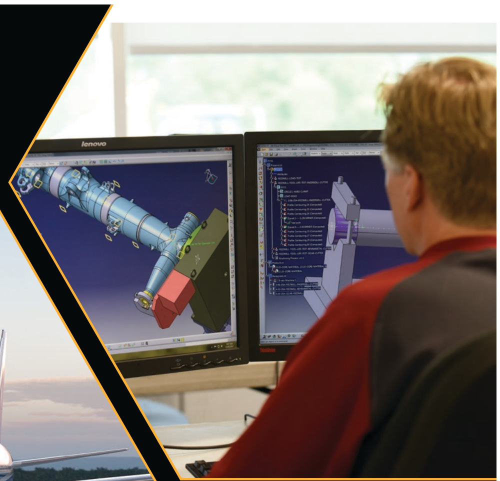

HÉROUX DEVTEK

PLATFORMS
FOR GROWTH

Quarterly Report

First Quarter Ended June 30, 2015

MESSAGE TO SHAREHOLDERS
First quarter ended June 30, 2015

On behalf of the Board of Directors, I am pleased to present the financial results for Héroux-Devtek's fiscal 2016 first quarter ended June 30, 2015.

Consolidated sales reached $98.2 million, compared with $86.4 million in the first quarter of fiscal 2015. This 13.7% increase reflects the strength of the commercial aerospace market, while year-over-year fluctuations in the value of the Canadian currency versus the U.S. currency increased first-quarter sales by $7.9 million.

Commercial sales reached $51.5 million, up 18.8% from $43.3 million last year. This increase was driven by higher sales of landing gear systems designed by Héroux-Devtek for business jets due to production ramp-up of the Embraer Legacy 450/500 program and delivery of first production units for the Dassault Falcon 5X program, higher aftermarket sales related to a new strategic alliance to provide support for the Saab 340 program and higher production rates for certain large commercial programs, mainly the B-787 aircraft. Year-over-year currency fluctuations had a $4.1 million favourable effect on commercial sales.

Defence sales increased 8.6% to $46.8 million, as higher sales to Boeing on the CH-47 helicopter program, greater repair and overhaul (R&O) sales to the U.S. Air Force and a $3.8 million favourable foreign exchange impact were partially offset by lower spare part requirements, mainly with the U.S. government.

Gross profit reached $16.6 million, or 16.9% of sales, compared with $14.2 million, or 16.4% of sales, last year. The increase reflects favourable year-over-year currency fluctuations equivalent to 1.5% of sales and a better product mix driven by higher commercial aftermarket sales. These factors were partially offset by higher non-quality costs and the ramp-up of business jet design programs, which is currently dilutive as the initial units of a product's life cycle incur higher costs than those of a mature program.

Adjusted EBITDA stood at $13.1 million, or 13.3% of sales, versus $10.4 million, or 12.0% of sales, a year ago. This year's first-quarter adjusted EBITDA excludes non-recurring charges of $1.5 million related to legal fees as part of the settlement of a litigation as already discussed. Last year's adjusted EBITDA excluded restructuring charges of $0.4 million.

Adjusted net income, which excludes the after-tax effect of $1.0 million from the aforementioned non-recurring charges, was $5.5 million, or $0.15 per diluted share, in the first quarter of fiscal 2016, up from $3.8 million, or $0.12 per diluted share, in the first quarter of fiscal 2015, excluding restructuring charges of $0.3 million, net of taxes.

As at June 30, 2015, Héroux-Devtek's balance sheet remained healthy with cash and cash equivalents of $14.8 million, while total long-term debt was $131.7 million, including the current portion, but excluding net deferred financing costs. Long-term debt includes $68.7 million drawn against the Corporation's authorized Credit Facility of $200.0 million. As a result, the Corporation's net debt position stood at $116.9 million as at June 30, 2015, while the net-debt-to equity ratio was 0.38:1, up from 0.27:1 as at the beginning of the year. This increase mainly reflects the Corporation's capital investments, essentially those related to the B-777 and B-777X contract, as well as a payment for the settlement of a litigation.

As at June 30, 2015, Héroux-Devtek's funded (firm orders) backlog stood at $444 million, versus $459 million at the beginning of the fiscal year.

Conditions remain favourable in the commercial aerospace market. Production rate increases for certain leading large commercial aircraft programs are scheduled through calendar 2018 and manufacturers' order backlogs represent more than eight years of production at current rates. In the business jet market, the production ramp-up of business jet models for which Héroux-Devtek has designed the landing gear should provide sustained growth for the Corporation for several years. The defence aerospace market remains uncertain 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, UK operations reduce Héroux-Devtek's relative exposure to the U.S. defence market, as a more geographically diversified portfolio, mainly composed of leading programs, and also balanced between new component manufacturing and aftermarket products and services, should lessen this impact.

Fiscal 2016 is off to a solid start for Héroux-Devtek. Given forces driving our main markets, we expect an organic sales growth of approximately 10% for the entire fiscal year, with commercial sales growing in excess of 10% and defence sales experiencing a slight increase. In regards to the second quarter, it is important to remember that it has traditionally been a relatively slower period due to seasonal factors, such as plant shutdowns and summer vacations. Over the long-term, Héroux-Devtek remains focused on the disciplined execution of its business strategy on all its growth platforms in order to further expand its reach in the global landing gear market. These platforms will provide a solid foundation to capture profitable business opportunities and create sustainable value for our shareholders.

Gilles Labbé
President and Chief Executive Officer
August 7, 2015

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

First quarter ended June 30, 2015

Notice of Disclosure of Non-Auditor Review of Interim Condensed Consolidated Financial Statements for the quarters ended June 30, 2015 and 2014.

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

The accompanying unaudited interim condensed consolidated financial statements of the Corporation for the quarters ended June 30, 2015 and 2014 have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting,* and are the responsibility of the Corporation's management.

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

August 6, 2015.

CONSOLIDATED BALANCE SHEETS
As at June 30, 2015 and March 31, 2015
(In thousands of Canadian dollars) (Unaudited)

	Notes	June 30, 2015	March 31, 2015
Assets	**10**		
Current assets			
Cash and cash equivalents		**$ 14,804**	$ 35,098
Accounts receivable		**68,053**	71,511
Income tax receivable		**5,577**	3,771
Inventories		**134,138**	130,954
Derivative financial instruments	**8**	**870**	283
Other current assets	**9**	**11,394**	14,326
		234,836	255,943
Property, plant and equipment, net	**3**	**156,015**	142,112
Finite-life intangible assets, net	**3**	**51,165**	50,557
Deposits on machinery and equipment	**3, 14**	**29,823**	23,306
Derivative financial instruments	**8**	**29**	4
Deferred income tax assets		**9,428**	10,004
Goodwill		**96,509**	93,527
Total assets		**$ 577,805**	$ 575,453
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 60,148**	$ 69,182
Accounts payable - other and other liabilities		**3,959**	8,196
Provisions	**6**	**18,303**	26,241
Customer advances		**14,737**	18,326
Progress billings		**6,795**	6,405
Income tax payable		**29**	220
Derivative financial instruments	**8**	**9,502**	11,685
Current portion of long-term debt	**10**	**4,567**	5,972
		118,040	146,227
Long-term debt	**10**	**125,931**	106,955
Provisions		**5,782**	5,967
Progress billings		**170**	347
Derivative financial instruments	**8**	**3,364**	5,527
Deferred income tax liabilities		**4,542**	3,331
Other liabilities		**12,317**	13,644
		270,146	281,998
Shareholders' equity			
Issued capital	**11**	**75,420**	75,304
Contributed surplus	**11**	**2,652**	2,403
Accumulated other comprehensive income	**12**	**17,778**	9,056
Retained earnings		**211,809**	206,692
		307,659	293,455
		$ 577,805	$ 575,453

Commitments (note 14)

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

CONSOLIDATED STATEMENTS OF INCOME
For the quarters ended June 30, 2015 and 2014
(In thousands of Canadian dollars, except per share data) (Unaudited)

	Notes		2015		2014
Sales		**$**	**98,237**	$	86,408
Cost of sales	**3, 4**		**81,679**		72,227
Gross profit			**16,558**		14,181
Selling and administrative expenses	**3, 4**		**9,107**		7,938
Non-recurring charges	**6**		**1,480**		351
Operating income			**5,971**		5,892
Financial expenses	**5**		**1,032**		1,704
Income before income tax expense			**4,939**		4,188
Income tax expense			**429**		688
Net income		**$**	**4,510**	$	3,500
Earnings per share – basic and diluted	**7**	**$**	**0.13**	$	0.11

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the quarters ended June 30, 2015 and 2014
(In thousands of Canadian dollars) (Unaudited)

	Notes		2015		2014
	12				
Other comprehensive income:					
Items that may be reclassified to net income					
Gain (loss) arising from translating the financial statements of foreign operations		**$**	**5,567**	$	(3,504)
Cash flow hedges:					
Net gains on valuation of derivative financial instruments			**4,383**		5,407
Net gains on derivative financial instruments transferred to net income			**(331)**		(367)
Deferred income taxes			**(1,080)**		(1,345)
			2,972		3,695
Gains on hedge of net investments in foreign operations			**258**		3,236
Deferred income taxes			**(75)**		(576)
			183		2,660
Items that are never reclassified to net income					
Defined benefit pension plans:					
Gains from remeasurement			**828**		502
Deferred income taxes			**(221)**		(134)
			607		368
Other comprehensive income		**$**	**9,329**	$	3,219
Comprehensive income					
Net income		**$**	**4,510**	$	3,500
Other comprehensive income			**9,329**		3,219
Comprehensive income		**$**	**13,839**	$	6,719

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the quarters ended June 30, 2015 and 2014
(In thousands of Canadian dollars) (Unaudited)

	Notes		Issued capital		Contributed surplus		Accumulated other comprehensive income		Retained earnings		Shareholders' equity
Balance as at March 31, 2015		**$**	**75,304**	**$**	**2,403**	**$**	**9,056**	**$**	**206,692**	**$**	**293,455**
Common shares:											
Issued under the Stock purchase and ownership incentive plan	**11**		116		—		—		—		116
Stock-based compensation expense	**11**		—		249		—		—		249
Net income			—		—		—		4,510		4,510
Other comprehensive income			—		—		8,722		607		9,329
Balance as at June 30, 2015		**$**	**75,420**	**$**	**2,652**	**$**	**17,778**	**$**	**211,809**	**$**	**307,659**

	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**	**$**	**240,139**
Common shares:											
Issued pursuant to the public offering and concurrent private placements	**11**		48,462		—		—		—		48,462
Issued under the Stock purchase and ownership incentive plan	**11**		56		—		—		—		56
Stock-based compensation expense	**11**		—		310		—		—		310
Net income			—		—		—		3,500		3,500
Other comprehensive income			—		—		2,851		368		3,219
Balance as at June 30, 2014		**$**	**74,705**	**$**	**1,557**	**$**	**9,619**	**$**	**209,805**	**$**	**295,686**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the quarters ended June 30, 2015 and 2014
(In thousands of Canadian dollars) (Unaudited)

	Notes	2015	2014
Cash and cash equivalents provided by (used for):			
Operating activities			
Net income		**$ 4,510**	$ 3,500
Items not requiring an outlay of cash:			
Amortization expense	**4**	**5,633**	4,117
Deferred income taxes		**471**	(140)
Gain on sale of property, plant and equipment		**—**	(15)
Non-cash financial expenses	**5**	**580**	706
Stock-based compensation expense	**11**	**249**	310
Cash flows from operations		**11,443**	8,478
Net change in non-cash items related to continuing operations	**13**	**(19,150)**	(1,423)
Cash flows related to operating activities from continuing operations		**(7,707)**	7,055
Cash flows related to operating activities from discontinued operations		**—**	(482)
Cash flows related to operating activities		**(7,707)**	6,573
Investing activities			
Additions to property, plant and equipment		**(15,886)**	(9,179)
Deposits on machinery and equipment		**(6,517)**	(677)
Net increase in finite-life intangible assets		**(1,390)**	(48)
Proceeds on disposal of property, plant and equipment		**—**	207
Cash flows related to investing activities		**(23,793)**	(9,697)
Financing activities			
Increase in long-term debt		**13,650**	18,620
Repayment of long-term debt		**(2,534)**	(65,832)
Issuance of common shares	**11**	**116**	47,956
Cash flows related to financing activities		**11,232**	744
Effect of changes in exchange rates on cash and cash equivalents		**(26)**	(1,475)
Change in cash and cash equivalents during the periods		**(20,294)**	(3,855)
Cash and cash equivalents at beginning of periods		**35,098**	47,347
Cash and cash equivalents at end of periods		**$ 14,804**	$ 43,492
Interest and taxes reflected in operating activities:			
Interest paid		**$ 467**	$ 1,031
Interest received		**$ 15**	$ 33
Income taxes paid for continuing operations		**$ 1,964**	$ 862
Income taxes paid for discontinued operations		**$ —**	$ 482

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

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

Note 1. Nature of activities and corporate information

Héroux-Devtek Inc. is incorporated under the laws of Québec. Its head office is domiciled at Complexe St-Charles, 1111 St-Charles Street West, suite 658, East Tower, Longueuil (Québec), Canada. Héroux-Devtek Inc. and its subsidiaries (the "Corporation") specialize in the design, development, manufacture, repair and overhaul of aircraft landing gear, hydraulic flight control actuators and fracture-critical components. It also includes the manufacture of electronic enclosures, heat exchangers and cabinets for airborne radar, electro-optic systems and aircraft controls through its Magtron operations as well as fluid filters products through its Bolton operations.

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

Note 2. Basis of preparation

The interim condensed consolidated financial statements for the quarter ended June 30, 2015 were prepared in accordance with IAS 34, *Interim Financial Reporting,* therefore certain information and disclosures have been omitted or condensed. The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the most recent annual audited consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read together with the annual audited consolidated financial statements and notes thereto included in the Company's Annual Report for the fiscal year ended March 31, 2015.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of the Corporation on August 6, 2015.

Note 3. Government assistance

During the three-month periods ended June 30, government assistance deducted from the cost of the related assets or recognized as a reduction of expenses, is as follows:

	2015	2014
Finite-life intangible assets	**$ 73**	$ 96
Property, plant and equipment	**—**	109
Deposits on machinery and equipment	**56**	—
Cost of sales and, selling and administrative expenses	**319**	513

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

Note 4. Cost of sales, selling and administrative expenses

The main components of these expenses for the quarters ended June 30, are as follows:

		2015		2014
Raw materials and purchased parts	$	**32,960**	$	30,552
Employee costs		**33,682**		30,567
Amortization of property, plant and equipment and finite-life intangible assets		**5,633**		4,117
Others		**18,511**		14,929
	$	**90,786**	$	80,165

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 June 30, 2015, the foreign exchange loss included in the Corporation's selling and administrative expenses amounted to $596 ($421 in 2014).

Note 5. Financial expenses

Financial expenses for the quarters ended June 30, comprise the following:

		2015		2014
Interest accretion on governmental authorities loans	$	**644**	$	573
Interest on net defined benefit obligations		**76**		61
Amortization of deferred financing costs (note 10)		**79**		79
Other interest accretion expense and discount rate adjustments		**(219)**		(7)
Non-cash financial expenses		**580**		706
Interest expense		**396**		925
Standby fees		**71**		106
Interest income on cash and cash equivalents		**(15)**		(33)
	$	**1,032**	$	1,704

Note 6. Non-recurring charges

Non-recurring charges for the three-month periods ended June 30, comprise the following:

		2015		2014
Settlement of a litigation	$	**1,480**	$	—
Restructuring charges		**—**		351
	$	**1,480**	$	351

Settlement of a litigation

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 alleged violation of a non-compete covenant contained in an agreement between Goodrich Corporation and Devtek Aerospace Inc. relating to manufacturing the pistons.

On May 29, 2015, the Corporation concluded a final settlement with UTAS in regards to a litigation following the execution of a Memorandum of Settlement on May 27, 2015. The final agreement includes the extension of two existing contracts with UTAS for the supply of various aircraft parts. The Corporation incurred related legal fees of $1,480 during the quarter ended June 30, 2015. As at June 30, 2015, an amount of $1,828 remained in the short-term provision ($10,133 as at March 31, 2015) in regards to the litigation settlement.

Restructuring charges

On January 16, 2014, given the substantial reduction in demand for aftermarket defence products from the U.S. government, the Corporation announced a plan to optimize and consolidate manufacturing capacity while further enhancing productivity throughout the organization. These initiatives were in line with the Corporation's operating strategy of focusing on specialized centers of excellence. 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-acquisition operations. These initiatives were substantially completed as at March 31, 2015.

For the quarter ended June 30, 2014, the Corporation recorded restructuring charges of $351, including termination benefits of $204 and other associated costs of $147, related to the optimization and consolidation of manufacturing capacity.

Note 7. Earnings per share

The following table sets forth the elements used to compute basic and diluted earnings per share for the quarters ended June 30:

	2015	2014
Weighted-average number of common shares outstanding	**35,956,506**	31,811,771
Effect of dilutive stock options of the Corporation	**112,488**	135,152
Weighted-average number of common diluted shares outstanding	**36,068,994**	31,946,923

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 ended June 30, 2015, 744,345 stock options (502,500 in 2014) of the Corporation’s plan were excluded from the diluted earnings per share calculation.

Note 8. Derivative financial instruments

Forward foreign exchange contracts

As at June 30, 2015, the Corporation had forward foreign exchange contracts to sell US$105.9 million at a weighted-average rate of 1.1363 (Canadian dollar over U.S. dollar, “cad/usd”). As at March 31, 2015 and June 30, 2014, these contracts totalled US$119.0 million at a weighted-average rate of 1.1297 cad/usd and US$117.9 million at a weighted-average rate of 1.0644 cad/usd, respectively. As at June 30, 2015, these contracts mature at various dates between July 2015 and April 2018, with the majority maturing this and next fiscal year.

Interest rate swap agreements

As at June 30, 2015, March 31, 2015 and June 30, 2014, the Corporation had entered into 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. The Corporation had also entered into 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 10). The cash flows related to the interest-rate-swaps are expected to occur in the same periods as they are expected to affect net income.

Equity swap agreement

On June 22, 2015, the Corporation entered into an equity swap agreement with a financial institution to manage cash flow exposure and reduce its income exposure to fluctuations in its share price related to the deferred share unit ("DSU") and performance share unit ("PSU") plans.

Pursuant to this agreement, upon settlement, the Corporation receives payment for any share price appreciation while providing payment to the financial institution for any share price depreciation. The net effect of the equity swap partly offsets movements in the Corporation's share price which impact the value of the DSUs and PSUs included in the Corporation's selling and administrative expenses.

As at June 30, 2015, the equity swap agreement covered 51,000 common shares of the Corporation. This agreement is a derivative that is not part of a designated hedging relationship and matures in June 2016.

Note 9. Other current assets

		June 30, 2015		March 31, 2015
Investment and other tax credits receivable	$	**3,304**	$	5,099
Sales tax receivable		**2,349**		3,358
Prepaid expenses		**3,530**		3,757
Others		**2,211**		2,112
	$	**11,394**	$	14,326

Note 10. Long-term debt

		June 30, 2015		March 31, 2015
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. As at June 30, 2015 the Corporation used US$42,000 (US$32,000 as at March 31, 2015), which bears interest at Libor plus 1.1%, representing an effective interest rate of 1.3% (1.3% as at March 31, 2015) and $16,200 ($16,200 as at March 31, 2015) bearing interest at the Bankers' Acceptance rate plus 1.1% representing an effective interest rate of 2.2% (2.2% as at March 31, 2015).	$	**68,658**	$	56,731
Governmental authorities loans, repayable in variable annual installments, with various expiry dates until fiscal year 2027.		**51,418**		51,172
Obligations under finance leases, all bearing fixed interest rates between 2.4% and 6.5% as at June 30, 2015 and March 31, 2015, maturing from January 2016 to April 2022, with amortization periods ranging from five to seven years, secured by the related property, plant and equipment, net of interest of $1,033 ($518 as at March 31, 2015).		**11,618**		6,299
Deferred financing costs, net		**(1,196)**		(1,275)
		130,498		112,927
Less: current portion		**4,567**		5,972
	$	**125,931**	$	106,955

Note 11. Issued capital

For the quarter ended June 30, 2015, variations in common shares issued were as follows:

	June 30, 2015		
	Number		**Issued capital**
Common shares issued and fully paid			
Opening balance	**35,949,445**	**$**	**75,304**
Issued for cash under the stock purchase and ownership incentive plan	**12,653**		**116**
Closing balance	**35,962,098**	**$**	**75,420**

Issuance of common shares

During the quarter ended June 30, 2015, the Corporation issued 12,653 common shares at a weighted-average price of $9.16 under the Corporation's stock purchase and ownership incentive plan for a total cash consideration of $116.

During the quarter ended June 30, 2014, the Corporation issued 4,261,216 common shares at a weighted-average price of $11.40 per share for a net cash consideration of $47,956, essentially pursuant to a public offering and concurrent private placements.

A. Stock option plan

During the quarter ended June 30, 2015, the Corporation granted 145,500 stock options to officers and key employees (none in 2014), representing a total fair value of $473, or a weighted-average fair value per stock option of $3.25, calculated using a binomial valuation model assuming a 3.2 year expected life, expected volatility of 41% taking into account the average historical volatility of the share price over the expected life of the options granted, with no expected forfeitures, no expected dividend distributions and a compounded risk-free interest rate of 0.5%. Stock option cost is amortized over their vesting period and a stock option expense of $249 ($310 in 2014) was accounted for in selling and administrative expenses with its counterpart in the contributed surplus of the Corporation's shareholder's equity.

As at June 30, 2015 and March 31, 2015, the number of common shares reserved for issuance of stock options represents 2,808,257 of which 1,639,781 shares had not been issued yet. The options are granted at a subscription price representing the average closing price of the Corporation's common shares on the TSX for the five trading days preceding the grant date. Options granted under the plan vest over a period of four years, with the exception of certain key management employees for which the vesting period is one to three years following the grant date. The options are exercisable over a period no greater than seven years after the grant date.

During the quarters ended June 30, stock options outstanding varied as follows:

	2015		2014	
	Weighted-average exercise price	**Number of stock options**	Weighted-average exercise price	Number of stock options
Balance at beginning of the quarter	**$ 9.84**	**747,346**	$ 9.39	686,001
Granted	**10.71**	**145,500**	—	—
Balance at end of the quarter	**$ 9.98**	**892,846**	$ 9.39	686,001

B. Stock purchase and ownership incentive plan

During the first quarter ended June 30, 2015, 12,653 common shares were issued (5,345 in 2014) and 5,215 common shares were attributed to the participating employees (3,397 in 2014), under the stock purchase and ownership incentive plan. For the quarter ended June 30, 2015, the expense related to the attributed common shares amounted to $53 ($39 in 2014). As at June 30, 2015, 190,040 common shares remained reserved for issuance under the stock purchase and ownership incentive plan.

C. Deferred Share Unit ("DSU") plan

As at June 30, 2015 and March 31, 2015, 83,158 DSUs were outstanding. During the quarters ended June 30, 2015 and 2014, no DSUs were issued, exercised or cancelled. For the quarter ended June 30, 2015, DSU expense amounted to $112 ($21 in 2014).

D. Performance Share Unit ("PSU") plan

As at June 30, 2015, 153,303 PSUs were outstanding (115,879 as at March 31, 2015). During the quarter ended June 30, 2015, 37,424 PSUs were issued (none in 2014) and no PSUs were exercised or cancelled (none in 2014) while the PSU expense amounted to $164 (none in 2014). As at June 30, 2015, the fair value of the vested outstanding PSUs amounted to $1,116 and is included in Accounts payable and accrued liabilities ($952 as at March 31, 2015).

Note 12. Accumulated other comprehensive income

Changes in accumulated other comprehensive income were as follows:

		Exchange differences on translation of foreign operations		Cash flow hedges		Hedge of net investments in foreign operations		Total
Balance as at March 31, 2015	**$**	**25,221**	**$**	**(11,597)**	**$**	**(4,568)**	**$**	**9,056**
Other comprehensive income		5,567		2,972		183		8,722
Balance as at June 30, 2015	**$**	**30,788**	**$**	**(8,625)**	**$**	**(4,385)**	**$**	**17,778**
Balance as at March 31, 2014	**$**	**13,156**	**$**	**(4,680)**	**$**	**(1,708)**	**$**	**6,768**
Other comprehensive income (loss)		(3,504)		3,695		2,660		2,851
Balance as at June 30, 2014	**$**	**9,652**	**$**	**(985)**	**$**	**952**	**$**	**9,619**

Note 13. Net change in non-cash items related to continuing operations

For the quarters ended June 30, the net change in non-cash items related to continuing operations is detailed as follows:

		2015		2014
Accounts receivable	**$**	**3,457**	$	3,738
Income tax receivable		**(1,806)**		(325)
Inventories		**(3,184)**		(242)
Other current assets		**2,932**		241
Accounts payable and accrued liabilities, accounts payable – other and other liabilities		**(9,167)**		(8,547)
Provisions		**(7,904)**		(878)
Progress billings		**213**		(211)
Customer advances		**(3,589)**		4,987
Income tax payable		**(191)**		706
Effect of changes in exchange rate[1]		**89**		(892)
	$	**(19,150)**	$	(1,423)

[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 14. 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 June 30, 2015, these outstanding purchase orders amounted to $18,068 ($34,845 as at March 31, 2015) net of related deposits of $29,823 ($23,306 as at March 31, 2015) which are included in the Corporation's balance sheet.

Note 15. Geographic information

The geographic segmentation of assets is as follows:

	2015				2014			
As at June 30,	**Canada**	**U.S.**	**U.K.**	**Total**	Canada	U.S.	U.K.	Total
Property, plant and equipment, net	**$ 89,387**	**$ 52,182**	**$ 14,446**	**$156,015**	$ 67,396	$ 16,792	$ 11,530	$ 95,718
Finite-life intangible assets, net	**27,619**	**4,276**	**19,270**	**51,165**	33,604	4,181	20,560	58,345
Goodwill	**13,838**	**9,387**	**73,284**	**96,509**	13,838	8,228	61,447	83,513

For the quarters ended June 30, the geographic sales based on customer's location are detailed as follows:

	2015	2014
Canada	**$ 21,374**	$ 21,081
U.S.	**52,125**	42,477
United Kingdom	**11,525**	11,523
Other countries	**13,213**	11,327
	$ 98,237	$ 86,408

MANAGEMENT DISCUSSION AND ANALYSIS OF

FINANCIAL POSITION AND OPERATING RESULTS

For the quarter ended June 30, 2015

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Overview

The purpose of this management discussion and analysis (''MD&A'') is to provide the reader with an overview of how the financial position of Héroux-Devtek Inc. and its subsidiaries (''Héroux-Devtek'', the ''Corporation'' or "Management") evolved between March 31, 2015 and June 30, 2015. It also compares the operating results and cash flows for the first quarter ended June 30, 2015 to those of the same period of the prior fiscal year.

This MD&A is based on the unaudited interim condensed consolidated financial statements for the quarter ended June 30, 2015, and should be read in conjunction with them as well as with the audited consolidated financial statements and MD&A for the fiscal year ended March 31, 2015, all of which are available on the Corporation's website at www.herouxdevtek.com. All amounts in this MD&A are in thousands of Canadian dollars unless otherwise indicated.

IFRS and non-IFRS measures

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

Materiality for disclosures

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

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; and the impact of accounting policies issued by international standard setters. For more details, please see the Risks and Uncertainties section of the Corporation's MD&A for the fiscal year ended March 31, 2015. 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.

Foreign Exchange ("FX")

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

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

	June 30, 2015	March 31, 2015
USD (Canadian equivalent of US$1.0)	**1.2490**	1.2666
GBP (Canadian equivalent of £1.0)	**1.9626**	1.8792

The foreign exchange rates used to translate revenues and expenses into Canadian dollars were as follows, for the three-month periods ended:

	June 30, 2015	June 30, 2014
USD (Canadian equivalent of US$1.0)	**1.2294**	1.0905
GBP (Canadian equivalent of £1.0)	**1.8843**	1.8355

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

Highlights

For the quarters ended and as at		**June 30, 2015**		June 30, 2014
Sales	**$**	**98,237**	$	86,408
Operating income		**5,971**		5,892
Adjusted operating income[1]		**7,451**		6,243
Adjusted EBITDA[1]		**13,084**		10,360
Net income		**4,510**		3,500
Adjusted net income[1]		**5,519**		3,756
In dollars per share				
EPS - basic and diluted	**$**	**0.13**	$	0.11
Adjusted EPS[1]		**0.15**		0.12
In thousands of shares				
Weighted average number of common diluted shares outstanding		**36,069**		31,947

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

Key Events

- The Corporation achieved sales growth of 13.7% and Adjusted EBITDA growth of 26.3% compared to the first quarter of fiscal 2015, mainly as a result of favourable U.S. dollar exchange rate fluctuations and strong sales growth in the commercial aerospace market. See *Operating Results* for further details.
- On May 29, 2015, the Corporation concluded a final settlement with UTAS in regards to a litigation following the execution of a Memorandum of Settlement on May 27, 2015. The final agreement includes the extension of two existing contracts with UTAS for the supply of various aircraft parts. See *Non-recurring charges* under Operating results for further details.
- The Corporation invested a total of $24.4 million, which includes $17.9 million in capital expenditures and $6.5 million in deposits on machinery and equipment, all of which was mainly related to the Boeing B-777 and B-777X contract. The capital investment plan is progressing on schedule.

Operating Results

	Quarters ended June 30,		
	2015	2014	Variance
Sales	**$ 98,237**	$ 86,408	$ 11,829
Gross profit	**16,558**	14,181	2,377
Selling and administrative expenses	**9,107**	7,938	1,169
Adjusted operating income[1]	**7,451**	6,243	1,208
Non-recurring charges	**1,480**	351	1,129
Operating income	**5,971**	5,892	79
Financial expenses	**1,032**	1,704	(672)
Income tax expense	**429**	688	(259)
Net income	**$ 4,510**	$ 3,500	$ 1,010
Adjusted net income[1]	**$ 5,519**	$ 3,756	$ 1,763
As a percentage of total sales			
Gross profit	**16.9%**	16.4%	—
Selling and Administrative expenses	**9.3%**	9.2%	—
Operating income	**6.1%**	6.8%	—
In dollars per share			
EPS - basic and diluted	**$ 0.13**	$ 0.11	$ 0.02
Adjusted EPS[1]	**$ 0.15**	$ 0.12	$ 0.03

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

Sales

Sales can be broken down by sector as follows:

	Quarters ended June 30,		Variance		
	2015	2014	FX impact	Net variance	
Commercial	**$ 51,471**	$ 43,329	$ 4,139	$ 4,003	9.2 %
Defence[1]	**46,766**	43,079	3,760	(73)	(0.2)%
Total	**$ 98,237**	$ 86,408	$ 7,899	$ 3,930	4.5 %

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

Commercial

The $4.0 million net increase in commercial sales was mainly driven by:

- Higher revenues from the sale of landing gear systems designed by Héroux-Devtek for business jets due to production ramp-up of the Embraer Legacy 450/500 program and delivery of first production units for the Dassault Falcon 5X program;
- Higher aftermarket sales related to a new strategic alliance to provide support for the Saab 340 program; and,
- Higher production rates for certain large commercial programs, including the Boeing 787.

These positive factors were partially offset by lower spares requirements for the Bell 206 helicopter.

Defence

Defence sales remained relatively flat, reflecting lower spares requirements from the U.S. Government, largely offset by higher manufacturing sales to Boeing on the CH-47 helicopter program and higher repair and overhaul (“R&O”) sales to the U.S. Air Force.

Gross Profit

The increase in gross profit margin from 16.4% to 16.9% was driven by the favourable U.S. dollar exchange rate fluctuations, representing 1.5% of sales, and a better product mix driven by higher commercial aftermarket sales. These positive elements were partially offset by higher non-quality costs and the ramp-up of business jet design programs, which is currently dilutive as the initial units of a product's life cycle incur higher costs than those of a mature program.

Selling and Administrative Expenses

When excluding the loss on translation of monetary items, selling and administrative expenses held stable at 8.7% of sales, as in the same quarter of the previous fiscal year, while the net increase in dollars included increased stock-based compensation charges related to the new performance share unit program.

Non-recurring charges

Non-recurring charges for the three-month periods ended June 30, comprise the following:

		2015		2014
Settlement of a litigation	**$**	**1,480**	$	—
Restructuring charges		**—**		351
	$	**1,480**	$	351

Settlement of a litigation

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 alleged violation of a non-compete covenant contained in an agreement between Goodrich Corporation and Devtek Aerospace Inc. relating to the manufacturing of pistons.

On May 29, 2015, the Corporation concluded a final settlement with UTAS in regards to a litigation following the execution of a Memorandum of Settlement on May 27, 2015. The final agreement includes the extension of two existing contracts with UTAS for the supply of various aircraft parts. During the quarter ended June 30, 2015, the Corporation incurred related legal fees of $1.5 million, or $1.0 million net of taxes.

Restructuring charges

On January 16, 2014, given the substantial reduction in demand for aftermarket defence products from the U.S. government, the Corporation announced a plan to optimize and consolidate manufacturing capacity while further enhancing productivity throughout the organization. These initiatives were in line with the Corporation's operating strategy of focusing on specialized centers of excellence. 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-acquisition operations. These initiatives were substantially completed as at March 31, 2015.

For the quarter ended June 30, 2014, the Corporation recorded restructuring charges of $0.4 million, including termination benefits of $0.2 million and other associated costs of $0.2 million, related to the optimization and consolidation of manufacturing capacity.

Operating Income

The decrease from 6.8% to 6.1% (increase from 7.2% to 7.6% excluding non-recurring charges) in operating income for the quarter compared to the same period last fiscal year is mainly the result of the factors described above.

Financial Expenses

Financial expenses decreased by $0.7 million during the quarter compared to the same period last fiscal year, mainly reflecting lower interest expense of $0.5 million as a result of the repayment of US$59.3 million ($63.6 million) drawn against the Credit Facility during the first quarter of fiscal 2015. See the financing activities section of *Variations in cash and cash equivalents*, under *Liquidity and Capital Resources* for further details.

Income Tax Expense

This quarter, the Corporation's effective income tax rate was 8.7%, compared to its Canadian blended statutory income tax rate of 26.7%. The effective income tax rate mainly reflects the favourable impact of earnings in lower tax rate jurisdictions ($1.0 million), partially offset by permanent differences ($0.1 million).

Last year, the Corporation's effective income tax rate was 16.4%, compared to its Canadian blended statutory income tax rate of 26.7%. The effective income tax rate mainly reflected the favourable impact of earnings in lower tax rate jurisdictions ($0.6 million), partially offset by permanent differences ($0.1 million).

Net Income

Net income increased from $3.5 million to $4.5 million (or from $3.8 million to $5.5 million excluding non-recurring charges, net of taxes) during the quarter compared to the same period last fiscal year, mainly as a result of the factors described above.

This quarter, earnings per share increased from $0.11 to $0.13 per share (or from $0.12 to $0.15 per share excluding non-recurring charges, net of taxes) calculated on the basis of a higher weighted average diluted number of shares outstanding (36,068,994 versus 31,946,923), reflecting the public offering of shares and concurrent private placements during the first quarter of fiscal 2015. See the financing activities section of *Variations in Cash and Cash Equivalents*, under *Liquidity and Capital Resources* for further details of the share issuance.

Non-IFRS Measures

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

Adjusted operating income:	Operating income excluding non-recurring charges.
EBITDA:	Earnings before financial expenses, income tax expense and amortization expense.
Adjusted EBITDA:	EBITDA as defined above excluding non-recurring charges.
Adjusted net income:	Net income excluding non-recurring charges net of taxes.
Adjusted earnings per share:	Diluted earnings per share calculated on the basis of adjusted net income.

These Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers. The Corporation's management, however, considers these metrics to be useful information to assist investors in evaluating the Corporation's profitability, liquidity and ability to generate funds to finance its operations and capital investment needs.

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

	Quarters ended June 30,	
	2015	2014
Operating income	**$ 5,971**	$ 5,892
Non-recurring charges	**1,480**	351
Adjusted operating income	**$ 7,451**	$ 6,243

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

	Quarters ended June 30,	
	2015	2014
Net income	**$ 4,510**	$ 3,500
Income tax expense	**429**	688
Financial expenses	**1,032**	1,704
Amortization expense	**5,633**	4,117
EBITDA	**$ 11,604**	$ 10,009
Non-recurring charges	**1,480**	351
Adjusted EBITDA	**$ 13,084**	$ 10,360

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

	Quarters ended June 30,	
	2015	2014
Net income	**$ 4,510**	$ 3,500
Non-recurring charges, net of taxes	**1,009**	256
Adjusted net income	**$ 5,519**	$ 3,756
In dollars per share		
Earnings per share - basic and diluted	**$ 0.13**	$ 0.11
Non-recurring charges, net of taxes	**0.02**	0.01
Adjusted earnings per share	**$ 0.15**	$ 0.12

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. The Corporation had cash and cash equivalents of $14.8 million as at June 30, 2015, compared to $35.1 million as at March 31, 2015.

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 $200.0 million, either in Canadian dollars, US dollars, British Pounds, Euro or equivalent currencies and will mature in March 2019. It also includes an accordion feature to increase the Credit Facility by an additional $75.0 million during the term of the Credit Agreement, subject to the approval of the lenders.

As at June 30, 2015, the Corporation had $68.7 million drawn against the Credit Facility, compared to $56.7 million as at March 31, 2015. Considering the Corporation's cash and cash equivalents position, its available Credit Facility and level of expected capital investments and results, the Corporation's management does not expect any significant liquidity risk in the foreseeable future.

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

As at	**June 30, 2015**	March 31, 2015
Long-term debt, including current portion[(1)]	**$ 131,694**	$ 114,202
Less: Cash and cash equivalents	**14,804**	35,098
Net debt position	**$ 116,890**	$ 79,104

[(1)] *Excluding net deferred financing costs of $1.2 million as at* June 30, 2015 *and $1.3 million as at* March 31, 2015*.*

Variations in cash and cash equivalents

	Quarters ended June 30,	
	2015	2014
Cash and cash equivalents at beginning of periods	**$ 35,098**	$ 47,347
Cash flows related to operating activities	**(7,707)**	6,573
Cash flows related to investing activities	**(23,793)**	(9,697)
Cash flows related to financing activities	**11,232**	744
Effect of changes in exchange rates on cash and cash equivalents	**(26)**	(1,475)
Cash and cash equivalents at end of periods	**$ 14,804**	$ 43,492

Operating Activities

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

	Quarters ended June 30,	
	2015	2014
Cash flows from operations	**$ 11,443**	$ 8,478
Net change in non-cash items related to continuing operations	**(19,150)**	(1,423)
Cash flows related to operating activities from continuing operations	**(7,707)**	7,055
Cash flows related to operating activities from discontinued operations	**—**	(482)
Cash flows related to operating activities	**$ (7,707)**	$ 6,573

The $3.0 million increase in cash flows from operations for the quarter ended June 30, 2015, when compared to last year's period, is mainly explained by higher EBITDA, lower current income tax expense and lower interest expense, as explained above.

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

	Quarters ended June 30,	
	2015	2014
Accounts receivable	**$ 3,457**	$ 3,738
Inventories	**(3,184)**	(242)
Accounts payable and accrued liabilities, accounts payable-other and other liabilities (referred to as "accounts payable")	**(9,167)**	(8,547)
Provisions	**(7,904)**	(878)
Customer advances	**(3,589)**	4,987
Income taxes payable and receivable	**(1,997)**	381
All others, including the effect of changes in exchange rate	**3,234**	(862)
	$ (19,150)	$ (1,423)

For the first quarter ended June 30, 2015, the negative net change in non-cash items related to continuing operations mainly reflects:

- A reduction in provisions resulting from the payment made following the settlement of a litigation;
- The seasonal decrease in both accounts receivable and accounts payable due to the higher level of activity in the fourth quarter of fiscal 2015;
- A net reduction in customer advances following revenue recognition; and,
- An increase in inventories mainly related to the Boeing B-777 program.

For the first quarter ended June 30, 2014, the decrease in accounts receivable and accounts payable reflected the lower level of activity in the quarter, when compared to the previous year's fourth quarter, which is historically the best quarter of the year, and a lower foreign exchange closing rate (US/CAD) to convert the balances denominated in US currency. The increase in customer advances last year compared to the previous year mainly reflected payments received from a customer in relation to long-term contracts.

Investing Activities

The Corporation's investing activities were as follows:

		Quarters ended June 30,		
		2015		2014
Additions to property, plant and equipment	**$**	**(15,886)**	$	(9,179)
Deposits on machinery and equipment		**(6,517)**		(677)
Net increase in finite-life intangible assets		**(1,390)**		(48)
Proceeds on disposal of property, plant and equipment		**—**		207
Cash flows related to investing activities	**$**	**(23,793)**	$	(9,697)

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

		Quarters ended June 30,		
		2015		2014
Gross additions to property, plant and equipment	**$**	**17,972**	$	8,136
Government assistance		**(73)**		(205)
Additions to property, plant and equipment		**17,899**		7,931
Variation in unpaid additions included in Accounts payable - other and other liabilities		**3,985**		1,248
Machinery and equipment acquired through finance leases		**(5,998)**		—
Additions, as per statements of cash flows	**$**	**15,886**	$	9,179

This quarter, additions to property, plant and equipment stood at $17.9 million ($7.9 million last year) and were essentially related to the B-777 and B-777X contract. Additions to property, plant and equipment for the full fiscal year 2016 are expected to be about $75.0 million, of which $29.8 million of deposits on machinery and equipment had already been made as at June 30, 2015, as evidenced in the Corporation's balance sheet. The approximate remaining $27 million of investments is expected to be financed mainly through finance leases.

The Boeing B-777 and B-777X contract, the largest ever awarded to Landing Gear operations, is for the supply of complete landing gear systems, including the main and nose landing gears, and the nose landing gear drag strut. The contract also 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.

As at June 30, 2015, the Corporation had invested $90.1 million related to this plan which included additions to property, plant and equipment of $61.1 million and cumulative deposits on machinery and equipment of $29.0 million.

Financing Activities

The Corporation's financing activities were as follows:

		Quarters ended June 30,		
		2015		2014
Increase in long-term debt	**$**	**13,650**	$	18,620
Repayment of long-term debt		**(2,534)**		(65,832)
Issuance of common shares		**116**		47,956
Cash flows related to financing activities	**$**	**11,232**	$	744

This quarter's increase in long-term debt mainly relates to a $12.5 million (US$10.0 million) drawing against the Credit Facility to finance additions to property, plant and equipment.

During the quarter ended June 30, 2014, the Corporation issued 4,261,216 common shares at a weighted-average price of $11.40 per share for a net consideration of $48.0 million, essentially pursuant to a public offering and concurrent private placements. The net proceeds of issuance were used, along with a $16.2 million drawing against the Corporation's Credit Facility, to repay US$59.3 million ($63.6 million) of debt against the Credit Facility. These transactions largely explain the variances in cash flows related to the repayment of long-term debt and issuance of common shares.

As at June 30, 2015, 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.

Financial Position

Issued Capital

Capital stock varied as follows:

	Quarter ended June 30, 2015		
	Number of shares		Issued capital
Opening balance	35,949,445	$	75,304
Issued for cash under the stock purchase and ownership incentive plan	12,653		116
Ending balance	35,962,098	$	75,420

As at August 6, 2015, the number of shares outstanding stood at 35,965,905.

Stock options varied as follows:

	Quarter ended June 30, 2015		
	Number of stock options		Weighted-average exercise price
Opening balance	747,346	$	9.84
Granted	145,500		10.71
Ending balance	892,846	$	9.98

As at June 30, 2015 and March 31, 2015, 1,639,781 common shares remained reserved for issuance upon exercise of stock options and 190,040 common shares remained reserved for issuance under the stock purchase and ownership incentive plan.

As at August 6, 2015, the number of options outstanding stood at 892,846.

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

Consolidated Balance Sheets

Working capital

The Corporation's working capital was as follows, as at:

		June 30, 2015		March 31, 2015		Variance	
Current assets	**$**	**234,836**	$	255,943	$	(21,107)	(8.2)%
Current liabilities		**118,040**		146,227		(28,187)	(19.3)%
Net working capital	**$**	**116,796**	$	109,716	$	7,080	6.5 %
Working capital ratio		**1.99**		1.75			

The $21.1 million decrease in current assets is mainly the result of a decrease in cash and cash equivalents ($20.3 million), as detailed in the *Liquidity and Capital Resources section*.

The $28.2 million decrease in current liabilities is mainly explained by:

- A decrease in accounts payable and accrued liabilities ($9.0 million), mainly resulting from a higher seasonal level of activity in the fourth quarter of fiscal 2015;
- A decrease in provisions ($8.1 million), following a payment related to the settlement of a litigation;
- A decrease in accounts payable - other and other liabilities ($4.2 million) essentially related to the payment of property, plant and equipment, essentially related to the Boeing B-777 and B-777X contract; and,
- A net decrease in customer advances ($3.6 million) following revenue recognition.

Long-term assets, Long-term liabilities and Shareholder's Equity

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

	June 30, 2015	March 31, 2015	Variance	
Long-term assets	**$ 342,969**	$ 319,510	$ 23,459	7.3%
Long-term liabilities	**$ 152,106**	$ 135,771	$ 16,335	12.0%
Shareholder's equity	**$ 307,659**	$ 293,455	$ 14,204	4.8%
Long-term debt-to-equity ratio	**0.41:1**	0.36:1		
Net debt-to-equity ratio(1)	**0.38:1**	0.27:1		

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

The $23.5 million increase in long-term assets is mainly explained by increases in Property, plant and equipment ($13.9 million) and Deposits on machinery and equipment ($6.5 million), both driven largely by the Boeing B-777 and B-777X contract.

The $16.3 million increase in long-term liabilities is mainly explained by a $19.0 million increase in Long-term debt. This increase was driven both by an additional drawing against the Credit Facility ($12.5 million or US$10.0 million) and increased obligations under finance leases ($5.3 million), both mainly due to the Boeing B-777 and B-777X contract.

The increase in Shareholder's equity is mainly explained by Comprehensive income of $13.8 million, mainly comprised of net income of $4.5 million and the effect of foreign exchange fluctuations of $8.7 million included in other comprehensive income. See the Statement of comprehensive income in the interim condensed consolidated financial statements for further details.

Additional Information

Commitments and Derivatives

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 June 30, 2015, these outstanding purchase orders amounted to $18.1 million ($34.8 million as at March 31, 2015) net of related deposits of $29.8 million ($23.3 million as at March 31, 2015) which are included in the Corporation's balance sheet. As at June 30, 2015, $15.6 million ($32.4 million as at March 31, 2015) of these outstanding purchase orders, net of deposits, were related to the Boeing B-777 and B-777X contract.

Forward foreign exchange contracts

As at June 30, 2015, the Corporation had forward foreign exchange contracts to sell US$105.9 million at a weighted-average rate of 1.1363 (Canadian dollar over U.S. dollar, “cad/usd”). As at March 31, 2015 and June 30, 2014, these contracts totalled US$119.0 million at a weighted-average rate of 1.1297 cad/usd and US$117.9 million at a weighted-average rate of 1.0644 cad/usd, respectively. As at June 30, 2015, these contracts mature at various dates between July 2015 and April 2018, with the majority maturing this and next fiscal year.

Interest rate swap agreements

As at June 30, 2015, March 31, 2015 and June 30, 2014, the Corporation had entered into an interest-rate swap agreement for a total notional amount of US$10.0 million. The agreement fixed the Libor U.S. rate at 2.04%, maturing in December 2015. The Corporation had also entered into two additional interest-rate swap agreements for a total notional amount of US$15.0 million. These interest-rate swap agreements fixed the Libor U.S. rate at 1.65% for the first tranche of US$5.0 million commencing in March 2014, and at 2.38% for the second tranche of US$10.0 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 10, *Long-term debt*, to the interim condensed consolidated financial statements). The cash flows related to the interest-rate-swaps are expected to occur in the same periods as they are expected to affect net income.

Equity swap agreement

On June 22, 2015, the Corporation entered into an equity swap agreement with a financial institution to manage cash flow exposure and reduce its income exposure to fluctuations in its share price related to the Deferred share unit (“DSU”) and Performance share unit (“PSU”) plans.

Pursuant to this agreement, upon settlement, the Corporation receives payment for any share price appreciation while providing payment to the financial institution for any share price depreciation. The net effect of the equity swap partly offsets movements in the Corporation’s share price which impact the value of the DSUs and PSUs included in the Corporation’s selling and administrative expenses.

As at June 30, 2015, the equity swap agreement covered 51,000 common shares of the Corporation. This agreement is a derivative that is not part of a designated hedging relationship and matures in June 2016.

Internal Controls and Procedures

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

The CEO and the CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Corporation has been made known to them and has been properly disclosed in the interim and annual filings.

The CEO and CFO have also designed internal controls over financial reporting, or have caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

No changes were made to the Corporation’s internal controls over financial reporting during the first quarter ended June 30, 2015 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. Risk and uncertainties that could materially affect the Corporation’s business, financial condition and results of operations in an adverse manner are described in the Corporation’s MD&A for the fiscal year ended March 31, 2015. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently believes to be immaterial may also adversely affect its business.

There was no significant change to these risks and uncertainties during the three months ended June 30, 2015, other than those described elsewhere in this MD&A.

Selected Quarterly Financial Information

Selected financial information is as follows, for the quarters ended:

	Fiscal year 2016	Fiscal year 2015				Fiscal year 2014		
	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	March 31, 2014	Dec. 31, 2013	Sept. 30, 2013
Sales	**$ 98,237**	$106,054	$ 88,368	$ 84,086	$ 86,408	$ 91,212	$ 61,448	$ 56,402
Operating income	**5,971**	(2,490)	(7,410)	4,974	5,892	3,898	4,149	3,061
Adjusted operating income (1)	**7,451**	10,730	6,711	5,737	6,243	9,419	5,265	3,325
EBITDA (1)	**11,604**	2,679	10,942	9,215	10,009	7,728	7,170	6,254
Adjusted EBITDA (1)	**13,084**	15,899	11,544	9,978	10,360	13,249	8,286	6,518
Net Income (loss)	**4,510**	(1,640)	(1,909)	3,273	3,500	1,230	2,608	2,584
Adjusted Net Income (1)	**5,519**	7,456	4,361	3,839	3,756	5,953	3,697	2,794
In dollars per share								
Earnings (loss) per share - Basic & Diluted	**$ 0.13**	$ (0.05)	$ (0.05)	$ 0.09	$ 0.11	$ 0.04	$ 0.08	$ 0.08
Adjusted Earnings per share (1)	**0.15**	0.21	0.12	0.11	0.12	0.19	0.12	0.08
In millions of shares								
Weighted average number of common diluted shares outstanding	**36.1**	36.1	36.0	36.0	31.9	31.7	31.7	31.6

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

Outlook(1)

Conditions remain mostly favourable in the commercial aerospace market. The International Air Transport Association's ("IATA") most recent forecast calls for robust growth of 6.7% in the passenger market for calendar 2015, above the 6.0% increase recorded in calendar 2014, while air cargo volume is expected to rise 5.5% in calendar 2015, following an increase of 5.8% in calendar 2014 (2).

In the large commercial aircraft segment, Boeing and Airbus are proceeding with production rate increases on several leading programs scheduled through calendar 2018. Their backlogs remain strong, representing more than eight years of production at current rates (3).

In the business jet market, deliveries increased 6.5% in calendar 2014 to 722 aircraft and positive signs continue to suggest further improvement in market conditions, such as increasing U.S. business aircraft movements and a year-over-year decrease in the proportion of the business aircraft fleet for sale. More importantly, the planned entry into service and ramp-up of several business jet models for which Héroux-Devtek has designed the landing gear should result in sustained growth for the Corporation in this market (4).

The defence aerospace market remains uncertain, as governments address their deficits. In the U.S., although sequestration cuts were eliminated through the Government's 2015 fiscal year, current funding requests beyond that horizon exceed planned budget limits. For instance, the U.S. Department of Defense fiscal year 2016 budget request calls for base funding of US$534.3 billion, which is approximately US$35.0 billion above planned budget limits set out in the Bi-Partisan Budget Act of 2013. This imbalance brings back the threat of a return to sequestration for the U.S. 2016 fiscal year, which could affect the Corporation. However, UK operations reduce the Corporation's relative exposure to the U.S. market, as a more geographically diversified defence portfolio, mainly composed of leading programs, and also balanced between new component manufacturing and aftermarket products and services, should lessen this impact.

The Corporation's balance sheet remains healthy and this, along with its available credit, will allow Héroux-Devtek to finance the approximate remaining $27 million of expected investments in property, plant and equipment during fiscal 2016, mainly related to the Boeing B-777 and B-777X landing gear contract.

(1) *Refer to* Forward-Looking Statements *in Overview for further information regarding forward-looking statements and related risks.*
(2) *Source: Economic Performance of the Airline Industry, IATA, June 2015.*
(3) *Sources: Airbus press releases February 27, 2015; November 4, 2014; February 24, 2014. Boeing press releases October 2, 2014; January 24, 2014; October 31, 2013.*
(4) *Sources: GAMA, FAA, JetNet, Teal Group.*

As of June 30, 2015, Héroux-Devtek's funded (firm orders) backlog stood at $444.0 million, versus $459.0 million at the beginning of the fiscal year. 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, 2016, Héroux-Devtek anticipates an organic sales growth of approximately 10%. Given forces driving its main markets, the Corporation anticipates organic sales to the commercial aerospace market to grow in excess of 10%, while organic sales to the defence aerospace market should experience single-digit growth.

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 stable conditions in the defence market.

With these key drivers, the Corporation believes that it can achieve sales of approximately $500.0 million by its 2019 fiscal year, assuming no further acquisitions.

Additional Information and Continuous Disclosure

This MD&A was approved by the Audit Committee and by the Board of Directors on August 6, 2015. Additional information about the Corporation, including the Annual Report and Annual Information Form, can be found on SEDAR at www.sedar.com or on the Corporation's website at www.herouxdevtek.com .