HÉROUX DEVTEK

MANAGEMENT DISCUSSION AND ANALYSIS OF

FINANCIAL POSITION AND OPERATING RESULTS

For the quarter ended September 30, 2013

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Management Discussion and Analysis
of Financial Position and Operating Results

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" or the "Corporation") evolved between March 31, 2013 and September 30, 2013. It also compares the operating results and cash flows for the quarter and six-month period ended September 30, 2013 to those for the same periods in the previous year.

This analysis should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements for the quarter ended June 30, 2013 and six-month period ended September 30, 2013, and the audited consolidated financial statements and MD&A for the fiscal year ended March 31, 2013, all of which are available on the Corporation's website at www.herouxdevtek.com. This MD&A is based on our unaudited interim condensed consolidated financial statements prepared in accordance with IAS 34, Interim Financial Reporting, using the Canadian dollar as the reporting currency. All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

Non-IFRS Measures

The Corporation uses earnings before interest, taxes, depreciation and amortization ("EBITDA") to assess its financial performance. EBITDA is a financial measure not prescribed by International Financial Reporting Standards ("IFRS"). However, the Corporation's management, as well as investors, consider this metric to be useful information to assist them in evaluating the Corporation's profitability, liquidity and ability to generate funds to finance its operations and capital investment needs.

The Corporation's EBITDA from continuing operations is calculated as follows, see Discontinued operations below:

	Quarters ended September 30,		Six months ended September 30,	
($'000)	**2013**	**2012**	**2013**	**2012**
Net income from continuing operations	2,584	2,645	5,398	5,591
Income tax expense (recovery)	(486)	167	488	1,130
Financial expenses	963	1,073	1,686	2,195
Amortization expense	3,193	3,104	6,429	6,344
EBITDA	**6,254**	**6,989**	**14,001**	**15,260**

For the quarter and six-month period ended September 30, 2013, the lower EBITDA reflects a lower operating income realized this quarter, when compared to last year, as explained in the following sections.

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 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 and, in particular, economic conditions in Canada and the United States; 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; foreign exchange or interest rate fluctuations; stock market volatility; and the impact of accounting policies issued by international standard setters. Some of these factors are further discussed under Risks and Uncertainties in this MD&A. 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 the Corporation believes that the expectations conveyed by the forward-looking statements 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.

Overview

Last year, on August 31, 2012, the Corporation concluded the sale of substantially all of its Aerostructure and Industrial product line operations ("sale transaction"), see Discontinued operations below. Following this transaction, Héroux-Devtek and its subsidiaries mainly specialize in the design, development, manufacture, repair and overhaul of landing gear systems and components used principally in the Aerospace market. The Corporation has also built a strong, well-recognized design engineering team.

The Corporation is the third largest landing gear company worldwide, supplying both the commercial and military sectors of the Aerospace market with new landing gear systems and components as well as aftermarket products and services (including spare parts and repair and overhaul services). In the commercial sector, the Corporation is active in the large commercial and business jet, regional aircraft and helicopter markets. On the military side, the Corporation provides parts and services for all major military aircraft, mainly in the United States. As such, a significant portion of the Corporation's sales are made to a limited number of customers mainly located in the United States and Canada.

The Corporation's head office is located in Longueuil, Québec with facilities in the Greater Montreal area (Longueuil, Laval and St-Hubert); Kitchener and Toronto, Ontario; as well as Springfield and Cleveland, Ohio. All facilities are involved in the fabrication of landing gear systems and components with the exception of the Toronto facility ("Magtron"), which manufactures electronic enclosures, heat exchangers and cabinets for airborne radar, electro-optic systems and aircraft controls. This facility provides competencies in vacuum and dips brazing metal joining technologies and became Canada's first facility to be Nadcap certified in aluminum vacuum brazing.

Discontinued Operations

Last fiscal year, on July 16, 2012, the Corporation executed a definitive agreement for the sale of substantially all of its Aerostructure and Industrial product line operations to Precision Castparts Corporation ("PCC"), a public company trading on the New York Stock Exchange. The net assets acquired by PCC include the Corporation's Dorval (Quebec), Querétaro (Mexico) and Arlington (Texas) Aerostructure product line manufacturing sites, as well as the Cincinnati (Ohio) Industrial product line manufacturing sites.

The sale transaction was concluded on August 31, 2012 with gross sale proceeds, including post-closing adjustments, of $297.8 million paid in cash. Taking into consideration the post-closing adjustments finalized during the last semester of fiscal year 2013, the net gain amounted to $111.2 million.

Last year, concurrently to the sale transaction, the Corporation proceeded with a $16 million reduction of finance lease obligations and the repayment of a $1.0 million governmental authorities' loan related to the businesses sold. The Corporation also proceeded with a partial repayment of US$37.5 million ($37.0 million) against the Syndicated Banks' Credit Facility ("Credit Facility") and repurchased two of the three interest rate swap agreements in place, representing a total notional amount of US$30 million, for a total cost of $1.7 million which was recorded as transaction related costs to the sale transaction.

Following the sale transaction, the Board of Directors of the Corporation approved, on November 8, 2012, a special cash distribution of $5.00 per share which was effectively paid on December 19, 2012 to shareholders of record on November 20, 2012. The special distribution to shareholders of $5.00 per share which represented a cash distribution of $157.5 million made on December 19, 2012, was composed of and recorded as an issued capital reduction of $2.70 per share ($85.0 million) and of a special cash dividend of $2.30 per share ($72.5 million) recorded against the retained earnings of the Corporation (see Liquidity and Capital Resources section below).

RESULTS OF OPERATIONS

Following the sale transaction explained above, income and expenses from discontinued operations before August 31, 2012 are reported separately from income and expenses from continuing operations, down to the level of net income in the consolidated statements of income for all quarters of the last fiscal year ended March 31, 2013.

Prior to the sale transaction, the Aerostructure product line was part of the Corporation's Aerospace segment, while the Industrial product line formed the Industrial segment. Therefore, all of the operations of the businesses sold are excluded from the Corporation's segmented information. Following the sale transaction, the Corporation operates essentially in the Aerospace segment and is comprised of the Landing Gear product line and Magtron operations.

Foreign Exchange

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. Transactions denominated in foreign currencies are initially recorded at the functional currency rate of exchange at the date of the transactions, but exclusive of forward foreign exchange contracts ("FFEC"), while the statement of income of foreign operations is translated at the average exchange rate for the period. FFEC, for the purpose of hedge accounting, are classified as cash flow hedges and transferred to the consolidated statements of income (sales) when the hedged transaction occurs, in accordance with the Corporation's accounting policies. The closing rates translate monetary assets and liabilities denominated in foreign currencies and assets and liabilities of foreign operations. The average exchange rates for the quarters and six-month periods ended September 30, 2013 and 2012, and the closing rates as at September 30, 2013 and March 31, 2013 were as follows ($ Canadian / 1 US $ equivalent):

Canada / US Exchange Rates	September 30, 2013	September 30, 2012
Average rate for quarters ended	1.0385	0.9948
Average rate for six months ended	1.0309	1.0025

Canada / US Exchange Rates	September 30, 2013	March 31, 2013
Closing rates	1.0303	1.0160

As shown above, the average value of the Canadian dollar for the quarter and six-month period ended September 30, 2013 was respectively 4.4% and 2.8% lower, when compared to its U.S. counterpart, year-over-year, and had a positive impact on the U.S.-denominated sales and results of the Corporation, exclusive of FFEC fluctuations, including those from its Canadian operations. The variation in the closing rate since March 31, 2013 had a favorable impact on the Corporation's U.S.-denominated balance sheet accounts at the end of this quarter, when compared to last year-end balances. Currency fluctuation impact on the Corporation's sales, gross profit and specific balance sheet elements can be found later in this MD&A.

The Corporation makes use of derivative financial instruments, in accordance with its hedging policy, to hedge foreign currency fluctuation exposure risks (Canadian dollar over US dollar) in an effort to mitigate these risks. As at September 30, 2013, the Corporation had FFEC to sell US$115.1 million at a weighted-average rate of 1.0321 maturing at various dates between October 2013 and March 2017, with the majority maturing this and next fiscal year.

As at September 30, 2013, the Corporation had also entered into FFEC to sell US$1.4 million at a weighted-average rate of 1.2275 all maturing this fiscal year, to cover foreign exchange risks (Canadian dollar over US dollar) related to certain embedded derivatives.

Consolidated Sales

Consolidated sales for the second quarter ended September 30, 2013 decreased by $1.3 million or 2.2% to $56.4 million from $57.7 million last year. This is the result of lower aftermarket military sales, partially offset by increased sales of $2.2 million or 8.8% in the commercial sector, mainly resulting from higher sales on the B-777 program. Exchange fluctuations increased sales by $0.4 million or 0.6%, when compared to last year.

At year-to-date, consolidated sales totaled $119.4 million, 1.7% lower than last year's sales of $121.5 million. The decrease in sales is also explained by lower aftermarket military sales, partially offset by increased sales of $4.1 million or 8.1% in the commercial sector, mainly resulting from higher sales on the B-777 program. Exchange fluctuations increased sales by $0.2 million or 0.2%, when compared to last year.

Sales can be broken down by sector as follows:

	Quarters ended September 30,				Six months ended September 30,			
	2013	**2012**	**Variance**		**2013**	**2012**	**Variance**	
	($'000)	**($'000)**	**($'000)**	**%**	**($'000)**	**($'000)**	**($'000)**	**%**
Military [(1)]	**29,368**	32,834	(3,466)	(10.6)	**64,100**	70,312	(6,212)	(8.8)
Commercial	**27,034**	24,850	2,184	8.8	**55,274**	51,152	4,122	8.1
Total	**56,402**	**57,684**	**(1,282)**	**(2.2)**	**119,374**	**121,464**	**(2,090)**	**(1.7)**

(1): Includes military sales to civil customers and governments.

Military sales were $3.5 million or 10.6% lower this quarter to $29.4 million and $6.2 million or 8.8% lower at year-to-date to $64.1 million. The decrease in sales is the result of lower customer demand on the B-2, Global Hawk, F-15 and C-17 programs, partially offset by new business with The Boeing Company ("Boeing") on the CH-47 helicopter program. At year-to-date, the decrease in military sales is also the result of lower repair and overhaul sales and lower electronic enclosure and cabinet sales at the Magtron operations, both resulting from lower customer requirements. The lower military sales reflect the weaker U.S. military market, as evidenced by the reduced funding of the U.S. base defense budget and the continued sequestration situation.

Commercial sales were $2.2 million or 8.8% higher this quarter to $27.0 million and $4.1 million or 8.1% higher at year-to-date to $55.3 million. This increase is the result of higher sales on large commercial programs, essentially resulting from new actuator business with Boeing on the B-777 program and production rate increases on the B-777 and A-320 programs, partially offset by lower aftermarket sales on the Bombardier CL-415 program.

Sales by Destination

The Corporation's sales by destination were as follows:

	Quarters ended September 30,		Six months ended September 30,	
	2013 (%)	**2012 (%)**	**2013 (%)**	**2012 (%)**
Canada	35	33	34	30
US	59	62	61	65
International	6	5	5	5
Total	**100**	**100**	**100**	**100**

This second quarter and year-to-date changes in the sales by destination mix mainly reflect the impact of increased large commercial sales delivered in Canada, combined with lower aftermarket military sales in the U.S.

Gross Profit

This quarter, consolidated gross profit as a percentage of sales was 14.0%, an increase of 0.3% from 13.7% last year, while at year-to-date, it decreased by 0.8% to 14.3% from 15.1%.

The US/CAD currency fluctuations negatively impacted the Corporation's gross profit in dollars this quarter by $0.2 million or 0.3%, when expressed as a percentage of sales, and at year-to-date by $0.4 million or 0.3%, when expressed as a percentage of sales. Besides the natural hedging from the purchase of raw material in US dollars, the Corporation mitigates the currency impact by the use of FFEC.

This quarter and at year-to-date, consolidated gross profit was impacted by a higher under-absorption of manufacturing overhead costs, resulting from lower military customer requirements, combined with higher non-recurring costs incurred in the development of a new landing gear system program. These negative impacts on gross profit were partially offset by lower non-quality costs, when compared to last year. At year-to-date, consolidated gross profit was also impacted by an unfavorable military aftermarket sales product mix.

Selling and Administrative Expenses

Selling and administrative expenses were as follows:

	Quarters ended September 30,		Six months ended September 30,	
	2013	**2012**	**2013**	**2012**
Selling and administrative expenses ($'000)	**4,810**	3,997	**9,451**	9,463
% of sales	**8.5%**	6.9%	**7.9%**	7.8%

Selling and administrative expenses stood at $4.8 million or 8.5% of sales for the quarter ended September 30, 2013, an increase of $0.8 million or 1.6% of sales from $4.0 million or 6.9% of sales last year. This quarter, the increase reflects higher research and development expenses of $0.3 million, when compared to last year, for the development of new technologies and manufacturing improvements related to landing gear systems, which are not capitalized. It also reflects higher professional fees this year, compared to last year, including those related to the B-777 memorandum of agreement announced during the quarter. Selling and administrative expenses include a loss on currency translation on net monetary items denominated in foreign currencies of $0.1 million, while last year, this currency translation represented a negligible loss.

For the six-month period ended September 30, 2013, selling and administrative expenses stood at $9.5 million or 7.9% of sales this year, compared to $9.5 million or 7.8% of sales last year. The gain on currency translation on net monetary assets amounted to $0.4 million, compared to a negligible gain last year. This gain was offset by higher research and development expenses, when compared to last year, for the development of new technologies and manufacturing improvements related to landing gear systems, which are not capitalized.

Operating Income

Consolidated operating income stood at $3.1 million or 5.4% of sales for the quarter ended September 30, 2013, compared to $3.9 million or 6.7% of sales last year. The lower operating income in dollars and as a percentage of sales mainly reflects higher selling and administrative expenses, as explained above.

For the six-month period ended September 30, 2013, consolidated operating income stood at $7.6 million or 6.3% of sales, compared to $8.9 million or 7.3% of sales last year. The lower operating income in dollars and as a percentage of sales is essentially the result of a lower gross profit, as explained above.

Financial Expenses

Financial expenses stood at $1.0 million and at $1.7 million, respectively, for the quarter and six-month period ended September 30, 2013, compared to $1.1 million and $2.2 million, respectively, for the same periods last year.

This quarter, the lower financial expenses mainly resulted from lower discount rate adjustments of $0.2 million recorded on the provision for asset retirement obligations. This was partially offset by lower interest income which resulted from a lower level of cash and cash equivalents, compared to last year, as last year's balance included the cash proceeds received from the sale transaction before the special cash distribution to shareholders amounting to $157.5 million.

For the six-month period ended September 30, 2013, the lower financial expenses mainly resulted from a lower discount rate adjustment of $0.3 million recorded on the provision for asset retirement obligations, reflecting the increase in the discount rate in the first semester of this year, while last year, it reflected a decrease in the discount rate for the comparable period.

Income Tax Expense

For the quarters ended September 30, 2013 and 2012, the income tax expense (recovery) stood at $(0.5) million and $0.2 million respectively. At year-to-date, the income tax expense stood at $0.5 million compared to $1.1 million for the same period last year.

For the six-month period ended September 30, 2013, the Corporation’s effective income tax rate was 8.3%, compared to its Canadian blended statutory income tax rate of 26.7%. The effective income tax rate reflects essentially a reduction in deferred income tax liabilities in light of changes in tax audit matters ($0.9 million) and the favorable impact from permanent differences ($0.2 million).

For the six-month period ended September 30, 2012, the Corporation’s effective income tax rate was 16.8%, compared to its Canadian blended statutory income tax rate of 26.0%. The effective income tax rate reflects the favorable impact from permanent differences ($0.3 million), partially offset by the negative impact of a higher U.S. income tax rate for the Corporation’s U.S. subsidiaries ($0.1 million). It also includes a reduction in deferred income tax liabilities in light of changes in tax audit matters ($0.4 million).

The increase in the Corporation’s blended statutory income tax rate this year, compared to last year, mainly reflects the difference in provincial income tax rates.

Net Income

For the quarter and six-month period ended September 30, 2013, the Corporation posted a net income from continuing operations of $2.6 million or 4.6% of sales and $5.4 million or 4.5% of sales, respectively, compared to a net income from continuing operations of $2.6 million or 4.6% of sales and $5.6 million or 4.6% of sales for the same periods last year.

Last year’s net income also included the net income from discontinued operations of $110.0 million and $113.3 million, respectively, for the quarter and six-month period ended September 30, 2012. Last year's net income from discontinued operations for the quarter and at year-to-date included a net gain of $107.1 million from the sale transaction, excluding post-closing adjustments, as explained above (see Note 4 to the interim condensed consolidated financial statements).

	Quarters ended September 30,		Six months ended September 30,	
	2013	**2012**	**2013**	**2012**
Net income from continuing operations ($'000)	**2,584**	2,645	**5,398**	5,591
Net income from discontinued operations ($'000)	—	110,000	—	113,258
Net income ($'000)	**2,584**	112,645	**5,398**	118,849
Earnings per share from continuing operations – basic	**0.08**	0.09	**0.17**	0.18
Earnings per share from continuing operations – diluted	**0.08**	0.09	**0.17**	0.18
Earnings per share – basic ($)	**0.08**	3.68	**0.17**	3.89
Earnings per share – diluted ($)	**0.08**	3.64	**0.17**	3.86

Basic earnings per share figures are based on year-to-date weighted-averages of 31,521,584 common shares outstanding for the six-month period ended September 30, 2013 and 30,537,527 common shares for the same period last year, while the diluted earnings per share figures are based on year-to-date weighted-averages of 31,677,669 for the six-month period this year and 30,823,914 for the same period last year. The increase in the weighted-average number of outstanding common shares from September 30, 2012 to September 30, 2013 is mainly related to last fiscal year's issuance of 1,034,543 common shares under the Corporation's stock option plan.

On November 7, 2013, the date of this MD&A, the Corporation had 31,532,160 common shares and 259,101 stock options outstanding with a weighted-average of 3.3 years to maturity.

Accumulated Other Comprehensive Income ("AOCI") and Comprehensive Income

For the quarter and six-month period ended September 30, 2013, the other comprehensive income, included in the comprehensive income from continuing operations, is mainly the result of actuarial gains, net of change in asset limit and minimum funding requirements, on the Corporation's defined benefit pension plans, resulting from a higher interest rate to discount the defined benefit pension plan obligations, combined with the higher than expected return on plan assets.

Liquidity and Capital Resources

Special Distribution to Shareholders

Last year, on November 8, 2012, following the sale transaction, the Board of Directors of the Corporation approved a special cash distribution of $5.00 per share which was effectively paid on December 19, 2012 to shareholders of record on November 20, 2012. The Board of Directors determined that it was appropriate to proceed with this special distribution to the shareholders, following the sale transaction mentioned above, and that the Corporation would still maintain a healthy financial situation, post-special distribution, considering among other things, the expected capital and other investment requirements and results of the Corporation.

The special distribution to shareholders of $5.00 per share which represented a cash distribution of $157.5 million (based on 31,498,905 common shares outstanding on November 20, 2012) made on December 19, 2012 was composed of and recorded as an issued capital reduction of $2.70 per share ($85.0 million) and of a special cash dividend of $2.30 per share ($72.5 million) recorded against the retained earnings of the Corporation. The capital reduction which reduced the Corporation's issued capital, was approved by the shareholders at a special shareholder meeting held on December 18, 2012. The transaction costs related to this special distribution to shareholders amounting to $0.3 million ($0.2 million net of income taxes) were accounted for against the issued capital and retained earnings.

Credit Facility and Cash and Cash Equivalents

In general terms, the Corporation has a healthy financial situation and is well positioned to face its financing needs for the current fiscal year. Taking into account the sale transaction on August 31, 2012 and the special distribution to shareholders on December 19, 2012, the Corporation had cash and cash equivalents of $92.7 million as at September 30, 2013, compared to $101.3 million at March 31, 2013, of which $5.0 million had been invested in short-term deposits ($10.0 million at March 31, 2013). The remaining cash and cash equivalents were held in investment accounts with three Canadian Banks and their U.S. affiliates or branches of the Corporation's syndicated banks.

The Corporation has in place a Senior Secured Syndicated Revolving 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 $150 million, either in Canadian or US currency equivalent and will mature in March 2016. It also includes an accordion feature to increase the Credit Facility up to $225 million, during the term of the Credit Agreement, subject to approval by the lenders. As at September 30, 2013, the Corporation only had $22.7 million (US$22.0 million) drawn against the Credit Facility compared to $22.4 million (US$22.0 million) as at March 31, 2013. 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.

As at September 30, 2013, the Corporation had the following net cash position, calculated as follows:

	($'000)
Cash and cash equivalents	92,678
Less: Long-term debt, including current portion[(1)]	62,153
Net cash position	30,525

[(1)] *Excluding net deferred financing costs*

Operating Activities

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

	Quarters ended September 30,		Six months ended September 30,	
	2013	**2012**	**2013**	**2012**
	($'000)	**($'000)**	**($'000)**	**($'000)**
Cash flows from continuing operations	**4,685**	6,009	**11,837**	12,998
Net change in non-cash items related to continuing operations	**(1,096)**	(4,602)	**(5,208)**	(8,635)
Cash flows related to operating activities from continuing operations	**3,589**	1,407	**6,629**	4,363
Cash flows related to operating activities from discontinued operations	**—**	(675)	**(1,641)**	8,273
Cash flows related to operating activities	**3,589**	732	**4,988**	12,636

The $1.3 million decrease in cash flows from continuing operations for the quarter ended September 30, 2013, when compared to last year's period, is essentially explained by a $1.1 million lower deferred income tax expense, partially offset by a $0.2 million favorable discount rate adjustment.

For the six-month period ended September 30, 2013, the $1.2 million decrease in cash flows from continuing operations, when compared to the same period last year, reflects essentially the favorable impact of discount rate adjustments of $0.6 million, as already explained above, combined with a $0.4 million lower deferred income tax expense and a $0.2 million lower net income.

For the six-month period ended September 30, 2013, cash flows related to operating activities from discontinued operations includes the final payment of income taxes for the last fiscal year 2013.

The net change in non-cash items related to continuing operations can be summarized as follows:

	Quarters ended September 30,		Six months ended September 30,	
	2013	**2012**	**2013**	**2012**
	($'000)	**($'000)**	**($'000)**	**($'000)**
Accounts receivable	**3,090**	2,548	**9,705**	5,350
Inventories	**1,094**	(128)	**(434)**	(3,571)
Accounts payable and accrued liabilities, accounts payable-other, and other liabilities (referred to as "accounts payable")	**(3,605)**	(3,128)	**(9,613)**	(1,900)
Progress billings	**(1,353)**	(1,438)	**(4,750)**	(4,342)
Income taxes payable and receivable	**(97)**	(770)	**(655)**	(2,920)
All others	**(225)**	(1,686)	**539**	(1,252)
	(1,096)	(4,602)	**(5,208)**	(8,635)

For the second quarter and six-month period ended September 30, 2013, the decrease in accounts receivable and accounts payable results from the lower sales volume this quarter, which is historically the lowest quarter of the year due to the vacation period and plant shut-downs. For the same periods, the reduction in progress billings reflects a reduced backlog on certain military programs. The reduction in income taxes payable and receivable for the six-month period ended September 30, 2013 mainly reflects the final payment of income taxes made for fiscal 2013.

For the second quarter and six-month period ended September 30, 2012, the decrease in accounts receivable and accounts payable results from a lower sales volume in the second quarter, which is traditionally the lowest quarter of the year, and a lower US/CAD foreign exchange closing rate for the accounts receivable and accounts payable denominated in US dollars. The reduction in progress billings mainly reflects a higher commercial funded backlog business mix, compared to military, and a reduced backlog on certain military programs. The increase in inventories, essentially from the first quarter, reflects the anticipated increase in production rates for the upcoming quarters in the commercial sector. The reduction in income tax payable for the six-month period ended September 30, 2012, mainly reflects the final payment of income taxes made in the first quarter for fiscal 2012.

Investing Activities

The Corporation's investing activities were as follows:

	Quarters ended September 30,		**Six months ended September 30,**	
	2013	**2012**	**2013**	**2012**
	($'000)	**($'000)**	**($'000)**	**($'000)**
Additions to property, plant and equipment [(1)]	**(3,340)**	(2,972)	**(6,521)**	(6,443)
Net decrease (increase) in finite-life intangible assets [(1)]	**(2,269)**	607	**(5,264)**	(2,501)
Proceeds on disposal of property, plant and equipment [(1)]	**47**	88	**47**	92
Net proceeds from sale of discontinued operations	—	272,796	—	272,796
Investing activities of discontinued operations	—	(2,919)	—	(4,294)
Cash flows relating to investing activities	**(5,562)**	**267,600**	**(11,738)**	**259,650**

(1) *From continuing operations.*

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

	Quarters ended September 30,		Six months ended September 30,	
	2013	**2012**	**2013**	**2012**
	($'000)	**($'000)**	**($'000)**	**($'000)**
Additions to property, plant and equipment	**3,770**	4,012	**6,041**	6,207
Variation in unpaid additions included in Accounts payable - Other at period-end	**(430)**	(262)	**480**	1,014
Machinery and equipment acquired through finance leases	—	(778)	—	(778)
Additions, as per statements of cash flows	**3,340**	**2,972**	**6,521**	**6,443**

This quarter and at year-to-date, the additions to property, plant and equipment stood at $3.8 million and $6.0 million, respectively ($4.0 million and $6.2 million from continuing operations last year). It includes mainly capital investments in the St-Hubert Engineering and Longueuil operations facilities to support certain aerospace development programs, along with maintenance capital expenditure requirements.

Capital expenditures for fiscal 2014 are expected to be about $16.0 million, including $4.0 million related to the Landing Gear USA operations and $2.0 million for the engineering facility.

The increase in finite-life intangible assets mainly represents capitalized development costs for long-term contracts, essentially for business jet design programs. Sales related to some of these programs are anticipated to begin this fiscal year and will gradually increase over the following years.

Last year's net proceeds from the sale of discontinued operations were related to the sale transaction and included the sale proceeds received in cash, excluding post-closing adjustments, net of the finance lease obligations reduction and transaction expenses paid.

Financing Activities

The Corporation's financing activities were as follows:

	Quarters ended September 30,		Six months ended September 30,	
	2013	**2012**	**2013**	**2012**
	($'000)	**($'000)**	**($'000)**	**($'000)**
Repayment of long-term debt	**(486)**	(37,715)	**(3,047)**	(40,438)
Issuance of common shares	**66**	1,794	**133**	1,879
Financing activities of discontinued operations	—	(1,521)	—	(3,208)
Cash flows relating to financing activities	**(420)**	**(37,442)**	**(2,914)**	**(41,767)**

This year and last year's repayment of long-term debt includes the scheduled repayment of governmental authorities' loans, finance leases for machinery and equipment and a final payment on the promissory note. Last year's repayments also included the partial repayment of US$37.5 million ($37.0 million) against the Credit Facility, following the sale transaction.

During the quarter and six-month period ended September 30, 2013, the Corporation issued common shares under the Corporation's stock purchase and ownership incentive plan ("stock purchase plan"). For the same periods last year, the Corporation issued common shares following the exercise of stock options, and under its stock purchase plan (see below).

As at September 30, 2013, the Corporation was in compliance with all its restrictive debt covenants and expects to continue to comply with these restrictive financial covenants through the current fiscal 2014.

Capital Stock, Stock Option and Stock Purchase Plans

As at September 30, 2013, the Corporation had 31,529,553 common shares outstanding (31,511,446 as at March 31, 2013).

During the quarter and six-month period ended September 30, 2013, the Corporation issued 8,771 and 18,107 common shares, respectively, under the Corporation's stock purchase plan, for total cash considerations of $66,000 and $133,000. For the same periods last year, the Corporation issued 353,538 common shares (all in the second quarter) following the exercise of stock options, for a total cash consideration of $1,711,000, and 9,414 and 20,507 common shares, respectively, under its stock purchase plan, for total cash considerations of $83,000 and $168,000.

During the quarter and six-month period ended September 30, 2013, no stock options were granted (none in 2012), no stock options were exercised (353,538 in the second quarter of 2012), and no stock options were cancelled (111,900 last year, all in the second quarter).

As at September 30, 2013, 259,101 stock options were issued and outstanding with a weighted-average of 3.4 years to maturity and a weighted-average exercise price of $3.30 (see Note 13 to the interim condensed consolidated financial statements).

For the quarter ended September 30, 2013, the stock option plan expense and the stock purchase plan expense amounted to $27,000 and $30,000, respectively ($78,000 and $38,000 in 2012) - see Note 13 to the interim condensed consolidated financial statements.

For the six-month period ended September 30, 2013, the stock option plan expense and the stock purchase plan expense amounted to $63,000 and $61,000, respectively ($193,000 and $76,000 in 2012) - see Note 13 to the interim condensed consolidated financial statements.

As at September 30, 2013, 1,750,381 common shares had not been issued yet under the Stock Option Plan and 256,114 common shares had not been issued yet under the Stock Purchase Plan.

Stock Appreciation Right ("SAR") and Deferred Share Unit ("DSU") Plans

Until August 2010, the Corporation had a SAR plan where rights were issued to its non-employee directors. Although the SAR plan has since been replaced by a DSU plan effectively approved in May 2011 by the Corporation's Board of Directors, outstanding SARs issued prior to August 2010 are still in effect.

As at September 30, 2013, on a cumulative basis, 27,000 SARs (92,200 last year) were still outstanding at a weighted-average granted price of $1.68 ($6.99 last year), which expire on various dates in fiscal 2015 and 2016. During the quarter and six-month period ended September 30, 2013, 12,000 SARs were exercised (32,500 in 2012), no SARs were granted (none in 2012) and no SARs were cancelled (5,800 in 2012).

As at September 30, 2013, on a cumulative basis, 62,940 DSUs were outstanding (47,871 last year). During the quarter and six-month period ended September 30, 2013, no DSUs were issued (18,243 in the second quarter last year), 12,362 DSUs were exercised (all in the second quarter) (8,090 in the second quarter last year).

For the quarter and six-month period ended September 30, 2013, SAR expense amounted to $21,000 and $42,000, respectively (expense of $634,000 and $524,000 in 2012) while DSU expense amounted to $59,000 and $117,000 (expense of $336,000 and $322,000 in 2012) - see Note 13 to the interim condensed consolidated financial statements.

Consolidated Balance Sheets

The following table itemizes and explains the significant changes in the consolidated balance sheets between September 30, 2013 and March 31, 2013:

Item	March 31, 2013 ($ million)	September 30, 2013 ($ million)	Change ($ million)	Explanation
Cash and cash equivalents	101.3	92.7	(8.6)	See consolidated statements of cash flows
Accounts receivable	46.6	36.8	(9.8)	Decrease resulting from a lower sales volume this quarter, compared to last year's fourth quarter. The second quarter is historically the lowest quarter of the year due to the vacation period and plant shut-downs. This decrease was partially offset by the impact of a higher US/CAD exchange rate used to convert the U.S.-denominated accounts receivable, when compared to March 31, 2013 (impact of $0.4 million).
Derivative financial instruments (current and non-current assets)	3.2	0.9	(2.3)	Reflects the variation in the Corporation’s balance sheets of derivative financial instruments measured at fair value. The decrease is mainly the result of a lower differential between the weighted-average US/CAD rates of forward foreign exchange contracts on hand and the closing rate of conversion used, as of both balance sheet dates.
Finite-life intangible assets, net	26.5	31.4	4.9	Reflects the increase in capitalized development costs for long-term contracts ($5.1 million) and in software costs ($0.2 million), net of software amortization expense ($0.4 million).
Accounts payable and accrued liabilities	44.3	37.6	(6.7)	Decrease mainly resulting from a lower sales volume this quarter, compared to last year’s fourth quarter sales. This decrease was partially offset by the impact of a higher US/CAD exchange rate used to convert U.S.-denominated accounts payable and accrued liabilities, when compared to March 31, 2013 (impact of $0.2 million).
Accounts payable - other	2.4	1.6	(0.8)	Decrease mainly reflecting the lower unpaid portion of property, plant and equipment additions.
Progress billings (current and long-term)	12.3	7.5	(4.8)	The reduction in progress billings mainly reflects a reduced backlog on certain military programs.
Income tax payable	2.5	0.1	(2.4)	Decrease mainly reflecting the final income tax payments made this year related to the balance due from the last fiscal year.

Item	March 31, 2013 ($ million)	September 30, 2013 ($ million)	Change ($ million)	Explanation
Derivative financial instruments (current and long-term liabilities)	2.6	1.8	(0.8)	Reflects the variation in the Corporation's balance sheets of derivative financial instruments measured at fair value. The decrease is mainly the result of a lower differential between the closing rate of conversion used and the weighted-average US/CAD rates of forward foreign exchange contracts on hand, as of both balance sheet dates.
Long-term debt (including current portion)	63.0	61.1	(1.9)	The decrease reflects the scheduled repayment of long-term debt ($3.0 million) net of interest accretion on increased governmental authorities' loans ($0.9 million) and amortization of deferred financing costs related to the Credit Facility ($0.2 million).
Other liabilities – Pension and other retirement benefit plans	13.0	7.6	(5.4)	Decrease resulting from actuarial gains, net of change in asset limit and minimum funding requirements, on the Corporation's defined benefit pension plans (as already explained above), combined with scheduled payments made in the six-month period ended September 30, 2013.
Retained earnings	193.4	201.5	8.1	The increase reflects the Corporation's net income of $5.4 million for the six-month period ended September 30, 2013, combined with the defined benefit actuarial net gains of $3.1 million and net change in asset limit and minimum funding requirements amounting to $0.4 million on the Corporation's defined benefit pension plans for the same period.

As at September 30, 2013 and March 31, 2013, the Corporation's working capital ratio, cash and cash equivalents, long-term debt-to-equity ratio and net cash-to-equity ratio[(1)] were as follows:

	September 30, 2013	March 31, 2013
Working capital ratio	**4.16:1**	3.59:1
Cash and cash equivalents	**$92.7 million**	$101.3 million
Long-term debt-to-equity ratio	**0.25:1**	0.27:1
Net cash-to-equity ratio[(1)]	**0.14:1**	0.17:1

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

Government Assistance

During the quarter ended September 30, 2013, the Corporation recorded as government assistance for continuing operations an amount of $1.1 million as a reduction of incurred cost of sales and selling and administrative expenses ($0.6 million for the quarter ended September 30, 2012) and an amount of $1.2 million ($0.9 million for the quarter ended September 30, 2012) as a reduction of the related capital expenditures or capitalized development costs, presented under Finite-life intangible assets.

During the six-month period ended September 30, 2013, the Corporation recorded as governmental assistance for continuing operations an amount of $1.5 million as a reduction of incurred cost of sales and selling and administrative expenses ($1.1 million last year) and an amount of $1.5 million ($1.3 million last year) as a reduction of the related capital expenditures or capitalized development costs, presented under Finite-life intangible assets.

This government assistance includes mainly the investment tax and other credits, grants and the discounted portion of the governmental authorities loans.

Derivatives, Off-Balance-Sheet Items and Commitments

As at September 30, 2013, the Corporation had operating lease obligations amounting to $1.0 million for buildings and facilities. These amounts are repayable over the next five fiscal years. The Corporation also had machinery and equipment purchase commitments totaling $1.8 million (see Note 16 to the interim condensed consolidated financial statements).

As at September 30, 2013, the Corporation had forward foreign exchange contracts ("FFEC") with Canadian chartered banks to sell US$115.1 million at a weighted-average exchange rate (Canadian dollar over US dollar) of 1.0321. These contracts relate mainly to its export sales, and mature at various dates between October 2013 and March 2017, but mainly this and next fiscal year (see Note 10 to the interim condensed consolidated financial statements). This compares to US$123.5 million and US$136.3 million in FFEC held at March 31, 2013 and September 30, 2012, respectively, at weighted-average exchange rates of 1.0325 and 1.0498, respectively. The lower FFEC, compared to last year-end and last year's period, reflects the changes in the funded backlog.

As at September 30, 2013 and March 31, 2013, the Corporation had also entered into FFEC contracts to sell US$1.4 million at a weighted-average rate of 1.2275 (Canadian dollar over US dollar) and US$4.7 million at a weighted-average rate of 1.2262 (Canadian dollar over US dollar), respectively. These contracts cover foreign exchange risk related to certain embedded derivative financial instruments and they all mature this fiscal year.

The credit and credit concentration risks related to these financial instruments are limited due to the fact that the Corporation deals exclusively with Canadian chartered banks and their U.S. subsidiaries or branches, which are high-grade financial institutions, based on the Corporation's investment policy. On that basis, the Corporation does not anticipate any breach of agreement by counterparties.

In March 2011, the Corporation designated certain long-term debt as hedge of its net investments in U.S. operations. This designation was still in effect as at September 30, 2013.

Financial and Economic Situation

Improvements in the global economy continue to have a positive effect on most of the Corporation's markets related to commercial aerospace. In the large commercial aircraft market, Boeing and Airbus are proceeding with production rate increases for certain leading programs and backlogs remain strong, representing 7 to 8 years of production at current rates. Business jet shipments declined slightly in the first six months of calendar 2013, but key indicators point to a recovery, such as increased aircraft utilization and a reduction in the number of used aircraft for sale, as a percentage of the fleet.

However, the military aerospace market remains weak as governments address their deficits. In the United States, the Corporation's largest military market, uncertainty surrounding the duration of sequestration, including related defense cutbacks, could affect the Corporation beyond the current fiscal year.

The global economy remains fragile because of the debt situation of several countries and geopolitical instability in certain regions. Consequently, Héroux-Devtek continues to carefully monitor its strategy and risk management.

While the Corporation's backlog remains healthy, deferrals or cancellations of purchase orders could have an adverse impact on future results. The Corporation is striving to maintain a well-balanced portfolio between commercial and military sector sales, as well as between new component manufacturing and aftermarket products and services. This balance should help reduce the risks associated with any potential slowdown in specific markets.

Furthermore, the rapid fluctuations in the value of the Canadian dollar, when compared to the US currency, may put additional pressure on upcoming results. As already mentioned, and as highlighted in the Outlook section, Management maintains its focus on operational efficiencies through continued lean manufacturing initiatives, cost reduction initiatives and FFEC to remain competitive on a global basis.

From a financial standpoint, the Corporation has a healthy balance sheet and is presently in compliance with all of its financial covenants and expects to be so through the next fiscal year. The Corporation does not expect to have any liquidity issues, considering that the Banks' Credit Facility was extended with a syndicate of five Canadian banks and a Canadian branch of a U.S. bank, with high-grade credit ratings, and that the major customers of the Corporation are government or worldwide leaders in their respective fields. This Credit Facility was renewed and increased in fiscal 2011 and will mature in March 2016.

In light of the above, the Corporation maintains its near-term outlook (see Outlook section below) and does not foresee any significant short-term event that could jeopardize the going concern of its operations. That being said, and understanding that the Corporation operates, in part, in sectors subject to economic volatility, Management remains prudent (see Risks and Uncertainties and Outlook sections below).

CHANGES IN ACCOUNTING POLICIES

On April 1st, 2013, the Corporation adopted retrospectively the standards below in accordance with required changes from the International Accounting Standard Board. The adoption of these new standards did not have a material impact on prior periods comparative figures.

IAS 1 *Financial Statement Presentation*

The amended IAS 1, Presentation of Financial Statements was adopted retrospectively effective April 1st, 2013. The principal change resulting from the amendments to IAS 1 is the requirement to present separately other comprehensive income items that may be reclassified to income from other comprehensive items that will not be reclassified to income in the consolidated statement of comprehensive income.

IFRS 13 *Fair Value Measurements*

The IFRS 13, Fair Value Measurements was adopted retrospectively effective April 1st, 2013, and is a new and comprehensive standard that sets out a framework for measuring at fair value and that provides guidance on required disclosures about fair value measurements.

IAS 19 *Employee Benefits*

The amended IAS 19, Employee Benefits was adopted retrospectively effective April 1st, 2013. Amongst other changes, the amendments require entities to compute the financing cost component of defined benefit plans by applying the discount rate used to measure post-employment benefit obligations to the net post-employment benefit obligations (usually, the present value of defined benefit obligations less the fair value of plan assets). Also, the net interest cost is now presented in the financial expenses. Furthermore, the amendments to IAS 19 enhance the disclosure requirements for defined benefit plans, providing additional information about the characteristics of defined benefit plans and the risks that entities are exposed to, through participation in those plans. The changes in accounting policy have been accounted for retrospectively in accordance with the transition rules of the amended IAS 19 and the additional required disclosures will be provided in our annual consolidated financial statements for fiscal year 2014.

The impact of the adoption of the amended IAS 19, Employee Benefits on the consolidated statement of income and consolidated statement of comprehensive income for the quarter and six-month period ended September 30, 2012 are as follows:

	Quarter ended	Six months ended
($'000)		
● Decrease of cost of sales	(17)	(35)
● Increase of financial expenses	126	252
● Decrease of income tax expense	(30)	(59)
● Decrease of net income from continuing operations and net income	(79)	(158)
● Decrease of actuarial losses, net of income taxes	(79)	(158)
● Increase of other comprehensive income from continuing operations and other comprehensive income	79	158

INTERNAL CONTROLS AND PROCEDURES

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its financial statements in accordance with International Financial Reporting Standards.

No changes were made to the Corporation's internal controls over financial reporting during the quarter and six-month period ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

RISKS AND UNCERTAINTIES

Héroux-Devtek operates in industry segments with a variety of risk factors and uncertainties that could have a material adverse effect on the Corporation's business, financial condition and results of operations. Such risks and uncertainties include, but are not limited to, those mentioned below.

- Reliance on Large Customers
- Availability and Cost of Raw Materials
- Operational Risks
- Impact of Terrorist Activity and Political Instability
- General Economic Conditions
- Military Spending
- Foreign Currency Fluctuations
- Liquidity and Access to Capital Resources
- Restrictive Debt Covenants
- Changing Interest Rates
- External Business Environment
- Warranty Casualty Claim Losses
- Environmental Matters
- Collective Bargaining Agreements*
- Skilled Labour
- Pension Plan Liability

* Landing Gear - Longueuil collective agreement is expiring on May 1, 2014.

SELECTED QUARTERLY FINANCIAL INFORMATION

($'000 Except per share data)	Fiscal Year 2014		Fiscal Year 2013				Fiscal Year 2012	
	Sept. 30, 2013	**June 30, 2013**	March 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	March 31, 2012	Dec. 31, 2011
Average exchange rate used to translate revenues (sales) and expenses [(1)] ($Canadian / 1 equivalent $US)	**1.0385**	**1.0233**	1.0089	0.9913	0.9948	1.0102	1.0012	1.0231
Sales from continuing operations	**56,402**	**62,972**	73,816	61,742	57,684	63,780	74,777	61,988
EBITDA from continuing operations [(2)]	**6,254**	**7,747**	10,159	7,672	6,989	8,271	11,473	10,302
Net income from continuing operations [(2)]	**2,584**	**2,814**	4,695	3,216	2,645	2,946	5,558	4,463
Net income from discontinued operations	—	—	3,679	1,289	110,000	3,258	3,360	2,403
Net income [(2)]	**2,584**	**2,814**	8,374	4,505	112,645	6,204	8,918	6,866
Earnings per share from continuing operations ($) – Basic [(2)]	**0.08**	**0.09**	0.15	0.10	0.09	0.10	0.18	0.15
Earnings per share from continuing operations ($) – Diluted [(2)]	**0.08**	**0.09**	0.15	0.10	0.09	0.10	0.18	0.15
Earnings per share ($) – basic [(2)]	**0.08**	**0.09**	0.27	0.14	3.68	0.20	0.29	0.23
Earnings per share ($) – diluted [(2)]	**0.08**	**0.09**	0.26	0.14	3.64	0.20	0.29	0.22
Weighted-average number of diluted shares outstanding (in millions)	**31.7**	**31.7**	31.7	31.3	31.0	30.8	30.8	30.7

(1) Exclusive of forward foreign exchange contracts.

(2) Restated, see note 3 to the interim condensed consolidated financial statements.

OUTLOOK

Conditions remain mostly favorable in the commercial aerospace market. As at the end of August 2013, the passenger market, expressed in revenue-passenger-kilometers, has grown by 5.1%, while the cargo market, measured in freight-tonne-kilometers, rose 0.7%. The IATA's most recent forecast calls for a 5.0% growth in the passenger market for calendar 2013, followed by a 5.8% growth in calendar 2014. Meanwhile, air cargo volume is expected to slightly rise 0.9% in calendar 2013, with growth accelerating to 3.7% in calendar 2014.[1]

1 Sources: IATA press releases October 1, 2013; October 2, 2013; IATA Industry Financial Forecast September 2013.

In the large commercial aircraft segment, Boeing and Airbus continue to proceed with production rate increases on several leading programs scheduled for calendar years 2013 and 2014, although production of the B-747 will decrease in calendar 2014.[2] Reflecting these greater production rates, both manufacturers are forecasting higher deliveries in calendar 2013 than a year earlier. Their backlogs remain strong, representing 7 to 8 years of production at current rates.

In the business jet market, year-over-year deliveries declined slightly in the first six months of calendar 2013, but key indicators point to a recovery, such as increased aircraft utilization and a reduction in the number of used aircraft for sale, as a percentage of the fleet. More importantly, industry sources are calling for sustained growth over up to possibly five years, a period spanning the planned entry into service of several business jet models for which Héroux-Devtek has designed the landing gear.[3]

Conditions in the military aerospace market remain difficult as governments address their deficits. In the U.S., given the uncertainty surrounding the duration of sequestration, the Corporation may continue to be affected by U.S. defense cutbacks beyond the current fiscal year, despite having a diversified military portfolio, balanced between new component manufacturing and aftermarket products and services, that should lessen this impact.

The Corporation's balance sheet remains healthy with cash and cash equivalents of $92.7 million as at September 30, 2013. This amount, combined with funds available under its Credit Facility, will allow Héroux-Devtek to fund expected capital expenditures of approximately $16 million in fiscal 2014 as well as to consider other strategic acquisitions that would complement its product portfolio and its technologies.

As at September 30, 2013, Héroux-Devtek's funded (firm orders) backlog stood at $347 million, versus $361 million at the beginning of the fiscal year, mainly reflecting lower backlog on certain military programs. Despite this solid backlog and strong customer relationships, the Corporation will continue to enhance productivity and streamline its cost base to remain competitive in light of the increasingly global character of the aerospace industry.

In the short-term, the joint effect of U.S. military spending restrictions, the persistent sequestration and the government shutdown in October, will further impact consolidated sales for the fiscal year ending March 31, 2014, which are now expected to be slightly lower than last year, offsetting robust commercial aerospace activity that should yield sales growth of approximately 10% in this market. Given the weak military market, we must proactively optimize our asset utilization and adapt supply to demand, as evidenced by the recent workforce reduction.

The scenario for the remainder of fiscal 2014 assumes the Canadian dollar remains at parity versus the US currency and considers the Corporation's FFEC. Over the long-term, Héroux-Devtek remains committed to its stated goal of growing, internally and through strategic alliances, including business acquisitions, at 10% per year, on average, assuming a stable currency environment.

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2 Sources: Airbus press release April 4, 2013. Boeing press releases October 31, 2013; October 23, 2013; October 18, 2013; April 19, 2013; March 18, 2013; November 12, 2012; October 23, 2012.

3 Sources: GAMA, JETNET, FAA, Teal Group, Forecast International.

Additional Information and Continuous Disclosure

This MD&A was approved by the Audit Committee and by the Board of Directors on November 7, 2013. Updated information on the Corporation can be found on the SEDAR website, at www.sedar.com.