



From: Héroux-Devtek Inc.
Gilles Labbé
President and Chief Executive Officer
Tel.: (450) 679-3330

Contact: Héroux-Devtek Inc.
Réal Bélanger
Executive Vice-President and Chief Financial Officer
Tel.: (450) 679-3330

MaisonBrison
Martin Goulet, CFA
Tel.: (514) 731-0000

**PRESS RELEASE
FOR IMMEDIATE RELEASE**

HÉROUX-DEVTEK REPORTS STRONG NET INCOME INCREASE OF 33.8% IN THE THIRD QUARTER OF FISCAL 2012

- Sales of \$93.4 million, up 8.8% from \$85.8 million last year
- 15.1% increase in EBITDA to \$16.9 million, compared with \$14.7 million a year ago
- Net income of \$6.9 million, or \$0.23 per diluted share, up 33.8% from \$5.2 million, or \$0.17 per diluted share last year
- Healthy financial position with cash and cash equivalents of \$49.4 million

Longueuil, Québec, February 3, 2012 — Héroux-Devtek Inc. (TSX: HRX), a leading Canadian manufacturer of aerospace and industrial products, today reported its results for the third quarter of fiscal 2012 ended December 31, 2011. These results reflect the adoption for reporting purposes, on April 1, 2011, of International Financial Reporting Standards ("IFRS"). Results for the prior year have been restated. Unless otherwise indicated, all amounts are in Canadian dollars.

Consolidated sales for the third quarter were \$93.4 million, an increase of 8.8% from \$85.8 million for the same period last year. Sales rose in all product lines, including strong growth for Industrial products. Reflecting a more favourable product mix, greater efficiency and a better absorption of manufacturing overhead costs from higher sales, earnings before interest, taxes, depreciation and amortization ("EBITDA") were \$16.9 million, or 18.1% of sales, compared with \$14.7 million, or 17.1% of sales last year. Operating income stood at \$10.8 million, or 11.5% of sales, up from \$8.7 million, or 10.1% of sales last year. Net income increased 33.8% to \$6.9 million, or \$0.23 per share, fully diluted, from \$5.2 million, or \$0.17 per share, fully diluted, a year ago. Results for the third quarter of fiscal 2012 include expenses of \$315,000 net of income tax, or \$0.01 per share, related to the start-up of the new facility in Mexico. Finally, cash flow from operations reached \$13.9 million this year, up from \$13.1 million last year.

Fluctuations in the value of the Canadian dollar versus the US currency decreased third quarter sales by \$0.5 million, or 0.5%, compared with last year, and reduced gross profit by \$0.3 million, or 0.2% of sales. The impact of currency movements on the Corporation's gross profit is mitigated by the use of forward foreign exchange sales contracts and the natural hedging from the purchase of materials made in U.S. dollars.

| FINANCIAL HIGHLIGHTS (in thousands of dollars, except per share data) | Quarters ended December 31, | | Nine months ended December 31, | |
|--|-----------------------------|--------|--------------------------------|---------|
| | 2011 | 2010 | 2011 | 2010 |
| Sales | 93,412 | 85,843 | 271,287 | 251,578 |
| EBITDA | 16,905 | 14,685 | 45,431 | 37,951 |
| Operating income | 10,781 | 8,711 | 27,503 | 19,767 |
| Net income | 6,910 | 5,165 | 17,519 | 11,137 |
| Per share – diluted (\$) | 0.23 | 0.17 | 0.57 | 0.37 |
| Cash flows from operations | 13,885 | 13,099 | 37,323 | 32,997 |
| Weighted-average shares outstanding (basic, in '000s) | 30,403 | 30,071 | 30,335 | 30,105 |

"Héroux-Devtek posted another solid performance in the third quarter, as sales rose for all product lines, profitability further increased and our financial position strengthened," said President and CEO Gilles Labbé. "During the quarter, we inaugurated our new manufacturing facility in Querétaro, Mexico. This strategic expansion further enhances our flexibility, value proposition to OEMs and overall competitiveness. It also makes Héroux-Devtek a stronger organization, fully capable of meeting growing demand in its core markets and of providing its customers with value-added products and services at the most optimal cost."

As at December 31, 2011, Héroux-Devtek's balance sheet remained healthy with cash and cash equivalents of \$49.4 million and long-term debt, including the current portion, of \$116.5 million. As a result, the net debt-to-equity ratio stood at 0.28:1 at the end of the third quarter, compared with 0.30:1 three months earlier. The net-debt-to-equity ratio is defined as the total long-term debt, including the current portion, less cash and cash equivalents over shareholders' equity.

SEGMENT RESULTS

Aerospace sales were \$83.6 million in the third quarter of fiscal 2012, up 5.3% from \$79.5 million last year. Landing Gear product sales rose 6.6% to \$59.0 million, as increased activity for certain large commercial aircraft programs, mainly the B-777, and higher military aftermarket customer requirements more than offset lower customer demand in the regional aircraft and certain commercial helicopter markets as well as unfavourable currency fluctuations. Aerostructure product sales grew 2.6% to \$24.5 million due to higher sales for business jet programs and the JSF program, which more than offset lower sales to certain military programs, as well as lower customer requirements for regional aircraft programs.

Industrial sales totalled \$9.8 million in the third quarter of fiscal 2012, compared with \$6.4 million a year earlier. This solid 53.1% increase reflects greater demand for heavy equipment in the mining industry and higher sales to the power generation sector.

NINE MONTHS RESULTS

For the first nine months of fiscal 2012, consolidated sales amounted to \$271.3 million, up 7.8% from \$251.6 million a year earlier. Excluding the additional contribution of Landing Gear USA in the first quarter and the unfavourable currency impact, year-to-date sales increased 9.0%. Aerospace sales rose 5.8% to \$245.9 million, while Industrial sales grew 32.7% to reach \$25.4 million. EBITDA totalled \$45.4 million, or 16.7% of sales, versus \$38.0 million, or 15.1% of sales, a year earlier, while operating income stood at \$27.5 million, or 10.1% of sales, compared with \$19.8 million, or 7.9% of sales, last year. Net income totalled \$17.5 million or \$0.57 per share, fully diluted, versus \$11.1 million or \$0.37 per share, fully diluted, in the prior year. Results for the first nine months of fiscal 2012 include start-up costs of \$653,000 net of income taxes, or \$0.02 per share, related to the new facility in Mexico, while restructuring charges, related to the closure of the Rivière-des-Prairies facility, reduced net income by \$0.02 per share, net of income taxes, in the first nine months of fiscal 2011. Finally, cash flow from operations was \$37.3 million, up from \$33.0 million in the corresponding period a year earlier.

OUTLOOK

Conditions remain favourable in the commercial aerospace market. Large commercial aircraft manufacturers should implement several production rate increases on leading programs up to calendar 2014, new orders rose significantly in calendar 2011 and Boeing and Airbus are both forecasting increased deliveries for calendar 2012. The business jet market continues to see positive signs and shipments are expected to increase modestly in calendar 2012, followed by subsequent growth acceleration. The military aerospace market has stabilized as governments address their deficits. As to the JSF program, Héroux-Devtek still anticipates to produce a higher number of shipsets in fiscal 2012, compared to fiscal 2011 due to the ramp-up of two variants and a higher share of the total production. Finally, the Corporation's main industrial markets continue to have solid momentum, as new orders and backlogs for its main customers continue to increase.

As at December 31, 2011, Héroux-Devtek's funded (firm orders) backlog stood at \$515 million, versus \$526 million three months earlier and \$502 million at the beginning of the fiscal year, and remains well diversified.

"Going forward, Héroux-Devtek will benefit from the ramp-up of several important commercial aerospace programs for which it has significant content, while its military portfolio is diversified and balanced between new component manufacturing and the aftermarket, which should lessen the impact of potential defense budget cutbacks. In parallel, our healthy balance sheet allows us to look for strategic acquisitions that would enhance our product portfolio and technologies, as well as create sustainable value for our shareholders. In the short-term, and considering the strong fourth-quarter results achieved last year, we continue to anticipate an internal sales growth of approximately 5% for the current fiscal year ending March 31, 2012, assuming the Canadian dollar remains at parity versus the U.S. currency," concluded Mr. Labbé.

CONFERENCE CALL

Héroux-Devtek Inc. will hold a conference call to discuss these results on Friday, February 3, 2012 at 10:00 AM Eastern Time. Interested parties can join the call by dialling (514) 807-8791 (Montreal or overseas) or 1-800-731-5319 (elsewhere in North America). The conference call can also be accessed via live webcast at Héroux-Devtek's website, www.herouxdevtek.com, 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 4505948# on your phone. This tape recording will be available on Friday, February 3, 2012 as of 1:00 PM Eastern Time until 11:59 PM Eastern Time on Friday, February 10, 2012.

PROFILE

Héroux-Devtek Inc. (TSX: HRX), a Canadian company, serves two main market segments: Aerospace and Industrial Products, specializing in the design, development, manufacture and repair and overhaul of related systems and components. Héroux-Devtek Inc. supplies both the commercial and military sectors of the Aerospace segment with landing gear systems (including spare parts, repair and overhaul services) and airframe structural components. The Corporation also supplies the industrial segment with large components for power generation equipment and precision components for other industrial applications. Approximately 70% of the Corporation's sales are outside Canada, mainly in the United States. The Corporation's head office is located in Longueuil, Québec with facilities in the Greater Montreal area (Longueuil, Dorval, Laval and St-Hubert); Kitchener and Toronto, Ontario; Arlington, Texas; Springfield, Cleveland and Cincinnati, Ohio, as well as Querétaro, Mexico.

FORWARD-LOOKING STATEMENTS

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 Corporation. 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 Corporation'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.

NON-IFRS MEASURES

Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a financial measure not prescribed by International Financial Reporting Standards ("IFRS") and is not likely to be comparable to similar measures presented by other issuers. Management considers this to be useful information to assist investors in evaluating the Corporation's profitability, liquidity and ability to generate funds to finance its operations.

-30-

Note to readers: Complete unaudited interim condensed consolidated financial statements and Management's Discussion & Analysis are available on Héroux-Devtek's website at www.herouxdevtek.com.



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Third Quarter ended December 31, 2011

Héroux-Devtek Inc.

Notice of Disclosure of Non-Auditor Review of Interim Condensed Consolidated Financial Statements for the quarters ended December 31, 2011 and 2010.

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if the external auditors have not performed a review of the financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by the external auditors.

The accompanying unaudited interim condensed consolidated financial statements of the Corporation for the quarters ended December 31, 2011 and 2010, have been prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting, and the requirements of the International Financial Reporting Standard 1, First-time Adoption of International Financial Reporting Standards, and are the responsibility of the Corporation's management.

The Corporation's external auditors, Ernst & Young LLP, have not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by the external auditors of an entity.

February 3, 2012.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(For the quarters ended December 31, 2011 and 2010)

TABLE OF CONTENTS

| | |
|--|----|
| CONSOLIDATED BALANCE SHEETS | 7 |
| CONSOLIDATED STATEMENTS OF INCOME | 8 |
| CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME..... | 9 |
| CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY | 10 |
| CONSOLIDATED STATEMENTS OF CASH FLOWS..... | 11 |
| Note 1. Nature of activities and corporate information | 12 |
| Note 2. Basis of preparation | 12 |
| Note 3. Recent accounting pronouncements | 12 |
| Note 4. Government assistance..... | 13 |
| Note 5. Cost of sales, selling and administrative expenses | 13 |
| Note 6. Financial expenses | 13 |
| Note 7. Restructuring charges | 13 |
| Note 8. Earnings per share..... | 14 |
| Note 9. Derivative financial instruments | 14 |
| Note 10. Other current assets..... | 14 |
| Note 11. Long-term debt..... | 15 |
| Note 12. Issued capital | 15 |
| Note 13. Accumulated other comprehensive income (loss)..... | 17 |
| Note 14. Net change in non-cash items related to operations | 18 |
| Note 15. Commitments | 18 |
| Note 16. Segment information | 19 |
| Note 17. Conversion to International Financial Reporting Standards | 21 |
| Note 18. Reclassification | 24 |

CONSOLIDATED BALANCE SHEETS

As at December 31, 2011 and March 31, 2011

(In thousands of Canadian dollars) (Unaudited)

| | Notes | December 31, 2011 | March 31, 2011 |
|---|-------|----------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | \$ 49,377 | \$ 32,910 |
| Accounts receivable | | 47,264 | 62,623 |
| Income tax receivable | | - | 716 |
| Inventories | | 143,649 | 134,837 |
| Derivative financial instruments | 9 | 5,884 | 10,923 |
| Other current assets | 10 | 17,511 | 14,738 |
| | | 263,685 | 256,747 |
| Property, plant and equipment, net | 4 | 153,716 | 150,677 |
| Finite-life intangible assets, net | 4 | 24,748 | 18,486 |
| Derivative financial instruments | 9 | 4,212 | 10,132 |
| Goodwill | | 37,004 | 35,887 |
| Other assets | 7 | 611 | 611 |
| Total assets | | \$ 483,976 | \$ 472,540 |
| Liabilities and shareholders' equity | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | \$ 51,988 | \$ 52,577 |
| Accounts payable - other | | 1,369 | 4,128 |
| Provisions | | 12,227 | 11,786 |
| Progress billings | | 21,297 | 24,555 |
| Income tax payable | | 2,502 | 1,622 |
| Derivative financial instruments | 9 | 1,117 | 852 |
| Current portion of long-term debt | 11 | 10,225 | 6,353 |
| | | 100,725 | 101,873 |
| Long-term debt | 11 | 106,243 | 99,155 |
| Provisions | | 4,302 | 4,805 |
| Progress billings | | 6,043 | 8,810 |
| Derivative financial instruments | 9 | 3,477 | 1,158 |
| Deferred income tax liabilities | | 14,216 | 18,931 |
| Other liabilities | | 13,230 | 13,265 |
| | | 248,236 | 247,997 |
| Shareholders' equity | | | |
| Issued capital | 12 | 101,982 | 100,136 |
| Contributed surplus | | 2,974 | 3,330 |
| Accumulated other comprehensive income (loss) | 13 | 3,543 | 9,947 |
| Retained earnings | | 127,241 | 111,130 |
| | | 235,740 | 224,543 |
| | | \$ 483,976 | \$ 472,540 |

Commitments (Note 15)

The accompanying notes, including Note 17 – *Conversion to International Financial and Reporting Standards*, are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

For the periods ended December 31, 2011 and 2010

(In thousands of Canadian dollars, except per share data) (Unaudited)

| | Notes | Quarters ended December 31 | | Nine months ended December 31 | |
|---|-------|-------------------------------|-----------|----------------------------------|------------|
| | | 2011 | 2010 | 2011 | 2010 |
| Sales | | \$ 93,412 | \$ 85,843 | \$ 271,287 | \$ 251,578 |
| Cost of sales | 4, 5 | 76,283 | 70,572 | 224,988 | 213,381 |
| Gross profit | | 17,129 | 15,271 | 46,299 | 38,197 |
| Selling and administrative expenses | 5 | 6,348 | 6,560 | 18,796 | 18,430 |
| Operating income | | 10,781 | 8,711 | 27,503 | 19,767 |
| Financial expenses | 6 | 1,629 | 1,420 | 4,574 | 3,898 |
| Income before income tax expense and restructuring charges | | 9,152 | 7,291 | 22,929 | 15,869 |
| Restructuring charges | 7 | - | - | - | 637 |
| Income before income tax expense | | 9,152 | 7,291 | 22,929 | 15,232 |
| Income tax expense | | 2,242 | 2,126 | 5,410 | 4,095 |
| Net income | | \$ 6,910 | \$ 5,165 | \$ 17,519 | \$ 11,137 |
| Earnings per share – basic | 8 | \$ 0.23 | \$ 0.17 | \$ 0.58 | \$ 0.37 |
| Earnings per share - diluted | 8 | \$ 0.23 | \$ 0.17 | \$ 0.57 | \$ 0.37 |

The accompanying notes, including Note 17 – *Conversion to International Financial and Reporting Standards*, are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31, 2011 and 2010

(In thousands of Canadian dollars) (Unaudited)

For the quarters ended December 31

| | Notes | 2011 | 2010 |
|--|-------|----------|----------|
| | 13 | | |
| Net income | | \$ 6,910 | \$ 5,165 |
| Other comprehensive income (loss): | | | |
| Loss arising from translating the financial statements of foreign operations | | (4,331) | (2,654) |
| Cash flow hedges: | | | |
| Net gains on valuation of derivative financial instruments, net of income taxes of \$1,452 (\$1,497 in 2010) | | 3,769 | 4,442 |
| Net gains on derivative financial instruments transferred to net income, net of income taxes of \$458 (\$659 in 2010) | | (1,191) | (1,815) |
| Net gains on hedge of net investments in U.S. operations, net of income taxes of \$242 | | 1,614 | - |
| Defined benefit pension plans: | | | |
| Actuarial losses, net of income taxes recovery of \$33 (\$34 in 2010) | | (84) | (93) |
| Other comprehensive income (loss) | | \$ (223) | \$ (120) |
| Comprehensive income | | \$ 6,687 | \$ 5,045 |

For the nine-month periods ended December 31

| | Notes | 2011 | 2010 |
|---|-------|------------|------------|
| | 13 | | |
| Net income | | \$ 17,519 | \$ 11,137 |
| Other comprehensive income (loss): | | | |
| Gain (loss) arising from translating the financial statements of foreign operations | | 5,521 | (1,449) |
| Cash flow hedges: | | | |
| Net gains (losses) on valuation of derivative financial instruments, net of income taxes expense (recovery) of (\$1,008) (\$1,515 in 2010) | | (2,914) | 4,583 |
| Net gains on derivative financial instruments transferred to net income, net of income taxes of \$2,435 (\$1,594 in 2010) | | (6,660) | (4,389) |
| Net losses on hedge of net investments in U.S. operations, net of income taxes recovery of \$469 | | (2,351) | - |
| Defined benefit pension plans: | | | |
| Actuarial losses, net of income taxes recovery of \$993 and of (\$512 in 2010) | | (2,646) | (1,410) |
| Net change in asset limit and minimum funding requirements, net of income taxes of \$449 | | 1,238 | - |
| Other comprehensive income (loss) | | \$ (7,812) | \$ (2,665) |
| Comprehensive income | | \$ 9,707 | \$ 8,472 |

The accompanying notes, including Note 17 – *Conversion to International Financial and Reporting Standards*, are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the periods ended December 31, 2011 and 2010

(In thousands of Canadian dollars) (Unaudited)

For the nine-month period ended December 31, 2011

| | Notes | Issued capital | Contributed surplus | Accumulated other comprehensive income (loss) (AOCI) | Retained earnings | Shareholders' equity |
|--|-------|------------------|---------------------|--|-------------------|----------------------|
| Balance at March 31, 2011 | | \$100,136 | \$3,330 | \$9,947 | \$111,130 | \$224,543 |
| Common shares: | 12 | | | | | |
| Issued under the Stock option plan | | 1,611 | (657) | - | - | 954 |
| Issued under the Stock purchase and ownership incentive plan | | 235 | - | - | - | 235 |
| Stock-based compensation expense | 12 | - | 301 | - | - | 301 |
| Net income | | - | - | - | 17,519 | 17,519 |
| Other comprehensive income (loss) | | - | - | (6,404) | (1,408) | (7,812) |
| Balance at December 31, 2011 | | \$101,982 | \$2,974 | \$3,543 | \$127,241 | \$235,740 |

For the nine-month period ended December 31, 2010

| | Notes | Issued capital | Contributed surplus | Accumulated other comprehensive income (loss) (AOCI) | Retained earnings | Shareholders' equity |
|--|-------|------------------|---------------------|--|-------------------|----------------------|
| Balance at April 1, 2010 | | \$100,641 | \$3,145 | \$11,198 | \$96,079 | \$211,063 |
| Common shares: | 12 | | | | | |
| Issued under the Stock option plan | | 747 | - | - | - | 747 |
| Issued under the Stock purchase and ownership incentive plan | | 254 | - | - | - | 254 |
| Repurchased under the Corporation's normal course issuer bid | | (1,979) | - | - | (1,591) | (3,570) |
| Stock-based compensation expense | 12 | - | 170 | - | - | 170 |
| Net income | | - | - | - | 11,137 | 11,137 |
| Other comprehensive income (loss) | | - | - | (1,255) | (1,410) | (2,665) |
| Balance at December 31, 2010 | | \$99,663 | \$3,315 | \$9,943 | \$104,215 | \$217,136 |

The accompanying notes, including Note 17 – *Conversion to International Financial and Reporting Standards*, are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the periods ended December 31, 2011 and 2010
(In thousands of Canadian dollars) (Unaudited)

| | Notes | Quarters ended December 31 | | Nine months ended December 31 | |
|---|-------|-------------------------------|-----------|----------------------------------|----------------|
| | | 2011 | 2010 | 2011 | 2010 |
| Cash and cash equivalents provided by (used for): | | | | | |
| Operating activities | | | | | |
| Net income | | \$ 6,910 | \$ 5,165 | \$ 17,519 | \$ 11,137 |
| Items not requiring an outlay of cash: | | | | | |
| Amortization expense | 5 | 6,124 | 5,974 | 17,928 | 18,184 |
| Deferred income taxes | | (57) | 1,244 | (497) | 1,864 |
| Loss on sale of property, plant and equipment | | 126 | 229 | 154 | 306 |
| Amortization of deferred financing costs | 6 | 110 | 42 | 330 | 126 |
| Interest accretion expense | 6 | 554 | 421 | 1,588 | 1,210 |
| Stock-based compensation expense | 12 | 118 | 24 | 301 | 170 |
| Cash flows from operations | | 13,885 | 13,099 | 37,323 | 32,997 |
| Net change in non-cash items related to operations | 14 | (3,750) | 4,262 | (2,521) | (5,083) |
| Cash flows related to operating activities | | 10,135 | 17,361 | 34,802 | 27,914 |
| Investing activities | | | | | |
| Additions to property, plant and equipment ⁽¹⁾ | | (3,626) | (4,731) | (13,531) | (13,824) |
| Net increase in finite-life intangible assets | | (1,550) | (2,393) | (7,716) | (6,122) |
| Proceeds on disposal of property, plant and equipment | | 335 | 71 | 370 | 141 |
| Business acquisition | | - | - | - | (28,813) |
| Cash flows related to investing activities | | (4,841) | (7,053) | (20,877) | (48,618) |
| Financing activities | | | | | |
| Increase in long-term debt | | 814 | 3,041 | 4,090 | 21,916 |
| Repayment of long-term debt | | (1,119) | (1,242) | (4,278) | (4,411) |
| Repurchase of common shares | 12 | - | (72) | - | (3,570) |
| Issuance of common shares | 12 | 76 | 84 | 1,189 | 1,001 |
| Cash flows related to financing activities | | (229) | 1,811 | 1,001 | 14,936 |
| Effect of changes in exchange rates on cash and cash equivalents | | | | | |
| | | (1,106) | (1,196) | 1,541 | (533) |
| Change in cash and cash equivalents during the periods | | 3,959 | 10,923 | 16,467 | (6,301) |
| Cash and cash equivalents at beginning of periods | | 45,418 | 29,367 | 32,910 | 46,591 |
| Cash and cash equivalents at end of periods | | \$ 49,377 | \$ 40,290 | \$ 49,377 | \$ 40,290 |
| Interest and taxes reflected in operating activities: | | | | | |
| Interest paid | | \$ 921 | \$ 899 | \$ 2,733 | \$ 2,537 |
| Income taxes paid | | \$ 1,992 | \$ 155 | \$ 4,040 | \$ 406 |

⁽¹⁾ The additions to property, plant and equipment for the quarter and nine-month period this year were \$8,060 and \$17,091 respectively (\$4,731 and \$13,824 last year). These additions shown above include the variation of unpaid additions at period end, net of those acquired through finance leases.

The accompanying notes, including Note 17 – *Conversion to International Financial and Reporting Standards*, are an integral part of these consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended December 31, 2011 and 2010

(In thousands of Canadian dollars, except per share data) (Unaudited)

Note 1. Nature of activities and corporate information

Héroux-Devtek Inc. is incorporated under the laws of Québec. Its head office and registered office are domiciled at Complexe St-Charles, 1111 St-Charles Street West, suite 658, East Tower, Longueuil (Québec), Canada. Héroux-Devtek Inc. and its subsidiaries (the "Corporation") specialize in the design, development, manufacture, repair and overhaul of systems and components used principally in the aerospace and industrial segments.

Note 2. Basis of preparation

The interim condensed consolidated financial statements for the quarter and nine-month period ended December 31, 2011 were prepared in accordance with IAS 34, Interim Financial Reporting. The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the interim condensed consolidated financial statements for the quarters ended June 30, 2011 and September 30, 2011. In addition, the interim condensed consolidated financial statements for the quarter ended June 30, 2011 contain certain incremental annual disclosures under International Financial Reporting Standards ("IFRS") not included in the annual financial statements for the year ended March 31, 2011 prepared in accordance with previous Canadian GAAP. Accordingly, these interim condensed consolidated financial statements for the quarter and nine-month period ended December 31, 2011 should be read together with the annual consolidated financial statements for the year ended March 31, 2011 prepared in accordance with previous Canadian GAAP as well as the interim condensed consolidated financial statements for the quarter ended June 30, 2011.

These interim consolidated financial statements were approved for issue by the Board of Directors of the Corporation on February 2, 2012.

Note 3. Recent accounting pronouncements

IFRS 9 *Financial Instruments*

On November 12, 2009, the IASB issued IFRS 9 - *Financial Instruments* as the first step in its project to replace IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement. This standard will be effective for the Corporation's fiscal year beginning on April 1, 2015, with earlier application permitted.

IFRS 13 *Fair Value Measurement*

In May 2011, the IASB released IFRS 13, *Fair Value Measurement*. IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. This standard will be effective for the Corporation's fiscal year beginning on April 1, 2013, with earlier application permitted.

IAS 1 *Financial Statement Presentation*

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements*. The principal change resulting from the amendments to IAS 1 is a requirement to group together items within Other Comprehensive Income ("OCI") that may be reclassified to the statement of income. The amendments also reaffirm existing requirements that items in OCI and net income should be presented as either a single statement or two consecutive statements. The amendments to IAS 1 will be effective for the Corporation's fiscal year beginning on April 1, 2013, with earlier application permitted.

IAS 19 *Employee Benefits*

In June 2011, the IASB amended IAS 19, *Employee Benefits*. Amongst other changes, the amendments require entities to compute the financing cost component of defined benefit plans by applying the discount rate used to measure post-employment benefit obligations to the net post-employment benefit obligations (usually, the present value of defined benefit obligations less the fair value of plan assets). This amendment should result in a higher net financing cost for the Corporation. Furthermore, the amendments to IAS 19 enhance the disclosure requirements for defined benefit plans, providing additional information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amendment to IAS 19 will be effective for the Corporation's fiscal year beginning on April 1, 2013, with earlier application permitted.

The Corporation is currently assessing the impact of adopting these new standards.

Note 4. Government assistance

During the quarter ended December 31, 2011, the Corporation recorded as government assistance an amount of \$1,208 as a reduction of cost of sales (\$867 for the quarter ended December 31, 2010) and an amount of \$736 (\$1,578 for the quarter ended December 31, 2010) as a reduction of the related property, plant and equipment or capitalized development costs.

During the nine-month period ended December 31, 2011, the Corporation recorded as government assistance an amount of \$2,633 as a reduction of cost of sales (\$1,854 for the nine-month period ended December 31, 2010) and an amount of \$2,179 (\$3,049 for the nine-month period ended December 31, 2010) as a reduction of the related property, plant and equipment or capitalized development costs.

Note 5. Cost of sales, selling and administrative expenses

The main components for the quarters and nine-month periods ended December 31, are as follows:

| | Quarters ended December 31 | | Nine months ended December 31 | |
|----------------------------------|-------------------------------|-----------|----------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Raw material and purchased parts | \$ 31,541 | \$ 28,969 | \$ 96,085 | \$ 88,884 |
| Employee costs | 31,576 | 29,999 | 93,058 | 87,470 |
| Amortization | 6,124 | 5,974 | 17,928 | 18,184 |
| Others | 13,390 | 12,190 | 36,713 | 37,273 |
| | \$ 82,631 | \$ 77,132 | \$ 243,784 | \$ 231,811 |

Note 6. Financial expenses

Financial expenses for the quarters and nine-month periods ended December 31 comprise the following:

| | Quarters ended December 31 | | Nine months ended December 31 | |
|---|-------------------------------|----------|----------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Interest | \$ 897 | \$ 952 | \$ 2,467 | \$ 2,520 |
| Interest accretion expense on governmental authorities loans | 434 | 352 | 1,234 | 990 |
| Amortization of deferred financing costs | 110 | 42 | 330 | 126 |
| Standby fees | 108 | 23 | 322 | 66 |
| Other interest accretion expense | 120 | 69 | 354 | 220 |
| | 1,669 | 1,438 | 4,707 | 3,922 |
| Gain on financial instruments classified as FVTPL ⁽¹⁾ - Interest income | (40) | (18) | (133) | (24) |
| | \$ 1,629 | \$ 1,420 | \$ 4,574 | \$ 3,898 |

⁽¹⁾ Fair value through profit or loss

Note 7. Restructuring charges

On May 13, 2010, the Corporation launched an initiative to optimize and consolidate production capacity in its Aerospace segment, while further enhancing productivity at its Québec-based facilities. Consequently, the Corporation's Rivière-des-Prairies, Québec, facility was closed in September 2010 and its production was transferred to the Corporation's other facilities in the Greater Montreal area. During the first six-month period ended September 30, 2010, the Corporation recorded restructuring charges of \$637 (\$454 net of income taxes). At December 31, 2011 and March 31, 2011, the value of the building related to this facility amounts to \$611 and is classified as an asset held for sale, and is shown in Other assets in the consolidated balance sheets.

Note 8. Earnings per share

The following table sets forth the elements used to compute basic and diluted earnings per share for the quarters and nine-month periods ended December 31:

| | Quarters ended December 31 | | Nine months ended December 31 | |
|--|-------------------------------|------------|----------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Net income | \$ 6,910 | \$ 5,165 | \$ 17,519 | \$ 11,137 |
| Weighted-average number of common shares outstanding | 30,402,527 | 30,070,815 | 30,335,097 | 30,104,849 |
| Effect of dilutive stock options of the Corporation | 262,290 | 244,588 | 324,838 | 227,434 |
| Weighted-average diluted number of common shares outstanding | 30,664,817 | 30,315,403 | 30,659,935 | 30,332,283 |

The diluted earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options of the Corporation since their impact is anti-dilutive. During the quarter and nine-month period ended December 31, 2011, 570,000 and 350,000 stock options respectively of the Corporation's plan (1,078,000 for both corresponding periods in 2010) were excluded from the diluted earnings per share calculation.

Note 9. Derivative financial instruments

Forward foreign exchange contracts

At December 31, 2011, the Corporation had forward foreign exchange contracts to sell US\$161.4 million at a weighted-average rate of 1.0690 (Canadian dollar over U.S. dollar, "cad/usd"). At March 31, 2011 and December 31, 2010, these contracts totalled US\$159.0 million at a weighted-average rate of 1.1032 cad/usd and US\$143.1 million at a weighted-average rate of 1.1288 cad/usd, respectively. These contracts mature over the next four fiscal years, with the majority maturing over the next two fiscal years.

At December 31, 2011, the Corporation had also entered into forward foreign exchange contracts to sell US\$4.7 million at a weighted-average rate of 1.2262 cad/usd. At March 31, 2011 and December 31, 2010, these contracts totalled US\$7.7 million at a weighted-average rate of 1.2343 cad/usd and US\$8.5 million at a weighted-average rate of 1.2359 cad/usd, respectively. These contracts cover foreign exchange risk related to certain embedded derivative financial instruments and all mature in fiscal 2014.

Interest rate swap agreements

At December 31, 2011 and March 31, 2011, the Corporation had entered into three interest rate swap agreements for a total notional amount of US\$40 million, which fix the Libor rate at 3.90% for an amount of US\$20 million and at 3.91% for another amount of US\$20 million, and will mature in December 2015.

Note 10. Other current assets

| | December 31, 2011 | March 31, 2011 |
|---|----------------------|-------------------|
| Investment and other tax credits receivable | \$ 10,989 | \$ 8,427 |
| Sales tax receivable | 1,968 | 1,713 |
| Deposits on machinery and equipment (Note 15) | 445 | 223 |
| Prepaid expenses | 2,846 | 2,498 |
| Others | 1,263 | 1,877 |
| | \$ 17,511 | \$ 14,738 |

Note 11. Long-term debt

| | December 31, 2011 | March 31, 2011 |
|---|----------------------|-------------------|
| Senior Secured Syndicated Revolving Credit Facility ("Credit Facility") of up to \$150,000 - either in Canadian or U.S. currency equivalent, maturing on March 15, 2016, which bears interest at Libor plus 1.875% as at December 31, 2011 and March 31, 2011 representing an effective interest rate of 2.2% (2.2% at March 31, 2011). The Credit Facility includes an accordion feature to increase the Credit Facility up to \$225 million subject to lenders' consent. At December 31 and March 31, 2011, the Corporation used US\$59,500 on the Credit Facility. | \$ 60,512 | \$ 57,691 |
| Governmental authorities loans, repayable in variable annual instalments, with various expiry dates until 2026. | 32,470 | 27,707 |
| Obligations under finance leases, all bearing fixed interest rates between 3.1% and 9.3% maturing from November 2012 to January 2019, with amortization periods ranging from five to eight years, secured by the related property, plant and equipment, net of interest of \$2,881 (\$2,299 at March 31, 2011). | 23,412 | 19,760 |
| Promissory note, repayable in monthly instalments over 40 months up to July 2013, bearing fixed interest at 5% and guaranteed by the Corporation. | 1,942 | 2,548 |
| Deferred financing costs, net | (1,868) | (2,198) |
| | 116,468 | 105,508 |
| Less: current portion | 10,225 | 6,353 |
| | \$ 106,243 | \$ 99,155 |

Note 12. Issued capital

Authorized

| | |
|--|-----------|
| Voting common shares, without par value | Unlimited |
| First preferred shares, issuable in series, without par value | Unlimited |
| Second preferred shares, issuable in series, without par value | Unlimited |

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

For the quarter and nine-month period ended December 31, 2011, variations in common shares issued are as follows:

| | Quarter ended December 31, 2011 | | Nine-months ended December 31, 2011 | |
|---|------------------------------------|-------------------|--|-------------------|
| | Number | Issued capital | Number | Issued capital |
| Common shares issued and fully paid | | | | |
| Opening balance | 30,395,439 | \$ 101,906 | 30,173,798 | \$ 100,136 |
| Issued for cash on exercise of stock options | - | - | 200,323 | 1,611 |
| Issued for cash under the Stock purchase and ownership incentive plan | 12,135 | 76 | 33,453 | 235 |
| Closing balance | 30,407,574 | \$ 101,982 | 30,407,574 | \$ 101,982 |

Issuance of common shares

During the quarter and nine month period ended December 31, 2011, the Corporation issued 12,135 and 233,776 common shares respectively at weighted-average prices of \$6.24 and \$5.09 for total cash considerations of \$76 and \$1,189. This includes 200,323 common shares which were issued (all in the first quarter) following the exercise of stock options for a total cash consideration of \$954. The initial fair value of these stock options amounting to \$657 was transferred in the issued capital from the contributed surplus in the quarter ending June 30, 2011. The remainder of 12,135 and 33,453 common shares were issued under the Corporation's stock purchase and ownership incentive plan for total cash considerations of \$76 and \$235.

During the quarter and nine-month period ended December 31, 2010, the Corporation issued 15,285 and 205,462 common shares respectively, at weighted-average prices of \$5.55 and \$4.87 for total cash considerations of \$84 and \$1,001. This includes 157,221 common shares for the nine-month period (all in the first semester) which were issued following the exercise of stock options for a total cash consideration of \$747. The remainder of 15,285 and 48,241 common shares were issued under the Corporation's stock purchase and ownership incentive plan for total cash considerations of \$84 and \$254.

Normal course issuer bid

In fiscal 2010, on November 25, 2009, the Corporation launched a normal course issuer bid ("NCIB") under which the Corporation could repurchase up to 1,500,000 of its common shares, representing approximately 5% of the issued and outstanding shares. The NCIB terminated on November 24, 2010.

During the quarter and nine-month period ended December 31, 2010, the Company repurchased 12,600 and 617,700 common shares respectively, at average prices of \$5.82 and \$5.78 for total cash considerations of \$72 and \$3,570 under the NCIB. The excess (\$30 and \$1,591) of the cost of the common shares repurchased over their average book value (\$42 and \$1,979) was accounted for as a reduction of retained earnings.

A. Stock option plan

During the second quarter ended September 30, 2011, the aggregate number of shares available for future issuance under the stock option plan has been replenished, due to the limited number of common shares remaining under this plan and following the approval by the shareholders of the Corporation at the last Annual and Special Meeting of shareholders.

The number of common shares reserved for issuance represents 2,808,257 of which 2,573,257 shares had not been granted yet at December 31, 2011.

During the quarters and nine-month periods ended December 31, the number of stock options varied as follows:

| | Quarter ended December 31, 2011 | | Quarter ended December 31, 2010 | |
|---------------------------------|------------------------------------|----------------------------|------------------------------------|----------------------------|
| | Weighted-average exercise price | Number of stock options | Weighted-average exercise price | Number of stock options |
| Balance at beginning of quarter | \$6.45 | 1,434,677 | \$5.91 | 1,481,000 |
| Granted | - | - | - | - |
| Exercised | - | - | - | - |
| Cancelled / forfeited | - | - | - | - |
| Balance at end of quarter | \$6.45 | 1,434,677 | \$5.91 | 1,481,000 |

| | Nine months ended December 31, 2011 | | Nine months ended December 31, 2010 | |
|--------------------------------|--|----------------------------|--|----------------------------|
| | Weighted-average exercise price | Number of stock options | Weighted-average exercise price | Number of stock options |
| Balance at beginning of period | \$6.00 | 1,393,000 | \$5.83 | 1,555,221 |
| Granted | 7.68 | 242,000 | 5.94 | 138,000 |
| Exercised | 4.76 | (200,323) | 4.75 | (157,221) |
| Cancelled / forfeited | - | - | 7.19 | (55,000) |
| Balance at end of period | \$6.45 | 1,434,677 | \$5.91 | 1,481,000 |

For the quarter and nine-month period ended December 31, 2011, the stock option expense amounted to \$118 and \$301 respectively (\$24 and \$170 in 2010).

B. Stock purchase and ownership incentive plan

During the quarter and nine-month period ended December 31, 2011, 12,135 and 33,453 common shares were issued respectively (15,285 and 48,241 in 2010) and 5,004 and 13,686 common shares were attributed to the participating employees (6,132 and 19,176 in 2010), under the stock purchase and ownership incentive plan. For the quarter and nine-month period ended December 31, 2011, the expense related to the attributed common shares amounted to \$35 and \$106 respectively (\$37 and \$112 in 2010).

During the second quarter ended September 30, 2011, the aggregate number of shares available for future issuance under the stock purchase and ownership incentive plan has been replenished, due to the limited number of common shares remaining under this plan and following the approval by the shareholders of the Corporation at the last Annual and Special Meeting of shareholders.

The number of common shares reserved for issuance represents 340,000 of which 320,217 had not been issued yet under this plan at December 31, 2011.

C. Stock appreciation right (SAR) plan

At December 31, 2011, on a cumulative basis, 130,500 SARs were still outstanding (143,000 at December 31, 2010) at a weighted-average granted value of \$6.32 (\$6.21 at December 31, 2010) which expire on various dates from fiscal 2013 to 2016.

SAR reversals of expense amounted to \$84 this quarter (\$30 last year) and \$271 for the nine-month period ended December 31, 2011 (expense of \$83 last year).

During the quarter and nine-month period ended December 31, 2011, no SARs were granted or cancelled (none granted or cancelled last year) and 12,500 SARs were exercised, all in the second quarter (7,500 exercised in 2010).

The SAR plan was effective until August 2010 and has since been replaced by the deferred share unit plan (DSU) approved in May 2011 (see below). Outstanding SARs issued prior to that date are still in effect.

D. Deferred share unit plan

During the nine-month period ended December 31, 2011, the Corporation issued 37,718 DSUs (all in the first semester). DSU reversal of expense amounted to \$5 for this quarter and represented an expense of \$211 for the nine-month period ended December 31, 2011.

Note 13. Accumulated other comprehensive income (loss)

Changes in accumulated other comprehensive income (loss) are as follows:

| | Exchange differences on translation of foreign operations | Cash flow hedges | Hedge of net investments in U.S. operations | Total |
|-------------------------------------|---|------------------|---|-----------------|
| Balance at September 30, 2011 | \$ 6,279 | \$ 778 | \$ (3,375) | \$ 3,682 |
| Other comprehensive income (loss) | (4,331) | 2,578 | 1,614 | (139) |
| Balance at December 31, 2011 | \$ 1,948 | \$ 3,356 | \$ (1,761) | \$ 3,543 |
| Balance at March 31, 2011 | \$ (3,573) | \$ 12,930 | \$ 590 | \$ 9,947 |
| Other comprehensive income (loss) | 5,521 | (9,574) | (2,351) | (6,404) |
| Balance at December 31, 2011 | \$ 1,948 | \$ 3,356 | \$ (1,761) | \$ 3,543 |

| | Exchange differences on translation of foreign operations | Cash flow hedges | Hedge of net investments in U.S. operations | Total |
|-------------------------------------|---|------------------|---|-----------------|
| Balance at September 30, 2010 | \$ 1,205 | \$ 8,765 | \$ - | \$ 9,970 |
| Other comprehensive income (loss) | (2,654) | 2,627 | - | (27) |
| Balance at December 31, 2010 | \$ (1,449) | \$ 11,392 | \$ - | \$ 9,943 |
| Balance at April 1, 2010 | \$ - | \$ 11,198 | \$ - | \$ 11,198 |
| Other comprehensive income (loss) | (1,449) | 194 | - | (1,255) |
| Balance at December 31, 2010 | \$ (1,449) | \$ 11,392 | \$ - | \$ 9,943 |

Note 14. Net change in non-cash items related to operations

For the quarters and nine-month periods ended December 31, the net change in non-cash items related to operations is detailed as follows:

| | Quarters ended December 31 | | Nine months ended December 31 | |
|--|-------------------------------|----------|----------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Accounts receivable | \$ 2,298 | \$ 8,489 | \$ 15,359 | \$ 6,764 |
| Income tax receivable | - | 315 | 716 | (425) |
| Inventories | (5,893) | (498) | (8,812) | 7,974 |
| Other current assets | (1,672) | (2,142) | (2,000) | (1,265) |
| Accounts payable and accrued liabilities and, other liabilities | 2,479 | 1,867 | (1,807) | (4,196) |
| Accounts payable – other | 322 | (1,129) | (2,759) | (533) |
| Provisions | (432) | (459) | (62) | (2,102) |
| Progress billings | 1,036 | (2,154) | (6,025) | (11,132) |
| Income tax payable | (956) | 312 | 880 | 624 |
| Effect of changes in exchange rate ⁽¹⁾ | (932) | (339) | 1,989 | (792) |
| | \$ (3,750) | \$ 4,262 | \$ (2,521) | \$ (5,083) |

⁽¹⁾ Reflects the total impact of changes in exchange rate during the related period on non-cash items listed above for the Corporation's U.S. subsidiaries.

Note 15. Commitments

The Corporation has released purchase orders relating to new machinery and equipment which have not been delivered yet to the Corporation's facilities. These outstanding purchase orders at December 31, 2011 amounted to \$5,051 (\$3,938 at March 31, 2011) for which an amount of \$445 (\$223 at March 31, 2011) in deposits on machinery and equipment were made and are included in other current assets.

Note 16. Segment information

Based on the nature of the Corporation's markets (customers, manufacturing techniques and regulatory requirements), there are two main operating segments: Aerospace and Industrial. The Aerospace segment includes the design, development, manufacture, repair and overhaul and sale of systems and components for military and civil aviation, while the Industrial segment represents essentially the manufacture and sale of gas turbine components and other high precision machined products for the heavy equipment and wind energy industries.

The accounting policies used to account for the operating segments are the same as those described in the summary of significant accounting policies. The Corporation accounts for intersegment and related-party sales and transfers, if any, at the exchange amount which represents the amount of consideration established and agreed to by the parties.

The Landing Gear and Aerostructure cash generating units (CGUs) have been aggregated to form the Aerospace reporting segment. For the purpose of allocating resources and assessing performance, management monitors the results of its operating units in relation to the results of the reporting segment to which they pertain. The Corporation evaluates the performance of its operating segments based on operating income before financial expenses and income tax expense. Financial expenses and income tax expense are managed on a Corporation basis.

| Quarters ended December 31 | 2011 | | | 2010 | | |
|---|-----------|------------|--------------|-----------|------------|--------------|
| | Aerospace | Industrial | Total | Aerospace | Industrial | Total |
| Sales | \$ 83,645 | \$ 9,767 | \$ 93,412 | \$ 79,463 | \$ 6,380 | \$ 85,843 |
| Results | | | | | | |
| Operating income | 8,241 | 2,540 | 10,781 | 7,618 | 1,093 | 8,711 |
| Financial expenses (unallocated) | | | 1,629 | | | 1,420 |
| Income before income tax expense and restructuring charges | | | 9,152 | | | 7,291 |
| Assets | 452,277 | 31,699 | 483,976 | 438,565 | 22,551 | 461,116 |
| Liabilities | 239,437 | 8,799 | 248,236 | 240,074 | 3,907 | 243,981 |
| Other segment information: | | | | | | |
| Additions to property, plant and equipment | 7,787 | 273 | 8,060 | 4,225 | 506 | 4,731 |
| Increase of finite-life intangible assets | 1,550 | - | 1,550 | 2,393 | - | 2,393 |
| Amortization expense | 5,569 | 555 | 6,124 | 5,285 | 689 | 5,974 |

Geographic information

| Quarters ended December 31 | 2011 | | | 2010 | | |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Canada | U.S. | Total | Canada | U.S. | Total |
| Sales | \$ 57,763 | \$ 35,649 | \$ 93,412 | \$ 54,135 | \$ 31,708 | \$ 85,843 |
| Property, plant and equipment, net | 90,019 | 63,697 | 153,716 | 93,854 | 54,881 | 148,735 |
| Finite-life intangible assets, net | 21,728 | 3,020 | 24,748 | 13,374 | 3,879 | 17,253 |
| Goodwill | 15,093 | 21,911 | 37,004 | 15,093 | 22,196 | 37,289 |
| Export sales ⁽¹⁾ | \$ 35,299 | | | \$ 34,486 | | |

During both quarters ended December 31, 2011 and 2010, 70% of sales were made to U.S. customers.

⁽¹⁾ Export sales are attributed to countries based on customer location.

Note 16. Segment information (continued)

| Nine months ended December 31 | 2011 | | | 2010 | | |
|--|------------|------------|------------|------------|------------|------------|
| | Aerospace | Industrial | Total | Aerospace | Industrial | Total |
| Sales | \$ 245,930 | \$ 25,357 | \$ 271,287 | \$ 232,472 | \$ 19,106 | \$ 251,578 |
| Results | | | | | | |
| Operating income | 21,492 | 6,011 | 27,503 | 17,090 | 2,677 | 19,767 |
| Financial expenses (unallocated) | | | 4,574 | | | 3,898 |
| Income before income tax expense and restructuring charges | | | 22,929 | | | 15,869 |
| Assets | 452,277 | 31,699 | 483,976 | 438,565 | 22,551 | 461,116 |
| Liabilities | 239,437 | 8,799 | 248,236 | 240,074 | 3,907 | 243,981 |
| Other segment information: | | | | | | |
| Additions to property, plant and equipment | 14,857 | 2,234 | 17,091 | 12,863 | 961 | 13,824 |
| Increase of finite-life intangible assets | 7,621 | 95 | 7,716 | 6,122 | - | 6,122 |
| Amortization expense | 16,232 | 1,696 | 17,928 | 16,198 | 1,986 | 18,184 |

Geographic information

| Nine months ended December 31 | 2011 | | | 2010 | | |
|------------------------------------|------------|------------|------------|------------|-----------|------------|
| | Canada | U.S. | Total | Canada | U.S. | Total |
| Sales | \$ 167,552 | \$ 103,735 | \$ 271,287 | \$ 159,172 | \$ 92,406 | \$ 251,578 |
| Property, plant and equipment, net | 90,019 | 63,697 | 153,716 | 93,854 | 54,881 | 148,735 |
| Finite-life intangible assets, net | 21,728 | 3,020 | 24,748 | 13,374 | 3,879 | 17,253 |
| Goodwill | 15,093 | 21,911 | 37,004 | 15,093 | 22,196 | 37,289 |
| Export sales ⁽¹⁾ | \$ 99,519 | | | \$ 94,142 | | |

During the nine-months ended December 31, 2011 and 2010, 70% and 68% of sales respectively, were made to U.S. customers.

⁽¹⁾ Export sales are attributed to countries based on customer location.

Note 17. Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board has mandated the adoption of IFRS effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 for Canadian publicly accountable profit-oriented enterprises.

Consequently, on April 1, 2011, the Corporation adopted IFRS as the basis of preparation and presentation of its consolidated financial statements. The Corporation has thus prepared its consolidated financial statements for the quarter and nine-month period ended December 31, 2011 in conformity with IFRS. The consolidated financial statements of the current fiscal year ending March 31, 2012 (and for periods ending during such current fiscal year) have been and will be prepared in accordance with IFRS. The consolidated financial statements of the fiscal year ended March 31, 2011, the quarter and nine-month period ended December 31, 2010, as well as the opening balance sheet as at April 1, 2010 (transition date), have been restated to conform to IFRS.

Prior to current fiscal year 2012, the consolidated financial statements were prepared and presented on the basis of generally accepted accounting principles then in effect in Canada ("Previous GAAP").

Reconciliations of Previous GAAP to IFRS

IFRS 1 requires an entity to reconcile on a consolidated basis shareholder's equity, net income, comprehensive income and cash flows for prior periods. The impact of converting to IFRS on the Corporation's statements of cash flows compared with its Previous GAAP statements of cash flows is directly related to the impacts on the consolidated statements of income, consolidated statements of comprehensive income and the consolidated balance sheets as described below. The line items of the consolidated statements of cash flows most affected by the conversion to IFRS are: Net income, Amortization expense, Deferred income taxes, Interest accretion expense and Repayment of long-term debt.

The following represents the reconciliations from Previous GAAP to IFRS for the respective periods noted for the shareholders' equity, net income and comprehensive income:

17.1 Reconciliation of shareholders' equity as at December 31, 2010:

| | <u>Note</u> | |
|--|-------------|------------------|
| Shareholders' equity under Previous GAAP as at December 31, 2010 | | <u>224,348</u> |
| Adjustments: | | |
| On shareholders' equity as of April 1, 2010 | | (6,029) |
| On net income for the nine-month period ended December 31, 2010, which have an impact on shareholders' equity as at December 31, 2010 | 17.3 | 334 |
| <ul style="list-style-type: none"> • Stock-based compensation expense included in the consolidated statements of income | A4 | <u>(111)</u> 223 |
| Adjustments to other comprehensive income for the nine-month period ended December 31, 2010 which have an impact on shareholders' equity as at December 31, 2010 | | |
| <ul style="list-style-type: none"> • Pension plans - Actuarial loss | 17.3 | (1,410) |
| <ul style="list-style-type: none"> • Other | 17.3 | 4 |
| Total adjustments | | <u>(7,212)</u> |
| Shareholders' equity under IFRS as at December 31, 2010 | | <u>217,136</u> |

17.2 Reconciliation of net income and comprehensive income for the quarter ended December 31, 2010:

| | <u>Reference</u> | <u>Previous GAAP</u> | <u>Adjustments</u> | <u>IFRS</u> |
|---|------------------|----------------------|--------------------|-------------|
| Sales | | 85,843 | - | 85,843 |
| Cost of sales ⁽¹⁾ | A1, A2, A3 | 70,798 | (226) | 70,572 |
| Gross profit | | 15,045 | 226 | 15,271 |
| Selling and administrative expenses | A4 | 6,586 | (26) | 6,560 |
| Operating income | | 8,459 | 252 | 8,711 |
| Financial expenses | A1, A2 | 1,300 | 120 | 1,420 |
| Income before income tax expense | | 7,159 | 132 | 7,291 |
| Income tax expense | A1, A2, A3 | 2,095 | 31 | 2,126 |
| Net income | | 5,064 | 101 | 5,165 |
| Other comprehensive income (loss), net of income taxes: | | (28) | 1 | (27) |
| Pension plans - Actuarial loss | A3 | - | (93) | (93) |
| Total – Other comprehensive income (loss) | | (28) | (92) | (120) |
| Comprehensive income (loss) | | 5,036 | 9 | 5,045 |

⁽¹⁾ Including amortization of \$5,745 under Previous GAAP and of \$5,974 under IFRS.

17.3 Reconciliation of net income and comprehensive income for the nine-month period ended December 31, 2010:

| | <u>Reference</u> | <u>Previous GAAP</u> | <u>Adjustments</u> | <u>IFRS</u> |
|--|------------------|----------------------|--------------------|-------------|
| Sales | | 251,578 | - | 251,578 |
| Cost of sales ⁽¹⁾ | A1, A2, A3 | 214,060 | (679) | 213,381 |
| Gross profit | | 37,518 | 679 | 38,197 |
| Selling and administrative expenses | A4 | 18,542 | (112) | 18,430 |
| Operating income | | 18,976 | 791 | 19,767 |
| Financial expenses | A1, A2 | 3,533 | 365 | 3,898 |
| Income before income tax expense and restructuring charges | | 15,443 | 426 | 15,869 |
| Restructuring charges | | 637 | - | 637 |
| Income before income tax expense | | 14,806 | 426 | 15,232 |
| Income tax expense | A1, A2, A3 | 4,003 | 92 | 4,095 |
| Net income | | 10,803 | 334 | 11,137 |
| Other comprehensive income (loss), net of income taxes: | | (1,259) | 4 | (1,255) |
| Pension plans - Actuarial loss | A3 | - | (1,410) | (1,410) |
| Total – Other comprehensive income (loss) | | (1,259) | (1,406) | (2,665) |
| Comprehensive income (loss) | | 9,544 | (1,072) | 8,472 |

⁽¹⁾ Including amortization of \$17,489 under Previous GAAP and of \$18,184 under IFRS.

Following are explanations of Previous GAAP – IFRS adjustments in relation to the above reconciliations (Reference):

A. Exemptions (“E”) applied

IFRS 1-*First-time Adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from the general requirement to apply IFRS, effective for the April 1, 2010 consolidated opening balance sheet. The Corporation has applied the following exemptions:

- E1. IFRS 3-*Business Combinations* is applied to acquisitions of subsidiaries that occurred after March 31, 2004. Accordingly, the Corporation has reviewed certain business acquisition purchase price determinations and allocations. The effect is a decrease in the goodwill and shareholders’ equity, at transition date.
- E2. The Corporation has elected to recognize all unamortized cumulative actuarial losses on pensions and other retirement benefits. The effect is an increase in other liabilities and a decrease in shareholders’ equity, at transition date.
- E3. As of April 1, 2010, the Corporation has elected to transfer the exchange differences on translation of foreign operations of \$15,816 from accumulated other comprehensive income to retained earnings. This has no impact on shareholders’ equity at that date.

B. Adjustments (“A”) resulting from the transition from Previous GAAP to IFRS

A1. Leases

Under Previous GAAP, capital and operating leases were based on quantitative tests for lease classification. IFRS requires qualitative and quantitative assessments of lease classification and, as a result, certain leases for machinery and equipment accounted for as operating leases under Previous GAAP are now accounted for as finance leases under IFRS.

A2. Provisions

The consolidated balance sheet includes provisions representing estimated amounts that the Corporation expects to pay in the future. Under Previous GAAP, these amounts were not discounted to account for the time period in which these obligations will be settled. As required by IAS 37-*Provisions, Contingent Liabilities and Contingent Assets*, certain provision amounts have been discounted. The effect on shareholders’ equity at December 31, 2010 is not significant.

A3. Pensions and other retirement benefits

To conform to IAS 19-*Employee Benefits*, the Corporation:

- adopted the projected unit credit method to determine the actuarial value of accrued benefit obligations. Under Previous GAAP, the Corporation used accrued benefit methods. The change of method has no significant effect on shareholders’ equity.
- wrote-off unamortized vested past-service costs and transitional obligation. The change results in an increase in other liabilities and a decrease in shareholders’ equity.

Under Previous GAAP, actuarial gains and losses were amortized through the consolidated statement of income using a corridor approach. Under IFRS, the Corporation has elected to recognize all actuarial gains and losses in other comprehensive income as incurred. As a result of this election, variations arising from the effect of applying IFRIC 14-*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* are recorded in other comprehensive income in the period in which they occur. IFRIC 14 limits the measurement of defined benefit assets and may also give rise to a liability.

A4. Stock-based compensation

Under Previous GAAP, the Corporation amortized the cost of granted stock options using the straight-line method. In order to conform to IFRS 2-*Share-based payment*, the Corporation adopted the graded method to amortize the cost of granted stock options. The change of method results in an increase in contributed surplus and a corresponding decrease in retained earnings. This has no impact on shareholders’ equity.

C. Reclassifications resulting from the transition from Previous GAAP to IFRS

A5. Progress billings

Under Previous GAAP, progress billings received from customers were deducted from related inventories. As required by IFRS, progress billings of \$33,365 at March 31, 2011, are classified as short-term and long-term liabilities.

A6. Provisions

IFRS requires that provisions be presented separately in the consolidated balance sheet. Accordingly, certain provisions classified under accounts payable and accrued liabilities and other liabilities under Previous GAAP, are presented separately.

A7. Derivative financial instruments – assets and liabilities

IFRS require that derivative financial instruments be presented separately in the consolidated balance sheet.

A8. Deferred income taxes

Under Previous GAAP, "future income taxes" are referred to as "deferred income taxes" under IFRS. Under Previous GAAP, future income taxes were classified as current or non-current based on the classification of assets and liabilities to which future income tax assets and liabilities were related. As required by IFRS, all deferred income tax assets and liabilities are classified as non-current.

Note 18. Reclassification

Comparative figures for the consolidated financial statements as at December 31, 2010 and March 31, 2011 have been reclassified to conform to the December 31, 2011 presentation.