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PRESS RELEASE
FOR IMMEDIATE RELEASE

HÉROUX-DEVTEK REPORTS FISCAL 2018 THIRD QUARTER RESULTS

- **Sales of $97.0 million, versus $98.5 million in the previous year**
- **Operating income of $6.6 million and net income of $0.6 million, or $0.02 per share**
- **Adjusted EBITDA[1] of $13.6 million and adjusted net income[1] of $5.7 million, or $0.16 per share**
- **Cash flows related to operating activities of $19.3 million, up from $15.5 million last year**
- **Significant increase in free cash flow[1] to $17.1 million, versus $9.7 million last year**

Longueuil, Québec, February 7, 2018 — 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 2018 ended December 31, 2017. Unless otherwise indicated, all amounts are in Canadian dollars.

"During the third quarter, we continued to generate solid free cash flow, a trend which has enabled us to reduce our net debt position significantly since the beginning of the fiscal year. On a year-to-date basis, free cash flow stood at over $30 million versus $10 million for the same period last year. In addition, our backlog remained solid at $475 million, up from $405 million at March 31, 2017," said Gilles Labbé, President and CEO of Héroux-Devtek.

"As we enter our strongest quarter of the year, we are maintaining our annual guidance of a low single-digit sales decrease and stable adjusted EBITDA margin, as compared to last year. We are excited about our future, given the game-changing acquisition of CESA, many new opportunities, the positive long-term growth outlook on commercial aerospace and increased defence spending commitments worldwide," added Mr. Labbé.

FINANCIAL HIGHLIGHTS	**Quarters ended Dec. 31,**		**Nine months ended Dec. 31,**	
(in thousands of dollars, except per share data)	**2017**	**2016**	**2017**	**2016**
Sales	**97,006**	98,489	**273,540**	285,650
Operating income	**6,629**	7,694	**16,681**	26,874
Adjusted EBITDA[1]	**13,563**	13,851	**37,535**	42,267
Net income	**626**	8,175	**7,816**	22,873
Per share – diluted ($)	**0.02**	0.23	**0.22**	0.63
Adjusted net income[1]	**5,690**	6,015	**13,774**	17,276
Per share ($)	**0.16**	0.17	**0.38**	0.48

[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 $97.0 million, compared with $98.5 million last year. This 1.5% variation reflects lower sales in the defence aerospace market and a net negative impact on third-quarter sales of $1.5 million resulting from year-over-year fluctuations in the value of the Canadian currency versus foreign currencies. These factors were partially offset by an increase in sales in the commercial aerospace market.

Commercial sales increased 2.7% to $52.1 million, compared with $50.7 million last year. The increase was mainly driven by the increased deliveries to Boeing for the 777 program and higher engineering sales. These factors were partially offset by the scheduled ending of a Tier-2 contract and lower aftermarket sales in support of the Saab 340 program.

Defence sales decreased 6.0% to $44.9 million from $47.7 million. This variation is essentially due to decreased sales to civil customers resulting from lower spare parts sales, as well as lower repair and overhaul ("R&O") sales on the P-3 program. These factors were partially offset by higher manufacturing sales from a catch-up in deliveries to civil customers and higher R&O sales to European customers as a result of better throughput.

Gross profit increased to $15.8 million, or 16.3% of sales, versus $15.0 million, or 15.3% of sales, last year. The increase was largely attributable to favourable exchange rate fluctuations mostly related to the U.S. dollar, representing 1.5% of sales, partially offset by higher under-absorption of manufacturing costs due to excess capacity and processing and finishing costs related to the Boeing 777 program. These processing and finishing costs are expected to normalize upon completion of the customer qualification and approval of Héroux-Devtek's surface treatment processes.

Operating income stood at $6.6 million, or 6.8% of sales, compared with $7.7 million, or 7.8% of sales, last year. This year's operating income included acquisition-related costs of $0.6 million in connection with the agreement to acquire CESA. Adjusted EBITDA, which excludes non-recurring items, was $13.6 million, or 14.0% of sales, compared with $13.9 million, or 14.1% of sales, a year ago.

Financial expenses stood at $0.4 million, compared with financial income of $1.9 million last year. The $2.3 million increase in financial expenses was mainly driven by a $2.9 million non-cash gain recorded last year following the revision of governmental authorities loans repayment schedules, partially offset by net gains of $0.6 million during the current quarter related to certain derivative financial instruments.

Income tax expense stood at $5.6 million for the third quarter of fiscal 2018, compared with $1.4 million last year. This significant increase is mainly driven by a one-time tax expense of $4.9 million associated to the devaluation of the Corporation's net deferred tax assets in relation to the recent US tax reform.

Net income for the third quarter of fiscal 2018 was $0.6 million, or $0.02 per diluted share, compared with $8.2 million, or $0.23 per diluted share, a year ago. Excluding non-recurring items net of taxes, adjusted net income reached $5.7 million, or $0.16 per share, versus $6.0 million, or $0.17 per share, last year.

As at December 31, 2017, Héroux-Devtek's funded (firm orders) backlog stood at $475 million, versus $405 million as at March 31, 2017. This increase mainly reflects the confirmation of additional orders as part of the Boeing 777 and 777X contract.

NINE-MONTH RESULTS

For the first nine months of fiscal 2018, consolidated sales reached $273.5 million, versus $285.7 million in the first nine months of fiscal 2017. Year-over-year fluctuations in the value of the Canadian currency versus foreign currencies decreased sales by $1.0 million. Commercial sales reached $137.6 million versus $150.0 million a year ago, while defence sales totalled $136.0 million compared with $135.6 million last year.

Gross profit for the first nine months of fiscal 2018 amounted to $42.3 million, equivalent to 15.5% of sales, compared with $47.2 million, or 16.5% of sales, in the first nine months of fiscal 2017. Operating income was $16.7 million, or 6.1% of sales, versus $26.9 million, or 9.4% of sales, a year ago. Year-over-year fluctuations in the value of the Canadian currency versus foreign currencies decreased operating income by $1.4 million. Adjusted EBITDA reached $37.5 million, or 13.7% of sales, versus $42.3 million, or 14.8% of sales, a year earlier.

Net income was $7.8 million, or $0.22 per diluted share, in the first nine months of fiscal 2018, compared with $22.9 million, or $0.63 per diluted share, in the first nine months of fiscal 2017. Adjusted net income stood at $13.8 million, or $0.38 per share, versus $17.3 million, or $0.48 per share, last year.

SOLID CASH FLOWS AND HEALTHY FINANCIAL POSITION

Cash flows related to operating activities amounted to $19.3 million in the third quarter of fiscal 2018, versus $15.5 million in the third quarter of fiscal 2017. This improvement mainly reflects a net favourable variation in non-cash working capital items. As a result, Héroux-Devtek generated a solid free cash flow of $17.1 million in the third quarter of fiscal 2018, up significantly from $9.7 million last year. For the first nine months of fiscal 2018, cash flows related to operating activities were $37.6 million, compared with $27.0 million a year earlier, while free cash flow amounted to $30.8 million, versus $10.2 million last year.

Given this free cash flow generation, Héroux-Devtek's financial position remained healthy as at December 31, 2017, with cash and cash equivalents of $70.6 million, while total long-term debt was $131.4 million, including the current portion, but excluding net deferred financing costs. Long-term debt includes $52.7 million drawn against the Corporation's authorized credit facility of $200.0 million. As a result, the net debt position was $60.8 million at the end of the third quarter, down from $92.3 million as at March 31, 2017. The net-debt-to equity ratio was 0.17:1 as at December 31, 2017, versus 0.26:1 as at March 31, 2017.

UPDATE ON FALCON 5X PROGRAM FROM DASSAULT

Dassault Aviation ("Dassault") announced, on December 13, 2017, the cancellation process of the Silvercrest contract leading to the termination of the Falcon 5X business jet program and announced the launch of a new Falcon program with an entry into service in 2022. The Corporation is in discussions with Dassault and expects to supply this new aircraft within the framework of the existing Falcon 5X contract.

GUIDANCE

For fiscal 2018 management reiterates its annual guidance of a low single-digit decrease for sales and stable adjusted EBITDA as compared to last year, while it decreased its capital expenditure guidance from approximately $20 million to $15 million due to lower expected investments related to a customer contract.

Please see "Forward-Looking Statements" below and the Guidance section in the Corporation's MD&A for the quarter ended December 31, 2017, 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 Wednesday, February 7, 2018 at 8:30 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/9115.

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 7297916 on your phone. This tape recording will be available on Wednesday, February 7, 2018 as of 11:30 AM Eastern Time until 11:59 PM Eastern Time on Wednesday, February 14, 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 Canada, including about 65% 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 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, 2017, 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

Third quarter ended December 31, 2017

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DISCLOSURE OF NON-REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED DECEMBER 31, 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 quarter ended December 31, 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.

February 6, 2018.

CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars) (Unaudited)

As at	Notes	December 31, 2017	March 31, 2017
Assets			
Current assets			
Cash and cash equivalents		**$ 70,642**	$ 42,456
Accounts receivable		**54,165**	71,135
Income tax receivable		**1,460**	1,228
Inventories		**141,847**	143,866
Derivative financial instruments	9	**6,467**	3,509
Other current assets	10	**11,081**	10,473
		285,662	272,667
Property, plant and equipment, net	4	**177,845**	192,847
Finite-life intangible assets, net	4	**39,012**	45,467
Derivative financial instruments	9	**2,618**	292
Deferred income tax assets		**7,121**	9,964
Goodwill		**86,599**	86,049
Total assets		**$ 598,857**	$ 607,286
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 55,763**	$ 63,391
Accounts payable - other and other liabilities		**1,965**	2,556
Provisions		**16,788**	20,170
Customer advances		**3,276**	6,442
Progress billings		**3,352**	1,924
Income tax payable		**1,279**	1,106
Derivative financial instruments	9	**125**	2,055
Current portion of long-term debt	11	**7,464**	6,792
		90,012	104,436
Long-term debt	11	**122,975**	127,347
Provisions		**6,074**	6,398
Derivative financial instruments	9	**2,088**	508
Deferred income tax liabilities		**5,380**	5,942
Other liabilities		**9,407**	6,787
		235,936	251,418
Shareholders' equity			
Issued capital	12	**77,835**	77,217
Contributed surplus		**3,987**	3,735
Accumulated other comprehensive income	13	**6,490**	6,298
Retained earnings		**274,609**	268,618
		362,921	355,868
Total liabilities and shareholders' equity		**$ 598,857**	$ 607,286

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	**2017**	2016	**2017**	2016
Sales		**$ 97,006**	$ 98,489	**$ 273,540**	$ 285,650
Cost of sales	**4, 5**	**81,167**	83,452	**231,222**	238,467
Gross profit		**15,839**	15,037	**42,318**	47,183
Selling and administrative expenses	**4, 5**	**8,601**	7,343	**24,082**	23,615
Non-recurring items	**7**	**609**	—	**1,555**	(3,306)
Operating income		**6,629**	7,694	**16,681**	26,874
Financial expenses	**6**	**395**	(1,917)	**2,926**	1,190
Income before income tax expense		**6,234**	9,611	**13,755**	25,684
Income tax expense	**7**	**5,608**	1,436	**5,939**	2,811
Net income		**$ 626**	$ 8,175	**$ 7,816**	$ 22,873
Earnings per share – basic and diluted	**8**	**$ 0.02**	$ 0.23	**$ 0.22**	$ 0.63

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, 2017	Quarters ended December 31, 2016	Nine months ended December 31, 2017	Nine months ended December 31, 2016
	13				
Other comprehensive income (loss):					
Items that may be reclassified to net income					
Gains (losses) arising from conversion of the financial statements of foreign operations		**$ 2,722**	$ (385)	**$ (5,672)**	$ (10,883)
Cash flow hedges:					
Net gains (losses) on valuation of derivative financial instruments		**(2,678)**	(3,944)	**6,741**	(5,228)
Net losses (gains) on derivative financial instruments transferred to net income		**(1,810)**	1,383	**(2,618)**	2,383
Deferred income taxes		**1,198**	685	**(1,103)**	768
		(3,290)	(1,876)	**3,020**	(2,077)
Gains (losses) on hedge of net investments in foreign operations		**(273)**	(1,301)	**3,166**	(1,847)
Deferred income taxes		**27**	132	**(322)**	188
		(246)	(1,169)	**2,844**	(1,659)
Items that are never reclassified to net income					
Defined benefit pension plans:					
Gains (losses) from remeasurement		**(863)**	6,077	**(2,491)**	3,784
Deferred income taxes		**228**	(1,624)	**666**	(1,011)
		(635)	4,453	**(1,825)**	2,773
Other comprehensive income (loss)		**$ (1,449)**	$ 1,023	**$ (1,633)**	$ (11,846)
Comprehensive income					
Net income		**$ 626**	$ 8,175	**$ 7,816**	$ 22,873
Other comprehensive income (loss)		**(1,449)**	1,023	**(1,633)**	(11,846)
Comprehensive income		**$ (823)**	$ 9,198	**$ 6,183**	$ 11,027

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, 2017		**$ 77,217**	**$ 3,735**	**$ 6,298**	**$ 268,618**	**$ 355,868**
Common shares:	**12**					
Issued under the stock option plan		183	(51)	—	—	132
Issued under the stock purchase and ownership incentive plan		435	—	—	—	435
Stock-based compensation expense	**12**	—	303	—	—	303
Net income		—	—	—	7,816	7,816
Other comprehensive income (loss)	**13**	—	—	192	(1,825)	(1,633)
Balance as at December 31, 2017		**$ 77,835**	**$ 3,987**	**$ 6,490**	**$ 274,609**	**$ 362,921**

	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:	**12**					
Issued under the stock option plan		582	(212)	—	—	370
Issued under the stock purchase and ownership incentive plan		430	—	—	—	430
Stock-based compensation expense	**12**	—	538	—	—	538
Net income		—	—	—	22,873	22,873
Other comprehensive income (loss)	**13**	—	—	(14,619)	2,773	(11,846)
Balance as at December 31, 2016		**$ 76,928**	**$ 3,609**	**$ 4,169**	**$ 258,773**	**$ 343,479**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars) (Unaudited)

	Notes	Quarters ended December 31, 2017	Quarters ended December 31, 2016	Nine months ended December 31, 2017	Nine months ended December 31, 2016
Cash and cash equivalents provided by (used for):					
Operating activities					
Net income		**$ 626**	$ 8,175	**$ 7,816**	$ 22,873
Items not requiring an outlay of cash:					
Amortization expense	5	**6,325**	6,157	**19,299**	18,699
Deferred income taxes	7	**4,390**	305	**1,627**	(1,269)
Losses (gains) on sale of property, plant and equipment		**(1)**	(247)	**1**	(239)
Non-cash financial expenses	6	**344**	(2,636)	**1,617**	(877)
Stock-based compensation expense	12	**78**	190	**303**	538
Cash flows from operations		**11,762**	11,944	**30,663**	39,725
Net change in non-cash items	14	**7,571**	3,572	**6,938**	(12,726)
Cash flows related to operating activities		**19,333**	15,516	**37,601**	26,999
Investing activities					
Net additions to property, plant and equipment		**(1,657)**	(5,316)	**(6,186)**	(16,512)
Increase in finite-life intangible assets		**(436)**	(1,136)	**(2,038)**	(2,419)
Proceeds on disposal of property, plant and equipment		**77**	270	**107**	270
Cash flows related to investing activities		**(2,016)**	(6,182)	**(8,117)**	(18,661)
Financing activities					
Increase in long-term debt		**949**	10,611	**2,218**	22,306
Repayment of long-term debt		**(1,125)**	(17,280)	**(3,370)**	(31,804)
Issuance of common shares	12	**274**	164	**567**	800
Cash flows related to financing activities		**98**	(6,505)	**(585)**	(8,698)
Effect of changes in exchange rates on cash and cash equivalents		**415**	200	**(713)**	(52)
Change in cash and cash equivalents during the periods		**17,830**	3,029	**28,186**	(412)
Cash and cash equivalents at beginning of periods		**52,812**	15,827	**42,456**	19,268
Cash and cash equivalents at end of periods		**$ 70,642**	$ 18,856	**$ 70,642**	$ 18,856
Interest and income taxes reflected in operating activities:					
Interest paid		**$ 656**	$ 728	**$ 2,077**	$ 2,083
Interest received		**$ 160**	$ 9	**$ 323**	$ 16
Income taxes paid		**$ 786**	$ (533)	**$ 4,248**	$ 2,378

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, 2017 and 2016
(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, 2017 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, 2017.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of the Corporation on February 6, 2018.

NOTE 3. AGREEMENT TO ACQUIRE CESA

On October 2, 2017, the Corporation announced an agreement to acquire Compañia Española de Sistemas Aeronauticos S.A. ("CESA"), a subsidiary of Airbus SE (the "Transaction"), for €140,000 ($205,000).

Headquartered in Madrid, Spain, CESA is a leading European provider of fluid mechanical and electromechanical systems for the aerospace industry with annual sales of approximately €94,000 ($136,000). Its main product lines include landing gear, actuation and hydraulic systems.

Closing of the Transaction is expected to occur around the end of the Corporation's 2018 fiscal year and is subject to certain approvals, including authorization by the Spanish Council of Ministers and the prior acquisition by Airbus of the stake of its minority partner in CESA.

NOTE 4. 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,	
	2017	2016	**2017**	2016
Finite-life intangible assets	**$ 18**	$ 17	**$ 244**	$ 113
Property, plant and equipment	**—**	—	**267**	481
Cost of sales and, selling and administrative expenses	**211**	327	**1,546**	2,547

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

NOTE 5. 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,	
	2017	2016	**2017**	2016
Raw materials and purchased parts	**$ 35,360**	$ 34,742	**$ 96,751**	$ 93,713
Employee costs	**31,571**	33,130	**92,759**	101,755
Amortization of property, plant and equipment and finite-life intangible assets	**6,325**	6,157	**19,299**	18,699
Others	**16,512**	16,766	**46,495**	47,915
	$ 89,768	$ 90,795	**$ 255,304**	$ 262,082

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 December 31, 2017, the foreign exchange loss amounted to $619 (gain of $1,010 in 2016) and $1,617 for the nine-month period ended December 31, 2017 (gain of $2,225 in 2016) .

NOTE 6. FINANCIAL EXPENSES

Financial expenses comprise the following:

	Quarters ended December 31,		Nine months ended December 31,	
	2017	2016	**2017**	2016
Interest accretion on governmental authorities loans	**$ 537**	$ 487	**$ 1,655**	$ 1,798
Net gains on certain derivative financial instruments[1]	**(163)**	—	**(163)**	—
Adjustments to estimates related to governmental authorities loans	**—**	(3,052)	**—**	(3,052)
Interest on net defined benefit obligations	**35**	81	**104**	243
Amortization of deferred financing costs (note 11)	**55**	80	**182**	239
Other interest accretion expense and discount rate adjustments	**(120)**	(232)	**(161)**	(105)
Non-cash financial expenses	**344**	(2,636)	**1,617**	(877)
Interest expense	**657**	728	**2,078**	2,083
Net gains on certain derivative financial instruments[1]	**(446)**	—	**(446)**	0
Interest income on cash and cash equivalents	**(160)**	(9)	**(323)**	(16)
	$ 395	$ (1,917)	**$ 2,926**	$ 1,190

[1]Net gains on derivative financial instruments classified at fair value through profit or loss (refer to Notes 7 and 9).

Last fiscal year, 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 is classified as a Non-recurring item (see Note 7).

NOTE 7. NON-RECURRING ITEMS

Non-recurring items comprise the following:

	Quarters ended December 31,		Nine months ended December 31,	
	2017	2016	**2017**	2016
Non-recurring items in operating income				
Acquisition-related costs	**$ 609**	$ —	**$ 1,555**	$ —
Gain on settlement of litigation	**—**	—	**—**	(5,247)
Legal fees	**—**	—	**—**	1,941
	$ 609	—	**$ 1,555**	$ (3,306)
Non-recurring items in financial expenses				
Net gains on certain derivative financial instruments (see Note 6)	**(609)**	—	**(609)**	—
Revision of governmental authorities loans repayment estimates (see note 6)	**—**	(2,949)	**—**	(2,949)
	$ (609)	(2,949)	**$ (609)**	$ (2,949)
Non-recurring item in income tax expense				
Impact of US Tax Reform	**4,912**	—	**4,912**	—
	$ 4,912	$ —	**$ 4,912**	$ —

Acquisition-related costs
During the quarter and nine-month periods ended December 31, 2017, the Corporation's incurred acquisition-related costs of $609 and $1,555, respectively. These costs mainly pertain to professional fees and expenses in connection with the agreement to acquire CESA.

Gain on settlement of a litigation, legal and other professional fees
In January 2016, the Corporation filed an arbitration claim related to representations and warranties made to it in the context of a completed business acquisition. During the second quarter ended September 30, 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 amounted to $1,941.

Net gains on certain derivative financial instruments
These gains relate to derivative financial instruments acquired in order to mitigate foreign currency and interest rate risks arising from the purchase price and financing of the agreement to acquire CESA. See Note 9 for further details.

Impact of US Tax Reform
On December 22, 2017, the United States Government passed into law the Tax Cuts and Jobs Act (the "US Tax Reform"). The US Tax Reform includes a number of changes in existing tax law impacting businesses including, among other things, a permanent reduction in the corporate income tax rate from 35% to 21% effective January 1, 2018. The reduction in the corporate tax rate required a revaluation of the Corporation net deferred tax assets, resulting in a one-time tax expense of $4,912 during the quarter ended December 31, 2017.

NOTE 8. 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,	
	2017	2016	**2017**	2016
Weighted-average number of common shares outstanding	**36,156,670**	36,089,346	**36,142,814**	36,056,364
Effect of dilutive stock options of the Corporation	**220,237**	237,494	**204,694**	237,713
Weighted-average number of common diluted shares outstanding	**36,376,907**	36,326,840	**36,347,508**	36,294,077
Options excluded from diluted earnings per share calculation[(1)]	**113,000**	113,000	**113,000**	113,000

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

NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange contracts

The Corporation had the following forward foreign exchange contracts outstanding:

As at	December 31, 2017		March 31, 2017	
Notional amount outstanding	**US$**	**107,200**	US$	152,350
Average exchange rate		**1.3187**		1.3178

As at December 31, 2017, these contracts mature at various dates between January 2018 and March 2021, with the majority maturing this fiscal year and the next.

Interest rate swap agreements

As at December 31, 2017 the Corporation had entered into the following interest rate swap agreements to fix the interest rate on a portion of the Credit Facility (See Note 11):

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 11). 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 agreement to acquire CESA

The agreement to acquire CESA exposes the Corporation to new foreign currency and interest rate risks related to the purchase price and financing. 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 financial expenses.

In order to mitigate these risks, the Corporation acquired €85,000 (approximately $123,800) of foreign exchange collars which were settled in the quarter ended December 31, 2017 (see Note 7). As at December 31, 2017, the Corporation had also entered into the following cross-currency interest rate swap agreements in order to manage foreign exchange and interest rate risks:

Notional		Fixed EUR equivalent	Euro fixed rate	Inception	Maturity
US$	29,370	€25,000	1.65%	October 2017	May 2022
C$	50,000	€34,110	2.38%	October 2017	March 2025

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 2018.

NOTE 10. OTHER CURRENT ASSETS

As at	December 31, 2017		March 31, 2017	
Investment and other tax credits receivable	**$**	**3,372**	$	4,479
Sales tax receivable		**1,500**		1,028
Prepaid expenses		**1,881**		3,917
Others		**4,328**		1,049
	$	**11,081**	$	10,473

NOTE 11. LONG-TERM DEBT

As at	December 31, 2017	March 31, 2017
Senior Secured Syndicated Revolving Credit Facility ("Credit Facility")	**$ 52,689**	$ 55,856
Governmental authorities loans	**52,203**	49,133
Obligations under finance leases	**26,526**	29,787
Deferred financing costs, net	**(979)**	(637)
	130,439	134,139
Less: current portion	**7,464**	6,792
Long-term debt	**$ 122,975**	$ 127,347

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

As at	December 31, 2017	March 31, 2017
Limit, in Canadian, US$, Euro or British Pound equivalent	**$ 200,000**	$ 200,000
US$ Drawings		
Amount	**US$ 42,000**	US$ 42,000
Rate	**Libor + 1.1%**	Libor +1.4%
Effective rate	**2.7%**	2.4%

In May 2017, the Corporation reached an agreement with its syndicate of banks to extend the term of the Credit Facility through May 2022. The authorized amount remains $200,000 and most other key terms remain unchanged, though the amount of the accordion feature, which is subject to lenders approval, has increased from $75,000 to $100,000. Financing costs totaling $524 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 3.7% as at December 31, 2017 (same as at March 31, 2017), 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 $2,125 ($2,766 as at March 31, 2017).

NOTE 12. ISSUED CAPITAL

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

	Quarter Ended December 31, 2017		Nine months ended December 31, 2017	
	Number	**Issued capital**	**Number**	**Issued capital**
Balance at beginning of periods	36,147,155	$ 77,510	36,122,050	$ 77,217
Issued for cash on exercise of stock options	11,250	183	11,250	183
Issued for cash under the stock purchase and ownership incentive plan	11,352	142	36,457	435
Balance at end of periods	36,169,757	$ 77,835	36,169,757	$ 77,835

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:

	2017		2016	
	Number of stock options	**Weighted-average exercise price**	Number of stock options	Weighted-average exercise price
Balance at beginning of periods	**914,295**	**$ 10.88**	943,295	$ 10.77
Exercised	**(11,250)**	**11.71**	(8,500)	2.31
Cancelled / forfeited	**(3,750)**	**11.71**	(7,500)	11.71
Balance at end of periods	**899,295**	**$ 10.87**	927,295	$ 10.84
Stock-based compensation expense		**$ 78**		$ 190

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

	2017		2016	
	Number of stock options	**Weighted-average exercise price**	Number of stock options	Weighted-average exercise price
Balance at beginning of periods	**914,295**	**$ 10.88**	879,545	$ 10.02
Granted	**—**	**—**	113,000	15.01
Exercised	**(11,250)**	**11.71**	(57,750)	6.39
Cancelled / forfeited	**(3,750)**	**11.71**	(7,500)	11.71
Balance at end of periods	**899,295**	**$ 10.87**	927,295	$ 10.84
Stock-based compensation expense		**$ 303**		$ 538

As at December 31, 2017, 2,808,257 common shares are reserved for issuance of stock options, of which 1,551,981 remained to be issued, compared to 1,563,231 as at March 31, 2017.

B. Stock purchase and ownership incentive plan

	Quarters ended December 31,		**Nine months ended December 31,**	
	2017	2016	**2017**	2016
In number of common shares				
Issued under the stock purchase and ownership incentive plan	**11,352**	11,075	**36,457**	32,955
Attributed to participating employees	**4,555**	4,391	**14,384**	12,365
Expense related to common shares attributed	**$ 66**	$ 65	**$ 195**	$ 181

As at December 31, 2017, 340,000 shares were reserved for issuance under the stock purchase and ownership incentive plan, of which 70,181 remained to be issued, compared to 106,638 as at March 31, 2017.

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,	
	2017	2016	**2017**	2016
DSUs				
In number of DSUs				
Opening balance	**135,815**	135,815	**135,815**	124,333
Issued	**—**	—	**—**	33,740
Settled	**(32,233)**	—	**(32,233)**	(22,258)
Closing balance of DSUs outstanding	**103,582**	135,815	**103,582**	135,815
DSU expense for the period	**$ 342**	$ 247	**$ 851**	$ 618
Fair value of vested outstanding DSUs, end of period	**$ 1,903**	$ 1,862	**$ 1,903**	$ 1,862

	Quarters ended December 31,		Nine months ended December 31,	
	2017	2016	**2017**	2016
PSUs				
In number of PSUs				
Opening balance	**114,434**	209,491	**114,434**	151,392
Issued	**—**	—	**—**	58,500
Settled	**(23,334)**	(88,650)	**(23,334)**	(88,650)
Cancelled/Forfeited	**(1,843)**	—	**(1,843)**	(401)
Closing balance of PSUs outstanding	**89,257**	120,841	**89,257**	120,841
PSU expense for the period	**$ 560**	$ 318	**$ 266**	$ 500
Fair value of vested outstanding PSUs, end of period	**$ 945**	$ 1,167	**$ 945**	$ 1,167

NOTE 13. 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, 2017	$ 5,862	$ 5,789	$ (4,347)	$ 7,304
Other comprehensive income (loss)	2,722	(3,290)	(246)	(814)
Balance as at December 31, 2017	$ 8,584	$ 2,499	$ (4,593)	$ 6,490
Balance as at March 31, 2017	$ 14,256	$ (521)	$ (7,437)	$ 6,298
Other comprehensive income (loss)	(5,672)	3,020	2,844	192
Balance as at December 31, 2017	$ 8,584	$ 2,499	$ (4,593)	$ 6,490

	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

NOTE 14. 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,	
	2017	2016	**2017**	2016
Accounts receivable	**$ 6,124**	$ (2,531)	**$ 16,970**	$ 10,695
Income tax receivable	**159**	1,959	**(232)**	2,319
Inventories	**3,671**	(930)	**2,019**	(11,663)
Other current assets	**(1,306)**	6,549	**(1,286)**	(2,992)
Accounts payable and accrued liabilities, accounts payable – other and other liabilities	**927**	(1,336)	**(3,446)**	(9,035)
Provisions	**(419)**	(551)	**(3,544)**	(2,611)
Progress billings	**180**	(898)	**1,349**	(1,435)
Customer advances	**(2,628)**	1,497	**(3,165)**	4,990
Income tax payable	**237**	(298)	**172**	(768)
Effect of changes in exchange rates[(1)]	**626**	111	**(1,899)**	(2,226)
	$ 7,571	$ 3,572	**$ 6,938**	$ (12,726)

(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 15. GEOGRAPHIC INFORMATION

The geographic segmentation of assets was as follows:

As at				December 31, 2017				March 31, 2017
	Canada	**U.S.**	**U.K.**	**Total**	Canada	U.S.	U.K.	Total
Property, plant and equipment, net	**$ 97,052**	**$ 69,619**	**$ 11,174**	**$ 177,845**	$ 104,201	$ 77,111	$ 11,535	$ 192,847
Finite-life intangible assets, net	**24,013**	**2,123**	**12,876**	**39,012**	28,536	3,010	13,921	45,467
Goodwill	**13,838**	**9,429**	**63,332**	**86,599**	13,838	9,995	62,216	86,049

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

		Quarters ended December 31,		Nine months ended December 31,
	2017	2016	**2017**	2016
Canada	**$ 9,231**	$ 18,699	**$ 27,310**	$ 58,437
United States of America	**64,420**	58,703	**174,528**	159,380
United Kingdom	**11,423**	7,924	**30,828**	28,328
Other countries	**11,932**	13,163	**40,874**	39,505
	$ 97,006	$ 98,489	**$ 273,540**	$ 285,650