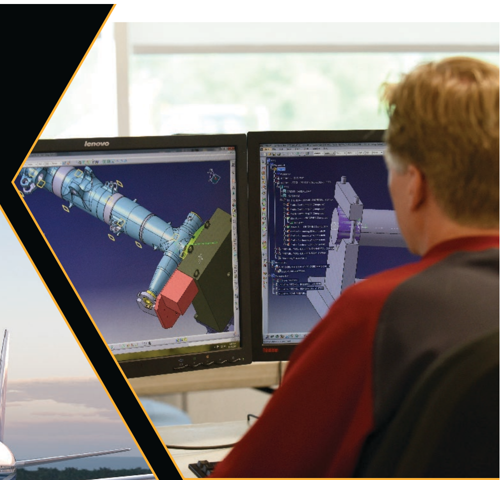

HÉROUX DEVTEK

PLATFORMS
FOR GROWTH

QUARTERLY REPORT

Second Quarter Ended September 30, 2015

HÉROUX DEVTEK

MESSAGE TO SHAREHOLDERS
Second quarter ended September 30, 2015

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

During the quarter, Héroux-Devtek was awarded two important contracts that underline its commitment to its growth platforms. We obtained a life-cycle mandate from Finmeccanica-AgustaWestland to design, develop and fabricate complete landing gear systems for the AW609 TiltRotor aircraft, which demonstrates industry confidence in our world-class capabilities to provide value-added, turnkey solutions. In addition, our scope on the B-777 and B-777X programs was further expanded through a new contract to manufacture retract actuator assemblies beginning in early calendar 2017, which should coincide with the delivery of our first complete landing gear system for the aircraft. Finally, in regards to this long-term contract, we continue to progress with respect to the main initiatives of our capital investment plan.

Consolidated sales reached $94.5 million, compared with $84.1 million in the second quarter of fiscal 2015. This 12.4% 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 second-quarter sales by $11.4 million.

Commercial sales were $50.0 million, up 33.2% from $37.5 million last year. This increase was driven by greater content and higher production rates for certain large commercial programs, mainly the B-787 aircraft, 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 initial deliveries for the Dassault Falcon 5X program, as well as higher aftermarket sales related to a new strategic alliance to support the Saab 340 program. Year-over-year currency fluctuations had a $6.0 million favourable effect on commercial sales.

Defence sales decreased 4.3% to $44.6 million. The variation reflects a reduction in manufacturing sales to civil customers, lower spare part requirements, mainly from the U.S. government, lower requirements by the U.S. Navy for repair and overhaul (R&O) services on the P-3 program, as well as a lower throughput in the U.K. These factors were partially offset by a $5.4 million favourable foreign exchange impact and higher R&O sales to the U.S. Air Force.

Gross profit reached $17.5 million, or 18.5% of sales, compared with $13.1 million, or 15.6% of sales, last year. The increase reflects favourable year-over-year currency fluctuations equivalent to 2.4% of sales and a better product mix driven by higher commercial aftermarket sales. Adjusted EBITDA stood at $14.6 million, or 15.5% of sales, versus $10.0 million, or 11.9% of sales, a year ago. Last year's adjusted EBITDA excluded restructuring charges of $0.8 million.

Adjusted net income was $6.0 million, or $0.17 per diluted share, in the second quarter of fiscal 2016, up from $3.8 million, or $0.11 per diluted share, in the second quarter of fiscal 2015, excluding restructuring charges of $0.6 million, net of taxes.

For the first six months of fiscal 2016, consolidated sales totalled $192.8 million, versus $170.5 million in the first six months of fiscal 2015. Year-over-year fluctuations in the value of the Canadian currency versus the U.S. currency increased sales by $19.3 million. Commercial sales rose 25.5% to $101.4 million, while sales of defence products increased 1.9% to $91.3 million. Gross profit for the first half of fiscal 2016 amounted to $34.1 million, equivalent to 17.7% of sales, compared with $27.3 million, or 16.0% of sales, in the first half of fiscal 2015. Adjusted EBITDA reached $27.7 million, representing 14.4% of sales, up from $20.3 million, or 11.9% of sales, in the previous year. Finally, adjusted net income was $11.5 million, or $0.32 per diluted share, versus $7.6 million, or $0.22 per share, last year.

As at September 30, 2015, Héroux-Devtek's balance sheet remained healthy with cash and cash equivalents of $4.2 million, while total long-term debt was $133.9 million, including the current portion, but excluding net deferred financing costs. Long-term debt includes $72.2 million drawn against the Corporation's authorized Credit Facility of $200.0 million. As a result, the Corporation's net debt position stood at $129.7 million as at September 30, 2015, while the net-debt-to equity ratio was 0.41:1, up from 0.38:1 three months earlier. This increase mainly reflects the Corporation's investments in property, plant and equipment, as well as in working capital, related to the B-777 and B-777X contract.

As at September 30, 2015, Héroux-Devtek's funded (firm orders) backlog stood at $427 million, versus $444 million three months earlier.

Conditions remain favourable in the commercial aerospace market. In the large commercial aircraft segment, manufacturers are proceeding with production rate increases on several leading programs scheduled through calendar 2018 and with the introduction of more fuel efficient variants of existing aircraft over the next several years. Their backlogs remain strong, representing 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. In the defence aerospace market, a recent budget agreement provides additional funding for the U.S. Government's next two fiscal years, but uncertainty remains beyond that period given the need to address the deficit. The Corporation's UK operations provide Héroux-Devtek with a more geographically diversified defence portfolio, which reduces its relative exposure to the U.S. market. The balance between new component manufacturing and aftermarket products and services in the Corporation's defence portfolio and its leading program content also promote stability.

Given first half results and forces driving our main markets, we continue to 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. More importantly, Héroux-Devtek remains committed to the execution of its strategic plan in order to reach its long-term objectives and create lasting value for shareholders. Recent long-term contract awards demonstrate our growing reach in the global landing gear market and validate our focus on the main growth platforms that will provide Héroux-Devtek with a solid and sustainable foundation to capture additional business opportunities.

Gilles Labbé
President and Chief Executive Officer
November 9, 2015

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the quarter ended September 30, 2015

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Notice of Disclosure of Non-Auditor Review of Interim Condensed Consolidated Financial Statements for the quarters ended September 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 September 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.

November 9, 2015.

CONSOLIDATED BALANCE SHEETS
(In thousands of Canadian dollars) (Unaudited)

As at	Notes	September 30, 2015	March 31, 2015
Assets	**10**		
Current assets			
Cash and cash equivalents		**$ 4,243**	$ 35,098
Accounts receivable		**66,406**	71,511
Income tax receivable		**6,288**	3,771
Inventories		**139,846**	130,954
Derivative financial instruments	**8**	**1,955**	283
Other current assets	**9**	**10,502**	14,326
		229,240	255,943
Property, plant and equipment, net	**3**	**162,733**	142,112
Finite-life intangible assets, net	**3**	**52,333**	50,557
Deposits on machinery and equipment	**3, 14**	**33,425**	23,306
Derivative financial instruments	**8**	**14**	4
Deferred income tax assets		**10,447**	10,004
Goodwill		**99,246**	93,527
Total assets		**$ 587,438**	$ 575,453
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 58,898**	$ 69,182
Accounts payable - other and other liabilities		**3,669**	8,196
Provisions	**6**	**18,753**	26,241
Customer advances		**9,291**	18,326
Progress billings		**5,549**	6,405
Income tax payable		**167**	220
Derivative financial instruments	**8**	**14,386**	11,685
Current portion of long-term debt	**10**	**5,417**	5,972
		116,130	146,227
Long-term debt	**10**	**127,383**	106,955
Provisions		**5,857**	5,967
Progress billings		**170**	347
Derivative financial instruments	**8**	**4,830**	5,527
Deferred income tax liabilities		**3,917**	3,331
Other liabilities		**11,885**	13,644
		270,172	281,998
Shareholders' equity			
Issued capital	**11**	**75,586**	75,304
Contributed surplus	**11**	**2,886**	2,403
Accumulated other comprehensive income	**12**	**20,554**	9,056
Retained earnings		**218,240**	206,692
		317,266	293,455
		$ 587,438	$ 575,453

Commitments (note 14)

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

CONSOLIDATED STATEMENTS OF INCOME
(In thousands of Canadian dollars, except per share data) (Unaudited)

		Quarters ended September 30,		Six months ended September 30,	
	Notes	**2015**	2014	**2015**	2014
Sales		**$ 94,518**	$ 84,086	**$ 192,755**	$ 170,494
Cost of sales	**3, 4**	**76,997**	70,999	**158,676**	143,226
Gross profit		**17,521**	13,087	**34,079**	27,268
Selling and administrative expenses	**3, 4**	**8,837**	7,350	**17,944**	15,288
Non-recurring charges	**6**	**—**	763	**1,480**	1,114
Operating income		**8,684**	4,974	**14,655**	10,866
Financial expenses	**5**	**1,501**	1,270	**2,533**	2,974
Income before income tax expense		**7,183**	3,704	**12,122**	7,892
Income tax expense		**1,153**	431	**1,582**	1,119
Net income		**$ 6,030**	$ 3,273	**$ 10,540**	$ 6,773
Earnings per share – basic and diluted	**7**	**$ 0.17**	$ 0.09	**$ 0.29**	$ 0.20

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of Canadian dollars) (Unaudited)

	Notes	Quarters ended September 30, 2015	Quarters ended September 30, 2014	Six months ended September 30, 2015	Six months ended September 30, 2014
	12				
Other comprehensive income:					
Items that may be reclassified to net income					
Gains (losses) arising from translating the financial statements of foreign operations		**$ 9,927**	$ 2,495	**$ 15,494**	$ (1,009)
Cash flow hedges:					
Net gains (losses) on valuation of derivative financial instruments		**(6,440)**	(4,893)	**(2,057)**	514
Net losses on derivative financial instruments transferred to net income		**1,085**	461	**754**	94
Deferred income taxes		**1,429**	1,182	**349**	(163)
		(3,926)	(3,250)	**(954)**	445
Gains (losses) on hedge of net investments in foreign operations		**(3,591)**	(1,696)	**(3,333)**	1,540
Deferred income taxes		**366**	215	**291**	(361)
		(3,225)	(1,481)	**(3,042)**	1,179
Items that are never reclassified to net income					
Defined benefit pension plans:					
Gains (losses) from remeasurement		**547**	(2,573)	**1,375**	(2,071)
Deferred income taxes		**(146)**	687	**(367)**	553
		401	(1,886)	**1,008**	(1,518)
Other comprehensive income (loss)		**$ 3,177**	$ (4,122)	**$ 12,506**	$ (903)
Comprehensive income (loss)					
Net income		**$ 6,030**	$ 3,273	**$ 10,540**	$ 6,773
Other comprehensive income (loss)		**3,177**	(4,122)	**12,506**	(903)
Comprehensive income (loss)		**$ 9,207**	$ (849)	**$ 23,046**	$ 5,870

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands of Canadian dollars) (Unaudited)

	Notes	Issued capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Shareholders' equity
Balance as at March 31, 2015		**$ 75,304**	**$ 2,403**	**$ 9,056**	**$ 206,692**	**$ 293,455**
Common shares:						
Issued under the Stock purchase and ownership incentive plan	**11**	255	—	—	—	255
Issued under the Stock option plan	**11**	27	(22)	—	—	5
Stock-based compensation expense	**11**	—	505	—	—	505
Net income		—	—	—	10,540	10,540
Other comprehensive income		—	—	11,498	1,008	12,506
Balance as at September 30, 2015		**$ 75,586**	**$ 2,886**	**$ 20,554**	**$ 218,240**	**$ 317,266**

	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**	48,428	—	—	—	48,428
Issued under the Stock purchase and ownership incentive plan		169	—	—	—	169
Issued under the Stock option plan		320	(136)	—	—	184
Stock-based compensation expense	**11**	—	646	—	—	646
Net income		—	—	—	6,773	6,773
Other comprehensive income (loss)		—	—	615	(1,518)	(903)
Balance as at September 30, 2014		**$ 75,104**	**$ 1,757**	**$ 7,383**	**$ 211,192**	**$ 295,436**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of Canadian dollars) (Unaudited)

	Notes	Quarters ended September 30, 2015	Quarters ended September 30, 2014	Six months ended September 30, 2015	Six months ended September 30, 2014
Cash and cash equivalents provided by (used for):					
Operating activities					
Net income		**$ 6,030**	$ 3,273	**$ 10,540**	$ 6,773
Items not requiring an outlay of cash:					
Amortization expense	4	**5,923**	4,241	**11,556**	8,358
Deferred income taxes		**(54)**	(822)	**417**	(962)
Gain on sale of property, plant and equipment		**(116)**	(67)	**(116)**	(82)
Non-cash financial expenses	5	**900**	843	**1,480**	1,549
Stock-based compensation expense	11	**256**	336	**505**	646
Cash flows from operations		**12,939**	7,804	**24,382**	16,282
Net change in non-cash items related to continuing operations	13	**(9,648)**	8,138	**(28,798)**	6,715
Cash flows related to operating activities from continuing operations		**3,291**	15,942	**(4,416)**	22,997
Cash flows related to operating activities from discontinued operations		**—**	(600)	**—**	(1,082)
Cash flows related to operating activities		**3,291**	15,342	**(4,416)**	21,915
Investing activities					
Additions to property, plant and equipment		**(7,146)**	(5,156)	**(23,032)**	(14,335)
Deposits on machinery and equipment		**(3,602)**	(4,492)	**(10,119)**	(5,169)
Net increase in finite-life intangible assets		**(2,125)**	(1,366)	**(3,515)**	(1,414)
Proceeds on disposal of property, plant and equipment		**201**	223	**201**	430
Cash flows related to investing activities		**(12,672)**	(10,791)	**(36,465)**	(20,488)
Financing activities					
Increase in long-term debt		**528**	1,316	**14,178**	19,936
Repayment of long-term debt		**(2,547)**	(479)	**(5,081)**	(66,311)
Issuance of common shares	11	**144**	250	**260**	48,206
Cash flows related to financing activities		**(1,875)**	1,087	**9,357**	1,831
Effect of changes in exchange rates on cash and cash equivalents		**695**	1,812	**669**	337
Change in cash and cash equivalents during the periods		**(10,561)**	7,450	**(30,855)**	3,595
Cash and cash equivalents at beginning of periods		**14,804**	43,492	**35,098**	47,347
Cash and cash equivalents at end of periods		**$ 4,243**	$ 50,942	**$ 4,243**	$ 50,942
Interest and income taxes reflected in operating activities:					
Interest paid		**$ 606**	$ 486	**$ 1,073**	$ 1,517
Interest received		**$ 5**	$ 59	**$ 20**	$ 92
Income taxes paid for continuing operations		**$ 1,632**	$ 1,695	**$ 3,596**	$ 2,557
Income taxes paid for discontinued operations		**$ —**	$ 25	**$ —**	$ 507

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 September 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 Corporation'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 November 9, 2015.

Note 3. Government assistance

During the quarters and six-month periods ended September 30, government assistance deducted from the cost of the related assets or recognized as a reduction of expenses, was as follows:

	Quarters ended September 30,		**Six months ended September 30,**	
	2015	2014	**2015**	2014
Finite-life intangible assets	**$ 197**	$ 642	**$ 270**	$ 738
Property, plant and equipment	**901**	180	**901**	289
Deposits on machinery and equipment	**—**	1,221	**56**	1,221
Cost of sales and, selling and administrative expenses	**$ 497**	$ 1,062	**$ 816**	$ 1,575

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 and six-month periods ended September 30, are as follows:

	Quarters ended September 30,		Six months ended September 30,	
	2015	2014	**2015**	**2014**
Raw materials and purchased parts	**$ 29,524**	$ 32,218	**$ 62,484**	$ 62,770
Employee costs	**32,443**	28,863	**66,125**	59,430
Amortization of property, plant and equipment and finite-life intangible assets	**5,923**	4,241	**11,556**	8,358
Others	**17,944**	13,027	**36,455**	27,956
	$ 85,834	$ 78,349	**$ 176,620**	$ 158,514

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 September 30, 2015, the foreign exchange gain included in the Corporation's selling and administrative expenses amounted to $210 ($518 in 2014), compared to a loss of $386 for the six-month period ended September 30, 2015 (gain of $97 in 2014).

Note 5. Financial expenses

Financial expenses for the quarters and six-month periods ended September 30, comprise the following:

	Quarters ended September 30,		Six months ended September 30,	
	2015	2014	**2015**	**2014**
Interest accretion on governmental authorities loans	**$ 642**	$ 596	**$ 1,286**	$ 1,169
Interest on net defined benefit obligations	**77**	56	**153**	117
Amortization of deferred financing costs (note 10)	**69**	76	**148**	155
Other interest accretion expense and discount rate adjustments	**112**	115	**(107)**	108
Non-cash financial expenses	**900**	843	**1,480**	1,549
Interest expense	**528**	391	**924**	1,316
Standby fees	**78**	95	**149**	201
Interest income on cash and cash equivalents	**(5)**	(59)	**(20)**	(92)
	$ 1,501	$ 1,270	**$ 2,533**	$ 2,974

Note 6. Non-recurring charges

Non-recurring charges for the quarters and six-month periods ended September 30, comprise the following:

	Quarters ended September 30,		Six months ended September 30,	
	2015	2014	**2015**	2014
Settlement of a litigation	**$ —**	$ —	**$ 1,480**	$ —
Restructuring charges	**—**	763	**—**	1,114
	$ —	$ 763	**$ 1,480**	$ 1,114

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., wholly-owned subsidiary of the Corporation, 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, and was accounted for in fiscal 2015. The Corporation incurred related legal fees of $1,480 during the six-month period ended September 30, 2015. As at September 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 in February 2014, 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 and six-month period ended September 30, 2014, the Corporation recorded restructuring charges of $763 and $1,114, respectively, including termination benefits of $597 and $801 and other associated costs of $166 and $313, 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 quarters and six-month periods ended September 30,:

	Quarters ended September 30,		**Six months ended September 30,**	
	2015	2014	**2015**	2014
Weighted-average number of common shares outstanding	**35,970,563**	35,908,258	**35,963,573**	33,871,207
Effect of dilutive stock options of the Corporation	**124,806**	114,116	**119,350**	115,012
Weighted-average number of common diluted shares outstanding	**36,095,369**	36,022,374	**36,082,923**	33,986,219
Options excluded from diluted earnings per share calculation[(1)]	**502,500**	568,845	**598,845**	568,845

[(1)] Excluded due to anti-dilutive impact

Note 8. Derivative financial instruments

Forward foreign exchange contracts

As at September 30, 2015, the Corporation had forward foreign exchange contracts to sell US$113.5 million at a weighted-average rate of 1.1734 (Canadian dollar over U.S. dollar, “cad/usd”). As at March 31, 2015, these contracts totalled US$119.0 million at a weighted-average rate of 1.1297 cad/usd. As at September 30, 2015, these contracts mature at various dates between October 2015 and April 2018, with the majority maturing this and next fiscal years.

Interest rate swap agreements

As at September 30, 2015 and March 31, 2015, 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 September 30, 2015, the equity swap agreement covered 150,000 common shares of the Corporation at a price of $11.45. This agreement is a derivative that is not part of a designated hedging relationship and matures in June 2016.

Note 9. Other current assets

	September 30, 2015	March 31, 2015
Investment and other tax credits receivable	**$ 3,033**	$ 5,099
Sales tax receivable	**2,489**	3,358
Prepaid expenses	**3,174**	3,757
Others	**1,806**	2,112
	$ 10,502	$ 14,326

Note 10. Long-term debt

	September 30, 2015	March 31, 2015
Senior Secured Syndicated Revolving Credit Facility (“Credit Facility“)	**$ 72,249**	$ 56,731
Governmental authority loans	**50,729**	51,172
Obligations under finance leases	**10,949**	6,299
Deferred financing costs, net	**(1,127)**	(1,275)
	132,800	112,927
Less: current portion	**5,417**	5,972
	$ 127,383	$ 106,955

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

	September 30, 2015	March 31, 2015
Limit, in Canadian, US$, Euro or British Pound equivalent	**$ 200,000**	$ 200,000
US$ Drawings		
Amount	**US$ 42,000**	US$ 32,000
Rate	**Libor + 1.5%**	Libor + 1.1%
Effective rate	**1.8%**	1.3%
Canadian drawing		
Amount	**$ 16,200**	$ 16,200
Rate	**BA(1) + 1.5%**	BA + 1.1%
Effective rate	**2.3%**	2.2%

(1) *BA: Banker's acceptance*

Finance leases
Obligations under finance leases bear fixed interest rates between 2.4% and 6.5% as at September 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 $939 ($518 as at March 31, 2015).

Note 11. Issued capital

For the quarter and six-month period ended September 30, 2015, variations in common shares issued were as follows:

	Quarter Ended September 30, 2015			Six months ended September 30, 2015		
	Number		Issued capital	Number		Issued capital
Common shares issued and fully paid						
Balance at beginning of periods	**35,962,098**	**$**	**75,420**	**35,949,445**	**$**	**75,304**
Issued for cash on exercise of stock options	**2,400**		**27**	**2,400**		**27**
Issued for cash under the stock purchase and ownership incentive plan	**13,648**		**139**	**26,301**		**255**
Balance at end of periods	**35,978,146**	**$**	**75,586**	**35,978,146**	**$**	**75,586**

During the six-month period ended September 30, 2014, the Corporation issued 4,307,676 common shares at a weighted-average price of $11.36 per share for a net consideration of $48,206, essentially pursuant to a public offering and concurrent private placements.

A. Stock option plan

The Corporation grants stock options at a subscription price representing the average closing price of the Corporation's common shares on the Toronto Stock Exchange for the five trading days preceding the grant date. Options granted under the plan vest over a period of four years, with the exception of certain key management employees for which the vesting period is one to three years following the grant date. The options are exercisable over a period no greater than seven years after the grant date.

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

	2015			2014		
	Number of stock options		**Weighted-average exercise price**	Number of stock options		Weighted-average exercise price
Balance at beginning of the quarters	**892,846**	**$**	**9.98**	686,001	$	9.39
Granted	**—**		**—**	66,345		11.31
Exercised	**(2,400)**		**2.02**	(35,000)		5.27
Balance at end of the quarters	**890,446**	**$**	**10.00**	717,346	$	9.77
Stock-based compensation expense		**$**	**256**		$	336

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

	2015			2014		
	Number of stock options		**Weighted-average exercise price**	Number of stock options		Weighted-average exercise price
Balance at beginning of periods	**747,346**	**$**	**9.84**	686,001	$	9.39
Granted	**145,500**		**10.71**	66,345		11.31
Exercised	**(2,400)**		**2.02**	(35,000)		5.27
Balance at end of periods	**890,446**	**$**	**10.00**	717,346	$	9.77
Stock-based compensation expense		**$**	**505**		$	646

As at September 30, 2015, 2,808,257 common shares are reserved for issuance of stock options, of which 1,637,381 remained to be issued, compared to 1,639,781 as at March 31, 2015.

B. Stock purchase and ownership incentive plan

	Quarters ended September 30,		Six months ended September 30,	
	2015	2014	**2015**	**2014**
In number of common shares				
Common shares issued under the purchase incentive plan	**13,648**	11,460	**26,301**	16,805
Common shares attributed to participating employees	**5,592**	3,550	**10,807**	6,947
Expense related to common shares attributed	**$ 63**	$ 39	**$ 116**	$ 78

As at September 30, 2015, 340,000 shares were reserved for issuance under the stock purchase and ownership incentive plan, of which 176,392 remained to be issued, compared to 202,693 as at March 31, 2015.

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

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

	Quarters ended September 30,		Six months ended September 30,	
	2015	2014	**2015**	**2014**
DSUs				
In number of DSUs				
Opening balance of DSUs outstanding	**83,158**	64,825	**83,158**	64,825
DSUs issued during the period	**41,175**	18,333	**41,175**	18,333
Closing balance of DSUs	**124,333**	83,158	**124,333**	83,158
DSU expense for the period	**$ 343**	$ 64	**$ 455**	$ 85
PSUs				
In number of PSUs				
Opening balance of PSUs outstanding	**153,303**	—	**115,879**	—
PSUs issued during the period	**—**	115,879	**37,424**	115,879
Closing balance of PSUs outstanding	**153,303**	115,879	**153,303**	115,879
PSU expense for the period	**$ 214**	$ 383	**$ 378**	$ 383

The fair value of vested outstanding DSUs and PSUs was as follows, as at:

	September 30, 2015	March 31, 2015
Fair value of outstanding DSUs, end of period	**$ 1,256**	$ 801
Fair value of outstanding PSUs, end of period	**$ 1,330**	$ 952

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 June 30, 2015	**$ 30,788**	**$ (8,625)**	**$ (4,385)**	**$ 17,778**
Other comprehensive income (loss)	9,927	(3,926)	(3,225)	2,776
Balance as at September 30, 2015	**$ 40,715**	**$ (12,551)**	**$ (7,610)**	**$ 20,554**
Balance as at March 31, 2015	**$ 25,221**	**$ (11,597)**	**$ (4,568)**	**$ 9,056**
Other comprehensive income (loss)	15,494	(954)	(3,042)	11,498
Balance as at September 30, 2015	**$ 40,715**	**$ (12,551)**	**$ (7,610)**	**$ 20,554**

	Exchange differences on translation of foreign operations	Cash flow hedges	Hedge of net investments in foreign operations	Total
Balance as at June 30, 2014	**$ 9,652**	**$ (985)**	**$ 952**	**$ 9,619**
Other comprehensive income (loss)	2,495	(3,250)	(1,481)	(2,236)
Balance as at September 30, 2014	**$ 12,147**	**$ (4,235)**	**$ (529)**	**$ 7,383**
Balance as at March 31, 2014	**$ 13,156**	**$ (4,680)**	**$ (1,708)**	**$ 6,768**
Other comprehensive income (loss)	(1,009)	445	1,179	615
Balance as at September 30, 2014	**$ 12,147**	**$ (4,235)**	**$ (529)**	**$ 7,383**

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

The net change in non-cash items related to continuing operations is detailed as follows:

	Quarters ended September 30,		Six months ended September 30,	
	2015	2014	**2015**	2014
Accounts receivable	**$ 1,648**	$ (1,495)	**$ 5,105**	$ 2,243
Income tax receivable	**(711)**	(359)	**(2,517)**	(684)
Inventories	**(5,708)**	2,314	**(8,892)**	2,072
Other current assets	**891**	2,037	**3,823**	2,278
Accounts payable and accrued liabilities, accounts payable – other and other liabilities	**(4,121)**	(1,362)	**(13,288)**	(9,909)
Provisions	**413**	304	**(7,491)**	(574)
Progress billings	**(1,246)**	1,783	**(1,033)**	1,572
Customer advances	**(5,446)**	4,839	**(9,035)**	9,826
Income tax payable	**138**	(659)	**(53)**	47
Effect of changes in exchange rates[(1)]	**4,494**	736	**4,583**	(156)
	$ (9,648)	$ 8,138	**$ (28,798)**	$ 6,715

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

Note 14. 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 September 30, 2015, these outstanding purchase orders amounted to $18,203 ($34,845 as at March 31, 2015) net of related deposits of $33,425 ($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:

	September 30, 2015				March 31, 2015			
	Canada	**U.S.**	**U.K.**	**Total**	Canada	U.S.	U.K.	Total
Property, plant and equipment, net	**$ 89,552**	**$ 60,861**	**$ 12,320**	**$162,733**	$ 81,437	$ 47,136	$ 13,539	$142,112
Finite-life intangible assets, net	**27,096**	**4,196**	**21,041**	**52,333**	26,451	4,593	19,513	50,557
Goodwill	**$ 13,838**	**$ 10,030**	**$ 75,378**	**$ 99,246**	$ 13,838	$ 9,519	$ 70,170	$ 93,527

Geographic sales based on customer's location are detailed as follows:

	Quarters ended September 30,		**Six months ended September 30,**	
	2015	2014	**2015**	2014
Canada	**$ 20,026**	$ 17,276	**$ 41,400**	$ 38,357
United States	**51,818**	44,734	**103,943**	87,211
United Kingdom	**8,331**	11,631	**19,856**	23,154
Other countries	**14,343**	10,445	**27,556**	21,772
	$ 94,518	$ 84,086	**$192,755**	$170,494

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

For the quarter ended September 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 September 30, 2015. It also compares the operating results and cash flows for the quarters and six-month periods ended September 30, 2015 to those of the same periods of the prior fiscal year.

This MD&A is based on the unaudited interim condensed consolidated financial statements for the quarter and six-month period ended September 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 measures in the *Non-IFRS Financial Measures* section under *Operating Results*.

Materiality for disclosures

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

Forward-Looking Statements

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 period.

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

	September 30, 2015	March 31, 2015
USD (Canadian equivalent of US$1.0)	**1.3345**	1.2666
GBP (Canadian equivalent of £1.0)	**2.0187**	1.8792

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

	Quarters ended September 30,		**Six months ended September 30,**	
	2015	2014	**2015**	2014
USD (Canadian equivalent of US$1.0)	**1.3094**	1.0893	**1.2694**	1.0899
GBP (Canadian equivalent of £1.0)	**2.0280**	1.8168	**1.9562**	1.8261

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

		Quarters ended September 30,		Six months ended September 30,
	2015	2014	**2015**	2014
Sales	**$ 94,518**	$ 84,086	**$ 192,755**	$ 170,494
Operating income	**8,684**	4,974	**14,655**	10,866
Adjusted operating income[(1)]	**8,684**	5,737	**16,135**	11,980
Adjusted EBITDA[(1)]	**14,607**	9,978	**27,691**	20,338
Net income	**6,030**	3,273	**10,540**	6,773
Adjusted net income[(1)]	**6,030**	3,839	**11,549**	7,595
In dollars per share				
EPS - basic and diluted	**$ 0.17**	$ 0.09	**$ 0.29**	$ 0.20
Adjusted EPS[(1)]	**0.17**	0.11	**0.32**	0.22
In thousands of shares				
Weighted average number of common diluted shares outstanding	**36,095**	36,022	**36,083**	33,986

[(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 12.4% and Adjusted EBITDA growth of 46.4% compared to the second 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.
- During the quarter, the Corporation was awarded two sales contracts which underline its commitment to its growth platforms:
    - On September 18, 2015, Heroux-Devtek announced the signing of a long-term contract with Finmeccanica-AgustaWestland to supply complete landing gear systems for the AW609 TiltRotor aircraft. Under the terms of the agreement, the Corporation will design, develop, fabricate, assemble, test and deliver complete landing gear systems for the aircraft; and
    - On September 30, 2015, the Corporation announced that it had been awarded a long-term contract by The Boeing Company ("Boeing") to manufacture landing gear retract actuator assemblies for the 777 and 777X programs, as well as provide spare parts.

Update on the B-777 and B-777X contract

Héroux-Devtek is making further progress towards meeting the requirements of the long-term contract to supply The Boeing Company ("Boeing") with complete landing gear systems for the B-777 and B-777X aircraft. In regards to the plan's main initiatives:

- The new Cambridge, Ontario plant is operational;
- Essentially all machinery and equipment has been installed in the Cambridge, Ontario; Springfield, Ohio; and Laval, Québec facilities, and is in varying stages of testing and approval;
- All components necessary for the delivery of complete landing gear assemblies are in production;
- The expansion of the Corporation's finishing sub-assembly centre in Strongsville, Ohio, is completed. The new plating equipment is ready for production and Héroux-Devtek is in its customer qualification and approval process; and,
- The final assembly facility in Everett, Washington has been completed ahead of schedule and is available for the installation of equipment.

Management remains confident that delivery of the pre-production shipset to Boeing will occur as planned in mid-calendar 2016 and that production requirements associated to deliveries scheduled to begin in early calendar 2017 will be met. As at September 30, 2015 the Company had invested approximately $101 million related to this contract (refer to the *Investing Activities* section under *Liquidity and Capital Resources* for further details).

Operating Results

	Quarters ended September 30,			Six months ended September 30,		
	2015	2014	*Variance*	**2015**	2014	*Variance*
Sales	**$ 94,518**	$ 84,086	*$ 10,432*	**$ 192,755**	$ 170,494	*$ 22,261*
Gross profit	**17,521**	13,087	*4,434*	**34,079**	27,268	*6,811*
Selling and administrative expenses	**8,837**	7,350	*1,487*	**17,944**	15,288	*2,656*
Adjusted operating income[(1)]	**8,684**	5,737	*2,947*	**16,135**	11,980	*4,155*
Non-recurring charges	**—**	763	*(763)*	**1,480**	1,114	*366*
Operating income	**8,684**	4,974	*3,710*	**14,655**	10,866	*3,789*
Financial expenses	**1,501**	1,270	*231*	**2,533**	2,974	*(441)*
Income tax expense	**1,153**	431	*722*	**1,582**	1,119	*463*
Net income	**$ 6,030**	$ 3,273	*$ 2,757*	**$ 10,540**	$ 6,773	*$ 3,767*
Adjusted net income[(1)]	**$ 6,030**	$ 3,839	*$ 2,191*	**$ 11,549**	$ 7,595	*$ 3,954*
As a percentage of sales						
Gross profit	**18.5%**	15.6%		**17.7%**	16.0%	
Selling and Administrative expenses	**9.3%**	8.7%		**9.3%**	9.0%	
Operating income	**9.2%**	5.9%		**7.6%**	6.4%	
In dollars per share						
EPS - basic and diluted	**$ 0.17**	$ 0.09	*$ 0.08*	**$ 0.29**	$ 0.20	*$ 0.09*
Adjusted EPS[(1)]	**$ 0.17**	$ 0.11	*$ 0.06*	**$ 0.32**	$ 0.22	*$ 0.10*

[(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 September 30,				
	2015	2014	FX impact	Net variance	
Commercial	**$ 49,964**	$ 37,521	$ 6,035	$ 6,408	17.1 %
Defence[(1)]	**44,554**	46,565	5,399	(7,410)	(15.9)%
Total	**$ 94,518**	$ 84,086	$ 11,434	$ (1,002)	(1.2)%

	Six months ended September 30,				
	2015	2014	FX impact	Net variance	
Commercial	**$ 101,435**	$ 80,850	$ 10,174	$ 10,411	12.9 %
Defence[(1)]	**91,320**	89,644	9,159	(7,483)	(8.3)%
Total	**$ 192,755**	$ 170,494	$ 19,333	$ 2,928	1.7 %

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

Commercial

The $6.4 million and $10.4 million respective net increases in commercial sales for the quarter and six-month period were mainly driven by:

- Higher aftermarket sales related to a new strategic alliance to provide support for the Saab 340 program;
- Greater content and higher production rates for certain large commercial programs, including the Boeing 787; and
- 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.

Defence

The respective $7.4 million and $7.5 million net decreases in defence sales for the quarter and six-month period were mainly driven by:

- Lower manufacturing sales to civil customers;
- Lower spare parts requirements mainly from the U.S. government; and
- Lower repair and overhaul ("R&O") sales with the U.S. Navy on the P-3 program due to lower requirements and on certain programs in the U.K. resulting from a lower throughput.

These negative factors were partially offset by higher R&O sales to the U.S. Air force.

Gross Profit

The increase in gross profit margin from 15.6% to 18.5% this quarter compared to the same quarter last fiscal year was mainly driven by the favourable U.S. dollar exchange rate fluctuations, representing 2.4% of sales, lower under-absorption of costs and a better product mix driven by higher commercial aftermarket sales. These positive elements were partially offset by higher costs related to certain programs.

The increase in gross profit from 16.0% to 17.7% for the six-month period compared to the same period last fiscal year was mainly driven by the favourable U.S. dollar exchange rate fluctuations, representing 1.9% of sales, and the same factors described above.

Selling and Administrative Expenses

When excluding gains on translation of net monetary items, selling and administrative expenses represented 9.6% of sales and 9.1% of sales for the quarter and six-month period, respectively, compared to 9.4% and 9.0% for the same periods last fiscal year. The increase as a percentage of sales is mainly due to higher stock-based compensation expense.

Non-recurring charges

Non-recurring charges for the quarters and six-month periods ended September 30, comprise the following:

	Quarters ended September 30,		**Six months ended September 30,**	
	2015	2014	**2015**	**2014**
Settlement of a litigation	**$ —**	$ —	**$ 1,480**	$ —
Restructuring charges	**—**	763	**—**	1,114
	$ —	$ 763	**$ 1,480**	$ 1,114

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., wholly-owned subsidiary of the Corporation, 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, and was accounted for in fiscal 2015. During the six-month period ended September 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 in February 2014, 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 and six-month period ended September 30, 2014, the Corporation recorded restructuring charges of $0.8 million and $1.1 million, respectively, related to the optimization and consolidation of manufacturing capacity.

Operating Income

The increases in operating income from 5.9% to 9.2% of sales (increase from 6.8% to 9.2% excluding non-recurring charges) for the quarter and from 6.4% to 7.6% of sales (increase from 7.0% to 8.4% excluding non-recurring charges) for the six-month period compared to the same periods last fiscal year are mainly the result of the factors described above.

Financial Expenses

Financial expenses increased by $0.2 million during the quarter compared to the same period last fiscal year, mainly reflecting higher interest expense related to the Credit Facility due to higher borrowings as well as increased obligations under finance leases.

The $0.4 million decrease during the six-month period compared to the same period last fiscal year, mainly reflects lower interest expense due to the repayment of US$59.3 million ($63.6 million) drawn against the Credit Facility during the first quarter of fiscal 2015 and a more favourable discount rate adjustment of $0.2 million to a provision for asset retirement obligations.

See the financing activities section of *Variations in cash and cash equivalents* under *Liquidity and Capital Resources* for further details.

Income Tax Expense

	Quarters ended September 30,		**Six months ended September 30,**	
	2015	2014	**2015**	2014
Income before income tax expense	**$ 7,183**	$ 3,704	**$ 12,122**	$ 7,892
Income tax expense	**1,153**	431	**1,582**	1,119
Effective tax rate	**16.1%**	11.6%	**13.1%**	14.2%
Canadian blended statutory income tax rate	**26.7%**	26.7%	**26.7%**	26.7%

The effective income tax rate for the quarter mainly reflects the favourable impact of earnings in lower tax rate jurisdictions ($0.8 million), partially offset by permanent differences ($0.1 million). The Corporation's effective tax rate for the quarter ended September 30, 2014 mainly reflected the favourable impact of earnings in lower tax rate jurisdictions ($0.5 million).

For the six-month period, the Corporation's effective income tax rate mainly reflects, the favourable impact of earnings in lower tax rate jurisdictions ($1.8 million), partially offset by permanent differences ($0.1 million). The Corporation's effective tax rate for the six-month period ended September 30, 2014 mainly reflected the favourable impact of earnings in lower tax rate jurisdictions ($1.0 million), partially offset by permanent differences ($0.2 million).

Net Income

Net income increased from $3.3 million to $6.0 million (or from $3.8 million to $6.0 million excluding non-recurring charges net of taxes) during the quarter and increased from $6.8 million to $10.5 million (or from $7.6 million to $11.5 million excluding non-recurring charges net of taxes) during the six-month period compared to the same periods last fiscal year mainly as a result of the factors described above.

During the six-month period, earnings per share increased from $0.20 to $0.29 per share (or from $0.22 to $0.32 per share excluding non-recurring charges, net of taxes) calculated on the basis of a higher weighted average diluted number of shares outstanding (36,082,923 versus 33,986,219), 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 September 30,		Six months ended September 30,	
	2015	2014	**2015**	2014
Operating income	**$ 8,684**	$ 4,974	**$ 14,655**	$ 10,866
Non-recurring charges	**—**	763	**1,480**	1,114
Adjusted operating income	**$ 8,684**	$ 5,737	**$ 16,135**	$ 11,980

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

	Quarters ended September 30,		Six months ended September 30,	
	2015	2014	**2015**	**2014**
Net income	**$ 6,030**	$ 3,273	**$ 10,540**	$ 6,773
Income tax expense	**1,153**	431	**1,582**	1,119
Financial expenses	**1,501**	1,270	**2,533**	2,974
Amortization expense	**5,923**	4,241	**11,556**	8,358
EBITDA	**$ 14,607**	$ 9,215	**$ 26,211**	$ 19,224
Non-recurring charges	**—**	763	**1,480**	1,114
Adjusted EBITDA	**$ 14,607**	**$ 9,978**	**$ 27,691**	**$ 20,338**

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

	Quarters ended September 30,		Six months ended September 30,	
	2015	2014	**2015**	2014
Net income	**$ 6,030**	$ 3,273	**$ 10,540**	$ 6,773
Non-recurring charges, net of taxes	**—**	566	**1,009**	822
Adjusted net income	**$ 6,030**	$ 3,839	**$ 11,549**	$ 7,595
In dollars per share				
Earnings per share - basic and diluted	**$ 0.17**	$ 0.09	**$ 0.29**	$ 0.20
Non-recurring charges, net of taxes	**—**	0.02	**0.03**	0.02
Adjusted earnings per share	**$ 0.17**	$ 0.11	**$ 0.32**	$ 0.22

Liquidity and Capital Resources

Credit Facility and Cash and Cash Equivalents

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 September 30, 2015, the Corporation had $72.2 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:

		September 30, 2015		March 31, 2015
Long-term debt, including current portion[1]	**$**	**133,927**	$	114,202
Less: Cash and cash equivalents		**4,243**		35,098
Net debt position	**$**	**129,684**	$	79,104

[1] *Excluding net deferred financing costs of $1.1 million as at* September 30, 2015 *and $1.3 million as at* March 31, 2015.

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

Variations in cash and cash equivalents

	Quarters ended September 30,				**Six months ended September 30,**			
		2015		2014		**2015**		2014
Cash and cash equivalents at beginning of periods	**$**	**14,804**	$	43,492	**$**	**35,098**	$	47,347
Cash flows related to operating activities		**3,291**		15,342		**(4,416)**		21,915
Cash flows related to investing activities		**(12,672)**		(10,791)		**(36,465)**		(20,488)
Cash flows related to financing activities		**(1,875)**		1,087		**9,357**		1,831
Effect of changes in exchange rates on cash and cash equivalents		**695**		1,812		**669**		337
Cash and cash equivalents at end of periods	**$**	**4,243**	$	50,942	**$**	**4,243**	$	50,942

Operating Activities

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

	Quarters ended September 30,		Six months ended September 30,	
	2015	2014	**2015**	2014
Cash flows from operations	**$ 12,939**	$ 7,804	**$ 24,382**	$ 16,282
Net change in non-cash items related to continuing operations	**(9,648)**	8,138	**(28,798)**	6,715
Cash flows related to operating activities from continuing operations	**3,291**	15,942	**(4,416)**	22,997
Cash flows related to operating activities from discontinued operations	**—**	(600)	**—**	(1,082)
Cash flows related to operating activities	**$ 3,291**	$ 15,342	**$ (4,416)**	$ 21,915

The respective \$5.4 million and \$8.1 million increases in cash flows from operations for the quarter and six-month period September 30, 2015, when compared to the same periods last fiscal year, are mainly explained by higher EBITDA partly offset by higher deferred income tax expense.

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

	Quarters ended September 30,		Six months ended September 30,	
	2015	2014	**2015**	2014
Accounts receivable	**$ 1,648**	$ (1,495)	**$ 5,105**	$ 2,243
Inventories	**(5,708)**	2,314	**(8,892)**	2,072
Accounts payable and accrued liabilities, accounts payable-other and other liabilities (referred to as “accounts payable”)	**(4,121)**	(1,362)	**(13,288)**	(9,909)
Provisions	**413**	304	**(7,491)**	(574)
Customer advances	**(5,446)**	4,839	**(9,035)**	9,826
Income taxes payable and receivable	**(573)**	(1,018)	**(2,570)**	(637)
All others, including the effect of changes in exchange rates	**4,139**	4,556	**7,373**	3,694
	$ (9,648)	$ 8,138	**$ (28,798)**	$ 6,715

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

- An increase in inventories mainly related to the Boeing B-777 and B-787 programs.
- A net reduction in customer advances following revenue recognition; and,
- A decrease in accounts payable and receivable due to the higher level of activity in the first quarter of fiscal 2016 compared to the second.

For the six-month period ended September 30, 2015, the negative net change in non-cash items related to continuing operations mainly reflects:

- A decrease in accounts payable and receivable due to the higher level of activity in the fourth quarter of fiscal 2015 compared to the first six months of fiscal 2016;
- A net reduction in customer advances following revenue recognition;
- An increase in inventories mainly related to the Boeing B-777 and B-787 programs; and
- A reduction in provisions resulting from the payment made following the settlement of a litigation.

For the quarter and six-month period ended September 30, 2014, the positive net change in non-cash items related to continuing operations mainly reflected:

- Increases in customer advances and progress billings due to payments received in relation to long-term contracts; and
- A reduction in inventory due to reduced backlog on certain military programs, partly offset by higher commercial funded backlog.

These positive factors were partly offset by a decrease in accounts payable resulting from lower sales volume due to the vacation period and plant shut-downs.

Investing Activities

The Corporation's investing activities were as follows:

	Quarters ended September 30,		Six months ended September 30,	
	2015	2014	**2015**	2014
Additions to property, plant and equipment	**$ (7,146)**	$ (5,156)	**$ (23,032)**	$ (14,335)
Deposits on machinery and equipment	**(3,602)**	(4,492)	**(10,119)**	(5,169)
Net increase in finite-life intangible assets	**(2,125)**	(1,366)	**(3,515)**	(1,414)
Proceeds on disposal of property, plant and equipment	**201**	223	**201**	430
Cash flows related to investing activities	**$ (12,672)**	$ (10,791)	**$ (36,465)**	$ (20,488)

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

	Quarters ended September 30,		Six months ended September 30,	
	2015	2014	**2015**	2014
Gross additions to property, plant and equipment	**$ 7,840**	$ 7,604	**$ 25,739**	$ 15,644
Government assistance	**(901)**	(180)	**(901)**	(289)
Additions to property, plant and equipment	**$ 6,939**	$ 7,424	**$ 24,838**	$ 15,355
Variation in unpaid additions included in Accounts payable - other and other liabilities	**207**	(2,268)	**4,192**	(1,020)
Machinery and equipment acquired through finance leases	**—**	—	**(5,998)**	—
Additions, as per statements of cash flows	**$ 7,146**	$ 5,156	**$ 23,032**	$ 14,335

Additions to property, plant and equipment stood at $6.9 million for the quarter ($7.4 million last year) and $24.8 million for the six-month period ($15.4 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 $33.4 million of deposits on machinery and equipment had already been made as at September 30, 2015, as evidenced in the Corporation's balance sheet. The approximate remaining $17.0 million of capital investments are expected to be financed 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 September 30, 2015, the Corporation had invested $100.9 million related to this contract which included additions to property, plant and equipment of $68.4 million and cumulative deposits on machinery and equipment of $32.5 million.

Financing Activities

The Corporation's financing activities were as follows:

	Quarters ended September 30,		Six months ended September 30,	
	2015	2014	**2015**	**2014**
Increase in long-term debt	**$ 528**	$ 1,316	**$ 14,178**	$ 19,936
Repayment of long-term debt	**(2,547)**	(479)	**(5,081)**	(66,311)
Issuance of common shares	**144**	250	**260**	48,206
Cash flows related to financing activities	**$ (1,875)**	$ 1,087	**$ 9,357**	$ 1,831

The increase in long-term debt over the six-month period mainly relates to a $13.3 million (US$10.0 million) drawing against the Credit Facility to finance additions to property, plant and equipment.

During the six-month period ended September 30, 2014, the Corporation issued 4,307,676 common shares at a weighted-average price of $11.36 per share for a net consideration of $48.2 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 September 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 September 30, 2015		Six months ended September 30, 2015	
	Number of shares	Issued capital	Number of shares	Issued capital
Opening balance	35,962,098	$ 75,420	35,949,445	$ 75,304
Issued for cash on exercise of stock options	2,400	27	2,400	27
Issued for cash under the stock purchase and ownership incentive plan	13,648	139	26,301	255
Ending balance	35,978,146	$ 75,586	35,978,146	$ 75,586

As at November 9, 2015, the number of shares outstanding stood at 35,987,088.

Stock options varied as follows:

	Quarter ended September 30, 2015		Six months ended September 30, 2015	
	Number of stock options	Weighted-average exercise price	Number of stock options	Weighted-average exercise price
Opening balance	892,846	$ 9.98	747,346	$ 9.84
Granted	—	—	145,500	10.71
Exercised	(2,400)	2.02	(2,400)	2.02
Ending balance	890,446	$ 10.00	890,446	$ 10.00

As at September 30, 2015, 1,637,381 common shares remained reserved for issuance upon exercise of stock options compared to 1,639,781 at March 31, 2015 and 176,392 common shares remained reserved for issuance under the stock purchase and ownership incentive plan compared to 202,693 at March 31, 2015.

As at November 9, 2015, the number of options outstanding stood at 890,446.

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

Consolidated Balance Sheets

Working capital

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

	September 30, 2015	March 31, 2015	*Variance*	
Current assets	**$ 229,240**	$ 255,943	*$ (26,703)*	*(10.4)%*
Current liabilities	**116,130**	146,227	*(30,097)*	*(20.6)%*
Net working capital	**$ 113,110**	$ 109,716	*$ 3,394*	*3.1 %*
Working capital ratio	**1.97**	1.75		

The $26.7 million decrease in current assets is mainly the result of decreases in cash and cash equivalents ($30.9 million) and accounts receivable ($5.1 million), partially offset by an increase in inventory ($8.9 million), as detailed in the *Liquidity and Capital Resources section*.

The $30.1 million decrease in current liabilities is mainly explained by:

- A decrease in accounts payable and accrued liabilities ($10.3 million), mainly resulting from a higher seasonal level of activity in the fourth quarter of fiscal 2015;
- A net decrease in customer advances ($9.0 million) following revenue recognition.
- A decrease in provisions ($7.5 million), mainly due to a payment related to the settlement of a litigation; and,
- A decrease in accounts payable - other and other liabilities ($4.5 million) essentially related to the payment of property, plant and equipment, essentially related to the Boeing B-777 and B-777X contract.

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

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

	September 30, 2015	March 31, 2015	*Variance*	
Long-term assets	**$ 358,198**	$ 319,510	*$ 38,688*	*12.1%*
Long-term liabilities	**$ 154,042**	$ 135,771	*$ 18,271*	*13.5%*
Shareholder's equity	**$ 317,266**	$ 293,455	*$ 23,811*	*8.1%*
Long-term debt-to-equity ratio	**0.40:1**	0.36:1		
Net debt-to-equity ratio(1)	**0.41:1**	0.27:1		

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

The $38.7 million increase in long-term assets is mainly explained by increases in Property, plant and equipment ($20.6 million) and Deposits on machinery and equipment ($10.1 million), both driven largely by the Boeing B-777 and B-777X contract.

The $18.3 million increase in long-term liabilities is mainly explained by a $20.4 million increase in Long-term debt. This increase was driven both by an additional drawing against the Credit Facility ($13.3 million or US$10.0 million) and increased obligations under finance leases ($4.7 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 $23.0 million, mainly comprised of net income of $10.5 million and the effect of foreign exchange fluctuations of $11.5 million included in other comprehensive income. For further details, see the Statement of comprehensive income in the interim condensed consolidated financial statements for the quarter ended September 30, 2015.

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 September 30, 2015, these outstanding purchase orders amounted to $18.2 million ($34.8 million as at March 31, 2015) net of related deposits of $33.4 million ($23.3 million as at March 31, 2015) which are included in the Corporation's balance sheet. As at September 30, 2015, $7.9 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 September 30, 2015, the Corporation had forward foreign exchange contracts to sell US$113.5 million at a weighted-average rate of 1.1734 (Canadian dollar over U.S. dollar, "cad/usd"). As at March 31, 2015, these contracts totalled US$119.0 million at a weighted-average rate of 1.1297 cad/usd. As at September 30, 2015, these contracts mature at various dates between October 2015 and April 2018, with the majority maturing this and next fiscal years.

Interest rate swap agreements

As at September 30, 2015, and March 31, 2015, 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 September 30, 2015, the equity swap agreement covered 150,000 common shares of the Corporation at a price of $11.45. This agreement is a derivative that is not part of a designated hedging relationship and matures in June 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 six-month period ended September 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 six months ended September 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	
	Sept. 30, 2015	**June 30, 2015**	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	March 31, 2014	Dec. 31, 2013
Sales	**$ 94,518**	$ 98,237	$106,054	$ 88,368	$ 84,086	$ 86,408	$ 91,212	$ 61,448
Operating income	**8,684**	5,971	(2,490)	(7,410)	4,974	5,892	3,898	4,149
Adjusted operating income (1)	**8,684**	7,451	10,730	6,711	5,737	6,243	9,419	5,265
EBITDA (1)	**14,607**	11,604	2,679	10,942	9,215	10,009	7,728	7,170
Adjusted EBITDA (1)	**14,607**	13,084	15,899	11,544	9,978	10,360	13,249	8,286
Net Income (loss)	**6,030**	4,510	(1,640)	(1,909)	3,273	3,500	1,230	2,608
Adjusted Net Income (1)	**6,030**	5,519	7,456	4,361	3,839	3,756	5,953	3,697
In dollars per share								
Earnings (loss) per share - Basic & Diluted	**$ 0.17**	$ 0.13	$ (0.05)	$ (0.05)	$ 0.09	$ 0.11	$ 0.04	$ 0.08
Adjusted Earnings per share (1)	**0.17**	0.15	0.21	0.12	0.11	0.12	0.19	0.12
In millions of shares								
Weighted average number of common diluted shares outstanding	**36.1**	36.1	36.1	36.0	36.0	31.9	31.7	31.7

(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, while air cargo volume is expected to rise 5.5% in calendar 2015 [(2)].

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

In the business jet market, although industry deliveries decreased slightly in the first half of calendar 2015, positive signs suggest improving 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 business jet models for which Héroux-Devtek has designed the landing gear should result in sustained growth for the Corporation in this market [(4)].

In the defence aerospace market, a recent budget agreement provides additional funding for the U.S. Government's next two fiscal years, but uncertainty remains beyond that period given the need to address the deficit. The Corporation's UK operations provide Héroux-Devtek with a more geographically diversified defence portfolio, which reduces its relative exposure to the U.S. market. The balance between new component manufacturing and aftermarket products and services in the Corporation's defence portfolio and its leading program content also promote stability.

The Corporation's healthy balance sheet along with its available credit will allow Héroux-Devtek to finance the approximate remaining $17.0 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.

As at September 30, 2015, Héroux-Devtek's funded (firm orders) backlog stood at $426.5 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%, assuming stable currencies. Given forces driving its main markets and stable currencies, 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 a slight increase.

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 and B-777X 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 November 9, 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 .

[(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: General Aviation Manufacturers Association, Federal Aviation Administration, JetNet, Teal Group.*