Group Inc.

Quarterly Report 2

For the six-month period ended July 31, 2009

Complex Steel Components
for the Construction Industry

Message to Shareholders

ADF Group closed the second quarter of the current fiscal year with net earnings of $1.8 million on revenues of $18.7 million. For the first six months ended July 31, 2009, net earnings totalled $4.1 million on revenues of $35.5 million. These results reflect declines from the corresponding periods of the previous year, as indicated in further detail in the following management's report, specifically the decrease in revenues and in the margin due to the time lag between the recognition of costs and revenues with regard to a contract.

Our second-quarter gross profit margin and EBITDA* margin were down from the quarter ended July 31, 2008, standing at 24% and 19% respectively, compared with 29% and 25%. For the first six months of the fiscal year, these same margins were also down from the first half of the previous year, declining to 28.1% and 22% respectively, compared with 28.6% and 24%.

As at July 31, 2009, ADF Group continued to benefit from a healthy and solid financial position, with liquidity (consisting of cash, cash equivalents and short-term investments) of $21.5 million — exceeding by $14.1 million its long-term debt including the current portion — and shareholders' equity of $87.6 million.

New Major Contract and Increase in Order Backlog

We are pleased to announce that on July 13, 2009, we were awarded a major $77 million contract in the North American public infrastructures sector. Under the terms of the contract, ADF Group will fabricate the oversized steel components with complex geometry that will weigh close to 100 tons each as well as highly complex architectural elements, and will also supply the design and engineering of connections as well as the steel. In order to enhance our service capacity after being awarded this contract, we announced the creation of about 50 additional jobs at the Terrebonne plant, as well as new investments of approximately $6 million, notably for the purchase of fabrication equipment and the re-engineering of a fabrication bay.

As at July 31, 2009, our order backlog totalled $151 million, up 21% over the same date last year. These orders are scheduled to be executed over a period of 24 months.

Furthermore, at the beginning of the second quarter, we took steps to comply with the nuclear system requirements in effect and to participate in the fabrication of steel structures for nuclear power plants in North America and overseas — a specialized activity that fits ideally with our positioning strategy in high value-added niches. We remain confident we will achieve this qualification by the end of 2009. Given the large number of nuclear power plants in operation in North America that could be the focus of upgrading work in the coming years, this new market holds significant potential and will give us access to our third target niche, in addition to steel superstructures and fast-track projects.

Outlook

With an increased order backlog and additional contracts for which we supply the raw material and connection engineering services, along with fabrication hours, we are confident we will achieve a satisfactory performance in the second half of the fiscal year. We also remain focused on our long-term value creation strategy, based on:

- our positioning in market niches that are highly specialized and less subject to cyclical fluctuations;
- our focus on value-added fabrication activities;
- our targeted and sustained investments in the upgrading and capacity of our infrastructures and the quality of our personnel; and
- our disciplined management of our activities, resources and capital structure.

/ Signed /

Jean Paschini
Chairman of the Board and Chief Executive Officer

Terrebonne, Quebec, September 8, 2009

* Earnings before interest, taxes, depreciation and amortization

INTERIM MANAGEMENT'S REPORT

THREE-MONTH AND SIX-MONTH PERIODS ENDED JULY 31, 2009

Management's Discussion and Analysis

of Operating Results and Changes in Financial Position
for the Three-Month and Six-Month Periods Ended July 31, 2009

(Dated September 8, 2009)

1. GENERAL

This interim management's discussion and analysis of operating results and changes in financial position ("MD&A") of ADF Group Inc. ("ADF" or the "Corporation") concerns the three-month and six-month periods ended July 31, 2009, compared with the corresponding periods of 2008 and 2007, as well as the Corporation's financial position at those dates. This MD&A should be read in conjunction with the Corporation's consolidated financial statements and related notes appearing in this Interim Report, as well as with the Corporation's audited consolidated financial statements for the fiscal year ended January 31, 2009.

This interim MD&A covers all major events that occurred between May 1, 2009 and September 8, 2009, on which date ADF Group's Board of Directors approved the interim consolidated financial statements, as well as the management's discussion and analysis for the three-month and six-month periods ended July 31, 2009.

All amounts and tabular figures herein are expressed in thousands of Canadian dollars, unless otherwise specified.

During the second quarter ended July 31, 2009, and the four previous quarters, the Corporation used the following exchange rates between the Canadian and U.S. dollars:

	Statement of Earnings and Comprehensive Income (CA$/US$)	Balance Sheet (CA$/US$)
– Second quarter – July 31, 2008	1.0077	1.0240
– Third quarter – October 31, 2008	1.0381	1.2045
– Fourth quarter – January 31, 2009	1.0838	1.2265
– First quarter – April 30, 2009	1.2446	1.1930
– Second quarter – July 31, 2009	**1.1324**	**1.0775**

2. CORPORATE PROFILE

From a blacksmith shop founded in 1956, ADF GROUP Inc. has become over the years a North American leader in the design and engineering of connections, fabrication and selective installation of complex steel superstructures, heavy steel built-ups, as well as miscellaneous and architectural metalwork for the three principal segments of the non-residential construction market, namely: commercial and institutional buildings (office towers, hotels, convention centers, government buildings, recreational and sports complexes, museums, etc.), industrial complexes (power stations, petrochemical complexes, automotive assembly lines, various manufacturing facilities) and public infrastructures (airport facilities, aerospace complexes, bridges and overpasses.) The Corporation operates a modern 58,530-square-metre (630,000-square-foot) fabrication plant in Canada and uses the latest technologies in its industry.

A pioneer in the development and implementation of innovative solutions, the Corporation is recognized for its engineering expertise, its project management, its fabrication capacity and its skills in two specialized market niches: the fabrication of steel superstructures and projects subject to fast-track schedules.

Its commitment to deliver every project in accordance with the industry's highest quality standards constitutes a core aspect of the Corporation's mission.

3. FORWARD-LOOKING STATEMENTS

Various sections of this MD&A may refer to management's expectations regarding ADF Group's future performance. Forward-looking statements include information concerning ADF Group's probable or foreseeable future results of operations and the financial position and are therefore subject to certain risks and uncertainties. These forward-looking statements are based on currently available data in regard to competition, financial position, economic conditions and operating plans. Important factors, in addition to those presented in Section 17 "External Factors to Which the Corporation's Performance is Exposed" herein, could affect the future results of ADF Group and could cause those results to differ materially from those expressed in any forward-looking statements.

4. EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Corporation's management is responsible for maintaining appropriate information systems, procedures and control systems to ensure that the information disclosed by the Corporation is complete and reliable. The Corporation applies the financial reporting rules and takes the necessary actions to comply with the new accounting standards once they come into force. The Corporation also applies the standards imposed by capital market regulatory authorities with regard, notably, to Multilateral Instrument 52-109.

a) Disclosure Controls and Procedures

ADF Group's management, with the participation of the Chairman of the Board and Chief Executive Officer and the Chief Financial Officer, has designed disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators) to provide reasonable assurance that i) material information related to the Corporation is made known to them, and ii) information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time period specified in securities legislation. Management has also evaluated the effectiveness of ADF Group's disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators) and has concluded that such disclosure controls and procedures are effective.

b) **Internal Control Over Financial Reporting**

ADF Group's management, with the participation of the Chairman of the Board and Chief Executive Officer and the Chief Financial Officer, has designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with the Canadian generally accepted accounting principles ("GAAP"). They have also evaluated the effectiveness of ADF Group's internal control over financial reporting and have concluded that such controls are effective. There has been no change in the Corporation's internal control over financial reporting that occurred during the Corporation's quarter ended July 31, 2009, that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

5. COMPLIANCE WITH CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The financial information presented herein has been prepared in accordance with Canadian GAAP, with the exception of certain financial indicators. In fact, the Corporation regularly measures its operating efficiency using financial indicators, some of which are not defined by GAAP, and are consequently not standard, and thus they lend themselves with difficulty to a comparison with similar measurements presented by other public companies. When such indicators are used, they are defined and the reader is informed. Additional information regarding non-GAAP financial indicators is provided in Section 13 "Non-Canadian GAAP Financial Indicators" hereinafter.

6. DISCLOSURE AND INSIDER TRADING POLICIES

According to its internal policies and guidelines, the Corporation diligently reports all relevant financial information. In addition, when the Corporation publishes its financial results or announces major contract awards or material information, it enforces a blackout period for its directors and managers, as well for all its employees who wish to trade on the Corporation's securities, in order to ensure compliance and transparency of any trading by persons regarded as insiders. With regard to the employees, this blackout period can be, under the circumstances, either enforced for all the Corporation's employees or limited to a more restricted number of employees according to their knowledge of privilege information concerning the event to be disclosed.

In addition, in the context of the normal course issuer bid, the brokerage firm retained for the normal course issuer bid is subject to the same rules with regard to the blackout period.

7. SIGNIFICANT EVENTS OF THE THREE-MONTH PERIOD ENDED JULY 31, 2009 AND SUBSEQUENT EVENTS

Management believes that the following events are relatively important for any investor seeking to form an opinion about the Corporation's activities and the second quarter of the 2010 fiscal year financial results.

a) **Redemption of Subordinate Voting Shares in the Normal Course of Business**

During the second quarter ended July 31, 2009, the Corporation redeemed 446,400 subordinate voting shares for a net consideration of $1.1 million, representing an average price of $2.44 per share. As at July 31, 2009, since the implementation of the normal course issuer bid program, the Corporation has redeemed 618,300 subordinate voting shares for a net consideration of $1.4 million, representing an average price of $2.35 per share.

b) **New Major Contract**

On July 13, 2009, the Corporation announced the award of a major $77 million contract in the North American public infrastructures sector. Under the terms of the contract, ADF will fabricate the oversized steel components with complex geometry that will weigh close to 100 tons each, as well as highly complex architectural elements, and will also supply the design and engineering of connections as well as the steel. The project will extend over a 20-month period, with delivery to start in the fall of 2009. This major contract will require the creation of about 50 additional jobs at the Terrebonne plant, along with minor investments for the purchase of new fabrication equipment (see Section 7 (e) "Investment Program" below.)

c) **Order Backlog**

As at July 31, 2009, ADF Group's order backlog totalled $151 million, compared with $125 million on the same date a year earlier, and $86 million as at July 31, 2007. This 21% increase compared with July 31, 2008, is mainly attributable to the award of two major contracts during the months of June and July 2009, worth over $90 million. As at July 31, 2009, 62% of the order backlog consisted of fabrication hours – the Corporation's core business and most value-added activity – compared with 73% in 2008 and 78% in 2007. Contracts in hand as at July 31, 2009, will be progressively executed over the next 24 months.

d) **Stock Options**

During the second quarter ended July 31, 2009, the Corporation's Board of Directors granted the four (4) outside directors, a total of 168,000 options to purchase subordinate voting shares, at a price of $2.45 per share. (Refer to Note 8 (c) "Capital Stock - Stock Options Plan" of the notes to interim consolidated financial statements included in this MD&A, for more details.)

e) **Investment Program**

Further to the award of the $77 million contract in July 2009, the Corporation announced minor investments, which could reach up to $6 million, to acquire additional fabrication equipment and to retrofit one of the plant's fabrication bays, including, among others, the addition of two (2) 50-ton overhead cranes. These investments could be financed by the Corporation's working capital.

f) **Foreign Currency Hedge**

During the second quarter ended July 31, 2009, the Corporation agreed to sell US$12 million at rates of CA$1.16 for US$1.00. These new forward contracts, totalling US$3 million each, mature as follows: January 29, 2010, April 30, 2010, July 30, 2010 and October 29, 2010. (Refer to Section 9 (e) "Additional Information and Analysis of Operating Results for the Three-Month and Six-Month Periods Ended July 31, 2009 - (Gain) Loss on Foreign Exchange" for more details concerning the foreign exchange contracts.)

g) **Events Subsequent to the Close of the Second Quarter Ended July 31, 2009**

Between August 1, 2009 and September 8, 2009, the Corporation redeemed for cancellation 411,200 subordinate voting shares for a net consideration of $1 million, representing an average price of $2.39 per share. As at September 8, 2009, since the implementation of the normal course issuer bid program, the Corporation has redeemed 1,029,500 subordinate voting shares for a net consideration of $2.4 million, representing an average price of $2.37 per share.

8. SELECTED INTERIM FINANCIAL INFORMATION

The financial information discussed in the following sections is presented in accordance with Canadian GAAP, unless otherwise indicated.

Three-month periods ended July 31,	**2009**	2008	2007
(In thousands of $, except per-share amounts)	**$**	$	$
Revenues	**18,748**	23,994	13,767
Net earnings	**1,845**	4,050	2,211
— Basic per share	**0.05**	0.11	0.07
— Diluted per share	**0.05**	0.11	0.07
Total assets	**109,848**	108,971	55,060
Long-term liabilities	**5,160**	6,984	15,303
Dividend per share	**—**	—	—

Analysis of the table shows the following changes:

- a 22% decrease in revenues compared with July 31, 2008, and a 36% increase compared with July 31, 2007. The decrease compared with July 31, 2008, is primarily attributable to the delay in renewing the order backlog in 2008 due to the economic slowdown, as well as the different mix of the contracts executed during the two comparable periods. (Refer to Section 9 (b) "Additional Information and Analysis of Operating Results for the Three-Month and Six-Month Periods Ended July 31, 2009 – Revenues and Gross Margin") ;
- net earnings were negatively affected, due mainly to the time lag between the recognition of costs and revenues with regard to a contract, to the increase in production costs as a result of the nature of the contracts currently underway, and to the higher effective tax rate. (Refer to Section 9 (b) "Additional Information and Analysis of Operating Results for the Three-Month and Six-Month Periods Ended July 31, 2009 – Revenues and Gross Margin" and 9 (g) "Income Taxes"). However, for the six-month period ended July 31, 2009, earnings before taxes over revenues stood at 22%, compared with 23% at July 31, 2008 and 14% at July 31, 2007;
- increases of 1% and 100% in assets as at July 31, 2009, compared with July 31, 2008 and 2007 respectively, primarily attributable to the growth in cash and cash equivalents, short-term investments, property, plant and equipment and intangible assets, net of a decrease in accounts receivable; and
- reductions of 26% and 66% in long-term liabilities as at July 31, 2009, compared with July 31, 2008 and 2007 respectively, resulting primarily from the repayments on the long-term debt.

The Corporation has not declared any dividends in the past years, having a strategy of reinvesting its liquidity in its continuing operations, the redemption of a part of its subordinate voting shares in the normal course of business, acquisition of property, plant and equipment and intangible assets and reduction of its long-term debt.

9. ADDITIONAL INFORMATION AND ANALYSIS OF OPERATING RESULTS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JULY 31, 2009

a) **Business Continuity**

For the three-month period between May 1, 2009 and July 31, 2009, the Corporation pursued its activities consisting of the connection design and engineering, fabrication and installation of complex steel structures and heavy built-ups, mainly in the United States and Canada.

b) **Revenues and Gross Margin**

Three-month periods ended July 31,	**2009**	2008	*Changes 2009/2008*		2007	*Changes 2009/2007*	
(In thousands of $, except %)	**$**	$	*$*	*%*	$	*$*	*%*
Revenues	**18,748**	23,994	*(5,246)*	*(22)*	13,767	*4,981*	*36*
Cost of goods sold	**14,162**	17,051	*(2,889)*	*(17)*	8,486	*5,676*	*67*
Gross margin	**4,586**	6,943	*(2,357)*	*(34)*	5,281	*(695)*	*(13)*
as a % of revenues	**24%**	29%	—	*(5)%*	38%	—	*(14)%*

Six-month periods ended July 31,	**2009**	2008	*Changes 2009/2008*		2007	*Changes 2009/2007*	
(In thousands of $, except %)	**$**	$	*$*	*%*	$	*$*	*%*
Revenues	**35,500**	49,153	*(13,653)*	*(28)*	24,686	*10,814*	*44*
Cost of goods sold	**25,530**	35,095	*(9,565)*	*(27)*	15,475	*10,055*	*65*
Gross margin	**9,970**	14,058	*(4,088)*	*(29)*	9,211	*759*	*8*
as a % of revenues	**28.1%**	28.6%	—	*(0.5)%*	37.3%	—	*(9.2)%*

— *Revenues*

The decrease in revenues during the three-month and six-month periods ended July 31, 2009 compared with the same periods in 2008, is explained mainly by the different revenue mix. Revenues from the hours worked in the plant increased by 23% and 24% during the three-month and six-month periods ended July 31, 2009 respectively, compared with the same periods in 2008, whereas those generated by the supply of the raw material (steel) and connection design and engineering services decreased by 31% and 64% during the three-month and six-month periods ended July 31, 2009 respectively, compared with the same periods in 2008. Management expects that this downward trend will be reversed during the second half of the current fiscal year due to the recent contract awards for which the Corporation supplies, in addition to the fabrication hours, the raw material (steel) as well as the connection design and engineering services.

In terms of economic dependency, four clients together accounted for 76% of revenues during the first half of the current fiscal year ended July 31, 2009, each of which having accounted for more than 10% of the Corporation's revenues, for amounts ranging from $5 million to $12 million respectively. Although the Corporation strives to limit the concentration of its revenues, given the nature of its activities and market, its revenues are likely to remain concentrated among a restricted number of clients in upcoming quarters. However, it is rarely the same clients who account for a significant proportion of its revenues from one fiscal year to the next.

— *Gross Margin*

For the three-month and six-month periods ended July 31, 2009, the gross margin decreased in dollar value from the comparable period in 2008, mainly as a result of the decrease in revenues as previously mentioned.

For the three-month period ended July 31, 2009, the decrease in the gross margin as a percentage of revenues compared with July 31, 2008, is mainly due to:

- an increase in production costs due to the nature of the contracts that are underway;
- the time lag between the recognition of costs and revenues. During the second quarter, in accordance with the Corporation's accounting policies on revenue recognition, the Corporation recorded the costs for additional work on a contract but not the related revenues, since no agreement was reached with the client. Refer to Note 2 (b) "Significant Accounting Policies" of the notes to the annual financial report for the fiscal year ended January 31, 2009 for more details about the impact of such lag.

Finally, for the six-month periods ended July 31, 2009 and 2008, the gross margin as a percentage of revenue remained basically the same.

Increases and decreases in the price of the raw material (steel) do not generally have a material impact on the gross margin, since clients supply the steel to be transformed by ADF for certain contracts, whereas protection clauses are usually included in contracts where ADF supplies the steel.

c) **Selling and Administrative Expenses**

Three-month periods ended July 31,	**2009**	2008	*Changes 2009/2008*		2007	*Changes 2009/2007*	
(In thousands of $, except %)	**$**	$	*$*	*%*	$	*$*	*%*
Selling and administrative expenses	**1,005**	862	*143*	*17*	1,187	*(182)*	*(15)*
as a % of revenues	**5%**	4%	—	1%	9%	—	(4)%

Six-month periods ended July 31,	**2009**	2008	*Changes 2009/2008*		2007	*Changes 2009/2007*	
(In thousands of $, except %)	**$**	$	*$*	*%*	$	*$*	*%*
Selling and administrative expenses	**2,309**	2,077	*232*	*11*	2,427	*(118)*	*(5)*
as a % of revenues	**7%**	4%	—	3%	10%	—	(3)%

The increase in selling and administrative expenses during the three-month and six-month periods ended July 31 2009, compared with the same periods in 2008 is mainly due to:

— the sum of the reduction in the provision for the bonuses, which is based on the Corporation's profitability, the reduction in expenses related to the tax on capital, the reduction in professional fees, and the specific reversal of a provision for doubtful accounts, totalling respectively $621,000 and $743,000 for the second quarter and six-month period in 2009; and

— the recording of gains of $764,000 and $975,000 on disposal of property, plant and equipment for the same periods in 2008.

d) **Amortization**

Three-month periods ended July 31,	**2009**	2008	*Changes 2009/2008*		2007	*Changes 2009/2007*	
(In thousands of $, except %)	**$**	$	*$*	*%*	$	*$*	*%*
Amortization	**748**	613	*135*	*22*	646	*102*	*16*
as a % of revenues	**4%**	3%	—	1%	5%	—	(1)%

Six-month periods ended July 31,	2009	2008	Changes 2009/2008		2007	Changes 2009/2007	
(In thousands of $, except %)	**$**	$	*$*	*%*	$	*$*	*%*
Amortization	**1,485**	1,209	*276*	*23*	1,336	*149*	*11*
as a % of revenues	**4%**	3%	—	1%	5%	—	*(1)%*

The increase in amortization during the three-month and six-month periods ended July 31, 2009 compared with the same periods of 2008 is explained mainly by the commissioning of all the new equipment acquired during the last two fiscal years, as well as of the intangible assets developed internally.

e) **(Gain) Loss on Foreign Exchange**

Three-month periods ended July 31,	2009	2008	Changes 2009/2008		2007	Changes 2009/2007	
(In thousands of $, except %)	**$**	$	*$*	*%*	$	*$*	*%*
(Gain) Loss on Foreign Exchange	**(765)**	(701)	*(64)*	*9*	597	*(1,362)*	*(228)*
as a % of revenues	**(4)%**	(3)%	—	*(1)%*	4%	—	*(8)%*

Six-month periods ended July 31,	2009	2008	Changes 2009/2008		2007	Changes 2009/2007	
(In thousands of $, except %)	**$**	$	*$*	*%*	$	*$*	*%*
(Gain) Loss on Foreign Exchange	**(1,326)**	(641)	*(685)*	*107*	1,036	*(2,362)*	*(228)*
as a % of revenues	**(4)%**	(1)%	—	*(3)%*	4%	—	*(8)%*

The foreign exchange gain realized in the three-month period ended July 31, 2009 results from a $2 million foreign exchange loss on the conversion of foreign subsidiaries, combined with a $2.8 million foreign exchange gain, most of which arises from gains on foreign exchange contracts of $2.9 million, including a realized amount of $0.6 million.

For the six-month period ended July 31, 2009, the foreign exchange gain results from a $2.6 million foreign exchange loss on the conversion of foreign subsidiaries, combined with a $3.9 million foreign exchange gain, most of which arises from gains on foreign exchange contracts of $4 million, including a realized amount of $0.5 million.

As at July 31, 2009, the Corporation posted a favourable fair value position of $2.5 million on unmatured foreign currency forwards in the amount of US$24.5 million, representing an average rate of CA$1.1861 for US$1.00, compared with a favourable fair value position of $0.1 million on April 30, 2009, on unmatured foreign currency forwards in the amount of US$18.8 million at an average rate of CA$1.1996 for US$1.00.

Like in previous quarters, the Corporation maintained its foreign exchange policy. These derivative financial instruments are classified as held for trading and are measured at their fair value at the end of each quarter since they are not designated as part of an effective hedging relationship.

The Corporation is exposed to a certain exchange rate risk, due mainly to the fact that its revenues are mostly denominated in U.S. dollars while the majority of its costs, other than raw material (steel), are mostly in Canadian dollars. Taking into account the foreign currency forwards in the amount of US$24.5 million, and the net change position between the assets and liabilities denominated in U.S. dollars in the amount of US$22.4 million, ADF had a $US2.1 million hedging surplus at July 31, 2009. As such, taking into account this net change position, a 10% fluctuation in the exchange rate between the Canadian and U.S. currencies could result in a $2.4 million variation in earnings before income taxes. However, this information does not take into account the effect of fluctuations in the foreign exchange on revenues and other miscellaneous expenses for a complete fiscal year.

f) **Financial Charges**

Three-month periods ended July 31,	2009	2008	Changes 2009/2008		2007	Changes 2009/2007	
(In thousands of $, except %)	**$**	$	*$*	*%*	$	*$*	*%*
Financial Charges	**(134)**	84	*(218)*	*(260)*	431	*(565)*	*(131)*
as a % of revenues	**(1)%**	0%	—	*(1)%*	3%	—	*(4)%*

Six-month periods ended July 31,	2009	2008	Changes 2009/2008		2007	Changes 2009/2007	
(In thousands of $, except %)	**$**	$	*$*	*%*	$	*$*	*%*
Financial Charges	**(215)**	179	*(394)*	*(220)*	924	*(1,139)*	*(123)*
as a % of revenues	**(1)%**	0%	—	*(1)%*	4%	—	*(5)%*

During the three-month and six-month periods ended July 31, 2009, financial charges decreased compared with the corresponding periods in 2008, due to the fact that the credit facility was unused, exceptional repayments made in 2007 and monthly repayment of the long-term debt, the decrease in the floating interest rate and the increase in interest income from available liquidities, which are applied against the financial charges.

The Corporation estimates that a 1% fluctuation in the effective interest rate on the long-term debt would have an impact of about $0.1 million on earnings before income taxes on an annual basis. However, the interest income from cash, cash equivalents and short-term investments, could partially offset the effect of a fluctuation in interest rates.

g) **Income Taxes**

Three-month periods ended July 31,	2009	2008	Changes 2009/2008		2007	Changes s 2009/2007	
(In thousands of $, except %)	**$**	$	*$*	*%*	$	*$*	*%*
Income Taxes	**1,887**	2,035	*(148)*	*(7)*	209	*1,678*	*803*
as a % of revenues	**10%**	8%	*—*	*2%*	2%	*—*	*8%*

Six-month periods ended July 31,	2009	2008	Changes s 2009/2008		2007	Changes 2009/2007	
(In thousands of $, except %)	**$**	$	*$*	*%*	$	*$*	*%*
Income Taxes	**3,632**	3,950	*(318)*	*(8)*	(126)	*3,758*	*n.a.*
as a % of revenues	**10%**	8%	*—*	*2%*	(1)%	*—*	*11%*

For the three-month and six-month periods ended July 31, 2009, income tax expenses represent an effective tax rate of 51% and 47% respectively. Most of the quarterly earnings were generated by foreign subsidiaries, which are subject to a higher tax rate than in Canada. Furthermore, a permanent variance caused by a non-deductible loss on the conversion of non-autonomous foreign subsidiaries, also had an upward impact on the tax rate. However, it should be noted that the tax expense has no material impact on the Corporation's cash outflows. Because of the available tax attributes, a $0.2 million tax expense represented the sole outflow for the first half of the current fiscal year ended July 31, 2009.

It should be noted that a balance of $17.1 million relating to tax attributes remains available as at July 31, 2009. This will have a favourable impact on the future disbursements of the Corporation, which will not have to pay future income taxes until the full amount of the tax attributes has been recorded in the different jurisdictions where the Corporation executes contracts. Once these future income tax assets are fully used in each of the jurisdictions, the Corporation will be required to resume paying income taxes.

h) **Net Earnings, Basic and Diluted Earnings Per Share**

	Three (3) Months			Six (6) Months		
Periods ended July 31,	**2009**	2008	2007	**2009**	2008	2007
(In thousands of $, except per-share amounts and %)	**$**	$	$	**$**	$	$
Net earnings	**1,845**	4,050	2,211	**4,085**	7,284	3,614
as a % of revenues	**10%**	17%	16%	**12%**	15%	15%
— Basic per share	**0.05**	0.11	0.07	**0.11**	0.20	0.11
— Diluted per share	**0.05**	0.11	0.07	**0.11**	0.20	0.11

The reduction in net earnings during the first half of the current fiscal year ended July 31, 2009, compared with the same half of 2008, is mainly attributable to the facts previously mentioned in this Section.

10. COMMENTS ON QUARTERLY RESULTS

Trends observed in the analysis of such results may not accurately represent the future results of the Corporation.

ADF's fabrication activities are not subject to seasonal fluctuations. However, the non-residential construction market in which the Corporation is active goes through upward and downward cycles, as attested by the current economic context.

Generally, the fluctuations in the following indicators from one quarter to another, result mainly from the change in the revenue mix together with the time lag between the recognition of costs and revenues, as mentioned in Section 9 (b) "Additional Information and Analysis of Operating Results for the Three-Month and Six-Month Periods Ended July 31, 2009- Revenues and Gross Margin".

Fiscal years ending January 31,	**2010**		2009				2008	
	Q2 Jul. 31, 09	Q1 Apr. 30, 09	Q4 Jan. 31, 09	Q3 Oct. 31, 08	Q2 Jul. 31, 08	Q1 Apr. 30, 08	Q4 Jan. 31, 08	Q3 Oct. 31, 07
(In thousands of $, except per-share amounts and %)	**$**	$	$	$	$	$	$	$
Revenues	**18,748**	16,752	24,594	25,104	23,994	25,159	19,249	15,535
Gross margin (1)	**4,586**	5,384	8,102	7,295	6,943	7,115	4,921	5,355
as a % of revenues	**24%**	32%	33%	29%	29%	28%	26%	34%
EBITDA (2)	**3,581**	4,080	5,202	5,776	6,081	5,900	3,913	4,372
as a % of revenues	**19%**	24%	21%	23%	25%	23%	20%	28%
Earnings before income taxes	**3,732**	3,985	3,713	9,092	6,085	5,149	3,583	4,891
as a % of revenues	**20%**	24%	15%	36%	25%	20%	19%	31%
Net earnings	**1,845**	2,240	1,772	6,518	4,050	3,234	2,773	27,576
— Basic per share	**0.05**	0.06	0.05	0.18	0.11	0.09	0.08	0.80
— Diluted per share	**0.05**	0.06	0.05	0.18	0.11	0.09	0.08	0.77

(1) Gross margin, excluding foreign exchange variation, for the 2009 and 2008 periods.
(2) See Section 13 "Non-Canadian GAAP Financial Indicators" for the definition of EBITDA.

11. RESULTS FOR THE LAST FOUR QUARTERS

Management presents, in the table below, the results of the past four quarters in order to provide an annualized trend:

Fiscal years ending January 31,	2010		2009		TOTAL Last Four Quarters (1)
	Q2 Jul. 31, 2009	Q1 30 Apr. 2009	Q4 Jan. 31, 2009	Q3 Oct. 31, 2008	
(In thousands of $, except per-share amounts and %)	**$**	$	$	$	**$**
Revenues	**18,748**	16,752	24,594	25,104	**85,198**
Gross margin (2)	**4,586**	5,384	8,102	7,295	**25,367**
as a % of revenues	**24%**	32%	33%	29%	**30%**
EBITDA (3)	**3,581**	4,080	5,202	5,776	**18,639**
as a % of revenues	**19%**	24%	21%	23%	**22%**
Earnings before income taxes	**3,732**	3,985	3,713	9,092	**20,522**
as a % of revenues	**20%**	24%	15%	36%	**24%**
Net earnings	**1,845**	2,240	1,772	6,518	**12,375**
− Basic per share	**0.05**	0.06	0.05	0.18	**0.34**
− Diluted per share	**0.05**	0.06	0.05	0.18	**0.34**

(1) The cumulative amounts are for information only. They represent the sum of the last four quarters' results.
(2) Gross margin, excluding foreign exchange variation, for the 2009 periods.
(3) See Section 13 "Non-Canadian GAAP Financial Indicators" for the definition of EBITDA.

12. CHANGES IN ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY AS AT JULY 31, 2009 COMPARED WITH JANUARY 31, 2009

a) Assets

ADF closed the first half of the current fiscal year ended July 31, 2009 with assets of $109.8 million, compared with $114.4 million as at January 31, 2009. This $4.6 million decrease is explained by the following factors:

- Cash, cash equivalents and short-term investments: $7 million decrease, representing the difference between the $1.9 million in cash flows used by operating activities, the $1.2 million used by investment activities (excluding the investment purchase of $6.4 million), the $2.9 million used by financing activities and $1 million due to the exchange rate fluctuation on cash.
- Accounts receivable: $5 million increase, mainly attributable to variation in the collection in contracts receivable ($3.4 million) and the deposits on new equipment.
- Holdback on contracts (short-term and long-term): $0.8 million reduction due to the billing of holdbacks.
- Work in progress: $0.8 million increase attributable to the spread between the work progress and clients billing.
- Derivatives: $2.5 million increase representing the unrealized capital gain on foreign exchange contracts recognized as at July 31, 2009, pursuant to the decrease of the U.S. dollar in relation to the Canadian dollar.
- Future income tax assets (current and long-term): $4.9 million reduction resulting from the assumptions used to estimate the Corporation's future earnings by tax jurisdiction and the related income tax provision.

b) Liabilities

ADF closed the first half of the current fiscal year ended July 31, 2009 with liabilities of $22.3 million, compared with $29.6 million as at January 31, 2009. This $7.3 million increase is broken down as follows:

- Accounts payable: $1.4 million reduction attributable to the decrease in accounts payable relating notably to the purchase of raw material (steel), as well as accrued liabilities.
- Accrued charges: $1.7 million reduction relating primarily to the payment of accrued charges recognized as at January 31, 2009.
- Deferred revenues: $0.8 million increase due to the spread between the work in progress and client billing.
- Derivatives: $1.1 million reduction representing the reversal of the unrealized capital loss on foreign exchange contracts recognized as at January 31, 2009, pursuant to the decrease of the U.S. dollar in relation to the Canadian dollar.
- Long-term debt (including current portion): $2.5 million reduction resulting from the monthly debt repayments and the impact of the decrease of the U.S. dollar in relation to the Canadian dollar on the balance of the long-term debt denominated in U.S. dollars.

c) **Shareholders' Equity**

ADF closed the first half of the current fiscal year ended July 31, 2009, with shareholders' equity of $87.6 million, compared with $84.8 million as at January 31, 2009. This $2.8 million or 3.3% increase resulted mainly from the Corporation's net earnings for the period, less the value of the subordinate voting shares redeemed during the six-month period, as mentioned in Section 8 (b) "Capital-Stock – Subordinate Voting Shares" in the notes to consolidated financial statements of July 31, 2009.

13. NON-CANADIAN GAAP FINANCIAL INDICATORS

The following financial ratios are not defined by Canadian GAAP and therefore cannot be compared with similar measures presented by other issuers.

(In thousands of $, except for ratios and %)		**6-Month Period Ended July 31, 2009**	12-Month Period Ended January 31, 2009
a)	Working capital	**$38,439**	$31,625
	Current ratio	**3.25:1**	2.39:1
b)	Long-term debt to shareholders' equity	**0.08:1**	0.12:1
c)	Long-term debt, net of cash, cash equivalents and short-term investments, to shareholders' equity	–	–
d)	Total cash, cash equivalents and short-term investments, net of long-term debt, to shareholders' equity	**0.16:1**	0.22:1
e)	Liabilities to shareholders' equity	**0.25:1**	0.35:1
f)	EBITDA	**$7,661**	$22,959
	EBITDA margin, as a percentage of revenues	**21.6%**	23.2%
g)	Book value per share	**$2.43**	$2.34
h)	Return on shareholders' equity	**14.1%**	18.4%

a) **Working Capital**

The working capital indicator is used by the Corporation to assess whether its current assets are sufficient to meet its current obligations. Working capital is equal to current assets less current liabilities, whereas the current ratio is calculated by dividing current assets by current liabilities.

Management's overall goal is to maintain the current ratio at about 2:1. The Corporation expects it will achieve this goal through the pursuit of its strategy focusing on the execution of contracts generating positive cash flows throughout their execution. It should be noted that the drawing up and/or revision of this Corporate goal depends on a number of factors, such as the economic context, the redemption of subordinate voting shares in the normal course of business and the expansion projects that might arise.

b) **Long-term Debt to Shareholders' Equity**

This ratio indicates the extent to which the Corporation depends on long-term financing, as it measures the relationship between the Corporation's indebtedness and the capital invested by shareholders. It represents the Corporation's total long-term debt, including the current portion, over shareholders' equity.

The Corporation continues to reduce this ratio due to monthly reimbursements to creditors and its expected operating profitability during the fiscal year ending January 31, 2010. However, because the majority of the long-term debt is denominated in U.S. dollars, fluctuations in the Canadian dollar in relation to the U.S. dollar could affect the achievement of this goal. In the long-term, management's goal is to maintain a prudent management of its capital structure and debt ratio based on its development projects, economic context and business opportunities.

c) **Long-term Debt, Net of Cash, Cash Equivalents and Short-Term Investments, to Shareholders' Equity**

This ratio indicates the extent to which the Corporation depends on long-term financing, taking into account however its available liquidities. It measures the relationship between the Corporation's indebtedness, net of cash, cash equivalents and short-term investments, and the capital invested by shareholders. It represents total long-term debt, including the current portion, less cash, cash equivalents and short-term investments, over shareholders' equity.

As at July 31, 2009, the Corporation's total cash, cash equivalents and short-term investments exceeded its long-term debt.

d) **Total Cash, Cash Equivalents and Short-Term Investments, Net of Long-Term Debt, to Shareholders' Equity**

This ratio measures the level of cash, cash equivalents and short-term investments, net of long-term financing in relation to the capital invested by shareholders. It represents the Corporation's total cash, cash equivalents and short-term investments, net of long-term debt, including the current portion, over shareholders' equity.

As at July 31, 2009, the Corporation's total cash, cash equivalents and short-term investments exceeded its long-term debt. However, this situation could be affected during the next quarters considering, among other things, fluctuations in the Canadian dollar in relation to the U.S. dollar, the possibility that certain contracts signed by the Corporation might not generate positive cash flows throughout their execution, and long-term debt financing of potential development projects.

e) **Liabilities to Shareholders' Equity**

This ratio indicates the extent to which the Corporation depends on debt financing. It represents the Corporation's total liabilities over shareholders' equity.

Management intends to further improve this ratio in the short term, among other things, through monthly repayments of long-term debt and its expected operating profitability during the fiscal year ending January 31, 2010. However, the achievement of this objective could be affected, among others, by:

- an increase in accounts payable, accrued charges and salaries and fringe benefits payable; and
- the impact of fluctuations in the Canadian dollar in relation to the U.S. dollar on liabilities denominated in U.S. dollars.

f) **EBITDA and EBITDA Margin as a Percentage of Revenues**

The EBITDA shows the extent to which the Corporation generates profits from operations, without considering the following items:

- financial charges;
- income taxes;
- gains or losses on foreign exchange; and
- depreciation and amortization of property, plant and equipment and intangible assets.

Net earnings are reconciled with EBITDA in the table below:

	Three (3) Months		Six (6) Months	
Periods ended July 31,	**2009**	2008	**2009**	2008
(In thousands of $, except for %)	**$**	$	**$**	$
Net earnings	**1,845**	4,050	**4,085**	7,284
Income taxes	**1,887**	2,035	**3,632**	3,950
Financial charges	**(134)**	84	**(215)**	179
Amortization	**748**	613	**1,485**	1,209
(Gain) loss on foreign exchange	**(765)**	(701)	**(1,326)**	(641)
EBITDA	**3,581**	6,081	**7,661**	11,981
as a % of revenues	**19.1%**	25.3%	**21.6%**	24.4%

g) **Book Value per Share**

This ratio indicates the book value of each outstanding share (multiple voting shares and subordinate voting shares) issued at the end of the targeted quarter. The book value is equal to shareholders' equity divided by the total number of shares outstanding.

Management expects that this value will further increase because it anticipates that the Corporation will be profitable throughout the current fiscal year and will continue to redeem subordinate voting shares in the normal course of business. For the six-month period ended July 31, 2009, the book value of the shares increased to $2.43 from $2.34 as at January 31, 2009, providing shareholders with a 3.8% capital gain, which represents an annualized return of 7.7%.

h) **Return on Shareholders' Equity**

This ratio indicates the return on shareholders' equity during the 12 most recent months. It is equal to net earnings for the last 12 months over shareholders' equity at the end of the targeted quarter.

Based on net earnings for the last 12 months ended July 31, 2009, in the amount of $12.4 million (See Section 11 "Results for the Last Four Quarters"), return on shareholders' equity worked out to 14.1% as at July 31, 2009, compared with 18.4% for the fiscal year ended January 31, 2009.

14. ANALYSIS OF CASH POSITION FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JULY 31, 2009

As at July 31, 2009, the Corporation had $21.5 million in cash, cash equivalents and short-term investments. In addition, its authorized short-term credit facility of $10 million remained unused. Management believes that these available funds will be sufficient to support the realization of its order backlog in hand on July 31, 2009, and to meet its financial commitments for the 2010 fiscal year.

However, the Corporation continually evaluates the opportunities to use part of its liquidities to finance certain projects that could provide additional competitive advantages in the long term or benefits from accelerated payment negotiated with suppliers.

a) **Cash Flow Trend**

The following table shows that during the first half of the current fiscal year ended July 31, 2009, the Corporation used cash flows of $2 million from operations, invested $7.6 million primarily for the purchase of an investment, production equipment and intangible assets, and used $2.9 million for contractual repayments of its long-term debt, as well as for the partial redemption of outstanding subordinate voting shares.

Periods ended July 31, (In thousands of $)	Three (3) Months 2009 $	2008 $	2007 $	Six (6) Months 2009 $	2008 $	2007 $
OPERATING ACTIVITIES						
Net earnings adjusted	**3,172**	5,799	3,109	**7,547**	11,239	5,059
Accounts receivable and holdbacks on contracts	**480**	(391)	743	**(4,211)**	(6,061)	(1,302)
Work in progress and deferred revenues	**(120)**	1,894	(3,723)	**99**	3,248	(2,665)
Accounts payable, accrued charges, salaries and fringe benefits payable	**(1,508)**	2,428	(602)	**(4,918)**	4,426	(3,400)
Income taxes	**(213)**	64	26	**(246)**	24	29
Other	**(590)**	(811)	(255)	**(227)**	(943)	724
	1,221	8,983	(702)	**(1,956)**	11,933	(1,555)
INVESTING ACTIVITIES						
Acquisition of short-term investments	**(7,000)**	–	–	**(6,400)**	–	–
Acquisition of property, plant and equipment	**(332)**	(5,476)	(602)	**(722)**	(7,476)	(1,264)
Other	**(123)**	(373)	(270)	**(461)**	(640)	(338)
	(7,455)	(5,849)	(872)	**(7,583)**	(8,116)	(1,602)
FINANCING ACTIVITIES						
Repayments of bank indebtedness	**–**	–	–	–	–	(263)
Repayment of long-term debt	**(703)**	(606)	(8,105)	**(1,467)**	(1,013)	(8,710)
Issuance of subordinate voting shares	**30**	38	10,692	**47**	47	10,707
Redemption of subordinate voting shares	**(1,087)**	–	–	**(1,453)**	–	–
Other	**–**	–	219	**–**	–	489
	(1,760)	(568)	2,806	**(2,873)**	(966)	2,223
Impact of fluctuations in foreign exchange rate on cash	**(255)**	62	(11)	**(975)**	15	(57)
Total net cash (outflows) inflows	**(8,249)**	2,628	1,221	**(13,387)**	2,866	(991)

b) **Commitments Related to Capital Expenditures as at July 31, 2009**

In addition to the investment program mentioned in Section 7 (e) "Significant Events of the Three-Month Period Ended July 31, 2009 and Subsequent Events - Investment Program", $0.9 million of which was committed at July 31, 2009, the Corporation expects to invest between $1 million and $2 million annually in property, plant and equipment and intangible assets. These investments will mainly be used for the maintenance of its production equipment and IT infrastructure. The Corporation will use its working capital to finance these amounts.

15. OUTLOOK

During the first half of the current fiscal year ended July 31, 2009, ADF Group achieved part of the objectives set at the beginning of the fiscal year, namely:

- reducing its the long-term debt denominated in U.S. dollars;
- increasing its shareholders' equity;
- maintaining a strict cash flow management; and
- further optimizing the plant's fabrication areas.

Today, ADF benefits from a solid balance sheet, as attested to by its cash surplus of close to $22 million (including cash, cash equivalents and short-term investments) over its long-term debt, including the current portion.

In addition, the business strategy implemented in the past years in order to position the Corporation in value-added market niches is yielding tangible results as reflected by, among other things, the recent awarding of a major contract despite the economic downturn and a gross margin of 28% as a percentage of revenues during the six-month period ended July 31, 2009.

In upcoming quarters, the Corporation's management will focus its efforts on the following:

- finalize negotiations on contractual changes on ongoing contracts, and in the event of favourable agreements, the time lag incurred in the second quarter ended on July 31, 2009, could be gradually adjusted;
- growing the order backlog by bidding on projects offering potential profit margins and cash flows consistent with the Corporation's objectives, while ensuring the targeted projects' financing are secured by their owners prior to signing the contracts;
- continuing to optimize the new production equipment in order to increase productivity, as well as the speed and precision of contract execution;
- continuing to closely follow the trend in the financial position of current and potential clients, in view of the current economic context;
- further promoting ADF's distinctive competitive advantages in its current markets and emerging markets, with a focus on its strengths in project management and connection engineering, as well as its Terrebonne plant's significant fabrication capacity;
- developing a new market niche for the Corporation's future, such as the fabrication of steel structures for the construction and modernization of nuclear power plants;

- optimizing the profitability of contracts currently underway through strict cost management and continuous improvement of fabrication methods, by way of innovation and targeted investments;
- steadily improving the Corporation's operational systems through the development and reinforcement of management tools; and
- maintaining a strict cash flow management.

16. ISSUES RELATING TO THE CURRENT ECONOMIC ENVIRONMENT

Considering the business uncertainties arising from the current economic context, the Corporation is faced with the following challenges:

- its business segment is strongly dependent on project owners' capacity to finance their projects. For lack of financing, certain projects can be delayed or simply abandoned. Although the Corporation strives to mitigate this risk by focusing its marketing efforts on projects whose financing is most likely to materialize, it has no control over financial market trends; and
- certain project owners who secured financing on the start-up of projects are forced to cease the work for lack of financing, due to a lack of capital of either the project lender or the owner. The Corporation mitigates this risk by ensuring that amounts due are diligently collected, and, when possible, that positive cash flows are generated by every project. Moreover, the Corporation does business with owners who are financially solid. At the date hereof, no project of the Corporation is subject to such constraints.

17. EXTERNAL FACTORS TO WHICH THE CORPORATION'S PERFORMANCE IS EXPOSED

a) Exchange Rate

Exchange rate fluctuations between the Canadian and the U.S. dollars had an impact on the Corporation's results, as exchange gains of $0.8 million and $1.3 million were recorded for the three-month and six-month periods ended July 31, 2009 respectively.

In order to minimize the impact of exchange rate fluctuations on its results, the Corporation implemented the following allowance measures:

- the conversion, in November 2007, of a significant proportion of its long-term debt denominated in Canadian dollars ($11.6 million) into U.S. dollars (US$12.4 million). At the time of the conversion, the conversion rate used was CA$0.9364 for US$1.00;
- when advantageous, purchasing the raw material (steel) and other consumables required for fabrication in U.S. dollars; and
- an exchange rate policy aimed at protecting a portion of the net exchange risk between the order backlog in hand cash inflows and outflows denominated in U.S. dollars.

b) Corporation's Operating Risks and Uncertainties

The following is a description of the Corporation's main operating risks and uncertainties:

- **Indemnity Agreement**

  The Corporation entered into an indemnity agreement when it sold a subsidiary in 2004. This former subsidiary is currently involved in legal proceedings. The impact, as well as the amounts that could be due by the Corporation under the terms of this indemnity agreement, were subject to the recognition on January 31, 2009 of a provision for an expected loss of $1 million, including fees incurred at that date. At the date hereof, there was no significant development with regard to this lawsuit.

- **Uncertainties Relating to the Global Economy**

  The uncertainties related to the global economy could have a negative impact on the Corporation's business segment, that is the non-residential construction market, more particularly in North America, the Corporation's primary market. However, this impact could be offset by the fluctuation in raw material (steel) and crude oil prices. Although the Corporation's order backlog at the date hereof will produce work in the plant for the next 24 months, the uncertainties relating to the global economy could adversely affect the Corporation's revenues and profitability beyond that period.

- **Bonding Capacity and Irrevocable Letters of Credit**

  During the three-month period ended July 31, 2009, the Corporation issued the necessary bid bonds to its business partners, as well as bonds or other financial instruments required in the scope of contractual commitments, such as performance, payment and supply bonds or an irrevocable letter of credit.

- **Operational Risks and Uncertainties That Could Have an Impact on the Corporation's Financial Position and Operating Results**

  ADF's contracts are performed under contractual arrangements at firm prices. ADF has developed and applies rigorous risk assessment and management practices to reduce the nature and extent of the financial, technical and legal risks specific to each of these contractual agreements. ADF's continued commitment to strict risk management practices when undertaking and executing contracts includes technical risk assessment, a legal review of contracts, the application of tight cost controls and scheduling of projects, the regular review of project revenues, costs and cash flows, and the implementation of agreements aimed at generating positive cash flows from projects and other provisions aimed at mitigating risks.

  The following items could have an impact on the Corporation's future financial position and operating results:

  - current economic conditions could put a strain on the margins of new contracts to be negotiated with clients and thereby have an impact on the order backlog and the signing of new contracts;
  - contractual changes extending over two periods, for which costs have been recognized but no revenues have been recorded during the first period and no final settlement was concluded with the client at the end of this period, could have an impact on the Corporation's results and cash flows in the following period, subsequent to the signing of this agreement;
  - increase in the price of steel. This risk would be mitigated by a sale price adjustment clause included in the contracts binding both parties;

- fluctuations in interest rates. This risk would be mitigated by the Corporation's low level of indebtedness, as well as its available liquidities generating interest income;
- competition in the Corporation's business segment;
- the economic concentration and dependency of its client base;
- the assessment of custom duties and other protectionist measures on fabricated steel imports in the United States, ADF's primary market;
- fluctuations in the exchange rate between the Canadian and U.S. dollars. However, this risk is mitigated by the exchange rate policy adopted by the Corporation's Board of Directors; and
- the Corporation's ability to hire and integrate labour, based on its needs.

18. ACCOUNTING POLICIES AND CHANGES

The Corporation's interim unaudited consolidated financial statements have been prepared in accordance with Canadian GAAP and use the same accounting policies and methods used in the preparation of the Corporation's January 31, 2009 annual audited consolidated financial statements, with the exceptions described below. See Note 2 "Significant Accounting Policies" in the notes to consolidated financial statements for the fiscal year January 31, 2009, for further information concerning the principle accounting policies used in the preparation of the financial statements.

The Corporation adopted the following recommendations of the new sections published by the Canadian Institute of Chartered Accountants ("CICA"), as described below:

a) **Goodwill and Intangible Assets**

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which supersedes Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". This Section applies, retroactively with comparative figures, to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. More precisely, the new Section was issued to clarify the recognition and measurement of internally generated intangible assets, including research and development costs. Section 3064 reinforces the approach under which assets are recorded only if they meet the definition of an asset and the asset recognition criteria. Adoption of this Section, on February 1, 2009, had no impact on the Corporation's interim consolidated financial statements.

b) **Credit Risk and the Fair Value of Financial Assets and Financial Liabilities**

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This standard provides guidance on determining the fair value of financial assets and liabilities, whereby the Corporation's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of derivative instruments. This standard applies retrospectively, without restatement of prior periods, to interim and annual financial statements published on or after January 20, 2009. The application of this new recommendation, on February 1, 2009, had no significant effect on the Corporation's interim consolidated financial statements.

19. FUTURE ACCOUNTING CHANGES

The CICA has released the following new sections, which apply to future fiscal years.

a) **Business Combinations, Consolidated Financial Statements and Non-Controlling Interest**

CICA Handbook Section 1582, "Business Combinations", applies to business combinations for which the acquisition date is on or after January 1, 2011. This Section requires the measurement of the fair value, recognition of additional assets and liabilities, and disclosure of supplemental information. Adoption of this Section should have a significant impact on how the Corporation's recognizes future business combinations. Sections 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" must be adopted concurrently with Section 1582.

These sections will require modification in the measurement of non-controlling interest and disclosure of that interest as shareholder's equity on the balance sheet. Moreover, the controlling parent company's income statement will include 100% of its subsidiary's results and will then present the breakdown between the controlling and non-controlling interests. These sections come into effect on January 1, 2011, although earlier adoption is permitted. Changes resulting from the adoption of Section 1582 will apply prospectively, while changes subsequent to the adoption of Section 1601 and 1602 will be applied retrospectively.

b) **International Financial Reporting Standards ("IFRS")**

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the changeover date for Canadian publicly accountable companies to start using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. The Corporation has established a Steering Committee to conduct the transition to IFRS and support the implementation of this translation project. This Committee will be responsible for the training sessions, determining the issues, technical research, policy recommendations, directing the work groups and supporting the implementation of this project. Accordingly, a plan was drawn up and beginning in the fiscal year ending January 31, 2012, the Corporation's consolidated financial statements will be prepared in accordance with IFRS, with comparative figures in the 2011 fiscal year also presented in accordance with IFRS.

The plan will address the impact of IFRS in regard to:

- accounting policies and implementation decisions;
- information technology and data systems;
- internal control over financial reporting;
- disclosure controls and procedures;
- financial reporting expertise; and
- business activities.

The first training session has been completed and included, notably, IFRS awareness sessions, as well as a comprehensive immersion course. The project's subsequent phases will include training sessions that will cover more technical aspects, application of conventions and accounting procedures. Throughout this project, IFRS training sessions will be regularly provided to ensure that the key employees concerned by this new standard, including, among others, senior management and directors, are informed of any new development concerning IFRS.

The Corporation also assessed the differences between Corporation's current accounting policies and IFRS, as well as the alternatives available at the time of adoption. This assessment included the impact of conversion on information technology and data systems, internal control over financial reporting, disclosure controls and procedures and business activities. The Corporation presented this new plan to its Audit Committee and Board of Directors who adopted the financial statements as at January 31, 2009. Changes in accounting policies are likely to occur and may materially affect the Corporation's consolidated financial statements. Based on a preliminary analysis, one of the changes for the Corporation will concern the capital assets, which will have to be processed by component and measured separately. This expected impact would concern the components' amortization since the amortization period could vary by component. However, given the advancement of the conversion project and the possible changes to IFRS standards, the overall impact cannot be determined at the date hereof.

20. HUMAN RESOURCES

As at July 31, 2009, the Corporation employed a total of 347 people in its offices and fabrication plant, as well as on construction sites in Florida. The Corporation plans to increase the number of employees at its fabrication plant during the 2010 fiscal year, according to the expected level of activity.

21. CAPITAL STOCK

Information on the Corporation's outstanding shares, including stock options and warrants:

	Subordinate Voting Shares		Multiple Voting Shares(1)		Total Outstanding Shares		Stock Options (2)
	Number	$	Number	$	Number	$	Number
As at January 31, 2009	21,854,469	64,684	14,343,107	16,001	36,197,576	80,685	1,481,200
Issued on exercise of stock options	67,442	72	–	–	67,442	72	(67,442)
Granted	–	–	–	–	–	–	168,000
Shares Redemption	(618,300)	(1,829)	–	–	(618,300)	(1,829)	–
As at July 31, 2009	**21,303,611**	**62,927**	**14,343,107**	**16,001**	**35,646,718**	**78,928**	**1,581,758**
Issued on exercise of stock options	–	–	–	–	–	–	–
Shares Redemption	(411,200)	(1,215)	–	–	(411,200)	(1,215)	–
As at September 8, 2009	**20,892,411**	**61,712**	**14,343,107**	**16,001**	**(35,235,518)**	**77,713**	**1,581,758**

(1) These shares carry ten (10) votes per share.
(2) The weighted average exercise price of the current stock options was $1.20 per unit on July 31, 2009.

22. ADDITIONAL INFORMATION

Management's discussion and analysis of operating results and changes in financial position for the three-month and six-month periods ended July 31, 2009, has been approved as of September 8, 2009.

The Corporation regularly discloses information through press releases, quarterly and annual reports and the Annual Information Form, available on the Corporation's website at www.adfgroup.com and SEDAR (System for Electronic Document Analysis and Retrieval) website at www.sedar.com.

/ Signed /

Marise Paschini
Executive Vice-President,
Treasurer and Corporate Secretary

/ Signed /

Louis Potvin, CA, MBA
Chief Financial Officer

Terrebonne, Quebec, September 8, 2009

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE-MONTH AND SIX-MONTH PERIODS ENDED JULY 31, 2009

Note to the Readers

The interim consolidated financial statements hereinafter have been prepared by the Management of ADF Group Inc. and have not been reviewed by an external auditor.

Consolidated Statements of Earnings and Comprehensive Income

	Three (3) Months		Six (6) Months	
Periods ended July 31,	**2009**	2008	**2009**	2008
(In thousands of $, except per-share amounts)	**$**	$	**$**	$
Revenues	**18,748**	23,994	**35,500**	49,153
Cost of goods sold (Note 11)	**14,162**	17,051	**25,530**	35,095
Gross margin	**4,586**	6,943	**9,970**	14,058
Selling and administrative expenses	**1,005**	862	**2,309**	2,077
Earnings before undernoted items:	**3,581**	6,081	**7,661**	11,981
Amortization				
Property, plant and equipment	**667**	600	**1,331**	1,183
Intangible assets	**81**	13	**154**	26
	748	613	**1,485**	1,209
(Gain) loss on foreign exchange	**(765)**	(701)	**(1,326)**	(641)
	(17)	(88)	**159**	568
Earnings before financial charges and income taxes	**3,598**	6,169	**7,502**	11,413
Financial charges				
Interest on long-term debt	**50**	113	**110**	239
Interest income	**(166)**	(46)	**(325)**	(132)
Other interest	**(18)**	17	**—**	72
	(134)	84	**(215)**	179
Earnings before income taxes	**3,732**	6,085	**7,717**	11,234
Income taxes				
Current	**7**	3	**175**	171
Future	**1,880**	2,032	**3,457**	3,779
	1,887	2,035	**3,632**	3,950
Net earnings and comprehensive income	**1,845**	4,050	**4,085**	7,284
Basic earnings per share (Note 10)	**0.05**	0.11	**0.11**	0.20
Diluted earnings per share (Note 10)	**0.05**	0.11	**0.11**	0.20
Average number of outstanding shares (in thousands) (Note 10)	**36,013**	36,145	**36,002**	36,126
Average number of outstanding diluted shares (in thousands) (Note 10)	**36,868**	37,258	**36,801**	37,290

See the notes to interim consolidated financial statements.

Consolidated Statements of Retained Earnings (Deficit)

	Three (3) Months		Six (6) Months	
Periods ended July 31,	**2009**	2008	**2009**	2008
(In thousands of $)	**$**	$	**$**	$
Retained earnings (deficit), beginning of the period (Note 8)	**4,012**	(72,304)	**1,772**	(75,538)
Net earnings	**1,845**	4,050	**4,085**	7,284
Retained earnings (deficit), end of the period	**5,857**	(68,254)	**5,857**	(68,254)

Consolidated Statements of Contributed Surplus

	Three (3) Months		Six (6) Months	
Periods ended July 31,	**2009**	2008	**2009**	2008
(In thousands of $)	**$**	$	**$**	$
Contributed surplus, beginning of the period	**2,373**	2,014	**2,175**	1,965
Stock-based compensation (Note 8)	**66**	62	**127**	111
Exercise of options and warrants	**(17)**	(17)	**(24)**	(17)
Excess of the book value over the acquisition cost of redeemed subordinate voting shares (Note 8)	**231**	–	**375**	–
Contributed surplus, end of the period	**2,653**	2,059	**2,653**	2,059

See the notes to interim consolidated financial statements.

Consolidated Balance Sheets

	At July 31, 2009	At January 31 2009 (Audited)
(In thousands of $)	**$**	$
ASSETS		
Current		
Cash and cash equivalents	**9,103**	22,490
Short-term Investments (Note 4)	**12,400**	6,000
Accounts receivable (Note 5)	**16,190**	11,165
Holdbacks on contracts	**3,128**	3,462
Work in progress	**1,409**	628
Inventories	**3,225**	3,271
Prepaid expenses	**933**	660
Derivative financial instruments	**2,470**	—
Income tax receivables	**20**	—
Future income tax assets	**6,667**	6,666
	55,545	54,342
Holdbacks on long-term contracts	**649**	1,129
Property, plant and equipment (Note 6)	**39,751**	40,360
Intangible assets (Note 7)	**2,713**	2,402
Other assets	**181**	185
Future income tax assets	**8,504**	13,444
Investment tax credits	**2,505**	2,505
	109,848	114,367
LIABILITIES		
Current		
Accounts payable	**3,785**	5,170
Accrued charges	**3,039**	4,716
Salaries and fringe benefits payable	**1,906**	3,762
Deferred revenues	**5,647**	4,767
Income taxes	—	226
Derivative financial instruments	—	1,058
Current portion of long-term debt	**2,729**	3,018
	17,106	22,717
Long-term debt	**4,632**	6,827
Future income tax liabilities	**528**	47
	22,266	29,591
Commitments (Note 13)		
Shareholders' equity		
Retained earnings	**5,857**	1,772
Accumulated other comprehensive income (Note 9)	**144**	144
	6,001	1,916
Capital stock (Note 8)	**78,928**	80,685
Contributed surplus	**2,653**	2,175
	87,582	84,776
	109,848	114,367

See the notes to interim consolidated financial statements.

Approved on behalf of the Board of Directors

/ Signed /
Mr. Jean Paschini
Director

/ Signed /
Mr. Marc A. Benoît
Director

Consolidated Statements of Cash Flows

	Three (3) Months		Six (6) Months	
Periods ended July 31,	**2009**	2008	**2009**	2008
(In thousands of $)	**$**	$	**$**	$
OPERATING ACTIVITIES				
Net earnings	**1,845**	4,050	**4,085**	7,284
Adjustments for:				
Amortization of property, plant and equipment	**667**	600	**1,331**	1,183
Amortization of intangible assets	**81**	13	**154**	26
Gain on disposal of property, plant and equipment	**—**	(764)	**—**	(975)
Unrealized gain on derivative financial instruments	**(2,345)**	—	**(3,528)**	—
Non-cash exchange loss (gain)	**973**	(198)	**1,911**	(178)
Future income taxes	**1,880**	2,032	**3,457**	3,779
Interest capitalized on interest-free long-term debt	**5**	4	**10**	9
Stock-based compensation	**66**	62	**127**	111
Net earnings adjusted	**3,172**	5,799	**7,547**	11,239
Changes in non-cash operating working capital items				
Accounts receivable	**299**	256	**(5,025)**	(4,968)
Short-term and long-term holdbacks on contracts	**181**	(647)	**814**	(1,093)
Work in progress	**161**	(292)	**(781)**	502
Inventories	**23**	(229)	**46**	(298)
Income taxes	**(213)**	64	**(246)**	24
Prepaid expenses	**(613)**	(582)	**(273)**	(645)
Accounts payable, accrued charges, salaries and fringe benefits payable	**(1,508)**	2,428	**(4,918)**	4,426
Deferred revenues	**(281)**	2,186	**880**	2,746
	(1,951)	3,184	**(9,503)**	694
Cash flows from operating activities	**1,221**	8,983	**(1,956)**	11,933
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	**(332)**	(5,476)	**(722)**	(7,476)
Acquisition of intangible assets	**(127)**	(372)	**(465)**	(639)
Investment purchase	**(7,000)**	—	**(6,400)**	—
Decrease (increase) in other items	**4**	(1)	**4**	(1)
Cash flows applied to investing activities	**(7,455)**	(5,849)	**(7,583)**	(8,116)
FINANCING ACTIVITIES				
Redemption of shares (Note 8)	**(1,087)**	—	**(1,453)**	—
Repayment of long-term debt	**(703)**	(606)	**(1,467)**	(1,013)
Issuance of subordinate voting shares	**30**	38	**47**	47
Cash flows applied to financing activities	**(1,760)**	(568)	**(2,873)**	(966)
Impact of fluctuations in foreign exchange rate on cash	**(255)**	62	**(975)**	15
Net cash (outflows) inflows	**(8,249)**	2,628	**(13,387)**	2,866
Cash and cash equivalents, beginning of the period	**17,352**	7,924	**22,490**	7,686
Cash and cash equivalents, end of the period (1)	**9,103**	10,552	**9,103**	10,552
Supplemental cash flow information				
Income taxes paid	**—**	—	**204**	162
(Received) interest paid	**(95)**	146	**(113)**	204
Non-cash financing and investing activities:				
Property, plant and equipment given in exchange for new equipment	**—**	1,524	**—**	2,261

(1) At July 31, 2009, cash and cash equivalents were composed of $9,032,000 in cash and $71,000 in cash equivalents ($5,052,000 in cash and $5,500,000 in cash equivalents as at July 31, 2008.)

See the notes to interim consolidated financial statements.

Notes to Interim Consolidated Financial Statements

Three-Month and Six-Month Periods Ended July 31, 2009 and 2008

All tabular figures are in thousands of $, unless otherwise specified and except for percentages and ratios.

1. BASIS OF PRESENTATION

These interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and use the same accounting policies and methods used in the preparation of the Corporation's January 31, 2009 annual audited consolidated financial statements, with the exceptions described below under Note 2 "Changes in Accounting Policies". All disclosures required for annual audited consolidated financial statements have not been included in these interim unaudited consolidated financial statements. Therefore, these interim unaudited consolidated financial statements should be read in conjunction with the Corporation's most recent annual audited consolidated financial statements.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results may differ from those estimates.

2. CHANGES IN ACCOUNTING POLICIES

The Corporation adopted the following recommendations of the new sections published by the Canadian Institute of Chartered Accountants ("CICA"), as described below:

a) Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which supersedes Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". This Section applies, retroactively with comparative figures, to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. More precisely, the new Section was issued to clarify the recognition and measurement of internally generated intangible assets, including research and development costs. Section 3064 reinforces the approach under which assets are recorded only if they meet the definition of an asset and the asset recognition criteria. Adoption of this Section, on February 1, 2009, had no impact on the Corporation's interim consolidated financial statements.

b) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This standard provides guidance on determining the fair value of financial assets and liabilities, whereby the Corporation's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of derivative instruments. This standard applies retrospectively, without restatement of prior periods, to interim and annual financial statements published on or after January 20, 2009. The application of this new recommendation, on February 1, 2009, had no significant effect on the Corporation's interim consolidated financial statements.

3. FUTURE ACCOUNTING CHANGES

The CICA has released the following new sections, which apply to future fiscal years:

a) Business Combinations, Consolidated Financial Statements and Non-Controlling Interest

CICA Handbook Section 1582, "Business Combinations", applies to business combinations for which the acquisition date is on or after January 1, 2011. This Section requires the measurement of the fair value, recognition of additional assets and liabilities, and disclosure of supplemental information. Adoption of this Section should have a significant impact on how the Corporation's recognizes future business combinations. Sections 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" must be adopted concurrently with Section 1582. These sections will require modification in the measurement of non-controlling interest and disclosure of that interest as shareholder's equity on the balance sheet. Moreover, the controlling parent company's income statement will include 100% of its subsidiary's results and will then present the breakdown between the controlling and non-controlling interests. These sections come into effect on January 1, 2011, although earlier adoption is permitted. Changes resulting from the adoption of Section 1582 will apply prospectively, while changes subsequent to the adoption of Section 1601 and 1602 will be applied retrospectively.

b) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the changeover date for Canadian publicly accountable companies to start using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. The Corporation will adopt these new standards according to the implementation schedule for these new standards.

The Corporation is currently evaluating the impact of the adoption of these new sections and standards on the consolidated financial statements.

4. SHORT-TERM INVESTMENTS

As at July 31, 2009, the Corporation held $12,400,000 in guaranteed deposit certificates bearing a weighted average rate of 3.30%, and cashable at any time.

5. ACCOUNTS RECEIVABLE

	As at July 31, 2009	As at January 31, 2009 (audited)
	$	$
Contracts receivable	**14,149**	10,911
Allowance for doubtful accounts	**(398)**	(607)
	13,751	10,304
Other receivables	**2,439**	861
	16,190	11,165

6. PROPERTY, PLANT AND EQUIPMENT

As at July 31, 2009, the book value of the property, plant and equipment currently under construction and not yet amortized stood at $422,000 ($593,000 as at July 31, 2008). This property, plant and equipment is mostly comprised of equipment.

7. INTANGIBLE ASSETS

	At July 31, 2009			At January 31, 2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	$	**$**	**$**	$	$	$
Software	**9,620**	**6,933**	**2,687**	9,179	6,780	2,399
Software licences	**28**	**2**	**26**	4	1	3
	9,648	**6,935**	**2,713**	9,183	6,781	2,402

The next table presents the total amount of the redeemable intangible assets, which were acquired or developed internally during the following periods:

	Three (3) Months		Six (6) Months	
Periods ended July 31,	**2009**	2008	**2009**	2008
	$	$	**$**	$
Acquired	**18**	15	**24**	15
Developed internally	**109**	357	**441**	624
	127	372	**465**	639

All intangible assets are subject to amortization.

8. CAPITAL STOCK

a) **Capital Stock**

Authorized: Unlimited number of subordinate voting shares, carrying one (1) vote per share.
Unlimited number of multiple voting shares, carrying ten (10) votes per share.
Unlimited number of preferred shares, issuable in series.

	Subordinate Voting Shares		Multiple Voting Shares		Total	
	Number	$	Number	$	Number	$
As at January 31, 2008 (audited)	21,759,569	126,329	14,343,107	16,001	36,102,676	142,330
Issued on exercise of stock options	94,900	91	–	–	94,900	91
Reduction of stated capital	–	(61,736)	–	–	–	(61,736)
As at January 31, 2009 (audited)	21,854,469	64,684	14,343,107	16,001	36,197,576	80,685
Issued on exercise of stock options	67,442	72	–	–	67,442	72
Redemption of shares	(618,300)	(1,829)	–	–	(618,300)	(1,829)
As at July 31, 2009	**21,303,611**	**62,927**	**14,343,107**	**16,001**	**35,646,718**	**78,928**

b) **Subordinate Voting Shares**

During the six-month period ended July 31, 2009, the Corporation issued, under its stock option plan, 67,442 subordinate voting shares for a total of $72,000. (See Note 8 (c) "Stock Option Plan".)

On April 14, 2009, the Corporation announced its intention to redeem, over a 12-month period beginning April 16, 2009 and ending no later than April 16, 2010, for cancellation purposes, up to 1,850,000 of its outstanding subordinate voting shares, representing approximately 10% of this class of shares held by the public. During the three-month period ended July 31, 2009, the Corporation redeemed 446,400 subordinate voting shares, for a net consideration of $1,087,000 (618,300 subordinate voting shares redeemed during the six-month period ended July 31, 2009, for a net consideration of $1,453,000.) Generally, the excess book value over the acquisition cost of redeemed subordinate voting shares, in the amounts of $231,000 and $375,000 for the three-month and six-month periods ended July 31, 2009, respectively, were recorded as contributed surplus.

On January 29, 2009, at a Special Meeting of Shareholders of the Corporation, shareholders approved that the stated capital of the Corporation' subordinate voting shares should be reduced by $61,736,000 in order to reduce the accumulated deficit in the same amount at that date. The reduction in the stated capital did not result in any monetary or other payment to their holders, nor has it changed the total shareholders' equity, but solely its composition. The number of shares held by shareholders as well as the book value per share remained unchanged.

c) **Stock Option Plan**

As at July 31, 2009, 3,157,787 outstanding subordinate voting shares (3,225,229 at January 31, 2009) were reserved for the stock option plan. The plan requires that the exercise price of the options granted must not be less than the closing market value on the day the options are granted by the Corporation's Board of Directors. These options start vesting one year after the grant date, at the rate of 20% per year, except those issued on February 20, 2007, which vest at a rate of 50% per year and those issued on July 17, 2009, which are exercisable over a three-year period. All options have a 10-year life from the grant date.

Under the stock option plan, the following options were granted by the Corporation and are outstanding (in units):

	As at July 31, 2009		As at January 31, 2009 (audited)	
	Options	**Weighted average exercise price**	**Options**	**Weighted average exercise price**
		$		$
Outstanding, beginning of the period	**1,481,200**	**1.04**	1,518,900	0.84
Granted	**168,000**	**2.45**	62,000	5.50
Exercised	**(67,442)**	**0.82**	(94,900)	0.71
Forfeited	**—**	**—**	(4,800)	2.69
Outstanding, end of the period	**1,581,758**	**1.20**	1,481,200	1.04
Exercisable, end of the period	**1,065,958**	**0.99**	705,200	0.82

At July 31, 2009, the exercise price, the weighted average exercise price and the weighted average remaining contractual life of the options were as follows:

	Options Outstanding			**Options Exercisable**	
Exercise price	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$		Years	$		$
6.48	5,000	8.45	6.48	1,000	6.48
5.65	60,000	8.71	5.65	12,000	5.65
2.45	168,000	9.96	2.45	72,000	2.45
2.14	35,000	7.56	2.14	35,000	2.14
1.79	48,000	7.37	1.79	12,000	1.79
1.63	50,000	5.91	1.63	40,000	1.63
1.15	2,000	9.40	1.15	—	1.15
1.14	20,000	6.86	1.14	12,000	1.14
1.05	8,000	6.81	1.05	4,800	1.05
0.71	1,185,758	5.70	0.71	877,158	0.71
	1,581,758	**6.40**	**1.20**	**1,065,958**	**0.99**

The Corporation granted 168,000 stock options during the six-month period ended July 31, 2009 (60,000 during the six-month period ended July 31, 2008). Total expenses of $66,000 and $127,000 were recorded in the consolidated statement of earnings for the three-month and six-month periods ended July 31, 2009, respectively, and a corresponding amount was recorded as contributed surplus ($62,000 and $111,000 for the three-month and six-month periods ended July 31, 2008, respectively.)

The average weighted fair value of the options granted during the six-month period ended July 31, 2009, was estimated at the grant date using the Black-Scholes option pricing model based on the following assumptions:

	July 17, 2009
Options issued	168,000
Dividend yield	0%
Expected volatility	90%
Risk-free interest rate	3.16%
Expected life	8 years

9. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Three (3) Months		Six (6) Months	
Periods ended July 31,	**2009**	2008	**2009**	2008
	$	$	**$**	$
Balance, beginning of the period	**144**	264	**144**	264
Other comprehensive income	**—**	—	**—**	—
Balance, end of period	**144**	264	**144**	264

Accumulated other comprehensive income includes unrealized losses on investments classified as held for sale and included in other assets.

10. EARNINGS PER SHARE

Diluted earnings per share were calculated using the treasury stock method. The table hereafter reconciles the numerator and denominator used in the calculation of basic and diluted earnings per share:

	Three (3) Months		Six (6) Months	
Periods ended July 31,	**2009**	2008	**2009**	2008
Numerator (in thousands of $)				
Numerator applicable to basic and diluted earnings per share	**1,845**	4,050	**4,085**	7,284
Denominator (in units)				
Weighted average number of shares – basic	**36,013**	36,145	**36,002**	36,126
Effect of dilutive instruments:				
— Stock options	**855**	1,113	**799**	1,164
Weighted average number of shares – diluted	**36,868**	37,258	**36,801**	37,290

For the purpose of computing diluted earnings per share, the Corporation must account for the stock options as dilutive instruments. For the three-month and six-month periods ended July 31, 2009, only 1,245,758 stock options were included in the computation of diluted earnings per share (1,451,700 for the three-month and six-month periods ended July 31, 2008), since the other options were antidilutive.

11. COST OF GOODS SOLD

The inventories amount charged to expenses were as follows:

	Three (3) Months		Six (6) Months	
Periods ended July 31,	**2009**	2008	**2009**	2008
	$	$	**$**	$
Cost of goods sold	**14,162**	17,051	**25,530**	35,095
Depreciation of property, plant and equipment and intangible assets related to the transformation of inventories	**582**	438	**1,151**	867

12. FINANCIAL INSTRUMENTS

The Corporation is exposed to risks having various significance, which could have an impact on its capacity to reach its strategic growth and profitability objectives. The Corporation strives to control and mitigate its financial risks through management practices that require the identification and analysis of the risks related to its operations. As at July 31, 2009, the review of the risks, in comparison with those presented in Note 22 "Financial Instruments" of the notes to consolidated financial statements for the 2009 fiscal year, led to the conclusion that there was no significant change during the three-month and six-month periods ended July 31, 2009.

13. COMMITMENTS

The Corporation announced an investment program of up to $6,000,000 to acquire additional fabrication equipment and to retrofit one of the plant's fabrication bays, including, among others, the addition of two (2) 50-ton overhead cranes. These investments, of which $900,000 was committed as at July 31, 2009, could be financed by the Corporation's working capital.

14. SEGMENTED INFORMATION

The Corporation operates in the non-residential construction sector, primarily in the United States and Canada. Its operations include the connections design and engineering, fabrication and selective installation of complex steel structures, heavy built-ups as well as miscellaneous and architectural metal work.

	Three (3) Months		Six (6) Months	
Periods ended July 31,	**2009**	2008	**2009**	2008
	$	$	**$**	$
Revenues				
— Canada	**3,752**	2,181	**7,693**	3,054
— United States	**14,996**	21,813	**27,807**	46,099
	18,748	23,994	**35,500**	49,153

	At July 31, 2009	At January 31, 2009 (Audited)
	$	$
Property, Plant and Equipment		
— Canada	**39,555**	40,148
— United States	**196**	212
	39,751	40,360

During the first half of the current fiscal year ended July 31, 2009, 76% of the Corporation's revenues were recorded with four clients (67% with two clients during the same period in 2008), each of which accounted for more than 10% of revenues.

15. COMPARATIVE FIGURES

Certain figures of the six-month period ended July 31, 2008, have been reclassified to conform to the presentation adopted in 2009.

300 Henry-Bessemer
Terrebonne (Quebec) Canada J6Y 1T3
Tel. : 450.965.1911/1.800.263.7560
Fax : 450.965.8558
infos@adfgroup.com
www.adfgroup.com