ON STRONGER GROUND

ANNUAL REPORT
2009-2010

HÉROUX DEVTEK

HÉROUX-DEVTEK PROFILE

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

GROWTH STRATEGY

Héroux-Devtek seeks growth externally through acquisitions that can be easily integrated into its existing operations or that bring complementary technology, leading to greater added value. Internally, the company aims to:

- Develop valued-added, proprietary products through design engineering;
- Establish or enhance its presence in certain product markets, such as the aftermarket repair and overhaul of commercial and military landing gear, design and manufacturing of small landing gear and large structural assemblies for commercial and military aircraft OEMS; and
- Diversify the customer base for its existing product lines, which generally means finding new OEM customers for its landing gear, airframe structural and industrial components.

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FINANCIAL HIGHLIGHTS

FISCAL YEARS ENDED MARCH 31 (in thousands of Canadian dollars, except per share data)

	2010	2009	2008	2007	2006
Sales	320,354	337,635	307,882	283,286	256,197
Gross profit	50,342	56,919	46,647	31,966	19,237
Margin	15.7%	16.9%	15.2%	11.3%	7.5%
EBITDA [1]	48,437	54,559	44,286	31,050	20,907
Margin	15.1%	16.2%	14.4%	11.0%	8.2%
Net income (loss) from continuing operations	16,003	21,363	19,019	8,906	(406)
Margin	5.0%	6.3%	6.2%	3.1%	(0.2)%
Earnings (loss) per share – from continuing operations					
Basic	0.52	0.68	0.60	0.28	(0.01)
Diluted	0.52	0.67	0.59	0.28	(0.01)
Net income from discontinued operations [2]	—	—	—	—	8,661
Earnings per share-basic and diluted from discontinued operations [2]	—	—	—	—	0.30
Net income	16,003	21,363	19,019	8,906	8,255
Margin	5.0%	6.3%	6.2%	3.1%	3.2%
Earnings per share					
Basic	0.52	0.68	0.60	0.28	0.29
Diluted	0.52	0.67	0.59	0.28	0.29

AS AT MARCH 31 (in thousands of Canadian dollars, except per share data)

	2010	2009	2008	2007	2006
Total assets	394,847	417,174	356,454	339,461	309,531
Working capital	123,241	100,949	101,596	86,283	70,330
Working capital ratio	2.66:1	1.93:1	2.20:1	1.89:1	1.76:1
Net debt-to-equity [3]	0.16	0.24	0.29	0.33	0.27
Long-term debt-to-equity	0.35	0.42	0.40	0.42	0.33
Book value per common share	7.11	6.30	5.71	5.10	4.84
Cash flow from operations	45,867	48,042	37,848	29,771	20,007
Average number of shares outstanding ('000)	30,662	31,583	31,610	31,511	28,727
Shares outstanding at year-end ('000)	30,485	31,172	31,639	31,528	31,489
Fully diluted shares (used for diluted EPS) ('000)	30,722	31,783	31,984	31,545	28,727

1. Earnings before interest, taxes, depreciation and amortization.
2. Due to the sale of the Logistics and Defence Division, Diemaco.
3. Defined as the total long-term debt, including the current portion, less cash and cash equivalents over shareholders' equity.

MAJOR CONTRACT ANNOUNCEMENTS 2009-2010

APRIL 2009

LOCKHEED MARTIN AERONAUTICS COMPANY /// $50 MILLION

Lockheed Martin Aeronautics awarded the Aerospace segment a multi-year contract to fabricate, assemble and deliver complex structural components and assemblies for the outer wing, inner wing, and forward fuselage for all three F-35 Joint Strike Fighter (JSF) variants. This contract is in support of Low Rate Initial Production (LRIP) lots 3 through 7 through the first half of calendar 2014. Based on best estimated quantity production rates, the value of the contract is estimated to be in excess of $50 million.

JUNE 2009

NORANCO INC. /// $10 MILLION

Noranco Inc. awarded the Aerospace segment a multi-year contract related to electronic chassis components, including brazing, heat treatment, and testing of complex avionic housings for all three JSF variants. This contract begins in calendar 2010 and continues through 2017. Based on best estimated quantity production rates, the value of the contract is estimated to be in excess of $10 million.

AUGUST 2009

THE U.S. AIR FORCE AND THE U.S. NAVY /// $11.3 MILLION

The Aerospace segment was awarded additional orders for the manufacturing of landing gear components mainly for the B-1B, B-52, E-3 and P-3 aircraft, essentially from the U.S. Air Force and the U.S. Navy. Production will be spread out over a four-year period and the combined value of the contracts is approximately $11.3 million.

F-35

H-47F

C-130J

SEPTEMBER 2009

THE BOEING COMPANY

The Aerospace segment signed a Memorandum of Understanding with The Boeing Company to fabricate, assemble, test and deliver the landing gear for H-47F Chinook heavy-lift helicopter scheduled to be delivered to customers outside the United States over a four-year period, expected to begin early in the Héroux-Devtek's fiscal year 2012. The Company is also in the process of obtaining an intellectual property license to service variants in the worldwide fleet of Chinook aircraft, currently estimated at over 1,000 aircraft.

OCTOBER 2009

GOODRICH CORPORATION - LANDING GEAR

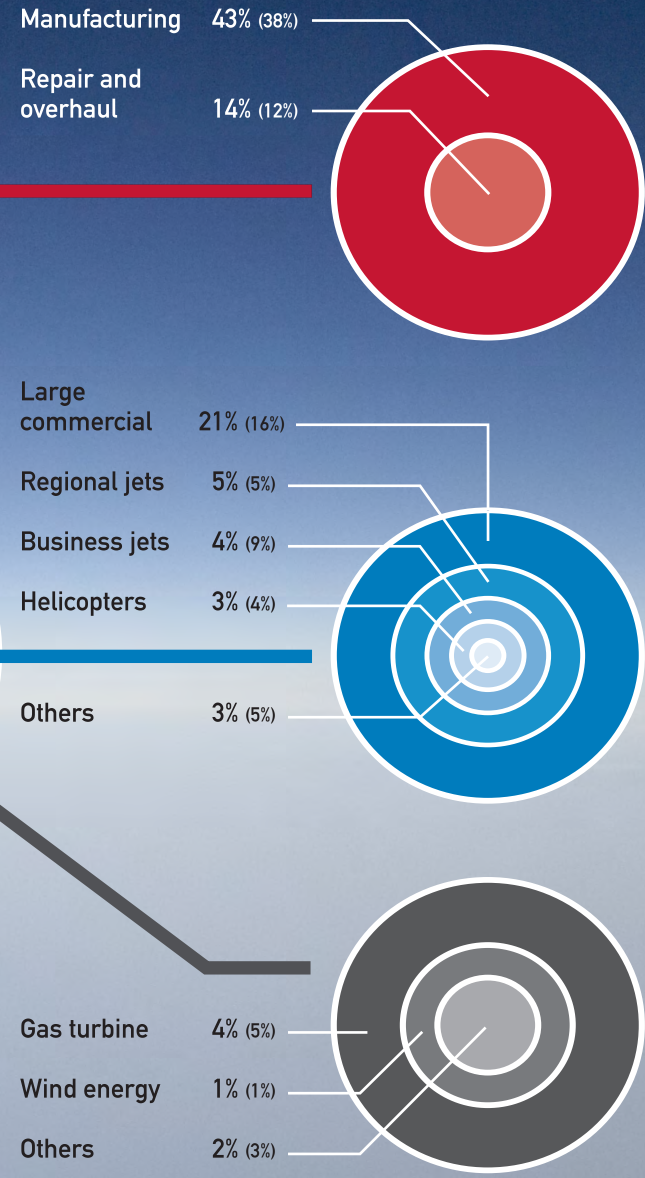
The Aerospace segment renewed an important contract with Goodrich Corporation - Landing Gear to fabricate and deliver major landing gear components for a number of important large commercial aircraft programs. The components will be used in the production of new aircraft and for aftermarket applications. The renewal extends Héroux-Devtek's current agreement with Goodrich to the end of calendar year 2012.

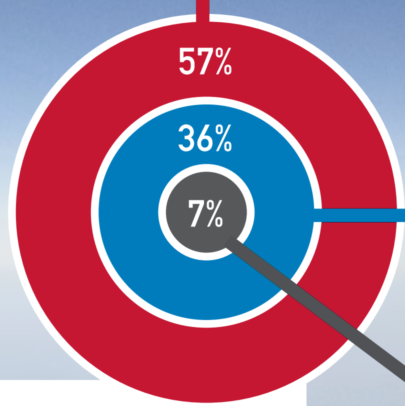
MARCH 2010

LOCKHEED MARTIN AERONAUTICS COMPANY /// $25 MILLION

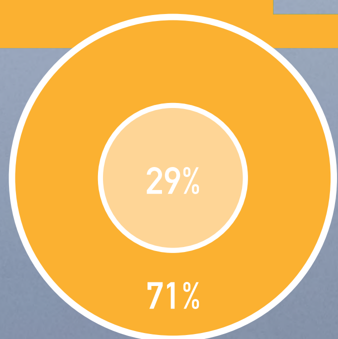
Héroux-Devtek announced that its funded backlog includes orders totalling approximately $25 million in landing gear assemblies for the C-130J Super Hercules aircraft. Production is carried out at the Longueuil facility and deliveries are spread out to September 2012.

SALES BREAKDOWN FISCAL 2010 (FISCAL 2009)



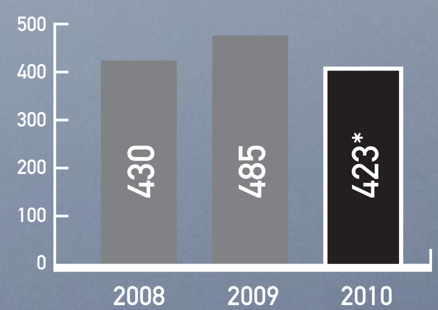


MILITARY AEROSPACE	57% (50%)
CIVIL AEROSPACE	36% (39%)
INDUSTRIAL	7% (11%)
AFTERMARKET	29% (29%)
OEM	71% (71%)



FUNDED (FIRM) BACKLOG

as at March 31 (in millions of dollars)



* Excluding $125M from acquisition made after year end.

CHAIRMAN'S MESSAGE

All stakeholders of Héroux-Devtek can take considerable pride from the performance of the Company in fiscal 2010. In a challenging business environment, sales and earnings remained solid.

The progress of all our operations was particularly noteworthy in light of the global economic crisis. While cutbacks and postponed programs characterized aviation and industrial markets, Héroux-Devtek's results demonstrated the Company's entrenched strengths, competitiveness and resilience.

Our management has exercised stringent control over expenses and has instituted numerous productivity improvement measures. Accordingly, we have achieved a streamlined organization well suited to both protect Héroux-Devtek's industry leadership and, continue to grow shareholder value.

Subsequent to year end, recognizing the increasingly global nature of our business, Héroux-Devtek expanded its landing gear operations. We acquired the assets of two key industry players in the United States. As Gilles Labbé details in his report to shareholders, our acquisition of Eagle Tool & Machine Co. and its subsidiary E-2 Precision Products, will further enhance our position in the United States landing gear market, Héroux-Devtek's largest source of customers.

Since much of our production is manufactured in Canada and sold in the United States, the strength of the Canadian dollar has had a serious impact on the Company. Accordingly, we have taken the appropriate steps to balance our costs with our markets through our hedging policy and cost reduction initiatives.

Looking ahead, with huge government deficits broadly prevalent, spending on defense aerospace may be restrained. Nevertheless, our participation in the most significant ongoing program, the Joint Strike Fighter, is secure. Although this program's schedule may be modified, there is no question of its continuance. Furthermore, Héroux-Devtek's position in the aftermarket ensures that we will go on benefiting from the work we do with existing fleets.

On the commercial side of aviation, we see signs of a market rebound. We are confident that the overall expansion of the aviation industry in an improved economic climate is but a matter of time – and we are well positioned to supply those markets as the recovery accelerates. Also we see signs of recovery in our Industrial sector.

The key factor behind Héroux-Devtek's success has always been the quality of our people. The culture of our Company has consistently stressed an uncompromising commitment to best practices. Additionally, with one of the finest engineering and development teams in the aerospace industry, we have built a record of constant innovation.

It was for these reasons that Héroux-Devtek, in the face of adverse circumstances over the recession, was able to maintain its market position. The preparedness and professionalism of every member of the Héroux-Devtek family have seen us soundly through the global financial crisis.

I want to thank my colleagues on the Board for their wise counsel. Constantly mindful of shareholder interests, they contribute industry insight and business acumen to Héroux-Devtek's progress. I also want to take this opportunity to thank our shareholders for their confidence and support.

signed

John Cybulski
Chairman
of the Board

WE ARE CONFIDENT THAT THE OVERALL EXPANSION OF THE AEROSPACE INDUSTRY IN AN IMPROVED ECONOMIC CLIMATE IS BUT A MATTER OF TIME – AND WE ARE POSITIONED TO SUPPLY ENLARGED MARKETS AS THE RECOVERY ACCELERATES.

REPORT TO SHAREHOLDERS

Dear Shareholders,

Despite a year of lingering recession, Héroux-Devtek achieved solid results in fiscal 2010. Sales reached $320.4 million, down 5.1% from last year, essentially because of the surge in value of the Canadian dollar and lower Industrial product sales. Although affected by challenging market conditions, profitability remained solid with EBITDA of $48.4 million and net earnings of $16.0 million, or $0.52 per share.

More importantly, our balance sheet remained solid. We concluded fiscal 2010 with $46.6 million in cash and cash equivalents while our long-term debt, including the current portion, stood at $81.1 million, representing a net debt-to-equity ratio of 0.16:1 as at March 31, 2010. Our year-end firm order backlog amounted to $423 million and remained well diversified.

Our success in fiscal 2010 resulted from the diversity of our product and service offering. It also further confirmed Héroux-Devtek's leading position in its core landing gear and aerostructure markets.

While order cancellations and deferrals in commercial aerospace led to reduced production schedules for business jets, commercial helicopters and, to a lesser extent, large commercial aircraft, Aerospace sales held steady thanks to a strong military aerospace market. In addition, despite a sharp reduction in Industrial sales as a result of the recession, our operations remained profitable, which speaks highly about the quality and resilience of our team in Cincinnati given the circumstances.

NEW CONTRACTS CONFIRM LEADING ROLE

Héroux-Devtek re-affirmed its market leadership in fiscal 2010 by winning numerous multi-year contracts spanning several strategic programs.

For instance, we further enhanced our participation in the Joint Strike Fighter (JSF) program through two new contracts expected to generate more than $60 million in additional revenues through calendar 2017. With these contracts, all three of our aerostructure sites will be involved, thus confirming our status as the largest JSF aerostructure supplier.

We also gained exposure to the growing CH-47 Chinook heavy-lift helicopter program by signing a Memorandum of Understanding with Boeing to fabricate the landing gear for all Chinooks to be delivered outside the United States over a four-year period beginning early in fiscal 2012. Equally important, Héroux-Devtek is being considered for an intellectual property license to service all variants of the worldwide fleet of Chinook aircraft. This would provide us with recurring revenues through the life of the program and establish valuable international visibility.

RECOGNITION OF OUR MARKET LEADERSHIP

In recent years, Héroux-Devtek has received many awards acknowledging superior quality products, on-time deliveries and second-to-none customer service.

Our reputation as a world-class leader was further confirmed, last November, when Embraer conferred upon Héroux-Devtek the prestigious Embraer Suppliers Award – ESC 2009 in the Development Program category. The award, made in reference to our involvement in the Legacy 450 and 500 programs, recognized excellence in quality, flexibility, deliveries, customer support and development.

Such achievement, only sixteen months after obtaining the design and development contract, speaks highly of our personnel and their ability to meet tight schedules and exceed requirements.

ACQUISITION OF EAGLE TOOL

Subsequent to fiscal-year end, we acquired Eagle Tool & Machine Co. and its subsidiary E-2 Precision Products, two Ohio-based manufacturers of precision machined components mainly for the military aerospace industry. This strategic acquisition solidifies our position in the landing gear market by establishing a manufacturing base closer to our main customers, thereby further strengthening relationships while providing a natural hedge to our US-dollar denominated sales. The transaction also reaffirms our status as the third largest landing gear manufacturer in the world.

Eagle Tool has earned a solid reputation with leading original equipment manufacturers, the U.S. Air Force and the U.S. Navy. It generated sales of approximately US$38 million in the year ended December 31, 2009 and its firm order backlog of roughly US$125 million raises Héroux-Devtek's backlog to more than $500 million. The acquisition also broadens our product portfolio. Moreover, through synergies, we believe it can be accretive to earnings per share by up to 10% in the first year following the acquisition.

READY FOR THE RECOVERY

Through significant investment in productivity enhancement initiatives, such as Lean manufacturing, design engineering capabilities, state-of-the-art equipment and training programs, Héroux-Devtek was ready for the recession. As a result, we generated satisfactory margins, remained profitable and, most importantly, maintained a solid balance sheet.

Although certain markets remain affected by the downturn, the recession appears to be fading and we are ready for the pending recovery. Already, large commercial aircraft manufacturers have announced production rate increases for as early as December 2010 on their top-selling programs.

Meanwhile, the military aerospace market should remain solid, as military forces remain active in the world's most unsettled regions. Moreover, the U.S. Administration reiterated its firm commitment to the JSF program and proposed increased procurement funding for the U.S. 2011 fiscal year.

Finally, industrial markets have bottomed out and we are set to leverage our expertise in these high-growth potential niches, including wind energy.

Sustained investments have firmly positioned Héroux-Devtek as a leading candidate for business opportunities that may arise. Whether designing and developing complex assemblies, or providing aftermarket services, we are on stronger-than-ever ground to meet and exceed the most stringent requirements. However, as external challenges remain, such as a volatile Canadian currency, we must further increase productivity in order to remain competitive.

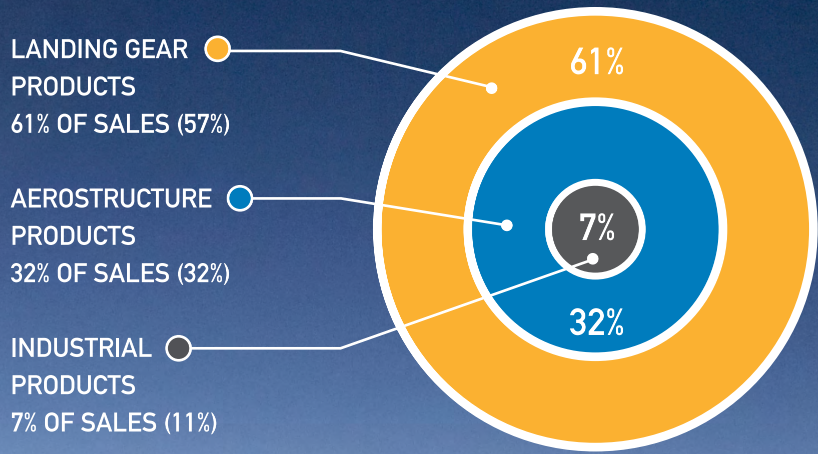
I concluded last year's report to shareholders by stating that a winning company is known for its ability to perform well in adversity and not just under blue skies. One year later, I can proudly say that we rose to the challenge thanks largely to our dedicated employees who have consistently embraced our resilience, one of Héroux-Devtek's basic 4Rs values – Respect, Responsibility, Recognition and Resilience. Their unremitting commitment and efforts were crucial elements of our success. I am also grateful to our business partners for their ongoing confidence and, most importantly, to our shareholders for their trust.

signed

Gilles Labbé, FCA
President and
Chief Executive Officer

SUSTAINED INVESTMENTS HAVE FIRMLY POSITIONED HÉROUX-DEVTEK AS A LEADING CANDIDATE FOR BUSINESS OPPORTUNITIES THAT MAY ARISE. WHETHER DESIGNING AND DEVELOPING COMPLEX ASSEMBLIES, OR PROVIDING AFTERMARKET SERVICES, WE ARE ON STRONGER-THAN-EVER GROUND TO MEET AND EXCEED THE MOST STRINGENT REQUIREMENTS.

SALES BREAKDOWN FISCAL 2010 (FISCAL 2009)



AEROSPACE

LANDING GEAR PRODUCTS

LONGUEUIL, QC
Design, manufacture and repair and overhaul of components and complete landing gear for military and commercial aircraft.

SPRINGFIELD, OH
Manufacture of military landing gear components.

CLEVELAND, OH
Manufacture and assembly of small-and mid-sized landing gear components.

LAVAL, QC
Manufacture and repair and overhaul of small components for landing gear and hydraulic flight control actuators. Manufacture of flight critical parts.

KITCHENER, ON
Manufacture of large landing gear components for commercial and military aircraft and replacement parts.

RIVIÈRE-DES-PRAIRIES
MONTRÉAL, QC
Manufacture of small-sized landing gear and structural components.

AEROSTRUCTURE PRODUCTS

HÉROUX-DEVTEK AEROSTRUCTURE
DORVAL, QC
Manufacture of medium and large-sized aircraft structural components.

PROGRESSIVE INCORPORATED
ARLINGTON, TX
Manufacture of complex structural components mainly for military aircraft.

MAGTRON
TORONTO, ON
Manufacture and assembly of electronic enclosures, heat exchangers and other high precision components for the aerospace and defence sectors.

INDUSTRIAL

INDUSTRIAL PRODUCTS

CINCINNATI, OH
Manufacture of large scale components for gas and wind turbines used in the production of electricity. Manufacture of precision components for various industrial sectors, such as heavy equipment.

LANDING GEAR PRODUCTS

SECURE IN OUR DIVERSE MARKETS

Fiscal 2010 will be principally remembered for our ability to rapidly adapt to changing market conditions. The difficult economy forced some customers to reconsider their production schedules. In turn, we had to adjust our deliveries, but operating flexibility and efficiency mitigated the impact of such measures on our results.

HIGHER SALES DESPITE MARKET INSTABILITY

Landing gear product operations concluded fiscal 2010 with sales of $194.9 million, up from $190.7 million the previous year. This increase, achieved in spite of instability in the commercial aerospace market, validates our strategy of maintaining an optimal balance between commercial and military business, the latter of which remains strong, as well as between new products and aftermarket parts and services that provide a recurring revenue base.

Reduced volume on certain programs was more than offset by new contracts for the A-320, Fokker 100 and P-3 aircraft, to name a few, greater productivity and cost reduction initiatives. As cost competitiveness is vital in a global industry like aerospace, we constantly aim to remain at the leading edge by investing in productivity enhancement measures, state-of-the-art technology and the skills of our employees.

TALENT RECOGNITION

The year also marked significant progress on the three design and development programs in which we are actively involved: Bombardier's Learjet 85; Embraer's Legacy 450 and 500 business jet programs; and Sikorsky's CH-53K Heavy Lift helicopter. While advancement is not yet reflected in operating results, as revenues will be mainly recognized upon aircraft sales, the crucial milestones we have reached further confirm the talent of our engineering team.

This talent, combined with the ability to meet and exceed tight deadlines and quality requirements, was recognized by the Embraer ESC 2009 – Supplier of the Year award in the Development program category. Such recognition by one of the world's leading aircraft manufacturers significantly enhances our reputation as a leading provider of complete landing gear solutions for aircraft of less than 50,000 kilograms.

OUTLOOK

Priorities in fiscal 2011 include the continuation of design and development projects as well as the integration of Eagle Tool's operations. We welcome the addition of this well respected organization which provides us with a solid U.S. landing gear manufacturing base. The acquisition also solidifies our relationships with leading OEMs and military customers, and broadens our product and program portfolios. Finally, productivity improvements remain a top priority, as economic and currency volatility remind us of the obligation to aim for excellence in all that we do.

AEROSTRUCTURE PRODUCTS

STRONG MARKET LEADERSHIP, POISED FOR THE RECOVERY

Anchored by a strong foundation, led mainly by our participation in growing military programs, Aerostructure product operations weathered the downturn and delivered a second consecutive year of over $100 million in sales. The commercial segment, particularly business and regional jets, was hardest hit by the recession, but is now stabilizing and our strong diversified portfolio positions us well for growth as the economy improves.

STRIVING FOR OPERATIONAL EXCELLENCE

We continued to fine-tune processes to enhance operational excellence, remain at the leading edge and ensure we fully benefit from cost reduction initiatives going forward. We also made further progress to improve efficiency through Lean Manufacturing and Six Sigma initiatives, and implemented OEE (overall equipment effectiveness) to reach higher levels of productivity. Finally, we earned Nadcap certification in heat treat and vacuum brazing, and further improved customer satisfaction levels.

EXPANDING OUR BUSINESS OFFERING

Expansion of our business offering went forward in fiscal 2010, as we increased the level of assembly content for our customers. Our capabilities and efficiencies provide OEMs with value-added first and second level assembly at lower cost – from installation of bushings, clips, and brackets to fully-assembled structural products. With customers increasingly focusing on higher level assemblies, we will continue to position our business in fiscal 2011 toward being a "full service" provider of structural components and sub-assemblies.

PREPARING FOR GROWTH

Our focus on long-term agreements ("LTAs") over the past years has improved our investment horizon and we continued to invest in our future in fiscal 2010. Our growing backlog is supported by several LTAs with leading OEMs, such as The Boeing Company, Lockheed Martin Aeronautics, Bombardier Aerospace, and Bell Helicopter Textron. With a 20-year agreement with Lockheed Martin Aeronautics on the F-35 program, we began Phase II of our investment plan in Texas with another 48,000 square foot building and additional equipment to meet demand for production ramp-up in fiscal 2011 and beyond.

OUTLOOK

We are ready for growth. Provided current schedules hold, the F-35 program alone can potentially deliver a significant increase in sales over the next five years. Also, the Bell-429 helicopter recently entered service and should strongly contribute to results going forward. Moreover, with new capacity available, we remain on the lookout to further diversify our contract portfolio and widen our business offering. We are actively bidding for new contracts and we are confident to achieve success given our solid reputation for total customer satisfaction.

INDUSTRIAL PRODUCTS

SOLID MARKET POSITION

While the severe downturn in the power generation and heavy equipment industries provided elements for a perfect storm, Héroux-Devtek's Industrial segment had a satisfactory performance. Although sales were down approximately 40% to $22.5 million, we remained profitable and concluded the year on firmer ground with respect to market positioning and customer relationships.

A natural consequence of such difficult market conditions was reduced business volumes which created pricing pressures, as suppliers battled to gain purchase orders. We held our ground thanks largely to superior product quality and customer service, productivity improvements and proactive cost reduction measures.

COMPETITIVE ADVANTAGE

Customers also highly value the strength of Héroux-Devtek's balance sheet. This financial strength is a competitive advantage, as customers have the certainty that we will be around, not only to deliver high-quality, close tolerance products in strict adherence to tight production schedules, but that we have the flexibility to adapt to their own production schedules which may vary abruptly in uncertain times. More importantly, our customers know we will be there and ready when the recovery materializes.

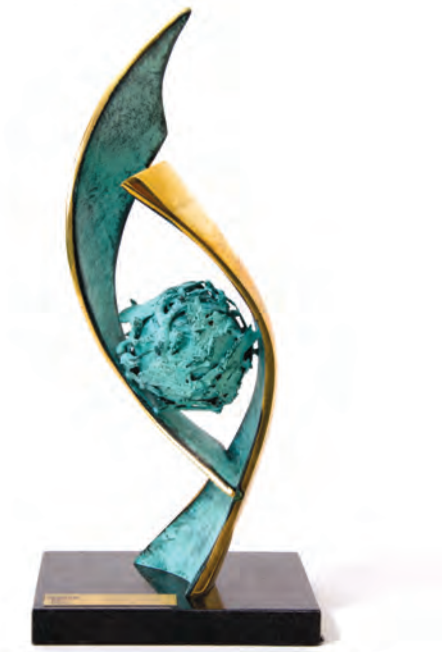
POWER GENERATION SET TO REBOUND

Following a two-year period in which U.S. energy demand decreased, demand appears to have bottomed out, although no significant increase is expected to occur until calendar 2011. However, recoveries usually arrive with a dividend of pent-up demand, from which we are well positioned to benefit.

Meanwhile, the wind energy market continues to hold a significant potential over the mid- to long-term, but in the immediate future, low power demand and prices, as well as tight credit market conditions of the past two years, have reduced the number of projects entering service. Government stimulus packages and incentive measures aimed at increasing the proportion of electricity generated from renewable sources continue to highlight the strategic importance of this market to which we remain strongly committed.

OUTLOOK

Looking ahead to fiscal 2011, we are well positioned to grow market share in our various market segments thanks to our strong customer relationships. Industrial equipment manufacturers have begun to rationalize their supplier base and rely on a few suppliers of choice. To these suppliers, they will entrust greater volume and value-added production. We strongly believe we have the track record and resources to become a preferred partner.



HIGHLY-PRIZED TOP SUPPLIER AWARD FROM EMBRAER

The Embraer Suppliers Award – ESC 2009 in the Development Program category recognizes Héroux-Devtek's performance excellence in quality, flexibility, deliveries, customer support and development for its involvement in the Legacy 450 and 500 business jet programs. Héroux-Devtek designs and develops the landing gear for these jets as part of a life-cycle contract obtained in July 2008.

This prestigious award further demonstrates Héroux-Devtek's commitment to provide outstanding customer service at all levels of the organization. Along with similar recognition conferred by OEMs and military organizations in recent years, this honour confirms Héroux-Devtek's status as a worldwide leading provider of superior quality products and services. Héroux-Devtek was one of nine companies worldwide honoured in as many categories.

A CANADIAN FIRST

The Magtron aerostructure product business unit successfully passed the Nadcap audit in heat treatment and vacuum brazing to become Canada's first facility to be Nadcap certified in aluminum vacuum brazing. Nadcap certification was a requirement for a multi-year contract, announced in June 2009, to perform brazing, heat treatment, and testing of complex F-35 Joint Strike Fighter avionic housings. The certification raises Magtron's industry standard to a new level and opens up exciting opportunities to service a growing customer base.

Nadcap is the leading, worldwide cooperative program of major companies designed to manage a cost effective consensus approach to special processes and products and provide continual improvement within the aerospace industry. Nadcap is the Performance Review Institute's brand name for the industry-managed program for special processes in the aerospace industry.

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. (''Héroux-Devtek'' or the ''Company'') changed between March 31, 2009 and March 31, 2010. It also compares the operating results and cash flows for the year ended March 31, 2010 to those for the previous year.

This analysis should be read in conjunction with the audited consolidated financial statements dated March 31, 2010. Héroux-Devtek's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (''GAAP''). The Company reports its results in Canadian dollars. All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

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 Company'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 general 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 rates fluctuations; stock market volatility; and the impact of accounting policies issued by Canadian, US 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 Company 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 Company or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements. Unless otherwise required by applicable securities laws, the Company 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 sectors. As such, a significant portion of the Company's sales are made to a limited number of customers mainly located in the United States and Canada.

The Company was founded in 1942 as Héroux Machine Parts Limited, and later changed its name to Héroux Inc. The Company became public in 1986. In 2000, it acquired Devtek Corporation and the two entities were merged to form Héroux-Devtek Inc., one of the largest second-tier manufacturers in the Canadian aerospace industry.

On April 1, 2004, the Company acquired Progressive Incorporated (''Progressive''), a privately-held Texas-based manufacturer of large structural components for military aircraft, thereby boosting its aerostructure capability and gaining access to the important aerostructure military sector.

Héroux-Devtek serves two segments: Aerospace and Industrial. The Company 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 Company is active in the business jet, regional aircraft, helicopter and large commercial jet markets. On the military side, the Company provides parts and services for all major military aircraft, mainly in the United States.

Héroux-Devtek's main product for the Industrial segment is large components for power-generating equipment, with its largest customer being The General Electric Company ("GE"). It also sells precision components for other industrial applications such as the wind energy and heavy equipment industry markets.

The Company's sales by segment are as follows:

	2010	2009
Aerospace	93%	89%
Industrial	7%	11%
	100%	100%

As will be discussed later, the severe decline in the markets served by the Industrial segment in FY2010 explains the 5% year-over-year change in the Company's sales.

Héroux-Devtek sells mainly to original equipment manufacturers ("OEMs") such as Lockheed-Martin, Bombardier, Goodrich and Boeing, and into the aftermarket, where its main customers are the US Air Force ("USAF") and US Navy. In fiscal 2010, sales to these six customers represented approximately 56% of total consolidated sales. More specifically, the Company has one customer representing 16% of its consolidated sales and two customers representing between 11% and 13% of its consolidated sales, all of them in the Aerospace segment.

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 (formerly referred to as Gas Turbine Components product line). The Landing Gear product line designs, manufactures, repairs and overhauls landing gears and has built a strong, well-recognized design engineering team. The Aerostructure product line manufactures airframe components ranging in size from small to large, for the commercial and military aerospace sectors. The Industrial product line manufactures large components for power generation, including the wind energy sector, and other industrial markets.

BUSINESS MANAGEMENT

The Company's segments and product lines are managed through decentralized operations that encourage entrepreneurship and the involvement of every employee. Each product line has the management, engineering, manufacturing and marketing resources required to meet the needs of its specific markets. The growth and profitability of each product line is the responsibility of a Vice-President - General Manager who reports directly to the Company's President and Chief Executive Officer, while the Vice-President Finance of each product line reports directly to the Company's Executive Vice-President and Chief Financial Officer.

The Company's Corporate Office is responsible for the Company's public reporting and disclosure requirements and for all financial and major business development decisions. It also provides each product line with support in establishing budget and strategic plans, developing new products and markets, and with assistance for public relations, financial controls and reporting, legal counsel, human resources and information technology.

BUSINESS STRATEGY

Héroux-Devtek's business strategy is to position itself as a key supplier for its customers in the three pillars of its business: Aerospace landing gear and Aerospace aerostructure product lines and Industrial power generating equipment. For the Company, being a key supplier means providing not only manufactured components but also other services, such as design, assembly and program management, in order to become a complete service provider and allow customers to focus on their core business. In order to achieve this, the Company aims to develop management and technical expertise so as to add value to products at competitive costs. It also seeks to grow to attain a critical mass in each of its markets, while maintaining a solid financial position and returns.

In practice, this translates into:

- A focused factory approach, with each plant specializing in a specific type of component and services;
- Standard and compatible information systems across the Company;
- Migration of technical and managerial know-how between product lines;
- A lean manufacturing approach in all its plants;
- Revenue stability, whenever possible, through long-term agreements with its customers;
- A balanced sales mix between civil and military aerospace sectors completed by industrial sales; and
- Building and maintaining a culture of entrepreneurship through the participation, dedication and commitment of its employees.

Héroux-Devtek seeks growth externally through acquisitions that can be easily integrated into its existing operations or that bring complementary technology, leading to greater added value. Internally, the Company aims to:

- Develop value-added, proprietary products through design engineering;
- Establish or enhance its presence in certain product markets, such as the after-market repair and overhaul of commercial and military landing gear, design and manufacturing of small to medium landing gear, and complete structural assemblies for commercial and military aircraft OEMs; and
- Diversify the customer base for its existing product lines, which generally means finding new OEM customers for its landing gear, airframe structural components and industrial products.

KEY PERFORMANCE INDICATORS

Héroux-Devtek measures its performance on a company-wide basis through the following elements:

- Profitability;
- Liquidity;
- Growth and competitive positioning;
- Customer satisfaction, and
- Financial situation and returns.

To do so, the Company developed key performance indicators ("KPI"). Presented below is a summary of these indicators for which element they are looked at:

Elements measured	Profitability	Liquidity	Growth and competitive positioning	Customer satisfaction	Financial situation and returns
KPI's	Gross profit	Earnings before interest, tax, depreciation and amortization ("EBITDA")	Sales	On-time delivery	Working capital
	Operating income Earnings before interest and taxes ("EBIT")	Free cash flow	Backlog (Purchase orders in hand)	Non-quality costs and customer quality reports	Long-term debt to equity ratio

Elements measured	Profitability	Liquidity	Growth and competitive positioning	Customer satisfaction	Financial situation and returns
KPI	Cost reduction targets	Return on operating assets ("RONA")	Market share in niche product markets where the Company evolves	-	Net-debt to equity ratio
	Manufacturing capacity utilization	-	Value added to products as a percentage of sales	-	Return on equity
What is being measured	Measures of operating performance	Measures of liquidity generation	Measures of growth, indicators of future revenue and measures of competitive positioning	Measures of commitments towards customers and product reliability	Measures of solidity of short- and long-term financial position and return to Shareholders

Most of these KPI's are discussed later in this MD&A and are also included in the Financial Highlights of the Company's fiscal 2010 Annual Report. Some of these KPI's are not publicly disclosed since they are of a competitive nature.

As already discussed, the recent market trend had an obvious impact on the Company's capacity utilization and added pressure on the cost absorption for some of the Company's business units (see gross profit section below). On-time delivery and non-quality costs are customers' satisfaction indicators that are closely monitored by Héroux-Devtek. The Company has steadily improved these indicators over the recent years and continues to pay close attention to quality matrix and quality reports from its major customers.

Furthermore, the Company's incentive plan is based on achievement of certain financial objectives and specific personal objectives. The financial targets are the RONA, operating income, sales, net income and earnings per share.

RISK MANAGEMENT

The Company's Risk Management process includes essentially the identification and assessment of business risks and opportunities and the implementation of strategies and controls to manage, monitor and communicate these risks. To help achieve its risk management objectives, the Company has included risk management activities and controls in the operational responsibilities of management in each product line. The Company's Board of Directors is ultimately responsible for identifying and assessing the Company's principal business risks, reviewing overall business risks and ensuring the implementation of appropriate systems to manage these risks. The Human Resources and Corporate Governance Committee and the Audit Committee, composed of independent Directors, assist the Board of Directors in its general management responsibilities.

The Company operates in markets subject to various risks and uncertainties. Some of these risks are inherent to the nature of the Company's operations. See "Risks and Uncertainties" below.

MARKET TRENDS

A year ago, uncertainty in the Aerospace market reached its peak. It can now be said that we have a clearer view of the market.

In calendar 2009, passenger demand was down 3.5%[1] for the full year while freight transport saw a decline of 10.1% for the year. Nevertheless, at the end of 2009 and beginning of 2010, we saw improvement in passenger and freight traffic, particularly in Asia, Latin America and the Middle East[2] which is expected to continue through the year.

Regarding aircraft manufacturers' deliveries, in 2009 Airbus delivered 498[3] aircraft compared to Boeing which delivered 481[4]. Despite a weak economy, both Airbus and Boeing had a record year for deliveries in 2009. But they also both announced production rate reductions in 2009, which will materialize in 2010.

Several economic factors are now showing improvement in the economy compared to the situation one year ago. Although there is still significant uncertainty, both Boeing[5] and Airbus[6] recently announced production rate increases for calendar 2011 on platforms such as the B-777, B-747, and the A-320 and for calendar 2012 on the B-737 program. Moreover, initial deliveries of the B-787 are scheduled for late calendar 2010. These are signs that commercial aerospace is beginning to plan for the upturn.

In the market for regional aircraft, Embraer delivered 122[7] units in 2009, while Bombardier delivered 121[8] in 2009-2010, including turboprops. Both manufacturers saw their regional jet deliveries decline in the last fiscal year, and both are also forecasting a lower number of commercial aircraft to be delivered in the current fiscal year.

After hitting delivery records in 2008 of 1,313 units, the business jet market saw its output diving in calendar 2009, with deliveries of 870[9] units, a 34% decrease. After the decline, the industry began to see positive signs. The number of used aircraft for sale is slowly coming down and the number of flying hours is increasing. Although the recovery is not expected to happen in 2010, the industry believes that we are now at the bottom of the cycle.

The military market remained solid in calendar 2009. The U.S. administration recently announced support for important programs such as the Joint Strike Fighter F-35 ("JSF"). Other programs such as the F-22 are being phased out as expected.

The power generation market suffered significantly from the downturn of the economy in calendar 2009 where the demand for electricity in the U.S. decreased by 3%[10] in that calendar year. Despite the positive signs emerging from the worldwide economy, this market is not expected to begin its recovery before 2011.

Finally, the fluctuation of the Canadian dollar, which is almost at par at fiscal year-end versus its U.S. counterpart, continued to negatively impact the Company's results.

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1. IATA press release, January 27, 2010
2. IATA financial forecast, March 2010
3. Source: Airbus press release, January, 2010
4. Source: Boeing press release, January 7, 2010.
5. Boeing press release March 19, 2010
6. Airbus press release March 9, 2010
7. Source : Embraer press release, January 12, 2010.
8. Source : Bombardier press release, February 5, 2010.
9. Source : GAMA, Statistical Databook, 2009.
10. Source : US Energy Information Administration – Annual energy outlook 2010 .

MAJOR ACHIEVEMENTS OF FISCAL 2010

- The Company's Aerostructure Progressive business unit announced a multi-year (CAD $50 million) contract to manufacture structural aluminum components for all three variants of the JSF;
- The Aerostructure Magtron business unit was awarded by Noranco Inc. a multi-year contract (CAD $10 million) related to electronic chassis components for the F-35 Lightning II aircraft (Joint Strike Fighter);
- The Company's Landing Gear product line was awarded additional orders (CAD $11.3 million) for the manufacturing of landing gear components, essentially from the US Air Force and US Navy and mainly for the B-1B, B-52, E-3 and P-3 aircraft;
- The Company's Landing Gear product line signed a Memorandum of Understanding (MOU) with the Boeing Company to manufacture the landing gear for the H-47F Chinook heavy-lift helicopter, including the CH-147 as it is known for the Canadian forces;
- The Landing Gear product line renewed an important multi-year contract with Goodrich Corporation – Landing Gear to manufacture various landing gear components for a number of important large commercial aircraft programs;
- The Company announced that Brazilian aircraft manufacturer Embraer had awarded the Aerospace segment's landing gear products operations the Embraer Supplier Award – ESC 2009 in the Development Program category;
- Just after the end of fiscal 2010, on April 28, 2010, the Company announced that it had completed the acquisition of substantially all the net assets of US based Eagle Tool & Machine Co. ("Eagle") and of its subsidiary E-2 Precision Products ("E-2"), two privately-owned manufacturers of precision machined components mainly for the military aerospace industry (see "Subsequent Events" section below and note 23 to the consolidated financial statements); and
- On May 13, 2010, the Company announced that it was launching initiatives to optimize and consolidate production capacity, while further enhancing productivity of its Québec-based facilities. By doing so, the Company Rivière-des Prairies, Québec, facility will close in September 2010 and its production transferred to the Company's other facilities in the Greater Montréal area (see "Subsequent Events" section below and Note 23 to the consolidated financial statements).

FOREIGN EXCHANGE

The Company is subject to foreign currency fluctuations from the translation of revenues (sales), expenses, assets and liabilities of its self-sustaining foreign operations and from transactions denominated in foreign currency. Average rates are used to translate sales (but exclusive of forward foreign exchange contracts) and expenses for the years mentioned, while closing rates translate assets and liabilities. The year-end and average exchange rates were as follows at March 31, 2010 and 2009 and for the fiscal years then ended:

Canada/US Exchange Rates		2010	2009
Year-end exchange rates used to translate assets and liabilities	$1 Canadian/ US $ equivalent	**1.0158**	1.2613
	$1 US/ Canadian $ equivalent	**0.984**	0.793
Average exchange rates used to translate revenues (sales) and expenses	$1 Canadian/ US $ equivalent	**1.0904**	1.1274
	$1 US/ Canadian $ equivalent	**0.917**	0.887

As shown above, the average value of the Canadian dollar when compared to its US counterpart, year-over-year, increased by more than 3% and, naturally, added pressure on the US denominated results of the Company, including those from its Canadian operations. The closing rate declined sharply since March 31, 2009, from 1.2613 to 1.0158 as at March 31, 2010, reducing the currency impact on the Company's US denominated balance sheet accounts at the end of this fiscal year. Currency fluctuation impact on the Company's sales, gross profit and specific balance sheet elements can be found later in this MD&A.

The Company makes use of derivative contracts, in accordance with its hedging policy, to hedge foreign currency fluctuation exposure risks in an effort to mitigate these risks. At March 31, 2010, the Company had forward foreign exchange contracts totalling US$150.0 million at a weighted-average exchange rate of 1.1436 maturing over the next four fiscal years, with the majority maturing over the next two fiscal years.

At March 31, 2010, the Company also entered into forward foreign exchange contracts totalling US$11.3 million at a weighted-average rate of 1.2396 maturing over the next four fiscal years, the majority of which over the next two fiscal years, to cover foreign exchange risk related to certain embedded derivatives (see "Off-Balance-Sheet Items and Commitments" below).

NON-GAAP MEASURES

Earnings before interest, taxes, depreciation and amortization ("EBITDA") and cash flows from operations are financial measures not prescribed by Canadian generally accepted accounting principles ("GAAP") and are not likely to be comparable to similar measures presented by other issuers. Management, as well as investors, considers these to be useful information to assist them in evaluating the Company's profitability, liquidity and ability to generate funds to finance its operations and capital investment needs.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table presents selected financial information for the past three financial years:

Years ended March 31 ($'000, except per share data)	**2010**	2009	2008
Sales	**320,354**	337,635	307,882
EBITDA	**48,437**	54,559	44,286
Net income	**16,003**	21,363	19,019
Earnings per share ($) – basic	**0.52**	0.68	0.60
Earnings per share ($) – diluted	**0.52**	0.67	0.59
Total assets	**394,847**	417,174	356,454
Long-term liabilities (including the current portion of long-term debt	**107,796**	115,705	95,670
Cash and cash equivalents	**46,591**	39,759	24,431

The Company's EBITDA is calculated as follows:

Years ended March 31 ($'000)	**2010**	2009	2008
Net income	**16,003**	21,363	19,019
Income tax expense	**6,498**	8,605	3,750
Financial expenses	**4,676**	4,485	4,999
Amortization	**21,260**	20,106	16,518
EBITDA	**48,437**	54,559	44,286

The $6.1 million reduction in fiscal 2010 EBITDA comes mainly from the reduced year-over-year net income which, as it will be explained in more detail later, was affected by the lower Industrial market sales and the stronger Canadian dollar.

The market downturn was severe; more so in the Industrial segment but also in the Aerospace commercial side. The Landing Gear product line was the only operation to post improved year-over-year sales, gross profit and net income.

CONSOLIDATED SALES

Overall, the Company's sales declined when compared with last year. The worldwide economic situation had a continued impact this year on the commercial market of the Company. Certain Aerospace programs won by the Company in recent years, such as the Learjet 85 and Embraer Legacy series will not affect the Company's sales top line until two to three years from now when they will go into production. On the other hand, the Company's investment for the Joint Strike Fighter ("JSF") program is starting to pay dividends as planes are now well into the low rate initial production phase.

The Company's sales by segment were as follows:

	2010 ($'000)	2009 ($'000)	% Change
Total Aerospace	**297,852**	299,418	(0.5)
Total Industrial	**22,502**	38,217	(41.1)
Total	**320,354**	337,635	(5.1)

Consolidated sales for the year ended March 31, 2010 declined 5.1% to $320.4 million from $337.6 million last year, due mainly to reduced business jet sales and lower industrial market sales. The impact of the Canadian dollar, against the US currency, reduced sales by $1.9 million or 0.6% compared to last year.

Aerospace Segment

Sales for the Aerospace segment were as follows:

Product Lines	2010 ($'000)	2009 ($'000)	% Change
Landing Gear	**194,938**	190,701	2.2
Aerostructure	**101,719**	107,563	(5.4)
Other aerospace products	**1,195**	1,154	3.6
Total	**297,852**	299,418	(0.5)

Landing Gear sales increased 2.2% driven by new business on the A-320, DC-10/MD-11 and Fokker programs along with new repair and overhaul work on Sikorsky helicopters, P-3 and C-130 programs. This product line also benefited from increased throughput on military work along with a favourable impact coming from the currency conversion, considering the forward foreign exchange contracts delivered in fiscal 2010. These were partially offset by reduced work on some commercial programs such as the A-330/340, but also from reduced regional and business jet sales and commercial helicopter sales.

Aerostructure sales decreased 5.4% to $101.7 million for the twelve months ended March 31, 2010, when compared to the same period last year with reduced F-16 sales, including after-market sales, reduced business jet sales and the impact of the stronger Canadian dollar on this product line's US denominated sales. These negative variances were somewhat counterbalanced by increased JSF sales and increased commercial helicopter (Bell 429) sales.

Sales for the Aerospace segment, shown in the table above, can be broken down by sector as follows:

	2010 ($'000)	2009 ($'000)	% Change
Military [1]	**183,604**	169,141	8.6
Commercial	**114,248**	130,277	(12.3)
Total Aerospace	**297,852**	299,418	(0.5)

1. Includes military sales to civil customers and to governments.

For fiscal 2010, military sales remained robust with both manufacturing and repair and overhaul increases. As previously mentioned, the JSF program added about $10.0 million to the Military sector total for fiscal 2010 while Commercial sales were dampened by the business jet, regional jet and helicopter market volumes.

Industrial Segment

Sales for the Industrial segment were as follows:

	2010 ($'000)	2009 ($'000)	% Change
Gas Turbine	**12,076**	17,630	(31.5)
Other Industrial	**10,426**	20,587	(49.4)
Total	**22,502**	38,217	(41.1)

Industrial sales were almost half of what they were a year ago. Both sub-segments were negatively impacted as the Industrial Gas Turbine and Other Industrial, including Wind energy and heavy equipment sales, all showed double digit decline in fiscal 2010.

SALES BY DESTINATION

Sales by destination remained almost at the same level as last year, as shown below:

	2010 (%)	2009 (%)
Canada	**30**	33
US	**67**	66
International	**3**	1
Total	**100**	100

The sales by destination mix is somewhat similar to last year and includes the impact of the start of shipments to a new European customer (Stork – Fokker program).

GROSS PROFIT

The lower volumes already explained and the continued strengthening of the Canadian dollar negatively impacted the Company's gross profit margin for fiscal 2010. Besides the natural hedging from the purchase of raw material in US dollars, the Company mitigates the currency impact by the use of forward foreign exchange contracts. Furthermore, the Company launched, early in fiscal 2010, a company-wide cost reduction program to offset the negative impact coming from these lower volumes. This program was especially successful at our Industrial product line, where management was able to lower the cost base and, in spite of a greater than 40% sales decline, posted positive net results.

Consolidated gross profit declined from 16.9% to 15.7% of sales in fiscal 2010. Excluding the negative impact attributable to the continued strength of the Canadian dollar relative to the US currency, during the year, gross profit as a percentage of sales would have been 17.4% this fiscal year.

Again, Landing Gear was the only one of the three product lines to show gross profit margin improvement for the year. Besides increased volumes on new products, the effort made through the cost reduction program and improvements on the manufacturing processes helped to attenuate the currency impact on gross margins throughout fiscal 2010. The Aerostructure product line was not as successful with cost reduction initiatives in fiscal 2010 and also suffered from the 5.4% sales volume decline. It is also worth mentioning that the Aerostructure product line benefited, in fiscal 2009, from a much more favourable sales mix in aftermarket sales.

SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses were as follows:

	2010	2009
Selling and administrative expenses ($'000)	23,165	22,466
% of sales	7.2	6.7

Selling and administrative expenses of $23.2 million were $0.7 million higher than last year, and 0.5% higher as a percentage of sales. The selling and administrative expenses include a loss on currency translation on net monetary assets of $1.1 million compared to a loss last year of $1.2 million. Furthermore, selling and administrative expenses in fiscal 2010 includes a $0.4 million non-recurring gain. The increase also reflects fees and expenses from the acquisition transaction concluded after year-end which were not capitalized (see "Subsequent Events" section below and notes 2 and 23 to the consolidated financial statements).

OPERATING INCOME

Consolidated operating income decreased from $34.5 million or 10.2% of sales last year to $27.2 million or 8.5% of sales this year.

Aerospace Segment

Aerospace operating income was $24.7 million or 8.3% of sales this year, compared to $29.3 million or 9.8% of sales last year. The reduction in sales from push-outs and programs deceleration in the commercial market and the impact of the stronger Canadian dollar already discussed was not totally offset by cost reduction effort.

Industrial Segment

Operating income decreased to $2.4 million or 10.8% of sales this year from $5.2 million or 13.5% of sales last year, in line with the more than 40% sales decrease in this segment.

FINANCIAL EXPENSES

	2010 ($'000)	2009 ($'000)
Interest	2,901	3,230
Interest accretion on governmental authorities loans	1,146	1,147
Amortization of deferred financing costs	168	168
Standby fees	251	210
Accretion expense of asset retirement obligations	228	210
Gain on financial instruments classified as HFT - Interest income	(18)	(480)
Total	4,676	4,485

Financial expenses, at $4.7 million were $0.2 million higher than last year. The lower interest rate had a positive impact on the interest expense and an offsetting impact on the interest revenue. The reduction in interest expense also reflects the lower exchange rate impact coming from the Company's US debt.

INCOME TAX EXPENSE

For the fiscal year ended March 31, 2010, the income tax expense stood at $6.5 million compared to $8.6 million last year. The Company's effective income tax rate was 28.9% this year, compared to 28.7% last year and compared to the Company's Canadian blended statutory income tax rate of 30%. The fiscal 2010 effective income tax rate reflects the favourable impact from permanent differences and the lower income, taxed at a higher rate, coming from the Company's US subsidiaries.

The income tax expense for fiscal 2009 stood at $8.6 million. The Company's effective income tax rate for fiscal 2009 was 28.7% compared to the Company's Canadian blended statutory income tax rate of 31.2%, the difference coming from the favourable impact of permanent differences ($0.9 million) and the recognition ($0.2 million) of income tax benefits from the utilization of tax losses carried forward for which no income tax benefits had been recognized in prior years. These were somewhat offset by the income tax rate difference coming from the Company's US subsidiaries which are taxed at a higher rate (see Note 17 to the consolidated financial statements).

As at March 31, 2010, there were no operating losses carried forward and no other temporary differences for which related income tax assets have not been recognized in the consolidated financial statements.

As at March 31, 2010, the Company has federal non-capital losses available for carry-forward of $7.2 million the majority of which are expiring in fiscal 2030.

NET INCOME

For fiscal 2010, the Company posted net income of $16.0 million compared to net income of $21.4 million last year reflecting the decrease in operating income from the Company's Aerospace and Industrial segments, as explained above.

	2010	2009
Net income ($ million)	16.0	21.4
Earnings per share – basic ($)	0.52	0.68
Earnings per share – diluted ($)	0.52	0.67

Basic earnings per share figures are based on weighted-averages of 30,661,745 common shares outstanding for fiscal 2010 and 31,583,173 for the previous year while the diluted earnings per share figures are based on weighted-averages of 30,721,952 for fiscal 2010 and 31,782,780 for last year. Since most of the outstanding options are not in the money this fiscal year, the basic and diluted earnings per share are the same. This year's variance in the number of outstanding shares is essentially due to the issuance of 75,387 common shares under the Company's stock purchase and ownership incentive plan less the 761,600 shares redeemed under the Company's normal course issuer bids (see Note 16 to the consolidated financial statements).

After year-end, on May 11, 2010, the Company repurchased, as a block, 480,000 common shares, under its normal course issuer bid, at a price of $5.82 for a total net cash consideration of $2.8 million.

On May 27, 2010, the date of this MD&A, the Company had 29,991,867 common shares and 1,555,221 stock options outstanding with a weighted-average of 3.8 years to maturity.

LIQUIDITY AND CAPITAL RESOURCES

In general terms, the Company has a healthy financial position and is well-positioned to face its financing needs. The Company has Senior Secured Syndicated Revolving Credit Facilities ("Credit Facilities") extended by a syndicate of four Canadian Banks and their US affiliates or branches. These Credit Facilities can extend up to $125 million, either in Canadian or US currency equivalent. To March 31, 2010, only CAD $43.7 million had been drawn against these Credit Facilities. These Credit Facilities will mature in October 2011. Considering the Company's cash and cash equivalent position, its available Credit facilities and level of expected capital investments, it does not expect any liquidity risk in the foreseeable future. At March 31, 2010, the Company had cash and cash equivalents of $46.6 million, compared to $39.8 million a year earlier, of which $32.4 million ($15.8 million last year) had been invested in short-term deposits.

Operating Activities

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

	2010 ($'000)	2009 ($'000)
Cash flows from operations	45,867	48,042
Net change in non-cash working capital items related to operations	(8,121)	(2,783)
Cash flows relating to operating activities	37,746	45,259

The $2.2 million decrease in cash flows from operations for fiscal 2010 can mainly be explained by the $5.4 million decrease in net income, a $1.2 million increase in amortization and a $1.7 million increase in future income taxes.

The net change in non-cash working capital items can be summarized as follows:

	($'000)
Improved accounts receivable collection and lower fourth quarter sales	13,105
Inventory decrease, mainly due to reduced commercial Aerospace segment sales and cost reduction efforts	11,239
Reduced accounts payable and accrued liabilities – Last year's balance included significant raw material received late in the fourth quarter	(20,472)
Lower income tax payable	(3,103)
Effect of changes in the exchange rate on US-denominated non-cash balance-sheet items	(5,101)
New investment tax credits and other tax credits receivable	(2,715)
All others	(1,074)
	(8,121)

In fiscal 2009, the $2.8 million net change in non-cash working capital items can be explained by a $7.3 million increase in accounts receivable, in line with the strong sales volume at the end of the fourth quarter and an increase of $14.5 million in inventories which also reflects the higher business activity and new aerospace programs. These were partially offset by the higher accounts payable and accrued liabilities and other liabilities ($9.7 million) in line with the increased business activities and the effect of changes ($5.2 million) in the exchange rate on US-denominated non-cash balance-sheet items (see "Consolidated Balance Sheet" section below).

Investing Activities

The Company's investing activities were as follows:

	2010 ($'000)	2009 ($'000)
Additions to property, plant and equipment	(13,740)	(23,489)
Increase in finite-life intangible assets	(3,763)	(3,721)
Proceeds on disposal of property, plant and equipment	8	18
Cash flows relating to investing activities	(17,495)	(27,192)

Additions to property, plant and equipment stood at $13.7 million in fiscal 2010, lower than the $23.5 million of last year. These fiscal 2010 acquisitions, which were mostly for normal maintenance projects, are presented net of $7.6 million of capital investments which were made through capital leases.

In fiscal 2009, additions to property, plant and equipment stood at $23.5 million. These investments were made to complete the plating facility modernization at our Landing Gear Longueuil plant and to add machinery and equipment following the award last fiscal year of a $115 million, 10-year contract to manufacture major landing gear components for the Boeing B-787, Airbus A-320 and Sukhoi RRJ programs. These additions to property, plant and equipment were net of $9.9 million for fiscal 2009 relating to machinery and equipment which were delivered late last year and not yet paid by the Company, as of fiscal 2009 year-end. The $23.5 million purchases of property, plant and equipment are also shown net of machinery and equipment of $5.3 million which were acquired through capital leases.

In fiscal 2010, the Company wrote off $30.8 million in fully amortized property, plant and equipment no longer in use. This had no impact on the Company's financial results and net book value of property, plant and equipment.

Capital expenditures for fiscal 2011 are expected to be about $25.0 million including normal maintenance projects and the extension of the facility dedicated for the JSF program. This amount excludes any capital investment that could be required following the acquisition, concluded on April 28, 2010, of Eagle and E-2 (see "Subsequent Events" section below and Note 23 to the consolidated financial statements).

Financing Activities

The Company's financing activities were as follows:

	2010 ($'000)	2009 ($'000)
Increase in long-term debt	2,404	8,268
Repayment of long-term debt	(5,292)	(15,387)
Repurchase of common shares	(3,470)	(2,099)
Issuance of common shares	322	321
Other	-	273
Cash flows relating to financing activities	(6,036)	(8,624)

The increase in long-term debt comes mostly from new government authorities loans related to the Company's eligible development and engineering costs associated to new Aerospace programs while the repayment of long-term debt is mostly for capital leases (See Note 14 to the consolidated financial statements).

The Company issued 75,387 common shares ($321,536) under its stock purchase and ownership incentive plan while it repurchased 761,600 ($3.5 million) common shares under the normal course issuer bids (see Normal Course Issuer Bid below and Note 16 to the consolidated financial statements).

For fiscal 2009, the increase in long-term debt comes mostly from two new governmental authorities loans related to the Company's eligible development and engineering costs associated to new programs and technologies while the capital repayment includes the $9.0 million repayment of the Canadian Credit facility and of capital leases. The Company issued 66,669 ($320,842) common shares under its stock purchase and ownership incentive plan while it redeemed 534,000 ($2.1 million) common shares under the normal course issuer bid.

At March 31, 2010, the Company was in compliance with all its restrictive debt covenants and expects to continue to comply with these restrictive financial covenants in fiscal 2011.

PENSION PLANS

Some of the Company's employees are covered by defined benefit pension plans. The funded status of these plans is as follows:

	2010 ($'000)	2009 ($'000)
Deficit	**10,790**	9,601
Accrued benefit liability (included in other liabilities)	**4,381**	5,288

The pension plan deficit of $10.8 million at March 31, 2010 includes $5.5 million in pension plan obligations related to unregistered pension plans, primarily for former executives of Devtek Corporation, which was acquired by the Company in June 2000 and whose pension plan deficit does not require funding. Funding occurs as pension benefits are paid to the retired executives. In accordance with Canadian GAAP, the Company modified the accrued benefit obligation discount rate (from 7.5% last year to 5.9% this year) which increased the deficit by $2.3 million (see Note 19 to the consolidated financial statements).

NORMAL COURSE ISSUER BID

In November 2008, the Company announced that it was launching a normal course issuer bid ("NCIB") in which the Company could acquire up to 1,500,000 of its common shares until November 23, 2009. For the duration of this program, the Company repurchased 1,202,200 common shares at an average net price of $4.23 per share for a total of $5.1 million.

On November 23, 2009, the Company announced that it implemented a new NCIB, with the approval of the Toronto Stock Exchange ("TSX"). Under the terms of the NCIB, the Company may acquire up to 1,500,000 of its common shares, representing approximately 5% of the issued and outstanding common shares of the Company as of November 19, 2009. The repurchase of common shares commenced on November 25, 2009, and will end on November 24, 2010.

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

To March 31, 2010, and following the renewal of its NCIB, the Company had repurchased an additional 93,400 common shares at an average net price of $5.14 per share for a total of $480,385 (See Note 16 to the consolidated financial statements).

CAPITAL STOCK, STOCK OPTION PLAN AND STOCK PURCHASE AND OWNERSHIP INCENTIVE PLAN (STOCK PURCHASE PLAN)

At March 31, 2010, the Company had 30,485,475 common shares outstanding (31,171,688 as at March 31, 2009).

During fiscal 2010, the Company issued 75,387 common shares at a weighted-average price of $4.26 for a total cash consideration of $321,536, all under the Company's stock purchase plan.

During fiscal 2009, the Company issued 66,669 common shares at a weighted-average price of $4.81 for a total cash consideration of $320,842, all under the Company's stock purchase plan.

At March 31, 2010, 1,555,221 stock options were issued and outstanding with a weighted-average of 3.8 years to maturity and a weighted-average exercise price of $5.83 (see Note 16 to the consolidated financial statements).

CONSOLIDATED BALANCE SHEETS

The following table itemizes and explains the significant changes in the consolidated balance sheets between March 31, 2010 and March 31, 2009:

Item	Change ($ million)	Explanation
Cash and cash equivalents	6.8	See consolidated statements of cash flows.
Accounts receivable	(13.1)	Decrease mainly coming from improved accounts receivable collection, lower 4th quarter sales and the impact of the strengthening of the Canadian dollar since March 31, 2009, on US-denominated accounts receivable ($5.1 million).
Other receivables	2.0	This balance sheet account is mostly made-up of investment tax and other tax credits receivable, the increase coming from additional investment tax credits from fiscal 2010. These investment tax credits are collectible against the Company's taxable income and will be utilized in line with the Company's upcoming results and tax strategy.
Inventories	(11.2)	This reduction comes from tighter controls and better working capital management efforts throughout the year. The impact of the stronger Canadian dollar also decreased inventories for the Company's US self-sustaining subsidiaries by $4.5 million.
Future income taxes (short-term assets)	(6.0)	Reflects mainly the future income tax impact of the recognition in the Company's balance sheets of the derivative financial instruments measured at fair value.
Derivative financial instruments (short-term assets)	7.6	Reflects the variation in the Company's balance sheets of short-term derivative financial instruments measured at fair value.
Property, plant and equipment, net	(17.8)	Due to: • Purchases of capital assets ($13.7 million); Net of: • Amortization expense ($19.5 million); • Loss on disposal of fixed assets ($0.3 million); • A lower US/CAD exchange rate used to convert the net assets of self-sustaining US subsidiaries ($11.7 million).
Finite-life intangible assets, net (includes a $3.6 million net backlog)	0.5	Mainly due to: • An increase in finite-life intangible assets ($3.2 million), representing the increase in capitalized Aerospace development costs for long-term contracts; • Purchase of computer software ($0.5 million); Net of: - Amortization expense on the underlying value of the backlog ($0.8 million). - Amortization of the finite-life intangible assets ($0.9 million). - The lower US/CAD exchange rate used to convert the net assets of self-sustaining US subsidiaries ($1.5 million);
Derivative financial instruments (long-term assets)	12.0	Reflects the variation in the Company's balance sheets of long-term derivative financial instruments measured at fair value.

Item	Change ($ million)	Explanation
Goodwill	(4.4)	Represents the lower US/CAD exchange rate used to convert the goodwill included in the Company's self-sustaining US subsidiaries.
Accounts payable and accrued liabilities	(20.7)	Reflects reduced late inventory purchases which were received by year-end and included in the accounts payable at year-end last year and, the tighter credit conditions mainly from raw material suppliers. The impact of the Canadian dollar since March 31, 2009, on US-denominated accounts payable and accrued liabilities at March 31, 2010 ($2.3 million) also decreased this caption.
Accounts payable – Other	(14.8)	Essentially reflects the payment of property, plant and equipment received an accounted for in the last quarter of fiscal year 2009 ($9.9 million) and, the variation in the Company's balance sheets of short-term derivative financial instruments measured at fair value. It also includes $2.0 million in customers' advances received this fiscal year.
Long-term debt (including current portion)	(6.2)	Due to: • Governmental authorities loans ($4.1 million) to support new eligible development and engineering costs related to Aerospace segment programs; • New capital lease obligations related to equipment ($7.6 million); • Interest accretion on governmental authorities loans ($1.1 million); Net of: • Net capital repayment of long-term debt ($5.3 million); • Recognition in the Company's balance sheets of the impact of governmental authorities loans measured at fair value for the related long-term debt ($1.4 million); • A lower US/CAD exchange rate used to convert the long-term debt of self-sustaining US subsidiaries ($12.3 million).
Other liabilities	(9.0)	Essentially reflects the variation in the Company's balance sheets of long-term derivative financial instruments measured at fair value.
Capital stock	(2.2)	Represents the common shares issued under the Company's stock purchase and ownership plan ($0.3 million), net of the book value of the common shares repurchased under the Company's Normal Course Issuer Bid ($2.5 million).
Accumulated other comprehensive loss	7.5	Represents the counterpart of the impact of foreign exchange rate fluctuations on the net assets of self sustaining US subsidiaries and the unrealized net gains (losses), net of taxes, on the fair value of the financial instruments designated as cash flow hedges.
Retained earnings	15.0	See consolidated statements of changes in shareholders' equity.

At March 31, 2010 and March 31, 2009, the Company's working capital ratio, cash and cash equivalents, long-term debt-to-equity ratio and net debt-to-equity ratio[1] were as follows:

	March 31, 2010	March 31, 2009
Working capital ratio	**2.66:1**	1.92:1
Cash and cash equivalents	**$46.6 million**	$39.8 million
Long-term debt-to-equity ratio	**0.35:1**	0.42:1
Net debt-to-equity ratio[1]	**0.16:1**	0.24:1

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

The summary of the Company's contractual obligations, including payments due over the next five years and thereafter, is as follows:

		Payments due by period			
Contractual obligations ($'000)	**Total**	Less than 1 year	1-3 years	4-5 years	After 5 years
Governmental authorities loans (including the effective accumulated interest expenses)	**26,905**	1,678	2,788	4,944	17,495
Capital leases (including interest expenses)	**19,116**	3,463	6,899	6,687	2,067
Operating leases – Machinery and equipment	**6,633**	1,666	4,075	367	525
Operating leases – Buildings and facilities	**1,633**	564	1,069	-	-
Subtotal, contractual obligations	**54,287**	7,371	14,831	11,998	20,087
Credit Facilities	**43,679**	-	43,679	-	-
Total contractual obligations	**97,966**	7,371	58,510	11,998	20,087

GOVERNMENT ASSISTANCE

For fiscal 2010, the Company recorded as a reduction of cost of sales an amount of $5.4 million ($2.9 million in fiscal 2009), and as a reduction of the related capital expenditures or development costs an amount of $2.1 million ($1.4 million in fiscal 2009) for government assistance.

This government assistance includes mainly the investment tax credits and the discounted portion of the governmental authorities loans (see Note 3 to the consolidated financial statements).

DERIVATIVES, OFF-BALANCE-SHEET ITEMS AND COMMITMENTS

The Company had entered into operating leases amounting to $8.3 million as at March 31, 2010, mainly for machinery and equipment. All these amounts are repayable over the next seven years. At March 31, 2010, the Company also had building, machinery and equipment and purchase commitments totalling $5.2 million (see Note 20 to the consolidated financial statements).

At March 31, 2010, the Company had forward foreign exchange contracts with Canadian chartered banks totalling US$150.0 million at a weighted-average exchange rate of 1.1436. These contracts relate mainly to its export sales, and mature at various dates between April 2010 and March 2014 (see Note 4 to the consolidated financial statements). This compares to US$162.8 million in forward foreign exchange contracts held at March 31, 2009 at a weighted-average exchange rate of 1.1396.

At March 31, 2010, the Company also entered into forward foreign exchange contracts totalling US$11.3 million at a weighted-average rate of 1.2396 maturing over the next four fiscal years, the majority of which over the next two fiscal years, to cover foreign exchange risk related to certain embedded derivatives.

In July 2007 and March 2009, in order to limit the effect of interest rate variations over a portion of its long-term debt denominated in U.S. currency, the Company entered into a four-year interest-rate swap agreement and a two-year interest-rate swap agreement for an amount of US$15 million and US$10 million, respectively, that fix the Libor US rate at 5.53% and 1.75%, respectively. Both interest-rate swap agreements mature on August 1, 2011.

SUBSEQUENT EVENTS

On April 28, 2010, the Company announced that it had concluded the acquisition through a US subsidiary of substantially all the net assets of US based Eagle Tool & Machine Co and of its subsidiary All Tools, Inc.(E-2 Precision Products), two privately-owned manufacturers of precision machined products mainly for the military aerospace industry, with annual sales of approximately $40 million.

The preliminary allocation of the total purchase price of the net assets acquired, along with the means of financing, can be broken down as follows:

Net assets acquired ($'000)		Source of funds ($'000)	
Working capital	16,797	Credit Facilities	16,711
Capital assets	8,498	Cash	12,102
Backlog	1,390	Promissory note	3,721
Goodwill	5,849		
	32,534		32,534

The promissory note is repayable to the seller over 40 months, starting on April 30, 2010, bears a fixed interest rate of 5% and is guaranteed by the Company.

The underlying value of the backlog which relates to specific sales contracts will be amortized on a pro rata basis over the life of the related sales contracts and units delivered.

As stated in the source of funds above, the Company drew, from its US Credit Facility, US$16.5 million subsequent to its fiscal 2010 year-end to finance this transaction.

On May 13, 2010, the Company announced that it was launching initiatives to optimize and consolidate production capacity, while further enhancing productivity of its Québec-based facilities. Consequently, the Company's Rivière-des Prairies, Québec, facility will close in September 2010 and its production transferred to the Company's other facilities in the Greater Montréal area. The Company will record restructuring charges throughout fiscal 2011 of approximately $1.1 million ($0.8 million net of income tax) related to these initiatives.

CHANGES IN ACCOUNTING POLICIES

ADOPTED IN FISCAL YEAR 2010

GOODWILL AND INTANGIBLE ASSETS

In February 2008, the Accounting Standard Board ("AcSB") issued Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets" and which resulted in the withdrawal of Section 3450, "Research and Development Costs" and of Emerging Issues Committee ("EIC") Abstract 27, "Revenues and Expenditures during the pre-operating period", and which also resulted in the amendment of Accounting Guideline ("AcG") 11, "Enterprises in the Development Stage". This Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are aligned with IFRS IAS 38, "Intangible Assets".

BUSINESS COMBINATIONS, CONSOLIDATED FINANCIAL STATEMENTS AND NON-CONTROLLING INTERESTS

In January 2009, the AcSB released Section 1582, "Business Combinations", which resulted in the withdrawal of Section 1581, "Business Combinations". It provides the Canadian equivalent to IFRS 3, "Business Combinations".

In January 2009, the AcSB also released Section 1601, "Consolidated Financial Statements" and Section 1602, Non-"Controlling Interest", which resulted in the withdrawal of Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the consolidated financial statements of the parent, subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of IAS 27, "Consolidated and Separate Financial Statements".

The Company has applied these new standards on its consolidated financial statements starting April 1, 2009. The fees and expenses from the acquisition transaction concluded after year-end were expensed in fiscal 2010 and had no significant impact on the Company's results.

IMPACT OF THE INTERNATIONAL FINANCIAL CRISIS AND ECONOMIC SITUATION

In light of the financial and economic situation the Company experienced through fiscal 2010, the Company is carefully monitoring its strategy and risk management. Although results remain positive, this economic situation prompted Management to adopt a more conservative approach in its daily decisions.

For the fiscal year ended March 31, 2010, the Company's results were impacted by certain decelerations of production schedules and push-outs on commercial Aerospace segment programs as well as by the impact from softer conditions in industrial markets. While the Company's backlog remains strong, especially considering the $125 million backlog coming from the Company's recent acquisition (see Subsequent Events section above), the prevailing business environment, and deferrals or cancellations of additional purchase orders, could have an adverse impact on upcoming results. The Company 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. This being said, the impact of OEM announcements over recent quarters will continue to adversely impact the Aerospace segment commercial market while the military side of the Company's business remains solid. Furthermore, the strengthening 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, cost reduction initiatives and forward foreign exchange contracts strategy to mitigate the negative currency fluctuations.

From a financial standpoint, the Company has a healthy balance sheet and is presently in compliance with all of its financial covenants and expects to be so for the next twelve months. Capital expenditure requirements are closely monitored by Management. The Company does not expect to have any liquidity issues, considering that the banks' Credit Facilities are extended by a syndicate of four Canadian banks, with high-grade credit ratings, and that the major customers of the Company are worldwide leaders in their respective fields. These Credit Facilities will mature in October 2011.

In light of the above, the Company 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 Company does not have all the visibility it usually has in its markets, it will remain prudent and will continue to closely monitor the situation (see Risks and Uncertainties and Outlook sections below).

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the Accounting Standard Board ("AcSB") confirmed that Canadian GAAP for publicly accountable entities will be converged with IFRS effective in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

First reporting under IFRS is required for the Company's interim and annual financial statements beginning on April 1, 2011. The Company has developed a changeover plan to convert its Consolidated Financial Statements to IFRS, as described in its fiscal year 2009 Annual Report. The Company's IFRS project is progressing according to plan.

In the period leading up to the changeover, the AcSB is expected to continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standards Board ("IASB") will also continue to issue new accounting standards during the conversion period. The Company continues to monitor standards to be issued by the IASB, but it is difficult to predict the IFRS that will be effective at the end of its first IFRS reporting period, as the IASB work plan anticipates the completion of several projects in calendar years 2010 and 2011. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the applicable IFRS at the conversion date are known.

The adoption of IFRS brings about several changes from Canadian GAAP. Following is the Company's non-exhaustive preliminary assessment of certain main differences that may have some impact on its consolidated financial statements:

Area	IFRS requirement	Potential key impact
Provisions	Provisions with predictable settlement dates must be discounted.	This could result in a reduction of certain provisions in accounts payable and accrued liabilities with a corresponding net after tax increase of Shareholders' equity.
Property, plant and equipment	Breakdown assets by major components based on useful life, for the calculation of amortization.	The Company is already, in all material respects, in compliance with this requirement with no material impact on amortization cost.
Impairment of long-lived assets	Impairment tests must be based on discounted future cash flows. Under certain circumstances, previous impairment taken (other than goodwill), if any, is required to be reversed.	No significant impact is expected.
Leases	IFRS requires a qualitative and quantitative assessment of lease classification while the Canadian GAAP requirement is based on quantitative tests.	Certain operating leases have to be accounted for as finance leases, leading to an increase in assets and liabilities.
Borrowing costs	Borrowing costs will be capitalized as part of the cost of certain inventories or development costs, and when certain criteria are respected.	No significant impact is expected.

Area	IFRS requirement	Potential key impact
Defined pension plan	The projected unit credit method must be applied for the measurement of pension plan obligations.	No significant impact is expected.
	IFRS allows recognition of all actuarial gains and losses directly in Shareholders' equity, through Other Comprehensive Income ("OCI") with no impact to income.	We elected to immediately recognize all actuarial gains and losses in OCI. Pension cost will no longer include the amortization component of the net actuarial losses at transition and future actuarial gains and losses will be recorded directly in OCI.
	The past service costs must be fully recognized at the time they are vested, while they are currently amortized over the estimated weighted-average remaining service life of plan participants.	An increase in accrued benefit liabilities and a decrease in Shareholders' equity, at transition date. Plan amendments for vested past service costs will be recorded as pension plan cost when granted.
	Under certain circumstances, an additional minimum liability will be recognized under the rules of IFRIC 14, these circumstances are the limit of a defined benefit asset, minimum funding requirements and their interaction. Changes to this amount will be recorded directly to OCI.	An increase in accrued benefit liabilities and a decrease in Shareholders' equity, at transition date. Volatility in accrued benefit assets and liabilities and OCI will arise as a result of this change.
Income taxes	Various changes in accounting policy under IFRS will also impact the corresponding deferred tax asset or liability. Tax consequences of a transaction recorded in OCI or directly in equity in previous period must be recorded in OCI or directly in Shareholders' equity.	The impact will depend on the net amount of all differences in accounting policies.

In addition, IFRS 1 requires that first-time adopters select accounting policies that comply with each IFRS effective at the end of its first IFRS reporting period (March 31, 2012 for the Company), and apply those policies to all periods presented in its first IFRS financial statements.

However, IFRS 1 provides selected optional exemptions to the full retrospective application. The following are the Company's non-exhaustive, key IFRS 1 optional exemptions:

Optional exemptions	Company's action items
Business combinations	Review of certain business acquisition purchase price determination and allocation. A decrease in the goodwill and a decrease in equity, at transition date.
Long-lived assets	Determination of the value (cost or fair value) of its property, plant and equipment. The Company elected to record (and consequently keep) these long-lived assets at cost at transition date.
Defined pension plan	The Company elected to recognize the cumulative net actuarial gains and losses and transitional obligations at the transition date.
Cumulative translation adjustment ("CTA")	The Company elected to eliminate the CTA balance at the transition date.

At this time, the comprehensive impact of the changeover plan on the Company's future financial position and results of operations has not yet been finalized yet.

As the project progresses, the Company could alter its intentions and the milestones communicated at the time of reporting as a result of changes to international standards currently in development, or in light of new information or other external factors that could arise from now until the changeover has been completed.

The Company also continues to provide training to key employees and monitor the impact of the transition on its business practices, systems and internal controls over financial reporting.

CRITICAL ACCOUNTING ESTIMATES

Inventories, Capitalized Development Costs and Cost of Sales

Company management uses estimates to value inventory and cost of sales related to design-to-manufacture contracts and major assembly manufacturing contracts. A 1% change in the estimated future costs to complete the remaining quantities under the design to-manufacture contracts and major assembly-manufacturing contracts would have an impact of approximately $0.3 million on the Company's cost of sales.

The non recurring costs (development, pre-production and tooling costs) are now included in finite-life intangible assets. Recovery of these costs is expected from related sales contracts through their amortization, based on pre-determined contract quantities.

Production quantities for a particular contract are essentially established at the inception of the contract or contract date, and are based on management's assessment of the anticipated demand for the related aircraft or product, taking into account mainly firm order and committed order backlog and options, as well as prevailing market and economic conditions.

Management reviews this major assumption on a quarterly basis, and a more detailed review is made at fiscal year-end. The effect of any revision to this assumption is accounted for by way of a cumulative catch-up adjustment in the period or year in which the revision takes place.

Goodwill and Intangible Assets

Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. The Company selected its fourth quarter as its annual testing period for goodwill. A goodwill impairment charge is recorded when the discounted value of the expected future cash flows of the entire related reporting unit is less than its carrying value. Future cash flows are forecast based on management's best estimates of revenues, production costs, manufacturing overhead and other costs. These estimates are made by reviewing existing contracts, expected future orders, current cost structure, anticipated cost variations, labour agreements and general market conditions, and are subject to review and approval by the Company's senior management. Future cash flows are discounted using an estimated weighted-average cost of capital rate.

Pension Plans and Other Employee Post-Retirement Benefits

Certain critical assumptions are used to determine pension plan and other employee post-retirement benefit costs and obligations. In particular, the discount rate and the expected long-term rate of return on plan assets are important assumptions used to measure these costs and obligations. Other assumptions include the rate of increase in employee compensation, as well as demographic factors such as employee retirement ages, mortality rates and turnover. These assumptions are reviewed annually.

A lower discount rate increases benefit costs and obligations. A 1% change in the discount rate would have an impact of approximately $0.1 million and $3.7 million, respectively, on the Company's pension plan expense and accrued benefit obligations.

A lower expected rate of return on pension plan assets also increases benefit costs. A 1% change in the return assumption would have an impact of approximately $0.2 million on the Company's pension plan expense.

Income Tax

The Company accounts for future income tax assets mainly from loss carry-forwards and deductible temporary differences. Company management assesses and reviews the realization of these future income tax assets at least annually, at year-end, to determine whether a valuation allowance is required. Based on that assessment, it determines whether it is more likely than not that all or a portion of the future income tax assets will be realized. Factors taken into account include future income based on internal forecasts, losses in recent years and their expiry dates, and a history of loss carry-forwards, as well as reasonable tax planning strategies.

FUTURE CHANGES IN ACCOUNTING POLICIES

"International Financial Reporting Standards (IFRS)" – See section above.

INTERNAL CONTROLS AND PROCEDURES

In compliance with the Canadian Securities Administrators' Multilateral Instrument 52-109 ("MI 52-109"), the Company has filed certificates signed by the Chief Executive Officer and Chief Financial Officer that, among other things, report on disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures, or have caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company has been made known to them and has been properly disclosed in the annual regulatory filings.

At March 31, 2010, an evaluation of the design and effectiveness of the Company's disclosure controls and procedures was also carried out, as defined in MI 52-109. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. This evaluation took into account the Company's disclosure policy and its disclosure committee.

Internal Controls over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer have also designed internal controls over financial reporting, or have caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

At March 31, 2010, the evaluation of the design and effectiveness of the Company's internal controls over financial reporting was carried out, as defined in MI 52-109. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and effectiveness of these internal controls over financial reporting were effective to provide reasonable assurance that the Company's financial reporting is reliable and that the Company's consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles.

However, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Changes in Internal Controls over Financial Reporting

No changes were made to our internal controls over financial reporting that occurred during the year ended March 31, 2010, 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 subject to various risks and uncertainties that could have a material adverse effect on the Company's business, financial condition and results of operations. These risks and uncertainties include, but are not limited to, those mentioned below.

Reliance on Large Customers

The Company has exposure due to its reliance on certain large contracts and customers. The Company's six largest customers account for approximately 56% of its sales. Any loss or delay in certain orders from any of these customers could have a negative impact on the Company's results.

The Company mitigates this risk through the increase of long-term sales contracts, when possible, with its main customers.

Availability and Cost of Raw Materials

The main raw materials purchased by the Company are aluminium, steel and titanium. Supply and cost of these materials is somewhat outside the Company's control. Difficulty in procuring raw materials in sufficient quantities and in a timely fashion, along with cost increases for these materials, could also have a material adverse effect on the Company's operations and financial condition.

In the past two years, as this situation has escalated with the improvement of the global economy and the explosive growth of the Chinese economy in particular, the Company has begun to take steps to mitigate this risk. It now includes clauses in certain of its long-term sales contracts of importance to share the risk of raw materials availability and cost with its customers. It also negotiates long-term supply agreements with certain of its suppliers of raw materials, and has increased its monitoring of the supply chain to ensure timely deliveries.

Operational Risks

The activities conducted by the Company are subject to operational risks that include competition from other businesses, performance of key suppliers, product performance warranties, regulatory risks, successful integration of new acquisitions, dependence on key personnel and reliance on information systems, all of which could affect the Company's ability to meet its obligations.

However, the Company has implemented certain risk-mitigation strategies and controls, in light of these operational risks, which include the following:

- Processes to ensure proper bid approvals, planning, execution and use of quality standards at all stages of new design or built-to-print products and assemblies, and repair and overhaul services. This includes the risk assessment of achieving the targeted revenues and related product costs as well as the development of long-term agreements and competitive bidding processes with main suppliers.
- Use of proper cash flow arrangements through the use of customer advances, with certain customers, and foreign exchange hedging.

Impact of Terrorist Activity

There continues to be uncertainty over the future impact in the commercial aerospace sector from the threat of terrorist activity and the ongoing situations in the Middle East. Such issues typically have a negative impact on commercial air traffic and a positive impact on defense spending.

General Economic Conditions

Unfavourable economic conditions may adversely affect the Company's business. For example, the large civil aerospace industry has experienced considerable uncertainty in prior years, especially the market for planes with more than 100 seats. Since fiscal 2006, the regional jet market has been negatively impacted by lower demand and the business jet market is closely related to the state of the economy. Furthermore, the industrial power generation market also collapsed with the recent economic downturn. This could adversely affect the Company's financial condition and results of operation. Although long-term growth will likely eventually resume, the timing of that resumption is uncertain, and these sectors will remain cyclical. In addition, curtailment of production activities due to unfavourable economic conditions could result in the Company incurring significant costs associated with temporary layoffs or termination of employees.

Military Spending

Although significant increases in military budgets, particularly in the United States, were announced in recent years, these expenses are approved by government on a yearly basis and are subject to the political climate and changing priorities.

Foreign Currency Fluctuations

The Company is exposed to risks resulting from foreign currency fluctuations arising either from carrying on business in Canada in foreign currencies or through operations in the United States. In an effort to mitigate those risks, the Company makes use of derivative contracts to hedge this exposure.

The Company's foreign exchange hedging policy requires it to mitigate the foreign currency exposure, essentially to the US currency, arising from its Canadian operations.

The hedging policy requires the hedging of 50% to 75%, on average, of the identified foreign currency exposure, mainly over the next two fiscal years, of the forecasted cash inflows generated by sales in US currency made by its Canadian operations and related to long-term sales contracts, net of the forecasted cash outflows in US currency related essentially to its raw and certain other material costs. This hedging policy also applies to the net forecasted cash inflows/outflows as described above, for certain specific long-term sales contracts, on a very limited basis, for an additional period of one to three fiscal years.

Liquidity and Access to Capital Resources

The Company requires continued access to capital markets to support its activities. To satisfy its financing needs, the Company relies on long-term and short-term debt and cash flow from operations. Any impediments to the Company's ability to access capital markets, including significant changes in market interest rates, general economic conditions or the perception in the capital markets of the Company's financial condition or prospects, could have a material adverse effect on the Company's financial condition and results of operation.

Restrictive Debt Covenants

The indentures governing certain of the Company's indebtedness and, in particular, its Credit Facilities, contain covenants that, among other things, restrict the Company's ability to:

- sell all or substantially all of its assets;
- incur secured indebtedness;
- engage in mergers or consolidations;
- invest in capital expenditures over a certain amount per year; or
- engage in transactions with affiliates.

These restrictions could impair the Company's ability to finance its future operations or its capital needs, or to engage in other business activities that may be in its interest.

Changing Interest Rates

The Company's profitability may be directly affected by the level of and fluctuations in interest rates. When appropriate, the Company considers using derivatives as an integral part of its asset/liability management program to mitigate or reduce its overall financial risk.

To mitigate these fluctuations, the Company has established a short-term investment policy that dictates the level and type of investments it should seek. The Company also maintains a well-balanced portfolio of financing, choosing between fixed and variable rates.

External Business Environment

The Company faces a number of external risk factors, specifically including general economic conditions, government policies and changing priorities or possible spending cuts by governments.

Warranty Casualty Claim Losses

The products manufactured by the Company are complex and sophisticated and may contain defects that are difficult to detect and correct. Errors may be found in the Company's products after they are delivered to the customers. If so, the Company may not be able to correct such errors. The occurrence of errors and failures in the Company's products could result in warranty claims or the loss of customers. Any claims, errors or failures could have an adverse effect on the Company's operating results and business, and financial condition. In addition, due to the nature of the Company's business, the Company may be subject to liability claims involving its products or products for which it provides services. The Company cannot be certain that its insurance coverage will be sufficient to cover one or more substantial claims. Furthermore, there can be no assurance that the Company will be able to obtain insurance coverage at acceptable levels and cost in the future. (see "Operational Risks" section above).

Environmental Matters

The Company's activities are subject to environmental laws and regulations associated with risks to human health and the environment. Changes to these laws and regulations could have a significant adverse effect on the Company's operations and financial condition. The Company monitors these risks through environmental management systems and policies.

Collective Bargaining Agreements

The Company is party to some collective bargaining agreements that expire at various times in the future. If the Company is unable to renew these agreements or others as they become subject to renegotiation from time to time, it could result in work stoppages and other labour disturbances, which could have a material adverse effect on the Company's business.

On May 10, 2010, the Company renewed its collective agreement with its Aerostructure Dorval plant employees for a three-year period. Renewal of its Landing Gear Longueuil plant collective agreement is scheduled for the spring of 2011, while the Landing Gear Laval plant agreement comes-up for renewal in December 2011.

Skilled Labour

Héroux-Devtek's ability to meet its future goals and objectives depends in part on its ability to attract and retain the necessary skilled labour. The skilled labour market in the aerospace industry is expected to continue to be highly competitive in the future. The Company's inability to attract and retain skilled labour, particularly engineers, machinists and programmers, could adversely affect its financial condition and results of operations.

The Company is addressing this risk by developing its human resource strengths internally and by working to retain the skilled employees that it currently has and attract the best talent by fostering a strong sense of corporate culture. Héroux-Devtek therefore does not anticipate a substantial increase in its manpower requirements over the next few years.

SELECTED QUARTERLY FINANCIAL INFORMATION

($'000 except per share data)	Total	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
For the fiscal year ended March 31, 2010					
Sales	**320,354**	82,160	76,570	76,659	84,965
EBITDA	**48,437**	12,762	11,723	11,685	12,267
Net income	**16,003**	4,542	3,518	3,538	4,405
Earnings per share ($) – basic	**0.52**	0.15	0.11	0.12	0.14
Earnings per share ($) – diluted	**0.52**	0.15	0.11	0.12	0.14
For the fiscal year ended March 31, 2009					
Sales	**337,635**	82,571	77,340	85,578	92,146
EBITDA	**54,559**	14,467	11,621	13,102	15,369
Net income	**21,363**	5,698	4,056	5,178	6,431
Earnings per share ($) – basic	**0.68**	0.18	0.13	0.16	0.20
Earnings per share ($) – diluted	**0.67**	0.18	0.13	0.16	0.20

FOURTH QUARTER 2010 RESULTS

The Company's results for the quarter ended March 31, 2010, are lower than last year's, continuing the trend seen all year long. It is worth mentioning that last year's results, and especially last year's fourth quarter results, were exceptionally high. Gross profit margin for the quarter was 15.8% this year compared to 17.3% last year. Contrary to the full year results, the fourth quarter saw the Landing Gear product line post lower results than for the fourth quarter last year, mainly from the negative currency impact, while the Industrial and Aerostructure product lines posted improved gross profit margins when compared to the quarter ended March 31, 2009. Net income stood at $4.4 million or $0.14 per share, fully diluted, compared to net income of $6.4 million or $0.20 per share, fully diluted, last year.

Cash flow from operations yielded $12.3 million compared to $14.1 million for the fourth quarter last year. Working capital management efforts paid off and posted a positive net change of $14.3 million compared to an outflow of $1.4 million last year. This $14.3 million inflow came mainly from lower accounts receivables ($3.9 million) in line with the lower fourth quarter sales and lower inventories ($9.8 million) (see "Consolidated Balance Sheet" section above).

OUTLOOK

Conditions have improved in the commercial aerospace market, but the recovery remains fragile and existing orders can be deferred or cancelled, which could alter production schedules. In the large commercial aircraft segment, Boeing and Airbus have confirmed that calendar 2010 deliveries would be near 2009 levels. More importantly, both have recently announced production rate increase for calendar 2011 on platforms such as the B-777, B-747, and A-320 and for calendar 2012 on the B-737 program. Moreover, initial deliveries of the B-787 are scheduled for late calendar 2010. Finally, backlogs remain strong with more than six years of production at current rates. The business jet market appears to have bottomed out and the industry is beginning to see positive signs. The number of used aircraft for sale is slowly coming down and flying hours are increasing. Finally, in the market for regional aircraft, Bombardier and Embraer are both forecasting a lower number of commercial aircraft to be delivered in the current fiscal year.

The military aerospace market remains solid, as evidenced by a new contract to manufacture the landing gear for the CH-47 Chinook helicopter and orders for the C-130J Super Hercules aircraft. The ramp-up of the JSF program is progressing, although it has been announced that this ramp-up will occur at a slightly more moderate pace over the near term. While funding was increased for the US Department of Defense 2010 fiscal year budget and a further increase is being proposed for fiscal 2011, subsequent budget funding may be reduced as the US administration must address its overall deficit.

The power generation industry appears to have bottomed out, but is not expected to experience any significant recovery before calendar 2011. In the wind energy market, low power demand and price have slowed down the rate of new installations since the beginning of calendar 2010, but the market still holds considerable potential over the mid-term.

Capital expenditures for fiscal 2011 are expected to be about $25 million including normal maintenance projects and the extension of the facility dedicated for the JSF program in Texas. This amount excludes $3 million of expected capital investments that could be required in regards to the acquisition concluded on April 28, 2010, of Eagle and E-2.

The integration of these companies, which generated combined sales of approximately US$38 million in calendar 2009, will be a main priority in fiscal 2011. Excluding the contribution of the newly-acquired companies, Héroux-Devtek is anticipating sales to remain relatively stable in comparison with the previous year, assuming no significant change in the average exchange rate, exclusive of forward foreign exchange contracts. Finally, the Company expects an accretion to earnings per share of up to 10% in the first year following the acquisition.

As at March 31, 2010, Héroux-Devtek's funded (firm orders) backlog stood at $423 million and remains well diversified. The acquisition of Eagle and E-2, concluded after year-end, will add approximately $125 million to the Company's backlog. Despite this solid backlog and strong customer relationships, the Company must seek further productivity gains and 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.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was approved by the Audit Committee on May 26, 2010 and by the Board of Directors on May 27, 2010. Updated information on the Company can be found on the SEDAR website, at www.sedar.com.

MANAGEMENT'S REPORT

The accompanying consolidated financial statements and Management Discussion and Analysis of Financial Position and Operating Results ("MD&A") of Héroux-Devtek Inc. (the "Company") and all other information in this Annual Report are the responsibility of management and have been reviewed and approved by its Board of Directors. The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The MD&A has been prepared in accordance with the requirements of Canadian securities regulators. The consolidated financial statements and MD&A include items that are based on best estimates and judgments of the expected effects of current events and transactions. Management has determined such items on a reasonable basis in order to ensure that the consolidated financial statements and MD&A are presented fairly in all material respects. Financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements. All figures presented in these consolidated financial statements are expressed in Canadian dollars unless otherwise indicated.

Héroux-Devtek Inc.'s Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P"), or have caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Canadian generally accepted accounting principles and that material information related to the Company has been made known to them and has been properly disclosed in the accompanying consolidated financial statements and MD&A. Héroux-Devtek Inc.'s CEO and CFO have also evaluated the effectiveness of such ICFR and DC&P as of the end of fiscal year 2010. As of March 31, 2010, management concludes that the ICFR and DC&P effectively provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Canadian generally accepted accounting principles and that material information related to the Company has been disclosed in the consolidated financial statements and MD&A. Also, based on this assessment, the CEO and the CFO determined that there were no material weaknesses in the ICFR and DC&P. Héroux-Devtek Inc.'s CEO and CFO have provided a certification related to Héroux-Devtek Inc.'s annual disclosure documents to the Canadian Securities Administrators in accordance with Multilateral Instrument 52-109, including the consolidated financial statements and MD&A.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board of Directors and consists entirely of independent and financially literate directors.

The Audit Committee meets periodically with management, as well as with the external auditors, to review the consolidated financial statements, the external auditors' report, MD&A, auditing matters and financial reporting issues, to discuss ICFR , and to satisfy itself that each party is properly discharging its responsibilities. In addition, the Audit Committee has the duty to review the appropriateness of the accounting policies and significant estimates and judgments underlying the consolidated financial statements as presented by management, and to review and make recommendations to the Board of Directors with respect to the fees of the external auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when it approves the consolidated financial statements and MD&A for issuance to shareholders.

The consolidated financial statements as at March 31, 2010 and 2009 have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Shareholders. The external auditors have full and free access to the Audit Committee to discuss their audit and related matters.

signed

Gilles Labbé, FCA
President and Chief Executive Officer
May 28, 2010

signed

Réal Bélanger, CA
Executive Vice-President and Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of Héroux-Devtek Inc.

We have audited the consolidated balance sheets of Héroux-Devtek Inc. as at March 31, 2010 and 2009 and the consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Montréal, Québec
May 7, 2010
except as to Note 23, which is at May 13, 2010.

signed

Ernst & Young LLP [1]
Chartered Accountants

1. CA Auditor permit no. 19483

CONSOLIDATED BALANCE SHEETS

As at March 31, 2010 and 2009 (In thousands of Canadian dollars)

	Notes	2010	2009
Assets	14		
Current assets			
Cash and cash equivalents		$46,591	$39,759
Accounts receivable		39,085	52,190
Income tax receivable		1,349	183
Other receivables	8	11,174	9,186
Inventories	9	84,408	95,647
Prepaid expenses		2,151	2,011
Future income taxes	17	5,124	11,172
Derivative financial instruments – forward foreign exchange contracts		7,568	–
		197,450	210,148
Property, plant and equipment, net	10	137,670	155,481
Finite-life intangible assets, net	11	11,698	11,190
Derivative financial instruments – forward foreign exchange contracts		12,408	362
Goodwill	12	35,621	39,993
		$394,847	$417,174
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	20	$58,069	$78,740
Accounts payable – other	13	4,591	19,429
Income tax payable		138	3,241
Future income taxes	17	7,161	3,568
Current portion of long-term debt	14	4,250	4,221
		74,209	109,199
Long-term debt	14	76,807	83,047
Other liabilities	15	10,948	19,947
Future income taxes	17	15,791	8,490
		177,755	220,683
Shareholders' equity			
Capital stock	16	100,641	102,822
Contributed surplus	16	1,615	1,375
Accumulated other comprehensive (loss)		(4,618)	(12,124)
Retained earnings		119,454	104,418
		217,092	196,491
		$394,847	$417,174

Commitments and contingencies (Notes 20 and 21)
Subsequent events (Note 23)
The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board of Directors

signed	signed
Louis Morin Director	Gilles Labbé Director

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31, 2010 and 2009 (In thousands of Canadian dollars, except share and per share data)

	Notes	2010	2009
Sales		$320,354	$337,635
Cost of sales, including amortization expense of $21,260 ($20,106 in 2009)		270,012	280,716
Gross profit		50,342	56,919
Selling and administrative expenses	16	23,165	22,466
Operating income		27,177	34,453
Financial expenses, net	14	4,676	4,485
Income before income tax expense		22,501	29,968
Income tax expense	17	6,498	8,605
Net income		$16,003	$21,363
Earnings per share – basic		$0.52	$0.68
Earnings per share – diluted		$0.52	$0.67
Weighted-average number of shares outstanding during the year		30,661,745	31,583,173

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended March 31, 2010 and 2009 (In thousands of Canadian dollars)

	Notes	Capital stock	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Comprehensive income (loss)
Balance at March 31, 2009		$102,822	$1,375	$(12,124)	$104,418	$–
Common shares:	16					
Issued under the stock purchase and ownership incentive plan		322	–	–	–	–
Repurchased under the Company's normal course issuer bid		(2,503)	–	–	(967)	–
Stock-based compensation expense	16	–	240	–	–	–
Net income		–	–	–	16,003	16,003
Net gains (losses) on derivative financial instruments designated as cash flow hedges, net of taxes of $9,716		–	–	23,313	–	23,313
Net (gains) losses on derivative financial instruments designated as cash flow hedges in prior years transferred to net income in the current year, net of taxes of $326		–	–	692	–	692
Cumulative translation adjustment		–	–	(16,499)	–	(16,499)
Balance at March 31, 2010		$100,641	$1,615	$(4,618)	$119,454	$23,509

	Notes	Capital stock	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Comprehensive income (loss)
Balance at March 31, 2008		$104,260	$1,115	$(9,932)	$83,395	$–
Common shares:	16					
Issued under the stock purchase and ownership incentive plan		321	–	–	–	–
Repurchased under the Company's normal course issuer bid		(1,759)	–	–	(340)	–
Stock-based compensation expense	16	–	260	–		–
Net income		–		–	21,363	21,363
Net gains (losses) on derivative financial instruments designated as cash flow hedges, net of taxes of $7,851		–	–	(17,154)	–	(17,154)
Net (gains) losses on derivative financial instruments designated as cash flow hedges in prior years transferred to net income in the current year, net of taxes of $169		–	–	(201)	–	(201)
Cumulative translation adjustment		–	–	15,163	–	15,163
Balance at March 31, 2009		$102,822	$1,375	$(12,124)	$104,418	$19,171

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2010 and 2009 (In thousands of Canadian dollars)

	Notes	2010	2009
Cash and cash equivalents provided by (used for):			
Operating activities			
Net income		$16,003	$21,363
Items not requiring an outlay of cash:			
Amortization		21,260	20,106
Future income taxes	17	6,443	4,770
Loss on sale of property, plant and equipment		379	18
Amortization of deferred financing costs	14	168	168
Accretion expense of asset retirement obligations and governmental authorities loans	14	1,374	1,357
Stock-based compensation expense	16	240	260
Cash flows from operations		45,867	48,042
Net change in non-cash working capital items related to operations	18	(8,121)	(2,783)
Cash flows related to operating activities		37,746	45,259
Investing activities			
Additions to property, plant and equipment	10	(13,740)	(23,489)
Increase in finite-life intangible assets	11	(3,763)	(3,721)
Proceeds on disposal of property, plant and equipment		8	18
Cash flows related to investing activities		(17,495)	(27,192)
Financing activities			
Increase in long-term debt		2,404	8,268
Repayment of long-term debt		(5,292)	(15,387)
Repurchase of common shares	16	(3,470)	(2,099)
Issuance of common shares	16	322	321
Other		–	273
Cash flows related to financing activities		(6,036)	(8,624)
Effect of changes in exchange rates on cash and cash equivalents		(7,383)	5,885
Change in cash and cash equivalents during the year		6,832	15,328
Cash and cash equivalents at beginning of year		39,759	24,431
Cash and cash equivalents at end of year		$46,591	$39,759
Supplemental information:			
Interest paid		$2,783	$2,787
Income taxes paid		$4,269	$2,473

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended March 31, 2010 and 2009 (All dollar amounts in thousands of Canadian dollars, except share data)

NOTE 1. NATURE OF ACTIVITIES

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

NOTE 2. CHANGES IN ACCOUNTING POLICIES

Adopted as at April 1, 2009

Goodwill and intangible assets

In February 2008, the Accounting Standard Board ("AcSB") issued Section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets and which resulted in the withdrawal of Section 3450, Research and Development Costs and of Emerging Issues Committee ("EIC") Abstract 27, Revenues and Expenditures during the pre-operating period, and which also resulted in the amendment of Accounting Guideline ("AcG") 11, Enterprises in the Development Stage. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are aligned with International Financial Reporting Standards ("IFRS") IAS 38, Intangible Assets.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the AcSB released Section 1582, Business Combinations, which resulted in the withdrawal of Section 1581, Business Combinations. It provides the Canadian equivalent to IFRS 3, Business Combinations.

In January 2009, the AcSB also released Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interest, which resulted in the withdrawal of Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the consolidated financial statements of the parent, subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of IAS 27, Consolidated and Separate Financial Statements.

The Company adopted these changes in accounting policies as at April 1, 2009 with no significant effect on the Company's consolidated financial statements.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles within the framework of the significant accounting policies summarized below.

Basis of consolidation

The principal wholly-owned subsidiaries of the Company included in the consolidated financial statements are the following:

- McSwain Manufacturing Corporation
- Progressive Incorporated
- Devtek Aerospace Inc.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues (sales) and expenses and disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates relate to the sales contract assumptions, determination of pension and other employee benefits, reserves for environmental matters, asset retirement obligations, the useful life of assets for amortization and evaluation of net recoverable amount, the determination of fair value of assets acquired and liabilities assumed in business combinations, implied fair value of goodwill, income tax and the determination of the fair value of financial instruments. Actual results could differ from these estimates.

Translation of foreign currency

The functional currency of the Company is the Canadian dollar.

- **Self-sustaining foreign operations**
  The assets and liabilities of foreign subsidiaries are translated at the exchange rate in effect at the balance sheet dates. Revenues and expenses are translated at the average exchange rate for the year. Translation gains and losses are deferred and shown separately in shareholders' equity as accumulated other comprehensive income (loss).

- **Foreign currency transactions**
  Foreign currency transactions are translated using the temporary method. Under this method, monetary balance sheet items are translated into Canadian dollars at the exchange rate in effect at the balance sheet dates. Revenues (sales) and expenses are translated using the average exchange rates prevailing during each month of the year. Translation gains and losses are included in the consolidated statements of income.

Financial instruments

Financial instruments are recognized on the consolidated balance sheets when the Company becomes a party to the contractual provisions of the financial instrument. On initial recognition, all financial instruments including embedded derivative financial instruments that are not closely related to the host contract are measured at fair value. After initial recognition, the measurement of financial instruments depends on their classification, which could include the following: held-for-trading ("HFT"), available-for-sale ("AFS"), loans and receivables ("L&R"), held-to-maturity ("HTM") or other than HFT liabilities.

Financial assets and financial liabilities classified as HFT are measured at fair value, with gains and losses recognized to income for the period during which they arise. Financial assets classified as L&R or HTM and financial liabilities classified as other than HFT liabilities are measured at amortized cost using the effective interest rate method.

Financial assets classified as AFS are measured at fair value. Unrealized gains and losses including changes in foreign exchange rates are recognized directly to other comprehensive income (loss) ("OCI"), except for impairment losses, which are recognized to income, until the financial assets are derecognized, at which time the cumulative gains or losses previously recognized in accumulated OCI are recognized in income for the year.

During fiscal 2010 and 2009, the Company made the following classifications:

- Cash and cash equivalents are classified as HFT.
- Amounts receivable are classified as L&R.
- Amounts payable in current liabilities and long-term debt (including current portion) are classified as other than HFT liabilities.

Derivative financial instruments

In accordance with its risk management policy, the Company uses derivative financial instruments to manage its foreign currency and interest rate exposures. These derivative financial instruments are measured at fair value, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contract. Management is responsible for establishing standards of acceptable risks and monitoring, as appropriate, the transactions covering these risks. The Company uses financial instruments for the sole purpose of hedging existing commitments or obligations. These derivative financial instruments are not used for trading purposes.

The Company has designated forward foreign exchange contracts and interest-rate swap agreements as cash flow hedges. In a cash flow hedge relationship, a change in fair value of these derivatives is recognized as a component of OCI to the extent that the hedging relationship is effective. The ineffective portion of the hedging relationship and changes in fair value of derivatives not designated as a cash flow hedge, including embedded derivatives, are recognized as gains and losses in net income. The amount recognized in OCI is transferred to net income, and recorded as an adjustment of the cost or revenue of the related hedged item when realized.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments held with investment grade financial institutions, with maturities of three months or less from the date of acquisition.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Inventory valuation, capitalized development costs, cost of sales and revenue recognition

[a] Inventory valuation, capitalized development costs and cost of sales

Inventories include raw materials, direct labour and related manufacturing overhead costs and include, if applicable, the amount of amortization of the non-recurring costs of the related sales contracts. These non-recurring costs represent essentially direct design engineering costs, direct manufacturing engineering costs, other direct pre-production costs (test units, prototypes, and other related costs) and tooling costs which are recorded and amortized on the following bases:

NON-RECURRING COSTS	RECORDED IN THE BALANCE SHEETS AS	AMORTIZATION METHOD
Direct design engineering costs	Finite-life intangible assets – capitalized development costs	Predetermined contract quantity
Direct manufacturing engineering costs	Finite-life intangible assets – capitalized development costs	Predetermined contract quantity
Other direct pre-production costs	Finite-life intangible assets – capitalized development costs	Predetermined contract quantity
Tooling costs related to sales contracts	Property, plant and equipment	Predetermined contract quantity but not exceeding ten (10) years
Other tooling costs	Property, plant and equipment	Straight-line basis over five (5) years

Contract quantities are established based on management's assessment at the beginning of the production stage for each contract, taking into consideration, among other factors, existing firm orders and options. The Company's management conducts quarterly reviews as well as a detailed annual review, in the fourth quarter, of its capitalized development costs related to sales contracts and their recoverability, and contract quantities.

Inventories consist of raw materials, work in progress and finished goods which are valued at the lower of cost (unit cost method) and net realizable value. The unit cost method is the cost method under which the actual production costs are charged to each unit produced and recognized to income as the unit is delivered.

Progress billings received from customers are deducted from related costs in inventories. Progress billings received in excess of related costs in inventories, if any, are classified as Customers' advances in accounts payable – other.

[b] Revenue recognition

Revenues from the sale of aerospace and industrial products are recognized as the related units are delivered and collectability is reasonably assured.

Provisions for losses on contract, if any, are made as soon as it is determined that total estimated contract costs are expected to exceed the total contract revenue, and are recorded in accounts payable and accrued liabilities.

Long-lived assets

Long-lived assets consist of property, plant and equipment and finite-life intangible assets which include capitalized development costs (see above). Long-lived assets held for use are reviewed for impairment when certain events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability test is performed using undiscounted future cash flows that are directly associated with the assets' use and eventual disposition. The amount of the impairment, if any, is measured as the difference between the carrying value and the fair value of the impaired assets and presented as an additional current-period depreciation expense.

Long-lived assets (Cont'd)

Long-lived assets are recorded at cost and amortization is provided for on a straight-line basis, except for the backlog which is amortized on a pro rata basis over the life of the related sales contracts, and the units delivered, over the estimated useful lives of the related assets, as follows:

Buildings and leasehold improvements	5 to 40 years
Machinery, equipment and tooling	3 to 15 years
Machinery and equipment held under capital lease	3 to 15 years
Automotive equipment	3 to 10 years
Computer and office equipment	3 to 5 years
Finite-life intangible assets	
- Software-related costs	3 to 5 years
- Backlog	Based on the life of the related sales contracts and units delivered

Amortization of construction in progress begins when they are ready for their intended use.

Government assistance

Government assistance, including investment and other tax credits and, the discounted portion of the governmental authorities loans, is recorded as a reduction of the related capital expenditure, development cost, inventory or expense when there is reasonable assurance that the assistance will be received. In fiscal year 2010, the Company recorded as a reduction of cost of sales an amount of $5,395 ($2,918 in 2009), and as a reduction of the related capital expenditure or development cost an amount of $2,083 ($1,430 in 2009) for government assistance.

Asset retirement obligations

The Company's asset retirement obligations represent essentially environmental rehabilitation costs related to the Company's manufacturing plant. The fair value of these obligations is measured in the year during which they are incurred when a reasonable estimate of their fair value can be made. The fair value of the obligations was determined as the sum of the estimated discounted future cash flows of the legal obligations associated with the future retirement of these rehabilitation costs. The retirement costs of these assets are capitalized as part of the property, plant and equipment and amortized over the relevant assets' useful lives, while changes to the present value of the obligations are charged to income.

As of March 31, 2010, a provision of $4,653 ($4,835 as of March 31, 2009) is included in the Company's other liabilities and $627 ($353 in 2009) in accounts payable and accrued liabilities based on management's estimate of the total discounted future cash flows using a rate of 4.5% (4.5% in 2009). During fiscal 2010, an accretion expense of $228 was recorded ($210 in 2009) in financial expenses (see Note 14).

Goodwill

Goodwill represents the excess of the purchase price, including acquisition costs up to March 31, 2009 (see note 2), over the fair value of the identifiable net assets acquired. Goodwill is tested for impairment annually, or more frequently if events or circumstances, such as significant declines in expected cash flows, indicate that it is more likely than not that the asset might be impaired. Goodwill is considered to be impaired when the carrying value of a reporting unit, including the allocated goodwill, exceeds its fair value.

The Company evaluates the recoverability of goodwill using a two-step test approach at the reporting unit. In the first step, the fair value of the reporting unit, based upon discounted future cash flows, is compared to its net carrying amount. If the fair value is greater than the carrying amount, no impairment is deemed to exist and the second step is not required to be performed. If the fair value is less than the carrying amount, a second test must be performed whereby the implied fair value of the reporting unit's goodwill must be estimated. The implied fair value of goodwill is the excess of the fair value of the reporting unit over the fair value of the identifiable net assets of the reporting unit. The carrying value of goodwill in excess of its implied fair value is charged to income.

Deferred financing costs

Deferred financing costs, which are associated with the long-term debt, are amortized using the effective interest rate method and their unamortized portion is shown as a reduction of long-term debt.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Pension and other retirement benefit plans

- The actuarial determination of the accrued benefit obligations for pensions uses the accrued benefit method for the flat benefit plan and the projected benefit method prorated on services for the other plans (which incorporate management's best estimate of future salary levels, when applicable, other cost escalations, retirement ages of employees and other actuarial factors).

- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

- Actuarial gains (losses) arise from the difference between the actual rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period and from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The weighted-average remaining service period of the active employees is 15 years for 2010 and was 16 years for 2009.

- Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of active employees at the date of amendment.

- On April 1, 2000, the Company adopted the new accounting standard on employee future benefits using the prospective application method. The Company is amortizing the transitional obligation on a straight-line basis over 17 years, which was the weighted-average remaining service period of employees expected to receive benefits under the benefit plans as of April 1, 2000.

- When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

Income taxes

Income taxes are provided for using the liability method. Under this method, future income tax assets and liabilities are determined based on all significant differences between the carrying amounts and tax bases of assets and liabilities using substantively enacted tax rates and laws, which will be in effect for the year during which the differences are expected to reverse.

A valuation allowance is recorded to reduce the carrying amount of future income tax assets, when it is more likely than not, that such assets will not be realized.

Earnings per share

The earnings per share amounts are determined using the weighted-average number of shares outstanding during the year. The treasury stock method is used to calculate diluted earnings per share giving effect to the exercise of all dilutive elements. This method assumes that the proceeds of the Company's in-the-money stock options would be used to purchase common shares at the average market price during the year.

Stock-based compensation and other stock-based payments

- Stock option plan
  The Company has a stock option plan where options to purchase common shares are issued essentially to officers and key employees. The Company uses the binomial valuation model to determine the fair value of stock options, and expenses all granting of stock options based on their earned period. The related compensation expense is included in selling and administrative expenses and its counterpart is accounted for in the Company's contributed surplus.

- Stock purchase and ownership incentive plan
  The Company has a stock purchase and ownership incentive plan allowing key management employees to subscribe, by salary deduction, to a number of common shares issued by the Company. The common share issuance is accounted for in the Company's capital stock. Also, the Company matches 50% of the employee's contribution, which cannot exceed 10% of the employee's annual base salary, by awarding to the employee, additional common shares acquired on the Toronto Stock Exchange ("TSX") at market price. However, the Company's matching award cannot exceed 4% of the employee's annual base salary. Common shares purchased by the Company on behalf of the employee are accounted for as a compensation expense which is included in the Company's selling and administrative expenses.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Stock-based compensation and other stock-based payments (Cont'd)

- Stock appreciation right plan
  The Company has a stock appreciation right plan ("SAR") where rights are issued to its non-employee directors. The SAR enables the participants to receive by way of bonus, on the exercise date of a SAR, a cash amount equal to the excess of the market price of a common share on the exercise date of the SAR over the granted price of the SAR. The SARs are expensed on an earned basis and their costs are determined based on the quoted market value of the Company's common shares over their granted value. The related compensation expense is included in selling and administrative expenses and its counterpart is accounted for in the Company's accounts payable and accrued liabilities until the SARs are exercised or cancelled.

Environmental obligations

Environmental liabilities are recorded when environmental claims or remedial efforts are probable, and the costs can be reasonably estimated. Environmental costs that relate to current operations are expensed or capitalized, as appropriate. Environmental costs of a capital nature that extend the life, increase the capacity or improve the safety of an asset or that mitigate or prevent environmental contamination that has yet to occur are included in property, plant and equipment and are generally amortized over the remaining useful life of the underlying asset. Costs that relate to an existing condition caused by past operations, and which do not contribute to future revenue generation, are expensed.

FUTURE CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards ("IFRS")

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. The conversion to IFRS will be required for the Company for interim and annual financial statements beginning on April 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. IFRS have now been incorporated into the Canadian Institute of Chartered Accountants ("CICA") Handbook effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

Also, in October 2009, the AcSB issued the exposure draft "Improvements to IFRS" to incorporate into Canadian GAAP the amendments to IFRS that result from an exposure draft issued by the International Accounting Standards Board ("IASB"). The IASB exposure draft deals with minor amendments and focuses on areas of inconsistency in standards or where clarification of wording is required. It is expected that the amendments will be effective January 1, 2011.

In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of the transition to IFRS at the changeover date. The IASB will also continue to issue new accounting standards during the conversion period, and as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

NOTE 4. FINANCIAL RISK MANAGEMENT

The Company is exposed primarily to market risk, credit and credit concentration risk, and liquidity risk as a result of holding financial instruments.

Market risk	Risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is primarily exposed to the following market risks: • Foreign exchange risk • Interest rate risk
Credit and credit concentration risks	Credit risk – Risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Credit concentration risk – Risk that the business is concentrated on a limited number of customers and financial institutions, which could cause an increased credit risk as defined above.
Liquidity risk	Risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

NOTE 4. FINANCIAL RISK MANAGEMENT (CONT'D)

MARKET RISK

Foreign exchange risk

The Company is exposed to risks resulting from foreign currency fluctuations arising either from carrying on business in Canada in foreign currencies or through operations in the United States. Based on the fiscal year ended March 31, 2010, the Company's sales made and costs incurred from its Canadian and American operations and in the related currencies were as follows (calculated based on the Company's total consolidated sales and costs):

	CANADIAN OPERATIONS		U.S. OPERATIONS		TOTAL	
	Sales	Costs	Sales	Costs	Sales	Costs
U.S. Currency	55%	28%	28%	27%	83%	55%
Canadian Currency	17%	45%	–	–	17%	45%
% of Consolidated Sales/Costs	**72%**	**73%**	**28%**	**27%**	**100%**	**100%**

The total financial instruments denominated in U.S. dollars [1] in the Company's consolidated balance sheets, as at March 31, 2010 and 2009, are as follows:

	2010	2009
Current financial assets	**$63,565**	$57,617
Long-term financial assets	**–**	–
Total financial assets	**$63,565**	$57,617
Current financial liabilities	**$18,516**	$30,047
Long-term financial liabilities	**48,158**	49,642
Total financial liabilities	**$66,674**	$79,689

1. Does not include the derivative financial instruments related to forward foreign exchange contracts.

In an effort to mitigate the foreign currency fluctuation exposure on sales, the Company makes use of derivative contracts to hedge this exposure, essentially to the U.S. currency and arising from its Canadian operations.

The Company's foreign exchange policy requires the hedging of 50% to 75%, on average, of the identified foreign currency exposure, mainly over the next two fiscal years, of the forecasted cash inflows generated by sales in U.S. currency made by its Canadian operations and related to long-term sales contracts, net of the forecasted cash outflows in U.S. currency made by its Canadian operations and related essentially to raw material and certain other material costs. This hedging policy also applies to the net forecasted cash inflows/outflows as described above, for certain specific long-term sales contracts, on a very limited basis, for an additional period of one to three fiscal years.

As at March 31, 2010, the Company, in accordance with the foreign exchange policy explained above, had forward foreign exchange contracts totalling US$150.0 million at a weighted-average rate of 1.1436 (Canadian dollar over U.S. dollar, "cad/usd") (US$162.8 million at a weighted-average rate of 1.1396 cad/usd as at March 31, 2009) maturing over the next four fiscal years, with the majority maturing over the next two fiscal years.

At March 31, 2010, the Company had also entered into forward foreign exchange contracts totalling US$11.3 million at a weighted-average rate of 1.2396 (US$11.3 million at a weighted-average rate of 1.2396 at March 31, 2009) maturing over the next four fiscal years with the majority maturing over the next two fiscal years to cover foreign exchange risk related to certain embedded derivatives.

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Company's financial instruments including the above-mentioned forward foreign exchange contracts as at the consolidated balance sheets dates. As at March 31, 2010, a 1% strengthening of the Canadian dollar over the U.S. currency, while all other variables would remain fixed, would have decreased consolidated net income by $213 ($108 in 2009) and increased comprehensive income by $447 ($363 in 2009) while a 1% reduction would have had an opposite impact of essentially the same amounts.

NOTE 4. FINANCIAL RISK MANAGEMENT (CONT'D)

MARKET RISK (CONT'D)

Interest rate risk

The Company is exposed to interest rate fluctuations primarily due to its variable interest rate on its long-term debt's Bank Credit Facilities (see Note 14). In addition, the interest rate fluctuations could also have an impact on the Company's interest income which is derived from its cash and cash equivalents.

The Company's interest rate policy generally requires maintaining an appropriate mix of fixed and variable interest rates debt to mitigate the net impact of fluctuating interest rate.

In July 2007 and March 2009, in order to limit the effect of interest rate variations over a portion of its long-term debt denominated in U.S. currency, the Company entered into a four-year interest-rate swap agreement and a two-year interest-rate swap agreement for an amount of US$15,000 and US$10,000, respectively, that fix the Libor U.S. rate at 5.53% and 1.75%, respectively. Both interest-rate swap agreements mature on August 1, 2011.

The interest rate risk sensitivity is calculated on the floating rate liability at the end of the year. Assuming a 100-basis point increase/decrease in the interest rate as at March 31, 2010, while all other variables would remain fixed, this would have reduced/increased the Company's consolidated net income for the year then ended by $126 ($157 in 2009). For the derivative financial instruments (interest-rate swap agreements), a shift of 100-basis point increase in the yield curve, as of March 31, 2010, would have increased the Company's comprehensive income for the year then ended by $227 ($607 in 2009) while a 100-basis point decrease would have reduced it by $230 ($630 in 2009).

Credit and credit concentration risks

The credit and credit concentration risks represent counterparty risks where the parties with which the Company enters into the related agreements or contracts could be unable to fulfill their commitments.

Credit risk is primarily related to the potential inability of customers to discharge their obligations with regards to the Company's accounts receivable and, of financial institutions with regards to the Company's cash and cash equivalents and derivative financial instruments.

Credit concentration risk is related to the fact that a significant portion of the Company's fiscal 2010 sales, approximately 56%, are made to a limited number of customers and that the Company deals mainly with a limited number of financial institutions. More specifically, the Company has one customer representing 16% of its consolidated sales and two customers representing between 11% and 13% of its consolidated sales, all of them in the Aerospace segment.

Accounts receivable

The credit and credit concentration risks related to this financial instrument are limited due to the fact that the Company deals generally with large corporations and Government agencies, with the exception of sales made to private small businesses in North America and non-governmental agencies outside North America which represent together approximately 8% (10% in 2009) of the Company's total annual consolidated sales for fiscal 2010 and 2009.

Besides last year's write-off, following the filing for bankruptcy of a publicly traded U.S. customer, the Company has historically not made any significant write-off of accounts receivable and the number of days in accounts receivable as at March 31, 2010 was at acceptable levels in the industries in which the Company operates.

The credit quality of accounts receivable is monitored on a regular basis through the Company's decentralized operations.

NOTE 4. FINANCIAL RISK MANAGEMENT (CONT'D)

MARKET RISK (CONT'D)

Credit and credit concentration risks (Cont'd)

Changes in the allowance for doubtful accounts were as follows for the years ended March 31, 2010 and 2009:

	2010	2009
Balance at beginning of year	$1,933	$936
Provision for doubtful accounts, net of reversals	(289)	1,025
Amounts written off	(955)	(66)
Effect of foreign exchange rate changes	72	38
Balance at end of year	$761	$1,933

The Company's trade receivables that are past due but not impaired amounted to $5,413 ($12,085 in 2009) as at March 31, 2010, of which $849 ($1,264 in 2009) were more than 90 days past due.

Cash and cash equivalents and derivative financial instruments

The credit and credit concentration risks related to these financial instruments are limited due to the fact that the Company deals exclusively with Canadian chartered banks and their U.S. subsidiaries or branches which are considered high-grade financial institutions, based on the Company's investment policy. On that basis, the Company does not anticipate any breach of agreement by counterparties.

The maximum exposure to credit risk for financial instruments represented the following as at March 31, 2010 (See Note 6 to the consolidated financial statements):

	(HFT)	Hedging items [1]	Loans and receivables (L&R)
Cash and cash equivalents	$46,591	$–	$–
Accounts receivable	–	–	39,085
Other receivables	–	–	540
Derivative financial instruments – forward foreign exchange contracts	–	19,976	–

1. Represents the fair value of certain derivative financial instruments designated in a hedging relationship.

Liquidity risk

The Company is exposed to the risk of being unable to honour its financial commitments by the deadlines set and under the terms of such commitments and at a reasonable price. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of long-term sales contracts and planned capital expenditures.

The maturity analysis of financial liabilities represented the following as at March 31, 2010 and includes the Company's Senior Credit Facilities negotiated and contracted solely with Canadian chartered banks and their U.S. subsidiaries or branches (See Note 6):

	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$44,493	$–	$–	$–	$44,493
Accounts payable – other	3,372	246	–	–	3,618
Long-term debt [2]	4,364	57,886 [1]	5,877	19,504	87,631
Other liabilities	–	1,716	–	–	1,716

1. Includes the used Banks' Credit Facilities of $43,679 maturing on October 4, 2011.
2. Includes interest accretion on governmental authorities loans.

NOTE 5. CAPITAL RISK MANAGEMENT

The general objectives of the Company's management, in terms of capital management, reside essentially in the preservation of the Company's capacity to continue operating, to continue providing benefits to its stakeholders and also, in providing an adequate return on investment to its shareholders by selling its products and services at a price commensurate with the level of operating risk assumed by the Company.

The Company thus determines the total amount of capital required consistent with risk levels. This capital structure is adjusted on a timely basis depending on changes in the economic environment and risk characteristics of the underlying assets.

In order to maintain or adjust its capital structure, the Company can:

- Issue new common shares from treasury;
- Repurchase common shares;
- Sell certain assets to reduce indebtedness;
- Return capital to shareholders;
- Modify dividends paid to shareholders (however, the Company does not anticipate paying dividends on its outstanding common shares in the near future).

In the Company's current activity sectors involving long-term contracting and major capital expenditures, the total cash flows generated by the Company must be consistent with its net debt-to-equity ratio and comparable with widespread practices in these sectors. This net debt-to-equity ratio, represented by net debt divided by shareholders' equity, is the overriding factor in the Company's capital management and monitoring practices.

The net debt is equal to total debt representing the current portion of long-term debt and long-term debt, less cash and cash equivalents. Shareholders' equity includes capital stock, contributed surplus, accumulated other comprehensive income (loss) and retained earnings. In some cases, shareholders' equity may be adjusted by amounts recorded in accumulated other comprehensive income (loss), particularly those related to cash flow hedges, depending on their nature and materiality. Moreover, in some cases and for the same reasons as those indicated above, total debt and shareholders' equity may be adjusted by the amount of subordinated or unsecured loans and off-balance sheet items.

During fiscal 2010, the Company pursued the same capital management strategy as last year, which consists in generally maintaining a sufficient net debt-to-equity ratio, so as to allow access to financing at a reasonable or acceptable cost in relation to risk taken. The Company's net debt-to-equity ratio for fiscal 2010 was 0.16:1 compared to 0.24:1 last fiscal year. Moreover, the Company is not subject to any regulatory capital requirements and the Company's capital management has not changed since the prior year.

NOTE 6. FINANCIAL INSTRUMENTS

The classification of financial instruments and their carrying amounts and fair values as at March 31, 2010 and 2009, were as follows:

	March 31, 2010					March 31, 2009				
	Carrying value				Fair value	Carrying value				Fair value
	HFT	L&R	Hedging items	Total [1]		HFT	L&R	Hedging items	Total [1]	
Financial assets										
Cash and cash equivalents	$46,591	$–	$–	$46,591	$46,591	$39,759	$–	$–	$39,759	$39,759
Accounts receivable [2]	–	39,085	–	39,085	39,085	–	52,190	–	52,190	52,190
Other receivables [3]	–	540	–	540	540	–	1,947	–	1,947	1,947
Derivative financial instruments – forward foreign exchange contracts	–	–	19,976	19,976	19,976	–	–	362	362	362
	$46,591	$39,625	$19,976	$106,192	$106,192	$39,759	$54,137	$362	$94,258	$94,258

	March 31, 2010					March 31, 2009				
	Carrying value				Fair value	Carrying value				Fair value
	HFT	Other than HFT	Hedging items	Total [1]		HFT	Other than HFT	Hedging items	Total [1]	
Financial liabilities										
Accounts payable and accrued liabilities [4]	$–	$44,493	$–	$44,493	$44,493	$–	$53,557	$–	$53,557	$53,557
Accounts payable – other [5]	–	613	2,021	2,634	2,634	–	9,917	9,512	19,429	19,429
Long-term debt, including current portion	–	81,407	–	81,407	82,988	–	87,906	–	87,906	90,076
Long-term liabilities – Other liabilities [6]	–	–	1,716	1,716	1,716	–	–	9,574	9,574	9,574
	$–	$126,513	$3,737	$130,250	$131,831	$–	$151,380	$19,086	$170,466	$172,636

1. Represents only the carrying values of financial assets and liabilities included in the corresponding balance sheet caption.
2. Comprising trade receivables.
3. Comprising certain other receivables.
4. Comprising trade accounts payable and accrued liabilities, including interest and certain payroll-related liabilities.
5. Includes the fair value of short-term derivative financial instruments.
6. Includes the fair value of long-term derivative financial instruments.

NOTE 6. FINANCIAL INSTRUMENTS (CONT'D)

Fair value of financial instruments

The carrying amount of cash and cash equivalents (classified as HFT), accounts receivable and other receivables (classified as L&R), accounts payable and accrued liabilities and, accounts payable – other (classified as Other than HFT) approximates their fair value since these items will be realized within one year or are collectible or due on demand.

The fair value of long-term debt (classified as other than HFT) is estimated based on valuation models, using the discounted cash flows method in accordance with current financing arrangements. The discount rates used correspond to prevailing market rates for debt with similar terms and conditions.

Derivative financial instruments

The Company has considered the following value hierarchy that reflects the significance of the inputs used in measuring these financial instruments accounted for at fair value in the consolidated balance sheets:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable external market data for the asset or liability, either directly or indirectly;
- Level 3: inputs that are not based on observable market data.

The fair value of derivative financial instruments and embedded derivative financial instruments in the consolidated balance sheets is established by the Company's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative instrument and factors observable in external markets data, such as interest rates, currency rates and price and rate volatilities, as applicable (Level 2 inputs). It also takes into account the credit quality of the financial instruments.

No profit or loss was accounted for fiscal years 2010 and 2009 on financial instruments designated as HFT, except for the information provided in Note 14.

NOTE 7. SELLING AND ADMINISTRATIVE EXPENSES

Foreign exchange gains or losses resulting from the translation of net monetary items denominated in foreign currencies are included in the Company's selling and administrative expenses. In fiscal 2010, the foreign exchange loss included in the Company's selling and administrative expenses amounted to $1,102 (loss of $1,241 in 2009).

NOTE 8. OTHER RECEIVABLES

Other receivables consist of:

	2010	2009
Investment and other tax credits receivable	$8,096	$5,447
Sales tax receivable	1,195	1,739
Deposits on machinery and equipment (Note 20)	772	1,115
Others	1,111	885
	$11,174	$9,186

NOTE 9. INVENTORIES

Inventories consist of:

	2010	2009
Raw materials	$47,327	$51,586
Work in progress and finished goods	69,413	78,273
Less: Progress billings	32,332	34,212
	$84,408	$95,647

NOTE 9. INVENTORIES (CONT'D)

The amount of inventories recognized as cost of sales for fiscal years 2010 and 2009 is detailed as follows:

	2010	2009
Aerospace segment	$228,661	$223,905
Industrial segment	15,409	27,164
	$244,070	$251,069

The change in write-downs related to inventories for fiscal years 2010 and 2009 is detailed as follows:

	2010	2009
Write-downs recognized as cost of sales	$5,206	$4,742
Reversal of write-downs recognized as a reduction of cost of sales	$3,883	$1,694

The inventory write-down reversal is determined following the revaluation, each year-end, of the net realizable value of inventories based on the related sales contracts and production costs. It also includes the charges against the reserve for products delivered during the year for which a net realizable value reserve was required and recorded in prior periods.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of:

		2010	
	Cost	Accumulated amortization	Net book value
Land	$3,679	$–	$3,679
Buildings and leasehold improvements	50,983	17,764	33,219
Machinery, equipment and tooling	208,796	112,713	96,083
Construction in progress, building, machinery and equipment	2,710	–	2,710
Automotive equipment	723	553	170
Computer and office equipment	5,250	3,441	1,809
	$272,141	$134,471	$137,670

		2009	
	Cost	Accumulated amortization	Net book value
Land	$4,073	$–	$4,073
Buildings and leasehold improvements	56,538	30,001	26,537
Machinery, equipment and tooling	226,811	114,939	111,872
Construction in progress, building, machinery and equipment	11,111	–	11,111
Automotive equipment	1,136	971	165
Computer and office equipment	10,386	8,663	1,723
	$310,055	$154,574	$155,481

The additions to property, plant and equipment in the amount of $13,740 for the year ended March 31, 2010, ($23,489 in 2009) presented in the consolidated statements of cash flows are shown net of $613 ($9,917 in 2009) of machinery and equipment which was delivered in the last two months of each fiscal year but not yet paid as at March 31. The additions to property, plant and equipment are also presented net of machinery and equipment of $7,630 ($5,261 in 2009) which were acquired through capital leases during the years then ended.

In fiscal 2010, the Company wrote off $30,800 of fully amortized property, plant and equipment no longer in use. This had no impact on the Company's financial results and net book value of property, plant and equipment.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Amortization expense of property, plant and equipment amounted to $19,469 in fiscal 2010 ($18,756 in 2009).

At March 31, 2010, cost of machinery, equipment and tooling includes assets acquired through capital leases amounting to $27,947 ($24,543 at March 31, 2009) with accumulated amortization of $6,635 ($5,408 as at March 31, 2009).

At March 31, 2010 and 2009, construction in progress includes the cost related to the extension of a facility in Texas and new machinery and equipment being installed as of these dates (see Note 20).

NOTE 11. FINITE-LIFE INTANGIBLE ASSETS

Finite-life intangible assets include software-related costs, backlog acquired pursuant to an acquisition and the capitalized development costs related to some Aerospace long-term sales contracts. Changes in finite-life intangible assets are as follows:

	2010	2009
Balance at beginning of year	$11,190	$5,787
Transitional adjustment following a change in accounting policy	–	1,187
Acquisition of software	562	1,554
Capitalization of development costs	3,201	2,167
Amortization	(1,730)	(1,350)
Effect of changes in exchange rate	(1,525)	1,845
	$11,698	$11,190

The finite-life intangible assets consist of:

	2010		
	Cost	Accumulated amortization	Net book value
Software	$13,154	$11,505	$1,649
Capitalized development costs	6,730	266	6,464
Backlog	7,408	3,823	3,585
	$27,292	$15,594	$11,698

	2009		
	Cost	Accumulated amortization	Net book value
Software	$15,761	$13,898	$1,863
Capitalized development costs	4,024	83	3,941
Backlog	9,198	3,812	5,386
	$28,983	$17,793	$11,190

NOTE 12. GOODWILL

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired businesses. Changes in the goodwill balance can be detailed as follows:

	2010	2009
Balance at beginning of year	$39,993	$35,812
Effect of changes in exchange rate	(4,372)	4,181
	$35,621	$39,993

NOTE 13. ACCOUNTS PAYABLE – OTHER

The Company's accounts payable – other are summarized as follows:

	2010	2009
Derivative financial instruments – forward foreign exchange contracts and embedded derivatives	$1,180	$8,642
Derivative financial instruments – interest-rate swap agreements	841	870
Machinery and equipment (see Note 10)	613	9,917
Customers' advances	1,957	–
	$4,591	$19,429

NOTE 14. LONG-TERM DEBT

	2010	2009
Senior Secured Syndicated Revolving Credit Facilities ("Credit Facilities") of up to $125,000 (same as of March 31, 2009) (see below), either in Canadian or U.S. currency equivalent, maturing on October 4, 2011, which bear interest at bankers' acceptance plus 1.0% for the Canadian Credit Facilities at March 31, 2010 (representing an effective interest rate of 1.4%; 1.7% at March 31, 2009) and at Libor plus 1.0% at March 31, 2010 for the U.S. Credit Facilities (representing an effective interest rate of 1.2%; 1.5% at March 31, 2009).		
At March 31 2010 and 2009, the Company used US$43,000 on the Credit Facilities.	$ 43,679	$ 54,235
Governmental authorities loans, repayable in variable annual instalments, with various expiry dates until 2026.	21,040	19,042
Obligations under capital leases bearing interest between 4.2% and 9.3% maturing from September 2010 to February 2016, with amortization periods ranging from five to eight years, secured by the related property, plant and equipment, net of interest in the amount of $2,428 ($2,355 at March 31, 2009).	16,688	14,509
Deferred financing costs, net	(350)	(518)
	81,057	87,268
Less: current portion	4,250	4,221
	$76,807	$83,047

Senior Secured Syndicated Revolving Credit Facilities

The Senior Secured Revolving Credit Facilities will mature on October 4, 2011, with no extension.

These Credit Facilities allow the Company and its subsidiaries to borrow up to $125,000 (either in Canadian and U.S. currency equivalent), from a group of banks and their U.S. subsidiaries or branches and are used for working capital, capital expenditures and other general corporate purposes and, are secured by all assets of the Company, and its subsidiaries and are subject to certain covenants and corporate guarantees granted by the Company and its subsidiaries.

Interest rates vary based on prime, bankers' acceptance, Libor or U.S. base rates plus a relevant margin depending on the level of the Company's indebtedness and cash flows.

These Credit Facilities are governed by two credit agreements (Canadian and U.S.).

Governmental authorities loans

Governmental authorities loans represent essentially government assistance for the purchase of specialized equipment or tooling, for the modernization or additions to the Company's facilities or for development costs capitalized or expensed for aerospace programs. They were granted as incentives under certain federal regional programs and provincial industrial programs to promote the development of the industry in Canada. These loans are either repayable according to certain specific terms, in particular depending on the Company's aerospace sales and the Company's sales of certain predetermined aircraft products within specific timeframes, and/or based on fixed repayment schedules. The conditional loan repayments are reviewed at least annually based on the latest estimate of the related sales.

NOTE 14. LONG-TERM DEBT (CONT'D)

Governmental authorities loans (Cont'd)

Governmental authorities loans usually bear no or low interests. They are measured at a discounted value using a corresponding market rate of interest each time they are received, and the related discount is accreted to income using the effective interest rate method and included in the consolidated statements of income as financial expenses (see note 2).

At March 31, 2010 and 2009, the effective interest rates for theses loans were in the range of 3.9% to 7.2%.

Covenants

Long-term debt is subject to certain general and financial covenants related among others to the working capital, capital expenditures, indebtedness, cash flows and equity of the Company and/or certain subsidiaries. As at March 31, 2010, the Company had complied with all covenants.

Minimum repayments

Minimum repayments of long-term debt during the next five years are as follows:

Years ending March 31

Years	Repayments on capital leases	Repayments on governmental authorities loans	Repayments of credit facilities	Total
2011	$3,463	$1,678	$–	**$5,141**
2012	3,456	603	43,679	**47,738**
2013	3,443	2,185	–	**5,628**
2014	3,451	2,459	–	**5,910**
2015	3,236	2,845	–	**6,081**

The minimum repayments include interest on obligations under capital leases in the amount of $2,428.

Financial expenses for the years ended March 31 comprise the following:

	2010	2009
Interest	**$2,901**	$3,230
Interest accretion on governmental authorities loans	**1,146**	1,147
Amortization of deferred financing costs	**168**	168
Standby fees	**251**	210
Accretion expense of asset retirement obligations	**228**	210
Gain on financial instruments classified as HFT – Interest income	**(18)**	(480)
Financial expenses, net	**$4,676**	$4,485

NOTE 15. OTHER LIABILITIES

The Company's other liabilities comprise the following:

	2010	2009
Pension plans and other post-retirement benefits (Note 19)	**$4,381**	$5,288
Derivative financial instruments – interest-rate swap agreements	**280**	1,160
Derivative financial instruments – forward foreign exchange contracts and embedded derivatives	**1,436**	8,414
Asset retirement obligations	**4,653**	4,835
Other	**198**	250
	$10,948	$19,947

NOTE 16. CAPITAL STOCK

Authorized capital stock

The authorized capital stock of the Company consists of the following:

An unlimited number of voting common shares, without par value;
An unlimited number of first preferred shares, issuable in series; and
An unlimited number of second preferred shares, issuable in series.

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

The issued and outstanding capital stock of the Company consists of the following:

	2010	2009
30,485,475 common shares at March 31, 2010 (31,171,688 at March 31, 2009)	**$100,641**	$102,822

Issuance of common shares

During fiscal 2010, the Company issued 75,387 common shares at a weighted-average price of $4.26 for a total net cash consideration of $322. During fiscal 2009, the Company issued 66,669 common shares at a weighted average price of $4.81 for a total net cash consideration of $321. These shares were all issued under the Company's stock purchase and ownership plan (see below).

Normal course issuer bid

On November 24, 2008, the Company launched a normal course issuer bid ("NCIB") under which the Company could repurchase up to 1,500,000 of its common shares, representing approximately 5% of the issued and outstanding common shares. The NCIB expired on November 23, 2009.

On November 25, 2009, the Company launched a new normal course issuer bid under which the Company may repurchase up to 1,500,000 of its common shares, representing approximately 5% of the issued and outstanding shares. The NCIB terminates on November 24, 2010, or on such earlier date as the Company may complete its repurchases.

During fiscal 2010, the Company repurchased 761,600 shares at an average price of $4.56, for a total net cash consideration of $3,470 under these normal course issuer bids. The excess ($967) of the cost of the common shares over their average book value ($2,503) was accounted for as a reduction of the Company's retained earnings.

During fiscal 2009, the Company repurchased 534,000 shares at an average price of $3.93, for a total net cash consideration of $2,099 under the normal course issuer bid. The excess ($340) of the cost of the common shares over their average book value ($1,759) was accounted for as a reduction of the Company's retained earnings.

Stock option plan

Under the stock option plan (the "plan"), stock options ("options") are granted to officers and key employees to purchase the Company's common shares. The plan establishes that the subscription price shall not be lower than the average closing price of the related shares for the five trading days preceding the granting of the options. Options generally may be exercised after the first anniversary of the date of grant until the seventh anniversary of the date of grant. They vest after a period ranging from one to four years. For options granted after September 1, 2003, a predetermined target market price level must be reached in order for such options to become exercisable. Cancelled or forfeited options are included in the remaining number of shares reserved for issuance under the plan.

The aggregate number of common shares reserved for issuance under the plan is 2,808,257 of which 133,718 shares had not yet been granted as at March 31, 2010.

During fiscal 2010, the Company granted 246,000 options (175,000 in 2009) to key employees representing a total fair value of $242 ($180 in 2009) or a weighted-average fair value per option of $0.98 ($1.03 in 2009) calculated using a binomial valuation model assuming a six-year expected life, expected volatility of 47% (47% in 2009), no expected dividend distribution and a compounded risk-free interest rate of 4.0% (3.6% in 2009). Option cost is amortized over their vesting period and an expense of $240 ($260 in 2009) was accounted for in selling and administrative expenses with its counterpart in the contributed surplus in the Company's shareholders' equity.

NOTE 16. CAPITAL STOCK (CONT'D)

Stock option plan (Cont'd)

As at March 31, 2010, 1,555,221 stock options were issued and outstanding as follows:

	Outstanding options			Vested options	
Range of exercise price	Number	Weighted-average years to maturity	Weighted-average exercise price	Number	Weighted-average exercise price
$3.50 to $4.99	1,052,221	3.92	$4.58	688,971	$4.59
$5.00 to $6.49	148,000	1.42	5.00	148,000	5.00
$6.50 to $10.00	355,000	4.39	9.90	177,500	9.90
	1,555,221	**3.79**	**$5.83**	**1,014,471**	**$5.58**

During the fiscal years ended March 31, 2010 and 2009, the number of options had changed as follows:

	2010		2009	
	Weighted-average exercise price	Number of stock options	Weighted-average exercise price	Number of stock options
Balance at beginning of year	**$6.27**	**1,384,221**	$6.68	1,274,221
Granted	**4.56**	**246,000**	4.58	175,000
Exercised	**–**	**–**	–	–
Cancelled/forfeited	**9.77**	**(75,000)**	9.65	(65,000)
Balance at end of year	**$5.83**	**1,555,221**	$6.27	1,384,221

Stock purchase and ownership incentive plan

On September 2, 2004, the Board of Directors of the Company approved a stock purchase and ownership incentive plan to induce management employees to hold, on a long-term basis, common shares of the Company.

Under this plan, eligible employees can subscribe monthly, by salary deductions of up to 10% of their base salary, a number of common shares issued by the Company corresponding to their monthly contribution. The subscription price of the issued common shares represents 90% of the average closing price of the Company's common share on the TSX over the five trading days preceding the common share subscription. Also, the Company matches 50% of the employee's contribution by awarding the employee, on a monthly basis, additional common shares acquired on the TSX at market price. However, the Company's matching award cannot exceed 4% of the employee's annual base salary. Common shares awarded to the employee, as well as the subscribed common shares, will vest each year on July 1st and will be released over a three-year period.

A trustee is in charge of the administration of the plan, including market purchases and subscriptions to the Company's common shares for and on behalf of the participating employees.

The aggregate number of common shares reserved for issuance under this plan represents 340,000 common shares and has been taken out from the common shares already reserved for the Company's stock option plan.

During fiscal 2010, 75,387 common shares were issued for a total cash consideration of $322 (66,669 for a total cash consideration of $321 in 2009) and 32,176 common shares were awarded (27,047 in 2009) to the participating employees. Since the beginning of the plan, 249,222 common shares were issued and 106,801 common shares were awarded to the participating employees. The cost related to the awarded common shares amounting to $155 is recorded as compensation expense ($151 in 2009) and is included in the Company's selling and administrative expenses.

Stock appreciation rights plan

The Company has a stock appreciation rights ("SAR") plan under which rights are issued to its non-employee directors. The SAR enables the participants to receive by way of bonuses, on the exercise date of a SAR, a cash amount equal to the excess of the market price of the Company's common share over the granted price of the SAR.

NOTE 16. CAPITAL STOCK (CONT'D)

Stock appreciation rights plan (Cont'd)

In fiscal 2010, 35,000 SARs were granted at a granted value of $4.56 (35,000 SARs at a granted value of $7.29 in 2009). The SARs are expensed on an earned basis and their costs are determined based on the Company's common shares quoted market value over their granted price. In fiscal 2010, $23 was recorded for SARs ($nil was recorded for fiscal 2009).

In fiscal 2010, no SARs were exercised (none in 2009) and 7,500 SARs were cancelled all in the second quarter of fiscal 2010 (7,500 SARs for the same period in 2009).

As at March 31, 2010, on a cumulative basis, 150,500 SARs were still outstanding at a weighted-average granted value of $6.14 (123,000 SARs at a weighted-average granted value of $6.59 as at March 31, 2009) which expire on various dates from fiscal 2011 to 2016.

NOTE 17. INCOME TAXES

The computation of income tax expense is as follows:

	2010	2009
Income taxes at combined federal and provincial tax rates	$6,767	$9,345
Changes in enacted rates	(50)	87
Recognition of tax benefits – losses carried forward and other items	–	(201)
Permanent differences	(528)	(898)
Income tax rate difference – U.S. subsidiaries	291	393
Impact of income tax rate differential on future income taxes	(121)	(55)
Other items	139	(66)
	$6,498	$8,605

Temporary differences and loss carry-forwards, which give rise to future income tax assets and liabilities, are as follows:

	2010	2009
Future income tax assets		
Current		
Non-deductible reserves	$3,231	$4,157
Inventories	2,613	4,626
Receivables	794	637
Derivative financial instruments	620	2,933
Tax and other credits	(2,134)	(1,181)
	$5,124	$11,172
Future income tax liabilities		
Current		
Non-deductible reserves	$4,885	$3,273
Derivative financial instruments	2,276	295
	$7,161	$3,568
Long-term		
Property, plant and equipment	$12,063	$9,152
Goodwill	2,028	2,612
Non-deductible reserves	(244)	(845)
Governmental authorities loans	1,276	389
Future tax benefits from tax losses	(1,522)	–
Derivative financial instruments	2,190	(2,818)
	$15,791	$8,490

NOTE 17. INCOME TAXES (CONT'D)

As at March 31, 2010, there were no operating losses carried forward and no other temporary differences for which related income tax assets have not been recognized in the consolidated financial statements.

As at March 31, 2010, the Company has federal non-capital losses available for carry-forward of $7,239 with the majority expiring in fiscal 2030.

Income tax expense is as follows:

	2010	2009
Current	$55	$3,835
Future	6,443	4,770
	$6,498	$8,605

NOTE 18. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS RELATED TO OPERATIONS

The net change in non-cash working capital items related to operations is detailed as follows:

	2010	2009
Accounts receivable	$13,105	$ (7,303)
Income tax receivable	(1,166)	(4,165)
Other receivables	(2,715)	5,631
Inventories	11,239	(14,504)
Prepaid expenses	(140)	(553)
Accounts payable and accrued liabilities	(20,472)	9,663
Accounts payable – other	232	1,391
Income tax payable	(3,103)	1,821
Effect of changes in exchange rate [1]	(5,101)	5,236
	$(8,121)	$(2,783)

1. Reflects the total impact of changes in exchange rate during the related fiscal year on non-cash items listed above for the Company's U.S. subsidiaries.

NOTE 19. PENSION AND OTHER RETIREMENT BENEFIT PLANS

Description of benefit plans

The Company has funded and unfunded defined benefit pension plans as well as defined contribution pension plans that provide pension benefits to its employees. Retirement benefits provided by the defined benefit pension plans are based on either years of service and flat amount, years of service and final average salary, or set out by individual agreements.

Benefits provided by the post-retirement benefit plans are set out by individual agreements, which mostly provide for life insurance coverage and health care benefits. Since their amount is not significant, they are not included in the figures below.

Total cash payments

Total cash payments for employee future benefits for fiscal 2010, consisting of cash contributed by the Company to its funded defined benefit pension plans and cash payments directly to beneficiaries for its unfunded defined benefit pension plans amounted to $2,596 ($2,768 in 2009) while the cash contributed to its defined contribution pension plans amounted to $1,837 ($1,906 in 2009).

Defined benefit plans

The Company measures the fair value of plan assets for accounting purposes as at March 31 of each year while its defined benefit obligations are valued as at December 31 of each year and projected to March 31 for all plans except one, for which the valuation is made as at March 31. The most recent actuarial valuation for funding purposes of the Unionized Employee Pension Plan was performed as at December 31, 2007. A partial actuarial valuation was conducted as at May 1, 2009 to reflect benefits negotiated on May 1, 2008 and a complete actuarial valuation will be conducted no later than December 31, 2010. The most recent actuarial valuations for funding purposes of the Registered Executive Pension Plans were as at January 1, 2009. The next required actuarial valuations for these plans will be conducted as at January 1, 2011 and 2012.

NOTE 19. PENSION AND OTHER RETIREMENT BENEFIT PLANS (CONT'D)

Defined benefit pension plan obligations

Accrued benefit obligations	2010	2009
Balance at beginning of year	$28,833	$34,825
Current service cost	643	1,106
Employee contributions	672	653
Interest cost	2,009	1,701
Benefits paid	(1,533)	(1,574)
Actuarial losses (gains)	4,306	(7,878)
Special termination benefits	114	–
Balance at end of year	$35,044	$28,833

Defined benefit pension plan assets

Fair value of plan assets	2010	2009
Balance at beginning of year	$19,232	$20,336
Actual return on plan assets	3,287	(2,951)
Employer contributions	2,596	2,768
Employee contributions	672	653
Benefits paid	(1,533)	(1,574)
Balance at end of year	$24,254	$19,232

Plan assets consist of:

Asset category [1]	2010	2009
Equity securities	56%	56%
Debt securities	42	38
Other	2	6
Total	100%	100%

1. Measured as of the measurement date of March 31 of each year.

Reconciliation of the funded status of the defined benefit pension plans to the amounts recorded in the consolidated financial statements

	2010	2009
Fair value of plan assets	$24,254	$19,232
Accrued benefit obligations	35,044	28,833
Funded status – plans deficit	(10,790)	(9,601)
Unamortized net actuarial loss	4,964	2,672
Unamortized past service cost	925	1,046
Unamortized transitional obligation	520	595
Accrued benefit liability, net of valuation allowance	$(4,381)	$(5,288)

The accrued benefit liability, net of valuation allowance, is included in the Company's consolidated balance sheets under other long-term liabilities (Note 15 – Other liabilities).

Plans with accrued benefit obligations in excess of plan assets

The above accrued benefit obligations and fair value of plan assets at year-end also represent all amounts in respect of pension plans that are not fully funded.

NOTE 19. PENSION AND OTHER RETIREMENT BENEFIT PLANS (CONT'D)

Elements of defined benefit pension costs recognized in the year

	2010	2009
Current service cost, net of employee contributions	$643	$1,106
Interest cost	2,009	1,701
Actual return on plan assets	(3,287)	2,951
Actuarial losses (gains)	4,306	(7,878)
Special termination benefits	114	–
Elements of employee future benefits costs before adjustments to recognize the long-term nature of employee future benefit costs	$3,785	$(2,120)
Adjustments to recognize the long-term nature of employee future benefit costs:		
• Difference between expected return and actual return on plan assets for the year	1,980	(4,440)
• Difference between actuarial (gain) loss recognized for the year and actual actuarial (gain) loss on accrued benefit obligations for the year	(4,272)	8,091
• Difference between amortization of past service costs for the year and actual plan amendments for the year	121	121
• Amortization of the transitional obligations	74	74
Defined benefit pension costs recognized	$1,688	$1,726

Significant assumptions

The significant assumptions used are as follows (weighted-average):

	2010	2009
Accrued benefit obligations as at March 31:		
Discount rate	5.90%	7.50%
Rate of compensation increase	3.50	3.50
Defined benefit pension costs for years ended March 31:		
Discount rate	7.50%	5.20%
Expected long-term rate of return on plan assets	6.50	7.00
Rate of compensation increase	3.50	3.50

Defined contribution pension plans

The defined contribution pension costs are as follows:

	2010	2009
Defined contribution pension costs	$1,837	$1,906

NOTE 20. COMMITMENTS

Building lease contracts

The Company has entered into leases for buildings which are used for manufacturing operations and administration. The total commitments at March 31, 2010 amounted to $1,633 excluding escalation clauses. The minimum annual lease payments over the next four years are: $564 in 2011, $500 in 2012, $374 in 2013 and $195 in 2014.

Operating lease contracts – machinery and equipment

Under operating lease contracts for machinery and equipment used for its manufacturing operations, the Company has commitments at March 31, 2010 in the amount of $6,633 for which the minimum annual operating lease payments, over the next five years, are: $1,666 in 2011, $1,666 in 2012, $1,595 in 2013, $814 in 2014 and $367 in 2015.

Under these operating lease contracts, the Company has the option to purchase the related machinery and equipment at the end of the contract. These purchase option payments, if exercised, represent the following: $518 in 2015 and $669 in 2017.

Building, machinery and equipment acquisition commitments

The Company has released purchase orders relating to the extension of a facility and, machinery and equipment which have not been delivered yet to the Company's facilities. These outstanding purchase orders at March 31, 2010 amounted to $5,205 ($4,709 in 2009) for which an amount of $772 ($1,115 in 2009) in deposits on machinery and equipment were made and are included in the Company's other receivables (Note 8).

Guarantees

The Company executes agreements that provide for indemnification and guarantees to counterparties in transactions such as business disposition and the sale of assets.

These indemnification undertakings and guarantees may require the Company to compensate the counterparties for costs or losses incurred as a result of various events including breaches of representations and warranties, intellectual property right infringement, loss of or damage to property environmental liabilities, changes in or in the interpretation of laws and regulations (including tax legislation), valuation differences or as a result of litigation that may be suffered by the counterparties.

In the sale of all or a part of a business or assets, in addition to possible indemnification relating to failure to perform covenants and breach of representations and warranties, the Company may be subjected to indemnify against claims from its past conduct of the business. The nature of these indemnification agreements prevents the Company from estimating the maximum potential liability that could be required under guarantees, since these events have not yet occurred. The duration of these indemnification agreements could extend up to 2024. At March 31, 2010 and 2009, an amount of $6,000 was provided for in the Company's accounts payable and accrued liabilities in respect to these items.

NOTE 21. CONTINGENCIES

The Company is involved in litigations and claims in the normal course of business. Management is of the opinion that any resulting settlements would not materially affect the financial position and operating results of the Company.

NOTE 22. SEGMENTED INFORMATION

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

The Company evaluates the performance of its operating segments primarily based on operating income before financial expenses and income tax expense.

The Company accounts for intersegment and related party sales and transfers, if any, at the exchange amount.

The accounting policies used to account for the operating segments are the same as those described in the summary of the Company's significant accounting policies.

Segmented information consists of the following:

Activity segments

	2010			2009		
	Aerospace	Industrial	Total	Aerospace	Industrial	Total
Sales	$297,852	$22,502	$320,354	$299,418	$38,217	$337,635
Operating income	24,743	2,434	27,177	29,291	5,162	34,453
Financial expenses, net			4,676			4,485
Income before income tax expense			22,501			29,968
Assets	370,839	24,008	394,847	385,043	32,131	417,174
Goodwill	34,712	909	35,621	38,864	1,129	39,993
Additions to property, plant and equipment	12,326	1,414	13,740	20,512	2,977	23,489
Increase in finite-life intangible assets	3,763	–	3,763	3,721	–	3,721
Amortization expense of property, plant and equipment	16,967	2,502	19,469	15,734	3,022	18,756

Geographic segments

	2010			2009		
	Canada	U.S.	Total	Canada	U.S.	Total
Sales	$230,762	$89,592	$320,354	$229,836	$107,799	$337,635
Property plant and equipment, net	90,902	46,768	137,670	94,706	60,775	155,481
Finite-life intangible assets, net	7,984	3,714	11,698	5,692	5,498	11,190
Goodwill	17,534	18,087	35,621	18,266	21,727	39,993
Export sales [1]	$136,645			$124,638		

1. Export sales are attributed to countries based on the location of the customers.

67% of the Company's sales (66% in 2009) were to U.S. customers.

NOTE 23. SUBSEQUENT EVENTS

On April 28, 2010, the Company announced that it had concluded the acquisition through a U.S. subsidiary of substantially all the net assets of U.S. based Eagle Tool & Machine Co. and of its subsidiary All Tools, Inc. (E-2 Precision Products), two privately-owned manufacturers of precision machined products mainly for the military aerospace industry, with annual sales of approximately $40,000.

The preliminary allocation of the total purchase price of the net assets acquired, along with the financing means, can be broken down as follows:

Net assets acquired		Source of funds	
Working capital	$ 16,797	Credit Facilities	$ 16,711
Property, plant and equipment	8,498	Cash	12,102
Backlog	1,390	Promissory note	3,721
Goodwill	5,849		
	$ 32,534		$ 32,534

The promissory note is repayable to the seller over 40 months, starting on April 30, 2010, bears a fixed interest rate of 5% and is guaranteed by the Company. The underlying value of the backlog which relates to specific sales contracts will be amortized on a pro rata basis over the life of the related sales contracts and units delivered.

After year-end, on May 11, 2010, the Company repurchased, as a block, 480,000 shares at a price of $5.82, for a total net cash consideration of $2,794 under the normal course issuer bid.

On May 13, 2010, the Company announced that it was launching initiatives to optimize and consolidate production capacity, while further enhancing productivity of its Québec-based facilities. Consequently, the Company's Rivière-des Prairies, Québec, facility will close in September 2010 and its production transferred to the Company's other facilities in the Greater Montréal area. The Company will record restructuring charges throughout fiscal 2011 of approximately $1.1 million ($0.8 million, net of income taxes) related to these initiatives.

NOTE 24. RECLASSIFICATION

Comparative figures for the consolidated financial statements as at March 31, 2009 and for the year then ended have been reclassified to conform to the March 31, 2010 presentation.

SHAREHOLDERS INFORMATION & CORPORATE INFORMATION

Annual General Meeting
The Annual General Meeting
of Shareholders will be held
on Thursday, August 5, 2010
at 11:00 A.M. in the
Pierre-de-Coubertin Room
of the Hôtel Omni Mont-Royal
1050 Sherbrooke Street West
Montréal, Québec, Canada

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Fax: (450) 679-4554

Springfield *
663 Montgomery Ave.
Springfield Ohio, U.S.A. 45506
Tel.: (937) 325-1586
Fax: (937) 325-9309

Cleveland *
7500 Associate Ave.
Cleveland, Ohio, U.S.A. 44144
Tel.: (216) 651-6646
Fax: (216) 651-1533

Engineering
1010 de Sérigny Street, Suite 350
Longueuil, Québec, Canada J4K 5G7
Tel.: (450) 646-9432
Fax: (450) 646-7294

Laval
3675 Industrial Blvd.
Laval, Québec, Canada H7L 4S3
Tel.: (450) 629-3454
Fax: (450) 629-5682

Kitchener
1665 Highland Rd. W.
Kitchener, Ontario, Canada N2N 3K5
Tel.: (519) 576-8910
Fax: (519) 576-5119

Les Industries C.A.T. Inc.
11800 Adolphe-Caron Street
Montréal, Québec, Canada H1E 7J3
Tel.: (514) 494-2335
Fax: (514) 494-8497

AEROSTRUCTURE

Héroux-Devtek Aerostructure
123 Avro Street
Dorval, Québec, Canada H9P 2Y9
Tel.: (514) 421-0344
Fax: (514) 421-0377

Progressive
1030 Commercial Blvd. North
Arlington, Texas, U.S.A. 76001
Tel.: (817) 465-3221
Fax: (817) 465-1289

Magtron
1480 Birchmount Rd.
Toronto, Ontario, Canada M1P 2E3
Tel.: (416) 757-2366
Fax: (416) 752-4838

INDUSTRIAL PRODUCTS

Cincinnati
189 Container Place
Cincinnati, Ohio, U.S.A. 45246
Tel.: (513) 619-1222
Fax: (513) 619-1903

382 Circle Freeway Drive
Cincinnati, Ohio, U.S.A. 45246
Tel.: (513) 619-1222
Fax: (513) 619-1225

* Following the acquisition of substantially all the net assets of Eagle Tool & Machine Co. and All Tools, Inc. (E2 Precision Product) on April 28, 2010.

BOARD OF DIRECTORS & MANAGEMENT

BOARD OF DIRECTORS

John M. Cybulski †
Chairman of the Board
Héroux-Devtek Inc.
Principal
Aeroglobe LLC
Bradenton, Florida (U.S.A.)
International business consulting firm

Gilles Labbé
President and Chief Executive Officer
Héroux-Devtek Inc.
Longueuil, Québec

Claude Boivin †
Consultant and Member of various Boards of Directors
Montréal, Québec

Christian Dubé *
Vice-President, Business Development
Cascades Inc.
Montréal, Québec
Leader in the production, conversion and the marketing of packaging products – boxboard, cartonboard – fine specialty papers and tissue papers made primarily with recycled fibre

Jean-Louis Fontaine †
Vice-Chairman of the Board and Director
Bombardier Inc.
Montréal, Québec
Diversified manufacturer of transportation equipment

Louis Morin *
Consultant. Up to March 31, 2009, Vice-President and Chief Financial Officer of Quebecor Inc. (Quebecor is one of Canada's largest media companies).
Montréal, Québec

Brian A. Robbins *
President and Chief Executive Officer
Exco Technologies Limited
Toronto, Ontario
Supplier of molded and extruded parts for the automotive and industrial markets

Réal Raymond †
Consultant. Up to 2007, President and Chief Executive Officer of National Bank of Canada
Montréal, Québec

Honorary director and honorary member of the Human Resources and Corporate Governance Committee
Helmut Hofmann
Toronto, Ontario

CORPORATE MANAGEMENT OF HÉROUX-DEVTEK

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President and Chief Executive Officer
Longueuil, Québec

Réal Bélanger
Executive Vice-President and Chief Financial Officer
Longueuil, Québec

Gabriel Duval
Vice-President, Corporate Affairs
Longueuil, Québec

Patrice Gauvin
Vice-President, Business Development
Longueuil, Québec

Gilbert Guérin
Corporate Director, Human Resources
Longueuil, Québec

Michel Robillard
Vice-President, Internal Audit and Conformity
Longueuil, Québec

Jean-François Boursier
Corporate Controller
Longueuil, Québec

† Member of Human Resources and Corporate Governance Committee
* Member of Audit Committee

PRODUCT LINE MANAGERS

LANDING GEAR

Longueuil
Martin Brassard
Vice-President, General Manager
Longueuil, Québec

Stéphane Arsenault
Vice-President, Finance & Administration
Longueuil, Quebec

Gaetan Roy
Vice-President, Plant Manager
Longueuil, Québec

Nagi Homsy
Vice-President, Engineering and Quality Assurance
Longueuil, Québec

Jean Gravel
Vice-President, Sales & Marketing
Longueuil, Québec

Sylvain Royer
Vice-President, Business Development
Longueuil, Québec

Jack Curley
Plant Manager
Kitchener, Ontario

Daniel Normandin
Plant Manager
Laval, Québec

François Courtemanche
Operations Manager
Les Industries C.A.T. Inc.
Montréal, Québec

C. William Brougher
Vice-President, Operations
Springfield and Cleveland, Ohio

Andrew Brougher
Operations Manager
Springfield, Ohio

Don Benincasa
Operations Manager
Cleveland, Ohio

AEROSTRUCTURE

Richard Rosenjack
Vice-President, General Manager
Arlington, Texas

Shelby Lee
Vice-President,
Finance & Administration
Arlington, Texas

Mike Moser
Plant Manager
Progressive, Inc.
Arlington, Texas

Sébastien Caron
Interim Plant Manager
Héroux-Devtek Aerostructure
Dorval, Québec

Hans Kleiner
Operations Manager
Magtron
Toronto, Ontario

INDUSTRIAL PRODUCTS

Michael L. Meshay
Vice-President, General Manager
Cincinnati, Ohio

Bill Michalski
Vice-President,
Finance & Administration
Cincinnati, Ohio

Becky McClanahan
Leader Sales,
Customer administration
Cincinnati, Ohio

Ken Bertrand
Operations Manager
Cincinnati, Ohio

BOARD OF DIRECTORS


John Cybulski


Gilles Labbé


Claude Boivin


Christian Dubé


Jean-Louis Fontaine


Louis Morin


Brian A. Robbins


Réal Raymond


Helmut Hofmann

MANAGEMENT


Gilles Labbé


Réal Bélanger


Gabriel Duval


Patrice Gauvin


Gilbert Guérin


Michel Robillard


Jean-François Boursier


Martin Brassard


Richard Rosenjack


Michael L. Meshay

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