



## PRESS RELEASE

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FOR IMMEDIATE RELEASE

# HÉROUX-DEVTEK ANNOUNCES AGREEMENT TO ACQUIRE U.S. AEROSPACE FIRM

- **Progressive Incorporated, to reinforce Héroux-Devtek's presence in military aerospace sector**
- **Acquisition immediately accretive**

**Longueuil, Québec, February 24, 2004**—Héroux-Devtek Inc. (TSX: HRX), a leading Canadian manufacturer of aerospace and industrial products, today announced that it has signed an agreement to acquire Progressive Incorporated, a privately-held Texas-based manufacturer of large structural components to military aircraft OEM's. The transaction will strengthen Héroux-Devtek's Aerostructure Division by providing access to the important military aerospace sector, including the F-35 Joint Strike Fighter (JSF) program, and is immediately accretive to the Company's earnings.

"We have been seeking a complementary acquisition to grow our Aerostructure Division," said Gilles Labbé, President and Chief Executive Officer of Héroux-Devtek. "Progressive represents a perfect fit for us as its military product offering rounds out our own commercial portfolio and provides us with increased access to the major primary contractors in the military sector, a competitive and restricted market with significant potential. In addition, the acquisition helps Héroux-Devtek meet one of our underlying corporate objectives, which is to increase our critical mass in the manufacture of aerostructure components and sub-assemblies in our aerostructure division."

Héroux-Devtek will acquire Progressive Incorporated, (and all net assets of Promilling, LP). Current employees of Progressive Incorporated, will remain with the Company. The total purchase price is US\$57.6 million, which includes US\$12.1 million for tax impacts, transaction costs and new equipment. In addition to the purchase price, payments of up to US\$12.0 million in total may be made if certain profitability performance targets are met in each of the current and following two fiscal years.

"In searching for a potential buyer for Progressive, we were looking for an organization that has an intimate knowledge of the industry and one, we felt, offered the best prospects of further growth," said Guinn D. Crousen, President and founder of Progressive. "Héroux-Devtek was the prime choice to ensure the future development of the Progressive business." Mr. Crousen and Mr. Buddie Langford, Vice-President of Progressive will remain actively engaged with the organization at least through June 2006.

"We are delighted to benefit from this unique opportunity to acquire a successful organization that will immediately help us increase our profile in the military aerostructure components sector. Progressive's existing contracts with Lockheed Martin and Boeing, among others, for leading aircraft programs clearly strengthen Héroux-Devtek's strategic position in the military aircraft OEM market. In addition, the transaction will allow Héroux-Devtek to acquire increased knowledge of complex manufacturing of structural military components to complement our existing expertise in our civilian aerostructure division," said Mr. Labbé. "We expect synergies to stem from improved pricing for procurement of raw materials and sharing of best manufacturing and material management practices. Potential for increased revenues will come through increased customer relationships and critical mass to attract sub-assembly and design engineering work, as well as improved product offering to customers."

Progressive posted sales in calendar year 2003 of US\$28.5 million and forecasts sales of US\$37.0 million for fiscal year 2004-2005. For the fiscal year 2004-2005, Héroux-Devtek expects the earnings contribution of this acquisition to be in the range of Cdn\$0.12 to Cdn\$0.15 per share once synergies are realized.

Progressive currently supplies components and sub-assemblies for major military aircraft programs, including Boeing's F-18, F-15 and C-17 as well as Lockheed Martin's F-16, F-22 and JSF. The JSF program is considered to be the largest on-going military development program. Progressive holds a long-term contract with Lockheed Martin for the JSF program until 2013.

Progressive's state-of-the-art manufacturing facilities are strategically located in the Dallas-Forth Worth area, one of the major aerospace hubs in the United States, providing easy accessibility to major industry players in the areas, including Lockheed Martin, Bell Helicopter Textron and Vought Aircraft Industries. Their specialized machining equipment allows for manufacturing of large fuselage and wing components. Equipment types are highly compatible with the current Héroux-Devtek Aerostructure facility in Dorval.

The acquisition is subject to customary regulatory approvals and is expected to close in late March 2004.

### **Financing of the acquisition**

The Company also announced the renewal of its Syndicated Evergreen Revolving Operating and Term Credit Facilities for up to Cdn\$100.0 million 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, subject to certain restrictive covenants and corporate guarantees granted by the Company and its subsidiaries. At the end of the revolving period, the term credit facilities will convert into a three-year term loan with an amortization period of five years.

Héroux-Devtek also announced today that it has entered into a bought deal agreement to issue by way of private placement subscription receipts. Please refer to separate release issued today, February 24, 2004. The issue of common shares pursuant to the exchange of subscription receipts is subject to the acquisition of Progressive Incorporated, and customary regulatory and stock exchange approvals.

This press release does not constitute an offer to sell or a solicitation of an offer to buy any, nor shall there be any sale, of the Subscription Receipts in the United States. The Subscription Receipts have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States absent registration or an applicable exemption from the registration requirements.

### **Conference Call**

Héroux-Devtek Inc. will hold a conference call to discuss this news and its third quarter financial 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](http://www.newswire.ca) or [www.q1234.com](http://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.

A more complete presentation of the Progressive acquisition is available on the Héroux-Devtek website at [www.herouxdevtek.com](http://www.herouxdevtek.com).

### **Profiles**

**Progressive Incorporated**, is an aerospace manufacturing company specialized in the profile milling of complex aluminum and titanium parts used to assemble military and commercial aircraft. Founded in 1971, the company has successfully grown from a two-man shop to an organization that has more than 100 full-time employees. The company is located in Arlington, Texas.

**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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