HÉROUX DEVTEK

BUILDING
A SUSTAINABLE FUTURE

QUARTERLY REPORT:
FIRST QUARTER ENDED JUNE 30, 2017

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

First quarter ended June 30, 2017

TABLE OF CONTENTS

DISCLOSURE OF NON-REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTERS ENDED JUNE 30, 2017 AND 2016.

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, 2017 and 2016 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 4, 2017.

CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars) (Unaudited)

As at	Notes	June 30, 2017	March 31, 2017
Assets			
Current assets			
Cash and cash equivalents		**$ 40,282**	$ 42,456
Accounts receivable		**62,332**	71,135
Income tax receivable		**1,768**	1,228
Inventories		**151,463**	143,866
Derivative financial instruments	8	**4,769**	3,509
Other current assets	9	**12,425**	10,473
		273,039	272,667
Property, plant and equipment, net	3	**187,106**	192,847
Finite-life intangible assets, net	3	**44,156**	45,467
Derivative financial instruments	8	**1,911**	292
Deferred income tax assets		**10,183**	9,964
Goodwill		**86,554**	86,049
Total assets		**$ 602,949**	$ 607,286
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 60,439**	$ 63,391
Accounts payable - other and other liabilities		**1,179**	2,556
Provisions		**18,147**	20,170
Customer advances		**6,071**	6,442
Progress billings		**2,314**	1,924
Income tax payable		**698**	1,106
Derivative financial instruments	8	**851**	2,055
Current portion of long-term debt	10	**4,876**	6,792
		94,575	104,436
Long-term debt	10	**126,186**	127,347
Provisions		**6,310**	6,398
Derivative financial instruments	8	**70**	508
Deferred income tax liabilities		**5,881**	5,942
Other liabilities		**8,831**	6,787
		241,853	251,418
Shareholders' equity			
Issued capital	11	**77,361**	77,217
Contributed surplus		**3,867**	3,735
Accumulated other comprehensive income	12	**8,521**	6,298
Retained earnings		**271,347**	268,618
		361,096	355,868
Total liabilities and shareholders' equity		**$ 602,949**	$ 607,286

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	**2017**	2016
Sales		**$ 86,857**	$ 95,590
Cost of sales	**3, 4**	**73,937**	79,485
Gross profit		**12,920**	16,105
Selling and administrative expenses	**3, 4**	**7,512**	8,104
Non-recurring items	**6**	**—**	405
Operating income		**5,408**	7,596
Financial expenses	**5**	**1,306**	1,606
Income before income tax expense		**4,102**	5,990
Income tax expense		**75**	811
Net income		**$ 4,027**	$ 5,179
Earnings per share – basic and diluted	**7**	**$ 0.11**	$ 0.14

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of Canadian dollars) (Unaudited)

	Notes	Three months ended June 30, 2017	2016
	12		
Other comprehensive income (loss):			
Items that may be reclassified to net income			
Losses arising from conversion of the financial statements of foreign operations		**$ (2,197)**	$ (11,110)
Cash flow hedges:			
Net gains on valuation of derivative financial instruments		**4,286**	1,341
Net losses on derivative financial instruments transferred to net income		**89**	159
Deferred income taxes		**(1,170)**	(395)
		3,205	1,105
Gains on hedge of net investments in foreign operations		**1,352**	294
Deferred income taxes		**(137)**	(30)
		1,215	264
Items that are never reclassified to net income			
Defined benefit pension plans:			
Losses from remeasurement		**(1,775)**	(433)
Deferred income taxes		**477**	116
		(1,298)	(317)
Other comprehensive income (loss)		**$ 925**	$ (10,058)
Comprehensive income			
Net income		**$ 4,027**	$ 5,179
Other comprehensive income (loss)		**925**	(10,058)
Comprehensive income		**$ 4,952**	$ (4,879)

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		Retained earnings		Shareholders' equity
Balance as at March 31, 2017		$	77,217	$	3,735	$	6,298	$	268,618	$	355,868
Common shares:	11										
Issued under the stock option plan			—		—		—		—		—
Issued under the stock purchase and ownership incentive plan			144		—		—		—		144
Stock-based compensation expense	11		—		132		—		—		132
Net income			—		—		—		4,027		4,027
Other comprehensive income (loss)	12		—		—		2,223		(1,298)		925
Balance as at June 30, 2017		$	77,361	$	3,867	$	8,521	$	271,347	$	361,096

	Notes		Issued capital		Contributed surplus		Accumulated other comprehensive income		Retained earnings		Shareholders' equity
Balance as at March 31, 2016		$	75,916	$	3,283	$	18,788	$	233,127	$	331,114
Common shares:	11										
Issued under the stock option plan			199		(94)		—		—		105
Issued under the stock purchase and ownership incentive plan			143		—		—		—		143
Stock-based compensation expense	11		—		178		—		—		178
Net income			—		—		—		5,179		5,179
Other comprehensive loss	12		—		—		(9,741)		(317)		(10,058)
Balance as at June 30, 2016		$	76,258	$	3,367	$	9,047	$	237,989	$	326,661

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	**2017**	2016
Cash and cash equivalents provided by (used for):			
Operating activities			
Net income		**$ 4,027**	$ 5,179
Items not requiring an outlay of cash:			
Amortization expense	**4**	**6,532**	6,320
Deferred income taxes		**(759)**	(877)
Gain on sale of property, plant and equipment		**2**	—
Non-cash financial expenses	**5**	**679**	926
Stock-based compensation expense	**11**	**132**	178
Cash flows from operations		**10,613**	11,726
Net change in non-cash items	**13**	**(8,045)**	(6,491)
Cash flows related to operating activities		**2,568**	5,235
Investing activities			
Net additions to property, plant and equipment		**(2,666)**	(6,648)
Increase in finite-life intangible assets		**(787)**	(256)
Proceeds on disposal of property, plant and equipment		**30**	—
Cash flows related to investing activities		**(3,423)**	(6,904)
Financing activities			
Increase in long-term debt		**—**	1,305
Repayment of long-term debt		**(1,106)**	(11,139)
Issuance of common shares	**11**	**144**	248
Cash flows related to financing activities		**(962)**	(9,586)
Effect of changes in exchange rates on cash and cash equivalents		**(357)**	(347)
Change in cash and cash equivalents during the periods		**(2,174)**	(11,602)
Cash and cash equivalents at beginning of periods		**42,456**	19,268
Cash and cash equivalents at end of periods		**$ 40,282**	$ 7,666
Interest and income taxes reflected in operating activities:			
Interest paid		**$ 742**	$ 680
Interest received		**$ 115**	$ 1
Income taxes paid		**$ 1,704**	$ 1,615

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, 2017 and 2016

(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 658, East Tower, Longueuil (Québec), Canada. Héroux-Devtek Inc. and its subsidiaries (the "Corporation") specialize in the design, development, manufacture, repair and overhaul of aircraft landing gear, hydraulic flight control actuators and fracture-critical components. It also includes the manufacture of electronic enclosures, heat exchangers and cabinets for airborne radar, electro-optic systems and aircraft controls through its Magtron operations as well as fluid filters products through its Bolton operations.

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, 2017 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, 2017.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of the Corporation on August 4, 2017.

NOTE 3. GOVERNMENT ASSISTANCE

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

	Three months ended June 30,	
	2017	2016
Finite-life intangible assets	**$ 149**	$ 39
Property, plant and equipment	**129**	227
Cost of sales and, selling and administrative expenses	**933**	1,003

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

NOTE 4. COST OF SALES, SELLING AND ADMINISTRATIVE EXPENSES

The main components of these expenses were as follows:

	Three months ended June 30,	
	2017	2016
Raw materials and purchased parts	**$ 27,215**	$ 29,128
Employee costs	**32,057**	35,811
Amortization of property, plant and equipment and finite-life intangible assets	**6,532**	6,320
Others	**15,645**	16,330
	$ 81,449	$ 87,589

Foreign exchange gains or losses resulting from the conversion of net monetary items denominated in foreign currencies are included in the Corporation's selling and administrative expenses. During the three-month period ended June 30, 2017, the foreign exchange loss amounted to $261, compared to a gain of $718 during the same respective periods last fiscal year.

NOTE 5. FINANCIAL EXPENSES

Financial expenses comprise the following:

	Three months ended June 30,	
	2017	2016
Interest accretion on governmental authorities loans	**$ 555**	$ 664
Interest on net defined benefit obligations	**35**	81
Amortization of deferred financing costs (note 10)	**71**	79
Other interest accretion expense and discount rate adjustments	**18**	102
Non-cash financial expenses	**679**	926
Interest expense	**742**	681
Interest income on cash and cash equivalents	**(115)**	(1)
	$ 1,306	$ 1,606

NOTE 6. NON-RECURRING ITEMS

Non-recurring items comprise the following:

	Three months ended June 30,	
	2017	2016
Legal and other professional fees	**$ —**	$ 405
	$ —	$ 405

In January 2016, the Corporation filed an arbitration claim related to representations and warranties made to it in the context of a completed business acquisition. During the second quarter ended September 30, 2016, the Corporation reached an agreement outside of arbitration with the counterparty resulting in a favourable $US 4,000 ($5,247) settlement. Non-recurring legal fees incurred during the three-month period ended June 30, 2016 totaled $405.

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,	
	2017	2016
Weighted-average number of common shares outstanding	**36,129,811**	36,018,657
Effect of dilutive stock options of the Corporation	**193,895**	265,378
Weighted-average number of common diluted shares outstanding	**36,323,706**	36,284,035
Options excluded from diluted earnings per share calculation(1)	**113,000**	109,000

(1) *Excluded due to anti-dilutive impact*

NOTE 8. DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange contracts

The Corporation had the following forward foreign exchange contracts outstanding:

As at		**June 30, 2017**		March 31, 2017
Notional amount outstanding	**US$**	**141,150**	US$	152,350
Average exchange rate		**1.3190**		1.3178

As at June 30, 2017, these contracts mature at various dates between July 2017 and March 2021, with the majority maturing this fiscal year and the next.

Interest rate swap agreements

As at June 30, 2017 the Corporation had entered into the following interest rate swap agreements to fix the interest rate on certain loans:

Notional		Fixed rate	Inception	Maturity
US$	5,000	1.65%	March 2014	December 2018
US$	10,000	2.38%	December 2015	December 2018

The interest-rate swap rates mentioned above exclude the additional bank relevant margin (see Note 10). The cash flows related to the interest‑rate swaps are expected to occur in the same periods as they are expected to affect net income.

Equity swap agreement

On June 22, 2015, the Corporation entered into an equity swap agreement fixing 150,000 common shares of the Corporation at a price of $11.45. This agreement is a derivative that is not part of a designated hedging relationship and matures in June 2018.

NOTE 9. OTHER CURRENT ASSETS

As at		**June 30, 2017**		March 31, 2017
Investment and other tax credits receivable	**$**	**4,248**	$	4,479
Sales tax receivable		**2,278**		1,028
Prepaid expenses		**4,014**		3,917
Others		**1,885**		1,049
	$	**12,425**	$	10,473

NOTE 10. LONG-TERM DEBT

As at	June 30, 2017	March 31, 2017
Senior Secured Syndicated Revolving Credit Facility ("Credit Facility")	**$ 54,503**	$ 55,856
Governmental authorities loans	**48,892**	49,133
Obligations under finance leases	**28,725**	29,787
Deferred financing costs, net	**(1,058)**	(637)
	131,062	134,139
Less: current portion	**4,876**	6,792
Long-term debt	**$ 126,186**	$ 127,347

Credit Facility

The relevant terms and drawings on the Credit Facility are as follows:

As at	June 30, 2017	March 31, 2017
Limit, in Canadian, US$, Euro or British Pound equivalent	**$ 200,000**	$ 200,000
US$ Drawings		
Amount	**US$ 42,000**	US$ 42,000
Rate	**Libor + 1.1%**	Libor +1.4%
Effective rate	**2.4%**	2.4%

In May 2017, the Corporation reached an agreement with its syndicate of banks to extend the term of the Credit Facility through May 2022. The authorized amount remains $200,000 and most other key terms remain unchanged, though the amount of the accordion feature, which is subject to lenders approval, has increased from $75,000 to $100,000. Financing costs totaling $492 were deferred and will be amortized over the term of the loan using the effective interest rate method.

Finance leases

Obligations under finance leases bear fixed interest rates between 2.4% and 3.7% as at June 30, 2017 (same as at March 31, 2017), maturing from July 2019 to December 2023, with amortization periods of seven years, secured by the related property, plant and equipment, net of interest of $2,544 ($2,766 as at March 31, 2017).

NOTE 11. ISSUED CAPITAL

Variations in common shares issued and fully paid were as follows:

	Three months ended June 30, 2017	
	Number	**Issued capital**
Balance at beginning of periods	36,122,050	$ 77,217
Issued for cash under the stock purchase and ownership incentive plan	12,895	144
Balance at end of periods	36,134,945	$ 77,361

A. Stock option plan

The Corporation grants stock options at a subscription price representing the average closing price of the Corporation's common shares on the Toronto Stock Exchange for the five trading days preceding the grant date. Options granted under the plan vest over a period of four years, with the exception of certain key management employees for which the vesting period is one to three years following the grant date. The options are exercisable over a period not greater than seven years after the grant date.

For the three-month periods ended June 30, variances in stock options outstanding and related compensation expense were as follows:

	2017		2016	
	Number of stock options	**Weighted-average exercise price**	Number of stock options	Weighted-average exercise price
Balance at beginning of periods	**914,295**	**$ 10.88**	879,545	$ 10.02
Granted	**—**	**—**	109,000	15.01
Exercised	**—**	**—**	(27,500)	3.80
Balance at end of periods	**914,295**	**$ 10.88**	961,045	$ 10.76
Stock-based compensation expense		**$ 132**		$ 178

As at June 30, 2017 and March 31, 2017, 2,808,257 common shares are reserved for issuance of stock options, of which 1,563,231 remained to be issued.

B. Stock purchase and ownership incentive plan

	Three months ended June 30,	
	2017	2016
In number of common shares		
Issued under the stock purchase and ownership incentive plan	**12,895**	11,130
Attributed to participating employees	**5,067**	3,641
Expense related to common shares attributed	**$ 65**	$ 52

As at June 30, 2017, 340,000 shares were reserved for issuance under the stock purchase and ownership incentive plan, of which 93,743 remained to be issued, compared to 106,638 as at March 31, 2017.

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

Movements in outstanding DSUs and PSUs and related expenses were as follows:

	Three months ended June 30,	
	2017	2016
DSUs		
In number of DSUs		
Opening balance	**135,815**	124,333
Closing balance of DSUs outstanding	**135,815**	124,333
DSU expense for the period	**$ 402**	$ 260
Fair value of vested outstanding DSUs, end of period	**$ 1,919**	$ 1,838

	Three months ended June 30,	
	2017	2016
PSUs		
In number of PSUs		
Opening balance	**114,434**	151,392
Issued	**—**	58,500
Closing balance of PSUs outstanding	**114,434**	209,892
PSU expense for the period	**$ (237)**	$ 254
Fair value of vested outstanding PSUs, end of period	**$ 766**	$ 2,091

NOTE 12. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in accumulated other comprehensive income 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, 2017	$ 14,256	$ (521)	$ (7,437)	$ 6,298
Other comprehensive loss	(2,197)	3,205	1,215	2,223
Balance as at June 30, 2017	$ 12,059	$ 2,684	$ (6,222)	$ 8,521

	Exchange differences on conversion of foreign operations	Cash flow hedges	Hedge of net investments in foreign operations	Total
Balance as at March 31, 2016	$ 25,691	$ (643)	$ (6,260)	$ 18,788
Other comprehensive income (loss)	(11,110)	1,105	264	(9,741)
Balance as at June 30, 2016	$ 14,581	$ 462	$ (5,996)	$ 9,047

NOTE 13. NET CHANGE IN NON-CASH ITEMS

The net change in non-cash items were detailed as follows:

	Three months ended June 30, 2017	Three months ended June 30, 2016
Accounts receivable	**$ 8,803**	$ 15,993
Income tax receivable	**(539)**	665
Inventories	**(7,597)**	(7,230)
Other current assets	**(2,680)**	(3,249)
Accounts payable and accrued liabilities, accounts payable – other and other liabilities	**(2,649)**	(5,612)
Provisions	**(2,147)**	(393)
Progress billings	**324**	(1,852)
Customer advances	**(371)**	(1,601)
Income tax payable	**(408)**	(674)
Effect of changes in exchange rates[1]	**(781)**	(2,538)
	$ (8,045)	$ (6,491)

[1] *Reflects the total impact of changes in exchange rates during the period on non-cash items listed above for the Corporation's foreign subsidiaries.*

NOTE 14. GEOGRAPHIC INFORMATION

The geographic segmentation of assets was as follows:

As at	June 30, 2017				March 31, 2017			
	Canada	**U.S.**	**U.K.**	**Total**	Canada	U.S.	U.K.	Total
Property, plant and equipment, net	**$ 101,489**	**$ 74,290**	**$ 11,327**	**$ 187,106**	$ 104,201	$ 77,111	$ 11,535	$ 192,847
Finite-life intangible assets, net	**27,833**	**2,907**	**13,416**	**44,156**	28,536	3,010	13,921	45,467
Goodwill	**13,838**	**9,753**	**62,963**	**86,554**	13,838	9,995	62,216	86,049

Geographic sales based on customers' locations were detailed as follows:

	Three months ended June 30, 2017	Three months ended June 30, 2016
Canada	**$ 8,869**	$ 19,411
United States of America	**56,766**	51,585
United Kingdom	**9,826**	10,069
Other countries	**11,396**	14,525
	$ 86,857	$ 95,590

MANAGEMENT'S DISCUSSION AND ANALYSIS

First quarter ended June 30, 2017

TABLE OF CONTENTS

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, 2017 and June 30, 2017. It also compares the operating results and cash flows for the quarter ended June 30, 2017 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, 2017, 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, 2017, all of which are available on the Corporation's website at www.herouxdevtek.com. All amounts in this MD&A are in thousands of Canadian dollars unless otherwise indicated.

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, including those presented in the Guidance and Economic Outlook sections, 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: the impact of 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, 2017. 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 these statements and although they are based on information available to it on the date such statements were made, there can be no assurance that such expectations will prove to be correct. All subsequent forward-looking statements, whether written or orally attributable to the Corporation or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

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 and in British pounds ("GBP"). 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, 2017	March 31, 2017
USD (Canadian equivalent of US$1.0)	**1.2977**	1.3299
GBP (Canadian equivalent of £1.0)	**1.6862**	1.6662

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

	Three months ended June 30,	
	2017	2016
USD (Canadian equivalent of US$1.0)	**1.3448**	1.2886
GBP (Canadian equivalent of £1.0)	**1.7201**	1.8487

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.

HIGHLIGHTS

	Three months ended June 30, 2017	2016
Sales	**$ 86,857**	$ 95,590
Operating income	**5,408**	7,596
Adjusted operating income[1]	**5,408**	8,001
Adjusted EBITDA[1]	**11,940**	14,321
Net income	**4,027**	5,179
Adjusted net income[1]	**4,027**	5,584
In dollars per share		
EPS - basic and diluted	**$ 0.11**	$ 0.14
Adjusted EPS[1]	**0.11**	0.15
In thousands of shares		
Weighted average number of common diluted shares outstanding	**36,324**	36,284
In millions of dollars, as at	**June 30, 2017**	March 31, 2017
Funded backlog[2]	**$ 451**	$ 405

[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.*

[2] *Represents firm orders*

Key Events

- In May 2017, the Corporation reached an agreement with its syndicate of banks to extend the term of the Credit Facility through May 2022. The authorized amount remains $200.0 million and most other key terms remain unchanged, though the amount of the accordion feature was increased from $75.0 million to $100.0 million. Financing costs totaling $0.5 million were deferred and will be amortized over the term of the loan using the effective interest rate method.

- For the three-month period ending June 30, 2017, the Corporation achieved consolidated sales of $86.9 million and adjusted EBITDA of $11.9 million, compared to $95.6 million and $14.3 million during the same period last fiscal year.

Guidance

- Management reaffirms guidance for fiscal 2018 sales of a low single-digit decrease as compared to fiscal 2017, long-term sales guidance of a range from $480-$520 million for fiscal 2021, and fiscal 2018 additions to property, plant and equipment of approximately $20 million.

- Management issues new guidance for fiscal 2018 adjusted EBITDA margin, which should remain relatively stable when compared to that of fiscal 2017.

Please refer to the *Guidance* section under *Additional Information* for further details including the assumptions underlying this guidance, as well as to *Forward-Looking Statements* for further information regarding forward-looking statements and related risks.

OPERATING RESULTS

	Three months ended June 30,		
	2017	2016	*Variance*
Sales	**$ 86,857**	$ 95,590	*$ (8,733)*
Gross profit	**12,920**	16,105	*(3,185)*
Selling and administrative expenses	**7,512**	8,104	*(592)*
Adjusted operating income[1]	**5,408**	8,001	*(2,593)*
Non-recurring items	**—**	405	*(405)*
Operating income	**5,408**	7,596	*(2,188)*
Financial expenses	**1,306**	1,606	*(300)*
Income tax expense	**75**	811	*(736)*
Net income	**$ 4,027**	$ 5,179	*$ (1,152)*
Adjusted net income[1]	**$ 4,027**	$ 5,584	*$ (1,557)*
As a percentage of sales			
Gross profit	**14.9%**	16.8%	*-190 bps*
Selling and Administrative expenses	**8.6%**	8.5%	*10 bps*
Operating income	**6.2%**	7.9%	*-170 bps*
Adjusted operating income[1]	**6.2%**	8.4%	*-220 bps*
In dollars per share			
EPS - basic and diluted	**$ 0.11**	$ 0.14	*$ (0.03)*
Adjusted EPS[1]	**$ 0.11**	$ 0.15	*$ (0.04)*

[1] *Non-IFRS financial measure. Refer to the* Non-IFRS financial measures *section for definitions and reconciliations to the most comparable IFRS measures.*

Sales

Sales can be broken down by sector as follows:

	Three months ended June 30,				
	2017	2016	FX impact	Net variance	
Commercial	**$ 43,328**	$ 50,591	$ 696	$ (7,959)	(15.7)%
Defence[1]	**43,529**	44,999	700	(2,170)	(4.8)%
Total	**$ 86,857**	$ 95,590	$ 1,396	$ (10,129)	(10.6)%

[1] *Includes defence sales to civil customers and governments.*

Commercial

The $8.0 million net decrease in commercial sales for the three-month period was mainly driven by:

- Lower large commercial programs due to the scheduled ending of a Tier-2 contract; and,
- Lower customer requirements for certain business jet and regional jet programs.

These negative factors were partly offset by ramp-up of deliveries for the Boeing 777 program.

Defence

The $2.2 million net decrease in defence sales for the three-month period was mainly driven by:

- Lower repair and overhaul ("R&O") sales, namely on the P-3 program; and,
- Timing of delivery of certain manufacturing sales to civil customers.

These negative factors were partially offset by higher spare parts requirements from the U.S. government and ramp-up of the F-35 program.

Gross Profit

The decrease in gross profit margin from 16.8% to 14.9% for the three-month period compared to the same period last fiscal year was mainly driven by higher under-absorption, including excess capacity and processing and finishing costs related to the Boeing 777 program. These excess processing and finishing costs are expected to normalize upon completion of the customer qualification and approval of Héroux-Devtek's surface treatment processes.

These negative factors were partly offset by exchange rate fluctuations representing 0.8% of sales, mainly related to the U.S. Dollar.

Selling and Administrative Expenses

When excluding gains and losses on translation of net monetary items, selling and administrative expenses represented 8.3% of sales, compared to 9.2% for the same period last fiscal year. The decrease as a percentage of sales compared to the same period last fiscal year is mainly associated with lower employee-related costs.

Non-recurring items

	Three months ended June 30,	
	2017	2016
Legal and other professional fees	**—**	405
	—	405

In January 2016, the Corporation filed an arbitration claim related to representations and warranties made to it in the context of a completed business acquisition. During the second quarter ended September 30, 2016 the Corporation reached an agreement outside of arbitration with the counterparty resulting in a favourable $US 4.0 million ($5.2 million) settlement. Non-recurring legal fees incurred during the three-month period ended June 30, 2016 totaled $0.4 million.

Operating Income

The decrease from 7.9% to 6.2% of sales (decrease from 8.4% to 6.2% excluding non-recurring items) for the three-month period compared to the same period last fiscal year is mainly the result of the factors described above.

Year over year, foreign exchange had no net impact on the Corporation's operating income for the three month period.

Financial Expenses

The $0.3 million decrease during the three-month period compared to the same period last fiscal year was driven by:

- Higher interest income on cash and cash equivalents;
- Lower interest accretion on governmental authorities loans; and,
- Lower other interest accretion expense and discount rate adjustments.

These positive factors were partly offset by higher interest expense mainly related to a larger balance of finance leases.

Income Tax Expense

	Three months ended June 30,	
	2017	2016
Income before income tax expense	**$ 4,102**	$ 5,990
Income tax expense	**75**	811
Effective tax rate	**1.8%**	13.5%
Canadian blended statutory income tax rate	**26.7%**	26.7%

For the three-month period ended June 30, 2017, the Corporation's effective income tax rate mainly reflects the favourable impact of earnings in other tax jurisdictions ($1.1 million) partially offset by permanent differences ($0.1 million).

For the three-month period ended June 30, 2016, the Corporation's effective income tax rate mainly reflected the favourable impact of earnings in other tax jurisdictions ($1.0 million) partially offset by permanent differences ($0.1 million).

Net Income

Net income decreased from $5.2 million to $4.0 million (or decreased from $5.6 million to $4.0 million excluding non-recurring items net of taxes) during the three-month period compared to the same period last fiscal year mainly as a result of the factors described above.

NON-IFRS FINANCIAL MEASURES

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

Adjusted operating income:	Operating income excluding non-recurring items.
EBITDA:	Earnings before financial expenses, income tax expense and amortization expense.
Adjusted EBITDA:	EBITDA as defined above excluding non-recurring items.
Adjusted net income:	Net income excluding non-recurring items 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 additions to property, plant and equipment and net increase in finite-life intangible assets.

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. However, the Corporation's management, considers these metrics to be useful information to assist investors in evaluating the Corporation's profitability, liquidity and ability to generate funds to finance its operations and capital investment needs.

The following are reconciliations of these items to their most comparable IFRS measures, excluding free cash flow. For the reconciliation of free cash flow to cash flows from operating activities, refer to *Liquidity and Capital Resources*.

The Corporation's adjusted operating income is calculated as follows:

	Three months ended June 30,	
	2017	2016
Operating income	**$ 5,408**	$ 7,596
Non-recurring items	**—**	405
Adjusted operating income	**$ 5,408**	$ 8,001

The Corporation's EBITDA and adjusted EBITDA are calculated as follows:

	Three months ended June 30,	
	2017	2016
Net income	**$ 4,027**	$ 5,179
Income tax expense	**75**	811
Financial expenses	**1,306**	1,606
Amortization expense	**6,532**	6,320
EBITDA	**$ 11,940**	$ 13,916
Non-recurring items	**—**	405
Adjusted EBITDA	**$ 11,940**	$ 14,321

The Corporation's adjusted net income and adjusted earnings per share are calculated as follows:

	Three months ended June 30,			
		2017		2016
Net income	**$**	**4,027**	$	5,179
Non-recurring items, net of taxes		**—**		405
Adjusted net income	**$**	**4,027**	$	5,584
In dollars per share				
Earnings per share - basic and diluted	**$**	**0.11**	$	0.14
Non-recurring items, net of taxes		**—**		0.01
Adjusted earnings per share	**$**	**0.11**	$	0.15

LIQUIDITY AND CAPITAL RESOURCES

CREDIT FACILITY AND CASH AND CASH EQUIVALENTS

In May 2017, the Corporation renewed their Credit Facility and extended through May 2022, with the terms and conditions remaining substantially the same. Related financing costs totaling $0.5 million were deferred and will be amortized over the term of the loan using the effective interest rate method.

As at June 30, 2017, this Credit Facility allowed the Corporation and its subsidiaries to borrow up to $200.0 million, either in Canadian dollars, US dollars, British Pounds, Euro or equivalent currencies. It also included an accordion feature to increase the Credit Facility by an additional $100.0 million during the term of this agreement, subject to the approval of the lenders. This accordion feature was increased from $75.0 million during the renewal process.

As at June 30, 2017, the Corporation had $54.5 million drawn against the Credit Facility, compared to $55.9 million as at March 31, 2017. Considering the Corporation's cash and cash equivalents position, its available Credit Facility and level of expected capital investments and results, the Corporation's management does not expect any significant liquidity risk in the foreseeable future.

The Corporation's net debt position is calculated as follows, as at:

		June 30, 2017		March 31, 2017
Long-term debt, including current portion[(1)]	**$**	**132,120**	$	134,776
Less: Cash and cash equivalents		**40,282**		42,456
Net debt position	**$**	**91,838**	$	92,320

(1) Excluding net deferred financing costs of $1.1 million as at June 30, 2017 and $0.6 million as at March 31, 2017.

In general terms, the Corporation has a healthy financial position and is well positioned to face its financing needs.

VARIATIONS IN CASH AND CASH EQUIVALENTS

	Three months ended June 30,	
	2017	2016
Cash and cash equivalents at beginning of periods	**$ 42,456**	$ 19,268
Cash flows related to operating activities	**2,568**	5,235
Cash flows related to investing activities	**(3,423)**	(6,904)
Cash flows related to financing activities	**(962)**	(9,586)
Effect of changes in exchange rates on cash and cash equivalents	**(357)**	(347)
Cash and cash equivalents at end of periods	**$ 40,282**	$ 7,666

Operating Activities

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

	Three months ended June 30,	
	2017	2016
Cash flows from operations	**$ 10,613**	$ 11,726
Net change in non-cash items	**(8,045)**	(6,491)
Cash flows related to operating activities	**$ 2,568**	$ 5,235

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

	Three months ended June 30,	
	2017	2016
Accounts receivable	**$ 8,803**	$ 15,993
Inventories	**(7,597)**	(7,230)
Other current assets	**(2,680)**	(3,249)
Accounts payable and accrued liabilities, accounts payable-other and other liabilities (referred to as "accounts payable")	**(2,649)**	(5,612)
Income taxes payable and receivable	**(947)**	(9)
Customer advances	**(371)**	(1,601)
Provisions	**(2,147)**	(393)
Progress billings	**324**	(1,852)
Effect of changes in exchange rates	**(781)**	(2,538)
	$ (8,045)	$ (6,491)

For the three-month periods ended June 30, 2017, the negative net change in non-cash items mainly reflects:

- An increase in inventories mainly related to the timing of delivery of certain defence manufacturing sales to civil customers; and
- The seasonal decrease in accounts payable following the higher level of activity during the fourth quarter of the prior fiscal year.

These factors were partially 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 three-month periods ended June 30, 2016, the negative net change in non-cash items mainly reflected:

- An increase in inventories mainly related to the Boeing 777 program;
- The seasonal decrease in accounts payable following the higher level of activity during the fourth quarter of the prior fiscal year.

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

Investing Activities

The Corporation's investing activities were as follows:

		Three months ended June 30,		
		2017		2016
Net additions to property, plant and equipment	**$**	**(2,666)**	$	(6,648)
Net increase in finite-life intangible assets		**(787)**		(256)
Proceeds on disposal of property, plant and equipment		**30**		—
Cash flows related to investing activities	**$**	**(3,423)**	$	(6,904)

Additions to property, plant and equipment shown above can be reconciled as follows:

		Three months ended June 30,		
		2017		2016
Gross additions to property, plant and equipment	**$**	**1,442**	$	5,732
Government assistance		**(129)**		(227)
Net additions to property, plant and equipment	**$**	**1,313**	$	5,505
Variation in unpaid additions included in Accounts payable - other and other liabilities		**1,353**		1,332
Deposits reclassified to property, plant and equipment upon completion [1]		**—**		(189)
Net additions, as per statements of cash flows	**$**	**2,666**	$	6,648

[1] *Includes machinery financed under finance leases for which deposits had been made.*

The decrease in net additions to property, plant and equipment for the three-month period compared to the same period last fiscal year mainly relates to the completion of investments related to the Boeing 777 and 777X contract.

Financing Activities

The Corporation's financing activities were as follows:

		Three months ended June 30,		
		2017		2016
Increase in long-term debt	**$**	**—**	$	1,305
Repayment of long-term debt		**(1,106)**		(11,139)
Issuance of common shares		**144**		248
Cash flows related to financing activities	**$**	**(962)**	$	(9,586)

The cash outflow from repayment of long-term debt during the three months ended June 30, 2016 mainly related to a $10.2 million repayment of the Credit Facility.

As at June 30, 2017, the Corporation was in compliance with all of its restrictive debt covenants and expects to continue to comply with these restrictive financial covenants through the current fiscal year.

FREE CASH FLOW[(1)]

	Three months ended June 30,	
	2017	2016
Cash flows related to operating activities	**$ 2,568**	$ 5,235
Net additions to property, plant and equipment	**(1,313)**	(5,505)
Net increase in finite-life intangible assets	**(787)**	(256)
Free cash flow	**$ 468**	$ (526)

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

The $1.0 million increase in free cash flow for the three-month period ended June 30, 2017 compared to the same period last fiscal year mainly relates to a decrease in net additions to property, plant and equipment partially offset by a decrease in cash flows related to operating activities.

FINANCIAL POSITION

ISSUED CAPITAL

Capital stock varied as follows:

	Three months ended June 30, 2017	
	Number of shares	Issued capital
Opening balance	36,122,050	$ 77,217
Issued for cash under the stock purchase and ownership incentive plan	12,895	144
Ending balance	36,134,945	$ 77,361

As at August 4, 2017, the number of common shares outstanding stood at 36,138,645.

Stock options varied as follows:

	Three months ended June 30, 2017	
	Number of stock options	Weighted-average exercise price
Opening balance	914,295	$ 10.88
Ending balance	914,295	$ 10.88

As at June 30, 2017, 1,563,231 common shares remained reserved for issuance upon exercise of stock options compared to 1,563,231 at March 31, 2017 and 93,743 common shares remained reserved for issuance under the stock purchase and ownership incentive plan compared to 106,638 at March 31, 2017.

As at August 4, 2017, the number of stock options outstanding stood at 914,295.

For further information regarding the Corporation's outstanding issued capital and related compensation plans, refer to Note 11*, Issued Capital*, to the interim condensed consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

Working capital

As at	June 30, 2017	March 31, 2017	Variance	
Current assets	**$ 273,039**	$ 272,667	*$ 372*	*0.1 %*
Current liabilities	**94,575**	104,436	*(9,861)*	*(9.4)%*
Working capital	**$ 178,464**	$ 168,231	*$ 10,233*	*6.1 %*
Working capital ratio	**2.89**	2.61		

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

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

	June 30, 2017	March 31, 2017	Variance	
Long-term assets	**$ 329,910**	$ 334,619	*$ (4,709)*	*(1.4)%*
Long-term liabilities	**$ 147,278**	$ 146,982	*$ 296*	*0.2 %*
Shareholders' equity	**$ 361,096**	$ 355,868	*$ 5,228*	*1.5 %*
Net debt-to-equity ratio(1)	**0.25:1**	0.26:1		

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

The $5.2 million increase in Shareholders' equity is mainly explained by Comprehensive income of $5.0 million, essentially comprised of net income of $4.0 million and the favourable effect of foreign exchange fluctuations of $2.2 million included in Other comprehensive income. For further details, see the Statement of comprehensive income in the interim condensed consolidated financial statements for the three months ended June 30, 2017.

ADDITIONAL INFORMATION

DERIVATIVES

Forward foreign exchange contracts

The Corporation had the following forward foreign exchange contracts outstanding, as at:

	June 30, 2017	March 31, 2017
Notional amount outstanding	**US$ 141,150**	US$ 152,350
Average exchange rate	**1.3190**	1.3178

As at June 30, 2017, these contracts mature at various dates between July 2017 and March 2021, with the majority maturing this fiscal year and the next.

Interest rate swap agreements

As at June 30, 2017 the Corporation had entered into the following interest rate swap agreements to fix the interest rate on certain loans:

Notional		Fixed rate	Inception	Maturity
US$	5,000	1.65%	March 2014	December 2018
US$	10,000	2.38%	December 2015	December 2018

The interest rate swap rates mentioned above exclude the additional bank relevant margin (see Note 10, *Long-term debt*, to the interim condensed consolidated financial statements). The cash flows related to the interest rate swaps are expected to occur in the same periods as they are expected to affect net income.

Equity swap agreement

As at June 30, 2017 the Corporation had entered into an equity swap agreement fixing 150,000 common shares of the Corporation at a price of $11.45. This agreement is a derivative that is not part of a designated hedging relationship and matures in June 2018.

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 three-month period ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

RISKS AND UNCERTAINTIES

Héroux-Devtek operates in industry sectors 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, 2017. 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.

There was no significant change to these risks and uncertainties during the three months ended June 30, 2017, other than those described elsewhere in this MD&A.

SELECTED QUARTERLY FINANCIAL INFORMATION

Fiscal year	2018	2017				2016		
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter
Sales	**$ 86,857**	$120,886	$ 98,489	$ 91,571	$ 95,590	$117,496	$ 96,561	$ 94,518
Operating income	**5,408**	8,678	7,694	11,584	7,596	13,334	9,794	8,684
Adjusted operating income (1)	**5,408**	12,312	7,694	7,873	8,001	13,334	9,794	8,684
EBITDA (1)	**11,940**	15,547	13,851	17,806	13,916	20,713	15,666	14,607
Adjusted EBITDA (1)	**11,940**	19,181	13,851	14,095	14,321	20,713	15,666	14,607
Net Income	**4,027**	8,895	8,175	9,519	5,179	9,091	7,010	6,030
Adjusted Net Income (1)	**4,027**	9,077	6,015	5,677	5,584	9,091	7,010	6,030
In dollars per share								
Earnings per share - Basic & Diluted	**$ 0.11**	$ 0.25	$ 0.23	$ 0.26	$ 0.14	$ 0.25	$ 0.19	$ 0.17
Adjusted earnings per share (1)	**0.11**	0.25	0.17	0.16	0.15	0.25	0.19	0.17
In millions of shares								
Weighted-average number of common diluted shares outstanding	**36.3**	36.3	36.3	36.3	36.3	36.2	36.2	36.1

(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 second quarter is usually slower than the others due to seasonality such as plant shutdowns and summer vacations, whereas the fourth quarter is usually the strongest.

ECONOMIC OUTLOOK (1)

In the commercial aerospace market, The International Air Transport Association's ("IATA") most recent forecast calls for a strong 7.4% growth in the passenger market for calendar 2017, a figure above the historical average of approximately 5.0%, and also above its previous forecast of 5.1% for the period. Meanwhile, air cargo volume is expected to rise 7.3% in calendar 2017, also marking a significant increase over its previous forecast of 3.3%(2).

In the large commercial aircraft sector, Boeing and Airbus are proceeding with production rate adjustments ahead of introducing certain more fuel efficient aircraft variants on several leading programs through calendar 2020. Their backlogs remain healthy despite a reduction in new firm orders since calendar 2016(3). The reduction has been more important for twin-aisle aircraft, a category that includes the Boeing 777 program.

In the defence aerospace market, the new U.S. administration has indicated its intention to increase funding for the Department of Defense (DOD). A bipartisan agreement provided DOD with additional funding for the rest of the U.S. Government's 2017 fiscal year, while the President's 2018 Budget requests US$639 billion for DOD's 2018 fiscal year, which is 8.9% above the initial request for fiscal 2017. In Canada, the new defence policy calls for a rise in defence spending, from $18.9 billion in the 2017 fiscal year to $32.7 billion in the 2027 fiscal year. European nations are also committing more funds to defence, as evidenced by a 3.7% overall spending increase by all European countries members of NATO for 2017(4).

The Corporation's UK operations provide a more geographically diversified defence portfolio, which reduces its relative exposure to the U.S. market. The balance between new component manufacturing and aftermarket products and services in the Corporation's defence portfolio and its leading program content also promote more stability.

(1) *Refer to* Forward-Looking Statements *in* Overview *for further information regarding forward-looking statements and related risks.*
(2) *Source: Economic Performance of the Airline Industry, IATA, June 2017.*
(3) *Sources: Airbus press releases July 12, 2016; February 24, 2016; October 30, 2015; Boeing press release January 21, 2016*
(4) *Sources: A New Foundation for American Greatness, May 23, 2017; Strong, Secure, Engaged, Canada's Defence Policy, June 7, 2017; Defence Expenditure of NATO Countries, June 29, 2017.*

GUIDANCE[1]

Metric	Fiscal 2018 guidance	**Update fiscal 2018 guidance**
Fiscal 2018 sales growth	Low single-digit decrease	**Low single-digit decrease**
Long-term sales growth	Sales of $480-520 million for FY2021	**Sales of $480-520 million for FY2021**
Fiscal 2018 additions to PP&E	Approximately $20 million	**Approximately $20 million**
Fiscal 2018 adjusted EBITDA[2] margin	None provided	**Stable as compared to fiscal 2017**

[1] *Refer to* Forward-Looking Statements *in* Overview *for further information regarding forward-looking statements and related risks.*

[2] *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.*

Management has prepared the foregoing guidance using the best information available upon preparing this MD&A, and based it on assumptions and sources of information including, but not limited to:

- Héroux-Devtek's backlog, long-term sales contracts and estimated future order intake, assuming no material acquisition;
- Existing OEM backlogs, production rates and disclosed production and delivery expectations;
- Stability of government defence budget, spending climates, trends and expectations;
- Stability of overall economic conditions;
- Stability of foreign exchange rates, particularly versus the U.S. dollar; and,
- The Corporation's ability to deliver on key contract initiatives.

Refer to the *Risk Management* section of the Corporation's MD&A for the fiscal year ended March 31, 2017 for discussion of certain factors which may cause future results to differ from this guidance.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was approved by the Audit Committee and Board of Directors of the Corporation on August 4, 2017. Additional information about the Corporation, including the Annual Report and Annual Information Form, can be found on SEDAR at www.sedar.com or on the Corporation's website at www.herouxdevtek.com.