MANAGEMENT'S DISCUSSION AND ANALYSIS

First quarter ended June 30, 2016

TABLE OF CONTENTS

OVERVIEW

The purpose of this management discussion and analysis (''MD&A'') is to provide the reader with an overview of how the financial position of Héroux-Devtek Inc. and its subsidiaries (''Héroux-Devtek'', the ''Corporation'' or "Management") evolved between March 31, 2016 and June 30, 2016. It also compares the operating results and cash flows for the quarter ended June 30, 2016 to those of the same period of the prior fiscal year.

This MD&A is based on the unaudited interim condensed consolidated financial statements for the quarter ended June 30, 2016, and should be read in conjunction with them as well as with the audited consolidated financial statements and MD&A for the fiscal year ended March 31, 2016, all of which are available on the Corporation's website at www.herouxdevtek.com. All amounts in this MD&A are in thousands of Canadian dollars unless otherwise indicated.

IFRS and non-IFRS financial measures

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

Materiality for disclosures

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

FORWARD-LOOKING STATEMENTS

In the interest of providing shareholders and potential investors with information regarding Héroux-Devtek, including Management's assessment of future plans and operations, certain statements in this MD&A (including those presented in the Outlook section) are forward-looking statements subject to risks, uncertainties and other important factors that could cause the Corporation's actual performance to differ materially from those expressed in or implied by such statements.

Such factors include, but are not limited to: the impact of worldwide general economic conditions; industry conditions including changes in laws and regulations; increased competition; the lack of availability of qualified personnel or management; availability of commodities and fluctuations in commodity prices; financial and operational performance of suppliers and customers; foreign exchange or interest rate fluctuations; and the impact of accounting policies issued by international standard setters. For further details, please see the *Risk Management* section of the Corporation's MD&A for the fiscal year ended March 31, 2016. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive, and undue reliance should not be placed on forward-looking statements.

Although management believes in the expectations conveyed by the forward-looking statements and although they are based on information available to it on the date such statements were made, there can be no assurance that such expectations will prove to be correct. All subsequent forward-looking statements, whether written or orally attributable to the Corporation or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

FOREIGN EXCHANGE ("FX")

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

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

	June 30, 2016	March 31, 2016
USD (Canadian equivalent of US$1.0)	**1.2917**	1.2987
GBP (Canadian equivalent of £1.0)	**1.7197**	1.8654

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

	Three months ended June 30,	
	2016	2015
USD (Canadian equivalent of US$1.0)	**1.2886**	1.2294
GBP (Canadian equivalent of £1.0)	**1.8487**	1.8843

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

HIGHLIGHTS

		Three months ended June 30,		
		2016		2015
Sales	**$**	**95,590**	$	98,237
Operating income		**7,596**		5,971
Adjusted operating income(1)		**8,001**		7,451
Adjusted EBITDA(1)		**14,321**		13,084
Net income		**5,179**		4,510
Adjusted net income(1)		**5,584**		5,519
In dollars per share				
EPS - basic and diluted	**$**	**0.14**	$	0.13
Adjusted EPS(1)		**0.15**		0.15
In thousands of shares				
Weighted average number of common diluted shares outstanding		**36,284**		36,069
In millions of dollars, as at		**June 30, 2016**		March 31, 2016
Funded backlog		**438**		460

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

Key Events

- On July 12, 2016, after the end of the quarter, the Corporation delivered the first Boeing 777 landing gear to The Boeing Company ("Boeing") at Boeing's airplane assembly plant in Everett, Washington. Héroux-Devtek remains on schedule to meet production requirements associated to deliveries scheduled in its agreement with Boeing.
- On May 25, 2016, the Corporation announced that it had received an award from Lockheed Martin recognizing the exceptional quality and on-time delivery of Héroux-Devtek's products for the F-35 program from the Laval facility. Héroux-Devtek also extended its current agreement with Lockheed Martin for the production of the F-35 door uplock systems.
- This quarter, the Corporation recorded sales of $95,590 and an adjusted EBITDA margin of 15.0%, compared to $98,237 and 13.3% respectively for the same period last fiscal year.

OPERATING RESULTS

	Three months ended June 30,		
	2016	2015	*Variance*
Sales	**$ 95,590**	$ 98,237	*$ (2,647)*
Gross profit	**16,105**	16,558	*(453)*
Selling and administrative expenses	**8,104**	9,107	*(1,003)*
Adjusted operating income[1]	**8,001**	7,451	*550*
Non-recurring charges	**405**	1,480	*(1,075)*
Operating income	**7,596**	5,971	*1,625*
Financial expenses	**1,606**	1,032	*574*
Income tax expense	**811**	429	*382*
Net income	**$ 5,179**	$ 4,510	*$ 669*
Adjusted net income[1]	**$ 5,584**	$ 5,519	*$ 65*
As a percentage of sales			
Gross profit	**16.8%**	16.9%	*-10 bps*
Selling and Administrative expenses	**8.5%**	9.3%	*-80 bps*
Operating income	**7.9%**	6.1%	*180 bps*
Adjusted operating income[1]	**8.4%**	7.6%	*80 bps*
In dollars per share			
EPS - basic and diluted	**$ 0.14**	$ 0.13	*$ 0.01*
Adjusted EPS[1]	**$ 0.15**	$ 0.15	*$ —*

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

Sales

Sales can be broken down by sector as follows:

	Three months ended June 30,				
	2016	2015	FX impact	Net variance	
Commercial	**$ 50,591**	$ 51,471	$ 2,621	$ (3,501)	(6.8)%
Defence[1]	**44,999**	46,766	2,331	(4,098)	(8.8)%
Total	**$ 95,590**	$ 98,237	$ 4,952	$ (7,599)	(7.7)%

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

Commercial

The $3.5 million net decrease in commercial sales for the three-month period was mainly driven by:

- Lower aftermarket sales in support of the Saab 340 program due mainly to higher-than-normal volume last year; and,
- Lower customer requirements for certain business jet and large commercial programs.

These negative factors were partly offset by the ramp-up of certain proprietary design programs, namely the Embraer Legacy 450/500 and Airbus Helicopters EC-175, as well as greater content and a higher production rate for the Boeing 787 program.

Defence

The $4.1 million net decrease in defence sales for the three-month period was mainly driven by:

- Lower spare parts requirements and certain delayed deliveries with the U.S. government;
- Lower repair and overhaul ("R&O") sales on the P-3 program; and,
- Lower engineering sales following the completion of certain development phases.

These negative factors were partially offset by higher R&O sales to the U.S. Air Force and certain European customers.

Gross Profit

The decrease in gross profit margin from 16.9% to 16.8% this quarter compared to the same quarter last fiscal year was mainly driven by a less favourable sales mix and higher under-absorption, partly offset by favourable U.S. dollar exchange rate fluctuations, representing 1.1% of sales.

Selling and Administrative Expenses

When excluding gains and losses on translation of net monetary items, selling and administrative expenses represented 9.2% of sales for the quarter, compared to 8.7% for the same period last fiscal year. This increase as a percentage of sales is mainly related to the decrease in sales this quarter versus the same period last fiscal year without an associated decrease in fixed costs as well as higher employee-related costs.

Non-recurring charges

	Three months ended June 30,	
	2016	2015
Legal fees associated with litigations	**$ 405**	$ 1,480
	$ 405	$ 1,480

The Corporation has filed an arbitration claim related to representations and warranties made to it during a completed business acquisition. Associated non-recurring legal fees incurred during the three-month period ended June 30, 2016 totaled $0.4 million.

Non-recurring charges incurred during the three-month period ended June 30, 2015 were comprised of legal fees totaling $1.5 million, or $1.0 million net of taxes, related to the final settlement of a litigation on May 29, 2015 regarding the alleged violation of a non-compete covenant by a wholly-owned subsidiary of the Corporation.

Operating Income

The increase in operating income from 6.1% to 7.9% of sales (increase from 7.6% to 8.4% excluding non-recurring charges) for the three-month period compared to the same period last fiscal year was mainly the result of the factors described above.

Financial Expenses

The $0.6 million increase during the three-month period compared to the same period last fiscal year was mainly driven by:

- an unfavourable discount rate adjustment related to a provision for asset retirement this quarter, compared to a favourable one during the same period last fiscal year; and,
- higher interest expense related to the higher average balances outstanding under finance leases and the Credit Facility.

Income Tax Expense

	Three months ended June 30,	
	2016	2015
Income before income tax expense	**$ 5,990**	$ 4,939
Income tax expense	**811**	429
Effective tax rate	**13.5%**	8.7%
Canadian blended statutory income tax rate	**26.7%**	26.7%

The Corporation's effective income tax rate mainly reflects, for each of the three-month periods ended June 30, the favourable impact of earnings in lower tax rate jurisdictions ($1.0 million), partially offset by permanent differences ($0.1 million).

Net Income

Net income increased from $4.5 million to $5.2 million (or from $5.5 million to $5.6 million excluding non-recurring charges net of taxes) during the three-month period compared to the same period last fiscal year mainly as a result of the factors described above.

NON-IFRS FINANCIAL MEASURES

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

Adjusted operating income:	Operating income excluding non-recurring charges.
EBITDA:	Earnings before financial expenses, income tax expense and amortization expense.
Adjusted EBITDA:	EBITDA as defined above excluding non-recurring charges.
Adjusted net income:	Net income excluding non-recurring charges net of taxes.
Adjusted earnings per share:	Diluted earnings per share calculated on the basis of adjusted net income.
Free cash flow:	Cash flows related to operating activities, less additions to property, plant and equipment and net increase in finite‑life intangible assets.

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

The following are reconciliations of these items to their most comparable IFRS measures, excluding free cash flow. For the reconciliation of free cash flow to cash flows from operating activities, refer to *Liquidity and Capital Resources*.

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

	Three months ended June 30,	
	2016	2015
Operating income	**$ 7,596**	$ 5,971
Non-recurring charges	**405**	1,480
Adjusted operating income	**$ 8,001**	$ 7,451

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

	Three months ended June 30,	
	2016	2015
Net income	**$ 5,179**	$ 4,510
Income tax expense	**811**	429
Financial expenses	**1,606**	1,032
Amortization expense	**6,320**	5,633
EBITDA	**$ 13,916**	$ 11,604
Non-recurring charges	**405**	1,480
Adjusted EBITDA	**$ 14,321**	$ 13,084

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

	Three months ended June 30,			
		2016		2015
Net income	**$**	**5,179**	$	4,510
Non-recurring charges, net of taxes		**405**		1,009
Adjusted net income	**$**	**5,584**	$	5,519
In dollars per share				
Earnings per share - basic and diluted	**$**	**0.14**	$	0.13
Non-recurring charges, net of taxes		**0.01**		0.02
Adjusted earnings per share	**$**	**0.15**	$	0.15

LIQUIDITY AND CAPITAL RESOURCES

CREDIT FACILITY AND CASH AND CASH EQUIVALENTS

The Corporation has in place a Senior Secured Syndicated Revolving Credit Facility ("Credit Facility") with a syndicate of five Canadian banks and their U.S. affiliates or branches and a Canadian branch of a U.S. bank. This Credit Facility allows the Corporation and its subsidiaries to borrow up to $200.0 million, either in Canadian dollars, US dollars, British Pounds, Euro or equivalent currencies and will mature in March 2019. It also includes an accordion feature to increase the Credit Facility by an additional $75.0 million during the term of this agreement, subject to the approval of the lenders.

As at June 30, 2016, the Corporation had $60.3 million drawn against the Credit Facility, compared to $70.7 million as at March 31, 2016, following a repayment of $10.2 million during the first quarter. Considering the Corporation's cash and cash equivalents position, its available Credit Facility and level of expected capital investments and results, the Corporation's management does not expect any significant liquidity risk in the foreseeable future.

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

		June 30, 2016		March 31, 2016
Long-term debt, including current portion[(1)]	**$**	**137,776**	$	147,240
Less: Cash and cash equivalents		**7,666**		19,268
Net debt position	**$**	**130,110**	$	127,972

[(1)] *Excluding net deferred financing costs of $0.9 million as at June 30, 2016 and $1.0 million as at March 31, 2016.*

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

VARIATIONS IN CASH AND CASH EQUIVALENTS

	Three months ended June 30,			
		2016		2015
Cash and cash equivalents at beginning of periods	**$**	**19,268**	$	35,098
Cash flows related to operating activities		**5,235**		(7,707)
Cash flows related to investing activities		**(6,904)**		(23,793)
Cash flows related to financing activities		**(9,586)**		11,232
Effect of changes in exchange rates on cash and cash equivalents		**(347)**		(26)
Cash and cash equivalents at end of periods	**$**	**7,666**	$	14,804

Operating Activities

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

	Three months ended June 30,	
	2016	2015
Cash flows from operations	**$ 11,726**	$ 11,443
Net change in non-cash items	**(6,491)**	(19,150)
Cash flows related to operating activities	**$ 5,235**	$ (7,707)

The net change in non-cash items can be summarized as follows:

	Three months ended June 30,	
	2016	2015
Accounts receivable	**$ 15,993**	$ 3,457
Inventories	**(7,230)**	(3,184)
Other current assets	**(3,249)**	2,932
Accounts payable and accrued liabilities, accounts payable-other and other liabilities (referred to as “accounts payable”)	**(5,612)**	(9,167)
Income taxes payable and receivable	**(9)**	(1,997)
Customer advances	**(1,601)**	(3,589)
Provisions	**(393)**	(7,904)
Progress billings	**(1,852)**	213
Effect of changes in exchange rates	**(2,538)**	89
	$ (6,491)	$ (19,150)

For the three-month period ended June 30, 2016, the negative net change in non-cash items mainly reflects:

- An increase in inventories mainly related to the Boeing 777 program; and,
- The seasonal decrease in accounts payable following the higher level of activity during the fourth quarter of fiscal 2016.

These factors were partially offset by the seasonal decrease in accounts receivable following the higher level of activity during the fourth quarter of fiscal 2016.

For the three-month period ended June 30, 2015, the negative net change in non-cash items mainly reflected:

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

These factors were partially offset by the seasonal decrease in accounts receivable following the higher level of activity during the fourth quarter of fiscal 2015.

Investing Activities

The Corporation’s investing activities were as follows:

	Three months ended June 30,	
	2016	2015
Net additions to property, plant and equipment	**$ (6,648)**	$ (15,886)
Deposits on machinery and equipment	**—**	(6,517)
Net increase in finite-life intangible assets	**(256)**	(1,390)
Cash flows related to investing activities	**$ (6,904)**	$ (23,793)

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

	Three months ended June 30,	
	2016	2015
Gross additions to property, plant and equipment	**$ 5,732**	$ 17,899
Government assistance	**(227)**	—
Net additions to property, plant and equipment	**$ 5,505**	$ 17,899
Variation in unpaid additions included in Accounts payable - other and other liabilities	**1,332**	3,985
Deposits reclassified to property, plant and equipment upon completion [1]	**(189)**	(5,998)
Net additions, as per statements of cash flows	**$ 6,648**	$ 15,886

[1] *Includes machinery financed under finance leases for which deposits had been made.*

Net additions to property, plant and equipment stood at $5.5 million for the three-month period ($17.9 million for the comparative period) and were essentially related to the Boeing 777 and 777X contract.

Financing Activities

The Corporation's financing activities were as follows:

	Three months ended June 30,	
	2016	2015
Increase in long-term debt	**$ 1,305**	$ 13,650
Repayment of long-term debt	**(11,139)**	(2,534)
Issuance of common shares	**248**	116
Cash flows related to financing activities	**$ (9,586)**	$ 11,232

The cash outflows from decreases in long-term debt over the three-month period mainly relate to a $10.2 million repayment of the Credit Facility during the first quarter of this year.

As at June 30, 2016, the Corporation was in compliance with all of its restrictive debt covenants and expects to continue to comply with these restrictive financial covenants through the current fiscal year.

FREE CASH FLOW[1]

	Three months ended June 30,	
	2016	2015
Cash flows related to operating activities	**$ 5,235**	$ (7,707)
Net additions to property, plant and equipment	**(5,505)**	(17,899)
Net increase in finite-life intangible assets	**(256)**	(1,390)
Free cash flow	**$ (526)**	$ (26,996)

[1] *Non-IFRS financial measure. Refer to the* Non-IFRS financial measures *section under* Operating Results *for the definition of this metric.*

The $26,470 increase in free cash flow over the three-month period mainly relates to increased cash flows from operating activities and decreased net additions to property, plant and equipment, as described previously.

FINANCIAL POSITION

ISSUED CAPITAL

Capital stock varied as follows:

	Three months ended June 30, 2016	
	Number of shares	Issued capital
Opening balance	36,006,935	$ 75,916
Issued for cash on exercise of stock options	27,500	199
Issued for cash under the stock purchase and ownership incentive plan	11,130	143
Ending balance	36,045,565	$ 76,258

As at August 3, 2016, the number of common shares outstanding stood at 36,049,087.

Stock options varied as follows:

	Three months ended June 30, 2016	
	Number of stock options	Weighted-average exercise price
Opening balance	879,545	$ 10.02
Granted	109,000	15.01
Exercised	(27,500)	3.80
Ending balance	961,045	$ 10.76

As at June 30, 2016, 1,606,481 common shares remained reserved for issuance upon exercise of stock options compared to 1,633,981 at March 31, 2016 and 139,873 common shares remained reserved for issuance under the stock purchase and ownership incentive plan compared to 151,003 at March 31, 2016.

As at August 3, 2016, the number of stock options outstanding stood at 882,946.

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

CONSOLIDATED BALANCE SHEETS

Working capital

As at	**June 30, 2016**	March 31, 2016	*Variance*	
Current assets	**$ 246,297**	$ 263,137	*$ (16,840)*	*(6.4)%*
Current liabilities	**101,846**	112,658	*(10,812)*	*(9.6)%*
Net working capital	**$ 144,451**	$ 150,479	*$ (6,028)*	*(4.0)%*
Working capital ratio	**2.42**	2.34		

The $16.8 million decrease in current assets is mainly the result of decreases in cash and cash equivalents ($11.6 million) and accounts receivable ($16.0 million), partially offset by an increase in inventory ($7.2 million), as detailed in the *Liquidity and Capital Resources section*.

Long-term assets, Long-term liabilities and Shareholders' Equity

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

	June 30, 2016	March 31, 2016	Variance	
Long-term assets	**$ 338,069**	$ 346,266	*$ (8,197)*	*(2.4)%*
Long-term liabilities	**$ 155,859**	$ 165,631	*$ (9,772)*	*(5.9)%*
Shareholders' equity	**$ 326,661**	$ 331,114	*$ (4,453)*	*(1.3)%*
Net debt-to-equity ratio(1)	**0.40:1**	0.39:1		

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

The $8.2 million decrease in long-term assets is mainly explained by the sharp decrease in the value of the British pound at the end of the current quarter.

The $9.8 million decrease in long-term liabilities is mainly explained by a $10.2 million repayment of the Credit Facility during the first quarter.

The decrease in Shareholders' equity is mainly explained by Comprehensive loss of $(4.9) million, essentially comprised of net income of $5.2 million and the unfavourable effect of foreign exchange fluctuations of $(9.7) million included in Other comprehensive income. The unfavourable effect of foreign exchange is largely related to the sharp decrease in value of the British pound at the end of the current quarter. For further details, see the Statement of comprehensive income in the interim condensed consolidated financial statements for the quarter ended June 30, 2016.

ADDITIONAL INFORMATION

DERIVATIVES

Forward foreign exchange contracts

The Corporation had the following forward foreign exchange contracts outstanding, as at:

	June 30, 2016	March 31, 2016
Notional amount outstanding	**US$ 195,000**	US$ 165,200
Average exchange rate	**1.3003**	1.2900

As at June 30, 2016, these contracts mature at various dates between July 2016 and March 2020, with the majority maturing this and next fiscal year.

Interest rate swap agreements

As at June 30, 2016 the Corporation had entered into the following interest rate swap agreements:

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

The interest-rate swap rates mentioned above exclude the additional bank relevant margin (see Note 10, *Long-term debt*, to the interim condensed consolidated financial statements). The cash flows related to the interest-rate-swaps are expected to occur in the same periods as they are expected to affect net income.

Equity swap agreement

As at June 30, 2016 the Corporation had entered into an equity swap agreement fixing 150,000 common shares of the Corporation at a price of $11.45. This agreement is a derivative that is not part of a designated hedging relationship and matures in June 2017.

INTERNAL CONTROLS AND PROCEDURES

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

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

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

No changes were made to the Corporation's internal controls over financial reporting during the three-month period ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

RISKS AND UNCERTAINTIES

Héroux-Devtek operates in industry segments that have a variety of risk factors and uncertainties. Risk and uncertainties that could materially affect the Corporation's business, financial condition and results of operations in an adverse manner are described in the Corporation's MD&A for the fiscal year ended March 31, 2016. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently believes to be immaterial may also adversely affect its business.

There was no significant change to these risks and uncertainties during the three months ended June 30, 2016, other than those described elsewhere in this MD&A.

SELECTED QUARTERLY FINANCIAL INFORMATION

Fiscal year	2017				2016			2015
	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter
Sales	**$ 95,590**	$117,496	$ 96,561	$ 94,518	$ 98,237	$106,054	$ 88,368	$ 84,086
Operating income (loss)	**7,596**	13,334	9,794	8,684	5,971	(2,490)	(1,815)	4,974
Adjusted operating income (1)	**8,001**	13,334	9,794	8,684	7,451	10,730	6,711	5,737
EBITDA (1)	**13,916**	20,713	15,666	14,607	11,604	2,679	3,018	9,215
Adjusted EBITDA (1)	**14,321**	20,713	15,666	14,607	13,084	15,899	11,544	9,978
Net Income (loss)	**5,179**	9,091	7,010	6,030	4,510	(1,640)	(1,909)	3,273
Adjusted Net Income (1)	**5,584**	9,091	7,010	6,030	5,519	7,456	4,361	3,839
In dollars per share								
Earnings (loss) per share - Basic & Diluted	**$ 0.14**	$ 0.25	$ 0.19	$ 0.17	$ 0.13	$ (0.05)	$ (0.05)	$ 0.09
Adjusted earnings per share (1)	**0.15**	0.25	0.19	0.17	0.15	0.21	0.12	0.11
In millions of shares								
Weighted-average number of common diluted shares outstanding	**36.3**	36.2	36.2	36.1	36.0	36.1	36.0	36.0

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

Seasonal trends

Héroux-Devtek's second quarter is usually slower than the others due to seasonality such as plant shuttowns and summer vacations, whereas the fourth quarter is usually the strongest.

ECONOMIC OUTLOOK [(1)]

Conditions remain mostly favourable in the commercial aerospace market. The International Air Transport Association's ("IATA") most recent forecast calls for robust growth of 6.2% in the passenger market for calendar 2016, while air cargo volume is expected to rise 1.9% in calendar 2016 [(2)].

In the large commercial aircraft segment, Boeing and Airbus are proceeding with production rate adjustments ahead of introducing certain more fuel efficient aircraft variants on several leading programs through calendar 2019. Despite slightly lower firm order intakes, their backlogs remain strong, representing approximately eight and ten years of production at current rates, respectively [(3)].

In the business jet sector, industry deliveries decreased slightly in the first three months of calendar 2016. Certain signs suggest relatively stable market conditions in the short term, such as modest growth in U.S. business aircraft movements and year-over-year stability in the proportion of the business aircraft fleet for sale. The current and future ramp-up of business jet models for which Héroux-Devtek has designed the landing gear should be favourable for the Corporation in this market [(4)].

In the defence aerospace market, the Bipartisan Budget Act of 2015 provides additional funding through the U.S. Government's 2017 fiscal year, but uncertainty remains beyond that period given the need to address the deficit. The Corporation's UK operations provide Héroux-Devtek with a more geographically diversified defence portfolio, which reduces its relative exposure to the U.S. market. The balance between new component manufacturing and aftermarket products and services in the Corporation's defence portfolio and its leading program content also promote more stability.

GUIDANCE[(1)]

The following table summarizes guidance provided by management for fiscal year 2017 in the MD&A for the fiscal year ended March 31, 2016:

Metric	Guidance
Fiscal 2017 sales growth	Low single-digit growth, to approximately $420 million
Long-term sales growth	$500 million of sales for fiscal 2019
Fiscal 2017 additions to property, plant and equipment	Approximately $20 million
Fiscal 2017 free cash flow[(5)]	Positive free cash flow

As at June 30, 2016, management maintains this guidance for fiscal year 2017.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was approved by the Audit Committee and Board of Directors of the Corporation on August 3, 2016. Additional information about the Corporation, including the Annual Report and Annual Information Form, can be found on SEDAR at www.sedar.com or on the Corporation's website at www.herouxdevtek.com .

[(1)] *Refer to* Forward-Looking Statements *in* Overview *for further information regarding forward-looking statements and related risks.*
[(2)] *Source: Economic Performance of the Airline Industry, IATA, June 2016.*
[(3)] *Sources: Airbus press releases February 24, 2016; October 30, 2015 : February 27, 2015. Boeing press releases January 21, 2016; October 2, 2014*
[(4)] *Sources: General Aviation Manufacturers Association, Federal Aviation Administration, Amstat.*
[(5)] *Non-IFRS financial measure. Refer to the* Non-IFRS financial measures *section under* Operating Results *for definitions and reconciliations to the most comparable IFRS measures.*