



**CONSOLIDATED FINANCIAL
STATEMENTS / MANAGEMENT'S
DISCUSSION AND ANALYSIS**

First quarter ended June 30, 2023



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

First quarter ended June 30, 2023

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DISCLOSURE OF NON-REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTERS ENDED JUNE 30, 2023 AND 2022

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if the external auditors have not performed a review of the financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by the external auditors.

The accompanying unaudited interim condensed consolidated financial statements of the Corporation for the quarters ended June 30, 2023 and 2022 have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, and are the responsibility of the Corporation's management.

The Corporation's external auditors, Ernst & Young LLP, have not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by Chartered Professional Accountants Canada for a review of financial statements by the external auditors of an entity.

August 7, 2023

CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars) (Unaudited)

| As at | Notes | June 30, 2023 | March 31, 2023 |
|---|-------|-------------------|-------------------|
| ASSETS | 9 | | |
| Current assets | | | |
| Cash | | \$ 2,046 | \$ 15,020 |
| Accounts receivable | | 114,897 | 126,721 |
| Income tax receivable | | 2,434 | 2,176 |
| Inventories | | 286,909 | 262,995 |
| Derivative financial instruments | 8 | 2,787 | 386 |
| Other current assets | | 23,430 | 22,215 |
| | | 432,503 | 429,513 |
| Property, plant and equipment, net | | 201,453 | 205,490 |
| Finite-life intangible assets, net | | 55,577 | 53,654 |
| Derivative financial instruments | 8 | 1,956 | 468 |
| Deferred income tax assets | | 6,181 | 9,308 |
| Goodwill | | 111,800 | 112,384 |
| Other long-term assets | | 10,358 | 10,520 |
| Total assets | | \$ 819,828 | \$ 821,337 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 119,086 | 131,019 |
| Provisions | | 16,332 | 16,632 |
| Customer advances and progress billings | | 60,653 | 58,904 |
| Income tax payable | | 77 | 466 |
| Derivative financial instruments | 8 | 3,194 | 5,493 |
| Current portion of long-term debt | 9 | 12,567 | 11,425 |
| | | 211,909 | 223,939 |
| Long-term debt | 9 | 175,013 | 166,483 |
| Provisions | | 14,837 | 15,576 |
| Derivative financial instruments | 8 | 3,201 | 4,895 |
| Deferred income tax liabilities | | 11,895 | 11,377 |
| Other liabilities | | 9,501 | 8,148 |
| | | 426,356 | 430,418 |
| Shareholders' equity | | | |
| Issued capital | 10 | 82,214 | 82,459 |
| Contributed surplus | | 7,089 | 6,739 |
| Accumulated other comprehensive income | 11 | 11,611 | 12,072 |
| Retained earnings | | 292,558 | 289,649 |
| | | 393,472 | 390,919 |
| Total liabilities and shareholders' equity | | \$ 819,828 | \$ 821,337 |

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

CONSOLIDATED STATEMENTS OF INCOME

(In thousands of Canadian dollars, except per share data) (Unaudited)

| | | Three months ended June 30, | |
|--|-------|--------------------------------|------------|
| | Notes | 2023 | 2022 |
| Sales | 3 | \$ 140,697 | \$ 114,089 |
| Cost of sales | 4, 5 | 120,552 | 101,578 |
| Gross profit | | 20,145 | 12,511 |
| Selling and administrative expenses | 4, 5 | 12,649 | 9,865 |
| Operating income | | 7,496 | 2,646 |
| Net financial expenses | 6 | 2,167 | 1,376 |
| Income before income tax expense | | 5,329 | 1,270 |
| Income tax expense | | 1,359 | 305 |
| Net income | | \$ 3,970 | \$ 965 |
| Earnings per share – basic and diluted | 7 | \$ 0.12 | \$ 0.03 |

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of Canadian dollars) (Unaudited)

| | | Three months ended June 30, | |
|--|-------|--------------------------------|--------------------|
| | Notes | 2023 | 2022 |
| | 11 | | |
| Other comprehensive income (loss) : | | | |
| Items that may be reclassified to net income | | | |
| Losses arising from conversion of the financial statements of foreign operations | | \$ (5,150) | \$ (3,669) |
| Cash flow hedges: | | | |
| Net gains (losses) on valuation of derivative financial instruments | | 5,331 | (7,954) |
| Net losses on derivative financial instruments transferred to net income | | 1,041 | 447 |
| Deferred income taxes | | (1,683) | 1,982 |
| | | 4,689 | (5,525) |
| Losses on hedges of net investments in foreign operations | | — | (1,370) |
| Deferred income taxes | | — | 171 |
| | | — | (1,199) |
| Items that are never reclassified to net income | | | |
| Defined benefit pension plans: | | | |
| Losses from remeasurement | | (5) | (73) |
| Deferred income taxes | | 1 | 19 |
| | | (4) | (54) |
| Other comprehensive loss | | \$ (465) | \$ (10,447) |
| Comprehensive income | | | |
| Net income | | 3,970 | 965 |
| Other comprehensive loss | | (465) | (10,447) |
| Comprehensive income (loss) | | \$ 3,505 | \$ (9,482) |

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian dollars) (Unaudited)

| | Notes | Issued capital | Contributed surplus | Accumulated other comprehensive income (loss) | Retained earnings | Shareholders' equity |
|--|-------|------------------|---------------------|---|-------------------|----------------------|
| Balance as at March 31, 2023 | | \$ 82,459 | \$ 6,739 | \$ 12,072 | \$ 289,649 | \$ 390,919 |
| Repurchase and cancellation of common shares | 10 | (245) | — | — | (1,057) | (1,302) |
| Stock-based compensation expense | 10 | — | 350 | — | — | 350 |
| Net income | | — | — | — | 3,970 | 3,970 |
| Other comprehensive loss | 11 | — | — | (461) | (4) | (465) |
| Balance as at June 30, 2023 | | \$ 82,214 | \$ 7,089 | \$ 11,611 | \$ 292,558 | \$ 393,472 |

| | Notes | Issued capital | Contributed surplus | Accumulated other comprehensive income (loss) | Retained earnings | Shareholders' equity |
|--|-------|------------------|---------------------|---|-------------------|----------------------|
| Balance as at March 31, 2022 | | \$ 82,189 | \$ 5,767 | \$ 6,865 | \$ 282,461 | \$ 377,282 |
| Common shares issued under the stock option plan | 10 | 1,437 | (334) | — | — | 1,103 |
| Repurchase and cancellation of common shares | 10 | (261) | — | — | (1,400) | (1,661) |
| Stock-based compensation expense | 10 | — | 313 | — | — | 313 |
| Net income | | — | — | — | 965 | 965 |
| Other comprehensive loss | 11 | — | — | (10,393) | (54) | (10,447) |
| Balance as at June 30, 2022 | | \$ 83,365 | \$ 5,746 | \$ (3,528) | \$ 281,972 | \$ 367,555 |

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars) (Unaudited)

| | | Three months ended June 30, | |
|---|-------|--------------------------------|-------------------|
| | Notes | 2023 | 2022 |
| Cash provided by (used for): | | | |
| Operating activities | | | |
| Net income | | \$ 3,970 | \$ 965 |
| Items not requiring an outlay of cash: | | | |
| Amortization expense | 5 | 8,861 | 8,780 |
| Deferred income taxes | | 1,720 | 727 |
| Net non-cash financial expenses | 6 | 763 | 342 |
| Stock-based compensation expense | 10 | 350 | 313 |
| | | 15,664 | 11,127 |
| Net change in non-cash items | 12 | (27,862) | 914 |
| Cash flows related to operating activities | | \$ (12,198) | \$ 12,041 |
| Investing activities | | | |
| Net additions to property, plant and equipment | | (4,842) | (5,754) |
| Net change in finite-life intangible assets | | (3,503) | (1,757) |
| Cash flows related to investing activities | | \$ (8,345) | \$ (7,511) |
| Financing activities | | | |
| Proceeds from long-term debt | | 11,828 | 690 |
| Repayment of long-term debt | | (2,818) | (2,902) |
| Increase in deferred financing costs | | — | (245) |
| Repurchase and cancellation of shares | | (1,302) | (1,661) |
| Issuance of common shares under the stock option plan | | — | 1,103 |
| Cash flows related to financing activities | | \$ 7,708 | \$ (3,015) |
| Effect of changes in exchange rates on cash | | (139) | 100 |
| Change in cash during the periods | | (12,974) | 1,615 |
| Cash at beginning of periods | | 15,020 | 86,692 |
| Cash at end of periods | | \$ 2,046 | \$ 88,307 |
| Interest and income taxes reflected in operating activities: | | | |
| Interest paid | | \$ 1,608 | \$ 1,249 |
| Interest received | | \$ 204 | \$ 215 |
| Income taxes paid | | \$ 517 | \$ 1,037 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended June 30, 2023 and 2022
(In thousands of Canadian dollars, except per share data) (Unaudited)

NOTE 1. NATURE OF ACTIVITIES AND CORPORATE INFORMATION

Héroux-Devtek Inc. is incorporated under the laws of Québec. Its head office is domiciled at Complexe St-Charles, 1111 St-Charles Street West, suite 600, West Tower, Longueuil (Québec), Canada. Héroux-Devtek Inc. and its subsidiaries (“Héroux-Devtek” or the “Corporation”) specialize in the design, development, manufacture, repair and overhaul of aircraft landing gear, hydraulic and electromechanical flight control actuators, custom ball screws and fracture-critical components.

The Corporation only operates in one reporting segment, which is the Aerospace segment.

The Corporation's common shares are traded on the Toronto Stock Exchange under the symbol “HRX”.

NOTE 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the quarter ended June 30, 2023, were prepared in accordance with IAS 34, *Interim Financial Reporting*, therefore certain information and disclosures have been omitted or condensed. The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the most recent annual audited consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read together with the annual audited consolidated financial statements and notes thereto included in the Corporation's Annual Report for the fiscal year ended March 31, 2023.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of the Corporation on August 7, 2023.

NOTE 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The disaggregation of the Corporation's revenue from contracts with customers was as follows :

| | Three months ended June 30, | |
|--------------------------|--------------------------------|------------|
| | 2023 | 2022 |
| Geographic markets | | |
| Canada | \$ 8,852 | \$ 7,518 |
| United States of America | 79,740 | 71,679 |
| United Kingdom | 10,666 | 6,952 |
| Spain | 9,306 | 6,962 |
| Rest of Europe | 16,869 | 12,782 |
| Other countries | 15,264 | 8,196 |
| | \$ 140,697 | \$ 114,089 |
| Market segments: | | |
| Civil | \$ 50,179 | \$ 35,398 |
| Defence | 90,518 | 78,691 |
| | \$ 140,697 | \$ 114,089 |

Geographic market is based on the customer's location.

NOTE 4. GOVERNMENT ASSISTANCE

Government assistance was deducted from the cost of related assets or recognized as a reduction of expenses as follows:

| | Three months ended June 30, | |
|---|--------------------------------|----------|
| | 2023 | 2022 |
| Finite-life intangible assets | \$ 481 | \$ 280 |
| Property, plant and equipment | \$ 27 | \$ 14 |
| Cost of sales and selling and administrative expenses | \$ 2,014 | \$ 1,628 |

Government assistance includes mainly research and development tax credits, other credits and grants.

NOTE 5. COST OF SALES, SELLING AND ADMINISTRATIVE EXPENSES

The main components of these expenses were as follows:

| | Three months ended June 30, | |
|---|--------------------------------|------------|
| | 2023 | 2022 |
| Raw materials and purchased parts | \$ 48,969 | \$ 39,365 |
| Employee costs | 52,333 | 44,910 |
| Amortization of property, plant and equipment and finite-life intangible assets | 8,861 | 8,780 |
| Supplies and small tools | 6,292 | 4,999 |
| Maintenance and machinery repair | 4,595 | 3,778 |
| Others | 12,151 | 9,611 |
| | \$ 133,201 | \$ 111,443 |
| Including: | | |
| Foreign exchange losses (gains) upon conversion of net monetary items | \$ 310 | \$ (739) |
| Amortization of customer relationships | \$ 883 | \$ 930 |

NOTE 6. NET FINANCIAL EXPENSES

Net financial expenses comprise the following:

| | Three months ended June 30, | |
|--|--------------------------------|----------|
| | 2023 | 2022 |
| Interest accretion on governmental authorities loans | \$ 653 | \$ 749 |
| Interest on defined benefit obligations | 20 | 19 |
| Interest on leases | 208 | 213 |
| Amortization of deferred financing costs | 117 | 123 |
| Other accretion and adjustments | (235) | (762) |
| Net non-cash financial expenses | \$ 763 | \$ 342 |
| Interest on long-term debt | \$ 1,608 | \$ 1,249 |
| Interest income on cash | (204) | (215) |
| | \$ 2,167 | \$ 1,376 |

NOTE 7. EARNINGS PER SHARE

The following table sets forth the elements used to compute basic and diluted earnings per share:

| | Three months ended June 30, | |
|--|--------------------------------|------------|
| | 2023 | 2022 |
| Weighted-average number of common shares outstanding | 34,031,926 | 34,498,256 |
| Dilutive effect of stock options | 164,769 | 135,203 |
| Weighted-average number of common diluted shares outstanding | 34,196,695 | 34,633,459 |
| Options excluded from diluted earnings per share calculation | 956,000 | 966,000 |

NOTE 8. DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange contracts

As at June 30, 2023, the Corporation had sale forward foreign exchange contracts outstanding for a notional amount of \$380,992 (\$438,331 at March 31, 2023) denominated in USD, EUR and GBP. This amount includes contracts with nominal value of US\$205,725 (US\$241,550 at March 31, 2023) convertible into Canadian dollars at an average rate of 1.3127 (1.3143 at March 31, 2023). These contracts mature at various dates between July 2023 and March 2028, with the majority maturing this fiscal year and the next.

Equity swap agreement

As at June 30, 2023, and March 31, 2023, the Corporation had entered into an equity swap agreement fixing 400,000 common shares of the Corporation at a price of \$13.39. This agreement manages the Corporation's exposure to fluctuations of its share price and resulting effect on the value of outstanding Performance Share Units, Deferred Share Units and Restricted Share Units, and expires in June 2024.

NOTE 9. LONG-TERM DEBT

| As at | June 30, 2023 | March 31, 2023 |
|---|------------------|-------------------|
| Senior Secured Syndicated Revolving Credit Facility | \$ 9,911 | \$ — |
| Governmental authorities loans | 89,533 | 89,032 |
| Unsecured Subordinated Term Loan Facility | 75,000 | 75,000 |
| Lease liabilities | 15,089 | 15,946 |
| Deferred financing costs, net | (1,953) | (2,070) |
| | \$ 187,580 | \$ 177,908 |
| Less: current portion | 12,567 | 11,425 |
| Long-term debt | \$ 175,013 | \$ 166,483 |

NOTE 10. ISSUED CAPITAL

A. Share capital

Capital stock varied as follows:

| | Three months ended June 30, 2023 | |
|-----------------------------|-------------------------------------|-------------------|
| | Number | Issued capital |
| Opening balance | 34,107,073 | \$ 82,459 |
| Repurchase and cancellation | (101,200) | (245) |
| Closing balance | 34,005,873 | \$ 82,214 |

On May 19, 2022, the Corporation announced a Normal Course Issuer Bid ("NCIB") for the purchase for cancellation of up to 1,896,079 common shares on the open market through the TSX or alternative trading facilities. The NCIB began on May 25, 2022, and ended on May 24, 2023.

During the quarter ended June 30, 2023, the Company has purchased and cancelled 101,200 common shares for a cash consideration of \$1,302, representing a weighted average price of \$12.86 per share. The \$1,057 excess of purchase price over the carrying value was charged to retained earnings.

In August 2023, the Corporation filed a notice with the Toronto Stock Exchange of its intention to initiate a new NCIB for purchase and cancellation of 1,791,984 of its issued and outstanding common shares.

B. Stock option plan

For the quarters ended June 30, variances in stock options outstanding and related compensation expense were as follows:

| | 2023 | | 2022 | |
|----------------------------------|----------------------------|----------------------------------|----------------------------|----------------------------------|
| | Number of stock options | Exercise price ⁽¹⁾ | Number of stock options | Exercise price ⁽¹⁾ |
| Opening balance | 1,635,500 | \$14.59 | 1,503,750 | \$14.19 |
| Granted | 370,000 | 14.07 | 247,000 | 15.42 |
| Exercised | — | — | (103,000) | 10.71 |
| Expired | (92,000) | 15.01 | (2,250) | 10.71 |
| Closing balance | 1,913,500 | \$14.47 | 1,645,500 | \$14.60 |
| Stock-based compensation expense | | \$ 350 | | \$ 313 |

⁽¹⁾ *Weighted average exercise price*

2,808,257 common share are reserved for issuance under the plan, of which 2,122,662 had not been issued yet as at June 30, 2023, and March 31, 2023.

C. Deferred Share Unit ("DSU"), Performance Share Unit ("PSU") and Restricted Share Unit ("RSU") plans

During the quarter ended June 30, 2023, a new Restricted Share Unit ("RSU") plan was introduced for management and key employees. Under this plan, RSUs will vest on the third anniversary of the grant and be payable to employees who are still employed by the Corporation on the payment date. The payment will represent a cash amount equal to the quoted price of the Corporation's common share for each RSU vested.

RSUs are expenses on an earned basis. The related compensation expense is included in selling and administrative expenses and its counterpart is accounted for in accounts payable and accrued liabilities until the RSUs are paid or canceled at the expiry or termination date.

For the quarters ended June 30, movements in outstanding PSUs, DSUs and RSUs were as follows:

| | 2023 | | | 2022 | | |
|--|----------|----------|--------|----------|----------|------|
| | PSUs | DSUs | RSUs | PSUs | DSUs | RSUs |
| <i>In number units</i> | | | | | | |
| Opening balance | 304,850 | 256,406 | — | 285,350 | 199,471 | — |
| Issued | 152,000 | — | 87,350 | 119,700 | — | — |
| Cancelled/Forfeited | (27,982) | — | — | (500) | — | — |
| Closing balance | 428,868 | 256,406 | 87,350 | 404,550 | 199,471 | — |
| Fair value of vested outstanding units, end of periods | \$ 3,606 | \$ 3,900 | \$ 40 | \$ 3,557 | \$ 2,757 | \$ — |

The compensation expense with respect to the PSU, DSU and RSU plans amounted to \$1,124 during the three-month period ended June 30, 2023 (income of \$1,018 during the three-month period ended June 30, 2022).

NOTE 11. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in accumulated other comprehensive income (loss) were as follows:

| | Exchange differences on conversion of foreign operations | Cash flow hedges | Hedge of net investments in foreign operations | Total |
|-----------------------------------|--|------------------|--|-----------|
| Balance as at March 31, 2023 | \$ 23,368 | \$ (5,977) | \$ (5,319) | \$ 12,072 |
| Other comprehensive income (loss) | (5,150) | 4,689 | — | (461) |
| Balance as at June 30, 2023 | \$ 18,218 | \$ (1,288) | \$ (5,319) | \$ 11,611 |

| | Exchange differences on conversion of foreign operations | Cash flow hedges | Hedge of net investments in foreign operations | Total |
|------------------------------|--|------------------|--|------------|
| Balance as at March 31, 2022 | \$ 3,005 | \$ 4,637 | \$ (777) | \$ 6,865 |
| Other comprehensive loss | (3,669) | (5,525) | (1,199) | (10,393) |
| Balance as at June 30, 2022 | \$ (664) | \$ (888) | \$ (1,976) | \$ (3,528) |

NOTE 12. NET CHANGE IN NON-CASH ITEMS

The net change in non-cash items was as follows:

| | Three months ended | |
|--|--------------------|-----------|
| | June 30, | |
| | 2023 | 2022 |
| Accounts receivable | \$ 10,903 | \$ 13,654 |
| Inventories | (25,789) | (17,982) |
| Other assets and derivatives | (1,577) | 10,914 |
| Accounts payable and accrued liabilities | (13,690) | (8,703) |
| Provisions | (551) | (438) |
| Customer advances and progress billings | 1,969 | 5,846 |
| Other Liabilities | 873 | (2,377) |
| | \$ (27,862) | \$ 914 |



MANAGEMENT'S DISCUSSION AND ANALYSIS

First quarter ended June 30, 2023

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OVERVIEW

The purpose of this management discussion and analysis (“MD&A”) is to provide the reader with an overview of how the financial position of Héroux-Devtek Inc. and its subsidiaries (“Héroux-Devtek”, the “Corporation” or “Management”) evolved between March 31, 2023, and June 30, 2023. It also compares the operating results and cash flows for the quarter ended June 30, 2023, to those of the same period of the prior fiscal year.

This MD&A is based on the unaudited interim condensed consolidated financial statements for the quarter ended June 30, 2023, and should be read in conjunction with them as well as with the audited consolidated financial statements and MD&A for the fiscal year ended March 31, 2023, all of which are available on the Corporation’s website at www.herouxdevtek.com and on SEDAR at www.sedar.com. All amounts in this MD&A are in thousands of Canadian dollars unless otherwise indicated. This MD&A was approved by the Audit Committee and Board of Directors of the Corporation on August 7, 2023.

IFRS and non-IFRS financial measures

This MD&A contains both IFRS and non-IFRS financial measures. Non-IFRS financial measures are defined and reconciled to the most comparable IFRS measures in the *Non-IFRS Financial Measures* section under *Operating Results*.

Materiality for disclosures

Management determines whether information is material based on whether they believe a reasonable investor’s decision to buy, sell or hold securities of the Corporation would likely be influenced or changed should the information be omitted or misstated, and discloses material information accordingly.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A are forward-looking statements subject to risks, uncertainties and other important factors that could cause the Corporation’s actual performance to differ materially from those expressed in or implied by such statements. These statements are provided for the purpose of assisting the reader in understanding the Corporation’s financial performance and prospects and to present management’s assessment of future plans and operations. The reader is cautioned that such statements may not be appropriate for other purposes.

They may be impacted by factors including, but not limited to customers, supply chain, the aerospace industry and the economy in general; the impact of other worldwide general economic conditions; 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; financial and operational performance of suppliers and customers; foreign exchange or interest rate fluctuations; and the impact of accounting policies issued by international standard setters. For further details, please see the Risk Management section of the Corporation’s MD&A for the fiscal year ended March 31, 2023. 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 management believes the expectations conveyed by the forward-looking statements, and while they are based on information available on the date such statements were made, there can be no assurance that such expectations will prove to be correct and readers are advised that actual results may differ from expected results. All subsequent forward-looking statements, whether written or orally attributable to the Corporation or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

HIGHLIGHTS

| | Three months ended June 30, | |
|--|--------------------------------|------------|
| | 2023 | 2022 |
| Sales | \$ 140,697 | \$ 114,089 |
| Operating income | 7,496 | 2,646 |
| Adjusted EBITDA ⁽¹⁾ | 16,357 | 11,426 |
| Net income | 3,970 | 965 |
| Cash flows related to operating activities | (12,198) | 12,041 |
| Free cash flow (usage) ⁽¹⁾ | (20,543) | 4,530 |
| <i>In dollars per share</i> | | |
| Earnings per share - basic and diluted | \$ 0.12 | \$ 0.03 |

⁽¹⁾ Non-IFRS financial measure. Refer to the Non-IFRS financial measures section under Operating Results for definitions and reconciliations to the most comparable IFRS measures.

Operating Environment

Héroux-Devtek's throughput this quarter improved a substantial 23.3% to \$140.7 million from \$114.1 million a year earlier. This performance follows three quarters of recovery, bringing trailing-twelve-month sales to \$570.2 million, and is largely the result of actions taken to better navigate the current environment. The higher volume drove better profitability, which was partially offset by the year-over-year effects of inflation on labour and general production supplies.

The operating environment remains volatile and several factors are still hampering the consistent generation of throughput:

- Lead times for the procurement of raw material remain long and Russia's invasion of Ukraine limits the supply of certain material;
- Although the inflation peak is behind us, the impact of higher costs, rising interest rates and raw material lead times continue to add pressure to the aerospace supply chain; and,
- Turnover has reduced to 9% this quarter compared to 13% last year, however skilled workforce remains scarce as the tight labour market continues to impact both Héroux-Devtek and its supply chain.

The Corporation's order book remains healthy, bolstered over the past fifteen months by both civil and defence orders. This level of business reflects not only the health of Héroux-Devtek's customer relationships, but also the strength of the aerospace market as a whole. The challenge remains delivering on these orders in a timely and efficient manner given the current environment.

Events of the Quarter

- The Corporation generated consolidated sales of \$140.7 million, up 23.3% compared to \$114.1 million a year earlier, with growth in both the civil and defence market segments.
- As a result, operating income increased to \$7.5 million from \$2.6 million last fiscal year, and Adjusted EBITDA increased 43.2% to \$16.4 million, compared to \$11.4 million last year. The increase in profitability driven by volume was partly offset by the year-over-year effects of inflation on labour and overhead costs.
- Operating activities utilized \$12.2 million of cash, compared to generating \$12.0 million during the first quarter last year, due to continued investment in inventory levels made to stabilize the production system and sustain future sales growth.
- In April 2023, the unionized employees of the Corporation's Longueuil, Québec facility voted in favour of the renewal of a three-year collective agreement which extends through April 30, 2026. The renewal concerns approximately 200 employees.

OPERATING RESULTS

| | Three months ended June 30, | | |
|--|-----------------------------|------------|-----------|
| | 2023 | 2022 | Variance |
| Sales | \$ 140,697 | \$ 114,089 | \$ 26,608 |
| Gross profit | 20,145 | 12,511 | 7,634 |
| Selling and administrative expenses | 12,649 | 9,865 | 2,784 |
| Operating income | 7,496 | 2,646 | 4,850 |
| Net financial expenses | 2,167 | 1,376 | 791 |
| Income tax expense | 1,359 | 305 | 1,054 |
| Net income | \$ 3,970 | \$ 965 | \$ 3,005 |
| <i>As a percentage of sales</i> | | | |
| Gross profit | 14.3% | 11.0% | 330 bps |
| Selling and administrative expenses | 9.0% | 8.6% | 40 bps |
| Operating income | 5.3% | 2.3% | 300 bps |
| <i>In dollars per share</i> | | | |
| Earnings per share - basic and diluted | \$ 0.12 | \$ 0.03 | \$ 0.09 |

Sales

Sales by market segments were as follows:

| | Three months ended June 30, | | | | |
|---------|-----------------------------|------------|-----------|--------------|--------|
| | 2023 | 2022 | FX impact | Net variance | |
| Defence | \$ 90,518 | \$ 78,691 | \$ 4,036 | \$ 7,791 | 9.9 % |
| Civil | 50,179 | 35,398 | 2,237 | 12,544 | 35.4 % |
| Total | \$ 140,697 | \$ 114,089 | \$ 6,273 | \$ 20,335 | 17.8 % |

The following analysis excludes the impact of foreign exchange described above:

Defence

The \$7.8 million increase in sales compared to last fiscal year, is mainly due to the alignment of operations to better deliver in the challenges of the current environment as discussed under *Operating Activities*, as well as the ramp up of deliveries for the Sikorsky CH-53K program.

Civil

The \$12.5 million increase in civil sales for the quarter compared to last year was mainly driven by an increase in deliveries for the Boeing 777 and Embraer Praetor programs.

Gross Profit

Gross profit for the quarter increased from 11.0% to 14.3% of sales compared to the same quarter last year due to higher volume partially offset by the year-over-year effects of inflation on labour and general production supplies and the 0.3% negative impact of foreign exchange.

Selling and Administrative Expenses

| | Three months ended June 30, | |
|--|-----------------------------|-----------|
| | 2023 | 2022 |
| Selling and Administrative Expenses | \$ 12,649 | \$ 9,865 |
| Less: Net losses (gains) on conversion of net monetary items | 310 | (739) |
| Selling and Administrative expenses excluding conversion of monetary items | \$ 12,339 | \$ 10,604 |
| <i>As a percentage of sales</i> | 8.8% | 9.3% |

When excluding the effect of the conversion of net monetary items, selling and administrative expenses increased year-over-year due to higher employee-related cost, including stock-based compensation expense.

Operating Income

| | Three months ended June 30, | |
|---------------------------------|--------------------------------|----------|
| | 2023 | 2022 |
| Operating income | \$ 7,496 | \$ 2,646 |
| <i>As a percentage of sales</i> | 5.3% | 2.3% |

As a percentage of sales, when compared to the same period last fiscal year, operating income increased this quarter as a result of the factors described above. Year-over-year, foreign exchange had a \$1.0 million negative impact on the Corporation's operating income, representing 0.7% of sales.

Net Financial Expenses

| | Three months ended June 30, | |
|--|--------------------------------|----------|
| | 2023 | 2022 |
| Interest accretion on governmental authorities loans | \$ 653 | \$ 749 |
| Interest on defined benefit obligations | 20 | 19 |
| Interest on leases | 208 | 213 |
| Amortization of deferred financing costs | 117 | 123 |
| Other accretion and adjustments | (235) | (762) |
| Net non-cash financial expenses | \$ 763 | \$ 342 |
| Interest on long-term debt | \$ 1,608 | \$ 1,249 |
| Interest income on cash | (204) | (215) |
| | \$ 2,167 | \$ 1,376 |

The increase in interest on long-term debt compared to last year mainly relates to increases in underlying benchmark rates partly offset by a lower outstanding debt balance.

During the current quarter, the rise in interest rates has slowed compared to the corresponding period last year, consequently, the effect of the increase in interest rates had a less significant impact on other accretion and adjustments.

Income Tax Expense

The following table reconciles the corporation's effective income tax expense to the blended Canadian statutory tax rate:

| | Three months ended June 30, | | | |
|--|-----------------------------|-------|----------|-------|
| | 2023 | | 2022 | |
| Income before income tax expense | \$ 5,329 | | \$ 1,270 | |
| Income tax expense at Canadian blended statutory tax | 1,412 | 26.5% | 335 | 26.4% |
| Results coming from foreign jurisdictions | (21) | | (278) | |
| Non-deductible expenses | 130 | | 208 | |
| Prior year adjustments | (162) | | 40 | |
| Income tax expense | \$ 1,359 | 25.5% | \$ 305 | 24.0% |

Net Income

Net income increased from \$1.0 million to \$4.0 million during the quarter compared to the same period last fiscal year, mainly as a result of the factors described above. Consequently, earnings per share increased from \$0.03 to \$0.12 per share.

NON-IFRS FINANCIAL MEASURES

This MD&A is based on earnings in accordance with IFRS and the following non-IFRS financial measures:

| | |
|------------------------------|---|
| Adjusted EBITDA: | Operating income excluding amortization expense and other expenses (gains) |
| Adjusted net income: | Net income excluding other expenses (gains) net of taxes. |
| Adjusted earnings per share: | Diluted earnings per share calculated on the basis of adjusted net income. |
| Free cash flow: | Cash flows related to operating activities less net additions to property, plant and equipment and net increase or decrease in finite-life intangible assets, plus proceeds of disposal of property, plant and equipment. |

These Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers. Management considers these metrics to be information which may assist investors in evaluating the Corporation's profitability and enable better comparability of the results from one period to another and with peers who may employ similar measures.

These measures are not considered by management to be a substitute for IFRS measures, nor to be superior as they often do not fully reflect periodic costs, the long-term costs of investing or financing decisions or the impact of events which are not a result of operations.

The following are reconciliations of these items to their most comparable IFRS measures as well as additional information on what they represent, excluding free cash flow. For the reconciliation of free cash flow to cash flows related to operating activities, refer to *Liquidity and Capital Resources*.

The Corporation's adjusted EBITDA is calculated as follows:

| | Three months ended June 30, | |
|----------------------|--------------------------------|-----------|
| | 2023 | 2022 |
| Operating income | 7,496 | 2,646 |
| Amortization expense | 8,861 | 8,780 |
| Adjusted EBITDA | \$ 16,357 | \$ 11,426 |

Management believes adjusted EBITDA provides valuable insight into the Corporation's day-to-day operations as they exclude from earnings factors that are more reflective of long-term financing or investing decisions than of current performance.

Adjusted EBITDA, in addition, provides an alternative assessment of future operating results as it excludes the impact of events which are not in the expected course of future operations, or which are not a result of operations. Adjusted EBITDA is also used by management to assess operational performance and is a component of certain performance-based employee remuneration.

Free cash flow is explained and reconciled in *Liquidity and Capital Resources*.

LIQUIDITY AND CAPITAL RESOURCES

CREDIT FACILITIES AND NET DEBT POSITION

Senior Secured Syndicated Revolving Credit Facility (“Revolving Facility”)

The Corporation has a Revolving Facility with a syndicate of six banks that allows it to borrow up to \$250 million. It also includes an accordion feature which allows Héroux-Devtek to draw an additional \$200 million subject to the lenders' consent.

As at June 30, 2023, \$9.9 million was drawn against the facility (nil as at March 31, 2023)

Unsecured Subordinated Term Loan Facility (“Term Loan Facility”)

The Corporation has a Term Loan Facility with *Fonds de Solidarité FTQ* for an amount of \$75.0 million that matures in September 2028. This facility is fully drawn and bears interest at a rate of 5.0%. Héroux-Devtek has the option to make early repayments as of September 2024, subject to certain fees.

Net Debt Position

| As at | June 30, 2023 | March 31, 2023 |
|---|------------------|-------------------|
| Long-term debt ⁽¹⁾ | \$ 189,533 | \$ 179,978 |
| Less: Cash | 2,046 | 15,020 |
| Net debt position | \$ 187,487 | \$ 164,958 |
| Adjusted EBITDA ⁽²⁾ - trailing 12 months | 66,297 | 61,366 |
| Net debt to adjusted EBITDA ratio | 2.8:1 | 2.7:1 |

⁽¹⁾ Excluding net deferred financing costs of \$2.0 million and \$2.1 million as at June 30, 2023 and March 31, 2023, respectively.

⁽²⁾ Non-IFRS financial measure. Refer to the Non-IFRS financial measures section for definitions and reconciliations to the most comparable IFRS measures and to the Selected Quarterly Financial Information.

VARIATIONS IN CASH

| | Three months ended June 30, | |
|---|--------------------------------|-----------|
| | 2023 | 2022 |
| Cash at beginning of periods | \$ 15,020 | \$ 86,692 |
| Cash flows related to operating activities | (12,198) | 12,041 |
| Cash flows related to investing activities | (8,345) | (7,511) |
| Cash flows related to financing activities | 7,708 | (3,015) |
| Effect of changes in exchange rates on cash | (139) | 100 |
| Cash at end of periods | \$ 2,046 | \$ 88,307 |

Operating Activities

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

| | Three months ended June 30, | |
|---|--------------------------------|------------------|
| | 2023 | 2022 |
| Net income | \$ 3,970 | \$ 965 |
| Items not requiring an outlay of cash: | | |
| Amortization expense | \$ 8,861 | \$ 8,780 |
| Deferred income taxes | 1,720 | 727 |
| Net non-cash financial expenses | 763 | 342 |
| Stock-based compensation expense | 350 | 313 |
| | 15,664 | 11,127 |
| Net change in non-cash items | (27,862) | 914 |
| Cash flows related to operating activities | \$(12,198) | \$ 12,041 |

The net change in non-cash items is summarized as follows:

| | Three months ended June 30, | |
|--|--------------------------------|-----------|
| | 2023 | 2022 |
| Accounts receivable | \$ 10,903 | \$ 13,654 |
| Inventories | (25,789) | (17,982) |
| Other assets and derivatives | (1,577) | 10,914 |
| Accounts payable and accrued liabilities | (13,690) | (8,703) |
| Provisions | (551) | (438) |
| Customer advances and progress billings | 1,969 | 5,846 |
| Other Liabilities | 873 | (2,377) |
| | \$(27,862) | \$ 914 |

For the quarter ended June 30, 2023, the negative net change in non-cash items mainly reflects:

- An investment in inventory levels to stabilize the production system and sustain future sales growth, and,
- A decrease in accounts payable as a result of a lower overall level of activity compared to the prior quarter.

These negative elements were partly offset by the seasonal decrease in accounts receivable following the higher level of activity during the fourth quarter of the prior fiscal year.

For the quarter ended June 30, 2022, the positive net change in non-cash items mainly reflected:

- The seasonal decrease in accounts receivable following the higher level of activity during the fourth quarter of the prior fiscal year;
- A decrease in other assets resulting from the unwinding of the Corporation's cross-currency interest rate swaps for proceeds totaling \$11.3 million; and,
- An increase in customer advances and progress billings.

These positive elements were mostly offset by:

- A decrease in throughput resulting in an increase in inventory; and,
- A decrease in accounts payable as a result of a lower overall level of activity compared to the prior quarter.

Investing Activities

The Corporation's investing activities were as follows:

| | Three months ended June 30, | |
|--|--------------------------------|------------|
| | 2023 | 2022 |
| Net additions to property, plant and equipment | \$ (4,842) | \$ (5,754) |
| Net change in finite-life intangible assets | (3,503) | (1,757) |
| Cash flows related to investing activities | \$ (8,345) | \$ (7,511) |

The increase in investment in finite-life intangible assets mainly relates to the ongoing development of civil aircraft programs.

The following table reconciles additions to property, plant and equipment to the additions as per the statements of cash flows:

| | Three months ended June 30, | |
|--|--------------------------------|----------|
| | 2023 | 2022 |
| Additions to property, plant and equipment | \$ 3,727 | \$ 4,067 |
| Government assistance | (78) | (14) |
| Variation in unpaid additions included in Accounts payable and accrued liabilities | 1,418 | 1,737 |
| Non-cash additions made through leasing agreements | (225) | (36) |
| Additions, as per statements of cash flows | \$ 4,842 | \$ 5,754 |

Financing Activities

The Corporation's financing activities were as follows:

| | Three months ended June 30, | |
|--|--------------------------------|------------|
| | 2023 | 2022 |
| Increase in long-term debt | \$ 11,828 | \$ 690 |
| Repayment of long-term debt | (2,818) | (2,902) |
| Increase in deferred financing costs | — | (245) |
| Repurchase and cancellation of shares | (1,302) | (1,661) |
| Issuance of common shares | — | 1,103 |
| Cash flows related to financing activities | \$ 7,708 | \$ (3,015) |

The increases in long-term debt relate to a drawing on the Revolving facility and to governmental loans in support of research and development programs.

Repayment of long-term debt during the three month periods is comprised of lease payments and scheduled reimbursements of governmental loans.

Refer to the *Normal Course Issuer Bid* section below for details regarding the repurchase and cancellation of shares.

NORMAL COURSE ISSUER BID

Fiscal 2023 NCIB

On May 19, 2022, the Corporation announced a Normal Course Issuer Bid ("NCIB") for the purchase for cancellation of up to 1,896,079 common shares on the open market through the TSX or alternative trading facilities. The NCIB began on May 25, 2022, and ended on May 24, 2023.

During the quarter ended June 30, 2023, the Company has purchased and cancelled 101,200 common shares for a cash consideration of \$1.3 million, representing a weighted average price of \$12.86 per share.

| | Number of shares | Average cost per share | Total cost |
|----------------------------------|------------------|------------------------|------------|
| Fiscal year ended March 31, 2023 | 482,703 | \$ 13.56 | \$ 6,546 |
| Quarter ended June 30, 2023 | 101,200 | 12.86 | 1,302 |
| Total | 583,903 | \$ 13.44 | 7,848 |

Fiscal 2024 NCIB

In August 2023, the Corporation filed a notice with the Toronto Stock Exchange of its intention to initiate a new NCIB for purchase and cancellation of up to 1,791,984 of its issued and outstanding common shares, 10% of the public float.

Management views the NCIB as a flexible means to allocate capital to drive shareholder value without compromising the Corporation's position for future growth initiatives, whether they are new contract opportunities or business acquisitions.

FREE CASH FLOW⁽¹⁾

| | Three months ended June 30, | |
|--|-----------------------------|-----------|
| | 2023 | 2022 |
| Cash flows related to operating activities | \$(12,198) | \$ 12,041 |
| Net additions to property, plant and equipment | (4,842) | (5,754) |
| Net change in finite-life intangible assets | (3,503) | (1,757) |
| Free cash flow (usage) | \$(20,543) | \$ 4,530 |

⁽¹⁾ Non-IFRS financial measure. Refer to the Non-IFRS financial measures section under Operating Results for the definition of this metric.

The decrease in free cash flow for the quarter compared to last year was mainly driven by last year's proceeds of \$11.3 million from the unwinding of cross-currency interest rate swaps, an unfavourable seasonal variation in accounts receivable and accounts payable compared to last year and by the strategic investment in inventory levels made to stabilize the production system and sustain future sales growth.

Management considers free cash flow to be a good indicator of financial strength and profitability because it shows how much of the cash generated by operations is available for distribution, to repay debt or fund other investments.

FINANCIAL POSITION

CONSOLIDATED BALANCE SHEETS

Working capital

| As at | June 30, 2023 | March 31, 2023 | Variance | |
|-----------------------|------------------|-------------------|-----------|--------|
| Current assets | \$ 432,503 | \$ 429,513 | \$ 2,990 | 0.7 % |
| Current liabilities | 211,909 | 223,939 | (12,030) | (5.4)% |
| Working capital | \$ 220,594 | \$ 205,574 | \$ 15,020 | 7.3 % |
| Working capital ratio | 2.04 | 1.92 | | |

Current assets were relatively stable compared to March 31, 2023 and reflected a \$23.9 million increase in inventory as described under *Liquidity and Capital Resources*, offset by \$13.0 million and \$11.8 million respective decreases in cash and accounts receivable.

The decrease in current liabilities is mainly explained by a \$11.9 million decrease in accounts payable and accrued liabilities.

Long-term assets, Long-term liabilities and Shareholders' equity

The Corporation's long-term assets and liabilities were as follows, as at:

| | June 30, 2023 | March 31, 2023 | Variance | |
|---|------------------|-------------------|------------|--------|
| Long-term assets | \$ 387,325 | \$ 391,824 | \$ (4,499) | (1.1)% |
| Long-term liabilities | 214,447 | 206,479 | \$ 7,968 | 3.9 % |
| Shareholders' equity | \$ 393,472 | \$ 390,919 | \$ 2,553 | 0.7 % |
| Net debt-to-equity ratio ⁽¹⁾ | 0.5:1 | 0.4:1 | | |

⁽¹⁾ Defined as total long-term debt, including the current portion but excluding deferred financing costs, less cash over shareholders' equity.

The \$4.5 million decrease in long-term assets is mainly explained by a \$4.8 million net decrease in property, plant and equipment due to amortization, net of additions.

The \$8.0 million increase in long-term liabilities is mainly explained by a \$9.9 million increase of the Revolving Facility, partly offset by the \$1.7 million impact of variations in the Corporation's long-term derivative financial liabilities outstanding.

The \$2.6 million increase in Shareholder's Equity is essentially driven by \$4.0 million of net income for the quarter, partly offset by the \$1.3 million of repurchase and cancellation of common shares under the NCIB.

ADDITIONAL INFORMATION

FOREIGN EXCHANGE (“FX”)

The Corporation is subject to foreign currency fluctuations from the translation of revenues (sales), expenses, assets and liabilities of its foreign operations and from transactions denominated mainly in US dollars, in British pounds (“GBP”) and in Euros (“EUR”). Transactions denominated in foreign currencies are initially recorded at the functional currency rate of exchange at the date of the transactions, excluding the impact of forward foreign exchange contracts (“FFEC”), while the statement of income of foreign operations is translated at the average exchange rate for the period.

The foreign exchange rates used to translate assets and liabilities into Canadian dollars were as follows, as at:

| | June 30, 2023 | March 31, 2023 |
|--------------------------------------|------------------|-------------------|
| USD (Canadian equivalent of US\$1.0) | 1.3240 | 1.3533 |
| GBP (Canadian equivalent of £1.0) | 1.6817 | 1.6726 |
| EUR (Canadian equivalent of €1.0) | 1.4445 | 1.4708 |

The foreign exchange rates used to translate revenues and expenses into Canadian dollars were as follows:

| | Three months ended June 30, | |
|--------------------------------------|--------------------------------|--------|
| | 2023 | 2022 |
| USD (Canadian equivalent of US\$1.0) | 1.3431 | 1.2765 |
| GBP (Canadian equivalent of £1.0) | 1.6814 | 1.6031 |
| EUR (Canadian equivalent of €1.0) | 1.4629 | 1.3590 |

The Corporation manages its exposure to fluctuations in FX rates using FFEC. Therefore, the variances in the rates presented above may not be representative of the actual impact of FX on financial results.

DERIVATIVES

Forward foreign exchange contracts

As at June 30, 2023, the Corporation had forward foreign exchange contracts outstanding for a notional amount of \$381.0 million (\$438.3 million at March 31, 2023) denominated in USD, EUR and GBP. This amount includes contracts with nominal value of US\$205.7 million (US\$241.6 million at March 31, 2023) convertible into Canadian dollars at an average rate of 1.3127 (1.3143 at March 31, 2023). These contracts mature at various dates between July 2023 and March 2028, with the majority maturing this fiscal year and the next.

Equity swap agreement

As at June 30, 2023 and March 31, 2023, the Corporation had entered into an equity swap agreement fixing 400,000 common shares of the Corporation at a price of \$13.39. This agreement manages the Corporation’s exposure to fluctuations of its share price and resulting effect on the value of outstanding Performance Share Units, Deferred Share Units and Restricted Share Units, and expires in June 2024.

INTERNAL CONTROLS AND PROCEDURES

In compliance with the Canadian Securities Administrators’ Regulation 52-109, the Corporation has filed certifications signed by the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) that, among other things, report on disclosure controls and procedures and the design of internal controls over financial reporting.

The CEO and the CFO 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 Corporation has been made known to them and has been properly disclosed in the interim and annual filings.

The CEO and CFO 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 IFRS.

No changes were made to the Corporation's internal controls over financial reporting during the quarter ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

SELECTED QUARTERLY FINANCIAL INFORMATION

| Fiscal year | 2024 | | 2023 | | | 2022 | | |
|--|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | First Quarter | Fourth Quarter | Third Quarter | Second Quarter | First Quarter | Fourth Quarter | Third Quarter | Second Quarter |
| Sales | \$ 140,697 | \$ 155,978 | \$ 140,875 | \$ 132,680 | \$ 114,089 | \$ 147,459 | \$ 131,147 | \$ 131,293 |
| Operating income | 7,496 | 9,879 | 5,111 | 8,562 | 2,646 | 11,463 | 10,545 | 11,953 |
| Adjusted EBITDA ⁽¹⁾ | 16,357 | 19,595 | 14,129 | 16,216 | 11,426 | 22,149 | 19,694 | 21,157 |
| Net income | 3,970 | 6,288 | 1,773 | 4,799 | 965 | 11,459 | 6,468 | 7,510 |
| Adjusted Net Income ⁽¹⁾ | 3,970 | 6,288 | 1,773 | 3,580 | 965 | 13,158 | 6,468 | 7,510 |
| <i>In dollars per share</i> | | | | | | | | |
| Earnings per share - Diluted | \$ 0.12 | \$ 0.18 | \$ 0.05 | \$ 0.14 | \$ 0.03 | \$ 0.33 | \$ 0.18 | \$ 0.21 |
| Adjusted earnings per share ⁽¹⁾ | 0.12 | 0.18 | 0.05 | 0.10 | 0.03 | 0.38 | 0.18 | 0.21 |
| <i>In thousands of shares</i> | | | | | | | | |
| Weighted-average number of common diluted shares outstanding | 34,197 | 34,300 | 34,450 | 34,554 | 34,633 | 34,868 | 35,741 | 36,576 |

⁽¹⁾ Non-IFRS financial measure. Refer to the Non-IFRS financial measures section under Operating Results for definitions and reconciliations to the most comparable IFRS measures.

Seasonal trends

Héroux-Devtek's first semester is usually slower than the last one due to seasonality such as plant shutdowns and summer vacation.

RISKS AND UNCERTAINTIES

Héroux-Devtek operates in industry sector that have a variety of risk factors and uncertainties. Risk and uncertainties that could materially affect the Corporation's business, financial condition and results of operations in an adverse manner are described in the Corporation's MD&A for the fiscal year ended March 31, 2023. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently believes to be immaterial may also adversely affect its business.

SHAREHOLDER INFORMATION

| ISSUED CAPITAL | August 7, 2023 |
|--------------------------------------|----------------|
| Common shares issued and outstanding | 34,005,873 |
| Stock options issued and outstanding | 1,913,500 |

Héroux-Devtek's shares are traded on the Toronto Stock Exchange under the ticker "HRX" and Computershare Trust acts as registrar and transfer agent.

EXPECTED ISSUANCE OF FINANCIAL RESULTS

| | |
|----------------|-------------------|
| Fiscal 2024 | |
| Second quarter | November 10, 2023 |
| Third quarter | February 7, 2024 |
| Fourth quarter | May 22, 2024 |
| Fiscal 2025 | |
| First quarter | August 9, 2024 |

Contact information

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August 7, 2023



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