MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

For the fiscal years ended March 31, 2015 and 2014

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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, 2014 and March 31, 2015. It also compares the operating results and cash flows for the fiscal year ended March 31, 2015 to those for the previous fiscal year.

This analysis should be read in conjunction with the Corporation's audited consolidated financial statements dated March 31, 2015. This MD&A is based on these consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), using the Canadian dollar as the reporting currency. All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

Forward-Looking Statements

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

Such factors include, but are not limited to: the impact of worldwide general economic conditions; industry conditions including changes in laws and regulations; increased competition; the lack of availability of qualified personnel or management; availability of commodities and fluctuations in commodity prices; 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.

Non-IFRS Measures

The Corporation uses EBITDA, adjusted EBITDA, adjusted operating income, adjusted net income and adjusted earnings per share to assess its financial performance. These financial measures are not prescribed by IFRS and are therefore unlikely to be comparative to similar measures presented by other issuers. However, the Corporation's management, as well as investors, consider these metrics 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 and adjusted EBITDA for the fiscal years ended March 31, are calculated as follows:

($'000)	**2015** [3]	**2014**	**2013** [1]
Net income	**3,224**	9,236	13,406
Income tax expense (recovery)	**(2,523)**	2,567	3,172
Financial expenses	**5,860**	3,816	3,852
Amortization expense	**18,360**	13,280	12,533
Impairment of finite-life intangible assets	**7,924**	—	—
EBITDA	**32,845**	28,899	32,963
Non-recurring charges [2]	**14,936**	6,901	—
Adjusted EBITDA	**47,781**	35,800	32,963

(1) From continuing operations following the divestiture of the Aerostructure and Industrial divisions in August 2012.

(2) Includes settlement of a litigation, restructuring charges and acquisition-related costs.

(3) Includes the results of APPH for the full year following its acquisition in February 2014.

The $12.0 million increase in adjusted EBITDA from fiscal 2014 to fiscal 2015 mainly reflects a full-year contribution from our UK and Wichita operations, partially offset by higher selling and administrative expenses, as explained in the following sections.

The Corporation's adjusted operating income for the fiscal years ended March 31, are calculated as follows:

($'000)	**2015** [3]	**2014**	**2013** [1]
Operating income	**6,561**	15,619	20,430
Non-recurring charges [2]	**22,860**	6,901	—
Adjusted operating income	**29,421**	22,520	20,430

(1) From continuing operations following the divestiture of the Aerostructure and Industrial divisions in August 2012.

(2) Includes settlement of a litigation, impairment of finite-life intangible assets, restructuring charges and acquisition-related costs.

(3) Includes the results of APPH for the full year following its acquisition in February 2014.

The Corporation's adjusted net income and adjusted earnings per share for the fiscal years ended March 31, are calculated as follows:

($'000, except per share data)	**2015** [3]	**2014**	**2013** [1]
Net income	**3,224**	9,236	13,406
Non-recurring charges, net of taxes [2]	**16,188**	6,022	—
Adjusted net income	**19,412**	15,258	13,406
Earnings per share, basic & diluted	**0.09**	0.29	0.43
Non-recurring charges, net of taxes [2]	**0.46**	0.19	—
Adjusted earnings per share - basic & diluted	**0.55**	0.48	0.43

(1) From continuing operations following the divestiture of the Aerostructure and Industrial divisions in August 2012.

(2) Includes settlement of a litigation, impairment of finite-life intangible assets, restructuring charges and acquisition-related costs.

(3) Includes the results of APPH for the full year following its acquisition in February 2014.

Overview

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 in the world, 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).

On February 3, 2014, the Corporation acquired the entire share capital of U.K.-based APPH Limited and U.S.-based APPH Wichita, Inc. (collectively "UK and Wichita"), subsidiaries of BBA Aviation Plc. The UK and Wichita operations are integrated providers of landing gear and hydraulic systems and assemblies for original equipment manufacturer ("OEM") and aftermarket applications. Their main operations are based in Runcorn, Nottingham and Bolton, United Kingdom and in Wichita, Kansas. Following the acquisition, the Corporation covers North American and European markets and has further increased and diversified its customer base.

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, in the United States and in Europe, following the acquisition of the UK and Wichita operations. As such, a significant portion of the Corporation's sales are made to a limited number of customers located in Canada, the United States and Europe.

The Corporation's head office is located in Longueuil, Québec with facilities in the Greater Montreal area (Longueuil, Laval and St-Hubert); Kitchener, Cambridge and Toronto, Ontario; Springfield and Cleveland, Ohio; Wichita, Kansas; as well as Bolton, Runcorn and Nottingham in the United Kingdom. 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, and the Bolton facility ("Bolton"), which manufactures fluid filters for aircraft engines.

The Corporation was founded in 1942 as Héroux Machine Parts Limited, and later changed its name to Héroux Inc. The Corporation became public in 1986. In 2000, it acquired Devtek Corporation and the two entities were merged to form Héroux-Devtek Inc., one of the largest second-tier manufacturers in the Canadian aerospace industry.

On April 28, 2010, the Corporation concluded the acquisition of U.S. based Eagle Tool & Machine Co. and its subsidiary, All Tool Inc., two privately-held Ohio based manufacturers located in Springfield and Cleveland, which are involved in landing gear products mainly for the military aerospace industry (now referred to as "Landing Gear USA").

Héroux-Devtek sells mainly to OEMs such as Boeing, AgustaWestland, UTC Aerospace Systems ("UTAS"), Messier-Bugatti-Dowty, BAE System and into the aftermarket, where its main customer is the US Air Force (USAF). In fiscal 2015, sales to these six customers represented approximately 60% of total consolidated sales. More specifically, the Corporation has two customers representing 15% and 13% of its consolidated sales.

Business Management

The Corporation's product line operations are managed through decentralized operations that encourage entrepreneurship and the involvement of every employee. They have the management, engineering, manufacturing and marketing resources required to meet the needs of their specific markets. The growth and profitability of the Landing Gear product line and Bolton's operations are the responsibility, of the Chief Operating Officer, while the growth and profitability of Magtron's operations are the responsibility of Magtron's General Manager. They report directly to the Corporation's President and Chief Executive Officer, while the Vice-Presidents, Finance, Finance Director and Controllers report directly to the Chief Financial Officer.

The Corporation's Corporate Office is responsible for the Corporation's public financial and other reporting and disclosure requirements, and for all financial including financing requirements and treasury management and major business development decisions. It also supports operations in establishing budget and strategic plans, developing new products and markets, and assistance for public relations, financial controls and reporting, legal counsel, tax, human resources and information technology.

Business Strategy

Héroux-Devtek's business strategy is to position itself as a global international player and a key supplier for its customers. For the Corporation, being a key supplier means providing not only manufactured components but also services, such as design, assembly, program management and aftermarket, including repair and overhaul and product support, in order to become a complete service provider and allow customers to focus on their core business. In order to achieve this, the Corporation aims to develop management and technical expertise so as to add value to products at competitive costs. It also seeks to grow to attain a critical mass in each of its markets, while maintaining a solid financial position and returns.

In practice, this translates into:

- A focused factory approach;
- Standard and compatible information systems across the Corporation;
- Migration of technical and managerial know-how in each plant;
- A lean manufacturing approach in all its plants;
- Revenue stability, whenever possible, through long-term agreements with its customers;
- A balanced sales mix between civil and military aerospace sectors; and
- Building and maintaining a culture of entrepreneurship through the participation, dedication and commitment of its employees.

Héroux-Devtek seeks growth externally through acquisitions that can be easily integrated into its existing operations or that bring complementary technology, leading to greater added value. Internally, the Corporation aims to:

- Develop value-added, proprietary products through design engineering;
- Establish or enhance its presence in certain product markets, such as the aftermarket repair and overhaul of commercial and military landing gear, design and manufacturing of small to large landing gear, for commercial and military aircraft OEMs; and
- Diversify the customer base, which generally means to develop new OEM customers.

Key Performance Indicators

Héroux-Devtek measures its performance on a corporation-wide basis through the following elements:

- Profitability;
- Liquidity;
- Growth and competitive positioning;
- Customer satisfaction, and
- Financial situation and returns.

To do so, the Corporation developed key performance indicators ("KPI"). Presented below is a summary of these indicators as well as the elements which they measure:

Elements measured	Profitability	Liquidity	Growth and competitive positioning	Customer satisfaction	Financial situation and returns
KPIs	Gross profit	Earnings before interest, tax, depreciation and amortization (EBITDA) and adjusted EBITDA	Sales	On-time delivery	Working capital
	Operating income and adjusted operating income Earnings before interest and taxes (EBIT)	Free cash flow	Backlog (Purchase orders on hand)	Non-quality performance and costs	Long-term debt to equity ratio
	Cost reduction targets	Return on operating assets (RONA)	Market share in niche product markets where the Corporation evolves	-	Net-debt to equity ratio
	Manufacturing capacity utilization	-	Value added to products as a percentage of sales	-	Return on equity and RONA
What is being measured	Measures of operating performance	Measures of liquidity generation	Measures of growth, indicators of future revenue and measures of competitive positioning	Measures of commitments towards customers and product reliability	Measures of solidity of short- and long-term financial position and return to shareholders

Most of these KPIs are discussed later in this MD&A and will also be included in the Financial Highlights of the Corporation's fiscal 2015 Annual Report.

In fiscal year 2015, the Corporation's KPIs were affected by various market trends detailed in the "Market Trends" section below.

Furthermore, the Corporation's incentive plan is based on achievement of certain financial objectives and specific individual objectives. The financial targets are the RONA, operating income, sales, net income and earnings per share.

Risk Management

The Corporation's Risk Management process includes essentially the identification and assessment of business risks and opportunities and the implementation of strategies and controls to manage, monitor and communicate these risks. To help achieve its risk management objectives, the Corporation has included risk management activities and controls in the operational responsibilities of management in each business unit. The Corporation's Board of Directors is ultimately responsible for identifying and assessing the Corporation's principal business risks, reviewing overall business risks and ensuring the implementation of appropriate systems to manage these risks. The Human Resources and Corporate Governance Committee and the Audit Committee, composed of independent Directors, assist the Board of Directors in its general management responsibilities.

The Corporation operates in markets subject to various risks and uncertainties. Some of these risks are inherent to the nature of the Corporation's operations. See *Risks and Uncertainties* below.

Market Trends

Key indicators in the commercial air transport market were positive in calendar 2014 driven by further improvement in the global economy. Demand in the passenger market continued to grow, with traffic expressed in Revenue Passenger Kilometers ("RPK") rising 5.9% from the previous year, while freight traffic expressed in Freight Tonne Kilometers ("FTK") increased 4.5%[1]. These trends have continued in the first three months of calendar 2015 with increases of 6.1% and 5.3% in RPK and FTK, respectively[2].

Industry deliveries of large commercial aircraft reached a new record in calendar 2014 with 1,352 aircraft for Airbus and Boeing combined, while net new order inflow remained strong with an aggregate amount of 2,888 aircraft[3]. Both manufacturers are also proceeding with further production rate increases on several leading programs scheduled for through calendar 2018[4]. Based on current production rates, their respective backlogs represent more than eight years of production.

In the regional aviation market, Embraer delivered 92 aircraft in calendar 2014, while its order backlog stood at 459 aircraft as at December 31, 2014[5]. Bombardier Aerospace delivered 84 aircraft, including turboprops, during calendar 2014 and its order backlog amounted to 140 aircraft as at December 31, 2014[6].

Business jet deliveries increased 6.5% in calendar 2014 to 722 aircraft. More importantly, positive signs continue to suggest further improvement in market conditions, such as a 4.0% increase in U.S. business aircraft movements and a year-over-year decrease of 1.5% in the proportion of the business aircraft fleet for sale to 11.0% as at the end of calendar 2014[7].

The military market remained weak in calendar year 2014, as governments continued to address their deficits. In the U.S., the Corporation's largest military market, although sequestration cuts were eliminated through the Government's 2015 fiscal year, current funding requests beyond that horizon exceed planned budget limits. For instance, the Department of Defense fiscal year 2016 budget request calls for base funding of US$534.3 billion, which is approximately US$35 billion above planned budget limits set out in the Bi-Partisan Budget Act of 2013. This imbalance brings back the threat of a return to sequestration for the U.S. 2016 fiscal year[8].

The Outlook section at the end of this MD&A discusses the various effects of these market trends on the Corporation's business.

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[1] Source: IATA Press releases February 4, 2015, February 5, 2015.
[2] Source: IATA Press releases May 6, 2015, May 5, 2015.
[3] Sources: Airbus press release January 13, 2015; Boeing press release January 6, 2015.
[4] Sources: Airbus press releases February 27, 2015; November 4, 2014; February 24, 2014. Boeing press releases October 2, 2014; January 24, 2014; October 31, 2013.
[5] Source: Embraer press release January 13, 2015.
[6] Source: Bombardier 2014 financial report February 12, 2015.
[7] Sources: GAMA press release February 11, 2015; FAA January 2015 Business Jet Report, JetNet press release February 9, 2015.
[8] Source: U.S. Department of Defense press release February 2, 2015.

Major Achievements of Fiscal 2015

- Héroux-Devtek generated sales of $364.9 million in fiscal 2015, up $92.9 million, or 34.1%, from a year earlier. This increase mainly represents an additional contribution of $83.5 million from the UK and Wichita operations. Excluding this factor, commercial sales increased by $20.2 million, or 17.6%, while military sales decreased by $10.9 million or 7.7%. Adjusted EBITDA, which excludes non-recurring charges, stood at $47.8 million, or 13.1% of sales, up from $35.8 million, or 13.2% of sales, a year earlier. Net income amounted to $3.2 million or $0.09 per share on a diluted basis (adjusted net income of $19.4 million or $0.55 per share on a diluted basis, excluding non-recurring charges of $16.2 million, net of taxes), compared to a net income of $9.2 million or $0.29 per share on a diluted basis (adjusted net income of $15.3 million or $0.48 per share on a diluted basis, excluding non-recurring charges of $6.0 million, net of taxes) last year.

- In May 2014, Héroux-Devtek announced a comprehensive capital investment plan (the "Plan") to enable the Corporation to supply Boeing with complete landing gear systems for the B-777 and B-777X programs. The Plan calls for total investment of $105 million over the Corporation's 2015 and 2016 fiscal years. The section "Boeing 777 and 777X Contract" below provides more information about the Plan's main elements.

- In July 2014, Héroux-Devtek renewed two important long-term contracts. These renewals include:
  - A contract with Bell Helicopter for the manufacturing of components and assemblies for several helicopter programs. The renewal spans a five-year period ranging from calendar 2015 through calendar 2019 and calls for the production of components for new aircraft and the aftermarket. Based on program expectations upon renewal, the total value of this multi-year agreement could exceed $46 million.
  - A contract with Viking Air Limited for the fabrication of the nose landing gear for the Twin Otter Series 400 aircraft. The renewal extended the existing agreement through the end of calendar 2018 and also includes the production of aftermarket components. Based on program expectations upon renewal, this multi-year agreement could have a total value of approximately $20 million.

- In August 2014, the Corporation was awarded a multi-year contract to manufacture torque tubes for the Boeing 787 Dreamliner. Under the terms of the agreement, which represents new business for Héroux-Devtek, shipments began in early calendar 2015.

- In November 2014, Héroux-Devtek announced the nomination of Martin Brassard as Vice-President and Chief Operating Officer of Héroux-Devtek. His nomination highlights his strong skills as a manager and a leader. Over the course of his 20-year career with the Corporation, he has acquired a comprehensive knowledge of the business sector and its strategic interests, while developing productive relationships with customers, employees and numerous partners.

- In February 2015, Héroux-Devtek entered into a strategic alliance with C&L Aviation Group ("C&L") in the United States to enhance the global maintenance, repair and overhaul ("MRO") services and support available to operators of all variants of the Saab 340 aircraft family. This new alliance combines Héroux-Devtek's expertise as a landing gear designer and manufacturer with C&L's operator and aircraft service provider capability and knowledge. It also further enhances the worldwide support of the landing gear already available via Saab in Sweden, as well as REX and ACS in the Australasia market, while providing the Corporation with increased exposure in the attractive aftermarket business.

Acquisition of APPH

As previously disclosed in last year's audited consolidated financial statements, on February 3, 2014, the Corporation signed an agreement to acquire the entire share capital of U.K.-based APPH Limited and U.S.-based APPH Wichita Inc. (collectively "APPH"), from BBA Aviation Plc (LSE : BBA), for a consideration of US$124.2 million ($138.7 million), net of US$3.8 million ($4.3 million) of cash acquired. The transaction was financed with the Corporation's available cash for US$54.9 million ($61.3 million) and existing Credit Facility for US$69.3 million ($77.4 million).

APPH is an integrated provider of landing gear and hydraulic systems and assemblies for OEM and aftermarket applications, supplying both the commercial and military sectors in the Aerospace market. APPH specializes in the design, engineering, manufacturing and aftermarket support of landing gear and hydraulic systems and assemblies for fixed and rotary wing civil and military aircraft. Héroux-Devtek acquired four plants located in the United Kingdom and one plant in Wichita, Kansas. These plants have a combined workforce of approximately 400 employees, including a design engineering department staffed with 40 professionals. APPH's main design programs include landing gear systems for the Hawk (BAE Systems), SAAB 340, SAAB 2000, SAAB Gripen, AW101 (AgustaWestland), C27J Spartan (Alenia) and EC175 aircraft (Airbus Helicopters).

APPH expands the Corporation's geographical operations into the European market, provides the Corporation with significant content on several leading programs, further increases and diversifies the Corporation's customer base, and provides greater exposure to the attractive aftermarket business. With a majority of its revenues coming from programs where it holds design authority rights on life-cycle mandates, APPH also provides Héroux-Devtek with an increased proportion of proprietary programs compared to built-to-print activities.

The Corporation's acquisition-related costs were $5.0 million for the fiscal year ended March 31, 2014. These costs mainly pertain to professional fees, transaction fees and expenses incurred for the acquisition of APPH.

During the fiscal year ended March 31, 2015, the Corporation finalized the purchase price allocation. Adjustments and reclassifications are mainly related to the assessment of costs and liabilities associated to specific Aerospace programs.

($'000)	Purchase price allocation, as originally reported	Adjustments and reclassifications	Final purchase price allocation
Cash	$ 4,264	$ —	$ 4,264
Accounts receivable	15,548	(3,634)	11,914
Inventories	39,310	629	39,939
Other current assets	854	764	1,618
Total current assets	59,976	(2,241)	57,735
Property, plant and equipment	14,896	—	14,896
Finite-life intangible assets [1]	25,469	—	25,469
Deferred income tax assets	1,098	1,554	2,652
Total non-current assets	41,463	1,554	43,017
Accounts payable and accrued liabilities	12,535	3,072	15,607
Accounts payable - other and, other liabilities [2]	1,698	179	1,877
Provisions	5,611	1,683	7,294
Total current liabilities	19,844	4,934	24,778
Other liabilities [2]	3,306	958	4,264
Total non-current liabilities	3,306	958	4,264
Net identifiable assets and liabilities	78,289	(6,579)	71,710
Goodwill on acquisition [3]	64,713	6,579	71,292
Total consideration	143,002	—	143,002
Cash acquired	4,264	—	4,264
Net cash outflow	**$ 138,738**	**$ —**	**$ 138,738**

[1] *Mainly customer relationships and contracts.*
[2] *Essentially deferred revenue.*
[3] *Mainly allocated to Landing Gear product line*

Throughout this MD&A, Management has explained the consolidated results which include the results of APPH (now referred to as "UK and Wichita"). Last year's results for the UK and Wichita operations are for the period from February 3, 2014 to March 31, 2014, which is less than a full year, when compared to this year. For all significant elements explained, Management has singled out this impact on this year's results to help readers understand year-over-year variations.

Boeing 777 and 777X Contract

In December 2013, Héroux-Devtek's wholly-owned subsidiary HDI Landing Gear USA Inc. signed a long-term contract with The Boeing Company ("Boeing") to supply complete landing gear systems for the Boeing B-777 and B-777X programs ("B-777"). This contract is the largest ever awarded to Landing Gear operations.

Under the terms of the long-term contract, HDI Landing Gear USA Inc. will supply complete landing gear systems, including the main and nose landing gears, and the nose landing gear drag strut. The contract also includes manufacturing parts for Boeing to sell in the aftermarket. Under the multi-year contract, deliveries will begin in early calendar 2017, with an option to extend the contract through 2028.

In order to successfully carry out this important long-term contract, the Corporation has put in place a comprehensive capital investment plan, which calls for total investment of $105 million over the Corporation's 2015 and 2016 fiscal years. Main constituents of this plan include:

- The construction of a new, state-of-the-art 108,000 square foot facility in Cambridge, Ontario has been completed. The plant was inaugurated on February 26, 2015 and leading-edge equipment is being installed. This facility will primarily manufacture large-scale, complex landing gear components.

- The expansion of the Cleveland, Ohio facility to provide the site with additional capacity for component finishing and a highly modern sub-assembly centre. The building expansion, which nearly doubled its footprint to approximately 100,000 square feet, was completed at the end of fiscal 2015, while finishing capabilities are expected to be in place by the first half of fiscal 2016.
- Investments in machinery and equipment, as well as certain building improvements, at the Springfield, Ohio and Laval, Québec plants. These facilities will mainly perform the manufacturing of smaller complex and critical components. Component machining began at the Springfield facility in December 2014.
- The leasing of a new 21,000 square foot facility in Everett, Washington. This facility will assure final assembly of landing gear systems to be delivered to Boeing's site located in close proximity. The plant should be operational near the end of calendar 2015.

As at March 31, 2015, the Corporation had invested $68.8 million related to this plan which included addition to property, plant and equipment of $47.2 million (all in the fiscal year ended March 31, 2015) and cumulative deposits on machinery and equipment of $21.6 million (over the fiscal years ended March 31, 2014 and 2015).

Financing of this plan is secured by the Corporation's available cash, its existing Credit Facility and through finance leases.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table presents selected financial information for the past three fiscal years ended March 31:

($'000, except per share data)	**2015**	**2014**	**2013** [1]
Sales	**364,916**	272,034	257,022
EBITDA	**32,845**	28,899	32,963
Adjusted EBITDA	**47,781**	35,800	32,963
Net income	**3,224**	9,236	13,406
Adjusted net income	**19,412**	15,258	13,406
Earnings per share ($) - basic & diluted	**0.09**	0.29	0.43
Adjusted earnings per share ($) - basic & diluted	**0.55**	0.48	0.43
Total assets	**575,453**	513,967	389,115
Long-term financial liabilities [2]	**127,729**	158,046	76,902
Cash and cash equivalents	**35,098**	47,347	101,256

[1] From continuing operations following the divestiture of the Aerostructure and Industrial divisions in August 2012.

[2] Represents the long-term debt including the current portion, derivative financial instruments, the pension and other retirement benefit plan liabilities included in other liabilities.

Foreign Exchange

The Corporation is subject to foreign currency fluctuations from the translation of revenues (sales), expenses, assets and liabilities of its foreign operations (US and U.K.) 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. FFEC, for the purpose of hedge accounting, are classified and accounted for as cash flow hedges in accordance with the Corporation's accounting policies. At balance sheet dates, the closing rates translate monetary assets and liabilities denominated in foreign currencies and assets and liabilities of foreign operations.

The closing and average exchange rates were as follows as at March 31, 2015 and 2014 and for the fiscal years then ended:

	2015	**2014**
$ Canadian / 1 US $ equivalent		
Average rate for fiscal year ended March 31	**1.1392**	1.0538
Closing rate as at March 31	**1.2666**	1.1055
$ Canadian / 1 British pound ("GBP") equivalent		
Average rate for fiscal year ended March 31	**1.8322**	1.8262
Closing rate as at March 31	**1.8792**	1.8430

As shown above, the average values of the Canadian dollar was 8.1% 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 essentially those from its Canadian operations. The average value of the Canadian dollar was slightly lower when compared to the GBP and had a marginal impact on the Corporation's consolidated sales. Since March 31, 2014, the variations in the above closing rates ("foreign currency rates") had a favorable impact (gain) on the Corporation's balance sheet accounts denominated in U.S. and GBP currencies. The impact of currency fluctuations 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 March 31, 2015, the Corporation had FFEC totaling US$119.0 million at a weighted-average rate of 1.1297 maturing at various dates between April 2015 and March 2018, with the majority maturing over the next two fiscal years.

Consolidated Sales

Consolidated sales increased by $92.9 million or 34.1% to $364.9 million this year from $272.0 million last year. This increase mainly represents an additional contribution of $83.5 million from a full year of UK and Wichita sales. Excluding this factor, commercial sales increased $20.2 million or 16.6% mainly as a result of higher sales on certain large commercial programs and entry into production of Héroux-Devtek Inc.'s new landing gear designs, while military sales decreased $10.9 million or 7.3% mainly as a result of lower spare parts requirements with the U.S. government. Foreign exchange fluctuations increased sales by $13.0 million or 4.8%, when compared to last year.

Sales can be broken down by sector as follows:

	2015	**2014**	**Variance**	
	($'000)	($'000)	($'000)	%
Military [(1)]	**191,048**	150,279	40,769	27.1
Commercial	**173,868**	121,755	52,113	42.8
Total	**364,916**	272,034	92,882	34.1

[(1)] *Includes military sales to civil customers and governments.*

Military sales were $40.8 million or 27.1% higher to $191.0 million this year from $150.3 million last year. This increase mainly represents an additional contribution of $51.7 million from a full year of UK and Wichita military sales. Excluding this factor, military sales decreased $10.9 million or 7.3% mainly as a result of lower spare parts requirements with the U.S. government mainly on the C-5A, P-3 and F-18 programs, reflecting the reduced funding of the U.S. base defense budget in recent years, partially offset by increased sales volume on the F-35 and CH-47 helicopter programs and, favorable foreign exchange fluctuations of $6.5 million when compared to last year.

Commercial sales were $52.1 million or 42.8% higher to $173.9 million this year from $121.8 million last year. This increase mainly represents an additional contribution of $31.9 million from a full year of UK and Wichita commercial sales, including the new landing gear system design for the Airbus Helicopter EC-175. Excluding this factor, commercial sales increased $20.2 million or 16.6% mainly as a result of higher production rates on the B-777 and B-787 large commercial programs, entry into production of Héroux-Devtek Inc.'s new landing gear system design for the Embraer Legacy 450/500 program and favorable foreign exchange fluctuations amounting to $6.5 million, partially offset by lower aftermarket sales on the CL-415 program. The new designs that entered into production this year included the Embraer Legacy 450/500 and the Airbus Helicopter EC-175 programs.

Sales by Destination

The Corporation's sales by destination were as follows:

	2015	**2014**
	(%)	(%)
Canada	**23**	29
US	**49**	62
United Kingdom	**14**	3
Other countries	**14**	6
Total	**100**	100

The year-over-year change in the sales by destination mix mainly reflects the impact of increased sales to United Kingdom and other countries, mainly to European customers, as a result of a full-year contribution from the UK and Wichita operations.

Gross Profit

Consolidated gross profit was $59.2 million this year, or 16.2% of sales, an increase of $16.7 million, or 0.6% of sales, from $42.4 million, or 15.6% of sales last year. This increase mainly represents an additional contribution of $18.1 million from the UK and Wichita operations. Excluding this factor, gross profit decreased by $1.4 million, or 1.0% of sales despite a favorable impact of 0.4% resulting from foreign exchange currency fluctuations. The decrease in gross profit in dollars and as a percentage of sales is explained by a less favorable product mix and a higher under-absorption of manufacturing overhead costs, both resulting from lower aftermarket sales, when compared to last year.

Besides the natural hedging from the purchase of raw materials in US dollars, the Corporation mitigates the currency impact by the use of FFEC.

Selling and Administrative Expenses

Selling and administrative expenses for the fiscal years ended March 31,were as follows:

	2015	**2014**
Selling and administrative expenses ($'000)	**29,755**	19,908
% of sales	**8.2**	7.3

Selling and administrative expenses stood at $29.8 million this year or 8.2% of sales, compared to $19.9 million or 7.3% of sales last year. Excluding the effect of the full year expenses of the UK and Wichita operations, selling and administrative expenses increased by $1.7 million or 0.6% of sales. This increase in dollars and as a percentage of sales is mainly explained by an expense of $1.0 million related to the newly adopted Performance Share Unit Plan ("PSU Plan") and increased stock option expense of $1.0 million. This increase was partially offset by a gain on currency translation on net monetary items denominated in foreign currencies of $1.4 million incurred this year, compared to a gain of $1.1 million last year, excluding UK and Wichita operations.

Non-recurring charges

Non-recurring charges for the fiscal years ended March 31, comprise the following:

	2015	**2014**
	($'000)	($'000)
Settlement of a litigation	**11,610**	—
Impairment of finite-life intangible assets	**7,924**	—
Restructuring charges	**3,326**	1,884
Acquisition-related costs	**—**	5,017
	22,860	6,901

Settlement of a litigation

On February 5, 2014, Goodrich Corporation, member of UTC Aerospace Systems (« UTAS ») group, filed a request for arbitration against the Corporation to the ICC International Court of Arbitration based on alleged violation of a non-compete covenant contained in an agreement between Goodrich Corporation and Devtek Aerospace Inc. relating to manufacturing the pistons.

On May 27, 2015, the Corporation executed a Memorandum of Settlement with UTAS in regards to a litigation and the final settlement is expected to be completed in the following days, subject to an agreement on the terms for the extension of two existing contracts with UTAS for the supply of various aircraft parts. The Corporation recorded a charge of $11.6 million, including incurred legal fees, for the fiscal year ended March 31, 2015. An amount of $10.1 million is recorded under Litigations and other short-term provisions in the Corporation's Consolidated balance sheet at March 31, 2015.

Impairment of finite-life intangible assets

On January 15, 2015, Bombardier, a Canadian public corporation, announced its decision to pause the Learjet 85 business aircraft program due to weak demand of the light business aircraft category and downward revision of business aircraft market forecast. The Corporation is the developer and supplier of the complete landing gear system for this aircraft. Following the decision of Bombardier, the Corporation performed an impairment test on the Learjet 85 costs, which principally consists of capitalized development costs, inventories, and obligations, and recorded an impairment charge of $7.9 million on the capitalized development costs associated to this program.

To determine the impairment charge, the Corporation has established a recoverable amount for the capitalized development costs based on the higher of the fair value less costs to sell and its value in use. The calculation is most sensitive to:

- the discount rate used, established at 7.8% and,
- the expected future cash flows.

The following table presents the sensitivity of the recoverable amount and the associated impact on the impairment charge of an increase in the discount rate or a decrease in the expected future cash flows used in isolation from one another, and assuming all other assumptions remain unchanged.

	Increased impairment charge
	($'000)
100-basis point increase in the discount rate	161
10% decrease of expected future cash flows	576

Restructuring charges

Last year, on January 16, 2014, given the substantial reduction in military aftermarket products with the U.S. government, the Corporation announced a plan to optimize and consolidate manufacturing capacity, while further enhancing productivity throughout the organization. These initiatives are in line with the Corporation's operating strategy of focusing on specialized centers of excellence but resulted in certain restructuring charges. Furthermore, following the acquisition of APPH, the Corporation incurred restructuring charges related to the integration of APPH's operations, personnel and technology with its pre-acquisition operations. These initiatives have been substantially completed as at March 31, 2015.

For the fiscal year ended March 31, 2015, these restructuring charges amounted to $3.3 million ($1.9 million in 2014), and include employee termination benefits of $2.1 million ($1.4 million in 2014), a marginal write-down of equipment ($0.2 million in 2014), equipment dismantling of $0.9 million (none in 2014) and other related costs of $0.3 million ($0.3 million in 2014). As at March 31, 2015, the unpaid portion of the restructuring charges of $1.4 million ($0.9 million as at March 31, 2014) is presented under short-term provisions and under other liabilities for $0.4 million ($0.3 million as at March 31, 2014) in the Corporation's consolidated balance sheets.

Acquisition-related costs

Last year, the Corporation's acquisition-related costs were $5.0 million. These costs mainly pertained to professional fees and expenses incurred for the acquisition of the UK and Wichita operations, as explained above.

Operating Income

Consolidated operating income stood at $6.6 million or 1.8% of sales for the fiscal year ended March 31, 2015 ($29.4 million, or 8.1% of sales, when excluding non-recurring charges), compared to $15.6 million or 5.7% of sales last year ($22.5 million, or 8.3% of sales last year, when excluding non-recurring charges). Excluding the additional contribution of $9.9 million from the UK and Wichita operations and non-recurring charges, the Corporation's operating income stood at $19.4 million, or 6.9% of sales, reflecting the lower gross profit combined with higher selling and administrative expenses, as explained above.

Financial Expenses

Financial expenses stood at $5.9 million for the fiscal year ended March 31, 2015, while it stood at $3.8 million last year. The increase in financial expenses, compared to last year, is mainly explained by additional interest expense of $0.9 million partially offset by a lower standby fees expense of $0.2 million, both resulting from the increased drawings against the Corporation's Credit Facility following the acquisition of the UK and Wichita operations. The increase is also explained by additional interest accretion on increased governmental authorities' loans of $0.7 million and additional expense resulting from discount rate adjustments related to asset retirement obligations of $0.9 million, reflecting the decrease in the discount rate this year.

Income Tax Expense

For the fiscal year ended March 31, 2015, the income tax recovery stood at $2.5 million, while it represented an expense of $2.6 million last year. The computation of the income tax expense (recovery) for the fiscal years ended March 31, 2015 and 2014 is as follows:

	2015	**2014**
	($'000)	($'000)
Income taxes at combined Federal and Provincial statutory tax rates of 26.7%	**187**	3,151
Income tax rate differential – foreign subsidiaries	**(3,032)**	(607)
Permanent differences	**467**	1,160
Other items	**(145)**	(1,137)
Income tax expense (recovery)	**(2,523)**	2,567

For the fiscal years ended March 31, 2015 and 2014, other items include a reduction of $0.1 million and $1.1 million, respectively, in deferred income tax liabilities in light of changes in tax audit matters, jurisprudence and tax legislation. For the fiscal year ended March 31, 2015, permanent differences are mainly related to the non-deductible stock base compensation expense while last year permanent differences were mainly related to acquisition-related costs, as explained above.

As at March 31, 2015 and 2014, there were no operating losses carried forward or other temporary differences for which related deferred income tax assets have not been recognized in the consolidated financial statements.

As at March 31, 2015, the Corporation had $6.0 million ($0.4 million in 2014) in federal and $22.5 million in UK non-capital losses available for carry-forward.

As at March 31, 2015, the temporary differences associated with investments in subsidiaries, for which a deferred income tax liability has not been recognized, aggregate to $10.3 million (none in 2014).

Net Income

For the fiscal year ended March 31, 2015, the Corporation posted a net income of $3.2 million or 0.9% of sales (adjusted net income of $19.4 million or 5.3% of sales, when excluding non-recurring charges of $16.2 million, net of taxes), compared to a net income of $9.2 million or 3.4% of sales (adjusted net income of $15.3 million or 5.6% of sales, when excluding non-recurring charges of $6.0 million, net of taxes) last year.

	2015	**2014**
Net income ($'000) [1]	**3,224**	9,236
Earnings per share - basic and diluted ($)	**0.09**	0.29

[1] *Net of non-recurring charges amounting to $16.2 million and $6.0 million, both net of taxes, for the fiscal years ended March 31, 2015 and 2014, respectively.*

Basic earnings per share figures are based on year-to-date weighted-averages of 34,901,780 common shares outstanding for fiscal year 2015 and 31,536,316 common shares last year, while the diluted earnings per share figures are based on year-to-date weighted-averages of 35,016,396 for fiscal 2015 and 31,661,839 last year. The year-over-year increase in the weighted average common shares is mainly related to the issuance of common shares pursuant to the public offering and concurrent private placements on June 26, 2014 (see below).

On May 27, 2015, the date of this MD&A, the Corporation had 35,958,037 common shares and 747,346 common stock options outstanding with a weighted-average of 5.24 years to maturity.

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

For the fiscal year ended March 31, 2015, the other comprehensive loss, included in the comprehensive income, is mainly the result of net losses on valuation of derivative financial instruments and net losses on hedge of net investments in foreign operations, both resulting from the appreciation of the US currency, compared to the Canadian currency. It also includes net losses from re-measurement of the Corporation's defined benefit pension plans resulting from a lower interest rate to discount the defined benefit pension plans obligations, net of gains from higher than expected return on plan assets. These unfavorable variations on the comprehensive income were partially offset by gains arising from the translation of the financial statements of foreign operations, resulting from the appreciation of the US and GBP currencies, compared to the Canadian currency.

Liquidity and Capital Resources

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. As at March 31, 2015, the Corporation had cash and cash equivalents of $35.1 million, compared to $47.3 million as at March 31, 2014.

The Corporation has in place a Senior Secured Syndicated Revolving Credit Facility ("Credit Facility") with five Canadian syndicated banks, and their U.S. affiliates or branches, and a Canadian branch of a U.S. bank. This Credit Facility allows the Corporation and its subsidiaries to borrow up to $200 million, either in Canadian, US, British Pound or Euro equivalent currencies and will mature in March 2019. It also includes an accordion feature to increase the Credit Facility by an additional $75 million, during the term of the Credit Agreement, subject to the approval of the lenders.

As at March 31, 2015, the Corporation had $56.7 million drawn against the Credit Facility following the repayment made during the fiscal year (see below), compared to $100.9 million as at March 31, 2014. 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 March 31, the Corporation had the following net debt position, calculated as follows:

	2015	**2014**
	($'000)	($'000)
Long-term debt, including current portion[1]	**114,202**	150,466
Less: Cash and cash equivalents	**35,098**	47,347
Net debt position	**79,104**	103,119

[1] *Excluding net deferred financing costs of $1.3 million ($1.6 million in 2014).*

Operating Activities

The Corporation generated cash flows from operations and related operating activities and used cash and cash equivalents for its discontinued operations, following the divestiture of the Aerostructure and Industrial divisions in August 2012, as follows:

	2015	**2014**
	($'000)	($'000)
Cash flows from operations	**29,347**	20,935
Net change in non-cash items related to continuing operations	**17,955**	8,897
Cash flows related to operating activities from continuing operations	**47,302**	29,832
Net change in non-cash items related to discontinued operations	**(1,082)**	(3,792)
Cash flows related to operating activities	**46,220**	26,040

The $8.4 million increase in cash flows from operations, when compared to last year, is mainly the result of the full-year contribution from the UK and Wichita operations partially offset by the charge associated with the settlement of a litigation as explained above.

For the fiscal year ended March 31, 2015, net change in non-cash items related to discontinued operations includes mainly final tax payments related to fiscal year 2013, while last fiscal year it included a payment of income taxes for fiscal year 2013.

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

	2015	**2014**
	($'000)	($'000)
Accounts receivable	**(9,103)**	(3,944)
Inventories	**3,723**	6,079
Accounts payable and accrued liabilities, accounts payable-other, and other liabilities (referred to as "accounts payable")	**5,500**	(1,120)
Customer advances	**8,917**	9,409
Provisions	**10,565**	436
Progress billings	**(958)**	(4,569)
Income taxes payable and receivable	**(3,226)**	2,283
All others including effect of changes in exchange rate	**2,537**	323
	17,955	8,897

For the fiscal year ended March 31, 2015, the increase in accounts receivable and accounts payable mainly reflects higher sales in the fourth quarter compared to the last year's fourth quarter, combined with a higher foreign exchange rate used to convert foreign currency-denominated accounts receivable and accounts payable. The net reduction in inventories and progress billings mainly reflects the reduced backlog in certain military programs, partially offset by increased inventories related to the higher commercial funded backlog. The increase in customer advances at year-to-date mainly reflects payments received from a customer in relation to a long-term contract while the increase in provision mainly

reflects the additional provision associated with the settlement of a litigation. The increase in income tax receivable mainly reflects a lower current income tax expense when compared to the previous fiscal year.

For the fiscal year ended March 31, 2014, the increase in accounts receivable from continuing operations mainly reflected the impact of a higher USD/CAD foreign exchange closing rate used to convert the U.S.-denominated accounts receivable year-end balances. The net reduction in inventories and progress billings mainly reflected the reduced backlog for certain military programs, partially offset by increased inventories related to the higher commercial funded backlog. The increase in customer advances last year, compared to the previous fiscal year, mainly reflected payments received from a customer in relation to a long-term contract. The reduction in income tax payable and receivable mainly reflected a higher current income tax expense from continuing operations last fiscal year, when compared to the previous fiscal year, net of the final payment made last year for the previous year's income taxes.

Investing Activities

The Corporation's investing activities were as follows:

	2015	**2014**
	($'000)	($'000)
Business acquisition	**—**	(138,738)
Additions to property, plant and equipment	**(52,292)**	(9,726)
Deposits on machinery and equipment	**(10,438)**	(12,634)
Net increase in finite-life intangible assets	**(2,643)**	(7,942)
Proceeds on disposal of property, plant and equipment	**415**	192
Cash flows relating to investing activities	**(64,958)**	(168,848)

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

	2015	**2014**
	($'000)	($'000)
Gross additions made during the year (see note 15 to the consolidated financial statements)	**61,182**	12,622
Government assistance	**(1,494)**	(1,771)
Additions to property, plant and equipment	**59,688**	10,851
Variation in unpaid additions included in Accounts payable - other and, other liabilities at year-end	**(4,402)**	32
Machinery and equipment acquired through finance leases	**(2,994)**	(1,157)
Additions, as per statements of cash flows	**52,292**	9,726

During the fiscal years ended March 31, 2015 and 2014, the additions to property, plant and equipment stood at $59.7 million and $10.9 million respectively while the deposits on machinery and equipment amounted to $10.4 million and $12.6 million respectively. The additions to property, plant and equipment, for the fiscal year ended March 31, 2015 mainly include investments related to the Boeing B-777 contract and amounted to $47.2 million. Deposits on machinery and equipment are essentially related to the Boeing B-777 contract representing cumulative deposits of $21.6 million made over fiscal 2014 and 2015. Additions to property, plant and equipment for fiscal 2016 are expected to be about $75 million, including $58 million related to the Boeing B-777 contract, of which $23.3 million of deposits on machinery and equipment had already been made as at March 31, 2015.

The increase in finite-life intangible assets mainly includes capitalized development costs for long-term contracts, essentially for business jet programs.

As already mentioned, during fiscal year ended March 31, 2014, the Corporation invested $138.7 million for the acquisition of the UK and Wichita operations.

Financing Activities

The Corporation's financing activities were as follows:

	2015	**2014**
	($'000)	($'000)
Increase in long-term debt	**22,873**	85,650
Repayment of long-term debt	**(67,772)**	(3,838)
Increase in deferred financing costs	**—**	(716)
Issuance of common shares	**48,406**	575
Cash flows relating to financing activities	**3,507**	81,671

On June 26, 2014, the Corporation issued 4,255,871 common shares for net proceeds of $47.9 million as a result of the public offering and concurrent private placements (see below). During the fiscal years ended March 31, 2015 and 2014, the Corporation also received total cash considerations of $0.4 million and $0.3 million, following the issuance of common shares under the Corporation's stock purchase and ownership incentive plan ("stock purchase plan") and $0.2 million and $0.3 million, respectively, following the issuance of common shares under the stock option plan.

During the fiscal year ended March 31, 2015, the net proceeds of $47.9 million from the public offering and concurrent private placements along with a $16.2 million drawing against the Corporation's Credit Facility was used to repay US$59.3 million ($63.6 million) of debt against the Credit Facility. This year's and last year's repayments of long-term debt also include the scheduled repayment of governmental authorities' loans and finance leases for machinery and equipment.

Last year, on March 31, 2014, in conjunction with the amendment and increase of the Credit Facility, the Corporation capitalized $0.8 million in financing costs, which are amortized using the effective interest rate method over a five-year period.

During the fiscal years ended March 31, 2015 and 2014, the increase in long-term debt also includes new governmental authorities' loans received of $6.7 million and $8.3 million, respectively, to support development program investments while during fiscal year ended March 31, 2014, the increase in long-term debt included US$69.3 million ($77.4 million) drawing from the Corporation's Credit Facility to finance the acquisition of the UK and Wichita operations.

As at March 31, 2015, 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 year.

Pension Plans

Some of the Corporation's employees are covered by defined benefit pension plans. The Corporation has registered and unregistered defined benefit pension plans. As at March 31, the funded status of these plans is as follows:

	2015	**2014**	**2013**
	($'000)	($'000)	($'000)
Funded status of the plans (deficit)	**(6,180)**	(3,062)	(8,810)

As at March 31, 2015, the pension plan deficit of $6.2 million excludes $3.1 million in pension plan obligations related to unregistered pension plans for former executives of Devtek Corporation, which was acquired by the Corporation in June 2000 and whose pension plan liability does not require funding. For this pension plan, funding occurs as pension benefits are paid to the retired executives.

As at March 31, 2015, the discount rate assumptions used to determine the defined benefit obligations for registered and unregistered defined benefit pension plans was 3.6%, compared to 4.4% a year earlier. The lower discount rate this year, compared to last year, increased the pension plan obligations by $6.1 million this year (see note 26 to the consolidated financial statements).

As at March 31, 2015, the contributions expected to be paid to all defined benefit pension plans in fiscal 2016 amount to $2.7 million, while the total minimum funding requirements for the registered defined benefit pension plans over the next five years represents $7.7 million, or approximately $1.5 million per year.

Capital Stock, Stock Option and Stock Purchase Plans

As at March 31, 2015, the Corporation had 35,949,445 common shares outstanding (31,620,482 as at March 31, 2014).

During the fiscal year ended March 31, 2015, the Corporation issued 4,328,963 common shares as follows:

i. On June 26, 2014, the Corporation issued 4,255,871 common shares at a price of $11.75 per share for gross proceeds of $50.0 million pursuant to the public offering and concurrent private placements. The net proceeds of $47.9 million received by the Corporation, net of underwriting commissions and other issuance costs of $1.6 million and $0.5 million respectively, were used to repay indebtedness under its Credit Facility. Deferred income taxes of $0.6 million were recorded related to the issuance costs.

ii. The Corporation issued 38,092 common shares at weighted-average prices of $9.69 under the Corporation's stock purchase and ownership incentive plan for total cash considerations of $369,000.

iii. During the second quarter, the Corporation issued 35,000 common shares, following the exercise of stock options for a total cash consideration of $184,000. The initial fair value of these stock options, amounting to $136,000, was credited to issued capital and debited to contributed surplus. The weighted-average share price of stock options exercised during fiscal year ended March 31, 2015 was $11.00.

During fiscal 2014, the Corporation issued 75,600 common shares following the exercise of stock options at a weighted-average price of $3.94 for total cash considerations of $298,000 and also issued 33,436 common shares, under the Corporation's stock purchase plan at a weighted-average price of $8.28 for total cash considerations of $277,000.

During the fiscal year ended March 31, 2015, the Corporation granted 96,345 stock options to officers and key employees (502,500 in 2014). As at March 31, 2015, 747,346 stock options were issued and outstanding with a weighted-average of 5.4 years to maturity and a weighted-average exercise price of $9.84.

For the fiscal year ended March 31, 2015, the stock option plan expense and the stock purchase plan expense amounted to $1,292,000 and $170,000 respectively ($272,000 and $128,000 in 2014).

As at March 31, 2015, 1,639,781 common shares had not been issued yet under the Stock Option Plan and 202,693 common shares had not been issued yet under the Stock Purchase Plan.

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

As at March 31, 2015, 6,000 SARs were still outstanding (17,000 as at March 31, 2014) at a weighted-average granted price of $0.01 ($1.72 as at March 31, 2014) which expire in fiscal 2016. For the fiscal year ended March 31, 2015, 11,000 SARs were exercised at an average exercise price of $2.66 (22,000 SARs at an average exercise price of $3.60 in 2014), and no SARs were cancelled in 2015 and 2014.

As at March 31, 2015, 83,158 DSUs were outstanding (64,825 as at March 31, 2014). During the fiscal year ended March 31, 2015, the Corporation issued 18,333 DSUs (17,565 in 2014) and no DSUs were exercised or cancelled (27,084 and 958 in 2014).

For the fiscal year ended March 31, 2015, SAR reversal of expense amounted to $10,000 (expense of $81,000 in 2014) while DSU expense amounted to $108,000 ($371,000 in 2014).

On August 15, 2014, the Corporation adopted a PSU plan as part of a long-term incentive plan for management and key employees. The PSU plan is non-dilutive and is settled in cash. PSUs vest over a period of three years. The PSU enables the participants to receive compensation at the expiry or termination date representing a cash amount equal to the quoted price of the Corporation's common shares for each PSU vested, conditional on the achievement of selected financial targets.

The PSUs are expensed on an earned basis and their costs are determined using a valuation model and re-measured at each reporting period. The related compensation expense is included in selling and administrative expenses and its counterpart is accounted for in accounts payable and accrued liabilities until the PSUs are paid or cancelled at the expiry or termination date.

For the fiscal year ended March 31, 2015, the Corporation granted 115,879 PSUs and no PSUs were cancelled or exercised. As at March 31, 2015, these PSUs were still outstanding.

For the fiscal year ended March 31, 2015, PSU expenses amounted to $952,000.

Consolidated Balance Sheets

The following table itemizes and explains the significant changes in the consolidated balance sheets between March 31, 2015 and March 31, 2014:

Item	March 31, 2015 ($ million)	March 31, 2014 ($ million)	Change ($ million)	Final PPA [1] ($ million)	Net Change ($ million)	Explanation
Cash and cash equivalents	35.1	47.3	(12.2)	—	(12.2)	See consolidated statements of cash flows.
Accounts receivable	71.5	66.0	5.5	(3.6)	9.1	Mainly reflects higher sales in the fourth quarter compared to the last year's fourth quarter, combined with higher foreign exchange rates (impact of $6.1 million) used to convert foreign currency-denominated accounts receivable, when compared to March 31, 2014.
Inventories	131.0	134.0	(3.0)	0.6	(3.6)	Mainly reflects the reduction in inventories on reduced backlog for certain military programs net of increased inventories related to the higher commercial funded backlog, partially offset by a higher foreign exchange rates ($2.6 million) used to convert the inventories of the foreign operations.
Property, plant and equipment, net (PPE)	142.1	92.3	49.8	—	49.8	Mainly reflects the additions ($59.7 million, net of government assistance) combined with higher foreign exchange rates used to convert the PPE of the foreign operations ($5.4 million), partially offset by amortization expense ($14.9 million), and disposal of property, plant and equipment ($0.4 million).
Finite-life intangible assets, net	50.6	59.1	(8.5)	—	(8.5)	Mainly reflects the impairment of finite-life intangible assets[2] ($7.9 million), the amortization expense ($3.5 million), partially offset by increased capitalized development costs and software ($1.8 million, net of government assistance) and a higher GBP/CAD currency rate used to convert the intangible assets of the foreign operations ($1.1 million).
Deposits on machinery and equipment	23.3	12.9	10.4	—	10.4	Reflects increased deposits made on machinery and equipment mainly in relation to the Boeing B-777 contract.
Goodwill	93.5	84.4	9.1	6.6	2.5	Reflects a higher foreign exchange rates used to convert the goodwill of the foreign operations, when compared to March 31, 2014 (impact of $2.5 million).
Accounts payable and accrued liabilities	69.2	57.6	11.6	3.1	8.5	Mainly reflects higher sales in the fourth quarter compared to the last year's fourth quarter, combined with higher foreign exchange rates (impact of $3.6 million) used to convert foreign currency-denominated accounts payable and accrued liabilities, when compared to March 31, 2014.
Accounts payable - other, and other liabilities	8.2	3.8	4.4	0.2	4.2	Mainly reflects additional unpaid PPE additions ($4.4 million), when compared to March 31, 2014.
Provisions (current and long-term)	32.2	19.8	12.4	1.7	10.7	Reflects mainly the costs associated with the settlement of a litigation (see non-recurring charges above), when compared to March 31, 2014.

Item	March 31, 2015 ($ million)	March 31, 2014 ($ million)	Change ($ million)	Final PPA [1] ($ million)	Net Change ($ million)	Explanation
Customer Advances	18.3	9.4	8.9	—	8.9	Reflects payments received from a customer in relation to a long-term contract.
Derivative financial instruments (current and long-term liabilities)	17.2	7.3	9.9	—	9.9	Reflects the variation in the Corporation's balance sheets of derivative financial instruments measured at fair value. The increase is mainly the result of a higher differential between the closing rates of conversion used and the weighted average USD/CAD rates of forward foreign exchange contracts on hand, as of both balance sheet dates.
Long-term debt (including current portion)	112.9	148.9	(36.0)	—	(36.0)	Reflects the repayment of US$59.3 million ($63.6 million) under the Credit Facility and scheduled payments of long-term debt ($4.2 million). The decrease was partially offset by a drawing on the Credit Facility ($16.2 million), new governmental loans received this year to support development program investments ($6.7 million), new finance lease put in place to finance machinery and equipment ($3.0 million), interest accretion on increased governmental authorities' loans ($2.4 million), amortization of deferred financing costs related to the Credit Facility ($0.3 million) and the impact of foreign exchange fluctuations on the U.S.-denominated long-term debt ($3.2 million).
Other liabilities	13.6	10.0	3.6	—	3.6	Increase mainly resulting from losses on re-measurement of the Corporation's defined benefit pension plans ($3.4 million), partially offset by scheduled payments for pension plans made during the current fiscal year.
Issued capital	75.3	26.2	49.1	—	49.1	Increase from the net proceeds ($47.9 million) received from the public offering and concurrent private placements - see note 23 to the consolidated financial statements, combined with favorable deferred income taxes ($0.6 million) recorded and related to the issuance costs. It also includes the issuance of common shares following the exercise of stock options ($0.3 million) and issuance under the stock purchase plan ($0.4 million).
Retained earnings	206.7	205.9	0.8	—	0.8	Increase reflects the Corporation's net income of $3.2 million in fiscal year 2015, partially offset by net losses of $2.5 million from re-measurement of the Corporation's defined benefit pension plans.

[1] UK and Wichita operations final purchase price allocation ("PPA") adjustments and reclassification impact on the consolidated balance sheet .
[2] Impairment charge of $7.9 million on the capitalized development costs related to the LJ-85 business aircraft program.

As at March 31, 2015 and March 31, 2014, the Corporation's working capital ratio, cash and cash equivalents, long-term debt-to-equity ratio and net debt-to-equity ratio[1] were as follows:

	2015	2014
Working capital ratio	**1.75:1**	2.59:1
Cash and cash equivalents	**$35.1 million**	$47.3 million
Long-term debt-to-equity ratio	**0.36:1**	0.60:1
Net debt-to-equity ratio[1]	**0.27:1**	0.43:1

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

The summary of the following contractual obligations of the Corporation includes payments due over the next five years and thereafter, as at March 31, 2015:

		Payments due by period			
Contractual obligations ($'000)	**Total**	**1 year**	**2-3 years**	**4-5 years**	**After 5 years**
Governmental authorities' loans (including the effective accumulated interest expense)	67,016	3,752	8,922	13,159	41,183
Finance leases (including interest expense)	6,817	2,412	1,841	1,531	1,033
Credit facility	60,224	883	1,766	57,575 [(2)]	—
Sub-Total	134,057	7,047	12,529	72,265	42,216
Building, machinery and equipment acquisition commitments	34,845	34,845	—	—	—
Operating leases - Buildings and facilities	4,164	787	1,117	701	1,559
Total contractual obligations[(1)]	**173,066**	**42,679**	**13,646**	**72,966**	**43,775**

[(1)] Excluding defined benefit pension plan obligations presented in a previous section.
[(2)] Credit Facility matures on March 16, 2019.

Government Assistance

During the fiscal years ended March 31, government assistance deducted from the cost of the related assets or recognized as a reduction of expenses, are as follows:

	2015 ($'000)	**2014** ($'000)
Deposits on machinery and equipments	**2,097**	—
Property, plant and equipment	**1,494**	1,771
Finite-life intangible assets	**1,565**	2,488
Cost of sales, selling and administrative expenses	**3,120**	3,220

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

Commitments, Derivatives, Off-Balance-Sheet Items and Contingencies

Commitments

As at March 31, 2015, the Corporation had operating lease obligations amounting to $4.2 million for buildings and facilities. These lease obligations will end at the latest in fiscal 2026. The Corporation also had building, machinery and equipment purchase commitments totaling $34.8 million, of which $32.4 million is related to the Boeing B-777 contract (see note 27 to the consolidated financial statements).

Derivatives, Off-Balance-Sheet Items

The fair value of derivative financial instruments in the consolidated balance sheets is established based on the Corporation's valuation models. These models project future cash flows and discount these future amounts to a present value using the contractual terms of the derivative financial instruments and factors observable in external market data, such as interest rates, currency rates and price and volatility factors, as applicable. They also take into account the credit quality of the underlying financial instruments.

As at March 31, 2015, the Corporation had FFEC with Canadian chartered banks to sell US$119.0 million at a weighted-average exchange rate (Canadian dollar over US dollar) of 1.1297. These contracts relate mainly to its export sales, and mature at various dates between April 2015 and March 2018, with the majority maturing over the next two fiscal years (see note 33 to the consolidated financial statements). This compares to US$127.4 million of FFEC held as at March 31, 2014, at a weighted-average exchange rate of 1.0628.

As at March 31, 2014 and 2015, the Corporation had entered into an interest-rate swap agreement for a total notional amount of US$10 million with a fixed Libor U.S. rate at 2.04%, maturing in December 2015. Also, the Corporation had entered into two additional interest-rate swap agreements for a total notional amount of US$15 million. These interest-rate swap agreements fix the Libor U.S. rate until maturity in December 2018 at 1.65% for the first tranche of US$5 million commencing on March 2014, and at 2.38% for the second tranche of US$10 million commencing in December 2015.

The interest-rate swap rates referred to above excludes the additional bank relevant margin (see note 21 to the consolidated financial statements). The cash flows related to the interest-rate-swap agreements are expected to occur in the same periods as they are expected to affect the net income.

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, and with a Canadian branch of a U.S. bank, 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 and February 2014, the Corporation designated certain long-term debt as hedge of its net investments in foreign operations. This designation was still in effect as at March 31, 2015.

Contingencies

The Corporation is involved in litigations and claims in the normal course of business. Management is of the opinion that any resulting settlements would not materially affect the financial position and operating results of the Corporation.

Critical Accounting Estimates

The preparation of the Corporation's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues (sales), expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amount of assets and liabilities.

In the process of applying the Corporation's accounting policies, management has made judgments, estimates and assumptions. Key judgments, estimates and assumptions concerning the future and other sources of estimating uncertainty at the reporting date, which may cause material adjustments to the carrying amounts of assets and liabilities, are discussed below.

Impairment of Non-Financial Assets

Impairment exists when the carrying amount of an asset or Corporation's cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets and observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the Corporation's five-year budget and strategic plan and do not include restructuring activities that the Corporation is not yet committed to, or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as to well as the expected future cash inflows and, to the perpetual growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in note 9 and 17 to the consolidated financial statements.

Deferred Income Tax Assets

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Corporation establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred income tax assets are recognized for unused tax losses to the extent it is probable that taxable income will be available against which the losses can be utilized. Management's judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies.

Pensions and Other Retirement Benefits

The cost of the defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. In determining appropriate discount rates, management considers the interest rates of high-quality corporate bonds. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The significant assumptions used to determine the defined benefit pension plans obligations and the pension expenses, including a sensitivity analysis, are further explained in note 26 to the consolidated financial statements.

Capitalized Development Costs

Development costs are capitalized in accordance with the accounting policy described in note 3. Initial capitalization is based on management's judgment that economic feasibility is confirmed, usually when a product development project has reached a defined milestone in the project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied, the expected period of benefits and contract quantities. For purpose of impairment testing, the Corporation exercises judgment to identify the cash inflows and outflows. The recoverable amount is based on fair value less costs of disposal, generally determined using a discounted cash flow model. Other assumptions used to determine the recoverable amount include the applicable discount rate, the expected future cash flows which include costs to complete the development activities.

Provisions

The Corporation has recorded provisions to cover cost exposures that could materialize in future periods. In determining the amount of the provisions, assumptions and estimates are made in relation to discount rates and the expected cost to settle such liabilities.

CHANGE IN ACCOUNTING POLICIES

On April 1, 2014, the Corporation adopted retrospectively the IFRIC 21 standard below. The adoption of the new standard had no impact on prior periods' comparative figures.

IFRIC 21 Levies

IFRIC 21 clarifies the timing of accounting for a liability for outflow of resources that is imposed by governments in accordance with legislation, based on the activity that triggers the payment. Levies are required to be applied retrospectively for periods beginning April 1, 2014. The Corporation adopted IFRIC 21 on April 1, 2014 and the adoption of this standard had no impact on the Corporation's consolidated financial statements.

FUTURE CHANGES IN ACCOUNTING POLICIES

The standards issued but not yet effective that may apply to the Corporation are the following:

IFRS 9 *Financial Instruments*

The IFRS 9, *Financial Instruments* simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a new hedge accounting model more closely aligned with risk management activities undertaken by corporations. The standard is required to be applied retrospectively for periods beginning April 1, 2018. The Corporation has not yet assessed the impact of these amendments.

IFRS 15

IFRS 15, *Revenue from contracts with customers*, establishes a single framework for determining the timing and the amount of revenue that can be recognized. These amendments are required to be applied retrospectively for periods beginning April 1, 2017, with earlier application permitted. The International accounting standards Board decided to defer for one year the effective date before the application. The Corporation has not yet assessed the impact of these amendments.

INTERNAL CONTROLS AND PROCEDURES

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

Disclosure controls and procedures

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

As at March 31, 2015, an evaluation, under the supervision of the CEO and CFO, of the design and effectiveness of the Corporation's disclosure controls and procedures was also carried out, as defined in Regulation 52-109. Based on this evaluation, the CEO and CFO concluded that the design and operation of these disclosure controls and procedures were effective. This evaluation took into account the Corporation's disclosure policy and its disclosure committee.

Internal controls over financial reporting

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

As at March 31, 2015, an evaluation, under the supervision of the CEO and CFO, of the design and effectiveness of the Corporation's internal controls over financial reporting was carried out, as defined in Regulation 52-109. Based on this evaluation, the CEO and CFO concluded that the design and effectiveness of these internal controls over financial reporting were effective to provide reasonable assurance that the Corporation's financial reporting is reliable and that the Corporation's consolidated financial statements were prepared in accordance with IFRS.

However, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Changes in internal controls over financial reporting

No changes were made to the Corporation's internal controls over financial reporting during the fiscal year ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

RISKS AND UNCERTAINTIES

Héroux-Devtek operates in an 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

The Corporation has exposure due to its reliance on certain large contracts and customers. The Corporation's six largest customers account for approximately 60% of its sales. Any loss or delay in certain orders from any of these customers could have a negative material impact on the Corporation's results. The Corporation mitigates this risk through the increase of long-term sales contracts, when possible, with its main customers.

Availability and Cost of Raw Materials

The main raw materials purchased by the Corporation are steel, aluminum and titanium. Supply and cost of these materials is somewhat outside the Corporation's control. Difficulty in procuring raw materials in sufficient quantities and in a timely fashion, along with cost increases for these materials, could also have a material adverse effect on the Corporation's operations and financial condition.

The Corporation mitigates this risk with the inclusion of clauses in its long-term sales contracts of importance to share the risk of raw materials availability and cost with its customers. It also negotiates certain long-term supply agreements with its suppliers of raw materials, and monitors the supply chain to ensure timely deliveries.

Operational Risks

The activities conducted by the Corporation are subject to operational risks that include competition from other businesses, performance of key suppliers, product performance warranties and in particular, for proprietary products and major sales contracts, regulatory risks, successful integration of new acquisitions, dependence on key personnel and reliance on information systems, all of which could materially affect the Corporation's ability to meet its obligations.

However, the Corporation has implemented certain risk-mitigation strategies and controls, in light of these operational risks, which include the following:

- Processes to ensure proper bid approvals, planning, execution and use of quality standards at all stages of new design or built-to-print products and assemblies, and repair and overhaul services. This includes the risk assessment of achieving the targeted revenues (firm-fixed price contracts, escalation clauses, etc.) and related product costs as well as the development of long-term agreements and competitive bidding processes with main suppliers.

- Use of proper cash flow arrangements through the use of customer advances or progress billings with certain customers, and foreign exchange hedging.

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.

Impact of Terrorist Activity and Political Instability

There continues to be uncertainty over the future impact in the commercial aerospace sector from the threat of terrorist activity, and the ongoing situations in the Middle East and Ukraine. Such issues typically have a negative impact on commercial air traffic and a positive impact on defense spending.

General Economic Conditions

Unfavorable economic conditions may adversely affect the Corporation's business. For example, the large civil aerospace industry has experienced considerable uncertainty in prior years, especially the market for planes with more than 100 seats. In addition, the business jet market is closely related to the state of the economy. This could adversely affect the Corporation's financial condition and results of operation. Although long-term growth is gradually resuming, these sectors will remain cyclical. In addition, curtailment of production activities due to unfavorable economic conditions could result in the Corporation incurring significant costs associated with temporary layoffs or termination of employees.

Military Spending

The military aerospace market remains uncertain, as governments address their deficits. Military expenses are approved by governments on a yearly basis and are subject to the political climate and changing priorities. Despite its diversified military portfolio, balanced between new component manufacturing and aftermarket products and services, the Corporation is affected by austerity measures, particularly in the U.S. military market. However, its diversification should lessen this impact.

Foreign Currency Fluctuations

The Corporation is exposed to risks resulting from foreign currency fluctuations arising either from carrying on business in Canada in foreign currencies or through operations in the United States and United Kingdom. The rapid fluctuations in the value of the Canadian dollar, when compared to the U.S. or British Pound currencies, may add volatility to the results of the Corporation. In an effort to mitigate those risks, the Corporation makes use of derivative contracts to hedge this exposure.

The Corporation's foreign exchange hedging policy requires it to mitigate the foreign currency exposure, essentially to the US currency, arising from its Canadian operations.

The hedging policy requires the hedging of 50% to 75%, on average, of the identified foreign currency exposure, mainly over the next two fiscal years, of the forecasted cash inflows generated by sales in US currency made by its Canadian operations and related to long-term sales contracts, net of the forecasted cash outflows in US currency related essentially to its raw and certain other material costs. This hedging policy also applies to the net forecasted cash inflows/outflows as described above, for certain specific long-term sales contracts, on a very limited basis, for an additional period of one to three fiscal years (see note 33 to the consolidated financial statements).

Liquidity and Access to Capital Resources

The Corporation requires continued access to capital markets to support its activities. To satisfy its financing needs, the Corporation relies on long-term and short-term debt and cash flow from operations. Any impediments to the Corporation's ability to access capital markets, including significant changes in market interest rates, general economic conditions or the perception in the capital markets of the Corporation's financial condition or prospects, could have a material adverse effect on the Corporation's financial condition and results of operation.

Restrictive Debt Covenants

The indentures governing certain of the Corporation's indebtedness and, in particular, its Credit Facility, contain covenants that, among other things, restrict the Corporation's ability to:

- sell all or substantially all of its assets;
- incur secured or certain other indebtedness;
- engage in mergers or consolidations;
- engage in transactions with affiliates.

The Corporation is subject to various financial covenants under its Credit Facility which must be met on a quarterly basis. It includes financial covenants requiring a minimum EBITDA to debt service ratio and a maximum net funded debt to EBITDA ratio, all calculated on a consolidated basis. These terms and ratios are defined in the Credit Facility agreement and do not necessarily correspond to the Corporation's financial metrics or the specific terms used in the MD&A.

In addition, the Corporation is subject to various financial covenants under certain finance leases and governmental authorities' loans. It includes financial covenants requiring minimum working capital ratio and maximum long-term debt to equity ratio based on the Corporation's consolidated balance sheet, and also minimum equity requirements for certain subsidiaries of the Corporation.

These restrictions could impair the Corporation's ability to finance its future operations or its capital needs, or to engage in other business activities that may be in its interest.

Changing Interest Rates

The Corporation's profitability may be directly affected by the level of and fluctuations in interest rates. When appropriate, the Corporation considers using derivatives as an integral part of its asset/liability management program to mitigate or reduce its overall financial risk.

To mitigate these fluctuations, the Corporation has established a short-term investment policy that dictates the level and type of investments it should seek. The Corporation also maintains a well-balanced portfolio of financing, choosing between fixed and variable rates (see note 33 to the consolidated financial statements).

Warranty Casualty Claim Losses

The products manufactured by the Corporation are complex and sophisticated and may contain defects that are difficult to detect and correct. Errors may be found in the Corporation's products after they are delivered to customers. If so, the Corporation may not be able to correct such errors. The occurrence of errors and failures in the Corporation's products could result in warranty claims or the loss of customers. Any claims, errors or failures could have an adverse effect on the Corporation's operating results and business and, financial situation. In addition, due to the nature of the Corporation's business, the Corporation may be subject to liability claims involving its products or products for which it provides services. The Corporation cannot be certain that its insurance coverage will be sufficient to cover one or more substantial claims. Furthermore, there can be no assurance that the Corporation will be able to obtain insurance coverage at acceptable levels and cost in the future. See under 'Operational Risks', above.

Environmental Matters

The Corporation's activities are subject to environmental laws and regulations associated with risks to human health and the environment. These laws and regulations and the related charges could have a significant adverse effect on the Corporation's operations and financial situation. The Corporation monitors these risks through environmental management systems and policies.

Collective Bargaining Agreements

The Corporation is party to some collective bargaining agreements that expire at various times in the future. If the Corporation is unable to renew these agreements or others as they become subject to renegotiation from time to time, it could result in work stoppages and other labour disturbances, which could have a material adverse effect on the Corporation's business.

In April 2014 and in December 2013, the Corporation renewed its collective agreements, respectively, with its Landing Gear Longueuil plant employees for three years to May 2017 and Landing Gear Laval plant employees for five years to December 2018.

Skilled Labour

Héroux-Devtek's ability to meet its future goals and objectives depends in part on its ability to attract and retain the necessary skilled labour. The skilled labour market in the aerospace industry is expected to continue to be highly competitive in the future. The Corporation's inability to attract and retain skilled labour, particularly engineers, machinists and programmers, could adversely affect its results of operations and financial condition.

The Corporation is addressing this risk by developing its human resource strengths internally and by working to retain the skilled employees that it currently has and attract the best talent by fostering a strong sense of corporate culture.

Pension Plan Liability

The economic cycles have a negative impact on the funding of the Corporation's defined benefit pension plans and the related costs. There is no guarantee that the costs and contributions required to fund these pension plans will not increase in the future and therefore negatively impact its operating results and financial position. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust fund. Shortfalls may arise due to lower-than-expected returns on investments, changes in the discount rate used to assess the pension plan's obligations, and actuarial losses. This risk is mitigated by policies and procedures instituted by the Corporation and its pension committee to monitor investment risk and pension plan funding.

Risks associated with any possible acquisitions and integrations

The Corporation intends to continue making acquisitions from time to time as part of its strategy to grow its business. Acquisitions, if they occur, will increase the size of the Corporation's operations and may increase the amount of indebtedness that the Corporation has to service. These acquisitions may change the scale of the Corporation's business and may expose it to new geographic, political, operating and financial risks. There is no assurance that the Corporation will be able to identify suitable acquisition targets and acquire operations on satisfactory terms, or at all. Further, the successful integration and management of acquired businesses involve numerous risks that could adversely affect the Corporation's growth and profitability including the risk that the Corporation may not be able to successfully manage the acquired operations and, that the integration may place significant demands on the management of the Corporation, diverting their attention from existing operations.

Risk of litigation

The Corporation is subject to the risk of litigation in the ordinary course of business by employees, customers, suppliers, competitors, shareholders, government agencies, or others, through private actions, class actions, administrative proceedings, regulatory actions or other litigations. The outcome of litigation is difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for substantial periods of time. Regardless of outcome, litigation could result in substantial costs to the Corporation. In addition, litigation could divert management's attention and resources away from the day-to-day operations of the Corporation's business.

Information technology security and efficiency

The Corporation relies upon information technology systems which are essential to daily operations. These information systems could be vulnerable to a cyber-attack, a cyber-spying, a computer viruses, a power failure, a system breakdown, a human error, a natural disaster, an act of war or terrorism or other similar situations. The continuity of the Corporation's operations would be directly affected in case of non-availability of these information technology systems. Furthermore, unauthorized access to confidential information would have a negative effect on the Corporation's reputation, business, prospects, results of operations and financial condition. In order to reduce technology-related risks, controls such as a disaster recovery plan and controls over unauthorized access have been put in place.

SELECTED QUARTERLY FINANCIAL INFORMATION

($'000 Except per share data)	TOTAL	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
For the fiscal year ended March 31, 2015					
Sales	364,916	86,408	84,086	88,368	106,054
EBITDA (1)	32,845	10,009	9,215	10,942	2,679
Adjusted EBITDA (1)	47,781	10,360	9,978	11,544	15,899
Net Income (loss)	3,224	3,500	3,273	(1,909)	(1,640)
Adjusted Net Income (1)	19,412	3,756	3,839	4,361	7,456
Earnings (loss) per share ($) - Basic & Diluted	0.09	0.11	0.09	(0.05)	(0.05)
Adjusted Earnings per share ($) - Basic & Diluted (1)	0.55	0.12	0.11	0.12	0.21
For the fiscal year ended March 31, 2014					
Sales	272,034	62,972	56,402	61,448	91,212
EBITDA (1)	28,899	7,747	6,254	7,170	7,728
Adjusted EBITDA (1)	35,800	7,747	6,518	8,286	13,249
Net Income	9,236	2,814	2,584	2,608	1,230
Adjusted Net Income (1)	15,258	2,814	2,794	3,697	5,953
Earnings per share ($) - Basic & Diluted	0.29	0.09	0.08	0.08	0.04
Adjusted Earnings per share ($) - Basic & Diluted (1)	0.48	0.09	0.08	0.12	0.19

(1) *See Non-IFRS measures above.*

Fourth Quarter 2015 Results

Consolidated sales increased by $14.8 million or 16.3% to $106.1 million this year from $91.2 million last year. This increase mainly represents an additional contribution of $11.4 million from the UK and Wichita operations due to an additional month of sales, when compared to last year's same quarter (the acquisition of the UK and Wichita operations occurred on February 3, 2014 in the last fiscal year). Excluding this factor, sales increased by $3.4 million, or 3.8%, as a result of higher commercial sales of $9.7 million partially offset by lower military sales of $6.3 million. Foreign exchange fluctuations increased sales by $6.4 million or 7.0%, when compared to last year.

Military sales were $0.2 million or 0.5% lower to $53.0 million this year from $53.2 million last year. Excluding the additional contribution of $6.1 million from the UK and Wichita operations, military sales decreased due to lower spare part requirements mainly on the C-5A and P-3 programs with the U.S. government despite favorable foreign exchange fluctuations of $3.2 million or 6.0%, when compared to last year.

Commercial sales were $15.1 million or 39.7% higher to $53.1 million this year from $38.0 million last year. Excluding the additional contribution of $5.3 million from the UK and Wichita operations, commercial sales increased as a result of higher production rates on certain large commercial programs, essentially the B-777 program and entry into production of the Corporation's new landing gear designs (Embraer Legacy 450/500, and Airbus Helicopter EC-175 programs). The foreign exchange fluctuations also increased commercial sales by $3.2 million or 8.4%, when compared to last year.

Consolidated gross profit reached $17.3 million this year, or 16.3% of sales, up from $15.4 million, or 16.9% of sales, last year. The increase in dollars reflects the additional contribution from the UK and Wichita operations, while the decrease as a percentage of sales is mainly due to a less favorable aftermarket product mix. Currency variation had a positive effect equivalent to 1.4% of sales on gross profit compared with last year's fourth quarter.

Consolidated operating loss stood at $2.5 million this year or 2.3% of sales (operating income of $10.7 million, or 10.1% of sales when excluding non-recurring charges) compared to $3.9 million or 4.3% of sales last year ($9.4 million, or 10.3% of sales last year when excluding non-recurring charges). The higher operating income in dollars excluding non-recurring charges is mainly explained by the additional contribution of $1.8 million from the UK and Wichita operations.

For the quarter ended March 31, 2015, the corporation posted a net loss of $1.6 million, net of non-recurring charges of $9.1 million, net of taxes. For the quarter ended March 31, 2014, net income was $1.2 million, net of non-recurring charges of $4.7 million, net of taxes.

OUTLOOK

Conditions remain mostly favorable in the commercial aerospace market. The International Air Transport Association ("IATA") most recent forecast calls for robust growth of 7.0% growth in the passenger market for calendar 2015, following a 5.9% increase in calendar 2014, while air cargo volume is expected to rise 4.5% in calendar 2015, an increase similar to calendar 2014 [9].

In the large commercial aircraft segment, Boeing and Airbus are proceeding with production rate increases on several leading programs scheduled through calendar 2018. Their backlogs remain strong, representing more than eight years of production at current rates[10].

In the business jet market, deliveries increased 6.5% in calendar 2014 to 722 aircraft and positive signs continue to suggest further improvement in market conditions, such as increasing U.S. business aircraft movements and a year-over-year decrease in the proportion of the business aircraft fleet for sale. More importantly, industry sources are calling for sustained growth over up to possibly five years, a period spanning the planned entry into service and ramp-up of several business jet models for which Héroux-Devtek has designed the landing gear [11].

Conditions in the military aerospace market are expected to remain difficult, as governments address their deficits. In the U.S., although sequestration cuts were eliminated through the Government's 2015 fiscal year, current funding requests beyond that horizon exceed planned budget limits. For instance, the U.S. Department of Defense fiscal year 2016 budget request calls for base funding of US$534.3 billion, which is approximately US$35 billion above planned budget limits set out in the Bi-Partisan Budget Act of 2013. This imbalance brings back the threat of a return to sequestration for the U.S. 2016 fiscal year, which could affect the Corporation. However, UK operations reduce the Corporation's relative exposure to the U.S. military market, as a more geographically diversified military portfolio, mainly composed of leading programs, and also balanced between new component manufacturing and aftermarket products and services, should lessen this impact.

The Corporation's balance sheet remains healthy with cash and cash equivalents of $35.1 million as at March 31, 2015. This amount, combined with funds available under its Credit Facility, will allow Héroux-Devtek to fund expected capital expenditures of approximately $55 million in fiscal 2016, including mainly investments related to the Boeing B-777 landing gear contract.

As of March 31, 2015, Héroux-Devtek's funded (firm orders) backlog stood at $459 million, up from $456 million at the end of the previous fiscal year. 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 current fiscal year ending March 31, 2016, Héroux-Devtek anticipates an organic sales growth of approximately 10%, assuming stable currencies. Given forces driving its main markets and stable currencies, the Corporation anticipates organic sales to the commercial aerospace market to grow in excess of 10%, while organic sales to the military aerospace market should experience single-digit growth.

Over a longer-term horizon, Héroux-Devtek's performance will be driven by the growth of European operations, the start-up of the Boeing B-777 contract, the ramp-up of certain landing gear design programs, the achievement by large aircraft manufacturers of their scheduled production rate increases, a sustained recovery in the business jet market, and stable conditions in the military market.

With these key drivers, the Corporation believes that it can achieve sales of approximately $500 million by its 2019 fiscal year, assuming no further acquisitions and stable exchange rates between the Canadian dollar, the US dollar and the British pound, as well as considering its FFEC.

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[9] Source: Economic Performance of the Airline Industry, IATA, December 2014.

[10] Sources: Airbus press releases February 27, 2015; November 4, 2014; February 24, 2014. Boeing press releases October 2,2014; January 24, 2014; October 31, 2013.

[11] Sources: GAMA, FAA, JetNet, Teal Group.

Additional Information and Continuous Disclosure

This MD&A was approved by the Audit Committee and by the Board of Directors on May 27, 2015. Updated information on the Corporation can be found on the SEDAR website, at www.sedar.com.