assets (-$0.2 million). • Purchase of capital assets (+$10.1 million).
Accounts payable and accrued liabilities	(10.2)	Reduction related to reduced business volume in 2003. $1.8 million reduction in the restructuring charge accrued liabilities recorded last year at the Gas Turbine Components Division.
Customers' advances	(2.3)	Represents unearned amounts received by the Logistics & Defence and Landing Gear divisions. These advances are liquidated based on units delivered to customers (see Note 10 to the consolidated financial statements dated March 31, 2003).
Long-term debt (including current portion)	(5.1)	Decrease due to: • Favourable impact of $3.2 million on net assets of self-sustaining U.S. subsidiaries resulting from a lower U.S. exchange rate. • Capital repayments of $2.6 million. • Increase of $0.7 million in new long-term debt (capital lease obligations and non-interest-bearing loans).

Item	Change ($ million)	Explanation
Capital stock	(0.4)	Represents the repurchase of 143,100 common shares at average book value since the beginning of the year.
Cumulative translation adjustment	(2.1)	Reflects the counterpart of the impact of foreign exchange rate fluctuations on the net assets of self-sustaining U.S. subsidiaries.
Retained earnings	(3.4)	See statements of retained earnings.

The Company continues to enjoy a strong balance sheet position.

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

Off-Balance Sheet Items and Commitments

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

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

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

Subsequent Events

Purchase Agreement to acquire Progressive Incorporated,

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

Bought Deal Agreement and credit facilities renewal

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

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

Risks and uncertainties

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

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

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