MANAGEMENT'S DISCUSSION AND ANALYSIS

First quarter ended June 30, 2020

HÉROUX DEVTEK

TABLE OF CONTENTS

OVERVIEW

The purpose of this management discussion and analysis (''MD&A'') is to provide the reader with an overview of how the financial position of Héroux-Devtek Inc. and its subsidiaries (''Héroux-Devtek'', the ''Corporation'' or "Management") evolved between March 31, 2020 and June 30, 2020. It also compares the operating results and cash flows for the quarter ended June 30, 2020 to those of the same period of the prior fiscal year.

This MD&A is based on the unaudited interim condensed consolidated financial statements for the quarter ended June 30, 2020, 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, 2020, all of which are available on the Corporation's website at www.herouxdevtek.com and on SEDAR at 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 August 6, 2020.

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 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. 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 effect of the ongoing COVID-19 pandemic on Héroux-Devtek's operations, customers, supply chain, the aerospace industry and the economy in general; the impact of other 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, 2020. 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.

HIGHLIGHTS

	Three months ended June 30,	
	2020	2019
Sales	$ 128,335	$ 143,427
Operating income	1,385	10,371
Adjusted operating income(1)	7,430	10,986
Adjusted EBITDA(1)	18,358	21,509
Net (loss) income	(1,313)	6,443
Adjusted net income(1)	3,382	6,959
Cash flows related to operating activities	15,473	3,695
Free cash flow(1)	10,232	(1,588)
In dollars per share		
Earnings (loss) per share - basic and diluted	$ (0.04)	$ 0.18
Adjusted EPS(1)	0.09	0.19
As at	June 30, 2020	March 31, 2020
Funded backlog(2)	$ 772,000	$ 810,000

(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

- All of our facilities remain open and the Corporation continues to have a strong financial position with available liquidity totaling $204.6 million as at June 30, 2020. Please refer to the MD&A for the fiscal year ended March 31, 2020 for further details regarding the impact of COVID-19 on Héroux-Devtek.
- During the quarter ended June 30, 2020, the Corporation achieved consolidated sales of $128.3 million, compared to $143.4 million, representing a decrease of 10.5%
- Operating income stood at $1.4 million, reflecting $6.0 million of restructuring charges as described below, compared to $10.4 million last fiscal year.
- Adjusted EBITDA reached $18.4 million, or 14.3% of sales, compared to $21.5 million or 15.0% during the same period last fiscal year.
- Héroux-Devtek generated cash flows related to operating activities totaling $15.5 million and free cash flow of $10.2 million during the first quarter compared to $3.7 million and a usage of $1.6 million, respectively, during the same period last year.
- Backlog decreased to $772 million, compared to $810 million as at March 31, 2020, reflecting the decrease in demand for large commercial programs.
- On May 5, 2020, Héroux-Devtek announced restructuring initiatives in light of the ongoing COVID-19 pandemic. These initiatives will affect 10% of the workforce, or approximately 225 employees, and will include the closure of the business unit formerly known as Alta Precision. Refer to the *Non-Recurring Items* section under *Operating Results* for further details.

OPERATING RESULTS

	Three months ended June 30,		
	2020	2019	*Variance*
Sales	$ 128,335	$ 143,427	*$ (15,092)*
Gross profit	20,546	24,225	*(3,679)*
Selling and administrative expenses	13,116	13,239	*(123)*
Adjusted operating income[(1)]	7,430	10,986	*(3,556)*
Non-recurring items	6,045	615	*5,430*
Operating income	1,385	10,371	*(8,986)*
Net financial expenses	2,930	2,636	*294*
Income tax (recovery) expense	(232)	1,292	*(1,524)*
Net (loss) income	$ (1,313)	$ 6,443	*$ (7,756)*
Adjusted net income[(1)]	$ 3,382	$ 6,959	*$ (3,577)*
As a percentage of sales			
Gross profit	16.0 %	16.9 %	*-90 bps*
Selling and administrative expenses	10.2 %	9.2 %	*100 bps*
Operating income	1.1 %	7.2 %	*-610 bps*
Adjusted operating income[(1)]	5.8 %	7.7 %	*-190 bps*
In dollars per share			
Earnings (loss) per share - basic and diluted	$ (0.04)	$ 0.18	*$ (0.22)*
Adjusted EPS[(1)]	$ 0.09	$ 0.19	*$ (0.10)*

[(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:

	Three months ended June 30,				
	2020	2019	FX impact	Net variance	
Civil	$ 49,941	$ 67,441	$ 1,186	$ (18,686)	(27.7)%
Defence[(1)]	78,394	75,986	1,862	546	0.7 %
Total	$ 128,335	$ 143,427	$ 3,048	$ (18,140)	(12.6)%

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

The following explanations relate to sales variations compared to last fiscal year excluding the impact of foreign exchange fluctuations :

Civil

The effect of COVID-19 on the aerospace market drove an $18.7 million net reduction in civil sales this quarter. This decrease was the result of lower deliveries for large commercial programs, where twin-aisle deliveries decreased 44%, reflecting lower OEM demand.

Defence

Defence sales remained relatively stable this quarter as increased OEM deliveries related to the entry of service of the Sikorsky CH-53K and Saab Gripen E and better delivery performance for the Boeing CH-47 were partially offset by decreases for older programs such as the BAE Hawk and Leonardo AW-101.

Gross Profit

Gross profit for the quarter decreased from $24.2 million to $20.5 million last year mainly as a result of the reduction in sales caused by COVID-19. The pandemic also caused additional costs and production inefficiencies which were partly offset by government relief measures.

Gross profit as a % of sales decreased from 16.9% to 16.0% mainly as a result of lower sales volume without a corresponding decrease in fixed costs such as depreciation, which represented a year over year impact of 0.8% of sales.

Selling and Administrative Expenses

	Three months ended June 30,	
	2020	2019
Selling and Administrative Expenses	$ 13,116	$ 13,239
Less: Net loss on conversion of net monetary items	903	558
	$ 12,213	$ 12,681
As a percentage of sales	9.5 %	8.8 %

When excluding gains and losses on translation of net monetary items, selling and administrative expenses represented 9.5% of sales for the quarter, compared to 8.8% for the same period last fiscal year. The increase is mainly explained by lower sales volume partly offset by lower stock-based compensation expense.

Non-recurring items

	Three months ended June 30,	
	2020	2019
Non-recurring items in operating income		
Restructuring charges	$ 6,045	$ —
Acquisition-related costs	—	615
	$ 6,045	$ 615

Restructuring charges

On May 5, 2020, Héroux-Devtek announced restructuring initiatives in light of the ongoing COVID-19 pandemic. These initiatives will affect 10% of the workforce, or approximately 225 employees, and will include the closure of the business unit formerly known as Alta Précision.

To date, $6.0 million of related costs have been recorded as restructuring charges, mainly comprised of employee-related charges and costs to dismantle and relocate machinery. 60% of staff reductions have been completed, with most of the remaining related to Alta Precision. These employees will remain until the closure of the facility near the end of the fiscal year in order to complete an orderly transition of work packages.

Operating Income

	Three months ended June 30,	
	2020	2019
Operating income	$ 1,385	$ 10,371
Non-recurring items	6,045	615
Adjusted operating income	$ 7,430	$ 10,986
As a percentage of sales		
Operating income	1.1 %	7.2 %
Adjusted operating income	5.8 %	7.7 %

Operating income decreased from 7.2% to 1.1% of sales reflecting non recurring charges totaling $6.0 million this quarter, compared to $0.6 million last year. Excluding these items, adjusted operating income decreased from 7.7% to 5.8% for the quarter. This decrease includes a year-over-year $0.7 million unfavourable net impact of foreign exchange, equivalent to 0.5% of sales, as well as the other factors mentioned above.

Net Financial Expenses

	Three months ended June 30,		
	2020	2019	*Variance*
Interest on long-term debt	$ 1,842	$ 1,736	*$ 106*
Net financial expense related to government loans	791	480	*311*
Interest income on cash and cash equivalents	(218)	(34)	*(184)*
Other interest expense	515	454	*61*
	$ 2,930	$ 2,636	*$ 294*

The increase in net financial expense related to government loans relate to a favourable adjustment in the prior year resulting from a revision of assumptions underlying the valuation of loans.

Income Tax Expense

	Three months ended June 30,	
	2020	2019
Income (loss) before income tax expense	$ (1,545)	$ 7,735
Income tax (recovery) expense	(232)	1,292
Effective tax rate	15.0 %	16.7 %
Canadian blended statutory income tax rate	26.5 %	26.6 %

For the quarter ended June 30, 2020, the Corporation's effective income tax rate mainly reflected the favourable impact of results in other tax jurisdictions of $0.1 million ($0.9 million in Fiscal 2020), partially offset by non-deductible expenses totaling $0.2 million ($0.2 million in Fiscal 2020).

Net Income

Net income decreased from $6.4 million to a loss of $1.3 million during the quarter (or decreased from $7.0 to $3.4 million, excluding non-recurring items net of taxes) 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.
Adjusted EBITDA:	Operating income excluding amortization expense and 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 June 30,	
	2020	2019
Operating income	$ 1,385	$ 10,371
Non-recurring items	6,045	615
Adjusted operating income	$ 7,430	$ 10,986

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 June 30,	
	2020	2019
Operating income	$ 1,385	$ 10,371
Amortization expense	10,928	10,523
Non-recurring items	6,045	615
Adjusted EBITDA	$ 18,358	$ 21,509

Management believes adjusted EBITDA provides 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 June 30,	
	2020	2019
Net (loss) income	$ (1,313)	$ 6,443
Non-recurring items, net of taxes	4,695	516
Adjusted net income	$ 3,382	$ 6,959
Non-controlling interests	83	(99)
Adjusted net income attributable to the equity holders of the parent	$ 3,299	$ 7,058
In dollars per share		
Earnings (loss) per share - basic and diluted	$ (0.04)	$ 0.18
Non-recurring items, net of taxes	0.13	0.01
Adjusted earnings per share	$ 0.09	$ 0.19

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 flow is explained and reconciled in *Liquidity and Capital Resources*.

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, which matures in December 2024, 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. 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.

As at June 30, 2020, the Corporation had $137.7 million drawn against the Revolving Facility, compared to $96.5 million as at March 31, 2020. This increase is mainly related to a $45.0 million drawing made in April 2020 as a precaution in case of liquidity needs resulting from the impact of COVID-19, partly offset by the effect of foreign exchange.

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

The Corporation has a Term Loan Facility with *Fonds de Solidarité FTQ* for an amount of up to $75.0 million. Following a $15.0 million drawing made in April 2020 as a precaution in case of liquidity needs resulting from the impact of COVID-19, this facility is fully drawn and bears interest at a weighted average rate of 5.2%.

The Term Loan Facility is repayable at maturity on September 30, 2025 and, starting on September 30, 2021, the Corporation will have the option to make early repayments subject to certain fees.

Net Debt Position

	June 30, 2020	March 31, 2020
Long-term debt, including current portion(1)	$ 347,566	$ 292,710
Less: Cash and cash equivalents	114,407	45,841
Net debt position	$ 233,159	$ 246,869

(1) *Excluding net deferred financing costs of $2.9 million and $3.1 million as at June 30, 2020 and March 31, 2020, respectively.*

Net debt decreased by $13.7 million over the quarter as a result of cash flow generation and the impact of foreign exchange.

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 June 30,	
	2020	2019
Cash and cash equivalents at beginning of periods	$ 45,841	$ 35,128
Cash flows related to operating activities	15,473	3,695
Cash flows related to investing activities	(5,241)	(18,407)
Cash flows related to financing activities	58,712	16,946
Effect of changes in exchange rates on cash and cash equivalents	(378)	(397)
Cash and cash equivalents at end of periods	$ 114,407	$ 36,965

Operating Activities

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

	Three months ended June 30,	
	2020	2019
Cash flows from operations	$ 10,443	$ 16,953
Net change in non-cash items	5,030	(13,258)
Cash flows related to operating activities	$ 15,473	$ 3,695

The $6.5 million decrease in cash flows from operations over the quarter mainly relates to lower adjusted EBITDA and cash charges related to restructuring. See *Non-Recurring Items* under *Operating Results* for further details.

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

	Three months ended June 30,	
	2020	2019
Accounts receivable	$ 34,767	$ 14,623
Inventories	(17,972)	(10,719)
Other current assets	846	(3,245)
Accounts payable and accrued liabilities	(9,662)	(9,038)
Income taxes payable and receivable	1,272	(330)
Customer advances and progress billings	(2,648)	(577)
Provisions	3,373	(1,048)
Effect of changes in exchange rates	(4,946)	(2,924)
	$ 5,030	$ (13,258)

For the quarter ended June 30, 2020, the positive net change in non-cash items mainly reflects strong collection of receivables, an increase in inventory essentially related to upcoming growth in defence programs and a decrease in accounts payable.

For the three-month period ended June 30, 2019, the negative net change in non-cash items mainly reflected:

- An increase in inventory due to upcoming organic growth;
- A lower number of days payable outstanding at the end of June when compared to March 31, 2019; and
- The negative effect of changes in exchange rates.

These factors were partially 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 June 30,	
	2020	2019
Cash payment related to business acquisition	$ —	$ (17,149)
Net additions to property, plant and equipment	(6,129)	(3,864)
Net change in finite-life intangible assets	888	(1,419)
Proceeds on disposal of property, plant and equipment	—	4,025
Cash flows related to investing activities	$ (5,241)	$ (18,407)

The $17.1 million of cash payments related to business acquisitions in fiscal 2019 related to the acquisition of Alta Précision.

This table reconciles additions to property, plant and equipment to the additions as per the statements of cash flows:

	Three months ended June 30,	
	2020	2019
Additions to property, plant and equipment	$ 4,708	$ 4,134
Variation in unpaid additions included in Accounts payable - other and other liabilities	1,565	(270)
Non-cash additions made through leasing agreements	(144)	—
Additions, as per statements of cash flows	$ 6,129	$ 3,864

Financing Activities

The Corporation's financing activities were as follows:

	Three months ended June 30,	
	2020	2019
Increase in long-term debt	$ 61,599	$ 22,920
Repayment of long-term debt	(2,887)	(5,630)
Increase in deferred financing costs	—	(344)
Cash flows related to financing activities	$ 58,712	$ 16,946

The increase in long-term debt during the quarter mainly relates to $60.0 million of drawings on the credit facilities as discussed above. During the quarter ended June 30, 2019, the increase in long-term debt mainly related to a $15.0 million drawing on the Term Loan Facility to finance the acquisition of Alta Précision.

As at June 30, 2020, the Corporation was in compliance with all of its restrictive debt covenants and expects to continue to comply with these restrictive financial covenants through the current fiscal year.

FREE CASH FLOW(1)

	Three months ended June 30,	
	2020	2019
Cash flows related to operating activities	$ 15,473	$ 3,695
Net additions to property, plant and equipment	(6,129)	(3,864)
Net decrease in finite-life intangible assets	888	(1,419)
Free cash flow	$ 10,232	$ (1,588)

(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

CONSOLIDATED BALANCE SHEETS

Working capital

As at	June 30, 2020	March 31, 2020	Variance	
Current assets	$ 472,818	$ 422,050	*$ 50,768*	*12.0 %*
Current liabilities	205,834	216,633	*$ (10,799)*	*(5.0)%*
Working capital	$ 266,984	$ 205,417	$ 61,567	*30.0 %*
Working capital ratio	2.30	1.95		

The $50.8 million increase in current assets is mainly due to:

- A $68.6 million increase in cash and cash equivalents following $60.0 million of drawings on credit facilities and the quarter's free cash flow generation; and,
- An $18.0 million increase in inventory related to upcoming growth in defence programs.

These elements were partially offset by a $34.8 million seasonal decrease in accounts receivable following a higher level of activity in the fourth quarter of fiscal 2020.

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

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

	June 30, 2020	March 31, 2020	Variance	
Long-term assets	$ 456,360	$ 476,798	*$ (20,438)*	*(4.3)%*
Long-term liabilities	$ 377,429	$ 332,767	*$ 44,662*	*13.4 %*
Shareholders' equity	$ 345,915	$ 349,448	*$ (3,533)*	*(1.0)%*
Net debt-to-equity ratio[1]	0.67	0.71		

[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 $20.4 million decrease in long-term assets mainly relates to the negative impact of foreign exchange on the conversion of assets denominated in foreign currencies, while the increase in long-term liabilities mainly relates to $60.0 million of drawings on credit facilities offset by the same foreign exchange fluctuations.

ADDITIONAL INFORMATION

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, in British pounds ("GBP") and in Euros ("EUR"). Transactions denominated in foreign currencies are initially recorded at the functional currency rate of exchange at the date of the transactions, excluding the impact of forward foreign exchange contracts ("FFEC"), while the statement of income of foreign operations is translated at the average exchange rate for the period.

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

	June 30, 2020	March 31, 2020
USD (Canadian equivalent of US$1.0)	1.3628	1.4187
GBP (Canadian equivalent of £1.0)	1.6832	1.7604
EUR (Canadian equivalent of €1.0)	1.5305	1.5584

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

	Three months ended June 30,	
	2020	2019
USD (Canadian equivalent of US$1.0)	1.3859	1.3375
GBP (Canadian equivalent of £1.0)	1.7203	1.7190
EUR (Canadian equivalent of €1.0)	1.5256	1.5032

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.

DERIVATIVES

Forward foreign exchange contracts

As at June 30, 2020, the Corporation had forward foreign exchange contracts outstanding for a notional amount of $343.9 million ($404.7 million at March 31, 2020) denominated in USD, EUR and and GBP. This amount includes contracts with nominal value of US$237.3 million (US$266.4 million at March 31, 2020) convertible into Canadian dollars at an average rate of 1.3248 (1.3243 at March 31, 2020). These contracts mature at various dates between July 2020 and March 2025, with the majority maturing this fiscal year and the next.

Cross-currency interest rate swaps

As at June 30, 2020, the Corporation had entered into the following cross-currency interest rate swap agreements in order to mitigate foreign exchange and interest rate risks:

	Notional	EURO equivalent	Interest rate	Inception	Maturity
US$	29,370	€ 25,000	1.86 %	October 2017	May 2022
C$	50,000	€ 34,110	3.40 %	October 2017	September 2025
US$	17,523	€ 15,000	Euribor 1 month + 1.74%	September 2018	May 2022
C$	10,000	€ 6,658	2.68 %	June 2019	September 2025

Equity swap agreement

As at June 30, 2020 and March 31, 2020, the Corporation had entered into an equity swap agreement fixing 300,000 common shares of the Corporation at a price of $13.52. This agreement manages the Corporation's exposure to fluctuations of its share price driven by outstanding Performance Share Units and Deferred Share Units. It is a derivative that is not part of a designated hedging relationship and matures in June 2021.

INTERNAL CONTROLS AND PROCEDURES

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

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

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

No changes were made to the Corporation's internal controls over financial reporting during the three-month ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

SELECTED QUARTERLY FINANCIAL INFORMATION

Fiscal year	2021	2020				2019		
	First Quarter	Fourth quarter	Third Quarter	Second Quarter	First Quarter	Fourth quarter	Third Quarter	Second Quarter
Sales	$ 128,335	$ 166,800	$ 157,253	$ 145,516	$ 143,427	$ 157,914	$ 144,528	$ 95,665
Operating income (loss)	1,385	(64,426)	13,466	10,519	10,371	15,190	11,904	5,289
Adjusted operating income (1)	7,430	17,577	13,466	10,519	10,986	16,208	13,973	6,165
Adjusted EBITDA (1)	18,358	28,609	24,563	21,510	21,509	25,910	22,883	13,176
Net income (loss)	(1,313)	(72,113)	8,705	6,307	6,443	11,958	7,390	3,294
Adjusted Net Income (1)	3,382	13,695	8,705	6,307	6,959	12,794	9,367	4,405
In dollars per share								
Earnings (loss) per share - Basic & Diluted	$ (0.04)	$ (1.98)	$ 0.24	$ 0.18	$ 0.18	$ 0.34	$ 0.20	$ 0.09
Adjusted earnings per share (1)	0.09	0.38	0.24	0.18	0.19	0.36	0.26	0.12
In millions of shares								
Weighted-average number of common diluted shares outstanding	36.4	36.4	36.7	36.7	36.6	36.5	36.4	36.5
Backlog (in million)	$ 772	$ 810	$ 839	$ 769	$ 747	$ 624	$ 629	$ 479

(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 first semester is usually slower than the last one due to seasonality such as plant shutdowns and summer vacations.

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, 2020. 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.

SHAREHOLDER INFORMATION

ISSUED CAPITAL	
Common shares issued and outstanding	36,367,210
Stock options issued and outstanding	1,846,595

EXPECTED ISSUANCE OF FINANCIAL RESULTS	
Fiscal 2021	
Second quarter	November 13, 2020
Third quarter	February 5, 2021
Fourth quarter	May 20, 2021
Fiscal 2022	
First quarter	August 10, 2021

Contact information
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