



PRESS RELEASE

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FOR IMMEDIATE RELEASE

HÉROUX-DEVTEK ANNOUNCES THIRD QUARTER RESULTS

Recent acquisition strengthens military aerospace sector and will boost 2004/2005 EPS

Longueuil, Quebec, February 24, 2004 — Héroux-Devtek Inc. (TSX: HRX), a leading Canadian manufacturer of aerospace and industrial products, today announced its results for the 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," stated Gilles Labbé, President and Chief Executive Officer of Héroux-Devtek.

Financial highlights				
(in thousands of dollars, except per share data)				
	Three months ended		Nine months ended	
	December 31		December 31	
	2003	2002	2003	2002
Sales	45,237	59,394	150,781	190,853
Operating (loss) income	(2,178)	(3,617)	(2,776)	5,922
Restructuring charges	217	7,376	1,052	7,376
Net loss	(1,595)	(6,814)	(3,237)	(907)
Per share (\$)	(0.07)	(0.28)	(0.14)	(0.04)

Segment results

Sales in the Aerospace & Defence segment were down 25.0% to \$40.5 million, compared to \$54.0 million during the same quarter a year ago. Landing Gear sales were mainly impacted by late deliveries and delays in the start-up of new sales programs in the military sector. Commercial landing gear sales declined primarily due to the completion of the DALs spare parts contract for out-of-production aircrafts as well as an ongoing weak demand for large civil aerospace products. For the first nine months, sales in the Aerospace and Defence segment totalled \$135.0 million, compared to \$164.6 for the same period last year.

Industrial segment sales declined 12.2% to \$4.7 million from \$5.4 million. While U.S. dollar sales in the Gas Turbine Components Division were higher year-over-year, the gain was eliminated by the stronger Canadian dollar. Industrial gas turbine sales remained at the same level in U.S. dollars as last year's third quarter, but decreased when translated into Canadian dollars. Year-to-date sales in the Industrial segment were \$15.8 million, down from \$26.3 million last year.

New acquisition significantly strengthens military aerospace sector

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. The 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 million could also be made over the current and next two fiscal years based on additional targeted performance. 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 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 to issue by way of private placement subscription receipts, subject to the closing of the acquisition referred to above. The Company also renewed its existing Syndicated Evergreen Revolving Operating and Term Credit facilities for up to CAN\$100 million, on a secured basis.

Restructuring charges

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. These 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.

Héroux-Devtek honoured for corporate governance

The 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 its strong corporate governance practices and its 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 anticipate that operational issues that have impacted deliveries in the Gas Turbine Components Division during the current quarter will be resolved. 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 Incorporated, bodes well for the Company, as it clearly positions us for growth in the military aerospace sector and will generate gains as early as the current year," concluded Mr. Labbé.

Conference Call

Héroux-Devtek Inc. will hold a conference call to discuss these results today, February 24, 2004 at 4:00 pm Eastern Time. Interested parties can join the call by dialing (514) 227-8860 (Montreal or overseas) or 1-800-814-4890 (elsewhere in North America). The conference call can also be accessed via live webcast at www.newswire.ca or www.q1234.com.

If you are unable to call in at this time, you may access a tape recording of the meeting by calling 1-877-289-8525 and entering the passcode 21037000# on your phone. This tape recording will be available on Tuesday, February 24 as of 6:00 pm until 11:59 pm on Tuesday, March 2.

Profile

Héroux-Devtek Inc. is a Canadian company specialized in the design, development, manufacture and repair of aerospace and industrial products. The Company's head office is located in Longueuil, Québec. Héroux-Devtek operates eight business units grouped under four divisions: the Landing Gear Division, the Aerostructure Division, the Gas Turbine Components Division and the Logistics and Defence Division. Approximately 75% of the Company's sales are outside Canada, mainly in the United States. Héroux-Devtek's shares trade on the Toronto Stock Exchange under the symbol HRX.

Forward-looking statement

Except for historical information provided herein, this press release may contain information and statements of a forward-looking nature concerning the future performance of the Company. These statements are based on suppositions and uncertainties as well as on management's best possible evaluation of future events. Such factors may include, without excluding other considerations, fluctuations in quarterly results, evolution in customer demand for the Company's products and services, the impact of price pressures exerted by competitors, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results.

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Note to readers: Management's Discussion & Analysis is available on Héroux-Devtek's website at www.herouxdevtek.com

HEROUX-DEVTEK INC.
consolidated **BALANCE SHEETS**
As at December 31, 2003 and March 31, 2003
(In thousands of dollars)

	December 2003	March 2003
	(Unaudited)	(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.

HEROUX-DEVTEK INC.**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

HEROUX-DEVTEK INC.**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.

HEROUX-DEVTEK INC.
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.

HEROUX-DEVTEK INC.**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)

Quarters ended December 31 (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 underwritten 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.