

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED APRIL 30, 2006 OR

☐ TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-4604

HEICO CORPORATION

(Exact name of registrant as specified in its charter)

Florida  
(State or other jurisdiction of  
incorporation or organization)

65-0341002  
(I.R.S. Employer  
Identification No.)

3000 Taft Street, Hollywood, Florida  
(Address of principal executive offices)

33021  
(Zip Code)

(954) 987-4000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer,  
an accelerated filer, or a non-accelerated filer. See definition of "accelerated  
filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check  
one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as  
defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of each of the registrant's classes of  
common stock as of June 2, 2006:

Common Stock, \$.01 par value	10,296,239 shares
Class A Common Stock, \$.01 par value	14,970,222 shares

HEICO CORPORATION

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PART I. ITEM 1. FINANCIAL INFORMATION  
HEICO CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED

	APRIL 30, 2006	OCTOBER 31, 2005
	-----	-----
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,401,000	\$ 5,330,000
Accounts receivable, net	56,917,000	47,668,000
Inventories, net	82,947,000	62,758,000
Prepaid expenses and other current assets	4,130,000	3,159,000
Deferred income taxes	8,020,000	7,218,000
	-----	-----
Total current assets	157,415,000	126,133,000
Property, plant and equipment, net	47,473,000	46,663,000
Goodwill	264,257,000	248,229,000
Other assets	21,353,000	14,599,000
	-----	-----
Total assets	\$ 490,498,000	\$ 435,624,000
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt and current maturities of long-term debt	\$ 1,568,000	\$ 63,000
Trade accounts payable	15,260,000	11,129,000
Accrued expenses and other current liabilities	24,540,000	32,473,000
Income taxes payable	3,736,000	6,285,000
	-----	-----
Total current liabilities	45,104,000	49,950,000
Long-term debt, net of current maturities	61,022,000	34,061,000
Deferred income taxes	25,657,000	22,431,000
Other non-current liabilities	5,571,000	6,644,000
	-----	-----
Total liabilities	137,354,000	113,086,000
	-----	-----
Minority interests in consolidated subsidiaries	59,238,000	49,035,000
	-----	-----
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Preferred Stock, \$.01 par value per share; 10,000,000 shares authorized; 300,000 shares designated as Series B Junior Participating Preferred Stock and 300,000 shares designated as Series C Junior Participating Preferred Stock; none issued	--	--
Common Stock, \$.01 par value per share; 30,000,000 shares authorized; 10,288,739 and 10,057,690 shares issued and outstanding, respectively	103,000	101,000
Class A Common Stock, \$.01 par value per share; 30,000,000 shares authorized; 14,951,104 and 14,517,669 shares issued and outstanding, respectively	150,000	145,000
Capital in excess of par value	199,564,000	192,523,000
Accumulated other comprehensive loss	(9,000)	(65,000)
Retained earnings	94,098,000	80,799,000
	-----	-----
Total shareholders' equity	293,906,000	273,503,000
	-----	-----
Total liabilities and shareholders' equity	\$ 490,498,000	\$ 435,624,000
	=====	=====

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

HEICO CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED

	SIX MONTHS ENDED APRIL 30,		THREE MONTHS ENDED APRIL 30,	
	2006	2005	2006	2005
Net sales	\$ 180,193,000	\$ 123,954,000	\$ 92,092,000	\$ 66,973,000
Operating costs and expenses:				
Cost of sales	114,605,000	78,629,000	58,556,000	41,928,000
Selling, general and administrative expenses	33,682,000	25,231,000	16,916,000	13,612,000
Total operating costs and expenses	148,287,000	103,860,000	75,472,000	55,540,000
Operating income	31,906,000	20,094,000	16,620,000	11,433,000
Interest expense	(1,669,000)	(533,000)	(861,000)	(300,000)
Interest and other income	254,000	80,000	307,000	44,000
Income before income taxes and minority interests	30,491,000	19,641,000	16,066,000	11,177,000
Income tax expense	10,731,000	7,136,000	5,815,000	4,213,000
Income before minority interests	19,760,000	12,505,000	10,251,000	6,964,000
Minority interests' share of income	5,469,000	2,364,000	2,709,000	1,251,000
Net income	\$ 14,291,000	\$ 10,141,000	\$ 7,542,000	\$ 5,713,000
Net income per share:				
Basic	\$ .58	\$ .42	\$ .30	\$ .23
Diluted	\$ .54	\$ .39	\$ .28	\$ .22
Weighted average number of common shares outstanding:				
Basic	24,850,558	24,387,667	25,027,158	24,446,997
Diluted	26,426,503	26,236,782	26,621,155	26,259,988
Cash dividends per share	\$ .040	\$ .025	\$ -	\$ -

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

HEICO CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

	SIX MONTHS ENDED APRIL 30,	
	2006	2005
Operating Activities:		
Net income	\$ 14,291,000	\$ 10,141,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,323,000	3,503,000
Deferred income tax provision	1,744,000	1,351,000
Minority interests' share of income	5,469,000	2,364,000
Tax benefit from stock option exercises	2,377,000	2,580,000
Excess tax benefit from stock option exercises	(1,135,000)	--
Stock option compensation expense	887,000	1,000
Changes in assets and liabilities, net of acquisitions:		
Increase in accounts receivable	(4,519,000)	(3,989,000)
Increase in inventories	(8,937,000)	(4,471,000)
Increase in prepaid expenses and other current assets	(105,000)	(237,000)
(Decrease) increase in trade accounts payables, accrued expenses and other current liabilities	(4,416,000)	790,000
Decrease in income taxes payable	(2,568,000)	(736,000)
Other	7,000	202,000
Net cash provided by operating activities	7,418,000	11,499,000
Investing Activities:		
Acquisitions and related costs, net of cash acquired	(32,956,000)	(18,419,000)
Capital expenditures	(4,622,000)	(3,029,000)
Proceeds from sale of building held for sale	--	3,520,000
Other	467,000	(251,000)
Net cash used in investing activities	(37,111,000)	(18,179,000)
Financing Activities:		
Borrowings on revolving credit facility	34,000,000	22,000,000
Payments on revolving credit facility	(7,000,000)	(13,000,000)
Borrowings on short-term line of credit	1,000,000	--
Payments on short-term line of credit	(1,500,000)	--
Cash dividends paid	(991,000)	(610,000)
Proceeds from stock option exercises	3,785,000	801,000
Excess tax benefit from stock option exercises	1,135,000	--
Other	(685,000)	(276,000)
Net cash provided by financing activities	29,744,000	8,915,000
Effect of exchange rate changes on cash	20,000	--
Net increase in cash and cash equivalents	71,000	2,235,000
Cash and cash equivalents at beginning of year	5,330,000	214,000
Cash and cash equivalents at end of period	\$ 5,401,000	\$ 2,449,000

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

HEICO CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of HEICO Corporation and its subsidiaries (the "Company") have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-Q. Therefore, the condensed consolidated financial statements do not include all information and footnotes normally included in annual consolidated financial statements and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended October 31, 2005. The October 31, 2005 Condensed Consolidated Balance Sheet has been derived from the Company's audited consolidated financial statements. In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments (consisting principally of normal recurring accruals) necessary for a fair presentation of the condensed consolidated balance sheets, statements of operations and statements of cash flows for such interim periods presented. The results of operations for the six months ended April 30, 2006 are not necessarily indicative of the results which may be expected for the entire fiscal year.

STOCK BASED COMPENSATION

Effective November 1, 2005, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment", as interpreted by the Securities and Exchange Commission in Staff Accounting Bulletin No. 107 and began recording compensation expense associated with stock options. SFAS No. 123(R) requires companies to recognize in the statement of operations the cost of employee services received in exchange for awards of equity instruments based on the grant date fair value of those awards (with limited exceptions). Prior to the adoption of SFAS No. 123(R), the Company accounted for stock-based employee compensation using the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, compensation expense had only been recorded in the consolidated financial statements for any stock options granted below fair market value of the underlying stock as of the date of grant.

The Company adopted the modified prospective transition method provided for under SFAS 123(R) and accordingly, prior period results have not been retroactively adjusted. The modified prospective transition method requires that stock-based compensation expense be recorded for (i) all new stock options granted on or after November 1, 2005 based on the grant date fair value determined under the provisions of SFAS 123(R) and (ii) all unvested stock options granted prior to November 1, 2005 based on the grant date fair value as determined under the provisions of SFAS No. 123.

Beginning in fiscal 2006, the Company has presented the cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for stock options exercised ("excess tax benefit") as a financing activity in the Condensed Consolidated Statements of Cash Flows as prescribed by SFAS No. 123(R). Prior to the adoption of SFAS No. 123(R), the Company presented all tax benefits resulting from stock option exercises as an operating activity in the Condensed Consolidated Statements of Cash Flows. For the six months ended April 30, 2006, the excess tax benefit from stock option exercises of \$1,135,000 was presented in financing activities in the Company's Condensed Consolidated Statements of Cash Flows.

As a result of the adoption of SFAS No. 123(R), the Company's net income for the six months and three months ended April 30, 2006 includes compensation expense of \$887,000 and \$459,000, respectively, and income tax benefit related to the Company's stock options of \$267,000 and \$141,000, respectively. Substantially all of the stock option compensation expense was recorded as a component of selling, general and administrative expenses in the Company's Condensed Consolidated Statement of Operations.

The following table illustrates the pro forma effects on net income and net income per share as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation during the six months and three months ended April 30, 2005:

	SIX MONTHS ENDED APRIL 30, 2005	THREE MONTHS ENDED APRIL 30, 2005
	-----	-----
Net income, as reported	\$ 10,141,000	\$ 5,713,000
Add: Stock-based employee compensation expense included in reported net income, net of tax	1,000	1,000
Deduct: Stock-based employee compensation expense determined under a fair-value method, net of tax	(622,000)	(298,000)
	-----	-----
Pro forma net income	\$ 9,520,000	\$ 5,416,000
	=====	=====
Net income per share:		
Basic - as reported	\$ .42	\$ .23
Basic - pro forma	\$ .39	\$ .22
Diluted - as reported	\$ .39	\$ .22
Diluted - pro forma	\$ .36	\$ .21

Further information regarding stock options can be found in Note 7, Stock Options.

## OTHER NEW ACCOUNTING PRONOUNCEMENTS

In November 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4". SFAS No. 151 requires the allocation of fixed production overhead costs be based on the normal capacity of the production facilities and unallocated overhead costs recognized as an expense in the period incurred. The Statement also clarifies that abnormal inventory costs such as costs of idle facilities, excess freight and handling costs, and wasted materials (spoilage) are required to be recognized as current period charges. The provisions of SFAS No. 151 are effective for fiscal years beginning after June 15, 2005. The adoption of SFAS No. 151 did not have a material effect on the Company's results of operations, financial position, or cash flows.

In March 2005, the FASB issued FASB Interpretation No. 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations--an interpretation of FASB Statement No. 143." This Interpretation clarifies the timing of liability recognition for legal obligations associated with an asset retirement when the timing and (or) method of settling the obligation are conditional on a future event that may or may not be within the control of the entity. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The Company does not expect the adoption of FIN 47 to have a material effect on its results of operations, financial position, or cash flows.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 changes the requirements for the accounting and reporting of a change in accounting principle. The Statement eliminates the requirement in APB Opinion No. 20 to include the cumulative effect of changes in accounting principle in the income statement in the period of change, and instead requires that changes in accounting principle be retrospectively applied unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The Statement applies to all voluntary changes in accounting principle. SFAS No. 154 is effective for changes made in fiscal years beginning after December 15, 2005. The Company does not expect the adoption of SFAS No. 154 to have a material effect on its results of operations, financial position, or cash flows.

## 2. ACQUISITIONS

In November 2005, the Company, through its HEICO Aerospace Holdings Corp. subsidiary, acquired a 51% interest in the assets and business of Seal Dynamics LLC ("SDI"). The remaining 49% interest is principally held by a member of SDI's management group. As part of the agreement to acquire a 51% interest in SDI, the Company has the right to purchase the remaining 49% interest over a seven-year period beginning approximately after the second anniversary of the acquisition, or sooner under certain conditions, and the minority holder has the right to cause the Company to purchase the same equity interest over the same period. SDI is a distributor and designer of FAA-approved hydraulic, pneumatic, mechanical and electro-mechanical components for the commercial, regional and general aviation markets.



In November 2005, the Company, through its HEICO Electronic Technologies Corp. subsidiary, acquired all of the stock of Engineering Design Team, Inc. ("EDT") and substantially all of the assets of an EDT affiliate. Subject to meeting certain earnings objectives during the first four years following the acquisition, the Company may be obligated to pay additional consideration of up to \$53.0 million in aggregate. EDT specializes in the design, manufacture and sale of advanced high-technology, high-speed interface products that link devices such as telemetry receivers, digital cameras, high resolution scanners, simulation systems and test systems to almost any computer. EDT's products are utilized in homeland security, defense, medical, research, astronomical and other applications across numerous industries.

The acquisitions of SDI and EDT were accounted for using the purchase method of accounting. The purchase price of each acquisition was principally paid in cash using proceeds from the Company's revolving credit facility and was not significant to the Company's consolidated financial statements individually. The allocation of the purchase price of each acquisition to the tangible and identifiable intangible assets acquired and liabilities assumed in these condensed consolidated financial statements is preliminary until the Company obtains final information regarding their fair values. The results of operations of SDI and EDT were included in the Company's results of operations effective as of the beginning of fiscal 2006. The Company's unaudited pro forma consolidated operating results for the six months ended April 30, 2005 assuming the acquisitions of SDI and EDT had been consummated as of the beginning of fiscal 2005 would have been net sales of \$150,930,000, net income of \$12,540,000, basic net income per share of \$.51 and diluted net income per share of \$.48. The Company's unaudited pro forma consolidated operating results for the three months ended April 30, 2005 assuming the acquisitions of SDI and EDT had been consummated as of the beginning of fiscal 2005 would have been net sales of \$80,043,000, net income of \$6,744,000, basic net income per share of \$.28 and diluted net income per share of \$.26. The pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the results of operations that actually would have been achieved if the acquisitions had taken place as of the beginning of fiscal 2005. The unaudited pro forma financial information includes adjustments to historical amounts such as additional amortization expense related to acquired intangible assets, increased interest expense associated with borrowings to finance the acquisitions, increased performance awards under the terms of the acquisitions and the incremental minority interest in the net income of SDI.

Cash investing activities related to acquisitions (principally SDI and EDT), including contingent purchase price payments to previous owners of acquired businesses, and adjustments to the preliminary allocation of the purchase price of prior year acquisitions to the assets acquired and liabilities assumed for the six months ended April 30, 2006 is as follows:

	SIX MONTHS ENDED APRIL 30, 2006
	-----
Fair values of assets acquired and liabilities assumed:	
Liabilities assumed	\$ 6,081,000
Minority interests in consolidated subsidiaries	5,358,000
Less:	
Goodwill	15,731,000
Inventories, net	11,233,000
Identifiable intangible assets	8,330,000
Accounts receivable, net	4,704,000
Accrued additional purchase consideration	2,860,000
Other assets	1,537,000
	-----
Acquisitions and related costs, net of cash acquired	\$ (32,956,000)
	=====

Accrued additional purchase consideration in the above table represents amounts accrued as of October 31, 2005 as a component of goodwill in accordance with the agreements related to certain prior year acquisitions that were paid in fiscal 2006.

### 3. SELECTED FINANCIAL STATEMENT INFORMATION

#### ACCOUNTS RECEIVABLE

	APRIL 30, 2006	OCTOBER 31, 2005
	-----	-----
Accounts receivable	\$ 59,337,000	\$ 49,816,000
Less: Allowance for doubtful accounts	(2,420,000)	(2,148,000)
	-----	-----
Accounts receivable, net	\$ 56,917,000	\$ 47,668,000
	=====	=====

# COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED PERCENTAGE-OF-COMPLETION CONTRACTS

	APRIL 30, 2006	OCTOBER 31, 2005
	-----	-----
Costs incurred on uncompleted contracts	\$ 14,655,000	\$ 18,344,000
Estimated earnings	8,381,000	11,252,000
	-----	-----
	23,036,000	29,596,000
Less: Billings to date	(17,129,000)	(21,747,000)
	-----	-----
	\$ 5,907,000	\$ 7,849,000
	=====	=====
Included in accompanying condensed consolidated balance sheets under the following captions:		
Accounts receivable, net (costs and estimated earnings in excess of billings)	\$ 6,363,000	\$ 7,889,000
Accrued expenses and other current liabilities (billings in excess of costs and estimated earnings)	(456,000)	(40,000)
	-----	-----
	\$ 5,907,000	\$ 7,849,000
	=====	=====

Changes in estimates did not have a material effect on net income or diluted net income per share in the six months and three months ended April 30, 2006 and 2005.

## INVENTORIES

	APRIL 30, 2006	OCTOBER 31, 2005
	-----	-----
Finished products	\$ 41,733,000	\$ 26,136,000
Work in process	13,065,000	12,634,000
Materials, parts, assemblies and supplies	28,149,000	23,988,000
	-----	-----
Inventories, net	\$ 82,947,000	\$ 62,758,000
	=====	=====

Inventories related to long-term contracts were not significant as of April 30, 2006 and October 31, 2005.

## PROPERTY, PLANT AND EQUIPMENT

	APRIL 30, 2006	OCTOBER 31, 2005
	-----	-----
Land	\$ 3,155,000	\$ 3,155,000
Buildings and improvements	25,252,000	25,344,000
Machinery, equipment and tooling	54,622,000	53,460,000
Construction in progress	5,574,000	3,128,000
	-----	-----
	88,603,000	85,087,000
Less: Accumulated depreciation and amortization	(41,130,000)	(38,424,000)
	-----	-----
Property, plant and equipment, net	\$ 47,473,000	\$ 46,663,000
	=====	=====

#### 4. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company has two operating segments: the Flight Support Group ("FSG") and the Electronic Technologies Group ("ETG"). Changes in the carrying amount of goodwill by operating segment for the six months ended April 30, 2006 are as follows:

	SEGMENT		CONSOLIDATED TOTALS
	FSG	ETG	
Balances as of October 31, 2005	\$ 122,041,000	\$ 126,188,000	\$ 248,229,000
Goodwill acquired	12,117,000	3,188,000	15,305,000
Adjustments to goodwill	458,000	265,000	723,000
Balances as of April 30, 2006	\$ 134,616,000	\$ 129,641,000	\$ 264,257,000

The goodwill acquired is a result of the acquisitions described in Note 2, Acquisitions. Adjustments to goodwill consist primarily of adjustments related to the preliminary allocation of the purchase price of prior year acquisitions to the assets acquired and liabilities assumed (see Note 2) and contingent purchase price payments to previous owners of acquired businesses.

Identifiable intangible assets, which are recorded within other assets in the Company's Condensed Consolidated Balance Sheets, consist of:

	AS OF APRIL 30, 2006			AS OF OCTOBER 31, 2005		
	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET CARRYING AMOUNT	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET CARRYING AMOUNT
Amortizing Assets:						
Customer relationships	\$ 3,244,000	\$ (232,000)	\$ 3,012,000	\$ 0	\$ 0	\$ 0
Intellectual property	1,992,000	(249,000)	1,743,000	--	--	--
Licenses	1,000,000	(290,000)	710,000	1,000,000	(252,000)	748,000
Non-compete agreements	774,000	(283,000)	491,000	660,000	(129,000)	531,000
Patents	533,000	(80,000)	453,000	477,000	(60,000)	417,000
	7,543,000	(1,134,000)	6,409,000	2,137,000	(441,000)	1,696,000
Non-Amortizing Assets:						
Trade names	6,629,000	--	6,629,000	3,650,000	--	3,650,000
	\$ 14,172,000	\$ (1,134,000)	\$ 13,038,000	\$ 5,787,000	\$ (441,000)	\$ 5,346,000

The increase in the gross carrying amount of customer relationships, intellectual property, non-compete agreements and trade names as of April 30, 2006 compared to October 31, 2005 principally relates to such intangible assets recognized in connection with the acquisitions of EDT and SDI (see Note 2, Acquisitions). A portion of the change in the gross carrying amount of trade names and non-compete agreements reflects adjustments to the preliminary allocation of the purchase price of prior year acquisitions to such identifiable intangible assets (see Note 2). The weighted average amortization period of the customer relationships, intellectual property and non-compete agreements acquired during the six months ended April 30, 2006 is approximately seven years, four years, and seven years, respectively.

Amortization expense of other intangible assets for the six months and three months ended April 30, 2006 was \$693,000 and \$377,000, respectively. Amortization expense of other intangible assets for the fiscal year ending October 31, 2006 is estimated to be \$1,372,000. Amortization expense for each of the next five fiscal years is estimated to be \$1,274,000 in fiscal 2007, \$1,123,000 in fiscal 2008, \$1,109,000 in fiscal 2009, \$611,000 in fiscal 2010 and \$611,000 in fiscal 2011.

#### 5. SHORT-TERM AND LONG-TERM DEBT

One of the Company's subsidiaries has a \$6.0 million short-term line of credit with a bank, which expires in June 2006. The line of credit may be used for inventory purchases and other working capital needs and is secured by all the assets of the subsidiary. Borrowings under the line of credit bear interest at a rate mutually agreed upon by the subsidiary and the bank. As of April 30, 2006, \$1.5 million was outstanding under the line of credit at a weighted average interest rate of 5.6%.

Long-term debt consists of:

	APRIL 30, 2006	OCTOBER 31, 2005
	-----	-----
Borrowings under revolving credit facility	\$ 59,000,000	\$ 32,000,000
Industrial Development Revenue Refunding		
Bonds - Series 1988	1,980,000	1,980,000
Capital leases and equipment loans	110,000	144,000
	-----	-----
	61,090,000	34,124,000
Less: Current maturities of long-term debt	(68,000)	(63,000)
	-----	-----
	\$ 61,022,000	\$ 34,061,000
	=====	=====

As of April 30, 2006 and October 31, 2005, the weighted average interest rates on borrowings under the Company's revolving credit facility were 5.6% and 4.7%, respectively. The revolving credit facility contains both financial and non-financial covenants. As of April 30, 2006, the Company believes it is in compliance with all such covenants.

The interest rates on the Series 1988 industrial development revenue bonds were 3.9% and 2.8% as of April 30, 2006 and October 31, 2005, respectively.

## 6. SHAREHOLDERS' EQUITY

Changes in consolidated shareholders' equity for the six months ended April 30, 2006 are as follows:

	COMMON STOCK	CLASS A COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	ACCUMULATED OTHER COMPREHENSIVE LOSS	RETAINED EARNINGS
	-----	-----	-----	-----	-----
Balances as of October 31, 2005	\$ 101,000	\$ 145,000	\$ 192,523,000	\$ (65,000)	\$ 80,799,000
Net income	--	--	--	--	14,291,000
Foreign currency translation adjustments	--	--	--	56,000	--
Cash dividends (\$.04 per share)	--	--	--	--	(991,000)
Tax benefit from stock option exercises	--	--	2,377,000	--	--
Proceeds from stock option exercises	2,000	5,000	3,778,000	--	--
Stock option compensation expense	--	--	887,000	--	--
Other	--	--	(1,000)	--	(1,000)
	-----	-----	-----	-----	-----
Balances as of April 30, 2006	<u>\$ 103,000</u>	<u>\$ 150,000</u>	<u>\$ 199,564,000</u>	<u>\$ (9,000)</u>	<u>\$ 94,098,000</u>

## 7. STOCK OPTIONS

The Company currently has two stock option plans, the 2002 Stock Option Plan ("2002 Plan") and the Non-Qualified Stock Option Plan under which stock options may be granted. The Company's 1993 Stock Option Plan ("1993 Plan") terminated in March 2003 on the tenth anniversary of its effective date. No options may be granted under the 1993 Plan after such termination date; however, options outstanding as of the termination date may be exercised pursuant to their terms. In addition, the Company granted stock options to two former shareholders of an acquired business pursuant to employment agreements entered into in connection with the acquisition in fiscal 1999. A total of 3,031,613 shares of the Company's stock are reserved for issuance to employees, directors, officers, and consultants as of April 30, 2006, including 2,869,150 shares currently under option and 162,463 shares available for future grants. Options issued under the 2002 Plan may be designated as incentive stock options or non-qualified stock options. Incentive stock options are granted with an exercise price of not less than 100% of the fair market value of the Company's common stock as of date of grant (110% thereof in certain cases) and are exercisable in percentages specified as of the date of grant over a period up to ten years. Only employees are eligible to receive incentive stock options. Non-qualified stock options under the 2002 Plan may be granted at less than fair market value and may be immediately exercisable. Options granted under the Non-Qualified Stock Option Plan may be granted with an exercise price of no less than the fair market value of the Company's common stock as of the date of grant and are generally exercisable in four equal annual installments commencing one year from the date of grant. The options granted pursuant to the 2002 Plan may be designated as Common Stock and/or Class A Common Stock in such proportions as shall be determined by the Board of Directors or the Stock Option Plan Committee in its sole discretion. The stock options granted to two former shareholders of an acquired business were fully vested and transferable as of the grant date and expire ten years from the date of grant. The exercise price of such options was the fair market

value as of the date of grant. Options under all stock option plans expire not later than ten years after the date of grant, unless extended by the Stock Option Plan Committee or the Board of Directors.

Information concerning stock option activity for the six months ended April 30, 2006 is as follows:

	SHARES AVAILABLE FOR GRANT	SHARES UNDER OPTION	
		SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding as of October 31, 2005	156,303	3,588,680	\$ 9.50
Granted	--	--	\$ --
Cancelled	6,160	(9,358)	\$ 8.95
Exercised	--	(710,172)	\$ 6.91
Outstanding as of April 30, 2006	162,463	2,869,150	\$ 10.14

Information concerning stock options outstanding and stock options exercisable by class of common stock as of April 30, 2006 is as follows:

#### COMMON STOCK

OPTIONS OUTSTANDING				
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	AGGREGATE INTRINSIC VALUE
\$1.16 - \$ 2.90	111,182	\$ 1.84	1.4	\$ 3,442,000
\$2.91 - \$ 7.00	127,250	\$ 6.31	0.6	3,371,000
\$7.01 - \$12.00	591,250	\$ 8.97	5.3	14,091,000
\$12.01 - \$21.92	456,751	\$ 14.21	4.8	8,491,000
	1,286,433	\$ 9.95	4.3	\$ 29,395,000

OPTIONS EXERCISABLE				
RANGE OF EXERCISE PRICES	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	AGGREGATE INTRINSIC VALUE
\$1.16 - \$ 2.90	111,182	\$ 1.84	1.4	\$ 3,442,000
\$2.91 - \$ 7.00	127,250	\$ 6.31	0.6	3,371,000
\$7.01 - \$12.00	469,249	\$ 9.18	4.9	11,084,000
\$12.01 - \$21.92	380,751	\$ 14.24	4.7	7,067,000
	1,088,432	\$ 9.86	4.0	\$ 24,964,000

CLASS A COMMON STOCK

OPTIONS OUTSTANDING				
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	AGGREGATE INTRINSIC VALUE
\$1.16 - \$ 2.90	105,795	\$ 1.80	1.4	\$ 2,740,000
\$2.91 - \$ 7.00	151,065	\$ 5.65	5.5	3,331,000
\$7.01 - \$12.00	734,534	\$ 8.48	4.9	14,115,000
\$12.01 - \$21.92	591,323	\$ 15.24	3.9	7,370,000
	-----			-----
	1,582,717	\$ 10.29	4.3	\$ 27,556,000
	=====			=====

OPTIONS EXERCISABLE				
RANGE OF EXERCISE PRICES	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	AGGREGATE INTRINSIC VALUE
\$1.16 - \$ 2.90	105,795	\$ 1.80	1.4	\$ 2,740,000
\$2.91 - \$ 7.00	99,805	\$ 5.71	4.7	2,195,000
\$7.01 - \$12.00	656,575	\$ 8.44	4.7	12,645,000
\$12.01 - \$21.92	551,386	\$ 15.36	3.7	6,802,000
	-----			-----
	1,413,561	\$ 10.45	4.1	\$ 24,382,000
	=====			=====

The aggregate intrinsic values in the tables above are calculated based on the difference between the closing price per share of the underlying common stock as reported on the New York Stock Exchange as of April 30, 2006 less the option exercise price (if a positive spread) multiplied by the number of stock options.

If there were a change in control of the Company, options outstanding for an additional 147,707 shares of Common Stock and 151,602 shares of Class A Common Stock would become immediately exercisable.

Information concerning stock options exercised during the six months ended April 30, 2006 is as follows:

	SIX MONTHS ENDED APRIL 30, 2006
Cash proceeds from stock option exercises	\$ 3,785,000
Tax benefit realized from stock option exercises	1,387,000
Intrinsic value of stock option exercises	13,461,000

Effective as of November 1, 2005, the Company generally recognizes compensation expense ratably over the vesting period. As of April 30, 2006, there was \$1.3 million of pretax unrecognized compensation expense related to nonvested stock options, which is expected to be recognized over a weighted average period of approximately 1.6 years.



# 8. RESEARCH AND DEVELOPMENT EXPENSES

Cost of sales for the six months ended April 30, 2006 and 2005 includes approximately \$8.2 million and \$5.3 million, respectively, of new product research and development expenses. Cost of sales for the three months ended April 30, 2006 and 2005 includes approximately \$4.4 million and \$2.9 million, respectively, of new product research and development expenses. The expenses are net of reimbursements pursuant to research and development cooperation and joint venture agreements, which were not significant.

# 9. NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted net income per share for the six months and three months ended April 30:

	SIX MONTHS ENDED APRIL 30,		THREE MONTHS ENDED APRIL 30,	
	2006	2005	2006	2005
Numerator:				
Net income	\$ 14,291,000	\$ 10,141,000	\$ 7,542,000	\$ 5,713,000
Denominator:				
Weighted average common shares outstanding-basic	24,850,558	24,387,667	25,027,158	24,446,997
Effect of dilutive stock options	1,575,945	1,849,115	1,593,997	1,812,991
Weighted average common shares outstanding-diluted	26,426,503	26,236,782	26,621,155	26,259,988
Net income per share- basic	\$ .58	\$ .42	\$ .30	\$ .23
Net income per share- diluted	\$ .54	\$ .39	\$ .28	\$ .22
Anti-dilutive stock options excluded	24,581	218,010	1,000	215,846

# 10. OPERATING SEGMENTS

Information on the Company's two operating segments, the Flight Support Group ("FSG"), consisting of HEICO Aerospace Holdings Corp. and its subsidiaries, and the Electronic Technologies Group ("ETG"), consisting of HEICO Electronic Technologies Corp. and its subsidiaries, for the six months and three months ended April 30, 2006 and 2005, respectively, is as follows:

	SEGMENT		OTHER, PRIMARILY CORPORATE AND INTERSEGMENT	CONSOLIDATED TOTALS
	FSG	ETG		
For the six months ended April 30, 2006:				
Net sales	\$ 124,169,000	\$ 56,093,000	\$ (69,000)	\$ 180,193,000
Depreciation and amortization	2,415,000	1,751,000	157,000	4,323,000
Operating income	23,344,000	14,365,000	(5,803,000)	31,906,000
Capital expenditures	3,666,000	914,000	42,000	4,622,000
For the six months ended April 30, 2005:				
Net sales	\$ 88,316,000	\$ 35,761,000	\$ (123,000)	\$ 123,954,000
Depreciation and amortization	2,252,000	1,035,000	216,000	3,503,000
Operating income	16,467,000	6,681,000	(3,054,000)	20,094,000
Capital expenditures	2,469,000	545,000	15,000	3,029,000
For the three months ended April 30, 2006:				
Net sales	\$ 62,480,000	\$ 29,622,000	\$ (10,000)	\$ 92,092,000
Depreciation and amortization	1,221,000	882,000	71,000	2,174,000
Operating income	11,036,000	8,655,000	(3,071,000)	16,620,000
Capital expenditures	2,851,000	528,000	36,000	3,415,000
For the three months ended April 30, 2005:				
Net sales	\$ 46,053,000	\$ 20,987,000	\$ (67,000)	\$ 66,973,000
Depreciation and amortization	1,116,000	551,000	112,000	1,779,000
Operating income	8,869,000	4,219,000	(1,655,000)	11,433,000
Capital expenditures	1,735,000	337,000	13,000	2,085,000

The total assets held by each operating segment as of April 30, 2006 and October 31, 2005 is as follows:

	SEGMENT		OTHER, PRIMARILY CORPORATE	CONSOLIDATED TOTALS
	FSG	ETG		
Total assets as of April 30, 2006	\$ 269,603,000	\$ 203,935,000	\$ 16,960,000	\$ 490,498,000
Total assets as of October 31, 2005	230,229,000	188,851,000	16,544,000	435,624,000

## 11. COMMITMENTS AND CONTINGENCIES

### GUARANTEES

The Company has arranged for standby letters of credit aggregating \$2.2 million to meet the security requirement of its insurance company for potential workers' compensation claims and one of the Company's subsidiaries has guaranteed its performance related to a customer contract through a letter of credit for \$.1 million, expiring August 2006. These letters of credit are supported by the Company's revolving credit facility. In addition, the Company's industrial development revenue bonds are secured by a \$2.0 million letter of credit expiring April 2008 and a mortgage on the related properties pledged as collateral.

Changes in the Company's product warranty liability for the six months ended April 30, 2006 and 2005, respectively, are as follows:

	2006	2005
	-----	-----
Balances as of beginning of fiscal year	\$ 395,000	\$ 129,000
Acquired warranty liabilities	15,000	--
Accruals for warranties	167,000	262,000
Warranty claims settled	(212,000)	(105,000)
	-----	-----
Balances as of April 30	\$ 365,000	\$ 286,000
	=====	=====

As part of the agreement to acquire an 80% interest in a subsidiary by the ETG in fiscal 2004, the Company has the right to purchase the minority interests beginning at approximately the tenth anniversary of the acquisition, or sooner under certain conditions, and the minority holders have the right to cause the Company to purchase their interests commencing on approximately the fifth anniversary of the acquisition, or sooner under certain conditions.

As part of the agreement to purchase a subsidiary by the ETG in fiscal 2005, the Company may be obligated to pay additional purchase consideration of up to \$3.8 million in aggregate should the subsidiary meet certain earnings objectives during the first four years following the acquisition. In the second quarter of 2006, the Company paid \$2.2 million of such additional purchase consideration based on the subsidiary's earnings relative to target for the first year.

As part of the agreement to purchase a subsidiary by the ETG in fiscal 2005, the Company may be obligated to pay additional purchase consideration currently estimated to total up to \$2.3 million should the subsidiary meet certain product line-related earnings objectives during the fourth and fifth years following the acquisition. The additional purchase consideration will be accrued when the earnings objectives are met.

As part of the agreement to acquire an 85% interest in a subsidiary by the ETG in fiscal 2005, the minority holders have the right to cause the Company to purchase their interests over a four-year period starting around the second anniversary of the acquisition, or sooner under certain conditions.

As part of the agreement to acquire a 51% interest in a subsidiary by the FSG in fiscal 2006, the Company has the right to purchase 28% of the equity interests of the subsidiary over a four-year

period beginning approximately after the second anniversary of the acquisition, or sooner under certain conditions, and the minority holder has the right to cause the Company to purchase the same equity interest over the same period. Further, the Company has the right to purchase the remaining 21% of the equity interests of the subsidiary over a three-year period beginning approximately after the fourth anniversary of the acquisition, or sooner under certain conditions, and the minority holder has the right to cause the Company to purchase the same equity interest over the same period.

As part of the agreement to acquire a subsidiary by the ETG in fiscal 2006, the Company may be obligated to pay additional consideration of up to \$53.0 million in aggregate during the first four years following the acquisition. The maximum amount of additional consideration that may become payable by year is \$6.8 million in fiscal 2006, \$9.2 million in fiscal 2007, \$17.8 million in fiscal 2008 and \$19.2 million in fiscal 2009. The additional purchase consideration will be accrued when the earnings objectives are met.

The Company has also accrued additional purchase consideration aggregating \$5.5 million as of April 30, 2006 in accordance with the agreements related to certain acquisitions based principally on the actual value of the net assets acquired. The Company expects to pay this amount in fiscal 2006.

As part of an agreement for exclusive license rights to intellectual property, one of the subsidiaries of the ETG has guaranteed minimum royalty payments aggregating \$4 million through fiscal 2007.

#### LITIGATION

The Company is involved in various legal actions arising in the normal course of business. Based upon the Company's and its legal counsel's evaluations of any claims or assessments, management is of the opinion that the outcome of these matters will not have a material adverse effect on the Company's results of operations, financial position, or cash flows.

#### 12. SUBSEQUENT EVENT

In May 2006, the Company, through its HEICO Aerospace Holdings Corp. subsidiary, acquired all of the stock of Arger Enterprises, Inc. ("Arger") and two affiliated companies of Arger. Arger designs and distributes FAA-approved aircraft and engine parts primarily for the commercial aviation market.

The purchase price of this acquisition was not significant to the Company's condensed consolidated financial statements and was principally paid using proceeds from the Company's revolving credit facility.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

This discussion of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and notes thereto included herein. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates if different assumptions were used or different events ultimately transpire.

The Company's critical accounting policies, some of which require management to make judgments about matters that are inherently uncertain, are described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the heading "Critical Accounting Policies" in the Company's Annual Report on Form 10-K for the year ended October 31, 2005.

The Company has two operating segments: the Flight Support Group ("FSG"), consisting of HEICO Aerospace Holdings Corp. ("HEICO Aerospace") and its subsidiaries, and the Electronic Technologies Group ("ETG"), consisting of HEICO Electronic Technologies Corp. and its subsidiaries.

The Company's results of operations during the six months ended April 30, 2006 have been affected by several recent acquisitions.

In November 2005, the Company, through its HEICO Aerospace Holdings Corp. subsidiary, acquired a 51% interest in Seal Dynamics LLC ("SDI"). The remaining 49% interest is principally held by a member of SDI's management group. In November 2005, the Company, through its HEICO Electronic Technologies Corp. subsidiary, acquired Engineering Design Team, Inc. ("EDT") and an EDT affiliate. The purchase price of each acquisition was principally paid in cash using proceeds from the Company's revolving credit facility and was not significant to the Company's consolidated financial statements individually. The operating results of SDI and EDT were included in the Company's results of operations effective as of the beginning of fiscal 2006. For further information regarding these acquisitions, see Note 2, Acquisitions, of the Notes to Condensed Consolidated Financial Statements.

During fiscal 2005, the Company, through its HEICO Electronic Technologies Corp. subsidiary, acquired Connectronics, Corp. and its affiliate, Wiremax, Ltd. (collectively "Connectronics") in December 2004, Lumina Power, Inc. ("Lumina") in February 2005, and an 85% interest in HVT Group, Inc. ("HVT") in September 2005. The remaining 15% interest is held by certain members of HVT's management group. The operating results of each acquired company were included in the Company's results of operations from their effective acquisition date.

As further explained within Comparison of First Six Months of Fiscal 2006 to First Six Months of Fiscal 2005, the first six months of fiscal 2006 reflects the full impact of each of the above mentioned acquisitions whereas the first six months of fiscal 2005 includes just five months of operating results of Connectronics and three months of operating results of Lumina from each of their respective aforementioned acquisition dates.

As further explained within Comparison of Second Quarter of Fiscal 2006 to the Second Quarter of Fiscal 2005, the second quarter of fiscal 2006 reflects the full impact of each of the above mentioned acquisitions whereas the second quarter of fiscal 2005 includes just the operating results of Connectronics and Lumina and not of HVT, SDI and EDT, which were acquired subsequently.

#### RESULTS OF OPERATIONS

The following table sets forth the results of the Company's operations, net sales and operating income by segment, and the percentage of net sales represented by the respective items in the Company's Condensed Consolidated Statements of Operations.

	SIX MONTHS ENDED APRIL 30,		THREE MONTHS ENDED APRIL 30,	
	2006	2005	2006	2005
Net sales	\$ 180,193,000	\$ 123,954,000	\$ 92,092,000	\$ 66,973,000
Cost of sales	114,605,000	78,629,000	58,556,000	41,928,000
Selling, general and administrative expenses	33,682,000	25,231,000	16,916,000	13,612,000
Total operating costs and expenses	148,287,000	103,860,000	75,472,000	55,540,000
Operating income	\$ 31,906,000	\$ 20,094,000	\$ 16,620,000	\$ 11,433,000
Net sales by segment:				
Flight Support Group	\$ 124,169,000	\$ 88,316,000	\$ 62,480,000	\$ 46,053,000
Electronic Technologies Group	56,093,000	35,761,000	29,622,000	20,987,000
Intersegment sales	(69,000)	(123,000)	(10,000)	(67,000)
	\$ 180,193,000	\$ 123,954,000	\$ 92,092,000	\$ 66,973,000
Operating income by segment:				
Flight Support Group	\$ 23,344,000	\$ 16,467,000	\$ 11,036,000	\$ 8,869,000
Electronic Technologies Group	14,365,000	6,681,000	8,655,000	4,219,000
Other, primarily corporate	(5,803,000)	(3,054,000)	(3,071,000)	(1,655,000)
	\$ 31,906,000	\$ 20,094,000	\$ 16,620,000	\$ 11,433,000
Net sales	100.0%	100.0%	100.0%	100.0%
Gross profit	36.4%	36.6%	36.4%	37.4%
Selling, general and administrative expenses	18.7%	20.4%	18.4%	20.3%
Operating income	17.7%	16.2%	18.0%	17.1%
Interest expense	0.9%	0.4%	0.9%	0.4%
Interest and other income	0.1%	0.1%	0.3%	0.1%
Income tax expense	6.0%	5.8%	6.3%	6.3%
Minority interests' share of income	3.0%	1.9%	2.9%	1.9%
Net income	7.9%	8.2%	8.2%	8.5%

## COMPARISON OF FIRST SIX MONTHS OF FISCAL 2006 TO FIRST SIX MONTHS OF FISCAL 2005

### Net Sales

Net sales for the first six months of fiscal 2006 increased by 45.4% to \$180.2 million, as compared to net sales of \$124.0 million for the first six months of fiscal 2005. The increase in net sales reflects an increase of \$35.9 million (a 40.6% increase) to \$124.2 million in net sales within the FSG, and an increase of \$20.3 million (a 56.9% increase) to \$56.1 million in net sales within the ETG. The FSG's net sales increase reflects the acquisition of SDI and organic growth of approximately 14%. The organic growth reflects increased sales of new products and services as well as improved demand for the FSG's aftermarket replacement parts and repair and overhaul services, associated with continued recovery within the commercial airline industry. The ETG's net sales increase reflects the acquisitions of Connectronics, Lumina, HVT and EDT and organic growth of approximately 9% reflecting increased demand for certain products.

### Gross Profit and Operating Expenses

The Company's gross profit margin decreased slightly to 36.4% for the first six months of fiscal 2006 as compared to 36.6% for the first six months of fiscal 2005, reflecting slightly lower margins within the FSG offset by an increase in the ETG margin. The FSG's gross profit margin decrease was due principally to a less favorable product mix including the expected impact of lower margins realized on products distributed by SDI. The ETG's gross profit margin increase was principally from improved product mix, including a higher margin product mix contributed by recent acquisitions. Consolidated cost of sales for the first six months of fiscal 2006 and 2005 includes approximately \$8.2 million and \$5.3 million, respectively, of new product research and development expenses.

Selling, general and administrative ("SG&A") expenses were \$33.7 million and \$25.2 million for the first six months of fiscal 2006 and fiscal 2005, respectively. The increase in SG&A expenses was mainly due to higher operating costs, principally personnel related, associated with the aforementioned acquisitions, the increase in net sales discussed above, an increase in corporate expenses and stock option compensation expense (see Stock Based Compensation below). Corporate expenses are up due to increased costs to comply with the Sarbanes-Oxley Act of 2002 and higher accrued performance awards. The majority of such costs incurred in fiscal 2005 were not incurred until the second half of fiscal 2005.

As a percentage of net sales, SG&A expenses decreased to 18.7% for the first six months of fiscal 2006 compared to 20.4% for the first six months of fiscal 2005. The decrease as a percentage of net sales is due to improved efficiencies in controlling costs while increasing revenues.

### Operating Income

Operating income for the first six months of fiscal 2006 increased by 58.8% to \$31.9 million, compared to operating income of \$20.1 million for the first six months of fiscal 2005. The increase in operating income reflects an increase of \$6.8 million (a 41.8% increase) to \$23.3 million in

operating income of the FSG in the first six months of fiscal 2006 from \$16.5 million for the first six months of fiscal 2005. Operating income of the ETG increased \$7.7 million (a 115.0% increase) to \$14.4 million for the first six months of fiscal 2006 from \$6.7 million for the first six months of fiscal 2005. These increases were partially offset by the aforementioned increase in corporate expenses. As a percentage of net sales, operating income increased from 16.2% in the first six months of fiscal 2005 to 17.7% in the first six months of fiscal 2006. The increase in operating income as a percentage of net sales reflects an increase in the FSG's operating income as a percentage of net sales from 18.6% in the first six months of fiscal 2005 to 18.8% in the first six months of fiscal 2006 and an increase in the ETG's operating income as a percentage of net sales from 18.7% in the first six months of fiscal 2005 to 25.6% in the first six months of fiscal 2006. The increase in the FSG's operating income as a percentage of net sales reflects improved operating efficiencies. The increase in the ETG's operating income as a percentage of net sales reflects the increased gross profit margins discussed previously.

#### Interest Expense

Interest expense increased to \$1,669,000 in the first six months of fiscal 2006 from \$533,000 in the first six months of fiscal 2005. The increase was principally due to a higher weighted average balance outstanding under the revolving credit facility in the first six months of fiscal 2006 and higher interest rates.

#### Interest and Other Income

Interest and other income in the first six months of fiscal 2006 and fiscal 2005 were not material.

#### Income Tax Expense

The Company's effective tax rate for the first six months of fiscal 2006 decreased to 35.2% from 36.3% for the first six months of fiscal 2005. The decrease is principally due to a higher amount of the minority interests' share of income excluded from the Company's fiscal 2006 consolidated income subject to federal income taxes.

#### Minority Interests' Share of Income

Minority interests' share of income of consolidated subsidiaries relates to the minority interests held in HEICO Aerospace, including the 49% minority interest held in SDI, and the minority interests held in the ETG, which consist of the 20% minority interest held in Sierra Microwave Technology, LLC ("Sierra") and the 15% minority interest held in HVT. The increase in the minority interests' share of income for the first six months of fiscal 2006 compared to the first six months of fiscal 2005 is attributable to the acquisitions of SDI (November 2005) and HVT (September 2005) and the higher earnings of the FSG and Sierra.



## Net Income

The Company's net income was \$14.3 million, or \$.54 per diluted share, for the first six months of fiscal 2006 compared to \$10.1 million, or \$.39 per diluted share, for the first six months of fiscal 2005 reflecting the increased operating income referenced above.

## OUTLOOK

The Company reported increased sales and operating income in its two business segments reflecting both growth through acquisitions and strong organic growth. Consolidated operating margins experienced in the first half of fiscal 2006 approximate those currently expected for the full fiscal 2006 year.

Based on the Company's continued success in introducing new products and services and increasing product demand, the Company continues to target growth in fiscal 2006 sales and net income over fiscal 2005.

## COMPARISON OF SECOND QUARTER OF FISCAL 2006 TO SECOND QUARTER OF FISCAL 2005

### Net Sales

Net sales for the second quarter of fiscal 2006 increased by 37.5% to \$92.1 million, as compared to net sales of \$67.0 million for the second quarter of fiscal 2005. The increase in net sales reflects an increase of \$16.4 million (a 35.7% increase) to \$62.5 million in net sales within the FSG, and an increase of \$8.6 million (a 41.1% increase) to \$29.6 million in net sales within the ETG. The FSG's net sales increase reflects the acquisition of SDI and organic growth of approximately 9%. The organic growth reflects increased sales of new products and services as well as improved demand for the FSG's aftermarket replacement parts and repair and overhaul services associated with continued recovery within the commercial airline industry. The ETG's net sales increase reflects the acquisitions of HVT and EDT and organic growth of approximately 6% reflecting increased demand for certain products.

### Gross Profit and Operating Expenses

The Company's gross profit margin decreased to 36.4% for the second quarter of fiscal 2006 as compared to 37.4% for the second quarter of fiscal 2005, reflecting lower margins within the FSG partially offset by an increase in the ETG margin. The FSG's gross profit margin decrease was due principally to a less favorable product mix including the expected impact of lower margins realized on products distributed by SDI. The ETG's gross profit margin increase was principally from improved product mix, including a higher margin product mix contributed by recent acquisitions. Consolidated cost of sales for the second quarter of fiscal 2006 and 2005 includes approximately \$4.4 million and \$2.9 million, respectively, of new product research and development expenses.

SG&A expenses were \$16.9 million and \$13.6 million for the second quarter of fiscal 2006 and fiscal 2005, respectively. The increase in SG&A expenses was mainly due to higher operating costs, principally personnel related, associated with the aforementioned acquisitions, the increase in net sales discussed above, an increase in corporate expenses and stock option compensation expense (see Stock Based Compensation below). Corporate expenses are up due to increased costs

to comply with the Sarbanes-Oxley Act of 2002 and higher accrued performance awards. The majority of such costs incurred in fiscal 2005 were not incurred until the second half of fiscal 2005.

As a percentage of net sales, SG&A expenses decreased to 18.4% for the second quarter of fiscal 2006 compared to 20.3% for the second quarter of fiscal 2005. The decrease as a percentage of net sales is due to improved efficiencies in controlling costs while increasing revenues.

#### Operating Income

Operating income for the second quarter of fiscal 2006 increased by 45.4% to \$16.6 million, compared to operating income of \$11.4 million for the second quarter of fiscal 2005. The increase in operating income reflects an increase of \$2.1 million (a 24.4% increase) to \$11.0 million in operating income of the FSG in the second quarter of fiscal 2006 from \$8.9 million for the second quarter of fiscal 2005. Operating income of the ETG increased \$4.5 million (a 105.1% increase) to \$8.7 million for the second quarter of fiscal 2006 from \$4.2 million for the second quarter of fiscal 2005. These increases were partially offset by the aforementioned increase in corporate expenses. As a percentage of net sales, operating income increased from 17.1% in the second quarter of fiscal 2005 to 18.0% in the second quarter of fiscal 2006. The increase in operating income as a percentage of net sales reflects an increase in the ETG's operating income as a percentage of net sales from 20.1% in the second quarter of fiscal 2005 to 29.2% in the second quarter of fiscal 2006 offset by a decrease in the FSG's operating income as a percentage of net sales from 19.3% in the second quarter of fiscal 2005 to 17.7% in the second quarter of fiscal 2006. The increase in the ETG's operating income as a percentage of net sales reflects the increased gross profit margins discussed previously. The decrease in the FSG's operating income as a percentage of net sales reflects the decreased gross profit margins discussed previously partially offset by improved operating efficiencies.

#### Interest Expense

Interest expense increased to \$861,000 in the second quarter of fiscal 2006 from \$300,000 in the second quarter of fiscal 2005. The increase was principally due to a higher weighted average balance outstanding under the revolving credit facility in the second quarter of fiscal 2006 attributable to borrowings related to acquisitions and higher interest rates.

#### Interest and Other Income

Interest and other income in the second quarter of fiscal 2006 and 2005 were not material.

#### Income Tax Expense

The Company's effective tax rate for the second quarter of fiscal 2006 decreased to 36.2% from 37.7% for the second quarter of fiscal 2005. The decrease is principally due to a higher amount of the minority interests' share of income excluded from the Company's fiscal 2006 consolidated income subject to federal income taxes.

## Minority Interests' Share of Income

Minority interests' share of income of consolidated subsidiaries relates to the minority interests held in HEICO Aerospace, including the 49% minority interest held in SDI, and the minority interests held in the ETG, which consist of the 20% minority interest held in Sierra and the 15% minority interest held in HVT. The increase in the minority interests' share of income for the second quarter of fiscal 2006 compared to the second quarter of fiscal 2005 is attributable to the acquisitions of SDI (November 2005) and HVT (September 2005) and the higher earnings of the FSG and Sierra.

## Net Income

The Company's net income was \$7.5 million, or \$.28 per diluted share, for the second quarter of fiscal 2006 compared to \$5.7 million, or \$.22 per diluted share, for the second quarter of fiscal 2005 reflecting the increased operating income referenced above, partially offset by the increased minority interests' share of income of certain consolidated subsidiaries.

## LIQUIDITY AND CAPITAL RESOURCES

The Company generates cash primarily from its operating activities and financing activities, including borrowings under long-term credit agreements.

Principal uses of cash by the Company include acquisitions, payments of principal and interest on debt, capital expenditures, cash dividends and increases in working capital.

The Company believes that its net cash provided by operating activities and available borrowings under its revolving credit facility will be sufficient to fund cash requirements for the foreseeable future.

## Operating Activities

Net cash provided by operating activities was \$7.4 million for the first six months of fiscal 2006, consisting primarily of net income of \$14.3 million, minority interests' share of income of consolidated subsidiaries of \$5.5 million, depreciation and amortization of \$4.3 million, a tax benefit on stock option exercises of \$2.4 million, a deferred income tax provision of \$1.7 million, and stock option compensation expense of \$.9 million, partially offset by an increase in net operating assets of \$20.6 million and the presentation of \$1.1 million of excess tax benefit from stock option exercises as a financing activity in accordance with the provisions of SFAS No. 123(R) (see Stock Based Compensation below). The increase in net operating assets (current assets used in operating activities net of current liabilities) primarily reflects a higher investment in inventories by the FSG required to meet increased sales demand associated with new product offerings, sales growth and increased lead times on certain raw materials; an increase in accounts receivable due to sales growth; and the payment of performance awards and income taxes that were accrued as of October 31, 2005. Net cash provided by operating activities decreased from \$11.5 million for the first six months of fiscal 2005 principally as a result of the increase in net operating assets referenced above, partially offset by the increase in net income and the minority interests' share of income.

## Investing Activities

Net cash used in investing activities during the first six months of fiscal 2006 related primarily to acquisitions and related costs (principally SDI and EDT) of \$33.0 million and capital expenditures totaling \$4.6 million.

## Financing Activities

Net cash provided by financing activities during the first six months of fiscal 2006 primarily related to borrowings of \$34.0 million on the Company's revolving credit facility principally used to fund the aforementioned acquisitions, proceeds from stock option exercises of \$3.8 million and \$1.1 million of excess tax benefit from stock option exercises classified as a financing activity in accordance with the provisions of SFAS No. 123(R), partially offset by repayments of \$7.0 million on the Company's revolving credit facility and the payment of \$1.0 million in cash dividends on the Company's common stock.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has arranged for standby letters of credit aggregating \$2.2 million to meet the security requirement of its insurance company for potential workers' compensation claims and one of the Company's subsidiaries has guaranteed its performance related to a customer contract through a letter of credit for \$1.1 million, expiring August 2006. These letters of credit are supported by the Company's revolving credit facility. In addition, the Company's industrial development revenue bonds are secured by a \$2.0 million letter of credit expiring April 2008 and a mortgage on the related properties pledged as collateral.

As part of the agreement to acquire an 80% interest in a subsidiary by the ETG in fiscal 2004, the Company has the right to purchase the minority interests beginning at approximately the tenth anniversary of the acquisition, or sooner under certain conditions, and the minority holders have the right to cause the Company to purchase their interests commencing on approximately the fifth anniversary of the acquisition, or sooner under certain conditions.

As part of the agreement to purchase a subsidiary by the ETG in fiscal 2005, the Company may be obligated to pay additional purchase consideration of up to \$3.8 million in aggregate should the subsidiary meet certain earnings objectives during the first four years following the acquisition. In the second quarter of 2006, the Company paid \$2.2 million of such additional purchase consideration based on the subsidiary's earnings relative to target for the first year.

As part of the agreement to purchase a subsidiary by the ETG in fiscal 2005, the Company may be obligated to pay additional purchase consideration currently estimated to total up to \$2.3 million should the subsidiary meet certain product line-related earnings objectives during the fourth and fifth years following the acquisition. The additional purchase consideration will be accrued when the earnings objectives are met.

As part of the agreement to acquire an 85% interest in a subsidiary by the ETG in fiscal 2005, the minority holders have the right to cause the Company to purchase their interests over a four-year period starting around the second anniversary of the acquisition, or sooner under certain conditions.

As part of the agreement to acquire a 51% interest in a subsidiary by the FSG in fiscal 2006, the Company has the right to purchase 28% of the equity interests of the subsidiary over a four-year period beginning approximately after the second anniversary of the acquisition, or sooner under certain conditions, and the minority holder has the right to cause the Company to purchase the same equity interest over the same period. Further, the Company has the right to purchase the remaining 21% of the equity interests of the subsidiary over a three-year period beginning approximately after the fourth anniversary of the acquisition, or sooner under certain conditions, and the minority holder has the right to cause the Company to purchase the same equity interest over the same period.

As part of the agreement to acquire a subsidiary by the ETG in fiscal 2006, the Company may be obligated to pay additional consideration of up to \$53.0 million in aggregate during the first four years following the acquisition. The maximum amount of additional consideration that may become payable by year is \$6.8 million in fiscal 2006, \$9.2 million in fiscal 2007, \$17.8 million in fiscal 2008 and \$19.2 million in fiscal 2009. The additional purchase consideration will be accrued when the earnings objectives are met.

The Company has also accrued additional purchase consideration aggregating \$.5 million as of April 30, 2006 in accordance with the agreements related to certain acquisitions based principally on the actual value of the net assets acquired. The Company expects to pay this amount in fiscal 2006.

As part of an agreement for exclusive license rights to intellectual property, one of the subsidiaries of the ETG has guaranteed minimum royalty payments aggregating \$.4 million through fiscal 2007.

#### STOCK BASED COMPENSATION

Effective November 1, 2005, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment", as interpreted by the Securities and Exchange Commission in Staff Accounting Bulletin No. 107 and began recording compensation expense associated with stock options. SFAS No. 123(R) requires companies to recognize in the statement of operations the cost of employee services received in exchange for awards of equity instruments based on the grant date fair value of those awards (with limited exceptions). Prior to the adoption of SFAS No. 123(R), the Company accounted for stock-based employee compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, compensation expense had only been recorded in the consolidated financial statements for any stock options granted below fair market value of the underlying stock as of the date of grant.

The Company adopted the modified prospective transition method provided for under SFAS 123(R) and accordingly, prior period results have not been retroactively adjusted. The modified prospective transition method requires that stock-based compensation expense be recorded for (i) all new stock options granted on or after November 1, 2005 based on the grant date fair value

determined under the provisions of SFAS 123(R) and (ii) all unvested stock options granted prior to November 1, 2005 based on the grant date fair value as determined under the provisions of SFAS No. 123.

Beginning in fiscal 2006, the Company has presented the cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for stock options exercised ("excess tax benefit") as a financing activity in the Condensed Consolidated Statements of Cash Flows as prescribed by SFAS No. 123(R). Prior to the adoption of SFAS No. 123(R), the Company presented all tax benefits resulting from stock option exercises as an operating activity in the Condensed Consolidated Statements of Cash Flows. For the six months ended April 30, 2006, the Company reclassified \$1,135,000 of excess tax benefit from stock option exercises from operating activities to financing activities in its Condensed Consolidated Statements of Cash Flows.

As a result of the adoption of SFAS No. 123(R), the Company's net income for the six months and three months ended April 30, 2006 includes compensation expense of \$887,000 and \$459,000, respectively, and income tax benefit related to the Company's stock options of \$267,000 and \$141,000, respectively. Substantially all of the stock option compensation expense was recorded as a component of selling, general and administrative expenses in the Company's Condensed Consolidated Statement of Operations.

As of April 30, 2006, there was \$1.3 million of pretax unrecognized compensation expense related to nonvested stock options, which is expected to be recognized over a weighted average period of approximately 1.6 years.

Further information regarding stock options can be found in Note 7, Stock Options, of the Notes to Condensed Consolidated Financial Statements.

#### OTHER NEW ACCOUNTING PRONOUNCEMENTS

In November 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4". SFAS No. 151 requires the allocation of fixed production overhead costs be based on the normal capacity of the production facilities and unallocated overhead costs recognized as an expense in the period incurred. The Statement also clarifies that abnormal inventory costs such as costs of idle facilities, excess freight and handling costs, and wasted materials (spoilage) are required to be recognized as current period charges. The provisions of SFAS No. 151 are effective for fiscal years beginning after June 15, 2005. The adoption of SFAS No. 151 did not have a material effect on the Company's results of operations, financial position, or cash flows.

In March 2005, the FASB issued FASB Interpretation No. 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations--an interpretation of FASB Statement No. 143." This Interpretation clarifies the timing of liability recognition for legal obligations associated with an asset retirement when the timing and (or) method of settling the obligation are conditional on a future event that may or may not be within the control of the entity. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The Company does not expect the

adoption of SFAS No. 154 to have a material effect on its results of operations, financial position, or cash flows.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 changes the requirements for the accounting and reporting of a change in accounting principle. The Statement eliminates the requirement in APB Opinion No. 20 to include the cumulative effect of changes in accounting principle in the income statement in the period of change, and instead requires that changes in accounting principle be retrospectively applied unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The Statement applies to all voluntary changes in accounting principle. SFAS No. 154 is effective for changes made in fiscal years beginning after December 15, 2005. The Company does not expect the adoption of SFAS No. 154 to have a material effect on its results of operations, financial position, or cash flows.

#### FORWARD-LOOKING STATEMENTS

Certain statements in this Report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained herein that are not clearly historical in nature may be forward-looking and the words "believe," "expect," "estimate" and similar expressions are generally intended to identify forward looking statements. Any forward-looking statements contained herein, in press releases, written statements or other documents filed with the Securities and Exchange Commission or in communications and discussions with investors and analysts in the normal course of business through meetings, phone calls and conference calls, concerning our operations, economic performance and financial condition are subject to known and unknown risks, uncertainties and contingencies. We have based these forward-looking statements on our current expectations and projections about future events. All forward-looking statements involve risks and uncertainties, many of which are beyond our control, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Also, forward-looking statements are based upon management's estimates of fair values and of future costs, using currently available information. Therefore, actual results may differ materially from those expressed in or implied by those statements. Factors that could cause such differences, but are not limited to: lower demand for commercial air travel or airline fleet changes, which could cause lower demand for our goods and services; product specification costs and requirements, which could cause an increase to our costs to complete contracts; governmental and regulatory demands, export policies and restrictions, reductions in defense or space spending by U.S. and/or foreign customers, or competition from existing and new competitors, which could reduce our sales; HEICO's ability to introduce new products and product pricing levels, which could reduce our sales or sales growth; HEICO's ability to make acquisitions and achieve operating synergies from acquired businesses, customer credit risk, interest rates and economic conditions within and outside of the aviation, defense, space and electronics industries, which could negatively impact our costs and revenues; and HEICO's ability to maintain effective internal controls, which could adversely affect our business and the market price of our common stock. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES  
ABOUT MARKET RISK

Substantially all of the Company's borrowings bear interest at floating interest rates. Based on the outstanding debt balance as of April 30, 2006, a hypothetical 10% increase in interest rates would increase the Company's interest expense by approximately \$348,000 on an annual basis.

The Company is also exposed to foreign currency exchange rate fluctuations on the United States dollar value of its foreign currency denominated transactions, which are principally in British pound sterling. A hypothetical 10% weakening in the exchange rate of the British pound sterling to the United States dollar as of April 30, 2006 would not have a material effect on the Company's results of operations or financial position.



#### ITEM 4. CONTROLS AND PROCEDURES

##### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and its Chief Financial Officer conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this quarterly report. Based upon that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this quarterly report.

##### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation referred to above that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company did not incur any unregistered sales of its equity securities or repurchase any of its equity securities during the first six months of fiscal 2006.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Shareholders held on March 27, 2006, the Company's shareholders elected eight directors. The number of votes cast for and withheld for each nominee for director was as follows:

DIRECTOR	FOR	WITHHELD
Samuel L. Higginbottom	10,560,107	513,530
Wolfgang Mayrhofer	10,218,622	855,015
Eric A. Mendelson	10,219,063	854,574
Laurans A. Mendelson	10,315,314	758,323
Victor H. Mendelson	10,171,802	901,835
Albert Morrison, Jr.	10,777,399	296,238
Joseph W. Pallot	10,858,250	215,387
Dr. Alan Schriesheim	10,777,036	296,601

The Company's shareholders also ratified the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending October 31, 2006, with 10,855,210 voting for the proposal, 147,457 voting against and 70,965 abstaining.

ITEM 6. EXHIBITS

EXHIBIT	DESCRIPTION
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. *
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. *
32.1	Section 1350 Certification of Chief Executive Officer. **
32.2	Section 1350 Certification of Chief Financial Officer. **

\* Filed herewith.

\*\* Furnished herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HEICO CORPORATION

Date: June 7, 2006

By: /s/ THOMAS S. IRWIN

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Thomas S. Irwin  
Executive Vice President  
and Chief Financial Officer  
(Principal Financial and  
Accounting Officer)

EXHIBIT INDEX

EXHIBIT	DESCRIPTION
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer.
32.2	Section 1350 Certification of Chief Financial Officer.

## RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Laurans A. Mendelson, Chief Executive Officer of HEICO Corporation, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of HEICO Corporation;
- (2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 7, 2006

/s/ LAURANS A. MENDELSON

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Laurans A. Mendelson  
Chief Executive Officer

## RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Thomas S. Irwin, Chief Financial Officer of HEICO Corporation, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of HEICO Corporation;
- (2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 7, 2006

/s/ THOMAS S. IRWIN

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 Thomas S. Irwin  
 Chief Financial Officer

## SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of HEICO Corporation (the "Company") on Form 10-Q for the period ended April 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report") I, Laurans A. Mendelson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 7, 2006

/S/ LAURANS A. MENDELSON

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Laurans A. Mendelson  
Chief Executive Officer

## SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of HEICO Corporation (the "Company") on Form 10-Q for the period ended April 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report") I, Thomas S. Irwin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 7, 2006

/S/ THOMAS S. IRWIN

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Thomas S. Irwin  
Chief Financial Officer