From: **Héroux-Devtek Inc.**
Gilles Labbé
President and Chief Executive Officer
Tel.: (450) 679-3330

Contact: **Héroux-Devtek Inc.**
Stéphane Arsenault
Chief Financial Officer
Tel.: (450) 679-3330

MaisonBrison
Martin Goulet, CFA
Tel.: (514) 731-0000

PRESS RELEASE
FOR IMMEDIATE RELEASE

HÉROUX-DEVTEK REPORTS FISCAL 2017 THIRD QUARTER RESULTS

- **Sales of $98.5 million, versus $96.6 million last year**
- **EBITDA[1] of $13.9 million and adjusted net income[1] of $6.0 million, or $0.17 per share**
- **Delivery of 9 complete landing gear shipsets for the Boeing 777 aircraft as at December 31, 2016**
- **Signature of three contracts during the quarter attesting to Héroux-Devtek's global reach**
- **Announcement of revised sales guidance and workforce adjustments**
- **Free cash flow generation of $9.7 million during the quarter applied to debt reduction**

Longueuil, Québec, February 7, 2017 — Héroux-Devtek Inc. (TSX: HRX), ("Héroux-Devtek" or the "Corporation"), a leading international manufacturer of aerospace products, today reported its results for the third quarter of fiscal 2017 ended December 31, 2016. Unless otherwise indicated, all amounts are in Canadian dollars.

"Our ability to ramp-up production and deliveries of complete landing gear systems for the Boeing 777 aircraft was a key factor in Héroux-Devtek's third-quarter sales increase. We are also very pleased to have obtained customer approval for one of the three main surface treatment processes at our Strongsville, Ohio facility which will allow us to perform this key value-added activity internally. As anticipated, certain excess costs pending the completion of the approval phase and normal costs related to the production ramp-up had a negative impact on profitability," said Gilles Labbé, President and CEO of Héroux-Devtek.

"During the quarter, Héroux-Devtek was awarded three contracts that highlight its status as one of the world's leading landing gear designers and manufacturers. These contracts on important programs such as the Embraer KC-390 multi-mission transport aircraft, the BAE Systems Hawk advanced jet trainer and the Saab Gripen E fighter are a testament of our solid relationships with leading original equipment manufacturers (OEMs) as well as our global reach," added Mr. Labbé.

However, as some OEMs have announced reductions to their production rates for certain aircraft programs, including the Boeing 777, Héroux-Devtek will have to adjust its workforce by approximately 90 employees by the end of calendar 2017 throughout its offices and plants. The Corporation expects a related non-recurring charge of approximately $4.8 million to be accounted for, mainly in the last quarter of fiscal 2017.

"In response to evolving market conditions, Héroux-Devtek is acting diligently by adjusting its workforce, while remaining in close contact with its customers to monitor the situation. We regret the consequences of this decision on affected employees and their families and we will take equitable measures to provide them with all the support they deserve," said Mr. Labbé.

FINANCIAL HIGHLIGHTS (in thousands of dollars, except per share data)	Quarters ended Dec. 31, 2016	2015	Nine months ended Dec. 31, 2016	2015
Sales	**98,489**	96,561	**285,650**	289,316
EBITDA[1]	**13,851**	15,666	**45,573**	41,877
Adjusted EBITDA[1]	**13,851**	15,666	**42,267**	43,357
Net income	**8,175**	7,010	**22,873**	17,550
Per share – diluted ($)	**0.23**	0.19	**0.63**	0.49
Adjusted net income[1]	**6,015**	7,010	**17,276**	18,559
Per share ($)	**0.17**	0.19	**0.48**	0.52
Weighted-average shares outstanding (diluted, in '000s)	**36,327**	36,168	**36,294**	36,099

[1] This is a non-IFRS measure. Please refer to the "Non-IFRS Measures" section at the end of this press release.

THIRD QUARTER RESULTS

Consolidated sales reached $98.5 million, compared with $96.6 million in the third quarter of fiscal 2016. This increase reflects higher sales to the defence aerospace markets, as detailed below, while year-over-year fluctuations in the value of the Canadian currency versus foreign currencies had a positive impact of $1.7 million on third-quarter sales.

Commercial sales were $50.7 million, versus $50.8 million last year. This stability reflects the ongoing production ramp-up related to the long-term agreement to supply The Boeing Company ("Boeing") with complete landing gear systems for the Boeing 777 and 777X aircraft, as well as favourable currency fluctuations, offset by lower customer requirements for certain business jet and large commercial aircraft programs.

Defence sales rose from $45.8 million to $47.7 million. This increase is essentially attributable to higher new and spare part requirements from civil customers, notably for the F-35 program, as well as favourable currency fluctuations, partially offset by lower engineering sales following the completion of certain development phases.

Gross profit was $15.0 million, or 15.3% of sales, versus $18.1 million, or 18.7% of sales, last year. The decrease is mainly due to a higher under-absorption of costs, including excess processing and finishing costs related to the Boeing 777 program. These costs are expected to normalize upon completion of the customer qualification and approval of Héroux-Devtek's surface treatment processes. To a lesser extent, normal learning curve costs associated with the initial production ramp-up of the Boeing 777 contract and certain costs related to completing the integration of repair and overhaul facilities in the U.K. also impacted profitability. These factors were partially offset by favourable year-over-year currency fluctuations equivalent to 2.9% of sales.

EBITDA reached $13.9 million, or 14.1% of sales, compared with $15.7 million, or 16.2% of sales, a year ago as a result of lower gross profit, partially offset by a reduction in selling and administrative expenses reflecting the year-over-year variations in the currency translation of net monetary items.

Net income reached $8.2 million, or $0.23 per diluted share, in the third quarter of fiscal 2017. Excluding non-recurring items net of taxes, adjusted net income was $6.0 million, or $0.17 per share, in the third quarter of fiscal 2017, versus $7.0 million, or $0.19 per share, in the third quarter of fiscal 2016. This year's adjusted net income excluded an after-tax amount of $2.2 million related to a non-cash gain resulting from the update of the estimated repayment schedule for certain government authorities loans, taking into account revised assumptions mainly related to sales forecasts made following reduced production rates announced by OEMs.

NINE-MONTH RESULTS

For the first nine months of fiscal 2017, consolidated sales reached $285.7 million, versus $289.3 million in the first nine months of fiscal 2016. Year-over-year fluctuations in the value of the Canadian currency versus foreign currencies increased sales by $6.8 million. Commercial sales reached $150.0 million, versus $152.2 million a year ago, while defence sales totalled $135.6 million, compared with $137.1 million last year.

Gross profit for the first nine months of fiscal 2017 amounted to $47.2 million, equivalent to 16.5% of sales, compared with $52.1 million, or 18.0% of sales, in the first nine months of fiscal 2016. Adjusted EBITDA reached $42.3 million, or 14.8% of sales, versus $43.4 million, or 15.0% of sales, a year earlier. Net income was $22.9 million, or $0.63 per diluted share, in the first nine months of fiscal 2017, compared with $17.6 million, or $0.49 per diluted share, in the first nine months of fiscal 2016. Adjusted net income stood at $17.3 million, or $0.48 per share, versus $18.6 million, or $0.52 per share, last year.

FINANCIAL POSITION

As at December 31, 2016, Héroux-Devtek's balance sheet remained healthy with cash and cash equivalents of $18.9 million, while total long-term debt was $138.7 million, including the current portion, but excluding net deferred financing costs. Long-term debt includes $56.4 million drawn against the Corporation's authorized Credit Facility of $200.0 million. As a result of a solid free cash flow generation, the net debt position was $119.9 million as at December 31, 2016, down from $130.4 million three months earlier. The net-debt-to equity ratio stood at 0.35:1 as at December 31, 2016, versus 0.39:1 three months earlier.

UPDATE ON B-777 AND B-777X CONTRACT

During the third quarter of fiscal 2017, Héroux-Devtek continued the ongoing production ramp-up of complete landing gear systems for this program. It also received customer approval for one of the three main surface treatment processes required under this contract in order to produce the most critical components internally.

Customer qualification and approval is progressing for the remainder of the surface treatment processes. Management expects this phase to be completed by the end of the first quarter of fiscal 2018. In the meantime, the Corporation continues to utilize its supply chain in order to meet the customer's delivery schedule, which is negatively impacting the expected margin of the first units delivered.

SALES GUIDANCE

Since the end of the previous quarter, aircraft OEMs have announced reduced production rates for certain programs, including the Boeing 777. As a result of these changes in assumptions related to forecasted sales, management:

- Now expects relatively stable sales in fiscal 2017, when compared to fiscal 2016;
- Forecasts a low single-digit decrease in sales for the fiscal year ending March 31, 2018, when compared to expected sales for fiscal 2017;
- Following a transition year in fiscal 2018, Héroux-Devtek expects sales to grow progressively to reach between $480 million and $520 million in fiscal 2021.

Please see "Forward-Looking Statements" below and the *Guidance* section in the Corporation's MD&A for the quarter ended December 31, 2016, for further details regarding the material assumptions underlying the foregoing guidance.

OUTLOOK

In the large commercial aircraft sector, Boeing and Airbus are proceeding with production rate adjustments ahead of introducing certain more fuel efficient aircraft variants on several leading programs through calendar 2019. Their backlogs remain strong despite a reduction in new firm orders in calendar 2016 versus the previous year. In the defence aerospace market, the new U.S. administration may bring a shift in priorities, the impact of which on defence spending is uncertain at this time. The Corporation's U.K. operations provide a more geographically diversified defence portfolio, which reduces its relative exposure to the U.S. market. The balance between new component manufacturing and aftermarket products and services in the Corporation's defence portfolio and its leading program content also promote more stability.

As at December 31, 2016, Héroux-Devtek's funded (firm orders) backlog stood at $424 million, versus $437 million three months earlier.

"For the short-term, our priority is to finalize the customer approval process for our surface treatment activities. Given the progress accomplished to this day, we expect to finalize this important phase early in the new fiscal year. We also remain focussed on ramping up production and meeting delivery schedules for the Boeing 777 contract. As for the longer term, our integrated world-class capabilities, ability to carry out large-scale mandates, operating flexibility and solid financial position will allow Héroux-Devtek to capture additional opportunities to further expand its reach in its niche market," concluded Mr. Labbé.

CONFERENCE CALL

Héroux-Devtek Inc. will hold a conference call to discuss these results on Tuesday, February 7, 2017 at 10:00 AM Eastern Time. Interested parties can join the call by dialling 1-877-223-4471 (North America) or 1-647-788-4922 (overseas). The conference call can also be accessed via live webcast at Héroux-Devtek's website, www.herouxdevtek.com/investor-relations/events or www.gowebcasting.com/8299.

If you are unable to call in at this time, you may access a tape recording of the meeting by calling 1-800-585-8367 and entering the passcode 51952253 on your phone. This tape recording will be available on Tuesday, February 7, 2017 as of 1:00 PM Eastern Time until 11:59 PM Eastern Time on Tuesday, February 14, 2017.

PROFILE

Héroux-Devtek Inc. (TSX: HRX) is an international company specializing in the design, development, manufacture and repair and overhaul of landing gear and actuation systems and components for the Aerospace market. The Corporation is the third largest landing gear company worldwide, supplying both the commercial and defence sectors of the Aerospace market with new landing gear systems and components, as well as aftermarket products and services. The Corporation also manufactures hydraulic systems, fluid filtration systems and electronic enclosures. Approximately 80% of the Corporation's sales are outside Canada, including about 55% in the United States. The Corporation's head office is located in Longueuil, Québec with facilities in the Greater Montreal area (Longueuil, Laval and St-Hubert); Kitchener, Cambridge and Toronto, Ontario; Springfield and Strongsville, Ohio; Wichita, Kansas; Everett, Washington; and Runcorn, Nottingham and Bolton, United Kingdom.

FORWARD-LOOKING STATEMENTS

Except for historical information provided herein, this press release contains information and statements of a forward-looking nature concerning the future performance of the Corporation. Forward looking statements include the guidance, forecasts and outlook provided under "Sale Guidance" and "Outlook" in this press release. These statements are based on assumptions and uncertainties as well as on management's best possible evaluation of future events. Such factors may include, without excluding other considerations, fluctuations in quarterly results, evolution in customer demand for the Corporation's products and services, the impact of price pressures exerted by competitors, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results. Please see the *Guidance* section in the Corporation's MD&A for the quarter ended December 31, 2016, for further details regarding the material assumptions underlying the forecasts and guidance under "Sales Guidance" in this press release. Such forecasts and guidance are provided for the purpose of assisting the reader in understanding the Corporation's financial performance and prospects and to present management's assessment of future plans and operations, and the reader is cautioned that such statements may not be appropriate for other purposes.

NON-IFRS MEASURES

Earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA, adjusted net income and adjusted earnings per share are financial measures not prescribed by International Financial Reporting Standards ("IFRS") and are not likely to be comparable to similar measures presented by other issuers. Management considers these to be useful information to assist investors in evaluating the Corporation's profitability, liquidity and ability to generate funds to finance its operations. Refer to Non-IFRS financial measures under Operating Results in the Corporation's MD&A for definitions of these measures and reconciliations to the most comparable IFRS measures.

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Note to readers: Complete unaudited interim condensed consolidated financial statements and Management's Discussion & Analysis are available on Héroux-Devtek's website at www.herouxdevtek.com.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Third quarter ended December 31, 2016

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CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars) (Unaudited)

As at	Notes	December 31, 2016	March 31, 2016
Assets			
Current assets			
Cash and cash equivalents		**$ 18,856**	$ 19,268
Accounts receivable		**64,546**	75,241
Income tax receivable		**1,234**	3,553
Inventories		**158,384**	146,721
Derivative financial instruments	8	**3,481**	4,938
Other current assets	9	**16,408**	13,416
		262,909	263,137
Property, plant and equipment, net	3	**193,851**	192,954
Finite-life intangible assets, net	3	**45,387**	48,745
Deposits on machinery and equipment	3	**—**	189
Derivative financial instruments	8	**435**	2,823
Deferred income tax assets		**10,286**	8,302
Goodwill		**85,779**	93,253
Total assets		**$ 598,647**	$ 609,403
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 59,064**	$ 64,279
Accounts payable - other and other liabilities		**1,863**	4,655
Provisions		**18,020**	21,003
Customer advances		**8,845**	3,855
Progress billings		**3,536**	4,755
Income tax payable		**516**	1,284
Derivative financial instruments	8	**4,567**	6,493
Current portion of long-term debt	10	**8,132**	6,334
		104,543	112,658
Long-term debt	10	**129,867**	139,950
Provisions		**6,257**	5,990
Progress billings		**—**	216
Derivative financial instruments	8	**1,479**	1,313
Deferred income tax liabilities		**5,422**	5,357
Other liabilities		**7,600**	12,805
		255,168	278,289
Shareholders' equity			
Issued capital	11	**76,928**	75,916
Contributed surplus		**3,609**	3,283
Accumulated other comprehensive income	12	**4,169**	18,788
Retained earnings		**258,773**	233,127
		343,479	331,114
Total liabilities and shareholders' equity		**$ 598,647**	$ 609,403

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 December 31,		Nine months ended December 31,	
	Notes	**2016**	2015	**2016**	2015
Sales		**$ 98,489**	$ 96,561	**$ 285,650**	$ 289,316
Cost of sales	**3, 4**	**83,452**	78,507	**238,467**	237,183
Gross profit		**15,037**	18,054	**47,183**	52,133
Selling and administrative expenses	**3, 4**	**7,343**	8,260	**23,615**	26,204
Non-recurring items	**6**	**—**	—	**(3,306)**	1,480
Operating income		**7,694**	9,794	**26,874**	24,449
Financial expenses	**5, 6**	**(1,917)**	1,363	**1,190**	3,896
Income before income tax expense		**9,611**	8,431	**25,684**	20,553
Income tax expense		**1,436**	1,421	**2,811**	3,003
Net income		**$ 8,175**	$ 7,010	**$ 22,873**	$ 17,550
Earnings per share – basic and diluted	**7**	**$ 0.23**	$ 0.19	**$ 0.63**	$ 0.49

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 December 31,		Nine months ended December 31,	
		2016	2015	**2016**	2015
	12				
Other comprehensive income (loss):					
Items that may be reclassified to net income					
Gains (losses) arising from conversion of the financial statements of foreign operations		**$ (385)**	$ 5,550	**$ (10,883)**	$ 21,044
Cash flow hedges:					
Net losses on valuation of derivative financial instruments		**(3,944)**	(9,654)	**(5,228)**	(11,711)
Net losses on derivative financial instruments transferred to net income		**1,383**	9,989	**2,383**	10,743
Deferred income taxes		**685**	(91)	**768**	258
		(1,876)	244	**(2,077)**	(710)
Losses on hedge of net investments in foreign operations		**(1,301)**	(2,079)	**(1,847)**	(5,412)
Deferred income taxes		**132**	213	**188**	504
		(1,169)	(1,866)	**(1,659)**	(4,908)
Items that are never reclassified to net income					
Defined benefit pension plans:					
Gains from remeasurement		**6,077**	1,979	**3,784**	3,354
Deferred income taxes		**(1,624)**	(529)	**(1,011)**	(896)
		4,453	1,450	**2,773**	2,458
Other comprehensive income (loss)		**$ 1,023**	$ 5,378	**$ (11,846)**	$ 17,884
Comprehensive income					
Net income		**$ 8,175**	$ 7,010	**$ 22,873**	$ 17,550
Other comprehensive income (loss)		**1,023**	5,378	**(11,846)**	17,884
Comprehensive income		**$ 9,198**	$ 12,388	**$ 11,027**	$ 35,434

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, 2016		$	**75,916**	$	**3,283**	$	**18,788**	$	**233,127**	$	**331,114**
Common shares:	11										
Issued under the stock option plan			582		(212)		—		—		370
Issued under the stock purchase and ownership incentive plan			430		—		—		—		430
Stock-based compensation expense	11		—		538		—		—		538
Net income			—		—		—		22,873		22,873
Other comprehensive income (loss)	12		—		—		(14,619)		2,773		(11,846)
Balance as at December 31, 2016		**$**	**76,928**	**$**	**3,609**	**$**	**4,169**	**$**	**258,773**	**$**	**343,479**

	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:	11										
Issued under the stock option plan			27		(22)		—		—		5
Issued under the stock purchase and ownership incentive plan			396		—		—		—		396
Stock-based compensation expense	11		—		734		—		—		734
Net income			—		—		—		17,550		17,550
Other comprehensive income	12		—		—		15,426		2,458		17,884
Balance as at December 31, 2015		**$**	**75,727**	**$**	**3,115**	**$**	**24,482**	**$**	**226,700**	**$**	**330,024**

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)

		Quarters ended December 31,		Nine months ended December 31,	
	Notes	**2016**	2015	**2016**	2015
Cash and cash equivalents provided by (used for):					
Operating activities					
Net income		**$ 8,175**	$ 7,010	**$ 22,873**	$ 17,550
Items not requiring an outlay of cash:					
Amortization expense	**4**	**6,157**	5,872	**18,699**	17,428
Deferred income taxes		**305**	(1,117)	**(1,269)**	(700)
Gain on sale of property, plant and equipment		**(247)**	(6)	**(239)**	(122)
Non-cash financial expenses	**5**	**(2,636)**	697	**(877)**	2,177
Stock-based compensation expense	**11**	**190**	229	**538**	734
Cash flows from operations		**11,944**	12,685	**39,725**	37,067
Net change in non-cash items	**13**	**3,572**	(2,311)	**(12,726)**	(31,109)
Cash flows related to operating activities		**15,516**	10,374	**26,999**	5,958
Investing activities					
Net additions to property, plant and equipment		**(5,316)**	(12,484)	**(16,512)**	(35,516)
Deposits on machinery and equipment		**—**	—	**—**	(10,119)
Increase in finite-life intangible assets		**(1,136)**	(471)	**(2,419)**	(3,986)
Proceeds on disposal of property, plant and equipment		**270**	91	**270**	292
Cash flows related to investing activities		**(6,182)**	(12,864)	**(18,661)**	(49,329)
Financing activities					
Increase in long-term debt		**10,611**	19,851	**22,306**	34,029
Repayment of long-term debt		**(17,280)**	(856)	**(31,804)**	(5,937)
Issuance of common shares	**11**	**164**	141	**800**	401
Cash flows related to financing activities		**(6,505)**	19,136	**(8,698)**	28,493
Effect of changes in exchange rates on cash and cash equivalents		**200**	484	**(52)**	1,153
Change in cash and cash equivalents during the periods		**3,029**	17,130	**(412)**	(13,725)
Cash and cash equivalents at beginning of periods		**15,827**	4,243	**19,268**	35,098
Cash and cash equivalents at end of periods		**$ 18,856**	$ 21,373	**$ 18,856**	$ 21,373
Interest and income taxes reflected in operating activities:					
Interest paid		**$ 728**	$ 672	**$ 2,083**	$ 1,745
Interest received		**$ 9**	$ 6	**$ 16**	$ 26
Income taxes paid (received)		**$ (533)**	$ (1,605)	**$ 2,378**	$ 1,991

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the quarters and nine-month periods ended December 31, 2016 and 2015

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

NOTE 1. NATURE OF ACTIVITIES AND CORPORATE INFORMATION

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

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

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

NOTE 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the quarter ended December 31, 2016 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, 2016.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of the Corporation on February 6, 2017.

NOTE 3. GOVERNMENT ASSISTANCE

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

	Quarters ended December 31,		Nine months ended December 31,	
	2016	2015	**2016**	2015
Finite-life intangible assets	**$ 17**	$ 33	**$ 113**	$ 303
Property, plant and equipment	**—**	3,178	**481**	4,079
Deposits on machinery and equipment	**—**	257	**—**	313
Cost of sales and, selling and administrative expenses	**327**	586	**2,547**	1,402

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

NOTE 4. COST OF SALES, SELLING AND ADMINISTRATIVE EXPENSES

The main components of these expenses were as follows:

	Quarters ended December 31,		Nine months ended December 31,	
	2016	2015	**2016**	2015
Raw materials and purchased parts	**$ 34,742**	$ 31,115	**$ 93,713**	$ 93,599
Employee costs	**33,130**	35,613	**101,755**	101,738
Amortization of property, plant and equipment and finite-life intangible assets	**6,157**	5,872	**18,699**	17,428
Others	**16,766**	14,167	**47,915**	50,622
	$ 90,795	$ 86,767	**$ 262,082**	$ 263,387

Foreign exchange gains or losses resulting from the conversion of net monetary items denominated in foreign currencies are included in the Corporation's selling and administrative expenses. During the quarter and nine-month period ended December 31, 2016, the foreign exchange gains amounted to $1,010 and $2,225, respectively, compared to $362 and a loss of $24 during the same respective periods last fiscal year.

NOTE 5. FINANCIAL EXPENSES

Financial expenses comprise the following:

	Quarters ended December 31,		Nine months ended December 31,	
	2016	2015	**2016**	2015
Interest accretion on governmental authorities loans	**$ 487**	$ 645	**$ 1,798**	$ 1,931
Adjustments to estimates related to governmental authorities loans	**(3,052)**	—	**(3,052)**	—
Interest on net defined benefit obligations	**81**	76	**243**	229
Amortization of deferred financing costs (note 10)	**80**	91	**239**	239
Other interest accretion expense and discount rate adjustments	**(232)**	(115)	**(105)**	(222)
Non-cash financial expenses	**(2,636)**	697	**(877)**	2,177
Interest expense	**728**	672	**2,083**	1,745
Interest income on cash and cash equivalents	**(9)**	(6)	**(16)**	(26)
	$ (1,917)	$ 1,363	**$ 1,190**	$ 3,896

As at December 31, 2016, the Corporation updated the estimated repayment schedule for certain of its government authorities loans, taking into account revised assumptions mainly related to sales forecasts. This resulted in a non-cash gain of $2,949, comprised of a reduction of interest accretion amounting to $133 for the nine-month period ended December 31, 2016, included in Interest accretion on government authorities loans, and a catch-up adjustment of $2,816, included in Adjustments to estimates related to governmental authorities loans. This gain was classified by management as a Non-recurring item (see Note 6).

NOTE 6. NON-RECURRING ITEMS

Non-recurring items comprise the following:

	Quarters ended December 31,		Nine months ended December 31,	
	2016	2015	**2016**	2015
Non-recurring items in operating income				
Gain on settlement of litigation	**$ —**	$ —	**$ (5,247)**	$ —
Legal and other professional fees	**—**	—	**1,941**	1,480
	—	—	**(3,306)**	1,480
Non-recurring item in financial expenses				
Revision of governmental authorities loans repayment estimates (see note 5)	**(2,949)**	—	**(2,949)**	—
	$ (2,949)	$ —	**$ (2,949)**	$ —

Last fiscal year, the Corporation filed an arbitration claim related to representations and warranties made to it in the context of a completed business acquisition. During the nine-month period ended December 31, 2016, the Corporation reached an agreement outside of arbitration with the counterparty resulting in a favourable $US 4,000 ($5,247) settlement. Non-recurring legal and other professional fees incurred during the nine-month period ended December 31, 2016 totaled $1,941.

Legal and other professional fees incurred during the nine-month period ended December 31, 2015 totaling $1,480 were related to the final settlement of a litigation on May 29, 2015 regarding the alleged violation of a non-compete covenant by a wholly-owned subsidiary of the Corporation.

NOTE 7. EARNINGS PER SHARE

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

	Quarters ended December 31,		Nine months ended December 31,	
	2016	2015	**2016**	2015
Weighted-average number of common shares outstanding	**36,089,346**	35,986,215	**36,056,364**	35,971,148
Effect of dilutive stock options of the Corporation	**237,494**	181,369	**237,713**	127,408
Weighted-average number of common diluted shares outstanding	**36,326,840**	36,167,584	**36,294,077**	36,098,556
Options excluded from diluted earnings per share calculation[1]	**113,000**	nil	**113,000**	495,000

[1] *Excluded due to anti-dilutive impact*

NOTE 8. DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange contracts

The Corporation had the following forward foreign exchange contracts outstanding:

As at	**December 31, 2016**	March 31, 2016
Notional amount outstanding	**US$ 166,750**	US$ 165,200
Average exchange rate	**1.3090**	1.2900

As at December 31, 2016, these contracts mature at various dates between January 2017 and March 2020, with the majority maturing this fiscal year and the next.

Interest rate swap agreements

As at December 31, 2016 the Corporation had entered into the following interest rate swap agreements to fix the interest rate on certain loans:

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

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

Equity swap agreement

On June 22, 2015, the Corporation entered into an equity swap agreement fixing 150,000 common shares of the Corporation at a price of $11.45. This agreement is a derivative that is not part of a designated hedging relationship and matures in June 2017.

NOTE 9. OTHER CURRENT ASSETS

As at	December 31, 2016	March 31, 2016
Investment and other tax credits receivable	**$ 4,862**	$ 3,423
Sales tax receivable	**2,020**	2,354
Prepaid expenses	**3,576**	3,478
Others	**5,950**	4,161
	$ 16,408	$ 13,416

NOTE 10. LONG-TERM DEBT

As at	December 31, 2016	March 31, 2016
Senior Secured Syndicated Revolving Credit Facility (“Credit Facility“)	**$ 56,393**	$ 70,745
Governmental authorities loans	**51,539**	53,774
Obligations under finance leases	**30,784**	22,721
Deferred financing costs, net	**(717)**	(956)
	137,999	146,284
Less: current portion	**8,132**	6,334
Long-term debt	**$ 129,867**	$ 139,950

Credit Facility

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

As at	December 31, 2016	March 31, 2016
Limit, in Canadian, US$, Euro or British Pound equivalent	**$ 200,000**	$ 200,000
US$ Drawings		
Amount	**US$ 42,000**	US$ 42,000
Rate	**Libor + 1.4%**	Libor + 1.4%
Effective rate	**2.2%**	1.8%
Canadian drawing		
Amount	**$ —**	$ 16,200
Rate	**BA[1] + 1.4%**	BA + 1.4%
Effective rate	**2.3%**	2.3%

[1] *BA: Banker's acceptance*

Finance leases
Obligations under finance leases bear fixed interest rates between 2.4% and 3.7% as at December 31, 2016 (2.4% and 6.5% as at March 31, 2016), maturing from July 2019 to December 2023, with amortization periods of seven years, secured by the related property, plant and equipment, net of interest of $2,987 ($2,178 as at March 31, 2016).

NOTE 11. ISSUED CAPITAL

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

	Quarter Ended December 31, 2016			Nine months ended December 31, 2016		
	Number		Issued capital	Number		Issued capital
Balance at beginning of periods	36,078,065	$	76,742	36,006,935	$	75,916
Issued for cash on exercise of stock options	8,500		42	57,750		582
Issued for cash under the stock purchase and ownership incentive plan	11,075		144	32,955		430
Balance at end of periods	36,097,640	$	76,928	36,097,640	$	76,928

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

For the quarters ended December 31, variances in stock options outstanding and related compensation expense were as follows:

	2016			2015		
	Number of stock options		**Weighted-average exercise price**	Number of stock options		Weighted-average exercise price
Balance at beginning of the quarters	**943,295**	**$**	**10.77**	890,446	$	10.00
Exercised	**(8,500)**		**2.31**	—		—
Cancelled / forfeited	**(7,500)**		**11.71**	(7,500)		11.71
Balance at end of the quarters	**927,295**	**$**	**10.84**	882,946	$	9.99
Stock-based compensation expense		**$**	**190**		$	229

For the nine-month periods ended December 31, variances in stock options outstanding and related compensation expense were as follows:

	2016			2015		
	Number of stock options		**Weighted-average exercise price**	Number of stock options		Weighted-average exercise price
Balance at beginning of periods	**879,545**	**$**	**10.02**	747,346	$	9.84
Granted	**113,000**		**15.01**	145,500		10.71
Exercised	**(57,750)**		**6.39**	(2,400)		2.02
Cancelled / forfeited	**(7,500)**		**11.71**	(7,500)		11.71
Balance at end of periods	**927,295**	**$**	**10.84**	882,946	$	9.99
Stock-based compensation expense		**$**	**538**		$	734

As at December 31, 2016, 2,808,257 common shares are reserved for issuance of stock options, of which 1,576,231 remained to be issued, compared to 1,633,981 as at March 31, 2016.

B. Stock purchase and ownership incentive plan

	Quarters ended December 31,		Nine months ended December 31,	
	2016	2015	**2016**	2015
In number of common shares				
Issued under the stock purchase and ownership incentive plan	**11,075**	12,902	**32,955**	39,203
Attributed to participating employees	**4,391**	5,187	**12,365**	15,994
Expense related to common shares attributed	**$ 65**	$ 64	**$ 181**	$ 180

As at December 31, 2016, 340,000 shares were reserved for issuance under the stock purchase and ownership incentive plan, of which 118,048 remained to be issued, compared to 151,003 as at March 31, 2016.

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 December 31,		Nine months ended December 31,	
	2016	2015	**2016**	2015
DSUs				
In number of DSUs				
Opening balance	**135,815**	124,333	**124,333**	83,158
Issued	**—**	—	**33,740**	41,175
Settled	**—**	—	**(22,258)**	—
Closing balance of DSUs outstanding	**135,815**	124,333	**135,815**	124,333
DSU expense for the period	**$ 247**	$ 155	**$ 618**	$ 610
Fair value of vested outstanding DSUs, end of period	**$ 1,862**	$ 1,411	**$ 1,862**	$ 1,411

	Quarters ended December 31,		Nine months ended December 31,	
	2016	2015	**2016**	2015
PSUs				
In number of PSUs				
Opening balance	**209,491**	153,303	**151,392**	115,879
Issued	**—**	—	**58,500**	37,424
Settled	**(88,650)**	—	**(88,650)**	—
Cancelled/Forfeited	**—**	(1,911)	**(401)**	(1,911)
Closing balance of PSUs outstanding	**120,841**	151,392	**120,841**	151,392
PSU expense for the period	**$ 318**	$ 249	**$ 500**	$ 627
Fair value of vested outstanding PSUs, end of period	**$ 1,167**	$ 1,579	**$ 1,167**	$ 1,579

NOTE 12. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in accumulated other comprehensive income were as follows:

	Exchange differences on conversion of foreign operations	Cash flow hedges	Hedge of net investments in foreign operations	Total
Balance as at September 30, 2016	$ 15,193	$ (844)	$ (6,750)	$ 7,599
Other comprehensive loss	(385)	(1,876)	(1,169)	(3,430)
Balance as at December 31, 2016	$ 14,808	$ (2,720)	$ (7,919)	$ 4,169
Balance as at March 31, 2016	$ 25,691	$ (643)	$ (6,260)	$ 18,788
Other comprehensive loss	(10,883)	(2,077)	(1,659)	(14,619)
Balance as at December 31, 2016	$ 14,808	$ (2,720)	$ (7,919)	$ 4,169

	Exchange differences on conversion of foreign operations	Cash flow hedges	Hedge of net investments in foreign operations	Total
Balance as at September 30, 2015	$ 40,715	$ (12,551)	$ (7,610)	$ 20,554
Other comprehensive income (loss)	5,550	244	(1,866)	3,928
Balance as at December 31, 2015	$ 46,265	$ (12,307)	$ (9,476)	$ 24,482
Balance as at March 31, 2015	$ 25,221	$ (11,597)	$ (4,568)	$ 9,056
Other comprehensive income (loss)	21,044	(710)	(4,908)	15,426
Balance as at December 31, 2015	$ 46,265	$ (12,307)	$ (9,476)	$ 24,482

NOTE 13. NET CHANGE IN NON-CASH ITEMS

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

	Quarters ended December 31,		Nine months ended December 31,	
	2016	2015	**2016**	2015
Accounts receivable	**$ (2,531)**	$ 5,801	**$ 10,695**	$ 10,906
Income tax receivable	**1,959**	3,332	**2,319**	815
Inventories	**(930)**	(13,503)	**(11,663)**	(22,395)
Other current assets	**6,549**	1,333	**(2,992)**	5,156
Accounts payable and accrued liabilities, accounts payable – other and other liabilities	**(1,336)**	4,589	**(9,035)**	(8,699)
Provisions	**(551)**	1,400	**(2,611)**	(6,091)
Progress billings	**(898)**	(1,565)	**(1,435)**	(2,598)
Customer advances	**1,497**	(5,725)	**4,990**	(14,760)
Income tax payable	**(298)**	732	**(768)**	679
Effect of changes in exchange rates[1]	**111**	1,295	**(2,226)**	5,878
	$ 3,572	$ (2,311)	**$ (12,726)**	$ (31,109)

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

NOTE 14. GEOGRAPHIC INFORMATION

The geographic segmentation of assets was as follows:

As at	December 31, 2016				March 31, 2016			
	Canada	**U.S.**	**U.K.**	**Total**	Canada	U.S.	U.K.	Total
Property, plant and equipment, net	**$ 105,595**	**$ 77,683**	**$ 10,573**	**$ 193,851**	$ 108,798	$ 72,661	$ 11,495	$ 192,954
Finite-life intangible assets, net	**27,982**	**3,043**	**14,362**	**45,387**	27,293	3,594	17,858	48,745
Goodwill	**13,838**	**10,091**	**61,850**	**85,779**	13,838	9,761	69,654	93,253

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

	Quarters ended December 31,		Nine months ended December 31,	
	2016	2015	**2016**	2015
Canada	**$ 18,699**	$ 19,918	**$ 58,437**	$ 61,318
United States of America	**58,703**	50,273	**159,380**	154,216
United Kingdom	**7,924**	13,225	**28,328**	33,081
Other countries	**13,163**	13,145	**39,505**	40,701
	$ 98,489	$ 96,561	**$ 285,650**	$ 289,316

NOTE 15. SUBSEQUENT EVENT

In February 2017, the Corporation announced workforce adjustments of approximately 90 employees throughout its offices and plants. This initiative, which will be completed over the current calendar year, is expected to result in an an estimated non-recurring charge of approximately $4,800, which will mainly be accounted for during the last quarter of this fiscal year.