



**ANNUAL INFORMATION FORM
FISCAL YEAR ENDED MARCH 31, 2003**

JUNE 30, 2003

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ITEM 1: CORPORATE STRUCTURE

Name and Incorporation

Héroux-Devtek Inc. (the “**Company**”) was originally incorporated under the name “Héroux Machine Parts Limited” on March 17, 1942, under Part I of the *Companies Act* (Québec). Its name was changed to “Héroux Inc.” on October 28, 1978 and the Company was later continued under Part IA of the *Companies Act* (Québec) by a certificate of continuance dated September 30, 1982.

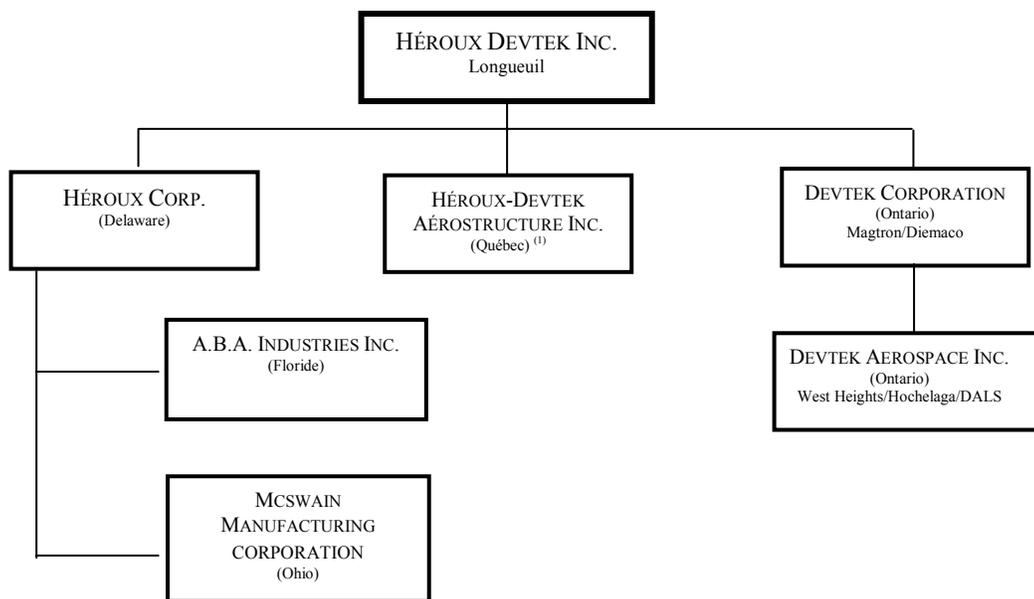
Articles of amendment were filed on September 8, 2000 to change the Company’s name to its current name following the acquisition of Devtek Corporation (“**Devtek**”), effective June 12, 2000.

The Company has its principal and registered offices at Suite 658, East Tower, 1111 St-Charles Street West, Longueuil, Québec, J4K 5G4. The Company’s fiscal year-end is March 31st.

Unless indicated otherwise, “Company” refers to Héroux-Devtek Inc. and its subsidiaries.

Subsidiaries and Inter-corporate Relations

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



(1) Héroux-Devtek Aerostructure inc. now comprises the following entity: 9077-2070 Québec inc., Corporation d’usage Métro and Les industries C.A.T. inc. (which have been merged into one legal entity as of April 1, 2003)

ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

General

The Company specializes in the design, development, manufacture, and repair of aerospace and industrial products. It operates ten (10) business units located across North America and grouped into four divisions: Landing Gear, Aerostructure, Gas Turbine Components, and Logistics and Defence.

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

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

Major Events and Past Results

Management Buyout of the Company

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

Initial Public Offering

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

United States Market Breakthrough

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

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

Acquisition of FRE Composites Inc.

In May 1992, looking to diversify its operations, the Company acquired a 60% interest in FRE Composites Inc. ("**FRE**"), a Canadian company specializing in the design and manufacture of products made from composite material. Shortly thereafter, the Company acquired the remaining shares of FRE. The Company decided to refocus on its primary activity sectors, and therefore sold FRE in December 1999 in a management buyout valued at \$5.3 million.

Major Restructuring and Return to Profitability

In the year ended March 31, 1994, the Company's revenues generated by its Longueuil aircraft landing gear business ("**Héroux Landing Gear**") dropped significantly. Manpower and material resources were restructured, management and staff trimmed down, and certain assets written off.

Restructuring expenses amounted to approximately \$6.6 million and significantly affected the Company's operating results that year.

The Company returned to profitability the following year, as it was awarded a number of significant contracts and achieved a better balance between sales on the military and commercial markets.

Since then, the Company showed a strong progression and has become a major Canadian aerospace company.

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

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

Recent Years

Year Ended March 31, 2001

Fiscal 2000/2001 marked the Company's most significant change to date, with the acquisition of Toronto-based Devtek, a well-established manufacturer of systems, assemblies, and components for the aerospace industry.

The Company (then Héroux Inc.) and its wholly-owned subsidiary, 1410740 Ontario Limited, acquired all of the outstanding shares of Devtek, whose multiple voting shares and subordinate voting shares were listed on the Toronto Stock Exchange. In consideration for their shares, Devtek shareholders had the option of receiving either \$3.50 in cash or 0.833 Héroux Inc. common share for each Devtek share. The aggregate acquisition price amounted to \$75,036,000, of which \$40,406,000 was paid in cash, and the remaining portion through the issue of 8.2 million common shares of the Company.

Since the majority of Devtek's commercial activities were related to landing gear and hydraulic components, the Company's management saw this acquisition as an excellent way to strengthen the Company's core business segment, while also complementing it at the same time. Following this acquisition, the Company was renamed "Héroux-Devtek Inc." and reorganized into four operating divisions: Landing Gear, Gas Turbine Components, Aerostructure, and Logistics and Defence.

It was originally intended to operate Devtek, which was comprised of four manufacturing plants and a logistics support center, as a wholly owned subsidiary of the Company. Under the new structure, however, the two business units of Devtek which manufactured landing gear and hydraulic components - namely, West Heights Manufacturing ("**West Heights**") and Hochelaga - form part of the Company's Landing Gear Division, along with the Héroux Landing Gear business unit whose operations are located in Longueuil.

Devtek's business units included Diemaco, a military small arms operating unit and D.A.L.S. (Devtek Aerospace Logistics Support). Diemaco was then an integral part of the Company's Logistics and Defence Division, while D.A.L.S. is now incorporated to the Company's Landing Gear Division. Finally, the fourth business unit operated by Devtek was Magtron Precision

(“**Magtron**”), a precision component manufacturer which, following the acquisition, was integrated into the Company’s Aerostructure Division.

The following table illustrates the financial impact of the integration of Devtek’s operations with the Company’s.

BALANCE SHEET			
Major Financial Ratios	Héroux Inc. (as at March 31, 2000)	Devtek Corporation as at acquisition date (June 12, 2000)	Héroux-Devtek as at March 31, 2001
Working capital	2.2	1.6	1.36
Long-term debt to equity	.80	.01	.39
Shareholders’ equity to total assets	.38	.56	.38

With an increase of about 50% in sales following the acquisition, the Company was then, and it still is, one of the largest second tier manufacturers in the Canadian aerospace industry. While the design, development, manufacturing, and overhaul of landing gear are still the cornerstone of its activities, the Company was also established as a major player in the industrial gas turbine and aircraft engine components market, as well as in the regional jet market. The Company was then set to make the most of its engineering and manufacturing capabilities in order to provide highly reliable products and exceptional service to its customers in the aerospace and industrial sectors throughout North America.

Year Ended March 31, 2002

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

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

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

In April 2001, the Company completed the construction of a new 77,000 square-foot facility in Dorval for its Aerostructure division. New equipment, including two new five-axis gantries, has also been bought by Héroux-Devtek Aerostructure and the plant began its operations in September 2001. This new plant should enable the Company to consolidate its position as a preferred supplier to major aircraft and regional jet manufacturers in the coming years. In this regard, the Company’s Aerostructure Division has secured a new contract pertaining to the production of aerostructure components used in Bombardier Aerospace’s Challenger jet CRJ 200 and the CRJ 700, the whole for approximately \$18 million.

Year Ended March 31, 2003

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

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

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

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

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

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

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

With the goal of increasing capacity utilization, improving efficiency and reducing manufacturing overhead costs, the Aerostructure Division has undertaken to transfer its Metro unit to its Dorval facility in the first half of the current year. This transfer is in line with the Company's strategy of creating centers of excellence.

In August 2002, the Company obtained the Toronto Stock Exchange approval for the repurchase of up to 1,222,195 common shares during the 12-month period ending on August 20, 2003 in accordance with a normal course issuer bid. In May 2003, the Company obtained TSX approval to increase the number of common shares to be repurchased during that period to 1,585,700 shares. As of March 31, 2003, the Company had repurchased a total of 934,278 common shares for a cash consideration of \$4.5 million.

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

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

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

Overview and Outlook

Landing Gear and Aerostructure Divisions

Landing Gear Division

Overview of Fiscal 2002/2003

Due to the slowdown in the large civil aerospace sector and reduced demand for spare parts for out-of-production aircraft, the Landing Gear Division sales declined by 7.6% to \$161.3 million. During 2002/2003, the weighting of Landing Gear Division sales shifted slightly from the commercial toward the military sector, and from manufacturing toward repair and overhaul products and services.

Divisional gross profit for 2002/2003 remained steady at 2001/2002 levels. An increase in deliveries to \$45 million in the fourth quarter had a favorable impact on gross profit improving the absorption of fixed manufacturing overhead costs. In addition, the Company wrote off \$1.5 million in development cost support program funding consisting of non-interest bearing debt, as the conditions under which repayment is required have not been met. The write-off was fully included under cost of sales as it was related to assets that had already been fully depreciated.

The Landing Gear Division is continuing to build its design engineering department, which now employs 40 persons, with new contracts such as X-45 (UCAV).

During the year, the Company also completed the transfer of its DALs operations into its West Heights operations.

Projects and Outlook

The Division's biggest challenge in the upcoming year will be to maintain its landing gear business volume in a period of decline in large commercial aircraft purchases, particularly because of reduced production at Boeing and Airbus. This decline should be partially offset by a reduced supplier base in the landing gear market.

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

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

Aerostructure Division

Overview of Fiscal 2002/2003

Aerostructure Division sales raised slightly in 2002/2003 to \$24.0 million, up 2.1% from the \$23.5 million the previous year. However, gross profit was down 7.5%, due to manufacturing inefficiencies and rework in the last six months of the year. These factors, combined with a low capacity utilization, reduced deliveries and gross profit below expected levels for 2002/2003.

The Company's future growth prospects in this Division lie with the business and regional jets. During the last three years, more than \$25 million was invested into this Division, with the construction in 2001/2002 of a new 77,000 square-foot facility in Dorval, Québec, located adjacent to Bombardier Aerospace, its largest customer, and the acquisition of four new specialized 5-axis gantries, two of which are now operational. These investments enable the Division to manufacture large structural components used in airframe, including wings or fuselage of commercial and military aircrafts.

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

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

Projects and Outlook

The market for regional jets remains solid, despite the downturn in commercial aerospace. Bombardier Aerospace, the main customer of the division, has maintained its regional jets production schedule. The division still has a strong order book and is well positioned to capture upcoming opportunities in its current market segment as well as in other potential markets.

The Aerostructure division is in the process of installing a second large piece of equipment at its Dorval plant. Without taking into account this installation, scheduled for completion by the end of June 2003, the current capacity utilization of the Dorval facility was approximately 50% as of March 31, 2003. With the goal of increasing capacity utilization, improving efficiency and reducing manufacturing overhead costs, the division is transferring its Metro unit to its Dorval facility in the first half of the current year. This transfer is in line with the Company's strategy of creating centers of excellence.

The Division continues to pursue projects for major sub-assembly and to develop the technological expertise required for growing this important facet of the business. The Division realizes the enormous potential to provide affordability to their customers through value-added sub-assembly supply.

Gas Turbine Component Division

Overview of Fiscal 2002/2003

The Division performance fell sharply during 2002/2003 due primarily to unprecedented cancellation of domestic power gas turbine orders. The Division saw its sales, decreased by 41.3% to \$52.5 million. Furthermore, gross profit fell by 25.4% and was mostly due to the significant reduction in business volume, particularly in industrial gas turbines sector.

Industrial gas turbine components sales alone accounted for \$31.5 million of the total \$36.9 million drop in year-over-year sales for the Gas Turbine Component Division. In reaction to this, during 2002/2003, the Company initiated the process of consolidating its gas turbine component division production by transferring its Tampa operations into its Cincinnati business unit over a six-month transition period. To provide for the execution and the completion of the reorganization, the Company accounted for \$9.2 million restructuring charges and goodwill impairment against earnings for fiscal 2003.

Projects and Outlook

While operations in this Division are being consolidated, the effect will not be seen until after the transition period. In the interim, the Company is incurring significant unabsorbed manufacturing overhead costs since the plants are under-utilized. Sales of aircraft engines parts declined during the year due to order push-outs and weaker demand in the civil aerospace products in general. Although, the Company anticipates its share of the aircraft engine parts market to rise in fiscal 2004, it does not expect a turn around of the industrial gas turbine sector before 2006.

Logistics and Defence Division

Overview of Fiscal 2002-2003

Sales for the Logistics & Defence division fell 20.7% in fiscal 2002/2003 to \$22.9 million from \$28.9 million a year earlier, due to the completion partway through fiscal 2001/2002 of a large accessories distribution contract. The loss of sales from this contract was partially compensated by increased sales of manufactured products to Norway.

During the period, the Division continued deliveries in connection with its major contract with Denmark. This contract, now in its fourth year, is to be completed by 2006. The year showed more evidence of the continuing inroads into the European market by the delivery of additional products to the armed forces of Norway and the United Kingdom.

Projects and Outlook

Based on current backlog, the Company expects to maintain its Logistics & Defence business volume in fiscal 2003/2004 at last year's level.

ITEM 3: DESCRIPTION OF THE BUSINESS

Markets

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

Aerospace Market

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

OEM Market

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

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

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

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

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

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

Historically, the aerospace OEM industry has been affected by economic cycles and, therefore, has experienced significant fluctuations. From 1992 to 1994, the industry suffered serious difficulties as a result of a severe decline in new aircraft orders from major commercial airline companies and in defence procurement contracts. Conversely, the industry has experienced a growth cycle since 1994, especially in the regional jet segment, as the delivery of commercial aircraft has steadily increased from 1994 to 1999. As forecasted, commercial aircraft deliveries peaked in late 2000 and early 2001, and then markedly declined by the end of that year. Such decline, which was expected by most analysts, was further accelerated by the events of September 11, 2001. While the large commercial aircraft (over 100 passengers) deliveries were significantly less in 2002 compare to 2001, the regional jet market (less than 100 passengers) was less affected. Years 2003 and 2004 will still be slow in both segments and a recovery is expected in 2006.

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

Aerospace Aftermarket

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

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

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

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

As a result of FAA systematic requirements for periodic repair and overhaul of landing gear and the increase in the number of aircraft put in service over the past 15 years, it is expected that the

demand for repair and overhaul services will also increase. The Landing Gear Division is active in this market as both a supplier of components and spare parts for out-of-production aircraft, and a provider of repair and overhaul services.

Gas Turbine Components Market

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

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

Aircraft Engines

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

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

Power Generators

The long term market for gas turbines is expected to be good worldwide. According to the U.S. Department of Energy, a total of 428 gigawatts of new capacity (excluding cogenerators) are projected to be needed between 2001 and 2025. Most of this new requirement is projected to be based on combined-cycle or combustion technology. However, on the short term, the recent economic downturn combined with the collapse of companies like Enron has forced several energy producers to delay or cancel gas turbine orders. GE Power Systems, one of the largest manufacturers of gas turbines used for power generation, has substantially reduced its production in the course of the year.

Operating Divisions and Their Activities

Landing Gear and Aerostructure Divisions

Landing Gear Division

The Landing Gear Division specializes in the design, development, manufacture, repair, and overhaul of aircraft landing gear, hydraulic flight control actuators, and fracture-critical components. With the integration of D.A.L.S. in the Kitchener site, the Landing Gear Division also manufactures spare parts for out-of-production aircraft. With 752 employees, it is the Company's largest division. It operates out of three sites located in Longueuil and Laval, Québec and Kitchener, Ontario. While the maintenance and refurbishing of landing gear for the U.S. Air Force fleet still represent an important part of its activities, the Division also manufactures landing gear and related components for a broad range of aircraft.

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

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

Longueuil Site

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

Laval Site

The Laval site manufactures critical hydraulic flight control actuators for aircraft such as the Boeing 717 or the Bombardier regional jet family, as well as rotor hub assemblies and components for helicopters such as the Bell Helicopter 206. The site also handles repair and overhaul of hydraulic flight control actuators for major airlines.

Kitchener Site

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

Design and Manufacture of Landing Gear

Design Phase

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

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

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

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

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

Manufacturing Phase

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

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

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

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

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

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

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

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

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

Repair and Overhaul of Landing Gear and Servomechanisms

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

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

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

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

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

The Landing Gear Division's Laval and Longueuil sites are both unionized. The collective agreement at the Laval site was renewed in January 2001 and will expire in December 2003 while the one in Longueuil was renewed in April 2002 and will expire in May 2005.

Aerostructure Division

On June 4, 1999, the Company acquired Montréal-based Metro and C.A.T., thus creating the Aerostructure Division which, since the acquisition of Devtek, also incorporates Magtron Precision. This division employs 181 persons. Metro and C.A.T. are mainly dedicated to the production of airframe structural components, while Magtron specializes in the manufacture of non airframe structural components.

In April 2001, the Aerostructure Division completed the construction of a new, 77,000-sq.-ft. plant in Dorval, located close to the facilities of Bombardier, its largest customer. During the last three fiscal years, more than \$25 million were invested in this business unit, in part to acquire new five-axis gantries enabling Héroux-Devtek Aerostructure to manufacture larger and more complex structural components and sub-assemblies, such as those used in wings or fuselage of

commercial aircraft. Héroux-Devtek Aerostructure's strategy is to develop and acquire further technology and know-how to be able to provide OEMs with more complex assembly services.

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

Metro and C.A.T. are operating from two different locations but are both under the same management team as the Dorval site. Metro operates from a 32,000-sq.-ft. owned plant while C.A.T. operates from another 15,000-sq.-ft. owned plant, both located in Montréal.

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

In 2002/2003, the Aerostructure Division has undertaken to close its Metro plants and transfer its operations to the Héroux-Devtek Aerostructure facility in Dorval. The transfer should be effective in the first half of the current year.

Héroux-Devtek Aérostructure is unionized and its collective agreement will expire in December 2004. Both Metro and C.A.T. are unionized. Metro's collective agreement will expire in May 2004, while C.A.T.'s will expire in September 2003.

Magtron Precision

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

Gas Turbines Component Division

The Gas Turbines Component Division is a major supplier for aircraft and power generation engine manufacturers. The Division supplies parts used in aircraft engines, aeroderivatives, and power generation turbines. In its facilities located in Tampa, Florida (A.B.A.) and Cincinnati, Ohio (McSwain), the Division employs a total of 120 persons. Both sites are manufacturing plants under the same centralized management team, located in Cincinnati. In 2002/2003, due to the downturn in aerospace and power generation markets, the Company initiated the process of consolidating its gas turbine component production by merging and transferring its Tampa operations into its Cincinnati business unit, which merger should be completed by mid-year.

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

This division lies on large specialized turning and milling equipments, which can machine components measuring up to 144 inches in diameter and weighing up to 15 tons. Industry standards are extremely rigorous in that area; despite the components' imposing size, tolerances

are exceedingly low. As a result, only a handful of companies throughout North America have the ability to produce such parts. The Company's Gas Turbine Components Division possesses all the necessary tooling and can count on the engineering personnel required to manufacture such specialized components.

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

The Cincinnati Site: McSwain Manufacturing Corporation

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

The products manufactured by McSwain now fall into three main categories: large gas turbine components, aircraft engine parts and smaller components intended for information technology and other industrial markets. Major components for industrial gas turbines are mainly sold to customers in the power generation industry, aircraft engine parts are sold to the largest aircraft engine manufacturers in the world, while other mechanical components, used for computer data storage systems, are being sold to a particular customer pursuant to a long-term agreement.

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

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

The Florida Site: A.B.A. Industries, Inc.

A.B.A. operates two owned plants totaling 87,000 sq.-ft. near the city of Tampa, Florida. Its main operations focus on the development and manufacture of complex assemblies and components for industrial gas turbines and aircraft engines.

In 2002/2003, the Company has decided to close the A.B.A. manufacturing plants in Tampa and to transfer production to its plants in Cincinnati. In order to minimize the impact on customer deliveries, the Company has provided for a six-month transition period which should end around mid-year 2003.

Logistics and Defence Division

The Logistics and Defence Division operates a facility in Kitchener, Ontario and employs a total of 86 persons.

Diemaco

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

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

Business Management

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

The Company's head office is responsible for all financial and major business development decisions and provides each division with support in preparing strategic plans, developing new products and markets, and with assistance with public relations, financial controls and reporting, and capital expenditure programs. The head office currently employs 10 persons, including the Company's officers.

Management positions, plant locations and contact information are provided in the following two tables:

HÉROUX-DEVTEK INC. Suite 658, East Tower Complexe Saint-Charles 1111 Saint-Charles Street West Longueuil, Québec Canada J4K 5G4 Tel.: (450) 679-3330 Fax: (450) 679-3666	CORPORATE MANAGEMENT		
	HELMUT HOFMANN Chairman of the Board	RÉAL BÉLANGER Executive Vice-President and Chief Financial Officer	PATRICE GAUVIN Vice-President, Business Development
	GILLES LABBÉ President and Chief Executive Officer	MARTINE RIVARD Vice-President, Human Resources	MARTIN BRASSARD Vice-President, Control and Information Technology
<u>LANDING GEAR DIVISION</u>	<u>AEROSTRUCTURE DIVISION</u>	<u>GAS TURBINE COMPONENTS DIVISION</u>	<u>LOGISTICS AND DEFENSE DIVISION</u>
JEAN GUILBAULT President	JEAN GUILBAULT President	ALVIN COOK President	
CLAUDE BEAUVAIS Vice-President, Operations Repair & Overhaul LONGUEUIL 755 Thurber Street Longueuil, Québec Canada J4H 3N2 Tel.: (450) 679-5450 Fax: (450) 679-4554 GAËTAN ROY Plant Manager, KITCHENER 1665 Highland Rd W. Kitchener, Ontario Canada N2N 3K5 Tel.: (519) 576-8910 Fax: (519) 576-5119 DANIEL NORMANDIN Plant Manager LAVAL 3675 Industrial Blvd Laval, Québec Canada H7L 4S3 Tel. : (450) 629-3454 Fax. : (450) 629-5682	YVON CASTONGUAY General Manager Aerostructure Division - HÉROUX-DEVTEK AEROSTRUCTURE 123 Avro Street Dorval (Québec) Canada H9P 2Y9 Tel.: (514) 421-0344 Fax: (514) 421-0377 - MÉTRO MACHINING CORPORATION 7926-15 th Avenue Montréal, Québec Canada H1Z 3N6 Tel.: (514) 374-0791 Fax: (514) 374-9339 MARCEL QUIRION Operations Manager LES INDUSTRIES C.A.T. 11800 Adolphe-Caron Montréal, Québec Canada H1E 7J3 Tel. : (514) 494-2335 Fax.: (514) 494-8497 WOLFGANG MILDENBERGER Operations Manager MAGTRON 1480 Birchmount Rd Scarborough, Ontario Canada M1P 2G2 Tel.: (416) 757-2366 Fax.: (416) 752-4838	DAVE COOK Operations Manager CINCINNATI 383 Circle Freeway Dr. Cincinnati, Ohio U.S.A. 45246 Tel.: (513) 942-5710 Fax.: (513) 942-5710 189 Container Place Cincinnati, Ohio U.S.A. 45246 Tel.: (513) 671-6130 Fax.: (513) 671-2045 A.B.A. INDUSTRIES, INC. 10260 U.S. 19 North Pinellas Park, Florida U.S.A. 33782 Tel.: (727) 546-3571 Fax: (727) 545-9003	JEFF MacLEOD General Manager DIEMACO 1036 Wilson Avenue Kitchener, Ontario Canada N2C 1J3 Tel.: (519) 893-6840 Fax.: (519) 893-3144

Properties

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

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

(1) Production to be transferred to Cincinnati, Ohio

(2) Production to be transferred to Dorval

Competition

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

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

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

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

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

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

Marketing Approach

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

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

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

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

Several sales representatives are appointed throughout the Company's four divisions to ensure optimal representation of the Company on a customer by customer basis as well as in each geographic area. Most of the Company's sales activities are aimed toward North American customers.

Customer Base

The Company serves a broad range of customers in the different markets in which it operates. In the aerospace landing gear and aerostructure market, the Company serves mainly OEMs and second-tier system suppliers. Its commercial customers include Bombardier Aerospace, Northrup-Grumman, Goodrich, Lockheed-Martin, Boeing, and Messier-Dowty, among others. In

the military sector, the Company's customers include the U.S. Air Force, the U.S. Navy, the Canadian Air Force, and NATO countries.

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

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

Other industrial customers of the Gas Turbine Components Division include Storage Technology.

Principal Customers

Héroux-Devtek sells mainly into the aftermarket, where its principal customers are the U.S. Air Force and Navy and to original equipment manufacturers (OEMs) such as General Electric Company, Bombardier and Boeing. In fiscal 2003, sales to these principal customers represented approximately 65% of the Company's total sales. The U.S. government obtains products and services from the Company through the U.S. Air Force and U.S. Navy. The General Electric Company procures the Company's products mostly through its subsidiaries, GE Power Systems, and GE Aircraft Engines.

No other customers accounted for more than 10% of the Company's consolidated sales in the fiscal year ended March 31, 2003.

Research and Development

The majority of the Company's R&D costs for the year ended March 31, 2003 were incurred by the Landing Gear Division. They usually relate to specific development programs and are therefore included in these programs' costs.

Environmental Matters

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

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

Risks Associated With Contracts

Although the Company has significantly diversified its customer base in recent years, its business volume with some customers remains significant. Should there be a significant deterioration in

their financial position or should the Company lose certain orders from these customers, there could be a negative impact on its results.

During the last fiscal year, the Company obtained extensions of a contract it has held for nearly 30 years with the U.S. Air Force for the maintenance and refurbishing of landing gears. The last extension ensures production until the third quarter of this fiscal year and the contract is currently in a competitive bidding process the award of which is expected for the second quarter of 2003/2004.

Raw Materials

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

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

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

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

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

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

Risks Associated with Foreign Operations

During the fiscal year ended March 31, 2003, 73% of the Company's sales (compared to 74% for the preceding year) were made outside Canada, including 65% in the U.S. Accordingly, the majority of sales made outside Canada are in U.S. currency. Management made every effort to hedge against the risks associated with U.S. exchange rates with forward foreign exchange contracts. As at March 31, 2003, the Company had entered into forward foreign exchange contracts totaling U.S.\$60.5 million to sell U.S. dollars at an average rate of CAN\$1.5063 at

different dates between April 1st, 2003 and September 28, 2007. The Company's Landing Gear Division accounts for the majority of export sales.

As shown in the charts below, sales originating from the United States decreased due to the downturn in the industrial gas turbine market, as explained in item 2 above.

Sales Originated From:	Fiscal Years Ended March 31		
	(%)		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Canada	80	72	66
U.S.A.	20	28	34
Total:	<u>100</u>	<u>100</u>	<u>100</u>

Sales Destined To:	Fiscal Years Ended March 31		
	(%)		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Canada	27	26	24
U.S.A	65	64	66
Other	8	10	10
Total:	<u>100</u>	<u>100</u>	<u>100</u>

Distribution of Revenues Among the Company's Divisions

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

Divisions:	Fiscal years ended March 31		
	(in thousands of \$)		
	<u>2003</u>	<u>2002</u>	<u>2001⁽¹⁾</u>
Landing Gear	161,252	174,534	128,252
Aerostructure	23,986	23,503	19,624
	185,238	198,037	147,876
Gas Turbine Components	52,486	89,370	87,629
Logistics and Defence	22,907	28,873	23,572
Total:	<u>260,631</u>	<u>316,280</u>	<u>259,077</u>

⁽¹⁾ The 2001 figures have been reclassified to comply with March 31, 2002 presentation.

Sales by Market Segments

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

Segment:	Fiscal years ended March 31 (as a %)		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Aerospace and Defence			
Military (aerospace)	30	24	23
Defence	10	10	10
Civilian (aerospace)	48	46	43
	88%	80%	76%
Industrial			
Gas turbines	10	18	20
Others	2	2	4
	12%	20%	24%
Total:	100%	100%	100%

ITEM 4: SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information of the Company should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended March 31, 2003, as released on June 30, 2003. Readers should also refer to the Company's 2002 Annual Report under the heading "Consolidated Financial Statements" of such Annual Report which is hereby incorporated by reference in, and form part of, this Annual Information Form.

	As at March 31 ⁽¹⁾		
	(in thousands of dollars, except for earnings per share)		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Sales	260,631	316,280	259,077
Restructuring charges	9,177	0	0
Income before goodwill amortization	154	18,768	13,613
Net income	154	17,424	12,465
Earnings per share before goodwill amortization and discontinued operations	0.01	0.78	0.63
Earnings per share	0.01	0.72	0.58

⁽¹⁾ Information for the years ended March 31 is derived from the Company's audited consolidated financial statements.

As at March 31
(in thousands of dollars)

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Total assets	289,067	299,637	269,844
Long-term debt ⁽¹⁾	63,650	59,565	40,041
Shareholders' equity	124,919	130,801	102,270

⁽¹⁾ Excluding current portion.

Dividend Policy

Over the last five years, the Company did not pay any dividends on its common shares. The Company does not intend to pay dividends on its common shares in the foreseeable future.

Subject to the rights of the holders of shares of any other class or particular series ranking in priority to the common shares, the holders of the common shares are entitled to receive all dividends declared by the Company. The first preferred shares and the second preferred shares shall rank prior to the common shares and the first preferred shares shall rank prior the second preferred shares in respect of the payment of dividends.

ITEM 5: MANAGEMENT'S DISCUSSION AND ANALYSIS

The information that appears in the Company's 2003 Annual Report under the heading "Management Discussion and Analysis of Financial Position and Operating Results" of such Annual Report is hereby incorporated by reference in, and form part of, this Annual Information Form.

ITEM 6: MARKET FOR SECURITIES

The Company's common shares are listed and posted for trading on the Toronto Stock Exchange under the symbol "HRX".

ITEM 7: DIRECTORS AND EXECUTIVE OFFICERS

The names and municipalities of residence of the directors and executive officers of the Company, their principal occupations and the year in which each director first became a director are set out below. Each of the directors has served continuously as a director since the date he was first elected or appointed. The present term of each director will expire immediately prior to the election of directors at the next Annual General Meeting of Shareholders, which is scheduled for September 3, 2003.

Director's Name and Municipality of Residence	Principal Occupation	Director Since	Number of Common Shares
Helmut Hofmann ⁽¹⁾ Unionville (Ontario)	Chairman of the Board Héroux-Devtek Inc.	2000	896,294 ⁽³⁾
Gilles Labbé ⁽⁶⁾ St-Bruno (Québec)	President and Chief Executive Officer, Héroux-Devtek Inc.	1985	4,683,500 ⁽⁴⁾
Jean-Louis Fontaine ⁽¹⁾ Westmount (Québec)	Vice-Chairman of the Board and Director, Bombardier Inc.	1990	21,000
Claude Boivin ⁽¹⁾ St-Lambert (Québec)	Consultant and member of various boards of directors	1994	16,000
Pierre Marcouiller ⁽²⁾ Magog (Québec)	Chairman of the Board, Chief Executive Officer, and President, Camoplast Inc.	1998	3,400
Alain Cousineau ⁽²⁾ Montréal (Québec)	Partner, Groupe Secor Inc.	1999	7,500
Brian A. Robbins ⁽²⁾ Aurora (Ontario)	President and Chief Executive Officer, Exco Technologies Limited	2000	40,000 ⁽⁵⁾

Executive Officer's Name	Position in the Company		
Réal Bélanger Laval (Québec)	Executive Vice-President, Chief Financial Officer	N/A	52,628
Jean Guilbault Montréal, (Québec)	President, Landing Gear and Aerostructure Divisions	N/A	3,190
Alvin Cook West Chester, (Ohio)	President, Gas Turbine Components Division	N/A	—
Patrice Gauvin Longueuil (Québec)	Vice-President, Business Development	N/A	400
Martin Brassard Boucherville (Québec)	Vice-President, Control and Information Technology	N/A	—
Martine Rivard ⁽⁶⁾ Nuns' Island (Québec)	Vice-President, Human Resources	N/A	—
Jacques Paquin Beaconsfield (Québec)	Corporate Secretary	N/A	12,000

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

(2) Member of the Audit Committee.

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

- (4) 4,654,000 common shares included in this number are held by 2635-6246 Québec inc. and by 2945-0228 Québec inc., companies controlled by Mr. Gilles Labbé.
- (5) Held by 55319 Ontario Limited, a corporation wholly owned by Mr. Brian A. Robbins.
- (6) Mr. Labbé and Ms. Rivard attend the Human Resources and Corporate Governance Committee meetings. However, they do not take part in deliberations respecting corporate governance matters or their own compensation.

During the past five years, all directors and executive officers of the Company have been engaged in the same principal occupation or other executive capacities as disclosed above, except for Mr. Helmut Hofmann, who was Chairman of the Board and Chief Executive Officer of Devtek from 1981 to June 12, 2000, for Mr. Pierre Marcouiller, who was Chairman and Chief Operating Officer of Venmar Ventilation Inc. from 1986 to 1996 and a private investor from 1997 to June 2000, for Mr. Jean Guilbault, who was President of Rolls-Royce Canada and thereafter partner at [The Caldwell Partners International](#) until its nomination as President, Landing Gear and Aerostructure Divisions of the Company in March 2001, for Mrs. Martine Rivard, who was Vice-President, Human Resources at Société Générale de Financement du Québec during four years before joining the Company in the same capacity in August 2001, for Mr. Jacques Paquin, who was Director of the Company before being nominated as Corporate Secretary of the Company in September 2002, and for Mr. Patrice Gauvin, who was Director of Marketing at Nova BUS Corporation the last two years prior to its appointment, in June 1998, as the Company's Vice-President, Business Development.

Over the years, the Company's board of directors has sought to establish mechanisms designed to ensure the observance of appropriate standards of corporate governance. In this regard, in June of 2000, the Company increased the number of its directors to eleven for a period of two years after the Devtek acquisition. Now that the integration of Devtek has been completed, the Company has reduced the number of its directors to seven which more accurately reflects its current corporate size.

As at March 31, 2003, the directors and executive officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control or direction over 5,732,722 common shares representing approximately 24.3% of the outstanding common shares of the Company.

ITEM 8: ADDITIONAL INFORMATION

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

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

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities, and interests of insiders in material transactions, where applicable, is contained in the Company's Management Proxy Circular to be dated July 30, 2003 and prepared in connection with the Annual Meeting of Shareholders of the Company, to be held on September 3, 2003. Additional information is provided in the Company's comparative financial statements for its most recently completed fiscal year.