PRESS RELEASE
FOR IMMEDIATE RELEASE

HÉROUX-DEVTEK REPORTS SOLID FISCAL 2020 SECOND QUARTER FINANCIAL RESULTS

Q2 Financial Highlights

- Sales of $145.5 million, up 52.1% from $ 95.7 million last year, with 14.3% coming from organic growth
- Operating income of $10.5 million, up 98.9% from $5.3 million last year
- Adjusted EBITDA[1] of $21.5 million, up 63.3% from $13.2 million last year
- Adjusted EBITDA margin of 14.8%, up from 13.8% last year

Q2 Operational and Commercial Highlights

- Funded backlog[2] increased to a record-level of $769 million, from $747 million in Q1
- Successful completion by Boeing of the first test flight for the MQ-25 unmanned aerial refueler for which Héroux-Devtek provides complete landing gear systems

Longueuil, Québec, November 8, 2019 – Héroux-Devtek Inc. (TSX: HRX) ("Héroux-Devtek" or the "Corporation"), a leading international manufacturer of aerospace products, today reported strong results for the second quarter ended September 30, 2019. Unless otherwise indicated, all amounts are in Canadian dollars.

"While the second quarter has historically been a seasonally softer one for Héroux-Devtek, I am pleased that we were able to deliver strong commercial and defence sales growth, both organically and through acquisitions – even outperforming first quarter sales. As we continue to focus on executing our plan, I wish to thank each member of our team for their continued commitment towards our success," said Martin Brassard, President and CEO of Héroux-Devtek.

"We now turn to the second half of the year with a strong commitment towards the execution of our business integration and operational delivery strategies. With a record-setting backlog, up 60% from a year ago, and all our programs progressing according to plan, we are now well on track to achieve our revenue and profitability targets for the year," concluded Mr. Brassard.

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

FINANCIAL HIGHLIGHTS (in thousands, except per share data)	Three months ended September 30, 2019	2018	Six months ended September 30, 2019	2018
Sales	**$ 145,516**	$ 95,665	**$ 288,943**	$ 181,435
Operating income	**10,519**	5,289	**20,890**	10,146
Adjusted operating income[1]	**10,519**	6,165	**21,505**	11,382
Adjusted EBITDA[1]	**21,510**	13,176	**43,019**	25,420
Net income	**6,307**	3,294	**12,750**	6,846
Adjusted net income[1]	**6,307**	4,405	**13,266**	8,191
Cash flows related to operating activities	**12,504**	11,687	**16,199**	20,137
Free cash flow[1]	**7,248**	8,152	**5,660**	14,520
In dollars per share				
EPS – basic and diluted	**$ 0.18**	$ 0.09	**$ 0.36**	$ 0.19
Adjusted EPS[1]	**0.18**	0.12	**0.37**	0.22
As at			September 30, 2019	March 31, 2019
Funded backlog[2]			$ 769,000	$ 624,000

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

SECOND QUARTER RESULTS

Consolidated sales grew 52.1% to $145.5 million, up from $95.6 million last year, including a 14.3% organic growth and a solid performance by the Corporation's recent acquisitions, which contributed $36.1 million. Commercial sales grew 38.1% from $47.0 million to $64.9 million, while defence sales were up 65.7%, from $48.6 million to $80.6 million.

Gross profit as a percentage of sales decreased during the second quarter to 15.3%, from 16.2% last year, mainly due to the 0.6% negative net impact of exchange rate fluctuations and higher manufacturing costs at the Longueuil facility. These negative factors were partially offset by the positive impact of the CESA acquisition.

Operating income increased to $10.5 million, or 7.2% of sales, up from $5.3 million, or 5.5% of sales last year, mainly driven by lower selling and administrative expenses as a percentage of sales. Last year's operating income also reflected non-recurring acquisition-related costs, as opposed to this year. Adjusted EBITDA, which excludes non-recurring items, stood at $21.5 million, or 14.8% of sales, compared with $13.2 million, or 13.8% of sales, a year ago. For the same period, EPS doubled from $0.09 last year to $0.18 this quarter, while adjusted EPS[1] grew 50%, from $0.12 last year to $0.18 in Q2.

SIX-MONTH RESULTS

Consolidated sales grew 59.3% to $288.9 million, up from $181.4 million for the corresponding period last year. Organic growth accounted for 14.7% of this increase, while the solid performance of the Corporation's recent acquisitions contributed $80.7 million. Commercial sales grew 42.7% in the first six months of the year, from $92.8 million to $132.4 million, while defence sales were up 76.6% for the same period, from $88.6 million to $156.6 million.

Gross profit as a percentage of sales increased during the first half of the year to 16.1% from 15.7% last year, mainly due to the positive impact of the Beaver and CESA acquisitions, partially offset by the 0.3% negative net impact of exchange rate fluctuations and higher manufacturing costs at the Longueuil facility.

In the first six months of the year, operating income increased to $20.9 million, or 7.2% of sales, up from $10.1 million, or 5.6% of sales last year. Adjusted EBITDA, which excludes non-recurring items, stood at $43.0 million, or 14.9% of sales, compared with $25.4 million, or 14.0% of sales last year. For the same period, EPS grew 89.5%, from $0.19 last year to $0.36, while adjusted EPS grew to $0.37, up 68.2% from the $0.22 recorded in the same period last year.

The Corporation's funded backlog increased to $769 million as at September 30, 2019, compared to $624 million as at March 31, 2019, mainly due to an increased demand for defence products combined with Alta's backlog at acquisition, as recorded in the first quarter.

HEALTHY FINANCIAL POSITION

Cash flows related to operating activities reached $12.5 million in the second quarter, up from $11.7 million last year. For the six-month period, cash flows from operating activities amounted to $16.2 million, down from $20.1 million for the corresponding period last year, mainly due to an increase in inventories in preparation for upcoming growth.

As at September 30, 2019, net debt stood at $264.7 million, up from $243.0 million as at April 1, 2019[3]. The increase in long-term debt during the six-month period is mainly due to the Alta acquisition partially offset by a US$12 million ($15.9 million) repayment made over the course of the second quarter.

CONFERENCE CALL

Héroux-Devtek Inc. will hold a conference call to discuss these results on Friday, November 8, 2019 at 8:30 AM Eastern Time. Interested parties can join the call by dialing 1-888-231-8191 (North America) or 1-647-427-7450 (overseas). The conference call can also be accessed via live webcast on Héroux-Devtek's new website, www.herouxdevtek.com/en/news-events/events or at https://webinars.on24.com/cision/hrxq2f20. An accompanying presentation is also available on Héroux-Devtek's website at https://www.herouxdevtek.com/en/investors/financial-documents.

If you are unable to call in at this time, you may access a recording of the meeting by calling 1-855-859-2056 and entering the passcode 455983 on your phone. This recording will be available on Friday, November 8, 2019 as of 11:30 AM Eastern Time until 11:59 PM Eastern Time on Friday, November 15, 2019. Additionally, the recording will be made available for replay on Héroux-Devtek's website after that date.

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.

[3] Pro forma net debt as at April 1, 2019 reflects the impact of the adoption of IFRS 16 – Leases. See the Corporation's financial statements for further details.

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 second quarter ended September 30, 2019 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.

ABOUT HÉROUX-DEVTEK

Héroux-Devtek Inc. (TSX: HRX) is an international company specializing in the design, development, manufacture, repair and overhaul of aircraft landing gear, hydraulic and electromechanical actuators, custom ball screws and fracture-critical components for the Aerospace market. The Corporation is the third-largest landing gear company worldwide, supplying both the commercial and defence sectors. 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 Canada, the United States, the United Kingdom and Spain.

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Second quarter ended September 30, 2019

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DISCLOSURE OF NON-REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTERS ENDED SEPTEMBER 30, 2019 AND 2018.

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, 2019 and 2018 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 7, 2019.

CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars) (Unaudited)

As at	Notes	September 30, 2019	March 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		$ 19,630	$ 35,128
Accounts receivable		101,931	115,431
Income tax receivable		2,585	2,393
Inventories		218,932	184,035
Derivative financial instruments	11	1,663	783
Other current assets		29,179	26,697
		373,920	364,467
Property, plant and equipment, net	3	252,815	227,954
Finite-life intangible assets, net	6	66,610	69,377
Derivative financial instruments	11	9,945	5,816
Deferred income tax assets		19,038	14,575
Goodwill	4	184,170	189,012
Other long-term assets		6,193	6,914
Total assets	4	$ 912,691	$ 878,115
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 121,170	$ 117,990
Provisions		33,022	32,320
Customer advances and progress billings		23,381	21,919
Income tax payable		1,823	1,911
Derivative financial instruments	11	1,851	2,134
Current portion of long-term debt	3, 12	18,004	15,066
		199,251	191,340
Long-term debt	3, 12	263,400	245,240
Provisions		20,491	16,789
Derivative financial instruments	11	1,343	1,317
Deferred income tax liabilities		6,917	6,354
Other liabilities		18,550	12,977
		509,952	474,017
Shareholders' equity			
Issued capital	13	79,676	79,676
Contributed surplus		5,226	4,707
Accumulated other comprehensive (loss) income	14	(1,029)	10,502
Retained earnings		317,656	307,101
Total equity attributable to the equity holders of the parent		401,529	401,986
Non-controlling interests		1,210	2,112
		402,739	404,098
Total liabilities and shareholders' equity		$ 912,691	$ 878,115

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)

	Notes	Three months ended September 30, 2019	Three months ended September 30, 2018	Six months ended September 30, 2019	Six months ended September 30, 2018
Sales	**5**	$ 145,516	$ 95,665	$ 288,943	$ 181,435
Cost of sales	**6, 7**	123,302	80,192	242,504	152,896
Gross profit		22,214	15,473	46,439	28,539
Selling and administrative expenses	**6, 7**	11,695	9,308	24,934	17,157
Non-recurring items	**8**	—	876	615	1,236
Operating income		10,519	5,289	20,890	10,146
Net financial expenses	**9**	2,837	1,645	5,473	2,645
Income before income tax expense		7,682	3,644	15,417	7,501
Income tax expense		1,375	350	2,667	655
Net income		$ 6,307	$ 3,294	$ 12,750	$ 6,846
Attributable to:					
Equity holders of the parent		$ 6,566	$ 3,294	$ 13,108	$ 6,846
Non-controlling interests		(259)	—	(358)	—
		$ 6,307	$ 3,294	$ 12,750	$ 6,846
Earnings per share – basic and diluted	**10**	$ 0.18	$ 0.09	$ 0.36	$ 0.19

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands of Canadian dollars) (Unaudited)

	Note	Three months ended September 30, 2019	Three months ended September 30, 2018	Six months ended September 30, 2019	Six months ended September 30, 2018
	14				
Other comprehensive loss:					
Items that may be reclassified to net income					
Losses arising from conversion of the financial statements of foreign operations		$ (3,118)	$ (5,669)	$ (12,421)	$ (9,054)
Cash flow hedges:					
Net gains (losses) on valuation of derivative financial instruments		(3,744)	2,790	(1,754)	870
Net losses (gains) on derivative financial instruments transferred to net income		69	(90)	480	(243)
Deferred income taxes		980	(718)	373	(165)
		(2,695)	1,982	(901)	462
Gains (losses) on hedge of net investments in foreign operations		1,072	937	2,348	(214)
Deferred income taxes		(486)	(95)	(557)	22
		586	842	1,791	(192)
Items that are never reclassified to net income					
Defined benefit pension plans:					
Gains (losses) from remeasurement		(1,816)	599	(3,470)	1,965
Deferred income taxes		466	(160)	917	(525)
		(1,350)	439	(2,553)	1,440
Other comprehensive loss		$ (6,577)	$ (2,406)	$ (14,084)	$ (7,344)
Comprehensive income (loss)					
Net income		$ 6,307	$ 3,294	$ 12,750	$ 6,846
Other comprehensive loss		(6,577)	(2,406)	(14,084)	(7,344)
Comprehensive income (loss)		$ (270)	$ 888	$ (1,334)	$ (498)
Attributable to:					
Equity holders of the parent		$ (11)	$ 888	$ (976)	$ (498)
Non-controlling interests		(259)	—	(358)	—
		$ (270)	$ 888	$ (1,334)	$ (498)

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	Equity attributable to the equity holders of the parent	Non-Controlling interests	Shareholders' equity
Balance as at March 31, 2019		**$ 79,676**	**$ 4,707**	**$ 10,502**	**$ 307,101**	**$ 401,986**	**$ 2,112**	**$ 404,098**
Stock-based compensation expense	**13**	—	519	—	—	519	—	519
Purchase of minority interests in Tekalia	**4**	—	—	—	—	—	(544)	(544)
Net income		—	—	—	13,108	13,108	(358)	12,750
Other comprehensive loss	**14**	—	—	(11,531)	(2,553)	(14,084)	—	(14,084)
Balance as at September 30, 2019		**$ 79,676**	**$ 5,226**	**$ (1,029)**	**$ 317,656**	**$ 401,529**	**$ 1,210**	**$ 402,739**

	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**

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)

		Three months ended September 30,		Six months ended September 30,	
	Note	2019	2018	2019	2018
Cash and cash equivalents provided by (used for):					
Operating activities					
Net income		$ 6,307	$ 3,294	$ 12,750	$ 6,846
Items not requiring an outlay of cash:					
Amortization expense	**7**	10,991	7,011	21,514	14,038
Deferred income taxes		26	(1,413)	(919)	(1,978)
Gains on sale of property, plant and equipment		—	(8)	(221)	(8)
Net non-cash financial expenses	**9**	1,210	1,234	2,144	1,909
Stock-based compensation expense	**13**	300	239	519	440
Cash flows from operations		18,834	10,357	35,787	21,247
Net change in non-cash items	**15**	(6,330)	1,330	(19,588)	(1,110)
Cash flows related to operating activities		12,504	11,687	16,199	20,137
Investing activities					
Cash payment for business acquisitions	**4**	—	(23,671)	(17,149)	(23,671)
Net additions to property, plant and equipment		(4,291)	(3,281)	(8,155)	(5,354)
Net increase in finite-life intangible assets		(965)	(604)	(2,384)	(1,027)
Proceeds on disposal of property, plant and equipment		—	7	4,025	7
Cash flows related to investing activities		(5,256)	(27,549)	(23,663)	(30,045)
Financing activities					
Proceeds from long-term debt	**4**	124	116,605	23,044	116,605
Repayment of long-term debt		(24,725)	(1,545)	(30,355)	(2,818)
Increase in deferred financing costs		(4)	(1,341)	(348)	(1,341)
Issuance of common shares		—	450	—	791
Cash flows related to financing activities		(24,605)	114,169	(7,659)	113,237
Effect of changes in exchange rates on cash and cash equivalents		22	(590)	(375)	179
Change in cash and cash equivalents during the periods		(17,335)	97,717	(15,498)	103,508
Cash and cash equivalents at beginning of periods		36,965	99,000	35,128	93,209
Cash and cash equivalents at end of periods		$ 19,630	$ 196,717	$ 19,630	$ 196,717
Interest and income taxes reflected in operating activities:					
Interest paid		$ 1,647	$ 448	$ 3,383	$ 1,400
Interest received		$ 20	$ 270	$ 54	$ 664
Income taxes paid		$ 1,798	$ 837	$ 3,821	$ 3,503

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, 2019 and 2018

(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 600, West 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 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, 2019 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, 2019.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of the Corporation on November 7, 2019.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

The notes presented in the interim condensed consolidated financial statements for the quarter ended September 30, 2019 include only significant changes occurring during the six-month period following the last fiscal year ended March 31, 2019.

New Accounting Standards

The Company adopted the following new accounting standard effective April 1, 2019.

IFRS 16, Leases

IFRS 16, which replaces IAS 17, represents a major revision of the way in which companies account for leases. It 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 are recognized on the Corporation's consolidated balance sheet. Certain exemptions apply for short-term leases and leases of low-value assets.

The adoption of IFRS 16 had an impact on the consolidated balance sheet and statement of income as operating leases have been capitalized, corresponding lease liabilities have been recognized, rent expense has been replaced by the amortization expense of the right to use the related assets and the interest accretion expense from the liability recorded.

In addition, the principal repayments of lease liabilities are now presented as financing activities in the consolidated statements of cash flows, whereas under the previous standard these payments were presented as operating activities prior to April 1, 2019.

Right-of-Use Assets

Right-of-use assets are measured at cost. The cost is based on the initial amount of the lease liability plus initial direct costs incurred and estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located adjusted for any lease payments made at or before the commencement date, less any lease incentives received, if any.

The cost of right-of-use assets are periodically reduced by depreciation expenses and impairment losses, if any, and adjusted for certain remeasurement of the lease liability. Right-of-use assets are amortized to the lesser of the useful life or the lease term using the straight-line method as this reflects the expected pattern of consumption of the future economic benefits. The lease term includes the renewal option only if it is reasonably certain to exercise that option. Lease terms range from 1 to 20 years for buildings and 1 to 6 years for machinery, equipment and tooling.

Lease Liabilities

At the commencement date of the lease, the Corporation recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments mainly include fixed payments less any lease incentives receivable and the exercise price of a purchase option reasonably certain to be exercised. Variable lease payments that do not depend on an index or a rate are recognized as an expense in the period during which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Corporation uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of whether the underlying asset will be purchased.

Significant judgment in determining the lease term of contracts with renewal options

The Corporation determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Corporation reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Corporation has applied this standard using the modified retrospective approach (without restating comparative figures) for the fiscal year beginning April 1, 2019. Certain leases were not brought on the Corporation's consolidated balance sheet as they are covered by practical expedients. The Corporation has elected to apply the following practical expedients:

- Account for leases for which the remaining lease term ends within 12 months of the effective date as short-term leases; and
- Recognize short-term leases and low value leases on a straight-line basis as part of operating expenses in the consolidated statements of income.

The adoption of IFRS 16 had the following impacts on the consolidated statement of income:

Increase (decrease)	**Quarter ended September 30, 2019**	**Six months ended September 30, 2019**
Cost of sales, Selling and administrative expenses		
Depreciation and amortization	$ 775	$ 1,456
Other (rent expense)	(940)	(1,662)
Operating income	165	206
Financial expenses	348	574
Deferred income tax expense	(46)	(92)
Net income and comprehensive (loss) income	$ (137)	$ (276)

Increase (decrease)	As of April 1, 2019
Property, plant and equipment, net	$ 14,892
Long-term debt [(1)]	14,892

[(1)] The current portion of long-term debt impact correspond to $2,520 as at April 1, 2019

The following table presents the reconciliation between the operating leases commitments as of March 31, 2019 and the additional lease liabilities as of April 1, 2019:

Operating lease commitments as at March 31, 2019	$ 16,823
Discounting operating leases as at April 1, 2019 [(1)]	(1,068)
Commitments relating to the change in the lease term assumptions and inclusion of non-lease components	1,002
Leases committed but not yet commenced as at April 1, 2019	(1,865)
Additional lease liabilities as at April 1, 2019	$ 14,892
Pre-existing capital leases as at April 1, 2019	20,411
Total lease liabilities as at April 1, 2019	$ 35,303

[(1)] At the date of adoption of IFRS 16, the weighted average incremental borrowing rate was 4.2%

The following tables reconciles the right-of-use assets for the Company as at September 30, 2019:

	Building and leasehold improvements	Machinery, equipment and tooling [(1)]	Other	Total
Cost:				
At April 1, 2019	$ 12,969	$ 41,368	$ 1,271	$ 55,608
Additions	6,498	—	111	6,609
Business acquisition	6,844	—	—	6,844
Effect of changes in exchange rates	246	15	150	411
As at September 30, 2019	26,557	41,383	1,532	69,472
Accumulated amortization:				
At April 1, 2019	$ —	$ (10,006)	$ —	$ (10,006)
Amortization expense	(1,081)	(2,866)	(272)	(4,219)
Effect of changes in exchange rates	(7)	(1)	(14)	(22)
As at September 30, 2019	(1,088)	(12,873)	(286)	(14,247)
Net book value as at September 30, 2019	$ 25,469	$ 28,510	$ 1,246	$ 55,225

[(1)] Includes the pre-existing assets under capital leases (net book value of $30,710 as at April 1, 2019)

The following table presents the lease liabilities for the Company as at September 30, 2019:

	Lease liabilities
Balance at April 1, 2019	$ 35,303
Additions	6,609
Business acquisition	6,844
Lease payments	(4,298)
Interest expense on lease liabilities	855
Effect of changes in exchange rates	(1,099)
Balance as at September 30, 2019	$ 44,214

NOTE 4. BUSINESS ACQUISITIONS

Acquisition of Alta

On June 7, 2019, the Corporation completed the acquisition of all of the shares of Alta Précision Inc. ("Alta"), for $18,552, including a $500 balance of sale and the assumption of Alta's net outstanding debt amounting to $903. Located in Montreal, Canada, Alta is a manufacturer of high-precision landing gear components. This acquisition expands the Corporation's portfolio of commercial products by providing both access to new programs and additional content on existing platforms. The acquisition was financed with the Corporations available credit facilities and was treated as a business combination.

Alta was a minority shareholder of Tekalia. As a result of the acquisition, the Corporation increased its participation in Tekalia to 67% from 60% as at March 31, 2019.

In connection with this acquisition, the Corporation incurred acquisition-related costs that are presented in note 8.

Purchase Price

The preliminary purchase price allocation that reflects the fair value of the assets acquired and liabilities assumed during Fiscal 2020 with any excess allocated to goodwill was prepared using the acquisition method as follows:

	Alta
Cash payment	$ 17,149
Long-term debt assumed [1]	903
Balance of purchase price payable	500
Total purchase price	**$ 18,552**

[1] Excludes lease liabilities

Purchase Price Allocation

	Purchase price allocation as originally reported	Adjustments and reclassifications	Adjusted purchase price allocation
Accounts receivable	$ 1,451	$ 4	$ 1,455
Inventories	11,374	193	11,567
Other current assets	439	(63)	376
	13,264	**134**	**13,398**
Property, plant and equipment, including right-of-use assets	18,040	1,506	19,546
Finite-life intangible assets	—	2,797	2,797
Deferred income tax assets	—	1,858	1,858
Other long-term assets	264	—	264
Investment in Tekalia	544	—	544
Total identifiable assets	**$ 32,112**	**$ 6,295**	**$ 38,407**
Accounts payable and accrued liabilities	6,866	(237)	6,629
Customer advances and progress billings	2,872	—	2,872
Provisions	906	6,012	6,918
Long-term debt [1]	6,844	—	6,844
Total identifiable liabilities	**$ 17,488**	**$ 5,775**	**$ 23,263**
Net identifiable assets and liabilities	**14,624**	**520**	**15,144**
Goodwill and other intangible assets	3,928	(3,928)	—
Goodwill	—	3,408	3,408
Total purchase price	**$ 18,552**	**$ —**	**$ 18,552**

[1] Corresponds to lease liabilities

During the quarter ended September 30, 2019, the Corporation amended its assessment of the fair value of certain customers' contracts, property, plant and equipment and finite-life intangible assets. The purchase price allocation remains preliminary for these items and their related tax impacts until management has gathered all the necessary information to complete the process.

Acquisition of CESA

During the quarter ended September 30, 2019, the Corporation completed its final assessment of the fair value of assets acquired and liabilities assumed of Compañia Española de Sistemas Aeronauticos S.A. ("CESA"). Adjustments and reclassifications mainly relate to the final assessment of costs and liabilities associated to specific Aerospace programs.

	Purchase price allocation as originally reported	Adjustments and reclassifications	Final purchase price allocation
Accounts receivable	$ 28,293	$ —	$ 28,293
Inventories	36,692	—	36,692
Income tax receivable	505	—	505
Other current assets	596	—	596
	66,086	**—**	**66,086**
Property, plant and equipment	44,923	—	44,923
Finite-life intangible assets	40,407	—	40,407
Other long-term assets - Tax credits receivable	7,843	—	7,843
Total identifiable assets	**$ 159,259**	**$ —**	**$ 159,259**
Accounts payable and accrued liabilities	16,773	—	16,773
Provisions	11,897	4,506	16,403
Customer advances and progress billings	4,188	—	4,188
	32,858	**4,506**	**37,364**
Provisions	4,308	—	4,308
Deferred income tax liabilities	3,465	(1,126)	2,339
Other liabilities - long-term accounts payable	4,365	—	4,365
Total identifiable liabilities	**$ 44,996**	**$ 3,380**	**$ 48,376**
Net identifiable assets and liabilities	**114,263**	**(3,380)**	**110,883**
Goodwill	81,553	3,380	84,933
Total purchase price	**$ 195,816**	**$ —**	**$ 195,816**

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,	
	2019	2018	2019	2018
Geographic markets				
Canada	$ 13,065	$ 8,180	$ 26,827	$ 16,661
United States of America	79,567	57,088	153,670	110,211
United Kingdom	14,457	10,331	30,775	19,759
Spain	10,555	—	21,743	—
Rest of Europe	15,367	11,930	29,664	19,615
Other countries	12,505	8,136	26,264	15,189
	$ 145,516	$ 95,665	$ 288,943	$ 181,435
Sectors				
Commercial	64,921	47,025	132,362	92,786
Defence(1)	80,595	48,640	156,581	88,649
	$ 145,516	$ 95,665	$ 288,943	$ 181,435

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

NOTE 6. GOVERNMENT ASSISTANCE

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

	Three months ended September 30,		Six months ended September 30,	
	2019	2018	2019	2018
Finite-life intangible assets	$ 174	$ 117	$ 393	$ 187
Cost of sales and, selling and administrative expenses	453	388	1,306	729

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,	
	2019	2018	2019	2018
Raw materials and purchased parts	$ 54,485	$ 33,291	$ 104,374	$ 60,245
Employee costs	48,057	32,795	97,057	63,990
Amortization of property, plant and equipment and finite-life intangible assets (1)	10,991	7,011	21,514	14,038
Others	21,464	16,403	44,493	31,780
	$ 134,997	$ 89,500	$ 267,438	$ 170,053
Including:				
Foreign exchange (gains) losses resulting from the conversion of net monetary items denominated in foreign currencies	(492)	460	66	8

(1) Includes $1,941 for the three-month period and $3,782 for the six-month period in amortization of customer relationships ($879 and $1,776 in fiscal 2019)

NOTE 8. NON-RECURRING ITEMS

Non-recurring items comprise the following:

	Three months ended September 30,		Six months ended September 30,	
	2019	2018	2019	2018
Non-recurring items in operating income				
Acquisition-related costs	$ —	$ 876	$ 615	$ 1,236
	$ —	$ 876	$ 615	$ 1,236
Non-recurring items in financial expenses				
Net gains on certain derivative financial instruments	—	517	—	391
	$ —	$ 517	$ —	$ 391

Acquisition-related costs

These costs mainly pertain to professional fees and expenses related to the acquisition of Alta this fiscal year and the acquisitions of CESA and Beaver last fiscal year.

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 related to the acquisition of CESA last year.

NOTE 9. NET FINANCIAL EXPENSES

Net financial expenses comprise the following:

	Three months ended September 30,		Six months ended September 30,	
	2019	2018	2019	2018
Interest accretion on governmental authorities loans	$ 783	$ 603	$ 1,263	$ 1,192
Interest on net defined benefit obligations	65	42	124	84
Amortization of deferred financing costs	215	56	474	111
Other interest accretion and discount rate adjustments	147	533	283	522
Net non-cash financial expenses	1,210	1,234	2,144	1,909
Interest expense	1,647	681	3,383	1,400
Interest income on cash and cash equivalents	(20)	(270)	(54)	(664)
	$ 2,837	$ 1,645	$ 5,473	$ 2,645

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,	
	2019	2018	2019	2018
Weighted-average number of common shares outstanding	36,362,210	36,301,848	36,362,210	36,271,312
Dilutive effect of stock options	382,444	191,052	340,510	190,104
Weighted-average number of common diluted shares outstanding	36,744,654	36,492,900	36,702,720	36,461,416
Options excluded from diluted earnings per share calculation[(1)]	—	207,500	—	207,500

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

NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange contracts

As at September 30, 2019, the Corporation had forward foreign exchange contracts outstanding for a notional amount of $295,008 ($228,374 at March 31, 2019) denominated in USD, EUR and GBP. This amount includes contracts with nominal value of US$190,705 (US$146,885 at March 31, 2019) convertible into Canadian dollars at an average rate of 1.3145 (1.3060 at March 31, 2019). These contracts mature at various dates between October 2019 and March 2023, with the majority maturing this fiscal year and the next.

Cross-currency interest rate swaps

As at September 30, 2019, 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
US$	17,100	€ 15,000	Euribor 1 month + 1.76%	November 2018	March 2020
C$	10,000	€ 6,658	2.68 %	June 2019	September 2025

Equity swap agreement

As at September 30, 2019, the Corporation had entered into an equity swap agreement fixing 300,000 common shares of the Corporation (245,000 at March 31, 2019) at a price of $13.52 ($12.68 at March 31, 2019). This agreement is a derivative that is not part of a designated hedging relationship and matures in June 2020.

NOTE 12. LONG-TERM DEBT

As at	Notes	September 30, 2019	March 31, 2019
Senior Secured Syndicated Revolving Credit Facility (“Revolving Facility“)		$ 90,052	$ 94,877
Governmental authorities loans		87,198	89,701
Unsecured Subordinated Term Loan Facility ("Term Loan")		60,000	50,000
Lease liabilities	3	44,214	20,411
Balance of sale - Acquisitions	4	2,818	4,677
Secured loans - Tekalia		—	3,592
Deferred financing costs, net		(2,878)	(2,952)
		281,404	260,306
Less: current portion		18,004	15,066
Long-term debt		$ 263,400	$ 245,240

Revolving Facility

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

As at	September 30, 2019	March 31, 2019
Limit, in Canadian, US$, Euro or British Pound equivalent	$ 250,000	$ 250,000
US$ Drawings		
Amount	US$ 68,000	US$ 71,000
Rate	Libor + 1.8%	Libor + 2.0%
Effective interest rate	3.8%	4.5%

Term Loan
An additional tranche of $10,000 was drawn on June 11, 2019, in relation with the acquisition of Alta (note 4), bearing interest at 4.73% and is repayable at maturity on September 30, 2025.

Lease liabilities
Lease liabilities bear fixed interest rates between 2.4% and 7.0% as at September 30, 2019 (2.4% and 5.0% as at March 31, 2019), maturing from October 2019 to May 2039. Refer to Note 3 for the impact of the adoption of IFRS 16.

NOTE 13. ISSUED CAPITAL

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

	Quarter ended September 30, 2019		Six months ended September 30, 2019	
	Number	**Issued capital**	**Number**	**Issued capital**
Opening balance	36,362,210	$ 79,676	36,362,210	$ 79,676
Closing balance	36,362,210	$ 79,676	36,362,210	$ 79,676

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 mainly vest over a period of four years. The options are exercisable over a period not exceeding seven years after the grant date.

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

	2019		2018	
	Number of stock options	Weighted-average exercise price	Number of stock options	Weighted-average exercise price
Opening balance	1,508,595	$ 13.87	1,244,595	$ 13.20
Granted	—	—	6,500	15.77
Exercised	—	—	(28,500)	10.64
Closing balance	1,508,595	$ 13.87	1,222,595	$ 13.28
Stock-based compensation expense		$ 300		$ 239

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

	2019		2018	
	Number of stock options	Weighted-average exercise price	Number of stock options	Weighted-average exercise price
Opening balance	1,167,095	$ 13.23	1,105,295	$ 12.09
Granted	341,500	16.03	207,500	16.21
Exercised	—	—	(90,200)	5.47
Closing balance	1,508,595	$ 13.87	1,222,595	$ 13.28
Stock-based compensation expense		$ 519		$ 440

The number of common shares reserved for issuance represents 2,808,257 of which 2,762,507 shares had not been issued yet at September 30, 2019 (2,762,507 as at March 31, 2019).

B. 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,	
	2019	2018	2019	2018
DSUs				
In number of DSUs				
Opening balance	166,334	136,170	166,334	136,170
Issued	21,671	34,393	21,671	34,393
Settled	(33,055)	—	(33,055)	—
Closing balance of DSUs outstanding	154,950	170,563	154,950	170,563
DSU expense for the periods	$ 17	$ 375	$ 645	$ 458
Fair value of vested outstanding DSUs, end of periods	$ 2,568	$ 2,640	$ 2,568	$ 2,640

	Quarters ended September 30,		Six months ended September 30,	
	2019	2018	2019	2018
PSUs				
In number of PSUs				
Opening balance	331,750	262,698	212,450	187,948
Issued	—	—	119,300	75,350
Cancelled/Forfeited	—	(2,056)	—	(2,656)
Closing balance of PSUs outstanding	331,750	260,642	331,750	260,642
PSU expense for the periods	$ 233	$ 421	$ 1,243	$ 683
Fair value of vested outstanding PSUs, end of periods	$ 3,093	$ 1,525	$ 3,093	$ 1,525

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, 2019	$ 9,963	$ 22	$ (5,787)	$ 4,198
Other comprehensive income (loss)	(3,118)	(2,695)	586	(5,227)
Balance as at September 30, 2019	$ 6,845	$ (2,673)	$ (5,201)	$ (1,029)
Balance as at March 31, 2019	$ 19,266	$ (1,772)	$ (6,992)	$ 10,502
Other comprehensive income (loss)	(12,421)	(901)	1,791	(11,531)
Balance as at September 30, 2019	$ 6,845	$ (2,673)	$ (5,201)	$ (1,029)

	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

NOTE 15. NET CHANGE IN NON-CASH ITEMS

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

	Three months ended September 30,		Six months ended September 30,	
	2019	2018	2019	2018
Accounts receivable	$ 332	$ 5,935	$ 14,955	$ 24,663
Income tax receivable	(104)	461	(191)	30
Inventories	(12,611)	(597)	(23,330)	(4,237)
Other current and long-term assets	2,125	1,794	(1,120)	662
Accounts payable and accrued liabilities and other liabilities	5,995	833	(3,043)	(9,779)
Provisions	(1,297)	(1,141)	(2,345)	(4,113)
Customer advances and progress billings	732	(4,584)	155	(4,613)
Income tax payable	155	(285)	(88)	(1,696)
Effect of changes in exchange rates[(1)]	(1,657)	(1,086)	(4,581)	(2,027)
	$ (6,330)	$ 1,330	$ (19,588)	$ (1,110)

(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.