

HÉROUX-DEVTEK

2008 Annual General Meeting of Shareholders

August 6, 2008

Gilles Labbé, President & Chief Executive Officer

Thank you, John, and good morning ladies and gentlemen.

Welcome to Héroux-Devtek's Annual General Meeting for our 2007-2008 financial year. Along with Réal Bélanger, our Executive Vice-President and CFO, we will review the year and provide you with our vision, strategy and outlook. We will also discuss our first quarter results, announced earlier this morning.

The fiscal year ended March 31, 2008, was outstanding for Héroux-Devtek. I am particularly proud to say that our success included both quantitative and qualitative achievements.

First, despite headwinds caused by a strong Canadian dollar, Héroux-Devtek generated record revenues of \$308 million. More importantly, net income of \$19 million was also a new record for the Company and all of our divisions were profitable in the second half of the year.

The Landing Gear Division continued its sales growth supported by improved quality and on-time delivery record and increased its profitability despite the higher Canadian dollar.

The Aerostructure Division witnessed a substantial quality and financial turnaround at our Dorval facility, while Progressive, in Texas, completed the plant expansion required by the production ramp-up of the F-35 Joint Strike Fighter program.

Finally, the Gas Turbine Components Division completed the restructuring initiated in prior years by focussing on value-added business. The Division turned a profit in the second half of fiscal 2008 and is now benefitting from the recovery in the gas turbine market that materialized two years ago, as well as from the rapid growth in the wind energy market.

Second, we were awarded new contracts representing over \$335 million in revenues on strategic programs with world leaders. These contracts include:

- \$95 million from the Sikorsky Aircraft Corporation to design, develop, fabricate, assemble, test and deliver the landing gears and tail bumpers for the Systems Design and Development phase of the new CH-53K Heavy Lift helicopter program. Orders for the Production phase, which will start in 2013, will be awarded in a separate contract. Total revenues for the two phases can exceed \$95 million. We are particularly proud of this contract because it relates to a landing gear designed and developed

by Héroux-Devtek's engineering team. As you will hear later, we believe this is an important part of our strategy going forward.

- The U.S. Air Force confirmed our role as a pre-eminent supplier by giving our Landing Gear Division orders totalling almost \$15 million to manufacture landing gear components mainly for the C-130, C-5, F-16, KC-135, E-3 and B-1B aircraft.
- A ten-year preferred supplier agreement with Messier-Dowty accompanied by orders totalling \$115 million to manufacture major landing gear components for three large commercial aircraft programs, namely the Boeing 787 Dreamliner, the Airbus 320 and the Sukhoi Superjet 100. This contract requires investments of \$14 million in ultra-modern and highly-automated equipment.
- Finally, Bombardier Aerospace awarded the Aerostructure Division a five-year, \$110 million contract to manufacture over 200 structural detail components spanning Bombardier's entire range of Regional and Business aircraft.

On the qualitative side, we achieved recognition from our key customers with performance awards from Lockheed Martin and Boeing. These awards reflect superior product quality, on-time delivery and overall service level. Such awards result from the hard work and dedication of all our employees and I personally wish to thank them all for their accomplishments over the last year.

As a company, we have greatly evolved over the last few years; our business practices have been improved and we became more efficient. More importantly, our employees have embraced this vision. Through lean manufacturing, training and application of our values, the 4 Rs – Respect, Responsibility, Recognition and Resilience –, they are actively involved in our efforts to continuously improve our productivity. Employees know they have a distinct role to play in the success of their business unit and such empowerment has yielded smoother relations between the various levels of the organization.

To this point, we have successfully renewed two long-term collective labour agreements last April. Our Laval employees have voted in favour of a four-year agreement, while in Longueuil, we have agreed to a three-year term. The stability provided by these agreements will enable us to jointly focus on productivity improvements in order to meet the challenges of a strong Canadian dollar. We now have collective labour agreements in place at all our unionized employees for at least the next two fiscal years.

Our major markets continued to register solid growth in our 2007 / 2008 fiscal year. First, the commercial aerospace industry continues to experience robust growth with orders for large commercial aircraft at Boeing and Airbus exceeding a combined total of 2,700 aircraft in 2007. The past three years have witnessed orders exceeding 6,500 aircraft that are just starting to be

delivered. Moreover, the market has remained fairly strong in the first half of 2008 with almost 1,000 orders placed.

Although the financial situation of some North American airlines has weakened due to high jet fuel costs and a weaker economy, we see two reasons why the market should remain strong for at least another three years:

First, although capacity is being reduced, it is essentially being done by removing old aircraft that are costly to operate from the fleet and replacing them by new, fuel efficient ones.

Second, if we look at Boeing and Airbus' order books, we see that only 17% of their current backlog comes from North America. The Asia-Pacific and Middle-East regions, where the economy is rapidly booming, represent close to 50% of Boeing and Airbus' backlogs. Given the close link between the economy and demand for air transportation, the aerospace market should remain robust in that region of the world.

In the regional jet market, we see a continuation of the trend towards larger jets while in the turboprop segment, demand remains solid for these fuel efficient aircraft because of high oil prices.

Meanwhile, the business jet market continues to perform strongly with shipments of 1,138 units in 2007, up 28% from the previous year. Momentum has also carried into 2008 with shipments up by more than 40% in the early

stages of the year according to information provided by the General Aviation Manufacturers Association.

In summary, based on industry forecasts, the commercial aerospace market should remain strong for three more years.

The military aerospace sector remains solid. The proposed 2009 US military budget is seeking a 7.5% increase in spending to US\$515 billion. Meanwhile, \$184 billion, or 6% more funds, are requested for strategic modernization which includes procurement, research and development. Joint air capabilities accounts for about half of the procurement and notably includes funding for 16 JSF, 20 F-22A Raptors and 23 F/A-18 Hornets. As you know, Héroux-Devtek is an important supplier on all of these programs.

Ramp up of the JSF's Low Rate Initial Production phase is progressing as anticipated. We have already made the necessary investments at our Texas complex to take us to the year 2011 at which time new capacity will likely be required based on current program expectations.

We also continue to maintain our excellent, long-standing relations with the US Air Force and Navy, as witnessed by the additional contracts with the Air Force mentioned earlier.

We are aware that a new US administration may have different views when it takes office early in 2009. However, our involvement in a well-diversified portfolio of military programs and our balance between OEM and aftermarket

products and services leads us to believe that our business model is more resistant to cutbacks in military spending.

In Canada, the government reiterated its commitment to the “Canada First” program which includes important investments in military aircraft. Already, four C-17 Globemaster strategic airlift are in service, 17 new C-130J tactical lift aircraft have been ordered and plans are in place to acquire 16 CH-47F Chinook helicopters. Héroux-Devtek is already involved in these programs and we are well positioned to benefit from the Canada First program.

Moreover, as future major fleet replacements which could possibly enter service between 2015 and 2020, the Canadian Forces also needs:

- 17 fixed-wing search and rescue aircraft
- 10 to 12 maritime patrol aircraft, which may include unmanned aerial vehicles
- 65 next-generation fighter aircraft to replace existing CF-18. Given Canada’s financial involvement in the JSF program, that aircraft is a likely successor

Looking at our industrial business, the power generation market had a good year. Although the economy is weaker, requirements for power plants are increasing and the U.S. Department of Energy forecasts that electricity demand will grow 1.4% in 2009. Orders for industrial gas turbines were up by about 10% in calendar 2007 globally.

The wind energy market remains strong with worldwide growth projected to be in excess of 20% per year over the next five years according to the Global Wind Energy Council. In addition, the US Department of Energy stated its goal to have as much as 20% of the US energy supplied by wind power in the year 2030. As we speak, this proportion is barely 1%. The opportunity is huge to advantageously position ourselves in that market.

Ladies and gentlemen, Réal Belanger will now review our financial results.

Réal Bélanger, Executive Vice-President and Chief Financial Officer

Thank you, Gilles. I will first review last year's financial performance and then comment on our first quarter results issued earlier today.

Our results continued to improve steadily throughout last year. Héroux-Devtek finished the year with record sales of \$307.9 million, up 8.7% from the previous year. This growth was achieved despite the strength in the Canadian dollar versus the U.S. currency, which reduced sales by \$21.3 million, or 7.5%.

Sales of Aerospace products rose by 8.4% to \$278.9 million. Our Landing Gear Division achieved sales growth of 10.0% to reach \$181.9 million in fiscal 2008. This increase is primarily due to higher manufacturing sales for U.S. military programs, new design and engineering work on the Sikorsky

CH-53K helicopter program and higher large commercial landing gear sales, mainly for the Boeing 777, Airbus 330, 340 and 380 programs.

Aerostructure sales grew by 8.1% to \$95.1 million, reflecting an increase in military program sales, mostly for the F-16, and to schedule recovery on Airbus 330 and 340 program sales, somewhat offset by lower regional jet sales.

The decline in Aircraft Engine Component sales essentially reflects our planned exit from this low-margin market.

Industrial sales increased by 11.6% to \$29 million. This increase was driven by a 20.7% increase in value-added gas turbine component sales which exceeded \$15 million, thus confirming the recovery in that market. Sales of other industrial products grew 3%, where sales to the wind energy market were slightly lower than a year earlier because of raw material shortages. It is important to point out that we still see a significant potential in that market.

Gross profit improved to 15.2% of sales, up from 11.3% a year earlier in spite of a 1.1% negative impact due to a strong Canadian dollar versus the US currency. Let me specify that the currency impact is mitigated by the use of forward foreign exchange contracts and natural hedging from the purchase of raw material made in US dollars.

Our fiscal 2008 gross profit included the write-off of a non-interest bearing loan totaling \$1.3 million accounted for a as reduction of cost of sales.

Excluding this one-time item, gross profit as a percentage of sales would have been 14.7% in fiscal 2008. This significant improvement is due to improved sales volume and better productivity in all of our divisions.

Our operating income reached \$27.8 million, or 9% of sales, up significantly from \$14.3 million, or 5% of sales, the year before. Operating income in our Aerospace segment amounted to 9.8% of sales, versus 6.3% last year, while our Industrial segment generated an operating profit of \$0.4 million, its first such profit in many years.

For the year, we posted net income of \$19.0 million, or \$0.59 per share, fully diluted, up from \$8.9 million, or \$0.28 per share, fully diluted, in fiscal 2007. If we adjust net income for non-recurring items such as the write-off of the non-interest bearing loan mentioned earlier as well as the utilization of tax losses carried forward during both fiscal years, we obtain net income of \$15.7 million in fiscal 2008, or \$0.49 per share, fully diluted, versus \$7.8 million, or \$0.25 fully diluted in fiscal 2007.

Our operating cash flow was very strong, reaching \$37.8 million before net changes in non-cash items related to operations, an increase of 27.1% over the prior year. As net changes in non-cash items related to operations required a lesser use of funds in fiscal 2008, essentially because of better receivable and inventory management, cash flow from operations stood at \$25.7 million in fiscal 2008, compared with \$15.4 million in fiscal 2007.

Investing activities required cash of \$37.8 million compared with \$28.1 million the year before. In fiscal 2008, the Company invested \$38.1 million in property, plant and equipment, mainly to complete the plant expansion for the JSF program in Arlington, Texas and to continue work on modernizing the plating department in Longueuil. This project should be completed in the third quarter of the current year.

Our financing activities for the year generated \$16.1 million in cash, versus \$12.1 million last year. The main factor was an increase in long-term debt that reflects drawings against Credit Facilities, mainly for working capital and capital expenditures.

Subsequent to fiscal year-end, on April 14, 2008, we increased our bank Credit Facilities from \$80 million to \$125 million under essentially the same terms and conditions. These facilities mature in October 2011 and may be used for working capital, capital expenditures and other general corporate purposes, including acquisitions.

Our balance sheet remains strong. As at March 31, 2008, we had cash and cash equivalents of \$24.4 million, up from \$20.1 million a year ago. Working capital was \$101.6 million, for a working capital ratio of 2.20:1. This compares to a ratio of 1.89:1 last year. Our long-term-debt-to-equity ratio was 0.40:1 on March 31, 2008 compared with 0.42:1 a year earlier.

Earlier this morning, we released our results for the first quarter ended June 30, 2008. Sales were up 4.8% to \$82.6 million compared with \$78.8 million in the first quarter last year.

Aerospace sales were up 2.9% to \$74 million from \$71.9 million last year. Landing Gear sales increased by 0.7% to \$46.2 million. Growing sales for large commercial aircraft and helicopter programs were offset by a reduced throughput for military repair and overhaul work and the impact of a stronger Canadian dollar. Aerostructure sales grew 7.3% to \$27.5 million reflecting increased military sales to civil customers, mainly on the F-16 and also including kit sales for that program.

Industrial sales totalled \$8.6 million representing an increase of 25.1%, over last year. Industrial gas turbine sales continued their positive trend with a 15.4% increase while sales to the wind energy and heavy industry markets increased by a total of \$1.2 million.

The strength of the Canadian dollar versus the U.S. currency reduced sales by \$6.4 million or 8.2% compared with last year.

Gross profit as a percentage of sales was 18.3%, up 4.8% from 13.5% last year. This year, gross profit was favourably impacted by higher sales and a better sales mix at the Aerostructure Division and by an increase in value-added Industrial sales at the Gas Turbine Components Division. The strength of the Canadian dollar versus the U.S. currency had a 2.2% negative impact on the gross profit margin compared to the same period last year.

Operating income of \$9.8 million, or 11.9% of sales, was significantly higher than last year's \$6.4 million, or 8.1% of sales. Operating income improved in both Aerospace and Industrial segments and all our divisions were profitable during the quarter. Finally, net income stood at \$5.7 million or \$0.18 per share for the first quarter compared with \$4.2 million or \$0.13 per share last year.

While we are pleased with our first quarter results, it is important to keep in mind that our second quarter has traditionally been a slower period owing to seasonal factors, such as plant shutdowns and summer vacations.

Before concluding, I want to assure shareholders that we are working diligently on our changeover plan for the full compliance with the new International Financial Reporting Standards that will become effective on April 1, 2011 for Héroux-Devtek. In addition, by the end of fiscal 2009, we will be in a position to certify the effectiveness of our internal controls over financial reporting.

I will now turn things back to Gilles.

Gilles Labbé, President & Chief Executive Officer – 2nd part

Thank you, Réal.

We are pleased with our results for the first quarter of our 2008-2009 fiscal year, but we are even more excited about the many important long-term contracts signed since the beginning of the year.

The Landing Gear Division has won contracts to design, develop, fabricate, assemble, test and deliver landing gear structure and actuation for two major new business jet programs.

- The Bombardier new Learjet 85 program
- The Embraer Legacy 450 and Legacy 500 business aircraft family, announced at the recent Farnborough air show

These two contracts further recognize Héroux-Devtek as an experienced and competent source, capable of supporting complete design and development programs. These contracts also reinforce our commitment to become the supplier of choice for landing gear solutions destined to small commercial aircraft and business jets. More importantly, these all-inclusive contracts include the provision of spare parts for the entire life of the program, which should enable Héroux-Devtek to generate a steady revenue stream for many years to come.

The Aerostructure Division has also been rewarded with important contracts since the beginning of the current fiscal year:

First, it was awarded a ten-year contract by Israel Aircraft Industries to manufacture more than 50 aluminum and titanium structural detail

components being used in Israel Aircraft's production of F-15 and F-16 structural assemblies. We estimate the total value of the contract to exceed \$10-12 million.

Second, also at the Farnborough air show, it signed a letter of agreement with Bell Helicopter Textron accompanied by orders to manufacture primary structural components, such as cabin, cockpit and aft fuselage components and sub-assemblies for the new Bell 429 helicopter program. The letter of agreement covers a period of up to 2015 and we currently estimate the value of potential orders over that period to reach \$57 million. These parts will be manufactured at our Dorval facility.

Finally, Tuesday morning, we announced that our Landing Gear Division has been awarded additional contracts worth more than \$15.8 million for the repair and production of landing gear components mainly for the B-2, C-5, F-16, P-3 and T-37 aircraft, essentially from the US Air Force and Navy. These orders are in addition to similar contracts announced in August 2007. Deliveries will start later in fiscal 2009 and will be spread over the next four years.

A key element of our strategy is to build a long-term sustainable business in three core areas, namely Landing Gear, Aerostructure and Industrial. In order to achieve this goal, we need to offer more services and more complete solutions to our customers. Such examples include assemblies, kits and engineering product and services.

Héroux-Devtek is privileged to have an extremely talented pool of engineers, as witnessed by the three design and development mandates we have won in the last fifteen months. We believe the development of value-added proprietary products is the way of the future for the Company and we intend to support this strategy by investing about 4% per year of our total sales in research and development over the next five years.

In parallel, capital investments of about \$35 million are planned for fiscal 2009, including \$14 million for investments related to the Messier Dowty contract announced last November and more than \$2 million to complete the modernization of our plating facility.

We also continue to look for acquisition candidates that would offer a good fit with our current Landing Gear and Aerostructure operations and that can also bring complementary technologies.

But first and foremost, we aim to become the best company in our field. With challenges such as the Canadian dollar, a more difficult economic environment and high crude oil prices, we need to be constantly ahead of the curve. Hence our plans to continue to improve our productivity by further investing in training and lean manufacturing initiatives. We have done a lot, but we will do more. Most importantly, our employees have the desire to reach higher to attain the desired productivity gains so that we may continue to meet and exceed customer requirements.

With our principal markets still in growth mode, our strong customer relationship and solid backlog, we continue to expect achieving approximately 10 % internal sales growth in fiscal 2009.

In closing, I wish to thank you, our shareholders. Your support is instrumental in the Company's success. Equally important is support from our various partners, customers and suppliers. Together, we will "Reach Higher" and make sure Héroux-Devtek remains an industry leader.

Thank you for being here today and thank you for listening. We will now be pleased to answer your questions.