From: **Héroux-Devtek Inc.**
Gilles Labbé
President and Chief Executive Officer
Tel.: (450) 679-3330

Contact: **Héroux-Devtek Inc.**
Stéphane Arsenault
Chief Financial Officer
Tel.: (450) 679-3330

MaisonBrison
Pierre Boucher
Tel.: (514) 731-0000

PRESS RELEASE
FOR IMMEDIATE RELEASE

HÉROUX-DEVTEK REPORTS FISCAL 2019 FIRST QUARTER RESULTS

Annual meeting of shareholders later this morning

- **Sales and profitability stable compared with last year**
- **Solid cash flow related to operating activities and free cash flow[1]**
- **Increased sales guidance to mid-single digit growth reflecting the closing of the Beaver acquisition**
- **Selected by The Boeing Company to manufacture main landing gear and side braces for the F/A-18E/F Super Hornet and EA-18G Growler aircraft**
- **Awarded a five-year contract by Lockheed Martin Aeronautics Company to manufacture landing gear for the C-130J Hercules aircraft**

Longueuil, Québec, August 10, 2018 — Héroux-Devtek Inc. (TSX: HRX), ("Héroux-Devtek" or the "Corporation"), a leading international manufacturer of aerospace products, today reported its results for the first quarter of fiscal 2019 ended June 30, 2018. Unless otherwise indicated, all amounts are in Canadian dollars.

"First quarter results, including sales and profitability, were stable versus last year, in line with Management's expectations. Sales in the commercial aerospace market increased, driven by Boeing 777 and 777X deliveries, while sales in the defence aerospace market decreased, mainly as a result of the ramp-down of the United States Air Force ("USAF") contract, which will partially be offset by the new AAR contract starting to gradually ramp-up in the second quarter. We continued to generate strong free cash flow which allowed us to improve an already healthy financial position, with cash and cash equivalents of $99.0 million and a resulting net debt of $33.4 million, said Gilles Labbé, President and CEO of Héroux-Devtek.

"In the past few months, we continued to build a sustainable future. We completed the acquisition of Beaver and signed a number of new contracts with AAR Corporation, The Boeing Company and Lockheed Martin. These accomplishments are a testament to our leadership position in the landing gear market. In particular, the contract for the F/A-18E/F Super Hornet and EA-18G Growler attests to our growing relationship with Boeing and represents a significant win for our defence activities. As for our sales guidance, with the Beaver acquisition, we now expect mid-single digit sales growth for the year when compared to the previous year. Finally, with the CESA acquisition expected to close in the coming weeks, we are well positioned for our next expansion phase," concluded Gilles Labbé.

FINANCIAL HIGHLIGHTS (in thousands of dollars, except per share data)	Quarters ended June 30, 2018	 2017
Sales	**85,770**	86,857
Operating income	**4,857**	5,408
Adjusted operating income[1]	**5,217**	5,408
EBITDA[1]	**11,884**	11,940
Adjusted EBITDA[1]	**12,244**	11,940
Net income	**3,552**	4,027
Per share – diluted ($)	**0.10**	0.11
Adjusted net income[1]	**3,786**	4,027
Per share ($)	**0.10**	0.11

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

FIRST QUARTER RESULTS

Consolidated sales reached $85.8 million, compared with $86.9 million in the first quarter of fiscal 2018. This slight decrease reflects lower sales to the defence aerospace market and a net negative impact of $2.5 million due to year-over-year fluctuations in the value of the Canadian currency versus foreign currencies, partially offset by higher sales to the commercial aerospace market, as detailed below.

Commercial sales increased 5.6% to $45.8 million, versus $43.3 million last year. The increase is mainly attributable to higher large commercial programs sales, mainly related to increased Boeing 777 and 777X deliveries. It is also due to higher business jet sales, primarily related to higher deliveries for the Embraer 450/500 program. These positive factors were partly offset by lower engineering activities.

Defence sales declined 8.1% from $43.5 million to $40.0 million. This variation is essentially due to the ramp-down of repair and overhaul ("R&O") activities for the USAF and lower manufacturing requirements for certain civil customers. However, the new AAR Corporation contract will begin to mitigate a portion of this loss starting in the second quarter. These negative factors were partly offset by higher spare requirements for the U.S. Government.

Gross profit was $13.1 million, or 15.2% of sales, versus $12.9 million, or 14.9% of sales, last year. The increase mainly reflects higher absorption of costs related to the Boeing 777 program and improved production efficiencies. These factors were partly offset by unfavourable exchange rate fluctuations representing 0.3% of sales.

Operating income stood at $4.9 million, or 5.7% of sales, compared to $5.4 million, or 6.2% of sales last year. Adjusted operating income was $5.2 million, as compared to $5.4 million last year. This quarter's adjusted operating income excluded $0.4 million of acquisition-related costs. Consequently, adjusted EBITDA, which excludes non-recurring items, was $12.2 million, or 14.3% of sales, compared with $11.9 million, or 13.7% of sales, a year ago.

Net income reached $3.6 million, or $0.10 per diluted share, in the first quarter of fiscal 2019, versus $4.0 million, or $0.11 per diluted share, last year. Excluding non-recurring items net of taxes, adjusted net income reached $3.8 million, or $0.10 per share, versus $4.0 million, or $0.11 per share last year.

As at June 30, 2018, Héroux-Devtek's funded (firm orders) backlog stood at $454 million, compared to $466 million three months earlier. The backlog does not include recently announced contracts.

SOLID CASH FLOWS AND HEALTHY FINANCIAL POSITION

Cash flows related to operating activities amounted to $8.5 million in the first quarter of fiscal 2019, versus $2.6 million last year. This variation reflects a more favourable variation in non-cash working capital items. Free cash flow in the first quarter of fiscal 2019 was $6.4 million, up significantly from $0.5 million last year. Given this free cash flow generation, Héroux-Devtek's already healthy financial position improved further as at June 30, 2018, with cash and cash equivalents of $99.0 million, while total long-term debt was $132.4 million, including the current portion, but excluding net deferred financing costs. Long-term debt includes $55.3 million drawn against the Corporation's authorized credit facility of $200 million. As a result, the net debt position was $33.4 million at the end of the first quarter, down from $38.8 million as at March 31, 2018. The net debt to adjusted EBITDA ratio stood at 0.6x versus 0.7x three months earlier.

RECENT DEVELOPMENTS

- On May 16, 2018, Héroux-Devtek announced the signing of a contract with AAR to perform the remanufacturing of landing gear assemblies of the KC-135 aircraft, the manufacturing of spare parts for the C-130 and KC-135 aircraft and the manufacturing of other landing gear components, all in support of a contract AAR was awarded from the USAF. The contract's total value could exceed $65 million over the 4-year term.

- 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.

- On July 17, 2018, Héroux-Devtek announced that it had been selected by The Boeing Company to manufacture main landing gear and side braces for the F/A Super Hornet and EA-18G Growler. First deliveries are expected in the third quarter of calendar 2020. The contract also includes potential spare parts and aftermarket services.

- On July 18, 2018, the Corporation announced that it had been awarded a five-year contract by Lockheed Martin Aeronautics Company to manufacture landing gear for the C130-J Hercules aircraft. The contract renewal covers the manufacture and assembly of landing gear and provision of spare parts beginning in January 2020.

GUIDANCE UPDATE

Management is updating its sales guidance for fiscal 2019 reflecting the Beaver acquisition. Management now expects sales growth in the mid-single digits versus fiscal 2018, up from stable sales in the previous guidance. Capital expenditures remain unchanged at $15 million.

Please see "Forward-Looking Statements" below and the Guidance section in the Corporation's MD&A for the quarter ended June 30, 2018, for further details regarding the material assumptions underlying the foregoing guidance.

CONFERENCE CALL

Héroux-Devtek Inc. will hold a conference call to discuss these results on Friday, August 10, 2018 at 11:30 AM Eastern Time. Interested parties can join the call by dialling 1-877-223-4471 (North America) or 1-647-788-4922 (overseas). The conference call can also be accessed via live webcast at Héroux-Devtek's website, www.herouxdevtek.com/investor-relations/events or http://www.gowebcasting.com/9346.

An accompanying presentation will also be available on Héroux-Devtek's website, www.herouxdevtek.com/investor-relations/events.

If you are unable to call in at this time, you may access a tape recording of the meeting by calling 1-800-585-8367 and entering the passcode 3274689 on your phone. This recording will be available on Friday, August 10, 2018 as of 2:30 PM Eastern Time until 11:59 PM Eastern Time on Friday, August 17, 2018.

PROFILE

Héroux-Devtek Inc. (TSX: HRX) is an international company specializing in the design, development, manufacture and repair and overhaul of landing gear and actuation systems and components for the Aerospace market. The Corporation is the third largest landing gear company worldwide, supplying both the commercial and defence sectors of the Aerospace market with new landing gear systems and components, as well as aftermarket products and services. The Corporation also manufactures hydraulic systems, fluid filtration systems and electronic enclosures. Approximately 90% of the Corporation's sales are outside Canada, including about 65% in the United States. 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 Strongsville, Ohio; Wichita, Kansas; Everett, Washington; Livonia, Michigan, and Runcorn, Nottingham and Bolton, United Kingdom.

FORWARD-LOOKING STATEMENTS

Except for historical information provided herein, this press release contains information and statements of a forward-looking nature concerning the future performance of the Corporation. Forward looking statements are based on assumptions and uncertainties as well as on management's best possible evaluation of future events. Such factors may include, without excluding other considerations, fluctuations in quarterly results, evolution in customer demand for the Corporation's products and services, the impact of price pressures exerted by competitors, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results. Please see the Guidance section in the Corporation's MD&A for the fiscal year ended March 31, 2018, for further details regarding the material assumptions underlying the forecasts and guidance. Such forecasts and guidance are provided for the purpose of assisting the reader in understanding the Corporation's financial performance and prospects and to present management's assessment of future plans and operations, and the reader is cautioned that such statements may not be appropriate for other purposes.

NON-IFRS MEASURES

Earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA, adjusted operating income, adjusted net income, adjusted earnings per share and free cash flow are financial measures not prescribed by International Financial Reporting Standards ("IFRS") and are not likely to be comparable to similar measures presented by other issuers. Management considers these to be useful information to assist investors in evaluating the Corporation's profitability, liquidity and ability to generate funds to finance its operations. Refer to Non-IFRS financial measures under Operating Results in the Corporation's MD&A for definitions of these measures and reconciliations to the most comparable IFRS measures.

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Note to readers: Complete unaudited interim condensed consolidated financial statements and Management's Discussion & Analysis are available on Héroux-Devtek's website at www.herouxdevtek.com.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

First quarter ended June 30, 2018

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DISCLOSURE OF NON-REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTERS ENDED JUNE 30, 2018 AND 2017.

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if the external auditors have not performed a review of the financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by the external auditors.

The accompanying unaudited interim condensed consolidated financial statements of the Corporation for the quarters ended June 30, 2018 and 2017 have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting,* and are the responsibility of the Corporation's management.

The Corporation's external auditors, Ernst & Young LLP, have not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by Chartered Professional Accountants Canada for a review of financial statements by the external auditors of an entity.

August 9, 2018.

CONSOLIDATED BALANCE SHEETS

(In thousands of Canadian dollars) (Unaudited)

As at	Notes	June 30, 2018	March 31, 2018
Assets			
Current assets			
Cash and cash equivalents		**$ 99,000**	$ 93,209
Accounts receivable		**54,742**	73,469
Income tax receivable		**1,843**	1,412
Inventories		**137,967**	134,327
Derivative financial instruments	11	**837**	1,776
Prepaid expenses and other current assets		**7,457**	6,456
		301,846	310,649
Property, plant and equipment, net	6	**176,656**	179,503
Finite-life intangible assets, net	6	**34,278**	35,856
Derivative financial instruments	11	**2,723**	3,421
Deferred income tax assets		**8,172**	7,388
Goodwill		**88,546**	91,137
Tax credits receivable and other long-term assets		**4,339**	4,208
Total assets		**$ 616,560**	$ 632,162
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 58,025**	$ 67,591
Provisions		**14,005**	16,869
Customer advances and progress billings		**15,492**	15,522
Income tax payable		**1,612**	3,023
Derivative financial instruments	11	**1,295**	389
Current portion of long-term debt	12	**5,398**	5,356
		95,827	108,750
Long-term debt	12	**126,170**	125,685
Provisions		**5,928**	5,921
Derivative financial instruments	11	**2,081**	2,389
Deferred income tax liabilities		**3,448**	3,767
Other liabilities		**4,916**	6,616
		238,370	253,128
Shareholders' equity			
Issued capital	13	**78,652**	78,105
Contributed surplus		**4,222**	4,227
Accumulated other comprehensive income	14	**8,278**	14,217
Retained earnings		**287,038**	282,485
		378,190	379,034
Total liabilities and shareholders' equity		**$ 616,560**	$ 632,162

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

CONSOLIDATED STATEMENTS OF INCOME

(In thousands of Canadian dollars, except per share data) (Unaudited)

		Three months ended June 30,	
	Notes	**2018**	2017
Sales	**5**	**$ 85,770**	$ 86,857
Cost of sales	**6, 7**	**72,704**	73,937
Gross profit		**13,066**	12,920
Selling and administrative expenses	**6, 7**	**7,849**	7,512
Non-recurring items	**8**	**360**	—
Operating income		**4,857**	5,408
Net financial expenses	**9**	**1,000**	1,306
Income before income tax expense		**3,857**	4,102
Income tax expense		**305**	75
Net income		**$ 3,552**	$ 4,027
Earnings per share – basic and diluted	**10**	**$ 0.10**	$ 0.11

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of Canadian dollars) (Unaudited)

	Notes	Three months ended June 30, 2018	2017
	14		
Other comprehensive income (loss):			
Items that may be reclassified to net income			
Losses arising from conversion of the financial statements of foreign operations		**$ (3,385)**	$ (2,197)
Cash flow hedges:			
Net gains (losses) on valuation of derivative financial instruments		**(1,920)**	4,286
Net losses (gains) on derivative financial instruments transferred to net income		**(153)**	89
Deferred income taxes		**553**	(1,170)
		(1,520)	3,205
Gains (losses) on hedge of net investments in foreign operations		**(1,151)**	1,352
Deferred income taxes		**117**	(137)
		(1,034)	1,215
Items that are never reclassified to net income			
Defined benefit pension plans:			
Gains (losses) from remeasurement		**1,366**	(1,775)
Deferred income taxes		**(365)**	477
		1,001	(1,298)
Other comprehensive income (loss)		**$ (4,938)**	$ 925
Comprehensive income			
Net income		**$ 3,552**	$ 4,027
Other comprehensive income (loss)		**(4,938)**	925
Comprehensive income		**$ (1,386)**	$ 4,952

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Canadian dollars) (Unaudited)

	Notes		Issued capital		Contributed surplus		Accumulated other comprehensive income		Retained earnings		Shareholders' equity
Balance as at March 31, 2018		$	78,105	$	4,227	$	14,217	$	282,485	$	379,034
Common shares:	13										
Issued under the stock option plan			396		(206)		—		—		190
Issued under the stock purchase and ownership incentive plan			151		—		—		—		151
Stock-based compensation expense	13		—		201		—		—		201
Net income			—		—		—		3,552		3,552
Other comprehensive income (loss)	14		—		—		(5,939)		1,001		(4,938)
Balance as at June 30, 2018		$	78,652	$	4,222	$	8,278	$	287,038	$	378,190

	Notes		Issued capital		Contributed surplus		Accumulated other comprehensive income		Retained earnings		Shareholders' equity
Balance as at March 31, 2017		$	77,217	$	3,735	$	6,298	$	268,618	$	355,868
Common shares:	13										
Issued under the stock purchase and ownership incentive plan			144		—		—		—		144
Stock-based compensation expense	13		—		132		—		—		132
Net income			—		—		—		4,027		4,027
Other comprehensive income (loss)	14		—		—		2,223		(1,298)		925
Balance as at June 30, 2017		$	77,361	$	3,867	$	8,521	$	271,347	$	361,096

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars) (Unaudited)

	Notes	Three months ended June 30, 2018	2017
Cash and cash equivalents provided by (used for):			
Operating activities			
Net income		$ 3,552	$ 4,027
Items not requiring an outlay of cash:			
Amortization expense	7	7,027	6,532
Deferred income taxes		(565)	(759)
Losses on sale of property, plant and equipment		—	2
Net non-cash financial expenses	9	442	679
Stock-based compensation expense	13	201	132
Cash flows from operations		10,657	10,613
Net change in non-cash items	15	(2,207)	(8,045)
Cash flows related to operating activities		8,450	2,568
Investing activities			
Net additions to property, plant and equipment		(2,073)	(2,666)
Increase in finite-life intangible assets		(423)	(787)
Proceeds on disposal of property, plant and equipment		—	30
Cash flows related to investing activities		(2,496)	(3,423)
Financing activities			
Repayment of long-term debt		(1,273)	(1,106)
Issuance of common shares	13	341	144
Cash flows related to financing activities		(932)	(962)
Effect of changes in exchange rates on cash and cash equivalents		769	(357)
Change in cash and cash equivalents during the periods		5,791	(2,174)
Cash and cash equivalents at beginning of periods		93,209	42,456
Cash and cash equivalents at end of periods		$ 99,000	$ 40,282
Interest and income taxes reflected in operating activities:			
Interest paid		$ 952	$ 742
Interest received		$ 394	$ 115
Income taxes paid		$ 2,666	$ 1,704

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

NOTE 1. NATURE OF ACTIVITIES AND CORPORATE INFORMATION

Héroux-Devtek Inc. is incorporated under the laws of Québec. Its head office is domiciled at Complexe St-Charles, 1111 St-Charles Street West, suite 658, East Tower, Longueuil (Québec), Canada. Héroux-Devtek Inc. and its subsidiaries (the "Corporation") specialize in the design, development, manufacture, repair and overhaul of aircraft landing gear, hydraulic flight control actuators and fracture-critical components. It also includes the manufacture of electronic enclosures, heat exchangers and cabinets for airborne radar, electro-optic systems and aircraft controls through its Magtron operations as well as fluid filters products through its Bolton operations.

The Corporation only operates in one reporting segment, which is the Aerospace segment.

The Corporation's common shares are traded on the Toronto Stock Exchange under the symbol "HRX".

NOTE 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the quarter ended June 30, 2018 were prepared in accordance with IAS 34, *Interim Financial Reporting,* therefore certain information and disclosures have been omitted or condensed. The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the most recent annual audited consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read together with the annual audited consolidated financial statements and notes thereto included in the Corporation's Annual Report for the fiscal year ended March 31, 2018.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors of the Corporation on August 9, 2018.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

The notes presented in the interim condensed consolidated financial statements for the quarter ended June 30, 2018 include only significant changes occurring for the three-month period since the year ended March 31, 2018.

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 or 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.

NOTE 4. BUSINESS ACQUISITIONS

Agreement to acquire CESA

On October 2, 2017, the Corporation announced an agreement to acquire Compañia Española de Sistemas Aeronauticos S.A. ("CESA"), a subsidiary of Airbus SE, for €140,000 ($222,000). Headquartered in Madrid, Spain, CESA is a leading European provider of fluid mechanical and electromechanical systems for the aerospace industry with annual sales of approximately €94,000 ($149,000). Its main product lines include landing gear, actuation and hydraulic systems.

The transaction will be financed through:

- A $50,000, seven-year unsecured subordinated term loan provided by the *Fonds de solidarité FTQ*;
- The assumption of debt amounting to approximately $46,000;
- The Corporation's existing credit facility, whose limit will be increased to a fully committed amount of $250,000; and,
- The Corporation's available cash balance.

Closing of the transaction is expected during the Corporation's second quarter of current fiscal year and is subject to certain approvals, including authorization by the Spanish Council of Ministers. This transaction exposes the Corporation to new foreign exchange and interest rate risks. Refer to note 11 for further information on these risks and how they are being mitigated.

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. ("Beaver"), from Phillips Service Industries Inc., for a purchase price of US$23,500 ($30,000), including a US$3,500 ($4,500) balance of sale payable over the next two years, subject to final working capital adjustments. The transaction was financed through the Corporation's cash.

In connection with these acquisitions, the Corporation incurred acquisition-related costs which are presented in note 8.

NOTE 5. REVENUE FROM CONTRACTS WITH CUSTOMERS

The disaggregation of the Corporation's revenue from contracts with customers was as follows :

	Three months ended June 30,	
	2018	2017
Geographic markets		
Canada	**$ 8,481**	$ 8,869
United States of America	**53,123**	56,766
United Kingdom	**9,428**	9,826
Other countries	**14,738**	11,396
	$ 85,770	$ 86,857
Sectors		
Commercial	**45,761**	43,328
Defence[1]	**40,009**	43,529
	$ 85,770	$ 86,857

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

NOTE 6. GOVERNMENT ASSISTANCE

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

	Three months ended June 30,	
	2018	2017
Finite-life intangible assets	**$ 70**	$ 149
Property, plant and equipment	**—**	129
Cost of sales and, selling and administrative expenses	**341**	933

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

NOTE 7. COST OF SALES, SELLING AND ADMINISTRATIVE EXPENSES

The main components of these expenses were as follows:

	Three months ended June 30,	
	2018	2017
Raw materials and purchased parts	**$ 26,954**	$ 27,215
Employee costs	**31,195**	32,057
Amortization of property, plant and equipment and finite-life intangible assets	**7,027**	6,532
Others	**15,377**	15,645
	$ 80,553	$ 81,449

Foreign exchange gains or losses resulting from the conversion of net monetary items denominated in foreign currencies are included in the Corporation’s selling and administrative expenses. During the three-month period ended June 30, 2018, the foreign exchange gain amounted to $452, compared to a loss of $261 during the same respective period last fiscal year.

NOTE 8. NON-RECURRING ITEMS

Non-recurring items comprise the following:

	Three months ended June 30,	
	2018	2017
Non-recurring items in operating income		
Acquisition-related costs	**$ 360**	$ —
	$ 360	$ —
Non-recurring items in financial expenses		
Net losses (gains) on certain derivative financial instruments (see Note 9)	**(126)**	—
	$ (126)	$ —

Acquisition-related costs

During the quarter ended June 30, 2018, the Corporation's incurred acquisition-related costs of $360 . These costs mainly pertain to professional fees and expenses in connection with the agreement to acquire CESA and acquisition of Beaver.

Net gains on certain derivative financial instruments

These gains relate to derivative financial instruments acquired in order to mitigate foreign currency and interest rate risks arising from the purchase price and financing of the agreement to acquire CESA. See Note 11 for further details.

NOTE 9. NET FINANCIAL EXPENSES

Net financial expenses comprise the following:

	Three months ended June 30,	
	2018	2017
Interest accretion on governmental authorities loans	**$ 589**	$ 555
Net gains on certain derivative financial instruments[(1)]	**(359)**	—
Interest on net defined benefit obligations	**42**	35
Amortization of deferred financing costs (Note 12)	**55**	71
Other interest accretion expense and discount rate adjustments	**115**	18
Non-cash net financial expenses	**442**	679
Interest expense	**719**	742
Net losses on certain derivative financial instruments[(1)]	**233**	—
Interest income on cash and cash equivalents	**(394)**	(115)
	$ 1,000	$ 1,306

[(1)]Net gains on derivative financial instruments classified at fair value through profit or loss (refer to Notes 8 and 11).

NOTE 10. EARNINGS PER SHARE

The following table sets forth the elements used to compute basic and diluted earnings per share:

	Three months ended June 30,	
	2018	2017
Weighted-average number of common shares outstanding	**36,240,440**	36,129,811
Effect of dilutive stock options of the Corporation	**198,396**	193,895
Weighted-average number of common diluted shares outstanding	**36,438,836**	36,323,706
Options excluded from diluted earnings per share calculation[1]	**201,000**	113,000

[1] *Excluded due to anti-dilutive impact*

NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange contracts

The Corporation had the following forward foreign exchange contracts outstanding:

As at	June 30, 2018		March 31, 2018	
	USD	**GBP**	USD	GBP
Notional amount outstanding	**US$ 128,000**	**£ 5,000**	US$ 110,050	—
Average exchange rate	**1.3031**	**1.8089**	1.3046	—

As at June 30, 2018, these contracts mature at various dates between July 2018 and March 2021, with the majority maturing this fiscal year and the next.

Interest rate swap agreements

As at June 30, 2018, the Corporation had entered into the following interest rate swap agreements to fix the interest rate on a portion of the Credit Facility (See Note 12):

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

The interest-rate swap rates mentioned above exclude the additional bank relevant margin (see Note 12). 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 agreement to acquire CESA

The agreement to acquire CESA (see Note 4) exposes the Corporation to new foreign currency and interest rate risks related to the purchase price and 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 net financial expenses.

As at June 30, 2018 and March 31, 2018, the Corporation had entered into the following cross-currency interest rate swap agreements in order to mitigate foreign exchange and interest rate risks:

	Notional	Fixed EUR equivalent	Euro fixed rate	Inception	Maturity
US$	29,370	€ 25,000	1.86 %	October 2017	May 2022
C$	50,000	€ 34,110	3.32 %	October 2017	August 2025

Equity swap agreement

As at June 30, 2018, the Corporation had entered into an equity swap agreement fixing 150,000 common shares of the Corporation at a price of $11.45. This agreement is a derivative that is not part of a designated hedging relationship and matures in June 2019.

NOTE 12. LONG-TERM DEBT

As at	June 30, 2018	March 31, 2018
Senior Secured Syndicated Revolving Credit Facility ("Credit Facility")	$ 55,306	$ 54,155
Governmental authorities loans	53,129	52,540
Obligations under finance leases	24,001	25,269
Deferred financing costs, net	(868)	(923)
	131,568	131,041
Less: current portion	5,398	5,356
Long-term debt	$ 126,170	$ 125,685

Credit Facility

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

As at	June 30, 2018	March 31, 2018
Limit, in Canadian, US$, Euro or British Pound equivalent	$ 200,000	$ 200,000
US$ Drawings		
Amount	US$ 42,000	US$ 42,000
Rate	Libor + 1.125%	Libor +1.125%
Effective interest rate	3.2%	3.0%

Finance leases

Obligations under finance leases bear fixed interest rates between 2.4% and 3.7% as at June 30, 2018 (same as at March 31, 2018), maturing from July 2019 to December 2023, with amortization periods of seven years, secured by the related property, plant and equipment, net of interest of $1,741 ($1,928 as at March 31, 2018).

NOTE 13. ISSUED CAPITAL

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

				Three months ended June 30,
		2018		2017
	Number	Issued capital	Number	Issued capital
Balance at beginning of periods	36,218,572	$ 78,105	36,122,050	$ 77,217
Issued for cash on exercise of stock options	61,700	396	—	—
Issued for cash under the stock purchase and ownership incentive plan	11,011	151	12,895	144
Balance at end of periods	36,291,283	$ 78,652	36,134,945	$ 77,361

A. Stock option plan

The Corporation grants stock options at a subscription price representing the average closing price of the Corporation's common shares on the Toronto Stock Exchange for the five trading days preceding the grant date. Options granted under the plan vest over a period of four years, with the exception of certain key management employees for which the vesting period is one to three years following the grant date. The options are exercisable over a period not greater than seven years after the grant date.

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

	2018		2017	
	Number of stock options	**Weighted-average exercise price**	Number of stock options	Weighted-average exercise price
Balance at beginning of periods	**1,105,295**	**$ 12.09**	914,295	$ 10.88
Granted	**201,000**	**16.22**	—	—
Exercised	**(61,700)**	**3.08**	—	—
Balance at end of periods	**1,244,595**	**$ 13.20**	914,295	$ 10.88
Stock-based compensation expense		**$ 201**		$ 132

As at June 30, 2018, 2,808,257 common shares are reserved for issuance of stock options, of which 1,452,781 remained to be issued, compared to 1,514,481 as at March 31, 2018.

B. Stock purchase and ownership incentive plan

	Three months ended June 30,	
	2018	2017
In number of common shares		
Issued under the stock purchase and ownership incentive plan	**11,011**	12,895
Attributed to participating employees	**4,283**	5,067
Expense related to common shares attributed	**$ 60**	$ 65

As at June 30, 2018, 340,000 shares were reserved for issuance under the stock purchase and ownership incentive plan, of which 47,855 remained to be issued, compared to 58,866 as at March 31, 2018.

C. Deferred Share Unit ("DSU") and Performance Share Unit ("PSU") plans

Movements in outstanding DSUs and PSUs and related expenses were as follows:

	Three months ended June 30,	
	2018	2017
DSUs		
In number of DSUs		
Opening balance	**136,170**	135,815
Closing balance of DSUs outstanding	**136,170**	135,815
DSU expense for the period	**$ 83**	$ 402
Fair value of vested outstanding DSUs, end of period	**$ 2,046**	$ 1,919

	Three months ended June 30,	
	2018	2017
PSUs		
In number of PSUs		
Opening balance	**187,948**	114,434
Issued	**75,350**	—
Cancelled/Forfeited	**(600)**	—
Closing balance of PSUs outstanding	**262,698**	114,434
PSU expense for the period	**$ 262**	$ (237)
Fair value of vested outstanding PSUs, end of period	**$ 1,104**	$ 766

NOTE 14. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in accumulated other comprehensive income were as follows:

	Exchange differences on conversion of foreign operations	Cash flow hedges	Hedge of net investments in foreign operations	Total
Balance as at March 31, 2018	$ 20,116	$ 24	$ (5,923)	$ 14,217
Other comprehensive loss	(3,385)	(1,520)	(1,034)	(5,939)
Balance as at June 30, 2018	$ 16,731	$ (1,496)	$ (6,957)	$ 8,278

	Exchange differences on conversion of foreign operations	Cash flow hedges	Hedge of net investments in foreign operations	Total
Balance as at March 31, 2017	$ 14,256	$ (521)	$ (7,437)	$ 6,298
Other comprehensive income (loss)	(2,197)	3,205	1,215	2,223
Balance as at June 30, 2017	$ 12,059	$ 2,684	$ (6,222)	$ 8,521

NOTE 15. NET CHANGE IN NON-CASH ITEMS

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

	Three months ended June 30,	
	2018	2017
Accounts receivable	**$ 18,728**	$ 8,803
Income tax receivable	**(431)**	(539)
Inventories	**(3,640)**	(7,597)
Other current and long-term assets	**(1,132)**	(2,680)
Accounts payable and accrued liabilities	**(10,612)**	(2,649)
Provisions	**(2,972)**	(2,147)
Customer advances and progress billings	**(29)**	(47)
Income tax payable	**(1,411)**	(408)
Effect of changes in exchange rates[1]	**(708)**	(781)
	$ (2,207)	$ (8,045)

(1) *Reflects the total impact of changes in exchange rates during the period on non-cash items listed above for the Corporation's foreign subsidiaries.*