MANAGEMENT'S DISCUSSION AND ANALYSIS

Second quarter ended September 30, 2018

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OVERVIEW

The purpose of this management discussion and analysis (''MD&A'') is to provide the reader with an overview of how the financial position of Héroux-Devtek Inc. and its subsidiaries (''Héroux-Devtek'', the ''Corporation'' or "Management") evolved between March 31, 2018 and September 30, 2018. It also compares the operating results and cash flows for the quarter and six-month periods ended September 30, 2018 to those of the same periods of the prior fiscal year.

This MD&A is based on the unaudited interim condensed consolidated financial statements for the quarter ended September 30, 2018, and should be read in conjunction with them as well as with the audited consolidated financial statements and MD&A for the fiscal year ended March 31, 2018, all of which are available on the Corporation's website at www.herouxdevtek.com and on www.sedar.com. All amounts in this MD&A are in thousands of Canadian dollars unless otherwise indicated. This MD&A was approved by the Audit Committee and Board of Directors of the Corporation on November 9, 2018.

IFRS and non-IFRS financial measures

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

Materiality for disclosures

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

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A, including those presented in the Guidance and Economic Outlook sections, 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. These statements are provided for the purpose of assisting the reader in understanding the Corporation's financial performance and prospects and to present management's assessment of future plans and operations. The reader is cautioned that such statements may not be appropriate for other purposes.

They may be impacted by factors including, but not limited to: the impact of worldwide general economic conditions; industry conditions including changes in laws and regulations; increased competition; the lack of availability of qualified personnel or management; availability of commodities and fluctuations in commodity prices; financial and operational performance of suppliers and customers; foreign exchange or interest rate fluctuations; and the impact of accounting policies issued by international standard setters. For further details, please see the *Risk Management* section of the Corporation's MD&A for the fiscal year ended March 31, 2018. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive, and undue reliance should not be placed on forward-looking statements.

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

FOREIGN EXCHANGE ("FX")

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

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

	September 30, 2018	March 31, 2018
USD (Canadian equivalent of US$1.0)	**1.2945**	1.2894
GBP (Canadian equivalent of £1.0)	**1.6875**	1.8106

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

	Quarters ended September 30,		**Six months ended September 30,**	
	2018	2017	**2018**	2017
USD (Canadian equivalent of US$1.0)	**1.3069**	1.2526	**1.2991**	1.2987
GBP (Canadian equivalent of £1.0)	**1.7039**	1.6398	**1.7303**	1.6800

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

HIGHLIGHTS

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Sales	**$ 95,665**	$ 89,677	**$ 181,435**	$ 176,534
Operating income	**5,289**	4,644	**10,146**	10,052
Adjusted operating income[(1)]	**6,165**	5,590	**11,382**	10,998
Adjusted EBITDA[(1)]	**13,176**	12,032	**25,420**	23,972
Net income	**3,294**	3,163	**6,846**	7,190
Adjusted net income[(1)]	**4,405**	4,057	**8,191**	8,084
Cash flows related to operating activities	**11,687**	15,700	**20,137**	18,268
Free cash flow[(1)]	**8,152**	13,257	**14,520**	13,725
In dollars per share				
EPS - basic and diluted	**$ 0.09**	$ 0.09	**$ 0.19**	$ 0.20
Adjusted EPS[(1)]	**0.12**	0.11	**0.22**	0.22
In millions of dollars, as at			**September 30, 2018**	March 31, 2018
Funded backlog[(2)]			**$ 479**	$ 466

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

- On July 2, 2018, Héroux-Devtek completed the acquisition of all the shares of Beaver Aerospace & Defense Inc. and its wholly-owned subsidiary PowerTHRU Inc ("Beaver"). See *Acquisition of Beaver* below for further details.
- For the quarter ended September 30, 2018, the Corporation achieved consolidated sales of $95.7 million and adjusted EBITDA of $13.2 million, compared to $89.7 million and $12.0 million during the same period last fiscal year.
- For the quarter ended September 30, 2018, the Corporation generated cash flows related to operating activities of $11.7 million, compared to $15.7 million during the same quarter last fiscal year and a free cash flow of $8.2 million, compared to $13.3 million during the same quarter last fiscal year.
- During the quarter ended September 30, 2018, the Corporation completed the financing for the acquisition of Compañia Española de Sistemas Aeronáuticos ("CESA"). The acquisition closed on October 1, 2018, subsequent to quarter end. See *Acquisition of CESA* below for further details.

Guidance

On October 1, 2018, management provided the following updated guidance in order to reflect the CESA acquisition:

- Fiscal 2019 sales are expected to be in a range of $460 to $470 million, representing an increase of approximately 20% over last fiscal year; and,
- Fiscal 2019 additions to property, plant and equipment are expected to be approximately $20 million.

Management also issued new long-term sales growth guidance reflecting both the CESA acquisition and that of Beaver Aerospace and Defense, which closed on July 2, 2018. Management expects fiscal 2022 sales to be in the range of $620 to $650 million.

Please refer to the *Guidance* section under *Additional Information* for further details including the assumptions underlying this guidance, as well as to *Forward-Looking Statements* for further information regarding forward-looking statements and related risks.

Acquisition of Beaver

On July 2, 2018, the Corporation completed the acquisition of all the shares of Beaver Aerospace & Defense Inc. and its wholly-owned subsidiary PowerTHRU Inc. from Phillips Service Industries Inc. for a purchase price of US$21.5 million ($28.3 million). This price is subject to final working capital adjustments including a US$3.5 million ($4.6 million) balance of sale payable over the next two yearswhich bears interest at 3%. The transaction was financed through the Corporation's cash and was treated as a business combination. This acquisition will allow the Corporation to broaden its existing aerospace and product offering into ball screws and actuation systems as well as expand its footprint in North America.

For the period between July 2, 2018 and September 30, 2018, HDI's sales and net income included US$5.6 million ($7.4 million) and US $0.5 million ($0.8 million), generated by Beaver, respectively. If the acquisition had closed on April 1, 2018, the sales and net income of Beaver would have amounted to $15.7 million and $1.2 million, respectively, for the six-month period ended September 30, 2018. The total sales and net income for the combined entity would have totaled $189.8 million and $7.3 million, respectively, for the six-month period ended September 30, 2018.

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

Purchase Price

Cash payment	$	23,671
Balance of purchase price payable		4,609
Total purchase price	**$**	**28,280**

Purchase Price Allocation

Accounts receivable	$	6,273
Inventories		10,165
Prepaid expenses and other current assets		478
		16,916
Property, plant and equipment, net		3,429
Finite-life intangible assets, net		5,201
Deferred income tax assets		2,075
Total identifiable assets	**$**	**27,621**
Accounts payable and accrued liabilities		2,591
Provisions		5,246
Progress billings		450
Current portion of long-term debt		194
		8,481
Long-term debt		178
Provisions		3,847
Total identifiable liabilities	**$**	**12,506**
Net identifiable assets and liabilities		**15,115**
Goodwill		13,165
Total purchase price	**$**	**28,280**

This purchase price allocation is preliminary. The final purchase price allocation could result in changes to the fair value of assets acquired and liabilities assumed. The purchase price allocation is expected to be completed as soon as management has gathered all the information considered necessary in order to finalize it.

Acquisition of CESA

Subsequent to the quarter end, on October 1, 2018, the Corporation completed the acquisition of CESA, a subsidiary of Airbus SE, for €137.0 million ($205.8 million), subject to final working capital adjustments. Headquartered in Madrid, Spain, CESA is a leading European provider of fluid mechanical and electromechanical systems for the aerospace industry. Its main product lines include actuation, landing gear and hydraulic systems.

Héroux-Devtek completed the financing of the acquisition in September 2018 in preparation for the closing. The acquisition of CESA was financed as follows:

- A $50.0 million, seven-year unsecured subordinated term loan provided by the *Fonds de solidarité FTQ*;
- A US$50.0 million ($65.2 million) drawing on the Corporation's credit facility, whose limit was increased from $200.0 million to $250.0 million; and,
- The Corporation's available cash balance.

In addition, the Corporation assumed CESA's net outstanding debt amounting to approximately €23.0 million ($34.5 million) upon closing.

OPERATING RESULTS

	Quarters ended September 30,			Six months ended September 30,		
	2018	2017	*Variance*	**2018**	2017	*Variance*
Sales	**$ 95,665**	$ 89,677	*$ 5,988*	**$ 181,435**	$ 176,534	*$ 4,901*
Gross profit	**15,473**	13,559	*1,914*	**28,539**	26,479	*2,060*
Selling and administrative expenses	**9,308**	7,969	*1,339*	**17,157**	15,481	*1,676*
Adjusted operating income[1]	**6,165**	5,590	*575*	**11,382**	10,998	*384*
Non-recurring items	**876**	946	*(70)*	**1,236**	946	*290*
Operating income	**5,289**	4,644	*645*	**10,146**	10,052	*94*
Financial expenses	**1,645**	1,225	*420*	**2,645**	2,531	*114*
Income tax expense	**350**	256	*94*	**655**	331	*324*
Net income	**$ 3,294**	$ 3,163	*$ 131*	**$ 6,846**	$ 7,190	*$ (344)*
Adjusted net income[1]	**$ 4,405**	$ 4,057	*$ 348*	**$ 8,191**	$ 8,084	*$ 107*
As a percentage of sales						
Gross profit	**16.2%**	15.1%	*110 bps*	**15.7%**	15.0%	*70 bps*
Selling and Administrative expenses	**9.7%**	8.9%	*80 bps*	**9.5%**	8.8%	*70 bps*
Operating income	**5.5%**	5.2%	*30 bps*	**5.6%**	5.7%	*-10 bps*
Adjusted operating income[1]	**6.4%**	6.2%	*20 bps*	**6.3%**	6.2%	*10 bps*
In dollars per share						
EPS - basic and diluted	**$ 0.09**	$ 0.09	*$ —*	**$ 0.19**	$ 0.20	*$ (0.01)*
Adjusted EPS[1]	**$ 0.12**	$ 0.11	*$ 0.01*	**$ 0.22**	$ 0.22	*$ —*

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

Sales

Sales by sector were as follows:

	Quarters ended September 30,				
	2018	2017	FX impact	Net variance	
Commercial	**$ 47,025**	$ 42,159	$ 928	$ 3,938	9.3 %
Defence[(1)]	**48,640**	47,518	781	341	0.7 %
Total	**$ 95,665**	$ 89,677	$ 1,709	$ 4,279	4.8 %

	Six months ended September 30,				
	2018	2017	FX impact	Net variance	
Commercial	**$ 92,786**	$ 85,487	$ (380)	$ 7,679	9.0 %
Defence[(1)]	**88,649**	91,047	(363)	(2,035)	(2.2)%
Total	**$ 181,435**	$ 176,534	$ (743)	$ 5,644	3.2 %

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

Commercial

The $3.9 million net increase in commercial sales for the quarter was mainly driven by:

- Increased deliveries for the Boeing 777 and 777X programs;
- The addition of Beaver's sales; and,
- Higher business jet sales, mainly related to increased deliveries for the Embraer 450/500 program.

The $7.7 million net increase in commercial sales for the six-month period was mainly driven by:

- Increased deliveries for the Boeing 777 and 777X programs; and,
- Higher business jet sales, mainly related to increased deliveries for the Embraer 450/500 program.

Defence

The $0.3 million net increase in defence sales for the quarter was mainly driven by:

- The addition of Beaver's sales; and,
- Higher spares requirements from the U.S. Government.

These positive factors were largely offset by the timing of manufacturing sales to certain civil customers and the ramp-down of repair and overhaul ("R&O") activities for the United States Air Force.

The $2.0 million net decrease in defence sales for the six-month period was mainly driven by:

- Lower manufacturing requirements for certain civil customers; and,
- The ramp-down of repair and overhaul ("R&O") activities for the United States Air Force.

These negative factors were partly offset by the addition of Beaver's sales and higher spares requirements from the U.S. Government.

Gross Profit

The increases in gross profit from 15.1% to 16.2% this quarter and from 15.0% to 15.7% for the six-month period compared to the same periods last fiscal year was mainly driven by the impact of Beaver acquisition, higher absorption of costs related to the Boeing 777 program and improved production efficiencies. Exchange rate fluctuations had a positive impact of 0.4% of sales during the quarter while having no material impact on gross profit over the six-month period.

Selling and Administrative Expenses

When excluding gains and losses on translation of net monetary items, selling and administrative expenses represented 9.2% and 9.5% of sales for the quarter and six-month period, respectively, compared to 8.1% and 8.2% for the same periods last fiscal year. These increases compared to the same periods last year mainly relate to lower stock-based compensation expense in the prior year due to the delay in fiscal 2018 long-term incentive plan issuances caused by trading blackouts.

Non-recurring items

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Non-recurring items in operating income				
Acquisition-related costs	**$ 876**	$ 946	**$ 1,236**	$ 946
	$ 876	$ 946	**$ 1,236**	$ 946
Non-recurring items in financial expenses				
Net losses on certain derivative financial instruments	**517**	—	**391**	—
	$ 517	$ —	**$ 391**	$ —

Acquisition-related costs
These costs mainly pertain to professional fees and expenses related to the acquisitions of CESA and Beaver.

Net losses on certain derivative financial instruments
These losses relate to derivative financial instruments acquired in order to mitigate foreign currency and interest rate risks arising from the purchase price and financing related to the acquisition of CESA. Refer to the *Derivatives* section under *Additional Information* below for further details.

Operating Income

Operating income increased from 5.2% to 5.5% of sales (or increase from 6.2% to 6.4% excluding non-recurring items) for the quarter and decreased from 5.7% to 5.6% of sales (or increase from 6.2% to 6.3% excluding non-recurring items) for the six-month period compared to the same periods last fiscal year mainly as a result of the factors described above.

Year-over-year, foreign exchange had a positive impact of $0.7 million and $0.9 million on operating income for the quarter and the six-month period, respectively.

Net Financial Expenses

	Quarters ended September 30,			Six months ended September 30,		
	2018	2017	*Variance*	**2018**	2017	*Variance*
Interest on long-term debt	**$ 681**	$ 679	*$ 2*	**$ 1,400**	$ 1,421	*$ (21)*
Interest related to government loans	**603**	563	*40*	**1,192**	1,118	*74*
Interest expense (income) related to financial instruments	**247**	(48)	*295*	**(273)**	(163)	*(110)*
Other interest expense	**114**	31	*83*	**326**	155	*171*
	$ 1,645	$ 1,225	*$ 420*	**$ 2,645**	$ 2,531	*$ 114*

The $0.4 million and $0.1 million net increases in financial expenses for the quarter and six month periods when compared to the same periods last fiscal year were mainly driven by net losses on to certain derivative financial instruments, described in *Non-Recurring Items* above, partly offset by higher interest income on cash and cash equivalents.

Income Tax Expense

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Income before income tax expense	**$ 3,644**	$ 3,419	**$ 7,501**	$ 7,521
Income tax expense	**350**	256	**655**	331
Effective tax rate	**9.6%**	7.5%	**8.7%**	4.4%
Canadian blended statutory income tax rate	**26.6%**	26.6%	**26.6%**	26.7%

For the quarter ended September 30, 2018, the Corporation's effective income tax rate mainly reflected the favourable impact of results in other tax jurisdictions of $0.9 million and a non-taxable gain of $0.1 million, partially offset by non-deductible expenses totaling $0.2 million.

For the quarter ended September 30, 2017, the Corporation's effective income tax rate mainly reflected a favourable impact of results in other tax jurisdictions of $1.2 million, partially offset by non-deductible expenses of $0.3 million.

For the six-month period ended September 30, 2018, the Corporation's effective income tax rate mainly reflected the favourable impact of results in other tax jurisdictions of $1.7 million and a non-taxable gain of $0.2 million, partially offset by non-deductible expenses totaling $0.4 million.

For the six-month period ended September 30, 2017, the Corporation's effective income tax rate mainly reflected a favourable impact of results in other tax jurisdictions of $2.3 million, partially offset by non-deductible expenses of $0.5 million.

Net Income

Net income increased from $3.2 million to $3.3 million during the quarter (or increased from $4.1 million to $4.4 million excluding non-recurring items net of taxes) and decreased from $7.2 million to $6.8 million (or increased from $8.1 million to $8.2 million excluding non-recurring items net of taxes) during the six-month period compared to the same periods last fiscal year mainly as a result of the factors described above.

NON-IFRS FINANCIAL MEASURES

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

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

These Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers. Management considers these metrics to be information which may assist investors in evaluating the Corporation's profitability and enable better comparability of the results from one period to another and with peers who may employ similar measures.

These measures are not considered by management to be a substitute for IFRS measures, nor to be superior as they often do not fully reflect periodic costs, the long-term costs of investing or financing decisions or the impact of events which are not a result of operations.

The following are reconciliations of these items to their most comparable IFRS measures as well as additional information on what they represent, excluding free cash flow. For the reconciliation of free cash flow to cash flows related to operating activities, refer to *Liquidity and Capital Resources*.

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

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Operating income	**$ 5,289**	$ 4,644	**$ 10,146**	$ 10,052
Non-recurring items	**876**	946	**1,236**	946
Adjusted operating income	**$ 6,165**	$ 5,590	**$ 11,382**	$ 10,998

Management believes adjusted operating income provides investors with a figure that provides an alternative assessment of the Corporation's future profitability by excluding from operating income the impact of events which are not in the expected course of future operations, or which are not a result of operations.

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

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Net income	**$ 3,294**	$ 3,163	**$ 6,846**	$ 7,190
Income tax expense	**350**	256	**655**	331
Net financial expenses	**1,645**	1,225	**2,645**	2,531
Amortization expense	**7,011**	6,442	**14,038**	12,974
EBITDA	**$ 12,300**	$ 11,086	**$ 24,184**	$ 23,026
Non-recurring items	**876**	946	**1,236**	946
Adjusted EBITDA	**$ 13,176**	$ 12,032	**$ 25,420**	$ 23,972

Management believes EBITDA and adjusted EBITDA provide valuable insight into the Corporation's day-to-day operations as they exclude from earnings factors that are more reflective of long-term financing or investing decisions than of current performance.

Adjusted EBITDA, in addition, provides an alternative assessment of future operating results as it excludes the impact of events which are not in the expected course of future operations, or which are not a result of operations. Adjusted EBITDA is also used by management to assess operational performance and is a component of certain performance-based employee remuneration.
The Corporation's adjusted net income and adjusted earnings per share are calculated as follows:

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Net income	**$ 3,294**	$ 3,163	**$ 6,846**	$ 7,190
Non-recurring items, net of taxes	**1,111**	894	**1,345**	894
Adjusted net income	**$ 4,405**	$ 4,057	**$ 8,191**	$ 8,084
In dollars per share				
Earnings per share - basic and diluted	**$ 0.09**	$ 0.09	**$ 0.19**	$ 0.20
Non-recurring items, net of taxes	**0.03**	0.02	**0.03**	0.02
Adjusted earnings per share	**$ 0.12**	$ 0.11	**$ 0.22**	$ 0.22

Management believes adjusted net income and adjusted earnings per share provide investors with an alternative assessment of the Corporation's current period results and future earnings prospects as they exclude from earnings the impact of events which are of a non-recurring nature or do not reflect current operations.

Free cash flows is explained and reconciled in this document's section entitled "variations in cash and cash equivalents".

LIQUIDITY AND CAPITAL RESOURCES

CREDIT FACILITIES AND NET DEBT POSITION

Senior Secured Syndicated Revolving Credit Facility ("Revolving Facility")

The Corporation has a Revolving Facility with a syndicate of five Canadian banks and their U.S. affiliates or branches and a Canadian branch of a U.S. bank. This facility allows the Corporation and its subsidiaries to borrow up to $250.0 million, either in Canadian dollars, US dollars, British Pounds, Euro or equivalent currencies and will mature in May 2022. It also includes an accordion feature to increase available credit by an additional $100.0 million during the term of this agreement, subject to the approval of the lenders.

The Revolving Facility was amended during the current quarter, increasing the credit limit from $200.0 million to $250.0 million in connection with the acquisition of CESA.

As at September 30, 2018, the Corporation had $119.1 million drawn against the Revolving Facility, compared to $54.2 million as at March 31, 2018. This increase is related to a US$50.0 million drawing made in order to finance the CESA acquisition.

Unsecured Subordinated Term Loan Facility ("Term Loan Facility")

On September 24, 2018, the Corporation signed the Term Loan Facility with *Fonds de Solidarité FTQ* for an amount of up to $75.0 million. The facility consists of a $50.0 million term loan related to the acquisition of CESA and additional financing, available until September 30, 2020, of up to $25.0 million subject to certain conditions.

The initial $50.0 million loan was drawn on September 25, 2018, bears interest at 5.6% and is repayable at maturity on September 30, 2025. Starting on September 30, 2021, the Corporation will be allowed to make early repayments subject to certain fees.

Net Debt Position

	October 1, 2018 pro forma[2]	**September 30, 2018**	March 31, 2018
Long-term debt, including current portion[1]	$ 286,234	**$ 251,688**	$ 131,964
Less: Cash and cash equivalents	25,788	**196,717**	93,209
Net debt position	$ 260,446	**$ 54,971**	$ 38,755

[1] *Excluding net deferred financing costs of $3.3 million and $0.9 million as at September 30, 2018 and March 31, 2018, respectively.*

[2] *Calculated by deducting the €113.8 million (170.9 million) of cash payment and adding the €23.0 million ($34.6 million) of assumed debt which form the purchase price of CESA from and to long-term debt as at September 30, 2018. Refer to* Forward-Looking Statements *under* Overview *for considerations pertaining to pro-forma statements.*

Considering the Corporation's cash and cash equivalents position, its available credit facilities and level of expected capital investments and results, the Corporation's management does not expect any significant liquidity risk in the foreseeable future.

VARIATIONS IN CASH AND CASH EQUIVALENTS

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Cash and cash equivalents at beginning of periods	**$ 99,000**	$ 40,282	**$ 93,209**	$ 42,456
Cash flows related to operating activities	**11,687**	15,700	**20,137**	18,268
Cash flows related to investing activities	**(27,549)**	(2,678)	**(30,045)**	(6,101)
Cash flows related to financing activities	**114,169**	279	**113,237**	(683)
Effect of changes in exchange rates on cash and cash equivalents	**(590)**	(771)	**179**	(1,128)
Cash and cash equivalents at end of periods	**$ 196,717**	$ 52,812	**$ 196,717**	$ 52,812

Operating Activities

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

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Cash flows from operations	**$ 13,225**	$ 8,288	**$ 23,882**	$ 18,901
Net change in non-cash items	**(1,538)**	7,412	**(3,745)**	(633)
Cash flows related to operating activities	**$ 11,687**	$ 15,700	**$ 20,137**	$ 18,268

For the quarter and six-month period, the $4.9 million and $5.0 million respective increases in cash flows from operations compared to the same periods last year mainly relate to the net realized gain on financial instruments related to the acquisition of CESA and the contribution from the results of Beaver.

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

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Accounts receivable	**$ 5,935**	$ 2,043	**$ 24,663**	$ 10,846
Inventories	**(597)**	5,945	**(4,237)**	(1,652)
Other current assets	**1,794**	2,700	**662**	20
Accounts payable and accrued liabilities	**(1,802)**	(1,724)	**(12,414)**	(4,373)
Income taxes payable and receivable	**176**	491	**(1,666)**	(456)
Customer advances and progress billings	**(4,584)**	679	**(4,613)**	632
Provisions	**(1,141)**	(978)	**(4,113)**	(3,125)
Effect of changes in exchange rates	**(1,319)**	(1,744)	**(2,027)**	(2,525)
	$ (1,538)	$ 7,412	**$ (3,745)**	$ (633)

For the quarter ended September 30, 2018, the negative net change in non-cash items mainly reflects:

- A decrease in customer advances following revenue recognition; and,
- A decrease in accounts payable and accrued liabilities.

These negative factors were partly offset by a reduction in accounts receivable.

For the six-month period ended September 30, 2018, the negative net change in non-cash items mainly reflects:

- The seasonal decrease in accounts payable following the higher level of activity during the fourth quarter of the prior fiscal year;
- A decrease in customer advances following revenue recognition;
- An increase in inventories mainly related to the ramp-up of the Boeing 777 and 777X programs; and,
- A decrease in provisions mainly due to utilization of the restructuring provision;

These negative factors were partly offset by the seasonal decrease in accounts receivable following the higher level of activity during the fourth quarter of the prior fiscal year.

For the quarter ended September 30, 2017, the positive net change in non-cash items mainly reflected decreases in inventories and other current assets.

For the six-month period ended September 30, 2017, the negative net change in non-cash items mainly reflected:

- The seasonal decrease in accounts payable following the higher level of activity during the fourth quarter of the prior fiscal year;
- A decrease in provisions mainly due to utilization of the restructuring provision; and,
- The net negative impact of the effects of changes in exchange rates.

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

Investing Activities

The Corporation's investing activities were as follows:

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Cash payment for business acquisition	**$ (23,671)**	$ —	**$ (23,671)**	$ —
Net additions to property, plant and equipment	**(3,281)**	(1,863)	**(5,354)**	(4,529)
Net increase in finite-life intangible assets	**(604)**	(815)	**(1,027)**	(1,602)
Proceeds on disposal of property, plant and equipment	**7**	—	**7**	30
Cash flows related to investing activities	**$ (27,549)**	$ (2,678)	**$ (30,045)**	$ (6,101)

The increase in cash payments related to investing activities for the quarter and six-month period compared to the same periods last fiscal year mainly relates to the $23.7 million payment made for the acquisition of Beaver.

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

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Gross additions to property, plant and equipment	**$ 2,931**	$ 1,766	**$ 4,590**	$ 3,208
Government assistance	**—**	(138)	**—**	(267)
Net additions to property, plant and equipment	**$ 2,931**	$ 1,628	**$ 4,590**	$ 2,941
Variation in unpaid additions included in Accounts payable - other and other liabilities	**350**	235	**764**	1,588
Net additions, as per statements of cash flows	**$ 3,281**	$ 1,863	**$ 5,354**	$ 4,529

Financing Activities

The Corporation's financing activities were as follows:

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Increase in long-term debt	**$ 116,605**	$ 1,269	**$ 116,605**	$ 1,269
Repayment of long-term debt	**(1,545)**	(1,139)	**(2,818)**	(2,245)
Issuance of common shares	**450**	149	**791**	293
Increase in deferred financing costs	**(1,341)**	—	**(1,341)**	—
Cash flows related to financing activities	**$ 114,169**	$ 279	**$ 113,237**	$ (683)

The increase in long-term debt during the quarter and six-month period is mainly related to a US$50.0 million ($65.2 million) drawing on the Revolving facility and a $50.0 million drawing on the Term Loan Facility, both in order to finance for the CESA acquisition, which closed subsequent to the quarter on October 1, 2018.

As at September 30, 2018, the Corporation was in compliance with all of its restrictive debt covenants and expects to continue to comply with these restrictive financial covenants through the current fiscal year.

FREE CASH FLOW[1]

	Three months ended September 30,		Six months ended September 30,	
	2018	2017	**2018**	2017
Cash flows related to operating activities	**$ 11,687**	$ 15,700	**$ 20,137**	$ 18,268
Net additions to property, plant and equipment	**(2,931)**	(1,628)	**(4,590)**	(2,941)
Net increase in finite-life intangible assets	**(604)**	(815)	**(1,027)**	(1,602)
Free cash flow	**$ 8,152**	$ 13,257	**$ 14,520**	$ 13,725

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

Management considers free cash flow to be a good indicator of financial strength and profitability because it shows how much cash generated by operations is available for distribution, to repay debt or fund other investments.

FINANCIAL POSITION

ISSUED CAPITAL

Capital stock varied as follows:

	Quarter ended September 30, 2018		Six months ended September 30, 2018	
	Number	**Issued capital**	**Number**	**Issued capital**
Balance at beginning of periods	36,291,283	$ 78,652	36,218,572	$ 78,105
Issued for cash on exercise of stock options	28,500	429	90,200	825
Issued for cash under the stock purchase and ownership incentive plan	10,258	147	21,269	298
Balance at end of periods	36,330,041	$ 79,228	36,330,041	$ 79,228

As at November 9, 2018, the number of common shares outstanding stood at 36,333,666.

Stock options varied as follows:

	Quarter ended September 30, 2018		Six months ended September 30, 2018	
	Number of stock options	Weighted-average exercise price	Number of stock options	Weighted-average exercise price
Opening balance	1,244,595	$ 13.20	1,105,295	$ 12.09
Granted	6,500	15.77	207,500	16.21
Exercised	(28,500)	10.64	(90,200)	5.47
Ending balance	1,222,595	$ 13.28	1,222,595	$ 13.28

During the quarter ended September 30, 2018, following the approval by the shareholders of the Corporation at the last Annual General Meeting of shareholders, the aggregate number of shares available for future issuance under the stock option plan was replenished due to the limited number of common shares remaining under this plan. The number of common shares reserved for issuance represents 2,808,257 of which 2,779,757 shares had not been issued yet at September 30, 2018 (1,514,481 as at March 31, 2018).

As at September 30, 2018, 37,597 common shares remained reserved for issuance under the stock purchase and ownership incentive plan compared to 58,866 at March 31, 2018.

As at November 9, 2018, the number of stock options outstanding stood at 1,222,595.

For further information regarding the Corporation's outstanding issued capital and related compensation plans, refer to Note 13, *Issued Capital*, to the interim condensed consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

The acquisition of Beaver contributed assets and liabilities to the Corporation's balance sheet as at September 30, 2018, as detailed in the *Acquisition of Beaver* section under *Overview*. All the elements described below exclude the addition of those assets and liabilities.

Working capital

As at	September 30, 2018	March 31, 2018	Variance	
Current assets	**$ 409,704**	$ 310,649	*$ 99,055*	*31.9 %*
Current liabilities	**100,551**	108,750	*(8,199)*	*(7.5)%*
Working capital	**$ 309,153**	$ 201,899	*$ 107,254*	*53.1 %*
Working capital ratio	**4.07**	2.86		

The $99.1 million increase in current assets is mainly due to the completion of the financing for the CESA acquisition during the quarter ended September 30, 2018. Refer to the *Credit Facilities & Net Debt Position* section under *Liquidity and Capital Resources* for further details. This increase in cash was partly offset by the cash payment made for the Beaver acquisition of $23.7 million.

These effects were partly offset by the seasonal decrease in accounts receivable and the negative impact of exchange rate fluctuations on the conversion of the Corporation's current assets of its UK operations with the British pound as a functional currency.

The $8.2 million decrease in current liabilities mainly reflects the seasonal decrease in accounts payable following the higher level of activity during the fourth quarter of the prior fiscal year.

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

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

	September 30, 2018	March 31, 2018	Variance	
Long-term assets	**$ 331,799**	$ 321,513	*$ 10,286*	*3.2%*
Long-term liabilities	**$ 261,179**	$ 144,378	*$ 116,801*	*80.9%*
Shareholders' equity	**$ 379,773**	$ 379,034	*$ 739*	*0.2%*
Net debt-to-equity ratio[(1)]	**0.14:1**	0.10:1		

[(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 increase in long-term liabilities is mainly due to the completion of the financing in preparation of the CESA acquisition during the quarter ended September 30, 2018. Refer to the *Credit Facilities & Net Debt Position* section under *Liquidity and Capital Resources* for further details.

ADDITIONAL INFORMATION

DERIVATIVES

Forward foreign exchange contracts

As at September 30, 2018 Corporation had the following forward foreign exchange contracts outstanding:

As at	**September 30, 2018**		March 31, 2018	
	USD	**GBP**	USD	GBP
Notional amount outstanding	**US$130,900**	**£3,500**	US$110,050	—
Average exchange rate	**1.2976**	**1.8089**	1.3046	—

These contracts mature at various dates between October 2018 and March 2023, with the majority maturing this fiscal year and the next.

Interest rate swap agreements

As at September 30, 2018 the Corporation had entered into the following interest rate swap agreements to fix the interest rate on a portion of the Revolving Facility:

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

The fixed rates mentioned above exclude the additional bank relevant margin (see Note 12, *Long-term debt*, to the interim condensed consolidated financial statements). The cash flows related to the interest rate swaps are expected to occur in the same periods as they are expected to affect net income.

Derivatives related to the acquisition of CESA

The acquisition of CESA exposed the Corporation to new foreign currency and interest rate risks related to the purchase price and related financing of the transaction. An increase in value of the Euro compared to the Canadian dollar would increase the anticipated transaction price, and an increase in interest rates underlying expected debt would increase related financial expenses.

The Corporation entered into the following cross-currency interest rate swap agreements in order to mitigate foreign exchange and interest rate risks:

Notional		Fixed EURO equivalent	Interest rate	Inception	Maturity
US$	29,370	€25,000	1.86%	October 2017	May 2022
C$	50,000	€34,110	3.40%	October 2017	September 2025
US$	17,523	€15,000	Euribor 1 month + 1.74%	September 2018	May 2022

Equity swap agreement

As at September 30, 2018, the Corporation had entered into an equity swap agreement fixing 200,000 common shares of the Corporation at a price of $12.56. This agreement is a derivative that is not part of a designated hedging relationship and matures in June 2019.

NEW ACCOUNTING STANDARDS

The Company adopted the following new accounting standards effective April 1, 2018.

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments (IFRS 9) which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that presents relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance.

Classification and measurement

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows including whether they represent solely payments of principal and interest (SPPI criterion). IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

Impairment of financial assets

Under IFRS 9, impairment losses for financial assets are calculated with a forward-looking expected credit loss (ECL) approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Effective April 1, 2018, the Corporation adopted IFRS 9 and this adoption did not have a significant impact on the Company's financial statements. The new classification and measurement of the Company's financial assets and liabilities did not change. These are considered as financial instruments at amortized cost and are comprised of accounts receivable, accounts payable and accrued liabilities and long-term debt. The Company's derivative financial instruments are classified and measured at FVTPL where hedge accounting is not elected or at FVTOCI with recycling into profit and loss when hedge accounting is elected.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from contracts with customers supersedes previous accounting standards for revenue, including IAS 11, Construction Contracts, and IAS 18, Revenue, and all existing IFRS revenue interpretations. IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The standard's requirements also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).

Effective April 1, 2018, the Company adopted IFRS 15 using the full retrospective method and this adoption did not have a material impact on the Company's financial statements and the timing of revenue recognition accounting policies previously disclosed in the 2018 audited annual consolidated financial statements. Consequently, the Company's revenue continues to be recognized at a point in time when performance obligations under the customers' contracts are fulfilled, generally upon delivery of goods.

FUTURE CHANGE IN ACCOUNTING POLICIES

IFRS 16, Leases

In January 2016, the IASB released IFRS 16 - Leases. The new standard, which represents a major revision of the way in which companies account for leases, sets out the principles that both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"), apply to provide relevant information about leases in a manner that faithfully represents those transactions. To meet this objective, a lessee is required to recognize assets and liabilities arising from a lease, following a single model where previously leases were classified as either finance leases or operating leases. Most leases will be recognized on the Corporation's consolidated balance sheet. Certain exemptions will apply for short-term leases and leases of low-value assets. The Corporation anticipates the adoption of the IFRS will have an impact on the balance sheet and statement of income as all operating leases will be capitalized with a corresponding lease liability while the rent expense will be replaced by the amortization expense of the right to use the related assets and interest accretion expense from the liability recorded.

The Corporation is required to apply this standard retrospectively for its fiscal year beginning April 1, 2019. Many of the Corporation's leases are already accounted for as finance leases on the Corporation's consolidated balance sheet. Certain other operating leases will be required to be brought on balance sheet. The Corporation continues to assess the impact of adopting this standard on its consolidated financial statements.

INTERNAL CONTROLS AND PROCEDURES

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

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

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

No changes were made to the Corporation's internal controls over financial reporting during the six-month period ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

As permitted by the Canadian Securities Administrators' Regulation 52-109, management's assessment and conclusion on the design of disclosure controls and procedures and internal controls over financial reporting excludes the controls, policies and procedures of Beaver, which was acquired on July 2, 2018. Beaver's results are included in the September 30, 2018 interim condensed consolidated financial statements of Héroux-Devtek and constituted approximately 5% of total assets as at September 30, 2018 and 4% of total revenues since its acquisition.

RISKS AND UNCERTAINTIES

Héroux-Devtek operates in industry sectors that have a variety of risk factors and uncertainties. Risk and uncertainties that could materially affect the Corporation's business, financial condition and results of operations in an adverse manner are described in the Corporation's MD&A for the fiscal year ended March 31, 2018. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently believes to be immaterial may also adversely affect its business.

SELECTED QUARTERLY FINANCIAL INFORMATION

Fiscal year	2019		2018				2017	
	Second Quarter	First Quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter
Sales	**$ 95,665**	$ 85,770	$ 113,024	$ 97,006	$ 89,677	$ 86,857	$ 120,886	$ 98,489
Operating income	**5,289**	4,857	6,697	6,629	4,644	5,408	8,678	7,694
Adjusted operating income [(1)]	**6,165**	5,217	12,089	7,238	5,590	5,408	12,312	7,694
Adjusted EBITDA [(1)]	**13,176**	12,244	19,369	13,563	12,032	11,940	19,181	13,851
Net Income	**3,294**	3,552	5,858	626	3,163	4,027	8,895	8,175
Adjusted Net Income [(1)]	**4,405**	3,786	10,439	5,690	4,057	4,027	9,077	6,015
In dollars per share								
Earnings per share - Basic & Diluted	**$ 0.09**	$ 0.10	$ 0.16	$ 0.02	$ 0.09	$ 0.11	$ 0.25	$ 0.23
Adjusted earnings per share [(1)]	**0.12**	0.10	0.29	0.16	0.11	0.11	0.25	0.17
In millions of shares								
Weighted-average number of common diluted shares outstanding	**36.5**	36.4	36.4	36.4	36.3	36.3	36.3	36.3

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

Seasonal trends

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

ECONOMIC OUTLOOK [(1)]

In the commercial aerospace market, the International Air Transport Association's ("IATA") most recent forecast calls for demand to remain healthy in calendar 2018 in both passenger and cargo volume. Passenger traffic expressed in revenue passenger kilometers ("RPK") rose 6.8% on a year-over-year basis in the first eight months of calendar 2018, which is above the average annual growth of 5.6% recorded in the previous 20-year period. According to the International Monetary Fund, global GDP growth is projected at 3.7% for 2018-19, 0.2% lower for both years than forecast in April, mainly due to recently announced trade measures, which could have an impact on RPK growth in 2019.[(2)] Meanwhile, air cargo volume measured in freight ton kilometers ("FTK") increased 4.0% in the first eight months of calendar 2018. This is well below the double-digit rates of 2016-17, but is still faster than the average pace over the past decade.[(2)] Boeing recently projected that air cargo traffic is expected to double over the next 20 years, driven by a growing express market in China and the global rise of e-commerce.[(3)]

In the large commercial aircraft sector, Boeing and Airbus are adjusting their production rates as they introduce certain more fuel-efficient aircraft variants on several leading programs. These adjustments are scheduled through calendar 2020. Order backlogs have increased year-over-year and remain strong for both manufacturers driven by a higher combined total of new orders and commitments in the first nine months of calendar 2018.[(3)]

In the business jet market, aircraft shipments remained stable in the first half of calendar 2018, according to data published by the General Aviation Manufacturers Association ("GAMA"). Looking ahead, the business jet industry is expected to experience strong growth in the short to medium term, supported by several new airplane models coming to market and an improved used aircraft environment.[(4)]

In the defence aerospace market, the U.S. administration has indicated its intention to increase funding for the Department of Defense (DOD) over the next several years. Supporting the above, the fiscal 2019 President's Budget increased by 7.2% to US$716 billion from US$668 billion in 2018. In Canada, the new defence policy calls for a rise in spending, from $18.9 billion in the 2017 fiscal year to $32.7 billion in the 2027 fiscal year. Europe is also committing more funds to defence, as evidenced by a 4.8% projected overall spending increase by members of NATO for 2018 (expressed in US dollars, assuming constant prices and exchange rates) in an effort to reach a target of defence spending set at 2% of GDP.[(5)] This target was reaffirmed during the most recent NATO summit.

[(1)] *Refer to* Forward-Looking Statements *in* Overview *for further information regarding forward-looking statements and related risks.*

[(2)] *Source: Airline Industry Economic Performance, IATA, August 2018; World Economic Outlook, International Monetary Fund, October 1, 2018.*

[(3)] *Sources: Airbus press releases July 19, 2018 and October 31, 2018; Boeing press releases July 19, 2018; October 16, 2018 and October 24, 2018.*

[(4)] *Source: GAMA press release August 6, 2018; Business Jet Aviation Forecast, Honeywell, October 14, 2018; Business Aviation Market Forecast, Jetcraft, October 2018.*

[(5)] *Sources: DOD press release September 28, 2018; Defence Expenditures of NATO Countries report, July 10, 2018.*

GUIDANCE[1]

Metric	Initial fiscal 2019 guidance	Updated Fiscal 2019 guidance
Fiscal 2019 sales	Stable as compared to fiscal 2018	**Sales of $460 to $470 million**
Fiscal 2019 additions to PP&E	Approximately $15 million	**Approximately $20 million**
Long-term sales growth	N/A	**Fiscal 2022 sales of $620 to $650 million**

[1] *Refer to* Forward-Looking Statements *in* Overview *for further information regarding forward-looking statements and related risks.*

Management had updated Fiscal 2019 sales guidance in August 2018 in order to take into account the acquisition of Beaver.

Management has now provided newly updated Fiscal 2019 sales guidance as well as guidance on Fiscal 2019 additions to PP&E and Long-term sales growth in order to reflect the expected contributions CESA to Héroux-Devtek's performance, as well.

Management has prepared the foregoing guidance using the best information available upon preparing this MD&A, and based it on assumptions and sources of information including, but not limited to:

- Héroux-Devtek's backlog, long-term sales contracts and estimated future order intake, including those of CESA and Beaver but no other material acquisition;
- Existing OEM backlogs, production rates and disclosed production and delivery expectations;
- Stability of government defence budget, spending climates, trends and expectations;
- Stability of overall economic conditions;
- Stability of foreign exchange rates;
- The Corporation's ability to deliver on key contract initiatives; and,
- The successful deployment of integration and cross-selling initiatives.

Refer to the *Risk Management* section of the Corporation's MD&A for the fiscal year ended March 31, 2018 for discussion of certain other factors which may cause future results to differ from this guidance.