HÉROUX DEVTEK

GROWING GLOBAL

WITH SUPERIOR EXECUTION

QUARTERLY REPORT

THIRD QUARTER ENDED DECEMBER 31, 2014

MESSAGE TO SHAREHOLDERS
Third quarter ended December 31, 2014

On behalf of the Board of Directors, I am pleased to present the financial results for Héroux-Devtek's third quarter ended December 31, 2014. Results include the contribution of APPH Limited and APPH Wichita Inc. (collectively "APPH"), acquired on February 3, 2014.

As mentioned by press release on January 27, 2015, the Corporation recorded a non-cash and non-recurring charge of $7.9 million before taxes, equivalent to $5.8 million or $0.16 per diluted share after taxes, representing the impairment of capitalized development costs on the Learjet 85 business aircraft program and follows the announcement by Bombardier Inc. (TSX: BBD.B) on January 15, 2015 to pause the program. Héroux-Devtek is the developer and supplier of the complete landing gear system for the aircraft.

Consolidated sales rose 43.8% to $88.4 million, up from $61.4 million in the third quarter of fiscal 2014. This increase is mainly attributable to a $24.5 million contribution from APPH, while year-over-year fluctuations in the value of the Canadian currency versus the US currency increased third-quarter sales by $3.2 million.

Sales to the commercial aerospace market increased 40.2% to $39.9 million reflecting commercial sales of $8.4 million from APPH. Excluding the latter, commercial sales rose $3.1 million, or 10.9%, due to higher production rates for certain large commercial aircraft programs, mainly the B-777 and B-787 aircraft, higher sales to the business jet market reflecting the entry into production of the Embraer Legacy 450/500 program and a $1.8 million favourable currency effect. These factors were partially offset by lower aftermarket sales on the CL-415 program with Bombardier.

Military sales reached $48.4 million, up 46.9% from a year ago driven by a $16.1 million contribution from APPH. Excluding this factor, military sales decreased $0.6 million, or 1.9%, reflecting lower spare part requirements, mainly with the U.S. government, partially offset by increased sales volume on the F-35 program and on the CH-47 helicopter program, as well as a $1.4 million favourable foreign exchange impact.

Gross profit reached $14.6 million, or 16.5% of sales, up from $10.0 million, or 16.3% of sales, last year. The increase in dollars and as a percentage of sales reflects the acquisition of APPH, including its more favourable product mix during the period. Excluding APPH, gross profit as a percentage of sales decreased by 2.3%, reflecting a less favourable product mix compared with last year mainly due to lower aftermarket sales. Currency variation had a positive effect equivalent to 0.9% of sales on gross profit compared with last year's third quarter.

Adjusted EBITDA was $11.5 million, or 13.1% of sales, up from $8.3 million, or 13.5% of sales, a year ago. This year's adjusted EBITDA excludes restructuring charges of $0.6 million related to the integration of APPH's operations manufacturing, as well as capacity optimization and consolidation initiatives announced in January 2014, while last year's adjusted EBITDA excluded acquisition-related costs of $1.1 million. The year-over-year decline in adjusted EBITDA as a percentage of sales stems from an increase in SG&A expenses due to higher stock-based compensation expense and professional fees.

Adjusted net income, which excludes the combined after-tax effect of $6.3 million from the impairment charge and restructuring charges, stood at $4.4 million, or $0.12 per diluted share, in the third quarter of fiscal 2015, up 18.0% from $3.7 million, or $0.12 per diluted share, in the third quarter of fiscal 2014, excluding acquisition-related costs of $1.1 million, net of taxes.

For the first nine months of fiscal 2015, consolidated sales amounted to $258.9 million, up from $180.8 million a year earlier. This variation reflects a $72.1 million contribution from APPH and a $6.7 million increase resulting from year-over-year currency fluctuations. Reflecting the acquisition of APPH and its more favourable product mix during the period, gross profit reached $41.9 million, or 16.2% of sales, compared with $27.0 million, or 15.0% of sales, last year. Adjusted EBITDA totalled $31.9 million, or 12.3% of sales, up from $22.6 million, or 12.5% of sales, in the prior year. Finally, adjusted net income was $12.0 million, or $0.34 per diluted share, versus $9.3 million, or $0.29 per diluted share, a year ago. Last year, the Corporation recorded a favourable adjustment of deferred income tax liabilities amounting to $1.1 million, or $0.04 per diluted share.

As at December 31, 2014, Héroux-Devtek's balance sheet remained healthy with cash and cash equivalents of $40.6 million, or $1.13 per share, while total long-term debt was $107.5 million, including the current portion, but excluding net deferred financing costs. Long-term debt includes $53.3 million drawn against the Corporation's authorized Credit Facility of $200.0 million. As a result, the Corporation's net debt position stood at $66.9 million as at December 31, 2014, while the net-debt-to equity ratio was 0.23:1.

As at December 31, 2014, Héroux-Devtek's funded (firm orders) backlog stood at $459 million, versus $450 million at the end of the previous quarter.

Conditions remain favourable in the commercial aerospace market. Large commercial aircraft manufacturers are increasing production rates on certain leading programs through calendar 2018 and order backlogs represent eight years of production at current rates. The overall business jet market continues to improve with higher aircraft shipments and growth should be sustained over several years driven by a better economy and new aircraft introduction, including certain models for which Héroux-Devtek developed the landing gear. The military aerospace market should remain difficult and although sequestration cuts were eliminated through the U.S. government's 2015 fiscal year, current funding requests beyond that horizon exceed planned budget limits, which could affect the Corporation over its ensuing fiscal years. However, as APPH reduces Héroux-Devtek's relative exposure to the U.S. military market, a more geographically diversified military portfolio, mainly composed of leading programs, and also balanced between new component manufacturing and aftermarket products and services, should lessen this impact.

Looking ahead, the fourth quarter has historically been our strongest period and this year should be no exception. We expect to conclude fiscal 2015 with a solid contribution from APPH, while sales from existing operations should remain relatively stable compared with last fiscal year, as higher commercial sales should be offset by a decrease in military sales. In the next few quarters, we will continue to diligently execute our Plan for the B-777 and B-777X contract, as we move progressively closer to entering the production phase. For the long-term, we remain committed to our objective of achieving annual sales of approximately $500 million by fiscal 2019, based on existing contracts and assuming no other acquisitions. Our Plan will also provide Héroux-Devtek with sufficient capacity to capture other business opportunities to demonstrate its world-class capabilities as a supplier of complete landing gear systems.

Gilles Labbé
President and Chief Executive Officer
February 5, 2015

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Third quarter ended December 31, 2014

Notice of Disclosure of Non-Auditor Review of Interim Condensed Consolidated Financial Statements for the quarters ended December 31, 2014 and 2013.

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 December 31, 2014 and 2013, have been prepared in accordance with the 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 the Chartered Professional Accountants of Canada, for a review of financial statements by the external auditors of an entity.

February 4, 2015.

CONSOLIDATED BALANCE SHEETS
As at December 31, 2014 and March 31, 2014
(In thousands of Canadian dollars) (Unaudited)

	Notes	December 31, 2014	March 31, 2014
Assets	13		
Current assets			
Cash and cash equivalents	10	**$ 40,613**	$ 47,347
Accounts receivable		**59,328**	66,042
Income tax receivable		**2,146**	508
Inventories		**136,294**	134,048
Derivative financial instruments	11	**107**	283
Other current assets	5, 12	**41,145**	26,921
		279,633	275,149
Property, plant and equipment, net	5	**109,207**	92,305
Finite-life intangible assets, net	5	**50,464**	59,139
Derivative financial instruments	11	**—**	276
Deferred income tax assets		**3,424**	2,720
Goodwill		**88,853**	84,378
Total assets		**$ 531,581**	$ 513,967
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 53,010**	$ 57,623
Accounts payable - other and, other liabilities		**5,839**	3,791
Provisions		**15,938**	14,990
Customer advances		**17,365**	9,409
Progress billings		**8,121**	6,529
Income tax payable		**138**	690
Derivative financial instruments	11	**5,771**	4,781
Current portion of long-term debt	13	**5,750**	3,648
		111,932	101,461
Long-term debt	13	**100,404**	145,224
Provisions		**5,186**	4,853
Progress billings		**504**	1,181
Derivative financial instruments	11	**3,463**	2,477
Deferred income tax liabilities		**3,820**	8,638
Other liabilities		**13,695**	9,994
		239,004	273,828
Shareholders' equity			
Issued capital	14	**75,192**	26,187
Contributed surplus	14	**2,118**	1,247
Accumulated other comprehensive income	15	**5,918**	6,768
Retained earnings		**209,349**	205,937
		292,577	240,139
		$ 531,581	$ 513,967

Commitments and Contingencies (notes 17 and 18)

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

CONSOLIDATED STATEMENTS OF INCOME
For the periods ended December 31, 2014 and 2013
(In thousands of Canadian dollars, except per share data) (Unaudited)

		Quarters ended December 31,		Nine months ended December 31,	
	Notes	**2014**	**2013**	**2014**	**2013**
Sales		**$ 88,368**	$ 61,448	**$ 258,862**	$ 180,822
Cost of sales	**5, 6**	**73,750**	51,438	**216,976**	153,789
Gross profit		**14,618**	10,010	**41,886**	27,033
Selling and administrative expenses	**5, 6**	**7,907**	4,745	**23,195**	13,932
Acquisition-related costs	**4, 6**	**—**	1,116	**—**	1,380
Operating income		**6,711**	4,149	**18,691**	11,721
Financial expenses	**7**	**1,373**	917	**4,347**	2,603
Income before income tax expense and non-recurring charges		**5,338**	3,232	**14,344**	9,118
Non-recurring charges	**8**	**8,526**	—	**9,640**	—
Income (loss) before income tax expense		**(3,188)**	3,232	**4,704**	9,118
Income tax expense (recovery)		**(1,279)**	624	**(160)**	1,112
Net income (loss)		**$ (1,909)**	$ 2,608	**$ 4,864**	$ 8,006
Earnings (loss) per share – basic	**9**	**$ (0.05)**	$ 0.08	**$ 0.14**	$ 0.25
Earnings (loss) per share – diluted	**9**	**$ (0.05)**	$ 0.08	**$ 0.14**	$ 0.25

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the quarters ended December 31, 2014 and 2013
(In thousands of Canadian dollars) (Unaudited)

	Notes		2014		2013
	15				
Other comprehensive income (loss):					
Items that may be reclassified to net income					
Net gains arising from translating the financial statements of foreign operations		**$**	**1,570**	$	3,532
Cash flow hedges:					
Net losses on valuation of derivative financial instruments			**(2,825)**		(3,230)
Net losses on derivative financial instruments transferred to net income			**183**		219
Deferred income taxes			**706**		800
			(1,936)		(2,211)
Losses on hedge of net investments in foreign operations			**(1,283)**		(732)
Deferred income taxes			**184**		96
			(1,099)		(636)
Items that are never reclassified to net income					
Defined benefit pension plans:					
Gains from remeasurement			**90**		732
Net change in asset limit and minimum funding requirements			**—**		520
Deferred income taxes			**(24)**		(334)
			66		918
Other comprehensive income (loss)		**$**	**(1,399)**	$	1,603
Comprehensive income (loss)					
Net income (loss)		**$**	**(1,909)**	$	2,608
Other comprehensive income (loss)			**(1,399)**		1,603
Comprehensive income (loss)		**$**	**(3,308)**	$	4,211

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the nine-month periods ended December 31, 2014 and 2013
(In thousands of Canadian dollars) (Unaudited)

	Notes		2014		2013
	15				
Other comprehensive income (loss):					
Items that may be reclassified to net income					
Net gains arising from translating the financial statements of foreign operations		**$**	**561**	$	5,021
Cash flow hedges:					
Net losses on valuation of derivative financial instruments			**(2,311)**		(3,820)
Net losses (gains) on derivative financial instruments transferred to net income			**277**		(273)
Deferred income taxes			**543**		1,084
			(1,491)		(3,009)
Gains (losses) on hedge of net investments in foreign operations			**257**		(1,047)
Deferred income taxes			**(177)**		136
			80		(911)
Items that are never reclassified to net income					
Defined benefit pension plans:					
Gains (losses) from remeasurement			**(1,981)**		4,874
Deferred income taxes			**529**		(1,305)
			(1,452)		3,569
Other comprehensive income (loss)		**$**	**(2,302)**	$	4,670
Comprehensive income					
Net income		**$**	**4,864**	$	8,006
Other comprehensive income (loss)			**(2,302)**		4,670
Comprehensive income		**$**	**2,562**	$	12,676

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine-month periods ended December 31, 2014 and 2013

(In thousands of Canadian dollars) (Unaudited)

	Notes	Issued capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Shareholders' equity
Balance as at March 31, 2014		**$ 26,187**	**$ 1,247**	**$ 6,768**	**$ 205,937**	**$ 240,139**
Common shares issued and fully paid:						
Pursuant to the Public offering and concurrent private placements	**14**	48,428	—	—	—	48,428
Under the Stock purchase and ownership incentive plan	**14**	257	—	—	—	257
Under the Stock option plan	**14**	320	(136)	—	—	184
Stock-based compensation expense	**14**	—	1,007	—	—	1,007
Net income		—	—	—	4,864	4,864
Other comprehensive loss		—	—	(850)	(1,452)	(2,302)
Balance as at December 31, 2014		**$ 75,192**	**$ 2,118**	**$ 5,918**	**$ 209,349**	**$ 292,577**

	Notes	Issued capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Shareholders' equity
Balance as at March 31, 2013		**$ 25,365**	**$ 1,222**	**$ 2,647**	**$ 193,419**	**$ 222,653**
Common shares issued and fully paid:						
Under the Stock purchase and ownership incentive plan	**14**	200	—	—	—	200
Stock-based compensation expense	**14**	—	83	—	—	83
Net income		—	—	—	8,006	8,006
Other comprehensive income		—	—	1,101	3,569	4,670
Balance as at December 31, 2013		**$ 25,565**	**$ 1,305**	**$ 3,748**	**$ 204,994**	**$ 235,612**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the periods ended December 31, 2014 and 2013
(In thousands of Canadian dollars) (Unaudited)

	Notes	Quarters ended December 31, 2014	Quarters ended December 31, 2013	Nine months ended December 31, 2014	Nine months ended December 31, 2013
Cash and cash equivalents provided by (used for):					
Operating activities					
Net income (loss)		**$ (1,909)**	$ 2,608	**$ 4,864**	$ 8,006
Items not requiring an outlay of cash:					
Amortization expense and impairment of finite-life intangible assets	**6, 8**	**12,757**	3,021	**21,115**	9,450
Deferred income taxes		**(1,058)**	(1,591)	**(2,020)**	(2,759)
Loss (gain) on sale of property, plant and equipment		**6**	—	**(76)**	(40)
Non-cash financial expenses	**7**	**1,008**	651	**2,557**	1,806
Stock option expense	**14**	**361**	20	**1,007**	83
Cash flows from continuing operations		**11,165**	4,709	**27,447**	16,546
Net change in non-cash items related to continuing operations	**16**	**(3,405)**	(1,104)	**3,310**	(6,402)
Cash flows related to operating activities from continuing operations		**7,760**	3,605	**30,757**	10,144
Cash flows related to operating activities from discontinued operations		**—**	—	**(1,082)**	(1,641)
Cash flows related to operating activities		**7,760**	3,605	**29,675**	8,503
Investing activities					
Additions to property, plant and equipment		**(9,453)**	(1,809)	**(23,788)**	(8,330)
Deposits on machinery and equipment		**(10,258)**	(3,613)	**(15,427)**	(3,523)
Net increase in finite-life intangible assets		**(239)**	(1,173)	**(1,653)**	(6,437)
Proceeds on disposal of property, plant and equipment		**—**	—	**430**	47
Cash flows related to investing activities		**(19,950)**	(6,595)	**(40,438)**	(18,243)
Financing activities					
Increase in long-term debt		**1,144**	6,294	**21,080**	6,294
Repayment of long-term debt		**(451)**	(390)	**(66,762)**	(3,437)
Issuance of common shares	**14**	**88**	67	**48,294**	200
Cash flows related to financing activities		**781**	5,971	**2,612**	3,057
Effect of changes in exchange rates on cash and cash equivalents		**1,080**	2,560	**1,417**	3,646
Change in cash and cash equivalents during the periods		**(10,329)**	5,541	**(6,734)**	(3,037)
Cash and cash equivalents at beginning of periods		**50,942**	92,678	**47,347**	101,256
Cash and cash equivalents at end of periods		**$ 40,613**	$ 98,219	**$ 40,613**	$ 98,219
Interest and taxes reflected in operating activities:					
Interest paid for continuing operations		**$ 443**	$ 394	**$ 1,960**	$ 1,146
Interest received from continuing operations		**$ 78**	$ 128	**$ 170**	$ 349
Income taxes paid for continuing operations		**$ 1,349**	$ 69	**$ 3,906**	$ 1,199
Income taxes paid for discontinued operations		**$ —**	$ —	**$ 507**	$ 1,641

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

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, aircraft controls through its Magtron operations and fluid filters products through its Bolton operations.

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

Note 2. Basis of preparation

The interim condensed consolidated financial statements for the quarter ended December 31, 2014 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 for the quarter ended December 31, 2014 should be read together with the annual audited consolidated financial statements and notes thereto included in the Company's Annual Report for the fiscal year ended March 31, 2014.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of the Corporation on February 4, 2015.

Note 3. Change in accounting policies

On April 1, 2014, the Corporation adopted retrospectively the standard below. The adoption of the new standard had no impact on prior periods comparative figures.

IFRIC 21 Levies

IFRIC 21 clarifies the timing of accounting for a liability for outflow of resources that is imposed by governments in accordance with legislation, based on the activity that triggers the payment. Levies are required to be applied retrospectively for periods beginning April 1, 2014. The Corporation adopted IFRIC 21 on April 1, 2014 and the adoption of this standard had no impact on the Corporation's interim condensed consolidated financial statements.

Future change in accounting policies

IFRS 15

The IFRS 15, *revenue from contracts with customers*, establishes a single framework for determining the timing and the amount of revenue that can be recognized. These amendments are required to be applied retrospectively for periods beginning April 1, 2017, with earlier application permitted. The Corporation has not yet assessed the impact of these amendments.

Note 4. Business acquisition

On February 3, 2014, the Corporation signed an agreement to acquire the entire share capital of U.K. - based APPH Limited and U.S. - based APPH Wichita Inc. (collectively "APPH"), from BBA Aviation Plc (LSE : BBA), for a consideration of US$124,184 ($138,738), net of US$3,816 ($4,264) of cash acquired. The acquisition was financed with the Corporation's available cash for US$54,884 ($61,316) and existing credit facility for US$69,300 ($77,422). The transaction was treated as a business combination.

APPH is an integrated provider of landing gear and hydraulic systems and assemblies for original equipment manufacture ("OEM") and aftermarket applications, supplying both the commercial and military sectors. This acquisition expands the Corporation's geographical operations into the European market and further increases and diversifies its customer base.

For the quarter ended December 31, 2014, the Corporation finalized the purchase price allocation. These adjustments and reclassifications are mainly related to the assessment of costs and liabilities related to development programs.

	Purchase price allocation, as originally reported	Adjustments and reclassifications	Final purchase price allocation
Cash	$ 4,264	$ —	$ 4,264
Accounts receivable	15,548	568	16,116
Inventories	39,310	2,029	41,339
Other current assets	854	182	1,036
Total current assets	59,976	2,779	62,755
Property, plant and equipment	14,896	—	14,896
Finite-life intangible assets [(1)]	25,469	—	25,469
Deferred income tax assets	1,098	1,238	2,336
Total non-current assets	41,463	1,238	42,701
Accounts payable and accrued liabilities	12,535	4,906	17,441
Accounts payable - other and, other liabilities [(2)]	1,698	—	1,698
Provisions	5,611	2,470	8,081
Total current liabilities	19,844	7,376	27,220
Other liabilities [(2)]	3,306	2,038	5,344
Total non-current liabilities	3,306	2,038	5,344
Net identifiable assets and liabilities	78,289	(5,397)	72,892
Goodwill on acquisition	64,713	5,397	70,110
Total consideration	143,002	—	143,002
Cash acquired	4,264	—	4,264
Net cash outflow	**$ 138,738**	**$ —**	**$ 138,738**

[(1)] *Mainly customer relationships and contracts.*
[(2)] *Essentially deferred revenue.*

Note 5. Government assistance

During the quarters and nine-month periods ended December 31, government assistance deducted from the cost of the related assets or recognized as a reduction of expenses, are as follows:

	Quarters ended December 31,		**Nine months ended December 31,**	
	2014	**2013**	**2014**	**2013**
Other current assets - deposits on machinery and equipment	**$ —**	$ —	**$ 1,221**	$ —
Property, plant and equipment	**716**	1,249	**1,005**	1,274
Finite-life intangible assets	**404**	738	**1,142**	2,227
Cost of sales, selling and administrative expenses	**531**	831	**2,106**	2,347

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

Note 6. Cost of sales, selling and administrative expenses and acquisition-related costs

The main components of these expenses for the quarters and nine-month periods ended December 31, are as follows:

	Quarters ended December 31,		Nine months ended December 31,	
	2014	**2013**	**2014**	**2013**
Raw materials and purchased parts	**$ 31,253**	$ 23,450	**$ 95,397**	$ 71,348
Employee costs	**30,477**	22,803	**90,056**	67,645
Amortization of property, plant and equipment and finite-life intangible assets	**4,833**	3,021	**13,191**	9,450
Others	**15,094**	8,025	**41,527**	20,658
	$ 81,657	$ 57,299	**$ 240,171**	$ 169,101

Foreign exchange gains or losses resulting from the translation of net monetary items denominated in foreign currencies are included in the Corporation's selling and administrative expenses. During the quarter ended December 31, 2014, the foreign exchange gain included in the Corporation's selling and administrative expenses amounted to $926 (gain of $256 in 2013) while it represented a gain of $1,023 for the nine-month period ended December 31, 2014 (gain of $667 in 2013).

Note 7. Financial expenses

Financial expenses for the quarters and nine-month periods ended December 31, comprise the following:

	Quarters ended December 31,		Nine months ended December 31,	
	2014	**2013**	**2014**	**2013**
Interest expense	**$ 358**	$ 254	**$ 1,674**	$ 725
Interest accretion on governmental authorities loans	**613**	331	**1,782**	1,264
Interest on net defined benefit pension plan obligations	**59**	114	**176**	343
Amortization of deferred financing costs (note 13)	**71**	110	**226**	330
Standby fees	**85**	140	**286**	421
Other interest accretion expense and discount rate adjustments	**265**	96	**373**	(131)
	1,451	1,045	**4,517**	2,952
Interest income on cash and cash equivalents	**78**	128	**170**	349
	$ 1,373	$ 917	**$ 4,347**	$ 2,603

Note 8. Non-recurring charges

	Quarters ended December 31,		Nine months ended December 31,	
	2014	**2013**	**2014**	**2013**
Impairment of finite-life intangible assets	**$ 7,924**	$ —	**$ 7,924**	$ —
Restructuring charges	**602**	—	**1,716**	—
	$ 8,526	$ —	**$ 9,640**	$ —

Impairment of finite-life intangible assets

Following the decision of Bombardier to pause the Learjet 85 business aircraft program announced on January 15, 2015 due to weak demand of the light business aircraft category and downward revision of business aircraft market forecast, the Corporation recorded an impairment charge of $7,924 on the capitalized development costs associated to this program. The Corporation is the developer and supplier of the complete landing gear system for this aircraft.

To determine the impairment charge the Corporation has established a recoverable amount for the capitalized development costs based on the best estimate of expected future cash flows.The calculation is most sensitive to :

- the discount rate used established at 7.76%, and,
- the timing of future cash flows.

Restructuring charges

On January 16, 2014, given the substantial reduction in military aftermarket products with the U.S. government, the Corporation announced a plan to optimize and consolidate manufacturing capacity, while further enhancing productivity throughout the organization. These initiatives are in line with the Corporation's operating strategy of focusing on specialized centers of excellence but resulted in certain restructuring charges. Furthermore, following the acquisition of APPH, the Corporation incurred restructuring charges related to the integration of APPH's operations, personnel and technology with its pre-existing operations.

For the quarter and nine-month period ended December 31, 2014, these restructuring charges amounted to $602 and $1,716 respectively (none in 2013), and include employee termination benefits of $422 and $1,223 and, other associated costs of $180 and $493, respectively. At December 31, 2014, the unpaid portion of the restructuring charges is presented under short-term provisions for $306 ($890 as at March 31, 2014) and other liabilities for $451 ($319 as at March 31, 2014) in the Corporation’s Consolidated balance sheets.

Note 9. Earnings per share

The following table sets forth the elements used to compute basic and diluted earnings per share for the quarters and nine-month periods ended December 31:

	Quarters ended December 31,		**Nine months ended December 31,**	
	2014	**2013**	**2014**	**2013**
Weighted-average number of common shares outstanding	**35,933,278**	31,534,391	**34,561,063**	31,525,869
Effect of dilutive stock options of the Corporation	**114,399**	172,296	**114,921**	165,347
Weighted-average number of common diluted shares outstanding	**36,047,677**	31,706,687	**34,675,984**	31,691,216

The diluted earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options of the Corporation since their impact is anti-dilutive. During the quarter and nine-month period ended December 31, 2014, 598,845 stock options of the Corporation’s plan (none in 2013) were excluded from the diluted earnings per share calculation.

Note 10. Cash and cash equivalents

	December 31, 2014	**March 31, 2014**
Cash at banks	**$ 40,613**	$ 47,347

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Note 11. Derivative financial instruments

Forward foreign exchange contracts

As at December 31, 2014, the Corporation had forward foreign exchange contracts to sell US$113.8 million at a weighted-average exchange rate of 1.0887 (Canadian dollar over U.S. dollar, “cad/usd”). As at March 31, 2014 and December 31, 2013, these contracts totalled US$127.4 million at a weighted-average exchange rate of 1.0628 cad/usd and US$111.7 million at a weighted-average exchange rate of 1.0368 cad/usd, respectively. As at December 31, 2014, these contracts mature at various dates between January 2015 and March 2018, with the majority maturing this and next fiscal years.

Interest rate swap agreements

As at December 31, 2014, March 31, 2014 and December 31, 2013, the Corporation had an interest-rate swap agreement for a total notional amount of US$10 million. The agreement fixed the Libor U.S. rate at 2.04%, maturing in December 2015.

As at December 31, 2014 and March 31, 2014, the Corporation had two additional interest-rate swap agreements for a total notional amount of US$15 million. These interest-rate swap agreements fixed the Libor U.S. rate at 1.65% for the first tranche of US$5 million commencing in March 2014, and at 2.38% for the second tranche of US$10 million commencing in December 2015, both until their maturity in December 2018.

The interest-rate swap rates mentioned above exclude the additional bank relevant margin (see note 13). The cash flows related to the interest-rate swaps are expected to occur in the same periods as they are expected to affect the net income.

Note 12. Other current assets

		December 31, 2014		March 31, 2014
Investment and other tax credits receivable	**$**	**6,549**	$	8,762
Sales tax receivable		**2,891**		1,761
Deposits on machinery and equipment (note 17)		**28,295**		12,868
Prepaid expenses		**3,073**		2,748
Others		**337**		782
	$	**41,145**	$	26,921

Note 13. Long-term debt

		December 31, 2014		March 31, 2014
Senior Secured Syndicated Revolving Credit Facility ("Credit Facility") of up to $200,000 (either in Canadian, U.S., Euro or British Pound currency equivalent), maturing on March 16, 2019. At December 31, 2014, the Corporation used US$32,000 which bears interest at Libor plus 1.1% (US$91,300 as at March 31, 2014) and $16,200 which bears interest at the Bankers' Acceptance rate plus 1.1% (none as at March 31, 2014), secured by all assets of the Corporation and its subsidiaries. The Credit Facility includes an accordion feature to increase the Credit Facility by an additional amount of $75 million subject to lenders' consent.	**$**	**53,323**	$	100,932
Governmental authorities loans, repayable in variable annual instalments, with various expiry dates until fiscal year 2030.		**49,244**		44,463
Obligations under finance leases, all bearing fixed interest rates between 3.3% and 6.5% as at December 31, 2014 and March 31, 2014, maturing from January 2016 to December 2021, with amortization periods ranging from five to seven years, secured by the related property, plant and equipment, net of interest of $417 ($436 as at March 31, 2014).		**4,955**		5,071
Deferred financing costs, net		**(1,368)**		(1,594)
		106,154		148,872
Less: current portion		**5,750**		3,648
	$	**100,404**	$	145,224

Senior Secured Syndicated Revolving Credit Facility

On June 26, 2014, the Corporation repaid US$59.3 million ($63.6 million) of debt against its Credit Facility through the use of the net proceeds received of $47.9 million from the issuance of 4,255,871 common shares pursuant to the public offering and concurrent private placements (see note 14) and through an amount of $16.2 million drawn against the Credit Facility.

Note 14. Issued capital

For the quarter and nine-month period ended December 31, 2014, variations in common shares issued are as follows:

	Quarter ended December 31, 2014			Nine months ended December 31, 2014		
	Number		Issued capital	Number		Issued capital
Common shares issued and fully paid						
Opening balance	**35,928,158**	**$**	**75,104**	**31,620,482**	**$**	**26,187**
Issued for cash pursuant to the public offering and concurrent private placements	**—**		**—**	**4,255,871**		**48,428**
Issued for cash on exercise of stock options	**—**		**—**	**35,000**		**320**
Issued for cash under the stock purchase and ownership incentive plan	**9,216**		**88**	**26,021**		**257**
Closing balance	**35,937,374**	**$**	**75,192**	**35,937,374**	**$**	**75,192**

Issuance of common shares

During the quarter and nine-month period ended December 31, 2014, the Corporation issued 9,216 and 4,316,892 common shares respectively, as follows:

i. On June 26, 2014, the Corporation issued 4,255,871 common shares at a price of $11.75 per share for gross proceeds of $50.0 million pursuant to the public offering and concurrent private placements. The net proceeds of $47.9 million received by the Corporation, net of underwriting commissions and other issuance costs of $1.6 million and $0.5 million, respectively, were used to repay indebtedness under the Credit Facility. Deferred income taxes of $575 were recorded related to the issuance costs.

ii. The Corporation issued 9,216 and 26,021 common shares respectively, at weighted-average prices of $9.55 and $9.88, under the Corporation's stock purchase and ownership incentive plan, for total cash considerations of $88 and $257, respectively.

iii. During the second quarter, the Corporation issued 35,000 common shares, following the exercise of stock options for a total cash consideration of $184. The initial fair value of these stock options, amounting to $136, was credited to issued capital and debited to contributed surplus.

During the quarter and nine-month period ended December 31, 2013, the Corporation issued 7,709 and 25,816 common shares respectively, at weighted-average prices of $8.69 and $7.74, under the Corporation's stock purchase and ownership incentive plan, for total cash considerations of $67 and $200.

A. Stock option plan

During the quarters and nine-month periods ended December 31, the number of stock options varied as follows:

	Quarter ended December 31, 2014		Quarter ended December 31, 2013	
	Weighted-average exercise price	**Number of stock options**	Weighted-average exercise price	Number of stock options
Balance at beginning of quarter	**$ 9.77**	**717,346**	$3.30	259,101
Granted	**11.45**	**30,000**	—	—
Balance at end of quarter	**$ 9.84**	**747,346**	$3.30	259,101

	Nine months ended December 31, 2014		Nine months ended December 31, 2013	
	Weighted-average exercise price	**Number of stock options**	Weighted-average exercise price	Number of stock options
Balance at beginning of period	**$ 9.39**	**686,001**	$3.30	259,101
Granted	**11.35**	**96,345**	—	—
Exercised	**5.27**	**(35,000)**	—	—
Balance at end of period	**$ 9.84**	**747,346**	$3.30	259,101

During the quarter and nine-month period ended December 31, 2014, the Corporation granted 30,000 and 96,345 stock options respectively to officers and key employees (none in 2013), representing a total fair value of $133 and $385, calculated using a binomial valuation model assuming a 4.5 year expected life, expected volatility of 40%, expected forfeiture not exceeding 4.8%, with no expected dividend distribution and a compounded risk-free interest rate of 1.7%. For the quarter and nine-month period ended December 31, 2014, the stock option plan expense , amounted to $361 and $1,007, respectively ($20 and $83 in 2013).

B. Stock purchase and ownership incentive plan

During the quarter and nine-month period ended December 31, 2014, the Corporation issued 9,216 and 26,021 common shares, respectively (7,709 and 25,816 in 2013) and 3,748 and 10,695 common shares were attributed to the participating employees (3,162 and 10,591 in 2013), under the stock purchase and ownership incentive plan. For the quarter and nine-month period ended December 31, 2014, the expense related to the attributed common shares amounted to $41 and $119, respectively ($31 and $92 in 2013).

C. Stock appreciation right ("SAR") plan

During the quarter and nine-month period ended December 31, 2014, no SARs were granted (none in 2013) or cancelled (none in 2013) while 11,000 SARs were exercised, all in the second quarter (7,000 and 19,000 in 2013). As at December 31, 2014, there was 6,000 SARs still outstanding (20,000 as at December 31, 2013) at a weighted-average granted value of $0.01 ($1.60 in 2013) which expire in August 2015.

For the quarter ended December 31, 2014, the SAR expense amounted to $7 while for the nine-month period it represented a reversal of expense of $2, (expense of $32 and $74 in 2013).

In August 2010, the SAR plan has been replaced by the deferred share unit plan (see below).

D. Deferred Share Unit ("DSU") plan

During the nine-month period ended December 31, 2014, the Corporation issued 18,333 DSUs, all in the second quarter (none in 2013), no DSUs were cancelled or exercised (12,362 were exercised in the second quarter of 2013). As at December 31, 2014, there was 83,158 DSUs outstanding (62,940 as at December 31, 2013).

For the quarter and nine-month period ended December 31, 2014, DSU expense amounted to $104 and $189, respectively ($99 and $216 in 2013).

E. Performance Share Unit ("PSU") plan

During the nine-month period ended December 31, 2014, 115,879 PSUs were issued, all in the second quarter (none in 2013), no PSUs were cancelled or exercised (none in 2013). As at December 31, 2014, 115,879 PSUs were outstanding (none as at December 31, 2013).

For the quarter and nine-month period ended December 31, 2014, PSU expense amounted to $401 and $784, respectively (none in 2013).

Note 15. Accumulated other comprehensive income

Changes in accumulated other comprehensive income are as follows:

	Exchange differences on translation of foreign operations	Cash flow hedges	Hedge of net investments in foreign operations	Total
Balance as at September 30, 2014	**$ 12,147**	**$ (4,235)**	**$ (529)**	**$ 7,383**
Other comprehensive income (loss)	1,570	(1,936)	(1,099)	(1,465)
Balance as at December 31, 2014	**$ 13,717**	**$ (6,171)**	**$ (1,628)**	**$ 5,918**
Balance as at March 31, 2014	**$ 13,156**	**$ (4,680)**	**$ (1,708)**	**$ 6,768**
Other comprehensive income (loss)	561	(1,491)	80	(850)
Balance as at December 31, 2014	**$ 13,717**	**$ (6,171)**	**$ (1,628)**	**$ 5,918**

	Exchange differences on translation of foreign operations	Cash flow hedges	Hedge of net investments in foreign operations	Total
Balance as at September 30, 2013	**$ 4,704**	**$ (735)**	**$ (906)**	**$ 3,063**
Other comprehensive income (loss)	3,532	(2,211)	(636)	685
Balance as at December 31, 2013	**$ 8,236**	**$ (2,946)**	**$ (1,542)**	**$ 3,748**
Balance as at March 31, 2013	**$ 3,215**	**$ 63**	**$ (631)**	**$ 2,647**
Other comprehensive income (loss)	5,021	(3,009)	(911)	**1,101**
Balance as at December 31, 2013	**$ 8,236**	**$ (2,946)**	**$ (1,542)**	**$ 3,748**

Note 16. Net change in non-cash items related to continuing operations

For the quarters and nine-month periods ended December 31, the net change in non-cash items related to continuing operations is detailed as follows:

	Quarters ended December 31,		Nine months ended December 31,	
	2014	2013	**2014**	2013
Accounts receivable	**$ 5,030**	$ (2,007)	**$ 7,273**	$ 7,698
Income tax receivable	**(954)**	266	**(1,638)**	387
Inventories	**(2,321)**	(1,717)	**(249)**	(2,151)
Other current assets	**(897)**	(415)	**1,381**	187
Accounts payable and accrued liabilities, accounts payable – other and, other liabilities	**(1,753)**	2,083	**(11,662)**	(7,530)
Provisions	**(367)**	(208)	**(941)**	(625)
Progress billings	**(657)**	395	**915**	(4,355)
Customer advances	**(1,870)**	—	**7,956**	—
Income tax payable	**(92)**	(68)	**(45)**	(844)
Effect of changes in exchange rate[1]	**476**	567	**320**	831
	$ (3,405)	$ (1,104)	**$ 3,310**	$ (6,402)

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

Note 17. Commitments

The Corporation has released purchase orders relating to machinery and equipment which have not been delivered yet to the Corporation's facilities. As at December 31, 2014, these outstanding purchase orders amounted to $45,773 ($42,203 as at March 31, 2014) net of the related deposits on machinery and equipment of $28,295 ($12,868 as at March 31, 2014) which are included in the Corporation's other current assets.

Note 18. Contingencies

On February 5, 2014, Goodrich Corporation, member of UTC Aerospace Systems ("UTAS") group, filed a request for arbitration against the Corporation to the ICC International Court of Arbitration based on an alleged violation of a non-compete covenant contained in an agreement between Goodrich Corporation and Devtek Aerospace Inc. relating to the manufacturing of pistons. The arbitration date has been set for the second quarter of fiscal 2016.

The Corporation disagrees with the Goodrich Corporation's position and believes that it is acting in conformity with its agreements and accordingly no provision was recorded as of December 31, 2014 and March 31, 2014. While the Corporation cannot predict the final outcome of this arbitration, the Corporation intends to defend its position in this matter and has strong and serious grounds of defense to oppose within the arbitration process.

Note 19. Geographic information

Geographic information represents the following:

	2014				2013		
At December 31,	**Canada**	**U.S.**	**U.K.**	**Total**	**Canada**	**U.S.**	**Total**
Property, plant and equipment, net	**$ 74,876**	**$ 22,595**	**$ 11,736**	**$ 109,207**	$ 64,454	$ 12,502	$ 76,956
Finite-life intangible assets, net	**26,801**	**4,312**	**19,351**	**50,464**	32,357	202	32,559
Goodwill	**13,838**	**8,325**	**66,690**	**88,853**	13,838	5,592	19,430

The following table provides sales information based on the customer's location.

	Quarters ended December 31,		Nine months ended December 31,	
	2014	2013	**2014**	2013
Canada	**$ 19,377**	$ 21,267	**$ 57,652**	$ 61,349
U.S.	**42,031**	37,794	**129,241**	110,961
United Kingdom	**14,626**	—	**37,779**	—
Other countries	**12,334**	2,387	**34,190**	8,512
	$ 88,368	$ 61,448	**$ 258,862**	$ 180,822

MANAGEMENT DISCUSSION AND ANALYSIS OF

FINANCIAL POSITION AND OPERATING RESULTS

For the quarter ended December 31, 2014

MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL POSITION AND OPERATING RESULTS

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Management Discussion and Analysis
of Financial Position and Operating Results

The purpose of this management discussion and analysis ("MD&A") is to provide the reader with an overview of how the financial position of Héroux-Devtek Inc. and its subsidiaries ("Héroux-Devtek" or the "Corporation") evolved between March 31, 2014 and December 31, 2014. It also compares the operating results and cash flows for the quarter and nine-month period ended December 31, 2014 to those for the same periods in the previous year.

This analysis should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements for the quarter ended June 30, 2014, six-month period ended September 30, 2014 and nine-month period ended December 31, 2014, and the audited consolidated financial statements and MD&A for the fiscal year ended March 31, 2014, all of which are available on the Corporation's website at www.herouxdevtek.com. This MD&A is based on the unaudited interim condensed consolidated financial statements prepared in accordance with IAS 34, Interim Financial Reporting, using the Canadian dollar as the reporting currency. All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

Non-IFRS Measures

The Corporation uses the earnings before interest, tax, depreciation and amortization ("EBITDA"), adjusted EBITDA, adjusted net income and adjusted earnings per share to assess its financial performance. These financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. However, the Corporation's management, as well as investors, consider these metrics to be useful information to assist them in evaluating the Corporation's profitability, liquidity and ability to generate funds to finance its operations and capital investment needs.

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

	Quarters ended December 31,		Nine months ended December 31,	
($'000)	**2014**	2013	**2014**	2013
Net income (loss)	**(1,909)**	2,608	**4,864**	8,006
Income tax expense (recovery)	**(1,279)**	624	**(160)**	1,112
Financial expenses	**1,373**	917	**4,347**	2,603
Amortization expense and impairment of finite-life intangible assets	**12,757**	3,021	**21,115**	9,450
EBITDA	**10,942**	7,170	**30,166**	21,171
Acquisition-related costs	**—**	1,116	**—**	1,380
Restructuring charges	**602**	—	**1,716**	—
Adjusted EBITDA	**11,544**	8,286	**31,882**	22,551

For the quarter and nine-month period ended December 31, 2014, the increase in adjusted EBITDA compared to last year mainly reflects the results of APPH (acquired on February 3, 2014), partially offset by higher selling and administrative expenses, and lower gross profit as a percentage of sales, as explained in the following sections.

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

	Quarters ended December 31,		Nine months ended December 31,	
($'000, except per share data)	**2014**	2013	**2014**	2013
Net income (loss)	**(1,909)**	2,608	**4,864**	8,006
Acquisition-related costs, net of taxes	**—**	1,089	**—**	1,300
Non-recurring charges, net of taxes (1)	**6,270**	—	**7,092**	—
Adjusted net income	**4,361**	3,697	**11,956**	9,306
Earnings (loss) per share - basic and diluted	**(0.05)**	0.08	**0.14**	0.25
Acquisition-related costs, net of taxes	**—**	0.04	**—**	0.05
Non-recurring charges, net of taxes (1)	**0.17**	—	**0.21**	—
Adjusted earnings per share - basic	**0.12**	0.12	**0.35**	0.30
Adjusted earnings per share - diluted	**0.12**	0.12	**0.34**	0.29

(1) Includes impairment of finite-life intangibles assets and restructuring charges.

See sections below for explanations on the variations of the net income and earnings per share, basic and diluted, during the quarter and nine-month period ended December 31, 2014, when compared to last year.

Forward-Looking Statements

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

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

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

Overview

Héroux-Devtek and its subsidiaries mainly specialize in the design, development, manufacture, repair and overhaul of landing gear systems and components used principally in the Aerospace market. The Corporation has also built a strong, well-recognized design engineering team.

The Corporation is the third largest landing gear company in the world, supplying both the commercial and military sectors of the Aerospace market with new landing gear systems and components as well as aftermarket products and services (including spare parts and repair and overhaul services).

On February 3, 2014, the Corporation acquired the entire share capital of U.K.-based APPH Limited and U.S.-based APPH Wichita, Inc., subsidiaries of BBA Aviation Plc. APPH is an integrated provider of landing gear and hydraulic systems and assemblies for original equipment manufacturer ("OEM") and aftermarket applications. APPH Limited's main operations are based in Runcorn and Nottingham, United Kingdom and APPH Wichita, Inc. in Wichita, Kansas. Following the acquisition, the Corporation covers the European market and has further increased and diversified its customer base.

In the commercial sector, the Corporation is active in the large commercial and business jet, regional aircraft and helicopter markets. On the military side, the Corporation provides parts and services for all major military aircraft, in the United States and in Europe, following the acquisition of APPH. As such, a significant portion of the Corporation's sales are made to a limited number of customers located in Canada, the United States and Europe.

The Corporation's head office is located in Longueuil, Québec with facilities in the Greater Montreal area (Longueuil, Laval and St-Hubert); Kitchener and Toronto, Ontario; Springfield and Cleveland, Ohio; Wichita, Kansas; as well as Bolton, Runcorn and Nottingham in the United Kingdom. All facilities are involved in the fabrication of landing gear systems and components with the exception of the Toronto facility ("Magtron"), which manufactures electronic enclosures, heat exchangers and cabinets for airborne radar, electro-optic systems and aircraft controls, and the Bolton facility ("Bolton"), which manufactures fluid filters for aircraft engines.

Acquisition of APPH

On February 3, 2014, the Corporation signed an agreement to acquire the entire share capital of U.K.- based APPH Limited and U.S. - based APPH Wichita Inc. (collectively "APPH"), from BBA Aviation Plc (LSE : BBA), for a consideration of US$124.2 million ($138.7 million), net of US$3.8 million ($4.3 million) of cash acquired. The transaction was financed with the Corporation's available cash for US$54.9 million ($61.3 million) and existing Credit Facility for US$69.3 million ($77.4 million).

APPH is an integrated provider of landing gear and hydraulic systems and assemblies for OEM and aftermarket applications, supplying both the commercial and military sectors. APPH specializes in the design, engineering, manufacturing and aftermarket support of landing gear and hydraulic systems and assemblies for fixed and rotary wing civil and military aircraft. Héroux-Devtek acquired four plants located in the United Kingdom and one plant in Wichita, Kansas. These plants have a combined workforce of approximately 400 employees, including a design engineering department staffed with 40 professionals. APPH's main design programs include landing gear systems for the Hawk (BAE Systems), SAAB 340, SAAB 2000, SAAB Gripen, AW101 (AgustaWestland), C27J Spartan (Alenia) and EC175 aircraft (Airbus Helicopters).

APPH expands the Corporation's geographical operations into the European market, provides the Corporation with significant content on several leading programs, further increases and diversifies the Corporation's customer base, and provides greater exposure to the attractive aftermarket business. With a majority of its revenues coming from programs where it holds design authority rights on life-cycle mandates, APPH also provides Héroux-Devtek with an increased proportion of proprietary programs compared to built-to-print activities.

The Corporation's acquisition-related costs were $5.0 million for the fiscal year ended March 31, 2014, of which $1.4 million were incurred during the nine-month period ended December 31, 2013. These costs mainly pertain to professional fees, transaction fees and expenses incurred for the acquisition of APPH, as explained above.

For the quarter ended December 31, 2014, the Corporation finalized the purchase price allocation. These adjustments and reclassifications are mainly related to the assessment of costs and liabilities related to development programs.

	Purchase price allocation, as originally reported	Adjustments and reclassifications	Final purchase price allocation
Cash	$ 4,264	$ —	$ 4,264
Accounts receivable	15,548	568	16,116
Inventories	39,310	2,029	41,339
Other current assets	854	182	1,036
Total current assets	59,976	2,779	62,755
Property, plant and equipment	14,896	—	14,896
Finite-life intangible assets (1)	25,469	—	25,469
Deferred income tax assets	1,098	1,238	2,336
Total non-current assets	41,463	1,238	42,701
Accounts payable and accrued liabilities	12,535	4,906	17,441
Accounts payable - other and, other liabilities (2)	1,698	—	1,698
Provisions	5,611	2,470	8,081
Total current liabilities	19,844	7,376	27,220
Other liabilities (2)	3,306	2,038	5,344
Total non-current liabilities	3,306	2,038	5,344
Net identifiable assets and liabilities	78,289	(5,397)	72,892
Goodwill on acquisition	64,713	5,397	70,110
Total consideration	143,002	—	143,002
Cash acquired	4,264	—	4,264
Net cash outflow	**$ 138,738**	**$ —**	**$ 138,738**

(1) *Mainly customer relationships and contracts.*
(2) *Essentially deferred revenue.*

Throughout this MD&A, Management has explained the consolidated results for the quarter and the nine-month period ended December 31, 2014 which include the results of APPH. For all significant elements explained, Management has singled out the acquisition impact on the current year's results to help readers understand the year-over-year change excluding the acquisition.

Boeing B-777 and B-777X Contract ("B-777")

In December 2013, Héroux-Devtek's wholly-owned subsidiary HDI Landing Gear USA Inc. signed a long-term contract with The Boeing Company ("Boeing") to supply complete landing gear systems for the Boeing B-777 and B-777X programs ("B-777"). This contract is the largest ever awarded to Landing Gear operations.

Under the terms of the long-term contract, HDI Landing Gear USA Inc. will supply complete landing gear systems, including the main and nose landing gears, and the nose landing gear drag strut. The contract includes manufacturing parts for Boeing to sell in the aftermarket. Under the multi-year contract, deliveries will begin in early calendar 2017, with an option to extend the contract through 2028.

In order to successfully carry out this important long-term contract, the Corporation has put in place an investment plan, hereinafter referred to as "the Plan", that includes mainly the construction of a new state-of-the-art facility in Cambridge, Ontario, the expansion of the existing facility network including a highly modern finishing center in Cleveland, Ohio, as well as investments in leading-edge automated machinery and equipment for complex and critical components.

The total estimated investment of $105 million, spanning essentially over the Corporation's fiscal years ending on March 31, 2015 and 2016, is above the original estimate of $90 million, mostly due to a higher foreign exchange conversion rate applied to machinery and equipment purchases, which are mainly carried out in US dollars. The Corporation has also committed supplementary amounts to acquire more land and to have additional finishing capacity available to support growth beyond the investment plan's horizon. These investments are in addition to planned regular maintenance capital investments totalling approximately $30 million for the two-year period ending March 31, 2016.

Financing for the investment plan will be secured essentially by the Corporation's available cash, its existing Credit Facility and through finance leases.

RESULTS OF OPERATIONS

Foreign Exchange

The Corporation is subject to foreign currency fluctuations from the translation of revenues (sales), expenses, assets and liabilities of its foreign operations and from transactions denominated mainly in US dollars 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, but exclusive of forward foreign exchange contracts ("FFEC"), while the statement of income of foreign operations is translated at the average exchange rate. FFEC, for the purpose of hedge accounting, are classified and accounted for as cash flow hedges in accordance with the Corporation's accounting policies. At balance sheet dates, the closing rates translate monetary assets and liabilities denominated in foreign currencies and assets and liabilities of foreign operations.

The average exchange rates for the quarters and nine-month periods ended December 31, 2014 and 2013, and the closing rates as at December 31, 2014 and March 31, 2014 were as follows:

$ Canadian / 1 US $ equivalent	**December 31, 2014**	**December 31, 2013**
Average rate for quarters ended	1.1357	1.0498
Average rate for nine months ended	1.1052	1.0372
$ Canadian / 1 US $ equivalent	**December 31, 2014**	**March 31, 2014**
Closing rates	1.1601	1.1055
$ Canadian / 1 GBP equivalent	**December 31, 2014**	**December 31, 2013**
Average rate for quarters ended	1.7974	—
Average rate for nine months ended	1.8165	—
$ Canadian / 1 GBP equivalent	**December 31, 2014**	**March 31, 2014**
Closing rates	1.8071	1.8430

As shown above, the average values of the Canadian dollar for the quarter and nine-month period ended December 31, 2014 were respectively 8.2% and 6.6% lower, when compared to its U.S. counterpart, year-over-year, and had a positive impact on the U.S.-denominated sales and results of the Corporation, exclusive of FFEC fluctuations, including those from its Canadian operations. Since March 31, 2014, the variations in the above closing rates ("foreign currency rates") had a favorable impact (gain) on the Corporation's balance sheet accounts denominated in U.S. currency at the end of this quarter, while it had a negative impact (loss) on the balance sheet accounts denominated in GBP currency. Currency fluctuation impact on the Corporation's sales, gross profit and specific balance sheet elements can be found later in this MD&A.

The Corporation makes use of derivative financial instruments, in accordance with its hedging policy, to hedge foreign currency fluctuation exposure risks (Canadian dollar over US dollar) in an effort to mitigate these risks. At December 31, 2014, the Corporation had FFEC totaling US$113.8 million at a weighted-average rate of 1.0887 maturing at various dates between January 2015 and March 2018, with the majority maturing this and next fiscal years.

Consolidated Sales

For the third quarter ended December 31, 2014, consolidated sales increased by $26.9 million, or 43.8% to $88.4 million from $61.4 million last year. Excluding sales representing $24.5 million from the acquisition of APPH, consolidated sales were $63.9 million, higher by $2.5 million, or 4.0% compared to last year. This is the result of higher commercial sales of $3.1 million, or 10.9%, mainly resulting from higher sales on certain large commercial programs and by entry into production of the new Embraer Legacy 450/500 program, partially offset by lower military sales of $0.6 million or 1.9%, mainly due to lower spare part requirements with the U.S. government. Foreign exchange fluctuations increased sales by $3.2 million or 5.2%, when compared to last year.

At year-to-date, consolidated sales increased by $78.0 million, or 43.2% to $258.9 million from $180.8 million last year. Excluding sales representing $72.1 million from the acquisition of APPH, consolidated sales were $186.7 million, higher by $5.9 million, or 3.3% compared to last year. This is the result of higher commercial sales of $10.5 million, or 12.5%, mainly resulting from the same reasons explained above, partially offset, by lower military sales of $4.6 million, or 4.7%. Foreign exchange fluctuations increased sales by $6.7 million, or 3.7% when compared to last year.

Sales can be broken down by sector as follows:

	Quarters ended December 31,				Nine months ended December 31,			
	2014	**2013**	**Variance**		**2014**	**2013**	**Variance**	
	($'000)	($'000)	($'000)	%	($'000)	($'000)	($'000)	%
Commercial	**39,928**	28,476	11,452	40.2	**120,778**	83,750	37,028	44.2
Military *(1)*	**48,440**	32,972	15,468	46.9	**138,084**	97,072	41,012	42.2
Total	**88,368**	61,448	26,920	43.8	**258,862**	180,822	78,040	43.2

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

Commercial sales were $11.5 million, or 40.2% higher this quarter to $39.9 million from $28.5 million last year, and $37.0 million, or 44.2% higher at year-to-date to $120.8 million from $83.8 million last year. Excluding commercial sales of APPH, commercial sales were $3.1 million, or 10.9% higher for the quarter and $10.5 million, or 12.5% higher at year-to-date. This increase is the result of higher production rates on certain large commercial programs, essentially the B-777 and B-787 programs, and from higher business jet sales mainly resulting from entry into production of the new Embraer Legacy 450/500 program, partially offset by lower aftermarket sales on the CL-415 program with Bombardier. For the quarter and nine-month period ended December 31, 2014, foreign exchange fluctuations increased commercial sales by $1.8 million and $3.3 million respectively, when compared to last year.

Military sales were $15.5 million, or 46.9% higher this quarter to $48.4 million from $33.0 million last year, and $41.0 million, or 42.2% higher at year-to-date to $138.1 million from $97.1 million last year. Excluding military sales of APPH, military sales were $0.6 million, or 1.9% lower for the quarter and $4.6 million, or 4.7% lower at year-to-date. The decrease in military sales is the result of lower spare part requirements mainly on the C-5A program with the U.S. government, reflecting the reduced funding of the U.S. base defense budget in recent years, partially offset by the increased sales volume on the F-35 program and the CH-47 helicopter program. At year-to-date, the decrease in military sales also reflects the slowdown in repair and overhaul activities with the U.S. government. For the quarter and nine-month period ended December 31, 2014, foreign exchange fluctuations increased military sales by $1.4 million and $3.4 million respectively, when compared to last year.

Sales by Destination

The Corporation’s sales based on the customer's location were as follows:

	Quarters ended December 31,		Nine months ended December 31,	
	2014	**2013**	**2014**	**2013**
	(%)	(%)	(%)	(%)
Canada	**22**	35	**22**	34
U.S.	**48**	61	**50**	61
United Kingdom	**17**	—	**15**	—
Other countries	**13**	4	**13**	5
Total	**100**	100	**100**	100

This quarter and year-to-date changes in the sales by destination mix mainly reflect the impact of increased sales to the United Kingdom and other countries, mainly other European customers, as a result of the APPH acquisition combined with lower aftermarket military sales in the U.S.

Gross Profit

This quarter, gross profit was $14.6 million, or 16.5% of sales, an increase of $4.6 million, or 0.2%, from $10.0 million, or 16.3% of sales last year. When excluding the impact of APPH acquisition, gross profit as a percentage of sales was 14.0%, a decrease of 2.3% from last year despite a favorable impact of 0.9% resulting from foreign exchange currency fluctuations. The lower gross profit as a percentage of sales is mainly the result of an unfavorable product mix, when compared to last year, essentially resulting from the impact of lower aftermarket sales, as previously explained.

For the nine-month period ended December 31, 2014, gross profit was $41.9 million, or 16.2% of sales, an increase of $14.9 million, or 1.2%, from $27.0 million, or 15.0% of sales last year. When excluding the impact of the APPH acquisition, gross profit as a percentage of sales was 14.5%, a decrease of 0.5% from last year which includes an unfavorable impact of 0.2% resulting from foreign exchange currency fluctuations. The lower gross profit as a percentage of sales, is also explained by a higher under-absorption of manufacturing overhead costs resulting from the slowdown in repair and overhaul activities as explained above, partially offset by lower non-recurring costs incurred from the development of a new landing gear system.

Besides the natural hedging from the purchase of raw material in US dollars, the Corporation mitigates the foreign exchange currency fluctuations impact by the use of FFEC.

Selling and Administrative Expenses

Selling and administrative expenses were as follows:

	Quarters ended December 31,		Nine months ended December 31,	
	2014	**2013**	**2014**	**2013**
Selling and administrative expenses ($’000)	**7,907**	4,745	**23,195**	13,932
% of sales	**8.9%**	7.7%	**9.0%**	7.7%

For the quarter ended December 31, 2014, selling and administrative expenses stood at $7.9 million, or 8.9% of sales, an increase of $3.2 million, or 1.2% of sales, from $4.7 million, or 7.7% of sales last year. Excluding the impact of the acquisition of APPH, this year's selling and administrative expenses stood at $5.7 million, or 8.9% of sales. This increase in dollars and as a percentage of sales is mainly explained by an expense of $0.4 million related to the newly adopted Performance Share Unit Plan (“PSU plan”), an increased stock option expense of $0.3 million and additional professional fees related to the Boeing B-777 contract. This increase was partially offset by a gain on currency translation on net monetary items denominated in foreign currencies of $0.7 million incurred this quarter, compared to a gain of $0.3 million last year.

For the nine-month period ended December 31, 2014, selling and administrative expenses stood at $23.2 million, or 9.0% of sales this year, compared to $13.9 million or 7.7% of sales last year. Excluding the impact of the acquisition of APPH, selling and administrative expenses stood at $16.5 million, or 8.8% of sales. This increase is mainly explained by an increase in the stock option expense of $0.9 million and PSU expense of $0.8 million combined with additional professional fees incurred for the Boeing B-777 contract, as already explained above. This year and last year, the gain on currency translation on net monetary items denominated in foreign currencies amounted to $0.7 million.

Acquisition-Related Costs

Last year, for the quarter and the nine-month period ended December 31, 2013, the Corporation's acquisition-related costs were $1.1 million and $1.4 million, respectively. These costs mainly pertained to professional fees and expenses incurred for the acquisition of APPH, as explained above.

Operating Income

For the quarter ended December 31, 2014, consolidated operating income stood at $6.7 million or 7.6% of sales, reflecting the contribution of APPH, compared to $4.1 million, or 6.8% of sales last year ($5.3 million, or 8.6% of sales last year when excluding the acquisition-related costs). Excluding the acquisition of APPH, the Corporation's operating income stood at $3.2 million, or 5.0% of sales this quarter, reflecting the lower gross profit combined with higher selling and administrative expenses, as explained above.

For the nine-month period ended December 31, 2014, consolidated operating income stood at $18.7 million, or 7.2% of sales, compared to $11.7 million, or 6.5% of sales last year ($13.1 million, or 7.2% of sales last year when excluding the acquisition-related costs). Excluding the acquisition of APPH, the Corporation's operating income stood at $10.5 million, or 5.6% of sales, reflecting the lower gross profit combined with higher selling and administrative expenses, as explained above.

Financial Expenses

For the quarter and nine-month period ended December 31, 2014, financial expenses stood at $1.4 million and $4.3 million, respectively, compared to $0.9 million and $2.6 million for the same periods last year.

For the quarter and nine-month period ended December 31, 2014, the increase in financial expenses, compared to last year, is mainly explained by additional interest expense of $0.1 million and $0.9 million respectively, resulting from the increased drawings against the Corporation's Credit Facility following the acquisition of APPH, combined with additional interest accretion on increased governmental authorities' loans of $0.3 million and $0.5 million respectively. This quarter and at year-to-date, the increased financial expenses also reflects the additional expense resulting from discount rate adjustments related to asset retirement obligations of $0.2 million and $0.5 million respectively, when compared to last year.

Non-Recurring Charges

	Quarters ended December 31,		Nine months ended December 31,	
	2014	**2013**	**2014**	**2013**
	($'000)	($'000)	($'000)	($'000)
Impairment of finite-life intangible assets	**7,924**	—	**7,924**	—
Restructuring charges	**602**	—	**1,716**	—
Non-recurring charges	**8,526**	—	**9,640**	—

Impairment of finite-life intangible assets

Following the decision of Bombardier to pause the Learjet 85 business aircraft program announced on January 15, 2015 due to weak demand of the light business aircraft category and downward revision of business aircraft market forecast, the Corporation recorded an impairment charge of $7.9 million on the capitalized development costs associated to this program. The Corporation is the developer and supplier of the complete landing gear system for this aircraft.

To determine the impairment charge the Corporation has established a recoverable amount for the capitalized development costs based on the best estimate of expected future cash flows.The calculation is most sensitive to :

- the discount rate used established at 7.76%, and,
- the timing of future cash flows.

Restructuring charges

On January 16, 2014, given the substantial reduction in military aftermarket products with the U.S. government, the Corporation announced a plan to optimize and consolidate manufacturing capacity, while further enhancing productivity throughout the organization. These initiatives are in line with the Corporation's operating strategy of focusing on specialized centers of excellence but resulted in certain restructuring charges. Furthermore, following the acquisition of APPH, the Corporation incurred restructuring charges related to the integration of APPH's operations, personnel and technology with its pre-existing operations.

For the quarter and nine-month period ended December 31, 2014, these restructuring charges amounted to $0.6 million and $1.7 million respectively (none in 2013), and include employee termination benefits of $0.4 million and $1.2 million and, other associated costs of $0.2 million and $0.5 million, respectively. At December 31, 2014, the unpaid portion of the restructuring charges is shown under short-term provisions for $0.3 million ($0.9 million as at March 31, 2014) and other liabilities for $0.5 million ($0.3 million as at March 31, 2014) in the Corporation's Consolidated balance sheets.

Income Tax Expense

For the quarters ended December 31, 2014 and 2013, the income tax expense (recovery) stood at $(1.3) million and $0.6 million, respectively. At year-to-date, the income tax expense (recovery) stood at $(0.2) million, compared to $1.1 million for the same period last year.

The computation of income tax expense is as follows:

	Quarters ended December 31,		Nine months ended December 31,	
	2014	**2013**	**2014**	**2013**
	($'000)	($'000)	($'000)	($'000)
Income taxes at combined Federal and Provincial statutory tax rates of 26.7% (same in 2013)	**(851)**	863	**1,256**	2,435
Permanent differences	**154**	317	**330**	352
Income tax rate differential - foreign subsidiaries	**(657)**	(76)	**(1,726)**	(290)
Other items	**75**	(480)	**(20)**	(1,385)
Income tax expense	**(1,279)**	**624**	**(160)**	**1,112**

For the quarter and nine-month period ended December 31, 2013, Other items included mainly a reduction of $0.2 million and $1.1 million, respectively, in deferred income tax liabilities in light of changes in tax audit matters, jurisprudence and tax legislation.

Net Income

For the quarter and nine-month period ended December 31, 2014, the Corporation posted a net loss of $1.9 million or 2.2% of sales (net income of $4.4 million or 4.9% of sales, excluding non-recurring charges of $6.3 million, net of taxes) and net income of $4.9 million or 1.9% of sales ($12.0 million or 4.6% of sales, excluding non-recurring charges of $7.1 million, net of taxes), respectively, compared to a net income of $2.6 million or 4.2% of sales ($3.7 million or 6.0% of sales, excluding acquisition-related costs of $1.1 million, net of taxes) and $8.0 million or 4.4% of sales ($9.3 million or 5.1% of sales, excluding acquisition-related costs of $1.3 million, net of taxes) for the same periods last year.

	Quarters ended December 31,		Nine months ended December 31,	
	2014	**2013**	**2014**	**2013**
Net income (loss) ($'000) [(1) (2)]	**(1,909)**	2,608	**4,864**	8,006
Earnings (loss) per share – basic ($)	**(0.05)**	0.08	**0.14**	0.25
Earnings (loss) per share – diluted ($)	**(0.05)**	0.08	**0.14**	0.25

(1) Net of non-recurring charges amounting to $6.3 million and $7.1 million, net of taxes respectively, for the quarter and nine-month period ended December 31, 2014.

(2) Net of acquisition-related costs amounting to $1.1 million and $1.3 million net of taxes respectively, for the quarter and nine-month period ended December 31, 2013.

For the nine-month period ended December 31, 2014, basic earnings per share figures are based on year-to-date weighted-averages of 34,561,063 common shares outstanding and 31,525,869 common shares for the same period last year, while the diluted earnings per share figures are based on year-to-date weighted-averages of 34,675,984 for the nine-month period this year and 31,691,216 for the same period last year. The increase in the weighted-average number of outstanding common shares from December 31, 2013 to December 31, 2014 is mainly related to the issuance of common shares pursuant to the public offering and concurrent private placements on June 26, 2014 (see below) and issuance of common shares under the Corporation's stock option plan during the current fiscal year and the fourth quarter of the previous fiscal year.

On February 4, 2015, the date of this MD&A, the Corporation had 35,940,141 common shares and 747,346 stock options outstanding with a weighted-average of 5.5 years to maturity.

Accumulated Other Comprehensive Income ("AOCI") and Comprehensive Income

For the quarter ended December 31, 2014, the other comprehensive loss, included in the comprehensive income, is mainly the result of net losses on the valuation of derivative financial instruments partially offset by a net gain arising from the translation of the financial statements of foreign operations, both resulting mainly from the appreciation of the US currency, compared to the Canadian currency.

For the nine-month period ended December 31, 2014, the other comprehensive loss, included in the comprehensive income, is mainly the result of net losses from re-measurement of the Corporation's defined benefit pension plans resulting from a lower interest rate to discount the defined benefit pension plan obligations, net of gains from higher than expected return on plan assets, combined with net losses on the valuation of derivative financial instruments resulting from the appreciation of the US currency, compared to the Canadian currency. These unfavorable variations on the comprehensive income were partially offset by gains arising from the translation of the financial statements of foreign operations, resulting mainly from the appreciation of the US currency, compared to the Canadian currency.

Liquidity and Capital Resources

Credit Facility and Cash and Cash Equivalents

In general terms, the Corporation has a healthy financial situation and is well positioned to face its financing needs. As at December 31, 2014, the Corporation had cash and cash equivalents of $40.6 million, compared to $47.3 million at March 31, 2014, that were held in investment accounts mainly with one of the five Canadian Banks and their U.S. affiliates or branches of the Corporation's syndicated banks.

The Corporation has in place a Senior Secured Syndicated Revolving Credit Facility ("Credit Facility") with five Canadian syndicated banks, and their U.S. affiliates or branches, and a Canadian branch of a U.S. bank. This Credit Facility allows the Corporation and its subsidiaries to borrow up to $200 million, either in Canadian, US, British Pound or Euro equivalent currencies and will mature in March 2019. It also includes an accordion feature to increase the Credit Facility by an additional $75 million, during the term of the Credit Agreement, subject to the approval of the lenders.

As at December 31, 2014, the Corporation had $53.3 million drawn against the Credit Facility following the repayment made during the first quarter (see below), compared to $100.9 million as at March 31, 2014. 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.

As at December 31, 2014, the Corporation's net debt position represented the following:

	($'000)
Long-term debt, including current portion[(1)]	**107,522**
Less: Cash and cash equivalents	**40,613**
Net debt position	**66,909**

[(1)] *Excluding net deferred financing costs of $1.4 million.*

Operating Activities

During the quarter and nine-month periods ended December 31, the Corporation generated cash flows from continuing operations, and used cash and cash equivalents for its operating activities and its discontinued operations as follows:

	Quarters ended December 31,		Nine months ended December 31,	
	2014	**2013**	**2014**	**2013**
	($'000)	($'000)	($'000)	($'000)
Cash flows from continuing operations	**11,165**	4,709	**27,447**	16,546
Net change in non-cash items related to continuing operations	**(3,405)**	(1,104)	**3,310**	(6,402)
Cash flows related to operating activities from continuing operations	**7,760**	3,605	**30,757**	10,144
Cash flows related to operating activities from discontinued operations	**—**	—	**(1,082)**	(1,641)
Cash flows related to operating activities	**7,760**	3,605	**29,675**	8,503

For the quarter and nine-month period ended December 31, 2014, the $6.5 million and $10.9 million increases in cash flows from continuing operations, when compared to last year's periods, are mainly the result of the APPH acquisition combined with a lower deferred income taxes recovery.

For the nine-month period ended December 31, 2014, cash flows related to operating activities from discontinued operations include final tax payments related to fiscal year 2013, while it included a payment of income taxes for fiscal year 2013 in last fiscal year's first quarter.

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

	Quarters ended December 31,		Nine months ended December 31,	
	2014	**2013**	**2014**	**2013**
	($'000)	($'000)	($'000)	($'000)
Accounts receivable	**5,030**	(2,007)	**7,273**	7,698
Inventories	**(2,321)**	(1,717)	**(249)**	(2,151)
Other current assets	**(897)**	(415)	**1,381**	187
Accounts payable and accrued liabilities, accounts payable-other and, other liabilities (referred to as "accounts payable")	**(1,753)**	2,083	**(11,662)**	(7,530)
Progress billings	**(657)**	395	**915**	(4,355)
Customer advances	**(1,870)**	—	**7,956**	—
Income taxes payable and receivable	**(1,046)**	198	**(1,683)**	(457)
All others, including the effect of changes in exchange rate for the Corporation's foreign subsidiaries	**109**	359	**(621)**	206
	(3,405)	(1,104)	**3,310**	(6,402)

For the quarter and nine-month period ended December 31, 2014, the decrease in accounts receivable and accounts payable mainly reflects lower sales in this quarter compared to the last year's fourth quarter, which historically is the best quarter of the fiscal year. The decrease in accounts receivable and accounts payable was partially offset by a higher US/CAD foreign exchange closing rate used to convert the U.S.-denominated accounts receivable and accounts payable balances in US dollars. For the third quarter and nine-month period ended December 31, 2014, the increase in inventories reflects the higher commercial funded backlog net of reduced inventories resulting from certain military programs. For the quarter, the increase in other current assets mainly results from additional sales tax receivable arising from the purchase of machinery and equipment in connection with the B-777 program, while at year-to-date, this increase was more than offset by a decrease resulting from investment and other tax credits receivable received during the period. The increase in customer advances at year-to-date mainly reflects payments received from a customer in relation to long-term contracts.

For the third quarter ended December 31, 2013, the increase in accounts receivable and accounts payable reflects the higher level of activity in that quarter, when compared to the last year's second quarter, and a higher US/CAD foreign exchange closing rate to convert the balances denominated in US dollars. For the nine-month period ended December 31, 2013, the decrease in accounts receivable and accounts payable result from the lower sales volume in last year's third quarter, when compared to the previous year's fourth quarter, which historically is the best quarter of the fiscal year. The increase in inventories for the third quarter and nine-month period ended December 31, 2013 reflects the increase in production rates in the commercial sector, while the reduction in progress billings at year-to-date reflects a reduced backlog on certain military programs.

Investing Activities

The Corporation's investing activities were as follows:

	Quarters ended December 31,		Nine months ended December 31,	
	2014	**2013**	**2014**	**2013**
	($'000)	($'000)	($'000)	($'000)
Additions to property, plant and equipment	**(9,453)**	(1,809)	**(23,788)**	(8,330)
Deposits on machinery and equipment	**(10,258)**	(3,613)	**(15,427)**	(3,523)
Net increase in finite-life intangible assets	**(239)**	(1,173)	**(1,653)**	(6,437)
Proceeds on disposal of property, plant and equipment	**—**	—	**430**	47
Cash flows related to investing activities	**(19,950)**	(6,595)	**(40,438)**	(18,243)

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

	Quarters ended December 31,		Nine months ended December 31,	
	2014	**2013**	**2014**	**2013**
	($'000)	($'000)	($'000)	($'000)
Gross additions to property, plant and equipment	**12,675**	2,330	**28,319**	8,396
Government assistance	**(716)**	(1,249)	**(1,005)**	(1,274)
Additions to property, plant and equipment	**11,959**	1,081	**27,314**	7,122
Variation in unpaid additions included in Accounts payable - other and, other liabilities	**(1,322)**	728	**(2,342)**	1,208
Machinery and equipment acquired through finance leases	**(1,184)**	—	**(1,184)**	—
Additions, as per statements of cash flows	**9,453**	1,809	**23,788**	8,330

This quarter and at year-to-date, the additions to property, plant and equipment, net of government assistance, stood at $12.0 million and $27.3 million, respectively ($1.1 million and $7.1 million last year). The increases in additions to property, plant and equipment and deposits on machinery and equipment mainly include investments related to the Boeing B-777 program which amounted to $36 million at year-to-date and $48 million since the beginning of the Plan. Capital expenditures for fiscal 2015 are expected to be about $75.0 million, including $57.0 million related to the Boeing B-777 contract.

The increase in finite-life intangible assets mainly includes capitalized development costs for long-term contracts, essentially for business jet programs.

Financing Activities

The Corporation's financing activities were as follows:

	Quarters ended December 31,		Nine months ended December 31,	
	2014	**2013**	**2014**	**2013**
	($'000)	($'000)	($'000)	($'000)
Increase in long-term debt	**1,144**	6,294	**21,080**	6,294
Repayment of long-term debt	**(451)**	(390)	**(66,762)**	(3,437)
Issuance of common shares	**88**	67	**48,294**	200
Cash flows related to financing activities	**781**	5,971	**2,612**	3,057

On June 26, 2014, the Corporation issued 4,255,871 common shares for net proceeds of $47.9 million as a result of the public offering and concurrent private placements (see below). During the quarter and nine-month period ended December 31, 2014, the Corporation also received total cash considerations of $0.1 million and $0.3 million, respectively, following the issuance of common shares under the Corporation's stock purchase and ownership incentive plan ("stock purchase plan") and at year-to-date, $0.2 million following the issuance of common shares under the stock option plan.

The net proceeds of $47.9 million from the public offering and concurrent private placements along with a $16.2 million drawing against the Corporation's Credit Facility was used to repay US$59.3 million ($63.6 million) of debt against the Credit Facility during the first quarter. This year and last year's repayments of long-term debt also include the scheduled repayment of governmental authorities' loans and finance leases for machinery and equipment, while last year it also included the scheduled repayment of a promissory note.

For the quarter and nine-month period ended December 31, 2014, the increase in long-term debt also includes new governmental authorities' loans received of $1.3 million and $5.0 million, respectively, to support development program investments.

As at December 31, 2014, the Corporation was in compliance with all its restrictive debt covenants and expects to continue to comply with these restrictive financial covenants through the current fiscal year.

Capital Stock, Stock Option and Stock Purchase Plans

As at December 31, 2014, the Corporation had 35,937,374 common shares outstanding (31,620,482 as at March 31, 2014).

During the quarter and nine-month period ended December 31, 2014, the Corporation issued 9,216 and 4,316,892 common shares, respectively, as follows:

i. On June 26, 2014, the Corporation issued 4,255,871 common shares at a price of $11.75 per share for gross proceeds of $50.0 million pursuant to the public offering and concurrent private placements. The net proceeds of $47.9 million received by the Corporation, net of underwriting commissions and other issuance costs of $1.6 million and $0.5 million, respectively, were used to repay indebtedness under its Credit Facility. Deferred income taxes of $0.6 million were recorded related to the issuance costs.

ii. The Corporation issued 9,216 and 26,021 common shares, respectively, at weighted-average prices of $9.55 and $9.88 under the Corporation's stock purchase and ownership incentive plan for total cash considerations of $88,000 and $257,000, respectively.

iii. During the second quarter, the Corporation issued 35,000 common shares, following the exercise of stock options for a total cash consideration of $184,000. The initial fair value of these stock options, amounting to $136,000, was credited to issued capital and debited to contributed surplus.

During the quarter and nine-month period ended December 31, 2013, the Corporation issued 7,709 and 25,816 common shares, respectively, under the Corporation's stock purchase plan, for total cash considerations of $67,000 and $200,000.

During the quarter and nine-month period ended December 31, 2014, 30,000 and 96,345 stock options were granted (none in 2013), 35,000 were exercised during the second quarter (none in 2013), and none were cancelled (none in 2013).

As at December 31, 2014, 747,346 stock options were issued and outstanding with a weighted-average of 5.6 years to maturity and a weighted-average exercise price of $9.84.

For the quarter ended December 31, 2014, the stock option plan expense and the stock purchase plan expense amounted to $361,000 and $41,000, respectively ($20,000 and $31,000 in 2013).

For the nine-month period ended December 31, 2014, the stock option plan expense and the stock purchase plan expense amounted to $1,007,000 and $119,000, respectively ($83,000 and $92,000 in 2013).

As at December 31, 2014, 1,639,781 common shares under the Stock Option Plan and 214,764 common shares under the Stock Purchase Plan had not been issued yet.

Stock Appreciation Right (“SAR”), Deferred Share Unit (“DSU”) and Performance Share Unit (“PSU”) Plans

Until August 2010, the Corporation had a SAR plan where rights were issued to its non-employee directors. Although the SAR plan has since been replaced by a DSU plan effectively approved in May 2011 by the Corporation’s Board of Directors, certain SARs issued prior to August 2010 are still in effect.

As at December 31, 2014, there was 6,000 SARs (20,000 in 2013) still outstanding at a weighted-average granted value of $0.01 ($1.60 last year) which expire in August 2015. During the nine-month period ended December 31, 2014, 11,000 SARs were exercised, all in the second quarter,(7,000 and 19,000 in 2013), no SARs were granted (none in 2013) and no SARS were cancelled (none in 2013).

As at December 31, 2014, there was 83,158 DSUs outstanding (62,940 at December 31, 2013). During the nine-month period ended December 31, 2014, the Corporation issued 18,333 DSUs, all in the second quarter (none in 2013), no DSUs were exercised (12,362 all in the second quarter of 2013) and no DSUs were cancelled (none in 2013).

For the quarter ended December 31, 2014, the SAR expense amounted to $7,000 while for the nine-month period it represented a reversal of expense of $2,000 (expense of $32,000 and $74,000 in 2013). DSU expense amounted to $104,000 and $189,000, respectively ($99,000 and $216,000 in 2013).

During the nine-month period ended December 31, 2014, 115,879 PSUs were issued, all in the second quarter (none in 2013), no PSUs were cancelled or exercised (none in 2013). As at December 31, 2014, 115,879 PSUs were outstanding (none as at December 31, 2013).

For the quarter and nine-month period ended December 31, 2014, PSU expense amounted to $401,000 and $784,000, respectively (none in 2013).

Consolidated Balance Sheets

The following table itemizes and explains the significant changes in the consolidated balance sheets between December 31, 2014 and March 31, 2014:

Item	December 31, 2014 ($ million)	March 31, 2014 ($ million)	Change ($ million)	Final purchase price adjustments (1) ($ million)	Net change ($ million)	Explanation
Cash and cash equivalents	40.6	47.3	(6.7)	—	(6.7)	See consolidated statements of cash flows.
Accounts receivable	59.3	66.0	(6.7)	0.6	(7.3)	Mainly reflects lower sales in the third quarter this year compared to last year's fourth quarter sales, partially offset by higher US/CAD currency rate used to convert the foreign currency-denominated accounts receivable, when compared to March 31, 2014 (impact of $1.4 million).
Inventories	136.3	134.0	2.3	2.0	0.3	Excluding the final purchase price adjustments, inventories were stable compared to March 31, 2014.
Derivative financial instruments (current and non-current assets)	0.1	0.6	(0.5)	—	(0.5)	Reflects the variation in the Corporation's balance sheets of derivative financial instruments measured at fair value. The decrease is mainly the result of a lower differential between the weighted-average US/CAD rates of forward foreign exchange contracts on hand and the closing rates of conversion used, as of both balance sheet dates.
Other current assets	41.1	26.9	14.2	—	14.2	Mainly reflects increased deposits made on machinery and equipment in relation to the Boeing B-777 contract combined with additional sales tax receivable partially offset by a reduction in investment and other tax credits receivable reflecting the cash received during the year.
Property, plant and equipment (PPE), net	109.2	92.3	16.9	—	16.9	Mainly reflects the additions ($27.3 million, net of government assistance) combined with a higher US/CAD currency rate used to convert the PPE of the foreign operations ($1.0 million), partially offset by amortization expense ($11.0 million), and disposal of property, plant and equipment ($0.4 million).
Finite-life intangible assets, net	50.5	59.1	(8.6)	—	(8.6)	Mainly reflects the impairment of finite-life intangible assets(2) ($7.9 million), the amortization expense ($2.2 million) and a lower GBP/CAD currency rate used to convert the intangible assets of the foreign operations ($0.2 million), partially offset by increased capitalized development costs and software ($1.7 million, net of government assistance).
Goodwill	88.9	84.4	4.5	5.4	(0.9)	Mainly reflects the lower GBP/CAD currency rate used to convert this asset of the foreign operations ($0.9 million).
Accounts payable and accrued liabilities	53.0	57.6	(4.6)	4.9	(9.5)	Mainly reflects lower sales in the third quarter this year, compared to last year's fourth quarter sales, partially offset by a higher US/CAD currency rate used to convert the U.S. currency-denominated accounts payable and accrued liabilities, when compared to March 31, 2014 (impact of $0.9 million).
Accounts payable - other and other liabilities	5.8	3.8	2.0	—	2.0	Mainly reflects additional unpaid PPE additions ($2.3 million), compared to March 31, 2014.
Customer advances	17.4	9.4	8.0	—	8.0	Reflects payments received from a customer in relation to long-term contracts.
Progress billings (current and long-term)	8.6	7.7	0.9	—	0.9	Mainly reflects payments received from customers in relation to long-term contracts.

Item	December 31, 2014 ($ million)	March 31, 2014 ($ million)	Change ($ million)	Final purchase price adjustments [(1)] ($ million)	Net change ($ million)	Explanation
Derivative financial instruments (current and long-term liabilities)	9.2	7.3	1.9	—	1.9	Reflects the variation in the Corporation's balance sheets of derivative financial instruments measured at fair value. The increase is mainly the result of a higher differential between the closing rates of conversion used and the weighted average US/CAD rates of forward foreign exchange contracts on hand, as of both balance sheet dates.
Long-term debt (including current portion)	106.2	148.9	(42.7)	—	(42.7)	Reflects the repayment of US$59.3 million ($63.6 million) under the Credit Facility and scheduled payments of long-term debt ($3.2 million), combined with the impact of foreign exchange fluctuations on the U.S.-denominated long-term debt ($0.3 million). The decrease was partially offset by a drawing on the Credit Facility ($16.2 million), new governmental loans received this year to support development program investments ($5.0 million) and new finance lease put in place to finance equipment ($1.2 million), interest accretion on increased governmental authorities' loans ($1.8 million), and amortization of deferred financing costs related to the Credit Facility ($0.2 million).
Other liabilities	13.7	10.0	3.7	2.0	1.7	Increase mainly resulting from losses on re-measurement of the Corporation's defined benefit pension plans ($2.0 million), partially offset by scheduled payments made during the current fiscal year.
Issued capital	75.2	26.2	49.0	—	49.0	Increase mainly from the net proceeds ($47.9 million) received from the public offering and concurrent private placements - see Note 14 to the interim condensed consolidated financial statements, combined with favorable deferred income taxes ($0.6 million) recorded and related to the issuance costs. It also includes the issuance of common shares following the exercise of stock options ($0.3 million) and under the stock purchase plan ($0.2 million).
Retained earnings	209.3	205.9	3.4	—	3.4	Increase reflects the Corporation's net income of $4.9 million in the current fiscal year, partially offset by net losses from re-measurement of $1.5 million on the Corporation's defined benefit pension plans.

[(1)]: *Reflecting APPH final price allocation adjustments and the related additional reclassifications impact on the consolidated balance sheet.*

[(2)]: *Reflecting* impairment charge of $7.9 million on the capitalized development costs related to Learjet 85 business aircraft program.

As at December 31, 2014 and March 31, 2014, the Corporation's working capital ratio, cash and cash equivalents, long-term debt-to-equity ratio and net debt-to-equity ratio[(1)] were as follows:

	December 31, 2014	March 31, 2014
Working capital ratio	**2.50:1**	2.71:1
Cash and cash equivalents	**$40.6 million**	$47.3 million
Long-term debt-to-equity ratio	**0.34:1**	0.60:1
Net debt-to-equity ratio[(1)]	**0.23:1**	0.43:1

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

Government Assistance

During the quarters and nine-month periods ended December 31, government assistance deducted from the cost of the related assets or recognized as a reduction of expenses, was as follows:

	Quarters ended December 31,		Nine months ended December 31,	
	2014	**2013**	**2014**	**2013**
	($'000)	($'000)	($'000)	($'000)
Other current assets - deposits on machinery and equipment	**—**	—	**1,221**	—
Property, plant and equipment	**716**	1,249	**1,005**	1,274
Finite-life intangible assets	**404**	738	**1,142**	2,227
Cost of sales, selling and administrative expenses	**531**	831	**2,106**	2,347

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

Commitments, Derivatives, Off-Balance-Sheet Items and Contingencies

Commitments

As at December 31, 2014, the Corporation has operating lease obligations amounting to $4.2 million for buildings and facilities. These amounts are repayable over ten years but essentially over the next five fiscal years. The Corporation also had machinery and equipment purchase commitments totaling $45.8 million (see Note 17 to the interim condensed consolidated financial statements) of which $43.1 million ($38.5 million as at March 31, 2014) is related to the Boeing B-777 contract.

As at December 31, 2014, the Corporation has issued a letter of credit amounting to $0.2 million (none as at March 31, 2014). This letter of credit was issued to meet certain requirements related to the capital investment plan of the Corporation.

Derivatives, Off-Balance-Sheet Items

As at December 31, 2014, the Corporation had forward foreign exchange contracts ("FFEC") with Canadian chartered banks to sell US$113.8 million at a weighted-average exchange rate (Canadian dollar over US dollar) of 1.0887. These contracts relate mainly to its Canadian sales expressed in US dollars, and mature at various dates between January 2015 and March 2018, with the majority maturing this and next fiscal years (see Note 11 to the interim condensed consolidated financial statements). This compares to US$127.4 million and US$111.7 million in FFEC held at March 31, 2014 and December 31, 2013 respectively, at weighted-average exchange rates of 1.0628 and 1.0368 respectively.

As at December 31, 2014, March 31, 2014 and December 31, 2013, the Corporation had an interest-rate swap agreement for a total notional amount of US$10 million. The agreement sets the Libor U.S. rate at 2.04% and will mature in December 2015.

As at December 31, 2014 and March 31, 2014, the Corporation also had two additional interest-rate swap agreements for a total notional amount of US$15 million. These interest-rate swap agreements fixed the Libor U.S. rate at 1.65% for the first tranche of US$5 million commencing in March 2014, and at 2.38% for the second tranche of US$10 million commencing in December 2015, both until their maturity in December 2018.

The interest-rate swap rates mentioned above exclude the additional bank relevant margin. 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.

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

In March 2011 and February 2014, the Corporation designated certain long-term debt as hedge of its net investments in foreign operations. As at December 31, 2014, certain designations were still in effect.

Contingencies

On February 5, 2014, Goodrich Corporation, member of UTC Aerospace Systems ("UTAS") group, filed a request for arbitration against the Corporation to the ICC International Court of Arbitration based on an alleged violation of a non-compete covenant contained in an agreement between Goodrich Corporation and Devtek Aerospace Inc. relating to the manufacturing of pistons. The arbitration date has been set for the second quarter of fiscal 2016.

The Corporation disagrees with the Goodrich Corporation's position and believes that it is acting in conformity with its agreements and accordingly no provision was recorded as of December 31, 2014 and March 31, 2014. While the Corporation cannot predict the final outcome of this arbitration, the Corporation intends to defend its position in this matter and has strong and serious grounds of defense to oppose within the arbitration process.

CHANGE IN ACCOUNTING POLICIES

On April 1, 2014, the Corporation adopted retrospectively the standard below. The adoption of the new standard had no impact on prior periods' comparative figures.

IFRIC 21 Levies

IFRIC 21 clarifies the timing of accounting for a liability for outflow of resources that is imposed by governments in accordance with legislation, based on the activity that triggers the payment. Levies are required to be applied retrospectively for periods beginning April 1, 2014. The Corporation adopted IFRIC 21 on April 1, 2014 and the adoption of this standard had no impact on the Corporation's interim condensed consolidated financial statements.

Future change in accounting policies

IFRS 15

The IFRS 15, *revenue from contracts with customers*, establishes a single framework for determining the timing and the amount of revenue that can be recognized. These amendments are required to be applied retrospectively for periods beginning April 1, 2017, with earlier application permitted. The Corporation has not yet assessed the impact of these amendments.

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 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.

Management's assessment and conclusion on the design of disclosure controls and procedures and internal controls over financial reporting excludes the controls, policies and procedures of APPH which was acquired on February 3, 2014, as permitted by the Canadian Securities Administrators' National Instrument 52-109 for a business acquired not more than 365 days before the last day of the period covered by the interim filings. APPH's results are included in the December 31, 2014 interim condensed consolidated financial statements of Héroux-Devtek and constituted approximately 32% of total assets as of December 31, 2014, and approximately 28% of revenue for the nine-month period then ended.

During the quarter and nine-month period ended December 31, 2014, no changes were made to the Corporation's internal controls over financial reporting 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 segments that have a variety of risk factors and uncertainties. The Corporation's business, financial condition and results of operations could be materially adversely affected by any of the risks and uncertainties described below. Such risks and uncertainties include, but are not limited to, those mentioned below. 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.

- Reliance on large customers;
- Availability and cost of raw materials;
- Operational risks;
- Impact of terrorist activity and political instability;
- General economic conditions;
- Military spending;
- Foreign currency fluctuations;
- Liquidity and access to capital resources;
- Restrictive debt covenants;
- Changing interest rates;
- External business environment;
- Warranty casualty claim losses;
- Environmental matters;
- Collective bargaining agreements;
- Skilled labour;
- Pension plan liability;
- Successful integration of APPH (as hereinafter defined); and
- Risk of litigation (as hereinafter defined).

Risks associated with the acquisition of APPH

The acquisition by the Corporation of APPH was significant and the Corporation may not have the ability to successfully integrate and combine the operations, personnel and technology of APPH with its pre-existing operations. If the integration is not managed successfully by management, the Corporation may not realize the growth opportunities that are anticipated from the acquisition. Even if the Corporation is able to integrate APPH's operations successfully, this integration may not result in the realization of the full benefits of the growth opportunities currently expected within the anticipated time frame, or at all. The integration with APPH may also impose substantial demands on management. There is no assurance that improved operating results will be achieved as a result of the APPH acquisition.

Risk of litigation

The Corporation is subject to the risk of litigation in the ordinary course of business by employees, customers, suppliers, competitors, shareholders, government agencies, or others, through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation is difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for substantial periods of time. Regardless of outcome, litigation could result in substantial costs to the Corporation. In addition, litigation could divert management's attention and resources away from the day-to-day operations of the Corporation's business.

SELECTED QUARTERLY FINANCIAL INFORMATION

($'000 Except per share data)	**Fiscal Year 2015**			Fiscal Year 2014				Fiscal Year 2013 (1)
	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	March 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013	March 31, 2013
Sales from continuing operations	**88,368**	84,086	86,408	91,212	61,448	56,402	62,972	73,816
EBITDA from continuing operations (2)	**10,942**	9,215	10,009	7,728	7,170	6,254	7,747	10,031
Adjusted EBITDA from continuing operations (2)	**11,544**	9,978	10,360	13,249	8,286	6,518	7,747	10,031
Net income (loss) from continuing operations	**(1,909)**	3,273	3,500	1,230	2,608	2,584	2,814	4,599
Adjusted net income from continuing operations (2)	**4,361**	3,839	3,756	5,953	3,697	2,794	2,814	4,599
Net income from discontinued operations	**—**	—	—	—	—	—	—	3,679
Net income (loss)	**(1,909)**	3,273	3,500	1,230	2,608	2,584	2,814	8,278
Earnings (loss) per share from continuing operations ($) – Basic and diluted	**(0.05)**	0.09	0.11	0.04	0.08	0.08	0.09	0.15
Adjusted earnings per share from continuing operations ($) - Basic & Diluted (2)	**0.12**	0.11	0.12	0.19	0.12	0.09	0.09	0.15
Earnings (loss) per share ($) – basic	**(0.05)**	0.09	0.11	0.04	0.08	0.08	0.09	0.26
Earnings (loss) per share ($) – diluted	**(0.05)**	0.09	0.11	0.04	0.08	0.08	0.09	0.26
Weighted-average number of diluted shares outstanding (in millions)	**36.0**	36.0	31.9	31.7	31.7	31.7	31.7	31.7

(1) Fiscal year 2013 results have been restated following the adoption of the amended IAS 19, *Employee Benefits*.

(2) *See Non-IFRS measures above.*

OUTLOOK

Conditions remain favorable in the commercial aerospace market. The IATA's forecast for calendar 2015 calls for robust growth of 7.0% in the passenger market, while air cargo volume is expected to rise 4.5%[1].

In the large commercial aircraft sector, Boeing and Airbus are proceeding with production rate increases on several leading programs scheduled through calendar 2018 [2]. Their backlogs remain strong, representing approximately eight years of production at current rates.

In the overall business jet market, deliveries increased 9.3% in the first nine months of calendar 2014 and positive signs continue to suggest further improvement in market conditions, such as an increase in U.S. business aircraft movements and a year-over-year decrease in the proportion of the business aircraft fleet for sale. More importantly, industry sources are calling for sustained growth over several years, which would span the planned entry into service of certain business jet models for which Héroux-Devtek has designed the landing gear [3].

Conditions in the military aerospace market are expected to remain difficult, as governments address their deficits. In the U.S., although sequestration cuts were eliminated through the U.S. Government's 2015 fiscal year, current funding requests beyond that horizon exceed planned budget limits, which could affect the Corporation over its ensuing fiscal years. However, as APPH reduces the Corporation's relative exposure to the U.S. military market, a more geographically diversified military portfolio, mainly composed of leading programs, and also balanced between new component manufacturing and aftermarket products and services, should lessen this impact.

As at December 31, 2014, the Corporation's balance sheet remains healthy with cash and cash equivalents of $40.6 million. This amount, combined with funds available under its Credit Facility, will allow Héroux-Devtek to fund expected total capital expenditures of approximately $135 million spanning the course of fiscal years 2015 and 2016, including investments of about $105 million related to the Boeing B-777 landing gear contract.

1 Source: Economic Performance of the Airline Industry, IATA, December 2014.

2 Sources: Airbus press releases November 4, 2014; February 24, 2014. Boeing press releases October 2, 2014; March 20, 2014; January 24, 2014; October 31, 2013.

3 Sources: JETNET, FAA, Teal Group.

As at December 31, 2014, Héroux-Devtek's funded (firm orders) backlog stood at $459 million, up from $450 million at the end of the previous quarter. Despite this solid backlog and strong customer relationships, the Corporation will continue to enhance productivity and streamline its cost base to remain competitive in light of the increasingly global character of the aerospace industry.

In the current fiscal year ending March 31, 2015, Héroux-Devtek will benefit from a full-year contribution from APPH, while internal sales should be relatively stable compared with fiscal 2014, excluding the effect of foreign currency fluctuations. As forces driving its main markets are not expected to evolve materially, and also excluding the effect of foreign currency fluctuations, the Corporation anticipates an increase in sales to the commercial aerospace market to be offset by lower internal sales to the military aerospace market. Over a longer-term horizon, Héroux-Devtek's performance will be driven by the growth of European operations, the start-up of the Boeing B-777 contract, the ramp-up of certain landing gear design programs, the achievement by large aircraft manufacturers of their scheduled production rate increases, a sustained recovery in the business jet market, and more stable military conditions beyond fiscal 2015.

With these key drivers, the Corporation believes that it can achieve sales of approximately $500 million by its 2019 fiscal year, assuming no further acquisitions and stable exchange rates between the Canadian dollar, the US dollar and the British pound, as well as considering its FFEC.

Additional Information and Continuous Disclosure

This MD&A was approved by the Audit Committee and by the Board of Directors on February 4, 2015. Updated information on the Corporation can be found on the SEDAR website, at www.sedar.com.