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PRESS RELEASE
FOR IMMEDIATE RELEASE

HÉROUX-DEVTEK REPORTS FISCAL 2019 SECOND QUARTER RESULTS

Financial Highlights

- **Sales increased 6.7% to $95.7 million**
- **Operating income increased 13.9% to $5.3 million and adjusted EBITDA[1] increased 9.5% to $13.2 million**
- **Cash flows generated by operating activities stood at $11.7 million, compared with $15.7 million last year and healthy free cash flow[1] of $8.2 million, compared with $13.3 million last year**

Operational and Commercial Highlights

- **Completed the acquisitions of Beaver Aerospace & Defense Inc. ("Beaver") on July 2, 2018 and Compañia Española de Sistemas Aeronáuticos, S.A. ("CESA") subsequent to quarter-end**
- **Funded backlog grew to $479 million, up from $454 million sequentially from Q1 2019**
- **Delivered the first 777X landing gear to Boeing**

Longueuil, Québec, November 12, 2018 — Héroux-Devtek Inc. (TSX: HRX), ("Héroux-Devtek" or the "Corporation"), a leading international manufacturer of aerospace products, today reported its results for the second quarter of fiscal 2019 ended September 30, 2018. Unless otherwise indicated, all amounts are in Canadian dollars.

"The second quarter represents a key milestone in the international expansion of Heroux-Devtek. Not only did our long-standing commercial partners Boeing and Lockheed Martin award us important long-term contracts, we also closed two transformational acquisitions. Beaver and CESA will broaden our existing product offering into complementary state-of-the-art actuation and hydraulic systems and provide significant cross-selling opportunities with the world's leading aircraft manufacturers," said Gilles Labbé, President and CEO of Héroux-Devtek.

"These important developments are positioning us as leading suppliers in an industry with strong fundamentals and positive long-term growth outlook. After solid financial results in the second quarter, we are confident in our ability to deliver approximately 20% of revenue growth for fiscal 2019 and anticipate 60% revenue growth by 2022 as compared to our fiscal 2018 revenues. With strong financial flexibility, we have all the elements in place to enter our next expansion phase with renewed enthusiasm," added Mr. Labbé.

FINANCIAL HIGHLIGHTS	Quarters ended Sept. 30,		Six months ended Sept. 30,	
(in thousands of dollars, except per share data)	2018	2017	2018	2017
Sales	**95,665**	89,677	**181,435**	176,534
Operating income	**5,289**	4,644	**10,146**	10,052
Adjusted EBITDA[1]	**13,176**	12,032	**25,420**	23,972
Net income	**3,294**	3,163	**6,846**	7,190
Per share – diluted ($)	**0.09**	0.09	**0.19**	0.20
Adjusted net income[1]	**4,405**	4,057	**8,191**	8,084
Per share ($)	**0.12**	0.11	**0.22**	0.22

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

SECOND QUARTER RESULTS

Consolidated sales increased 6.7% to $95.7 million, compared with $89.7 million last year, reflecting Beaver's contribution. This reflects higher sales in both defence and commercial aerospace markets and a net positive impact on second-quarter sales of $1.7 million, resulting from year-over-year fluctuations in the value of the Canadian currency versus foreign currencies.

Commercial sales increased 11.5% to $47.0 million, compared with $42.2 million last year. This was mainly driven by increased deliveries to Boeing for the 777 and 777X programs, Beaver's sales as well as higher business jet sales, mostly related to increased deliveries for the Embraer 450/500 program.

Defence sales increased 2.4% to $48.6 million, from $47.5 million. This is essentially due to Beaver's sales and higher spares requirements from the U.S. Government. These factors were largely offset by the timing of manufacturing sales to certain civil customers and the ramp-down of repair and overhaul ("R&O") activities for the United States Air Force.

Gross profit increased to $15.5 million, or 16.2% of sales, versus $13.6 million, or 15.1% of sales, last year. The increase was mainly driven by the impact of Beaver's acquisition, higher absorption of costs related to the Boeing 777 due to higher volume and improved production efficiencies. These factors included favourable exchange rate fluctuations representing 0.4% of sales.

Operating income increased to $5.3 million, or 5.5% of sales, compared with $4.6 million, or 5.2% of sales, last year, reflecting mainly Beaver's contribution. This year and last year's operating income included acquisition-related costs of $0.9 million in connection with the acquisitions of CESA and Beaver. Adjusted EBITDA, which excludes non-recurring items, was $13.2 million, or 13.8% of sales, compared with $12.0 million, or 13.4% of sales, a year ago.

Financial expenses increased to $1.6 million, compared with $1.2 million last year. This variation mainly reflects net losses on derivative financial instruments related to CESA's acquisition, partly offset by higher interest income on cash and cash equivalents.

Net income for the second quarter of fiscal 2019 was $3.3 million, or $0.09 per diluted share, compared with $3.2 million, or $0.09 per diluted share, a year ago. Excluding non-recurring items net of taxes, adjusted net income reached $4.4 million, or $0.12 per share, versus $4.1 million, or $0.11 per share, last year.

As at September 30, 2018, Héroux-Devtek's funded (firm orders) backlog stood at $479 million, versus $454 million as at June 30, 2018. This backlog includes Beaver but does not include CESA as the transaction closed, subsequent to quarter-end, on October 1, 2018.

SIX-MONTH RESULTS

For the first six months of fiscal 2019, consolidated sales reached $181.4 million, versus $176.5 million last year. Year-over-year fluctuations in the value of the Canadian currency versus foreign currencies decreased sales by $0.7 million. Commercial sales reached $92.8 million, versus $85.5 million a year ago, while defence sales totalled $88.6 million compared with $91.0 million last year.

Gross profit for the first six months of fiscal 2019 amounted to $28.5 million, equivalent to 15.7% of sales, compared with $26.5 million, or 15.0% of sales last year. Operating income was $10.1 million, or 5.6% of sales, in line with last year. Year-over-year fluctuations in the value of the Canadian currency versus foreign currencies increased operating income by $0.9 million. Adjusted EBITDA reached $25.4 million, or 14.0% of sales, versus $24.0 million, or 13.6% of sales, a year earlier.

Net income was $6.8 million, or $0.19 per diluted share, compared with $7.2 million, or $0.20 per diluted share last year. Adjusted net income stood at $8.2 million, or $0.22 per share, versus $8.1 million, or $0.22 per share, last year.

SOLID CASH FLOWS AND HEALTHY FINANCIAL POSITION

Cash flows related to operating activities amounted to $11.7 million in the second quarter of fiscal 2019, versus $15.7 million in the second quarter of fiscal 2018. This mainly reflects a net unfavourable variation in non-cash working capital items. As a result, Héroux-Devtek generated free cash flow of $8.2 million in the second quarter of fiscal 2019, down from $13.3 million last year. For the first six months of fiscal 2019, cash flows related to operating activities were $20.1 million, compared with $18.3 million a year earlier, while free cash flow amounted to $14.5 million, versus $13.7 million last year.

In preparation of closing the CESA acquisition which occurred after the end of the quarter, on October 1, 2018, Héroux-Devtek's balance sheet reflected both an increase in cash and debt as at September 30, 2018. Therefore, cash and cash equivalents amounted to $196.7 million, while total long-term debt was $251.7 million, including the current portion, but excluding net deferred financing costs. Long-term debt includes $119.1 million drawn against the Corporation's authorized credit facility of $250.0 million. As a result, the net debt position was $55.0 million at the end of the second quarter, up from $38.8 million as at March 31, 2018, mainly reflecting the Beaver acquisition and free cash flow generated in the second quarter. The net debt to adjusted EBITDA ratio stood at 0.9x versus 0.7x six months earlier.

On a pro forma basis, as at October 1, 2018, Héroux-Devtek had $25.8 million of cash and cash equivalents, while long-term debt was $286.2 million, including the current portion, but excluding net deferred financing costs. As a result, the net debt position was $260.4 million. Please refer to the second quarter MD&A and forward looking statements at the end of this press release for further details on this pro forma calculation.

GUIDANCE REITEREATED

For fiscal 2019 management reiterates its annual guidance provided on October 1, 2018 with the closing of the CESA acquisition. For fiscal 2019 sales are expected to be in the range of $460 to $470 million with capital expenditures of approximately $20 million. Long-term sales for fiscal 2022 are expected to be in the range of $620 to $650 million.

Please see "Forward-Looking Statements" below and the Guidance section in the Corporation's MD&A for the quarter ended September 30, 2018, for further details regarding the material assumptions underlying the foregoing guidance.

CONFERENCE CALL
Héroux-Devtek Inc. will hold a conference call to discuss these results on Monday, November 12, 2018 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 http://www.gowebcasting.com/9784

An accompanying presentation will also be available on Héroux-Devtek's website, www.herouxdevtek.com/investor-relations/events.

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 3390868 on your phone. This tape recording will be available on Monday, November 12, 2018 as of 1:00 PM Eastern Time until 11:59 PM Eastern Time on Monday, November 19, 2018.

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 90% of the Corporation's sales are outside of Canada, including about 50% 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; Livonia, Michigan; Runcorn, Nottingham and Bolton, United Kingdom; and Madrid and Seville, Spain.

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 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 September 30, 2018, for further details regarding the material assumptions underlying the forecasts and guidance. 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, adjusted earnings per share and free cash flow 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.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Second quarter ended September 30, 2018

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DISCLOSURE OF NON-REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTERS ENDED SEPTEMBER 30, 2018 AND 2017.

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, 2018 and 2017 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, 2018.

CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars) (Unaudited)

As at	Notes	September 30, 2018	March 31, 2018
Assets			
Current assets			
Cash and cash equivalents	4	**$ 196,717**	$ 93,209
Accounts receivable		**55,077**	73,469
Income tax receivable		**1,382**	1,412
Inventories		**148,729**	134,327
Derivative financial instruments	11	**1,599**	1,776
Prepaid expenses and other current assets		**6,200**	6,456
		409,704	310,649
Property, plant and equipment, net	6	**175,968**	179,503
Finite-life intangible assets, net	6	**38,149**	35,856
Derivative financial instruments	11	**4,162**	3,421
Deferred income tax assets		**10,822**	7,388
Goodwill		**99,520**	91,137
Tax credits receivable and other long-term assets		**3,178**	4,208
Total assets		**$ 741,503**	$ 632,162
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 62,462**	$ 67,591
Provisions		**17,179**	16,869
Customer advances and progress billings		**11,377**	15,522
Income tax payable		**1,328**	3,023
Derivative financial instruments	11	**363**	389
Current portion of long-term debt	12	**7,842**	5,356
		100,551	108,750
Long-term debt	12	**240,586**	125,685
Provisions		**10,722**	5,921
Derivative financial instruments	11	**2,068**	2,389
Deferred income tax liabilities		**3,759**	3,767
Other liabilities		**4,044**	6,616
		361,730	253,128
Shareholders' equity			
Issued capital	13	**79,228**	78,105
Contributed surplus		**4,341**	4,227
Accumulated other comprehensive income	14	**5,433**	14,217
Retained earnings		**290,771**	282,485
		379,773	379,034
Total liabilities and shareholders' equity		**$ 741,503**	$ 632,162

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

CONSOLIDATED STATEMENTS OF INCOME

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

		Three months ended September 30,		Six months ended September 30,	
	Notes	**2018**	2017	**2018**	2017
Sales	**5**	**$ 95,665**	$ 89,677	**$ 181,435**	$ 176,534
Cost of sales	**6, 7**	**80,192**	76,118	**152,896**	150,055
Gross profit		**15,473**	13,559	**28,539**	26,479
Selling and administrative expenses	**6, 7**	**9,308**	7,969	**17,157**	15,481
Non-recurring items	**8**	**876**	946	**1,236**	946
Operating income		**5,289**	4,644	**10,146**	10,052
Net financial expenses	**9**	**1,645**	1,225	**2,645**	2,531
Income before income tax expense		**3,644**	3,419	**7,501**	7,521
Income tax expense		**350**	256	**655**	331
Net income		**$ 3,294**	$ 3,163	**$ 6,846**	$ 7,190
Earnings per share – basic and diluted	**10**	**$ 0.09**	$ 0.09	**$ 0.19**	$ 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	Three months ended September 30, 2018	Three months ended September 30, 2017	Six months ended September 30, 2018	Six months ended September 30, 2017
	14				
Other comprehensive income (loss):					
Items that may be reclassified to net income					
Losses arising from conversion of the financial statements of foreign operations		**$ (5,669)**	$ (6,197)	**$ (9,054)**	$ (8,394)
Cash flow hedges:					
Net gains on valuation of derivative financial instruments		**2,790**	5,133	**870**	9,419
Net losses on derivative financial instruments transferred to net income		**(90)**	(897)	**(243)**	(808)
Deferred income taxes		**(718)**	(1,131)	**(165)**	(2,301)
		1,982	3,105	**462**	6,310
Gains (losses) on hedge of net investments in foreign operations		**937**	2,087	**(214)**	3,439
Deferred income taxes		**(95)**	(212)	**22**	(349)
		842	1,875	**(192)**	3,090
Items that are never reclassified to net income					
Defined benefit pension plans:					
Gains (losses) from remeasurement		**599**	147	**1,965**	(1,628)
Deferred income taxes		**(160)**	(39)	**(525)**	438
		439	108	**1,440**	(1,190)
Other comprehensive loss		**$ (2,406)**	$ (1,109)	**$ (7,344)**	$ (184)
Comprehensive income					
Net income		**$ 3,294**	$ 3,163	**$ 6,846**	$ 7,190
Other comprehensive loss		**(2,406)**	(1,109)	**(7,344)**	(184)
Comprehensive income (loss)		**$ 888**	$ 2,054	**$ (498)**	$ 7,006

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, 2018		**$**	**78,105**	**$**	**4,227**	**$**	**14,217**	**$**	**282,485**	**$**	**379,034**
Common shares:	**13**										
Issued under the stock option plan			825		(326)		—		—		499
Issued under the stock purchase and ownership incentive plan			298		—		—		—		298
Stock-based compensation expense	**13**		—		440		—		—		440
Net income			—		—		—		6,846		6,846
Other comprehensive income (loss)	**14**		—		—		(8,784)		1,440		(7,344)
Balance as at September 30, 2018		**$**	**79,228**	**$**	**4,341**	**$**	**5,433**	**$**	**290,771**	**$**	**379,773**

	Notes		Issued capital		Contributed surplus		Accumulated other comprehensive income		Retained earnings		Shareholders' equity
Balance as at March 31, 2017		**$**	**77,217**	**$**	**3,735**	**$**	**6,298**	**$**	**268,618**	**$**	**355,868**
Common shares:	**13**										
Issued under the stock purchase and ownership incentive plan			293		—		—		—		293
Stock-based compensation expense	**13**		—		225		—		—		225
Net income			—		—		—		7,190		7,190
Other comprehensive income (loss)	**14**		—		—		1,006		(1,190)		(184)
Balance as at September 30, 2017		**$**	**77,510**	**$**	**3,960**	**$**	**7,304**	**$**	**274,618**	**$**	**363,392**

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	Three months ended September 30, 2018	Three months ended September 30, 2017	Six months ended September 30, 2018	Six months ended September 30, 2017
Cash and cash equivalents provided by (used for):					
Operating activities					
Net income		**$ 3,294**	$ 3,163	**$ 6,846**	$ 7,190
Items not requiring an outlay of cash:					
Amortization expense	7	**7,011**	6,442	**14,038**	12,974
Deferred income taxes		**(1,413)**	(2,004)	**(1,978)**	(2,763)
(Gains) losses on sale of property, plant and equipment		**(8)**	—	**(8)**	2
Net non-cash financial expenses	9	**4,102**	594	**4,544**	1,273
Stock-based compensation expense	13	**239**	93	**440**	225
Cash flows from operations		**13,225**	8,288	**23,882**	18,901
Net change in non-cash items	15	**(1,538)**	7,412	**(3,745)**	(633)
Cash flows related to operating activities		**11,687**	15,700	**20,137**	18,268
Investing activities					
Cash payment for business acquisition	4	**(23,671)**	—	**(23,671)**	—
Net additions to property, plant and equipment		**(3,281)**	(1,863)	**(5,354)**	(4,529)
Increase in finite-life intangible assets		**(604)**	(815)	**(1,027)**	(1,602)
Proceeds on disposal of property, plant and equipment		**7**	—	**7**	30
Cash flows related to investing activities		**(27,549)**	(2,678)	**(30,045)**	(6,101)
Financing activities					
Increase in long-term debt	4	**116,605**	1,269	**116,605**	1,269
Repayment of long-term debt		**(1,545)**	(1,139)	**(2,818)**	(2,245)
Increase in deferred financing costs		**(1,341)**	—	**(1,341)**	—
Issuance of common shares	13	**450**	149	**791**	293
Cash flows related to financing activities		**114,169**	279	**113,237**	(683)
Effect of changes in exchange rates on cash and cash equivalents		**(590)**	(771)	**179**	(1,128)
Change in cash and cash equivalents during the periods		**97,717**	12,530	**103,508**	10,356
Cash and cash equivalents at beginning of periods		**99,000**	40,282	**93,209**	42,456
Cash and cash equivalents at end of periods		**$ 196,717**	$ 52,812	**$ 196,717**	$ 52,812
Interest and income taxes reflected in operating activities:					
Interest paid		**$ 448**	$ 679	**$ 1,400**	$ 1,421
Interest received		**$ 270**	$ 48	**$ 664**	$ 163
Income taxes paid		**$ 837**	$ 1,758	**$ 3,503**	$ 3,462

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 six-month periods ended September 30, 2018 and 2017
(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 and electromechanical flight control actuators, custom ball screws and fracture-critical components.

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 September 30, 2018 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, 2018.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of the Corporation on November 9, 2018.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

The notes presented in the interim condensed consolidated financial statements for the quarter ended September 30, 2018 include only significant changes occurring during the six-month period following the last fiscal year ended March 31, 2018.

New Accounting Standards

The Company adopted the following new accounting standards effective April 1, 2018.

IFRS 9, Financial Instruments
IFRS 9, Financial Instruments (IFRS 9) which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that presents relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance.

Classification and measurement

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows including whether they represent solely payments of principal and interest (SPPI criterion). IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

Impairment of financial assets

Under IFRS 9, impairment losses for financial assets are calculated with a forward-looking expected credit loss (ECL) approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Effective April 1, 2018, the Corporation adopted IFRS 9 and this adoption did not have a significant impact on the Company's financial statements. The new classification and measurement of the Company's financial assets and liabilities did not change. These are considered as financial instruments at amortized cost and are comprised of accounts receivable, accounts payable and accrued liabilities and long-term debt. The Company's derivative financial instruments are classified and measured at FVTPL where hedge accounting is not elected or at FVTOCI with recycling into profit and loss when hedge accounting is elected.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from contracts with customers supersedes previous accounting standards for revenue, including IAS 11, Construction Contracts, and IAS 18, Revenue, and all existing IFRS revenue interpretations. IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The standard's requirements also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).

Effective April 1, 2018, the Company adopted IFRS 15 using the full retrospective method and this adoption did not have a material impact on the Company's financial statements or the timing of revenue recognition accounting policies previously disclosed in the 2018 audited annual consolidated financial statements. Consequently, the Company's revenue continues to be recognized at a point in time when performance obligations under the customers' contracts are fulfilled, generally upon delivery of goods.

Future changes in accounting policies

IFRS 16, Leases

In January 2016, the IASB released IFRS 16 - Leases. The new standard, which represents a major revision of the way in which companies account for leases, sets out the principles that both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"), apply to provide relevant information about leases in a manner that faithfully represents those transactions. To meet this objective, a lessee is required to recognize assets and liabilities arising from a lease, following a single model where previously leases were classified as either finance leases or operating leases. Most leases will be recognized on the Corporation's consolidated balance sheet. Certain exemptions will apply for short-term leases and leases of low-value assets. The Corporation anticipates the adoption of the IFRS will have an impact on the balance sheet and statement of income as all operating leases will be capitalized with a corresponding lease liability while the rent expense will be replaced by the amortization expense of the right to use the related assets and interest accretion expense from the liability recorded.

The Corporation is required to apply this standard retrospectively for its fiscal year beginning April 1, 2019. Many of the Corporation's leases are already accounted for as finance leases on the Corporation's consolidated balance sheet. Certain other operating leases will be required to be brought on balance sheet. The Corporation continues to assess the impact of adopting this standard on its consolidated financial statements.

NOTE 4. BUSINESS ACQUISITIONS

Acquisition of Beaver

On July 2, 2018, the Corporation completed the acquisition of all the shares of Beaver Aerospace & Defense Inc. and its wholly-owned subsidiary PowerTHRU Inc. ("Beaver") from Phillips Service Industries Inc. for a purchase price of US$21,476 ($28,280). This price is subject to final working capital adjustments including a US$3,500 ($4,609) balance of sale payable over the next two years which bears interests at 3%. The transaction was financed through the Corporation's cash and was treated as a business combination. This acquisition will allow the Corporation to broaden its existing aerospace and product offering into ball screws and actuation systems as well as expand its footprint in North America.

For the period between July 2, 2018 and September 30, 2018, HDI's sales and net income included US$5,581 ($7,365) and US$548 ($752), generated by Beaver, respectively. If the acquisition had closed on April 1, 2018, the sales and net income of Beaver would have amounted to $15,749 and $1,166, respectively, for the six-month period ended September 30, 2018. The sales and net income for the combined entity would have totaled $189,819 and $7,260, respectively, for the six-month period ended September 30, 2018.

The purchase price and the preliminary purchase price allocation that reflects the fair value of the assets acquired and liabilities assumed with any excess allocated to goodwill were determined using the acquisition method as follows:

Purchase Price

Cash payment	$	23,671
Balance of purchase price payable		4,609
Total purchase price	**$**	**28,280**

Purchase Price Allocation

Accounts receivable	$	6,273
Inventories		10,165
Prepaid expenses and other current assets		478
		16,916
Property, plant and equipment, net		3,429
Finite-life intangible assets, net		5,201
Deferred income tax assets		2,075
Total identifiable assets	**$**	**27,621**
Accounts payable and accrued liabilities		2,591
Provisions		5,246
Progress billings		450
Current portion of long-term debt		194
		8,481
Long-term debt		178
Provisions		3,847
Total identifiable liabilities	**$**	**12,506**
Net identifiable assets and liabilities		**15,115**
Goodwill		13,165
Total purchase price	**$**	**28,280**

This purchase price allocation is preliminary. The final purchase price allocation could result in changes to the fair value of assets acquired and liabilities assumed. The purchase price allocation is expected to be completed as soon as management has gathered all the information considered necessary in order to finalize it.

Acquisition of CESA

Subsequent to quarter end, on October 1, 2018, the Corporation completed the acquisition of all the shares of Compañia Española de Sistemas Aeronauticos S.A. ("CESA"), a subsidiary of Airbus SE, for €137,000 ($205,774) subject to final working capital adjustments. Headquartered in Madrid, Spain, CESA is a leading European provider of fluid mechanical and electromechanical systems for the aerospace industry. Its main product lines include actuation, landing gear, and hydraulic systems.

The Corporation completed the financing of the acquisition in September 2018 in preparation for the closing. The acquisition of CESA was financed as follows (refer to note 12 for further information on these new or amended debt facilities):

- A $50,000, seven-year unsecured subordinated term loan provided by the *Fonds de solidarité FTQ*;
- A US$50,000 ($65,205) drawing on the Corporation's credit facility, whose limit was increased from $200,000 to $250,000; and,
- The Corporation's available cash balance.

In addition, the Corporation assumed CESA's net outstanding debt amounting to approximately €23,000 ($34,546) upon closing.

This transaction exposes the Corporation to new foreign exchange and interest rate risks. Refer to note 11 for further information on these risks and how they are being mitigated.

In connection with these acquisitions, the Corporation incurred acquisition-related costs which are presented in note 8.

NOTE 5. REVENUE FROM CONTRACTS WITH CUSTOMERS

The disaggregation of the Corporation's revenue from contracts with customers was as follows :

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Geographic markets				
Canada	**$ 8,180**	$ 9,210	**$ 16,661**	$ 18,079
United States of America	**57,088**	53,342	**110,211**	110,108
United Kingdom	**10,331**	9,579	**19,759**	19,405
Other countries	**20,066**	17,546	**34,804**	28,942
	$ 95,665	$ 89,677	**$ 181,435**	$ 176,534
Sectors				
Commercial	**47,025**	42,159	**92,786**	85,487
Defence(1)	**48,640**	47,518	**88,649**	91,047
	$ 95,665	$ 89,677	**$ 181,435**	$ 176,534

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

NOTE 6. GOVERNMENT ASSISTANCE

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

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Finite-life intangible assets	**$ 117**	$ 77	**$ 187**	$ 226
Property, plant and equipment	**—**	138	**—**	267
Cost of sales and, selling and administrative expenses	**388**	402	**729**	1,335

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

NOTE 7. COST OF SALES, SELLING AND ADMINISTRATIVE EXPENSES

The main components of these expenses were as follows:

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Raw materials and purchased parts	**$ 33,291**	$ 34,176	**$ 60,245**	$ 61,391
Employee costs	**32,795**	29,131	**63,990**	61,188
Amortization of property, plant and equipment and finite-life intangible assets	**7,011**	6,442	**14,038**	12,974
Others	**16,403**	14,338	**31,780**	29,983
	$ 89,500	$ 84,087	**$ 170,053**	$ 165,536

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 ended September 30, 2018, the foreign exchange loss amounted to $460 ($737 in 2017) compared to a loss of $8 for the six-month period ended September 30, 2018 ($998 in 2017).

NOTE 8. NON-RECURRING ITEMS

Non-recurring items comprise the following:

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Non-recurring items in operating income				
Acquisition-related costs	**$ 876**	$ 946	**$ 1,236**	$ 946
	$ 876	$ 946	**$ 1,236**	$ 946
Non-recurring items in financial expenses				
Net losses on certain derivative financial instruments (see Note 9)	**517**	—	**391**	—
	$ 517	$ —	**$ 391**	$ —

Acquisition-related costs

These costs mainly pertain to professional fees and expenses related to the acquisitions of CESA and Beaver.

Net losses on certain derivative financial instruments

These losses relate to derivative financial instruments acquired in order to mitigate foreign currency and interest rate risks arising from the purchase price and financing related to the acquisition of CESA. See Note 11 for further details.

NOTE 9. NET FINANCIAL EXPENSES

Net financial expenses comprise the following:

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Interest accretion on governmental authorities loans	**$ 603**	$ 563	**$ 1,192**	$ 1,118
Net losses on certain derivative financial instruments[(1)]	**3,385**	—	**3,026**	—
Interest on net defined benefit obligations	**42**	34	**84**	69
Amortization of deferred financing costs (Note 12)	**56**	56	**111**	127
Other interest accretion expense and discount rate adjustments	**16**	(59)	**131**	(41)
Non-cash net financial expenses	**4,102**	594	**4,544**	1,273
Interest expense	**681**	679	**1,400**	1,421
Net gains on certain derivative financial instruments[(1)]	**(2,868)**	—	**(2,635)**	—
Interest income on cash and cash equivalents	**(270)**	(48)	**(664)**	(163)
	$ 1,645	$ 1,225	**$ 2,645**	$ 2,531

[(1)]Net losses (gains) on derivative financial instruments classified at fair value through profit or loss (refer to Notes 8 and 11).

NOTE 10. EARNINGS PER SHARE

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

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Weighted-average number of common shares outstanding	**36,301,848**	36,141,820	**36,271,312**	36,135,848
Effect of dilutive stock options of the Corporation	**191,052**	180,000	**190,104**	190,324
Weighted-average number of common diluted shares outstanding	**36,492,900**	36,321,820	**36,461,416**	36,326,172
Options excluded from diluted earnings per share calculation[(1)]	**207,500**	113,000	**207,500**	113,000

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

NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange contracts

As at September 30, 2018 Corporation had the following forward foreign exchange contracts outstanding:

As at	September 30, 2018		March 31, 2018	
	USD	**GBP**	USD	GBP
Notional amount outstanding	**US$130,900**	**£3,500**	US$110,050	—
Average exchange rate	**1.2976**	**1.8089**	1.3046	—

These contracts mature at various dates between October 2018 and March 2023, with the majority maturing this fiscal year and the next.

Interest rate swap agreements

As at September 30, 2018, the Corporation had entered into the following interest rate swap agreements to fix the interest rate on a portion of the Revolving Facility (See Note 12):

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

The fixed rates mentioned above exclude the additional bank relevant margin (see Note 12). 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.

Derivatives related to the acquisition of CESA

The acquisition of CESA (see Note 4) exposed the Corporation to new foreign currency and interest rate risks related to the purchase price and financing of the transaction. An increase in value of the Euro compared to the Canadian dollar would increase the anticipated transaction price, and an increase in interest rates underlying expected debt would increase related net financial expenses.

As at September 30, 2018, the Corporation had entered into the following cross-currency interest rate swap agreements in order to mitigate foreign exchange and interest rate risks:

	Notional	EURO equivalent	Interest rate	Inception	Maturity
US$	29,370	€ 25,000	1.86 %	October 2017	May 2022
C$	50,000	€ 34,110	3.40 %	October 2017	September 2025
US$	17,523	€ 15,000	Euribor 1 month + 1.74%	September 2018	May 2022

Equity swap agreement

As at September 30, 2018, the Corporation had entered into an equity swap agreement fixing 200,000 common shares of the Corporation at a price of $12.56. This agreement is a derivative that is not part of a designated hedging relationship and matures in June 2019.

NOTE 12. LONG-TERM DEBT

As at	**September 30, 2018**	March 31, 2018
Senior Secured Syndicated Revolving Credit Facility ("Revolving Facility")	**$ 119,095**	$ 54,155
Governmental authorities loans	**54,987**	52,540
Unsecured Subordinated Term Loan Facility	**50,000**	—
Balance of sale - Beaver acquisition (note 4)	**4,531**	—
Obligations under finance leases	**23,075**	25,269
Deferred financing costs, net	**(3,260)**	(923)
	248,428	131,041
Less: current portion	**7,842**	5,356
Long-term debt	**$ 240,586**	$ 125,685

Revolving Facility

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

As at	**September 30, 2018**	March 31, 2018
Limit, in Canadian, US$, Euro or British Pound equivalent	**$ 250,000**	$ 200,000
US$ Drawings		
Amount	**US$ 92,000**	US$ 42,000
Rate	**Libor + 1.125%**	Libor + 1.125%
Effective interest rate	**3.2%**	3.0%

On September 24, 2018, the Corporation reached an agreement with its syndicate of banks to increase the Revolving Facility's limit from $200,000 to $250,000. Most of the other terms remained unchanged. Financing costs totaling $1,613 were deferred and are amortized over the term of the related loans using the effective interest rate method.

Unsecured Subordinated Term Loan Facility

On September 24, 2018, the Corporation signed an unsecured subordinated term loan facility with *Fonds de Solidarité FTQ* for an amount of up to $75,000. The facility consists of a $50,000 term loan related to the acquisition of CESA (see Note 4) and additional financing available until September 30, 2020, of up to $25,000 subject to certain conditions. The initial $50,000 loan was drawn on September 25, 2018, bears interest at 5.6% and is repayable at maturity on September 30, 2025. Starting on September 30, 2021, the Corporation will be allowed to make early repayments subject to certain fees. Financing costs totaling $835 were deferred and are amortized over the term of the related loans using the effective interest rate method.

Finance leases
Obligations under finance leases bear fixed interest rates between 2.4% and 5.0% as at September 30, 2018 (2.4% and 3.7% as at March 31, 2018), 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 $1,565 ($1,928 as at March 31, 2018).

NOTE 13. ISSUED CAPITAL

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

	Quarter ended September 30, 2018			Six months ended September 30, 2018		
	Number		**Issued capital**	**Number**		**Issued capital**
Balance at beginning of periods	36,291,283	$	78,652	36,218,572	$	78,105
Issued for cash on exercise of stock options	28,500		429	90,200		825
Issued for cash under the stock purchase and ownership incentive plan	10,258		147	21,269		298
Balance at end of periods	36,330,041	$	79,228	36,330,041	$	79,228

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

	2018			2017		
	Number of stock options		**Weighted-average exercise price**	Number of stock options		Weighted-average exercise price
Balance at beginning of periods	**1,244,595**	**$**	**13.20**	914,295	$	10.88
Granted	**6,500**		**15.77**	—		—
Exercised	**(28,500)**		**10.64**	—		—
Balance at end of periods	**1,222,595**	**$**	**13.28**	914,295	$	10.88
Stock-based compensation expense		**$**	**239**		$	93

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

	2018			2017		
	Number of stock options		**Weighted-average exercise price**	Number of stock options		Weighted-average exercise price
Balance at beginning of periods	**1,105,295**	**$**	**12.09**	914,295	$	10.88
Granted	**207,500**		**16.21**	—		—
Exercised	**(90,200)**		**5.47**	—		—
Balance at end of periods	**1,222,595**	**$**	**13.28**	914,295	$	10.88
Stock-based compensation expense		**$**	**440**		$	225

During the quarter ended September 30, 2018, following the approval by the shareholders of the Corporation at the last Annual General Meeting of shareholders, the aggregate number of shares available for future issuance under the stock option plan was replenished due to the limited number of common shares remaining under this plan. The number of common shares reserved for issuance represents 2,808,257 of which 2,779,757 shares had not been issued yet at September 30, 2018 (1,514,481 as at March 31, 2018).

B. Stock purchase and ownership incentive plan

	Quarters ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
In number of common shares				
Issued under the stock purchase and ownership incentive plan	**10,258**	12,210	**21,269**	25,105
Attributed to participating employees	**4,235**	4,762	**8,518**	9,829
Expense related to common shares attributed	**$ 63**	$ 64	**$ 123**	$ 129

As at September 30, 2018, 340,000 shares were reserved for issuance under the stock purchase and ownership incentive plan, of which 37,597 remained to be issued, compared to 58,866 as at March 31, 2018.

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,	
	2018	2017	**2018**	2017
DSUs				
In number of DSUs				
Opening balance	**136,170**	135,815	**136,170**	135,815
Issued	**34,393**	—	**34,393**	—
Closing balance of DSUs outstanding	**170,563**	135,815	**170,563**	135,815
DSU expense for the periods	**$ 375**	$ 107	**$ 458**	$ 509
Fair value of vested outstanding DSUs, end of periods	**$ 2,640**	$ 2,421	**$ 2,640**	$ 2,421

	Quarters ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
PSUs				
In number of PSUs				
Opening balance	**262,698**	114,434	**187,948**	114,434
Issued	**—**	—	**75,350**	—
Cancelled/Forfeited	**(2,056)**	—	**(2,656)**	—
Closing balance of PSUs outstanding	**260,642**	114,434	**260,642**	114,434
PSU expense for the periods	**$ 421**	$ (57)	**$ 683**	$ (294)
Fair value of vested outstanding PSUs, end of periods	**$ 1,525**	$ 709	**$ 1,525**	$ 709

NOTE 14. 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 June 30, 2018	$ 16,731	$ (1,496)	$ (6,957)	$ 8,278
Other comprehensive income (loss)	(5,669)	1,982	842	(2,845)
Balance as at September 30, 2018	$ 11,062	$ 486	$ (6,115)	$ 5,433
Balance as at March 31, 2018	$ 20,116	$ 24	$ (5,923)	$ 14,217
Other comprehensive income (loss)	(9,054)	462	(192)	(8,784)
Balance as at September 30, 2018	$ 11,062	$ 486	$ (6,115)	$ 5,433

	Exchange differences on translation of foreign operations	Cash flow hedges	Hedge of net investments in foreign operations	Total
Balance as at June 30, 2017	$ 12,059	$ 2,684	$ (6,222)	$ 8,521
Other comprehensive income (loss)	(6,197)	3,105	1,875	(1,217)
Balance as at September 30, 2017	$ 5,862	$ 5,789	$ (4,347)	$ 7,304
Balance as at March 31, 2017	$ 14,256	$ (521)	$ (7,437)	$ 6,298
Other comprehensive income (loss)	(8,394)	6,310	3,090	1,006
Balance as at September 30, 2017	$ 5,862	$ 5,789	$ (4,347)	$ 7,304

NOTE 15. NET CHANGE IN NON-CASH ITEMS

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

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Accounts receivable	**$ 5,935**	$ 2,043	**$ 24,663**	$ 10,846
Income tax receivable	**461**	148	**30**	(391)
Inventories	**(597)**	5,945	**(4,237)**	(1,652)
Other current and long-term assets	**1,794**	2,700	**662**	20
Accounts payable and accrued liabilities	**(1,802)**	(1,724)	**(12,414)**	(4,373)
Provisions	**(1,141)**	(978)	**(4,113)**	(3,125)
Customer advances and progress billings	**(4,584)**	679	**(4,613)**	632
Income tax payable	**(285)**	343	**(1,696)**	(65)
Effect of changes in exchange rates[1]	**(1,319)**	(1,744)	**(2,027)**	(2,525)
	$ (1,538)	$ 7,412	**$ (3,745)**	$ (633)

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