MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL POSITION AND OPERATING RESULTS

TABLE OF CONTENTS

Non-IFRS Measures 3
Forward-Looking Statements 4
Overview 4
Foreign Exchange 6
Consolidated Sales 6
Aerospace Segment 8
Industrial Segment 9
Sales by Destination 9
Gross Profit 10
Selling and Administrative Expenses 11
Operating Income 11
Aerospace Segment 11
Industrial Segment 12
Financial Expenses 12
Restructuring Charges 12
Income Tax Expense 12
Net Income 13
Other accumulated comprehensive income (“OACI”) and comprehensive income 13
Credit Facility and Cash and Cash Equivalents 14
Operating Activities 14
Investing Activities 16
Financing Activities 17
Normal Course Issuer Bid 18
Capital Stock, Stock Option Plan and Stock Purchase and Ownership Incentive Plan (Stock Purchase Plan) 18
Stock Appreciation Right and Deferred Share Unit Plans 19
Consolidated Balance Sheets 20
Government assistance 23
Derivatives, Off-Balance-Sheet Items and Commitments 23
Financial and Economic Situation 24
Future Changes in Accounting Policies 25
Internal Controls and Procedures 26
Risks and Uncertainties 26
Selected Quarterly Financial Information 27
Outlook 28
Additional Information and Continuous Disclosure 29

Management Discussion and Analysis of Financial Position and Operating Results

The purpose of this management discussion and analysis ("MD&A") is to provide the reader with an overview of how the financial position of Héroux-Devtek Inc. and its subsidiaries ("Héroux-Devtek" or the "Corporation") evolved between April 1, 2011 and September 30, 2011. It also compares the operating results and cash flows for the three- and six-month periods ended September 30, 2011 to those for the same periods in the previous year.

This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended June 30, 2011 and six months ended September 30, 2011 and the audited consolidated financial statements and MD&A for the year ended March 31, 2011, both of which are available on the Corporation's website at www.herouxdevtek.com. The Corporation reports its results in Canadian dollars. All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

This MD&A is based on financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), using the Canadian dollar as the reporting currency.

Effective April 1, 2011, the Corporation adopted IFRS as the Corporation's basis of financial reporting, using April 1, 2010 as the transition date. The second quarter 2011 unaudited interim condensed consolidated financial statements 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, as issued by the International Accounting Standards Board ("IASB"). Except where otherwise noted, all prior period comparative figures have been restated to conform to IFRS.

For details on the most significant adjustments to the financial statements of prior periods, see Note 19 – *Conversion to International Financial Reporting Standards* – to the unaudited interim condensed consolidated financial statements of the three- and six-month periods ended September 30, 2011.

The Corporation has implemented the necessary changes to its systems and reporting processes in various parts of its business, to support preparation of the IFRS opening balance sheet as at April 1, 2010 and the preparation of its financial statements under IFRS. In addition, the impact of the transition to IFRS on internal controls over financial reporting and disclosure controls and procedures have been determined and the adjusted controls were implemented.

Note that the unaudited interim condensed consolidated financial statements for the three- and six-month periods ended September 30, 2011, referred to in this MD&A, do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should also be read in conjunction with the most recently prepared annual audited consolidated financial statements for the year ended March 31, 2011, which have been prepared in accordance with Canadian generally accepted accounting principles then in effect ("Previous GAAP") along with the first unaudited interim condensed consolidated financial statements for the quarter ended June 30, 2011 prepared under IFRS.

Non-IFRS Measures

The Corporation uses earnings before interest, taxes, depreciation and amortization ("EBITDA") to assess its financial performance. EBITDA is a financial measure not prescribed by IFRS, nor by Previous GAAP. However, the Corporation's management as well as investors, consider these to be useful information to assist them in evaluating the Corporation's profitability, liquidity and ability to generate funds to finance its operations and capital investment needs.

The computation of EBITDA using financial statements prepared under Previous GAAP ("EBITDA – Previous GAAP") differs somewhat from the computation of EBITDA using financial statements prepared under IFRS ("EBITDA – IFRS"). Listed below is a reconciliation of EBITDA – Previous GAAP to EBITDA – IFRS for the quarter and the first six-month period ended September 30, 2010:

($'000)	**Quarter ended September 30, 2010**	**Six months ended September 30, 2010**
EBITDA – Previous GAAP	**10,813**	**22,261**
Adjustments:		
Finance leases	413	824
Graded method to amortize the cost of granted stock options	26	86
Pension plans	87	173
Interest accretion on pension plans	(39)	(78)
Total adjustments	487	1,005
EBITDA – IFRS	**11,300**	**23,266**

The Corporation's EBITDA is calculated as follows:

($'000)	**Quarters ended September 30**		**Six months ended September 30**	
	2011	**2010**	**2011**	**2010**
Net income	4,812	2,654	10,609	5,972
Income tax expense	1,325	983	3,168	1,969
Financial expenses	1,502	1,278	2,945	2,478
Amortization	5,939	6,116	11,804	12,210
EBITDA including restructuring charges	13,578	11,031	28,526	22,629
Add: Restructuring charges	-	269	-	637
EBITDA	**13,578**	**11,300**	**28,526**	**23,266**

The $2.3 million increase in EBITDA in the second quarter ended September 30, 2011, compared to last year's second quarter, is essentially explained by an increase in net income of $2.2 million, with a related increase in the income tax expense of $0.3 million. At year-to-date, the EBITDA increased by $5.3 million, compared to last year, mainly as a result of a higher net income of $4.6 million and higher related income tax expense of $1.2 million.

Forward-Looking Statements

In the interest of providing shareholders and potential investors with information regarding Héroux-Devtek, including Management's assessment of future plans and operations, certain statements in this MD&A are forward-looking statements subject to risks, uncertainties and other important factors that could cause the Corporation's actual performance to differ materially from those expressed in or implied by such statements.

Such factors include, but are not limited to: the impact of worldwide general economic conditions and, in particular, economic conditions in Canada and the United States; industry conditions including changes in laws and regulations; increased competition; the lack of availability of qualified personnel or management; availability of commodities and fluctuations in commodity prices; foreign exchange or interest rate fluctuations; stock market volatility; and the impact of accounting policies issued by Canadian, U.S. and international standard setters. Some of these factors are further discussed under Risks and Uncertainties in this MD&A. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive, and undue reliance should not be placed on forward-looking statements.

Although the Corporation believes that the expectations conveyed by the forward-looking statements are based on information available to it on the date such statements were made, there can be no assurance that such expectations will prove to be correct. All subsequent forward-looking statements, whether written or orally attributable to the Corporation or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

Héroux-Devtek and its subsidiaries specialize in the design, development, manufacture, repair and overhaul of systems and components used principally in the aerospace and industrial segments. As such, a significant portion of the Corporation's sales are made to a limited number of customers mainly located in the United States and Canada.

Héroux-Devtek serves two segments: Aerospace and Industrial. The Corporation supplies both the commercial and military sectors of the Aerospace segment with landing gear products (including spare parts and repair and overhaul services) and airframe structural components (including kits). In the commercial sector, the Corporation is active in the business jet, regional aircraft, helicopter and large commercial jet markets. On the military side, the Corporation provides parts and services for all major military aircraft, mainly in the United States.

Héroux-Devtek's main products for the Industrial segment are large components for power-generating and heavy equipment, with its largest customers being The General Electric Company (GE) and Caterpillar. It also sells precision components for other industrial applications such as the wind energy market.

The Aerospace segment comprises the Landing Gear and Aerostructure product lines. The Industrial segment comprises large power generation components and other industrial products produced by the Industrial product line. The Landing Gear product line designs, manufactures, repairs and overhauls landing gears and has built a strong, well-recognized design engineering team and serves both the commercial and military sectors. The Aerostructure product line manufactures airframe components ranging in size from small to large, for the commercial and military aerospace sectors. The Aerospace segment includes the Landing Gear and Aerostructure product lines since, in particular, their products and services, production processes, type of customers and methods of distribution are similar. The Industrial product line manufactures large components for power generation, including the wind energy sector, and for heavy equipment and other industrial markets.

For the second quarter ended September 30, 2011, most of the Corporation's strategic markets have shown positive momentum. While the second quarter has traditionally been a slower period due to seasonal factors (plant shutdowns and summer vacation period), sales still further increased in the Aerostructure and Industrial product lines, compared to last year, while Landing Gear product sales declined, mainly as a result of the negative impact of an increase in the value of the Canadian dollar versus the US currency. The higher overall sales volume led to a better absorption of manufacturing overhead costs and to higher profitability. Although the global macro-economic environment remains volatile, the Corporation anticipates an internal sales growth of approximately 5% for the current fiscal year, assuming the Canadian dollar remains at parity versus the US currency.

RESULTS OF OPERATIONS

Foreign Exchange

The Corporation is subject to foreign currency fluctuations from the translation of revenues (sales), expenses, assets and liabilities of its foreign operations and from transactions denominated mainly in US dollars. Average rates are used to translate sales (but exclusive of forward foreign exchange contracts) and expenses for the years mentioned, while closing rates translate monetary assets and liabilities denominated in foreign currencies and assets and liabilities of foreign operations.

Canada / US Exchange Rates		**September 30, 2011**	**September 30, 2010**
Average rate for quarter ended	1$ Canadian/ US $ equivalent	0.9802	1.0391
Average rate for six months ended	1$ Canadian/ US $ equivalent	0.9739	1.0333

Canada / US Exchange Rates		**September 30, 2011**	**March 31, 2011**
Closing rate at	1$ Canadian/ US $ equivalent	1.0482	0.9696

As shown above, the average value of the Canadian dollar for the quarter and for the six-month periods ended September 30, 2011, when compared to its U.S. counterpart year-over-year, increased by more than 6% and naturally added pressure to the U.S.-denominated sales and results of the Corporation, including those from its Canadian operations. The variation in the closing rate since March 31, 2011 was significant on the Corporation's U.S.-denominated balance sheet accounts at the end of this quarter, when compared to last year's year-end balances. Currency fluctuation impact on the Corporation's sales, gross profit and specific balance sheet elements can be found later in this MD&A.

The Corporation makes use of derivative financial instruments, in accordance with its hedging policy, to hedge foreign currency fluctuation exposure risks (Canadian dollar over U.S. dollar) in an effort to mitigate these risks. At September 30, 2011, the Corporation had forward foreign exchange contracts totalling US$164.8 million at a weighted-average exchange rate of 1.0742 maturing over the next four fiscal years, with the majority maturing over the next two fiscal years.

At September 30, 2011, the Corporation had also entered into forward foreign exchange contracts totalling US$5.5 million at a weighted-average rate of 1.2292 maturing over the next three fiscal years, to cover foreign exchange risks (Canadian dollar over U.S. dollar) related to certain embedded derivatives.

Consolidated Sales

Consolidated sales for the second quarter ended September 30, 2011 increased 3.4% to $86.0 million, from $83.2 million last year. The impact of the Canadian dollar, against the US currency,

reduced consolidated sales by $3.5 million or 4.2%, compared to last year. Excluding this unfavourable impact, sales were $6.3 million or 7.6% higher, as production rates are ramping up in large commercial and business jet markets in the Aerospace segment, combined with a stronger customer demand in the Industrial segment.

At year-to-date, consolidated sales totalled $177.9 million, 7.3% higher than last year's sales of $165.7 million. Consolidated sales include a $4.4 million or 2.7% favourable impact, as a result of having a full six-month period this year in Landing Gear USA (as the acquisition of Eagle Tool & Machine Co. and of its subsidiary, All Tool Inc., closed on April 28, 2010 in the last fiscal year) which was offset by a $6.9 million or 4.2% unfavourable foreign exchange impact resulting from a stronger Canadian dollar, when compared to the US dollar. Excluding these two impacts, consolidated sales were $14.7 million or 8.8% higher, as a result of increased production rates in the commercial markets of the Aerospace segment and higher customer demand in the Industrial segment.

The Corporation's sales by segment were as follows:

	Quarters ended September 30				**Six months ended September 30**			
	2011	**2010**	**Variance**		**2011**	**2010**	**Variance**	
	($'000)	**($'000)**	**($'000)**	**%**	**($'000)**	**($'000)**	**($'000)**	**%**
Total Aerospace	77,640	76,967	673	0.9%	162,285	153,009	9,276	6.1%
Total Industrial	8,362	6,227	2,135	34.3%	15,590	12,726	2,864	22.5%
Total	**86,002**	**83,194**	**2,808**	**3.4%**	**177,875**	**165,735**	**12,140**	**7.3%**

This fiscal year, the increase in Aerospace sales of $3.6 million or 4.7% this quarter and of $15.1 million or 9.9% year-to-date, when compared to the same periods last year, were partially offset by a negative US/CAD currency impact of $2.9 million or 3.8% and of $5.8 million or 3.8% respectively, for the same periods. As mentioned previously, the year-to-date increase includes the additional $4.4 million in sales resulting from having a full six-month period in Landing Gear USA. As to the Industrial sales, when excluding the unfavourable currency impact of $0.5 million or 8.3% this quarter and of $1.0 million or 7.8% year-to-date, these sales increased by $2.7 million or 42.6% and by $3.9 million or 30.3% year-to-date respectively for the same period. This increase in Industrial sales is the result of increased heavy equipment and also gas turbine product sales.

Aerospace Segment

Sales for the Aerospace segment were as follows:

Product Lines	Quarters ended September 30				Six months ended September 30			
	2011	2010	Variance		2011	2010	Variance	
	($'000)	($'000)	($'000)	%	($'000)	($'000)	($'000)	%
Landing Gear	52,160	53,581	(1,421)	(2.7)	111,564	107,855	3,709	3.4
Aerostructure	25,222	23,321	1,901	8.2	50,161	45,015	5,146	11.4
Other aerospace products	258	65	193	296.9	560	139	421	302.9
Total	**77,640**	**76,967**	**673**	**0.9**	**162,285**	**153,009**	**9,276**	**6.1**

This quarter, sales of the Landing Gear product line decreased by 2.7% or $1.4 million, mainly as a result of the negative impact of a stronger Canadian dollar on this product line's U.S.-denominated sales. Sales resulting from increased production rates on large commercial and business jet programs were partially offset by lower customer requirements in regional jet and commercial helicopter markets. At year-to-date, sales of the Landing Gear product line increased by 3.4% or $3.7 million, mainly as a result of a full six-month period of Landing Gear USA sales this year, compared to last year. The negative US/CAD currency impact and reduced customer requirements in certain commercial helicopter and regional jet programs more than offset sales, resulting from increased production rates in large commercial, mainly the B-777 and A-320 programs, and business jet markets.

Aerostructure product line sales for the second quarter and six-month period ended September 30, 2011 increased 8.2% or $1.9 million and 11.4% or $5.1 million respectively, despite the negative impact of a stronger Canadian dollar on this product line's U.S.-denominated sales, the lower customer requirements on certain military programs and the lower production rates in the regional Dash 8 program. This increase in sales was driven by increased sales on the JSF F-35, A330, A340 and B-429 helicopter programs, as production rates are ramping up, and also by the new business from the Gulfstream (GV) program and higher business jet product sales.

Sales for the Aerospace segment can be broken down by sector as follows:

	Quarters ended September 30				Six months ended September 30			
	2011	2010	Variance		2011	2010	Variance	
	($'000)	($'000)	($'000)	%	($'000)	($'000)	($'000)	%
Military [(1)]	47,547	47,806	(259)	(0.5)	97,800	94,175	3,625	3.8
Commercial	30,093	29,161	932	3.2	64,485	58,834	5,651	9.6
Total Aerospace	**77,640**	**76,967**	**673**	**0.9**	**162,285**	**153,009**	**9,276**	**6.1**

(1): Includes military sales to civil customers and governments.

Military sales were $0.3 million or 0.5% lower this quarter, mainly as a result of a lower exchange rate (US/CAD). At year-to-date, military sales were 3.8% or $3.6 million higher than last year, including the favourable impact of 4.7% or $4.4 million in sales, resulting from having a full six-month period of Landing Gear USA sales, compared to last year. As mentioned above, military sales reflect the increase in JSF sales, offset by lower customer requirements mainly on the F-16 and F-22 programs and by the negative impact of a stronger Canadian dollar.

Commercial sales were 3.2% or $0.9 million higher this quarter and 9.6% or $5.7 million higher at year-to-date, despite the negative impact of a stronger Canadian dollar. This increase is the result of higher production rates in large commercial and business jet programs, in addition to the new Gulfstream (GV) business partially offset by lower customer requirements in regional jet markets.

Industrial Segment

Sales for the Industrial segment were as follows:

	Quarters ended September 30				Six months ended September 30			
	2011	**2010**	**Variance**		**2011**	**2010**	**Variance**	
	($'000)	**($'000)**	**($'000)**	**%**	**($'000)**	**($'000)**	**($'000)**	**%**
Gas Turbine	3,415	2,419	996	41.2	6,735	5,654	1,081	19.1
Other Industrial	4,947	3,808	1,139	29.9	8,855	7,072	1,783	25.2
Total	**8,362**	**6,227**	**2,135**	**34.3**	**15,590**	**12,726**	**2,864**	**22.5**

For the second quarter and for the first six-month period ended September 30, 2011, Industrial sales were higher than last year, boosted by higher demand for Heavy Equipment in the mining industry and in the Gas Turbine sector.

Sales by Destination

The Corporation's sales by destination were as follows:

	Quarters ended September 30		Six months ended September 30	
	2011	**2010**	**2011**	**2010**
	(%)	**(%)**	**(%)**	**(%)**
Canada	26	28	27	29
US	71	68	69	67
International	3	4	4	4
Total	**100**	**100**	**100**	**100**

The second quarter and the year-to-date changes in the sales-by-destination mix reflect the impact of increased sales in the U.S., as a result of increased sales in the Industrial segment as well as in

Aerostructure due to the JSF F-35 program. At year-to-date, it also includes the impact of increased sales in Landing Gear USA.

Gross Profit

This fiscal year, for the second quarter and six-month period, consolidated gross profit as a percentage of sales increased by 2.6% from 13.3% to 15.9% this quarter, compared to last year, and from 13.8% to 16.4% for the six-month period. This mainly resulted from the Corporation's overall increase in sales, which allowed for an increased absorption of manufacturing overhead costs combined with manufacturing improvements. This fiscal year, the impact on gross profit in dollars for the start-up costs incurred for the establishment of our new Mexico facility was $0.1 million this quarter and $0.2 million at year-to-date.

The continued strengthening of the Canadian dollar this year negatively impacted the Corporation's gross profit in dollars this quarter by $1.2 million or 0.7%, and year-to-date by $1.9 million or 0.4%, when expressed as a percentage of sales. Besides the natural hedging from the purchase of raw material in US dollars, the Corporation mitigates the currency impact by the use of forward foreign exchange contracts.

In the Aerospace segment, for this quarter and year-to-date, Landing Gear product line's gross profit in dollars and as a percentage of sales was higher than last year, mainly as a result of a better product mix and lower non-quality costs. This quarter, the Aerostructure product line's gross profit in dollars was slightly lower than last year, despite the increase in sales compared to the prior year. The lower gross profit as a percentage of sales is explained by higher initial manufacturing costs incurred in the production of components for new programs and also by the start-up costs incurred this year for the implementation of the new Mexico facility. For the first six-month period, compared to last year, the Aerostructure product line significantly improved its gross profit in dollars and as a percentage of sales. Last year, the Aerostructure product line was negatively impacted by a lower production volume, which had an unfavourable impact on its gross profit.

In the Industrial segment, the gross profit margin in dollars and as a percentage of sales improved significantly, when compared to last year. This is the result of the increase in sales and higher absorption of manufacturing overhead costs. It also reflects the impact from the continuous manufacturing improvements in this segment.

Selling and Administrative Expenses

Selling and administrative expenses were as follows:

	Quarters ended September 30		Six months ended September 30	
	2011	**2010**	**2011**	**2010**
Selling and administrative expenses ($'000)	6,052	5,906	12,448	11,870
% of sales	7.0	7.1	7.0	7.2

Selling and administrative expenses stood at $6.1 million or 7.0% of sales and $12.4 million or 7.0% as a percentage of sales respectively for the quarter and six-month period ended September 30, 2011. This increase is mainly attributable to expenses incurred this year in relation to the start-up of the new Mexico facility for $0.1 million this quarter and $0.2 million year-to-date. In addition, the year-to-date expenses reflect the impact of having a full six-month period results for Landing Gear USA this year, when compared to last year. This quarter, the selling and administrative expenses include a gain on currency translation on net monetary assets of $0.3 million, compared to a loss of $0.3 million last year. At year-to-date, the gain on currency translation on net monetary assets was $0.2 million, compared to a loss of $0.4 million last year.

Operating Income

Consolidated operating income stood at $7.6 million or 8.9% of sales for the quarter ended September 30, 2011, and was $2.4 million higher than the $5.2 million or 6.2% operating income for the same period last year. At year-to-date, consolidated operating income stood at $16.7 million or 9.4% of sales, compared to $11.1 million or 6.7% of sales for the same period last year. This is the result of higher sales and gross profit in both Aerospace and Industrial segments, as explained above.

Aerospace Segment

This quarter, Aerospace operating income was $5.7 million or 7.3% of sales, compared to $4.3 million or 5.6% of sales last year. Excluding the impact of the new Mexico facility start-up costs this year, the Aerospace segment's operating income was $5.9 million or 7.6% of sales for the quarter ended September 30, 2011, an increase of $1.6 million or 2.0% of sales from last year's operating income. The increased operating income reflects the better product mix and the manufacturing improvements included in gross profit as already explained above.

For the six-month period ended September 30, 2011, the Aerospace segment's operating income stood at $13.3 million or 8.2% of sales, compared to $9.5 million or 6.2% of sales last year. Excluding the unfavourable impact of the new Mexico facility start-up costs this year of $0.5 million partially offset by the favourable impact of having a full six-month period of results from Landing Gear USA this year of $0.2 million, the Aerospace segment's operating income was $13.6 million or 8.4% of sales for the six-month period ended September 30, 2011, an increase of $4.1 million or 2.2% of sales from last year's operating income. The increased operating income reflects the impact of increased sales and gross profit already explained above.

Industrial Segment

This quarter, operating income increased to $2.0 million or 23.8% of sales this year, compared to $0.8 million or 13.6% last year. At year-to-date, operating income stood at $3.5 million or 22.3% of sales this year, compared to $1.6 million or 12.4% of sales last year, an increase of $1.9 million or 9.9% of sales. The higher operating income this quarter and at year-to-date reflects the increased gross margin resulting from higher sales, the better absorption of manufacturing overhead costs and the impact from the continuous manufacturing improvements already explained above.

Financial Expenses

Financial expenses stood at $1.5 million for the quarter and $2.9 million for the six-month period ended September 30, 2011, while it stood at $1.3 million and $2.5 million respectively, for the same periods last year. The difference in the financial expenses of this year, compared to last year, mainly reflects a higher amortization of deferred financing costs, following the renewal of the Corporation's Credit Facility last March. It also reflects a higher interest accretion mainly due to increased governmental authorities loans.

Restructuring Charges

Last year, 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. The Corporation recorded restructuring charges of $0.3 million and of $0.6 million respectively, during the three- and six-month periods ended September 30, 2010. At September 30, 2011 and March 31, 2011, the building related to this facility was classified in Other assets as an asset held for sale in the Corporation's Consolidated Balance Sheets.

Income Tax Expense

For the quarter ended September 30, 2011, the income tax expense stood at $1.3 million, compared to $1.0 million last year. At year-to-date, the income tax expense stood at $3.2 million, compared to $2.0 million for the same period last year.

For the six-month period ended September 30, 2011, the Corporation's effective income tax rate was 23.0%, compared to its Canadian blended statutory income tax rate of 27.2%. The effective income tax rate reflects the favourable impact from permanent differences ($0.7 million), and favourable deferred income tax adjustments ($0.2 million), partially offset by the negative impact of a higher U.S. income tax rate for the Corporation's U.S. subsidiaries ($0.3 million).

For the six-month period ended September 30, 2010, the Corporation's effective income tax rate was 25.0% compared to the Corporation's Canadian blended statutory income tax rate of 28.3%. The difference can be explained by the favourable impact on the Corporation's effective income tax rate coming from permanent differences ($0.3 million) and by a favourable tax adjustment following the conclusion of a prior year tax audit ($0.2 million) somewhat offset by the negative impact of a higher U.S. income tax rate for the Corporation's U.S. subsidiaries ($0.1 million) and the impact from the changes in the Canadian income tax rate ($0.1 million).

The reduction in the Corporation's blended statutory income tax rate this year, compared to last year, mainly reflects the reduction in the Federal income tax rate in Canada.

Net Income

For the second quarter and the first six-month period of fiscal 2012, the Corporation posted a net income of $4.8 million and $10.6 million respectively, compared to a net income of $2.7 million and $6.0 million for the same periods last year, reflecting the increased operating income in both segments of the Corporation. For this quarter and at year-to-date, net income includes $0.2 million and $0.3 million of costs, net of taxes, incurred in conjunction with the start-up of the new Mexico facility. The Corporation took possession of the leased facility in Mexico this quarter and anticipates producing its first components early in calendar year 2012. Last year's net income is shown net of restructuring charges incurred for the closing of a facility, as already explained above.

	Quarters ended September 30		Six months ended September 30	
	2011	**2010**	**2011**	**2010**
Net income ($'000)	4,812	2,654	10,609	5,972
Earnings per share – basic ($)	0.16	0.09	0.35	0.20
Earnings per share – diluted ($)	0.16	0.09	0.35	0.20

Basic earnings per share figures are based on year-to-date weighted-averages of 30,302,586 common shares outstanding for the six-month period ended September 30, 2011, and 30,121,872 common shares for the same period last year, while the diluted earnings per share figures are based on year-to-date weighted-averages of 30,664,142 for the six-month period this year and 30,353,077 for the same period last year. On a year-to-date basis, the increase in the number of outstanding common shares is essentially due to the issuance of 200,323 common shares under the stock option plan and 21,318 common shares under the Corporation's stock purchase and ownership incentive plan**.**

On November 3, 2011, the date of this MD&A, the Corporation had 30,399,426 common shares and 1,434,677 stock options outstanding with a weighted-average of 3.9 years to maturity.

Other accumulated comprehensive income ("OACI") and comprehensive income

For the second quarter and the first six-month period ended September 30, 2011, the appreciation of the US versus Canadian currency had a significant positive impact on the Corporation's gain arising from translating the financial statements of foreign operations, while it had a significant negative impact on the net losses on the valuation of the Corporation's derivative financial statements measured at fair value, and on the net losses on hedge of net investments in U.S. operations. In addition, the lower than expected return on plan assets of the Corporation's defined benefit pension plans negatively impacted the net actuarial losses. These variations significantly impacted the Corporation's OACI and the related comprehensive income for the same periods.

LIQUIDITY AND CAPITAL RESOURCES

Credit Facility and Cash and Cash Equivalents

In general terms, the Corporation has a healthy financial situation and is well positioned to face its financing needs. In March 2011, the Corporation renewed and increased its Senior Secured Syndicated Revolving Credit Facilities through one Senior Secured Syndicated Revolving Credit Facility ("Credit Facility") with a syndicate of five Canadian Banks and their US affiliates or branches, and a Canadian branch of a U.S. Bank. This five-year Credit Facility allows the Corporation and its subsidiaries to borrow up to $150 million, either in Canadian or US currency equivalent and will mature in March 2016. It also includes an accordion feature to increase the Credit Facility up to $225 million, during the term of the Credit Agreement, subject to approval by the lenders. To September 30, 2011, only CAD $62.4 million (US$59.5 million) had been drawn against this Credit Facility, including US$16.5 million in April 2010 to finance the acquisition of Landing Gear USA. Considering the Corporation's cash and cash equivalents position, its available Credit facility and level of expected capital investments and results, the Corporation's management does not expect any liquidity risk in the foreseeable future. At September 30, 2011, the Corporation had cash and cash equivalents of $45.4 million, compared to $32.9 million as at March 31, 2011, of which $33.0 million ($25.1 million at March 31, 2011) had been invested in short-term deposits with its syndicated banks.

Operating Activities

The Corporation generated cash flows from operations and used cash and cash equivalents for its operating activities as follows:

	Quarters ended September 30		**Six months ended September 30**	
	2011 ($'000)	**2010 ($'000)**	**2011 ($'000)**	**2010 ($'000)**
Cash flows from operations	10,627	9,306	23,438	19,898
Net change in non-cash items related to operations	(293)	(723)	1,229	(9,345)
Cash flows related to operating activities	**10,334**	**8,583**	**24,667**	**10,553**

The $1.3 million and $3.5 million increases in cash flows from operations for the three- and six-month periods ended September 30, 2011 are essentially explained by the $2.2 million increase in net income ($4.6 million year-to-date), partially offset by a lower amortization expense of $0.2 million ($0.4 million year-to-date) and a lower deferred income tax expense of $0.8 million ($1.1 million year-to-date).

The net change in non-cash items related to operations can be summarized as follows:

	Quarters ended September 30		Six months ended September 30	
	2011 ($'000)	**2010 ($'000)**	**2011 ($'000)**	**2010 ($'000)**
Accounts payable and accrued liabilities, accounts payables-other, and other liabilities (referred to as "Accounts payable")	5,347	(1,925)	(7,367)	(9,712)
Accounts receivable	(4,598)	(2,200)	13,061	(1,725)
Inventories	(3,300)	3,715	(2,919)	8,472
Progress billings	(4,504)	(3,202)	(7,061)	(8,978)
Income tax payable and receivable	2,487	(280)	2,552	(428)
Effect of changes in exchange rate	3,133	2,090	2,921	3,792
All others	1,142	1,079	42	(766)
	(293)	**(723)**	**1,229**	**(9,345)**

For the second quarter ended September 30, 2011, the increase in accounts receivable and accounts payable is mainly the result of a higher US/CAD foreign exchange closing rate, when compared to June 30, 2011, for the accounts receivable and accounts payable denominated in US dollars. It also reflects the increased sales volume delivered in the last month of this quarter. At year-to date, the impact from a higher US/CAD foreign exchange closing rate was offset by a decrease in accounts receivable and accounts payable mainly resulting from a lower sales volume in this quarter, compared to last year's fourth quarter, which historically, has usually been the best quarter of a fiscal year. This quarter and at year-to-date, the increase in inventories is the result of the increased production rates for the upcoming quarters in the commercial aerospace sector, while the reduction in progress billings mainly results from a lower funded backlog for military aftermarket landing gear product line reflecting reduced customers' requirements.

For the three-month and the six-month periods ended September 30, 2010, the reduction in accounts payable, progress billings and inventories resulted from a reduced level of business activity last year.

Investing Activities

The Corporation's investing activities were as follows:

	Quarters ended September 30		Six months ended September 30	
	2011 ($'000)	**2010 ($'000)**	**2011 ($'000)**	**2010 ($'000)**
Additions to property, plant and equipment	(4,199)	(5,898)	(9,905)	(9,093)
Net increase in finite-life intangible assets	(4,129)	(1,579)	(6,166)	(3,729)
Proceeds on disposal of property, plant and equipment	3	45	35	70
Business acquisition	-	-	-	(28,813)
Cash flows relating to investing activities	**(8,325)**	**(7,432)**	**(16,036)**	**(41,565)**

On April 28, 2010, the Corporation invested $28.8 million to acquire substantially all the net assets of Landing Gear USA.

This quarter and at year-to-date, the additions to property, plant and equipment stood at $4.4 million and $9.0 million respectively ($5.9 million and $9.1 million last year). This quarter and at year-to-date, these additions to property, plant and equipment shown above include the variation of $2.0 million and $3.1 million of unpaid additions at the respective period-ends and are presented net of machinery and equipment of $2.2 million (none last year) which were acquired through finance leases. Capital expenditures for fiscal 2012 are expected to represent about $26 million including a $5 million investment in relation to the Mexico project. This project could represent total capital investments of up to $20 million over the next three years.

Increase in finite-life intangible assets represents capitalized development costs for long-term Aerospace contracts, essentially for business jet programs.

Financing Activities

The Corporation's financing activities were as follows:

	Quarters ended September 30		Six months ended September 30	
	2011 ($'000)	**2010 ($'000)**	**2011 ($'000)**	**2010 ($'000)**
Increase in long-term debt	1,783	1,309	3,276	18,875
Repayment of long-term debt	(1,362)	(1,246)	(3,159)	(3,169)
Repurchase of common shares	-	(330)	-	(3,498)
Issuance of common shares	81	688	1,113	917
Cash flows relating to financing activities	**502**	**421**	**1,230**	**13,125**

For the three-month and six-month periods ended September 30, 2011, the increase in long-term debt reflects new governmental authorities loans received to support the Corporation's development costs for Aerospace programs. Last year's increase in long-term debt represents the drawing of US$16.5 million from the Corporation's Credit Facility to finance the acquisition of Landing Gear USA and new governmental authorities loans received.

This quarter and at year-to-date, the repayment of long-term debt includes repayment of finance leases, governmental authorities loans and also of the promissory note which was issued in relation to the acquisition of Landing Gear USA. Last year's repayment of long-term debt includes repayment of finance leases and a promissory note and includes only at year-to-date, a repayment of a governmental authorities loan.

During the six-month period ended September 30, 2011, the Corporation issued 200,323 common shares (all in the first quarter) following the exercise of stock options for a total cash consideration of $954,000. The Corporation also issued 11,343 and 21,318 common shares respectively, under its stock purchase and ownership incentive plan during the three- and six-month periods ended September 30, 2011, for cash considerations of $81,000 and $159,000.

During the three- and six-month periods ended September 30, 2010, the Corporation issued 15,771 and 32,956 common shares respectively, under its stock purchase and ownership incentive plan for cash considerations of $83,000 and $170,000. The Corporation also issued 122,221 and 157,221 common shares respectively, following the exercise of stock options, for cash considerations of $605,000 and $747,000. During the same periods, the Corporation repurchased 59,100 and 605,100 common shares respectively under the normal course issuer bid, launched in November 2009 ("NCIB") for total cash considerations of $330,000 and $3,498,000.

At September 30, 2011, the Corporation was in compliance with all its restrictive debt covenants and expects to continue to comply with these restrictive financial covenants through fiscal 2012.

Normal Course Issuer Bid

In fiscal 2010, on November 25, 2009, the Corporation launched a second NCIB, with the approval of the Toronto Stock Exchange (TSX). Under the terms of the NCIB, the Corporation could acquire up to 1,500,000 of its common shares, representing approximately 5% of the issued and outstanding common shares of the Corporation as of November 19, 2009. The NCIB terminated on November 24, 2010. During that period, the Corporation repurchased 711,100 common shares at an average net price of $5.68 per share for a total cash consideration of $4.0 million.

All common shares purchased by the Corporation through the NCIB were made on the open market through the facilities of the TSX or other Canadian marketplaces in accordance with the policies of the TSX, and were surrendered by the Corporation to its transfer agent for cancellation.

Capital Stock, Stock Option Plan and Stock Purchase and Ownership Incentive Plan (Stock Purchase Plan)

At September 30, 2011, the Corporation had 30,395,439 common shares outstanding (30,173,798 as at March 31, 2011).

During the six-month period ended September 30, 2011, the Corporation issued 200,323 common shares (all in the first quarter), following the exercise of stock options at a weighted-average price of $4.76 for a total cash consideration of $954,000. The Corporation also issued 11,343 and 21,318 common shares respectively, under the Corporation's stock purchase plan at weighted-average prices of $7.13 and $7.45 for total cash considerations of $81,000 and $159,000.

During the three- and six-month periods ended September 30, 2010, the Corporation issued 122,221 and 157,221 common shares respectively, following the exercise of stock options at weighted-average prices of $4.95 and $4.75 for total cash considerations of $605,000 and $747,000. The Corporation also issued 15,771 and 32,956 common shares respectively, under the Corporation's stock purchase plan at weighted-average prices of $5.26 and $5.15 for total cash considerations of $83,000 and $170,000.

During the three- and six-month periods ended September 30, 2011, 235,000 and 242,000 stock options were granted respectively (138,000 last year, all in the second quarter) while no stock options were cancelled (27,000 and 55,000 during the three- and six-month periods last year).

At September 30, 2011, 1,434,677 stock options were issued and outstanding with a weighted-average of 3.9 years to maturity and a weighted-average exercise price of $6.45 (see Note 14 to the interim condensed consolidated financial statements).

This quarter, the aggregate number of shares available for future granting or issuance under the Stock Option and Stock Purchase and Ownership Incentive plans have been replenished, due to the limited number of common shares remaining under these plans and following the approval by the shareholders of the Corporation at the Annual and Special Meeting held on August 4, 2011. The total number of common shares available for future granting or to be issued under these plans, immediately following the approval of the Corporation's shareholders, were as follows:

Common Shares	Stock Option Plan	Stock Purchase Plan	Total Common Shares
Total shares	2,808,257	340,000	3,148,257

At September 30, 2011, 2,573,257 common shares had not been granted yet under the Stock Option Plan and 332,352 common shares had not been issued yet under the Stock Purchase Plan.

Stock Appreciation Right and Deferred Share Unit Plans

Until August 2010, the Corporation had a Stock Appreciation Right (SAR) plan where rights were issued to its non-employee directors. Although the SAR plan has since been replaced by a Deferred Share Unit ("DSU") plan effectively approved in May 2011, outstanding SARs issued prior to August 2010 are still in effect. At March 31, 2011 and at September 30, 2011, 130,500 SARs were still outstanding at a weighted-average granted price of $6.32, which expire on various dates from fiscal 2013 to 2016. For the three- and six-month periods ended September 30, 2011, 12,500 SARs were exercised (all in the second quarter) at an exercise price of $5.00, since they were about to mature.

The DSU applies to the non-employee directors of the Corporation and is intended, on the one hand, to enhance the Corporation's ability to attract and retain high quality individuals to serve as members of the Board of Directors and participate in the Corporation's long-term success and, on the other hand, to promote a greater alignment of interests between the Corporation's non-employee directors and its shareholders.

The DSU enables the participants to receive compensation at the termination date, as a member of the Board of Directors, a cash amount equal to the quoted price of the Corporation's common share for each DSU. These DSUs are expensed on an earned basis and their costs are determined, using a valuation model and remeasured at each reporting period. Each director can also elect, each fiscal year, to have up to 50% of his director's annual retainer fees converted into DSUs. These DSUs vest over a one-year period.

During the quarter ended September 30, 2011, the Corporation issued 22,547 DSUs (see Note 14 to the interim condensed consolidated financial statements). During the three-month and six-month periods ended September 30, 2011, DSU expense amounted to $91 and $216 respectively.

Consolidated Balance Sheets

The following table itemizes and explains the significant changes in the consolidated balance sheets between September 30, 2011 and March 31, 2011:

Item	Change ($ million)	Explanation
Cash and cash equivalents	12.5	See consolidated statements of cash flows.
Accounts receivable	(13.1)	Decrease coming from lower sales in the second quarter this year, compared to last year's fourth quarter record sales and the decrease in days in receivables explained by the continued good accounts receivable collection effort. This decrease was partially offset by the impact of the weaker Canadian dollar on U.S.-denominated accounts receivable, when compared to March 31, 2011 ($2.9 million).
Inventories	2.9	The increase is mainly the result of the impact of the weaker Canadian dollar on the Corporation's U.S. subsidiaries ($3.8 million).
Derivative financial instruments (current assets)	(6.4)	Reflects the variation in the Corporation's balance sheets of short-term derivative financial instruments measured at fair value.
Other current assets	2.0	This variation is mostly the result of an increase of $2.5 million in investments and other tax credits receivable, which is consistent with increased eligible development costs for long-term aerospace contracts, partially offset by lower prepaid expenses of $0.6 million.
Property, plant and equipment, net	2.9	Due to: • Purchases of property, plant and equipment of $9.0 million, excluding a variation of $3.1 million in unpaid capital assets at September 30, 2011 when compared to March 31, 2011; • A higher US/CAD exchange rate used to convert the net assets of U.S. subsidiaries ($4.7 million). Net of: • Amortization expense ($10.7 million); • Disposal of fixed assets ($0.1 million).

Item	Change ($ million)	Explanation
Finite-life intangible assets, net (includes a $2.8 million backlog, net)	5.4	Due to: • An increase in finite-life intangible assets ($6.2 million), representing the increase in capitalized development costs for Aerospace long-term contracts; • A higher US/CAD exchange rate used to convert the net assets of U.S. subsidiaries ($0.3 million). Net of: • Amortization expense on the underlying value of the backlog ($0.7 million); • Amortization of the finite-life intangible assets ($0.4 million).
Derivative financial instruments (long-term assets)	(5.9)	Reflects the variation in the Corporation's balance sheets of long-term derivative financial instruments measured at fair value.
Goodwill	1.8	Increase resulting from the higher US/CAD exchange rate used to convert the goodwill included in the Corporation's U.S. subsidiaries.
Accounts payable and accrued liabilities	(4.2)	Decrease resulting from lower sales in the second quarter this year compared to last year's fourth quarter record sales partially offset by the impact of the weaker Canadian dollar since March 31, 2011 on U.S.-denominated accounts payable and accrued liabilities ($2.0 million).
Accounts payable - other	(3.1)	Decrease reflecting lower unpaid property, plant and equipment.
Progress billings (current and long-term)	(7.1)	The reduction in progress billings mainly reflects a lower backlog on military aftermarket business partially offset by the impact of a higher US/CAD exchange rate used to convert the progress billings denominated in US dollars for the U.S. subsidiaries ($1.2 million).

Item	Change ($ million)	Explanation
Derivative financial instruments (current liabilities)	1.3	Reflects the variation in the Corporation's balance sheets of short-term derivative financial instruments measured at fair value.
Long-term debt (including current portion)	8.9	Due to: • Governmental authorities loans received to support Aerospace development program investments ($3.3 million); • New finance leases ($2.2 million); • Interest accretion on governmental authorities loans ($0.8 million); • Amortization of deferred financing costs related to the new financing structure ($0.2 million); • A higher US/CAD exchange rate used to convert the long-term debt denominated in US dollars ($5.6 million). Net of: • Net capital repayment of long-term debt ($3.2 million).
Derivative financial instruments (long-term liabilities)	3.9	Reflects the variation in the Corporation's balance sheets of long-term derivative financial instruments measured at fair value.
Capital stock	1.8	Represents the common shares issued under the Corporation's stock purchase and ownership plan ($0.2 million) and following the exercise of stock options ($1.6 million).
Retained earnings	10.6	The increase reflects the Corporation's net income for the first six-month period of fiscal 2012.

At September 30, 2011 and March 31, 2011, the Corporation's working capital ratio, cash and cash equivalents, long-term debt-to-equity ratio and net debt-to-equity ratio[(1)] were as follows:

	September 30, 2011	March 31, 2011
Working capital ratio	2.60:1	2.52:1
Cash and cash equivalents	$45.4 million	$32.9 million
Long-term debt-to-equity ratio	0.46:1	0.44:1
Net debt-to-equity ratio[(1)]	0.30:1	0.32:1

(1): Defined as total long-term debt, including the current portion, less cash and cash equivalents, over shareholders' equity.

The increase in the long-term debt-to-equity ratio mainly reflects the impact from a higher US/CAD foreign exchange closing rate at September 30, 2011.

Government assistance

For the second quarter ended September 30, 2011, the Corporation recorded as a reduction of cost of sales an amount of $1.1 million ($0.4 million last year), and as a reduction of the related capital expenditures or capitalized development costs, an amount of $0.2 million ($1.0 million last year) for government assistance. At year-to-date, the Corporation recorded $1.4 million ($1.0 million last year) as a reduction of cost of sales and $1.4 million ($1.5 million last year) as a reduction of the related capital expenditures or capitalized development costs, for government assistance.

This government assistance includes mainly the investment tax and other credits and the discounted portion of the governmental authorities loans.

Derivatives, Off-Balance-Sheet Items and Commitments

The Corporation had operating lease obligations amounting to $4.6 million as at September 30, 2011, for buildings and facilities. These amounts are repayable over the next eleven fiscal years. At September 30, 2011, the Corporation also had facility and machinery and equipment purchase commitments totalling $8.4 million (see Note 17 to the interim condensed consolidated financial statements).

At September 30, 2011, the Corporation had forward foreign exchange contracts with Canadian chartered banks totalling US$164.8 million at a weighted-average exchange rate (Canadian dollar over US dollar) of 1.0742. These contracts relate mainly to its export sales, and mature at various dates between October 2011 and March 2015, but mainly over the next two fiscal years (see Note 10 to the interim condensed consolidated financial statements). This compares to US$159.0 million and US$151.1 million in forward foreign exchange contracts held at March 31, 2011 and September 30, 2010 respectively, at weighted-average exchange rates of 1.1032 and 1.1342.

At September 30, 2011, the Corporation also entered into forward foreign exchange contracts totalling US$5.5 million at a weighted-average rate (Canadian dollar over U.S. dollar) of 1.2292 ($US7.7 million at a weighted-average rate of 1.2343 at March 31, 2011 and $US9.3 million at a weighted-average rate of 1.2372 at September 30, 2010) maturing over the next three fiscal years, to cover foreign exchange risk related to certain embedded derivatives.

In March 2011, following the renewal of the Corporation's Credit Facility in order to limit the effect of interest rate variations over a portion of its long-term debt denominated in US currency and in accordance with the Corporation's risk management policy, the Corporation entered into three interest-rate swap agreements for a total notional amount of US$40 million. The agreements that fix the Libor U.S. rate at 3.90% for an amount of US$20 million and at 3.91% for another amount of US$20 million, will mature in December 2015.

In March 2011, the Corporation designated certain long-term debt as hedge of its net investments in U.S. operations. This designation is still in effect as of September 30, 2011.

Financial and Economic Situation

Gradual improvements in the global economy throughout fiscal 2011 and early in fiscal 2012 have reversed certain negative trends of the previous two fiscal years. In the large commercial aircraft markets, manufacturers have announced several production rate increases for leading programs stretching out to calendar 2014, while most of the Corporation's key industrial markets are gathering further momentum. Meanwhile, the military aerospace market has stabilized, as governments address their deficits. However, as the economic slowdown observed in recent months could have negative short-term effects, the Corporation continues to carefully monitor its strategy and risk management.

While the Corporation's backlog remains strong, deferrals or cancellations of purchase orders could have an adverse impact on future results. The Corporation is striving to maintain a well-balanced portfolio between commercial and military Aerospace segment sales, which should help reduce the risks associated with any potential slowdown in specific markets.

Furthermore, the rapid fluctuations in the value of the Canadian dollar, when compared to the US currency, will put additional pressure on upcoming results. As already mentioned, and as highlighted in the Outlook section, Management maintains its focus on operational efficiencies through continued lean manufacturing initiatives, cost reduction initiatives and forward foreign exchange contracts to mitigate the negative currency fluctuations.

From a financial standpoint, the Corporation has a healthy balance sheet and is presently in compliance with all of its financial covenants and expects to be so for the remainder of the fiscal year. The Corporation does not expect to have any liquidity issues, considering that the Banks'

Credit Facility was extended with a syndicate of five Canadian banks and a Canadian branch of a U.S. bank, with high-grade credit ratings, and that the major customers of the Corporation are worldwide leaders in their respective fields. This Credit Facility was renewed and increased in fiscal 2011 and will mature in March 2016.

In light of the above, the Corporation maintains its near-term outlook (see Outlook section below) and does not foresee any short-term elements that could jeopardize the going concern of its operations. That being said, and understanding that the Corporation operates, in part, in sectors subject to economic volatility, Management will remain prudent (see Risks and Uncertainties and Outlook sections below).

FUTURE CHANGES IN ACCOUNTING POLICIES

The standards issued but not yet effective that may apply to the Corporation are the following:

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, 2013, 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 amendment to IAS 1 will be effective for the Corporation's fiscal years 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 years beginning on April 1, 2013, with earlier application permitted.

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

INTERNAL CONTROLS AND PROCEDURES

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its financial statements in accordance with International Financial Reporting Standards.

No changes were made to our internal controls over financial reporting during the quarter and the six-month period ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

RISKS AND UNCERTAINTIES

Héroux-Devtek operates in industry segments with a variety of risk factors and uncertainties that could have a material adverse effect on the Corporation's business, financial condition and results of operations. Such risks and uncertainties include, but are not limited to, those mentioned below, which are more fully described in the Corporation's MD&A for the year ended March 31, 2011.

- Reliance on Large Customers
- Availability and Cost of Raw Materials
- Operational Risks
- Impact of Terrorist Activity and Political Instability
- General Economic Conditions
- Military Spending
- Foreign Currency Fluctuations
- Liquidity and Access to Capital Resources
- Restrictive Debt Covenants
- Changing Interest Rates
- External Business Environment
- Warranty Casualty Claim Losses
- Environmental Matters
- Collective Bargaining Agreements
- Skilled Labour

SELECTED QUARTERLY FINANCIAL INFORMATION

($'000 Except per share data)	Fiscal Year 2012 (IFRS)		Fiscal Year 2011 (IFRS)				Fiscal Year 2010 (Previous GAAP)	
	Sept. 30, 2011	June 30, 2011	March 31, 2011	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	March 31, 2010	Dec. 31, 2009
Average exchange rate used to translate revenues (sales) and expenses ($1 Canadian / equivalent $US)	**0.9802**	0.9676	0.9860	1.0128	1.0391	1.0276	1.0409	1.0563
Sales	**86,002**	91,873	105,994	85,843	83,194	82,541	84,965	76,659
EBITDA [(1)]	**13,578**	14,948	19,146	14,684	11,300	11,966	12,267	11,685
Net income	**4,812**	5,797	7,992	5,165	2,654	3,318	4,405	3,538
Earnings per share ($) - basic	**0.16**	0.19	0.26	0.17	0.09	0.11	0.14	0.12
Earnings per share ($) - diluted	**0.16**	0.19	0.26	0.17	0.09	0.11	0.14	0.12

(1) Excludes non-recurring items net of income taxes related to the closure of the Rivière-des-Prairies plant of $258 for the quarter ended June 30, 2010 and of $196 for the quarter ended September 30, 2010.

OUTLOOK

Conditions continue to be favourable in the commercial aerospace market although the recent slowdown of the global economy has slightly moderated the projected growth in air travel. The IATA's most recent forecast calls for growth of 5.9% and 4.6% in calendar 2011 and 2012 for passenger markets and of 1.4% and 4.2%, respectively, for air cargo.[1]

In the large commercial aircraft segment, manufacturers have announced several production rate increases on leading programs for calendars 2011 to 2014[2]. Furthermore, Boeing and Airbus have collectively received new orders for more than 1,700 aircraft in the first nine months of calendar 2011, more than twice the number of orders received during the same period last year. Both manufacturers also continue to forecast higher deliveries for calendar 2011.

The business jet market is seeing further signs of recovery in 2011. Aircraft utilization continues to increase and the number of used aircraft for sale, as a percentage of the fleet, is lower than a year ago. However, due to the relatively weak economic recovery, business jet shipments are only expected to increase in calendar 2012, but industry sources are calling for sustained growth over a period of possibly five years.[3]

The military aerospace market has stabilized as governments address their deficits. As to the JSF program, despite the two-year probation on the short take-off and vertical landing (STOVL) variant, the Corporation anticipates producing a higher number of shipsets in fiscal 2012, compared to fiscal 2011. This results from the ramp-up of the other two variants, combined with a higher share of total production. In Canada, the Government's decision to purchase 65 JSF aircraft should benefit the Canadian aerospace industry.

Conditions remain favourable in the Corporation's main Industrial products markets. In the power generation industry, leading North American equipment manufacturers continue to report increases in new orders. Backlogs are also strongly rising for leading heavy equipment manufacturers.[4]

Capital expenditures for fiscal 2012 are expected to be approximately $26 million, including an investment of $5 million related to the new facility in Mexico.

The integration of Landing Gear USA is mostly completed and the priority for fiscal 2012 is to optimize operations and maximize efficiencies by further specializing facilities. This progress, combined with a healthy balance sheet and funds available under its Credit Facility, places Héroux-Devtek in a position to consider other strategic acquisitions that would complement its product portfolio and its technologies.

---

[1] Source : IATA Industry Financial Forecast September 2011

[2] Sources: Boeing press releases June 15, 2011; Dec. 20, 2010; Sept. 16, 2010; June 15, 2010; May 17, 2010; March 19, 2010. Airbus press releases May 18, 2011; February 3, 2011; July 30, 2010.

[3] Sources: JETNET, FAA, Teal Group.

[4] Sources : GE press release October 21, 2011; Caterpillar press release October 24, 2011

As at September 30, 2011, Héroux-Devtek's funded (firm orders) backlog stood at $526 million, up from $509 million three months earlier. Despite this solid backlog and strong customer relationships, the Corporation must seek further productivity gains and continue to streamline its cost base to remain globally competitive in light of the volatility of the Canadian dollar and the uncertainty surrounding its continuous fluctuation versus the US currency.

Assuming the Canadian dollar remains at parity versus the US currency and considering forward foreign exchange contracts, the Corporation anticipates an internal sales growth of approximately 5% for the fiscal year ending March 31, 2012. As many important programs will ramp up more significantly beyond this fiscal year, the Corporation believes growth should accelerate beyond the current fiscal year. Management is confident of achieving its long-term goal to grow internally and through strategic alliances at 10% per year, on average, assuming a stable currency environment.

Additional Information and Continuous Disclosure

This MD&A was approved by the Audit Committee and by the Board of Directors on November 3, 2011. Updated information on the Corporation can be found on the SEDAR website, at www.sedar.com.