

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### of Changes in Financial Position and Operating Results

The purpose of this management's discussion and analysis of the financial position and operating results ("MD&A") is to provide the reader with an overview of the changes in the financial position of ADF Group Inc. ("ADF" or the "Corporation") between January 31, 2010 and January 31, 2011. It also compares the operating results and cash flows for the fiscal year ended January 31, 2011 to those of the previous year. This MD&A covers all major events that occurred during the 2011 fiscal year and between February 1, 2011 and April 13, 2011, on which date ADF Group's Board of Directors approved the consolidated financial statements, as well as the MD&A for the fiscal year ended January 31, 2011.

This analysis should be read in conjunction with the audited consolidated financial statements dated January 31, 2011. ADF's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Corporation reports its results in Canadian dollars. All amounts in this MD&A are expressed in Canadian dollars unless otherwise indicated.

#### **FORWARD-LOOKING STATEMENTS**

In order to provide shareholders and potential investors information regarding ADF, in particular Management's assessment of future plans and operations, certain statements in this MD&A are forward-looking statements subject to risks, uncertainties and other important factors that could cause the Corporation's actual performance to differ from those expressed in or implied by these forward-looking statements.

Such factors include, but are not limited to the impact of economic conditions in Canada and the United States; industry conditions including amendments in laws and regulations; increased competition; shortage of qualified personnel or management; availability and fluctuations in commodity prices; foreign exchange or interest rate fluctuations; stock market volatility and the impact of accounting policies issued by Canadian, U.S. and international standard setters. Some of these factors are further discussed under Section "External Factors to Which the Corporation's Performance is Exposed" in this MD&A. It should be noted that the list of factors that may affect future growth, results and performance, provided in this MD&A, is not exhaustive. The reader should not place undue reliance on forward-looking statements.

Although the Corporation believes that the expectations expressed by the forward-looking statements are based on information available to it on the date such statements were made, there can be no assurance that such estimates will prove to be correct. All subsequent forward-looking statements made, whether written or verbally, by the Corporation or persons acting on its behalf, are expressly qualified in their entirety by the caveats referred above. Unless otherwise required by applicable securities legislations, the Corporation expressly disclaims any intention, and assumes no obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

#### **OVERVIEW**

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 installation of complex steel superstructures, heavy steel built-ups, as well as miscellaneous and architectural metalwork. The Corporation's products and services are intended for the following five principal segments of the non-residential construction market: office towers and high-rises, commercial and recreational buildings, airport facilities, industrial complexes and nuclear facilities, as well as transport infrastructures. 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 important fabrication capacity and its skills in two specialized market niches: the fabrication of steel superstructures with a high level of architectural and geometric complexity, as well as projects subject to fast-track schedules. In addition, in December 2009, ADF obtained its certification for the nuclear system requirements in effect in America, which allowed the Corporation to add the fabrication of steel structures for the construction or refurbishment of nuclear power plants to its range of services.

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

#### **BUSINESS STRATEGY**

ADF serves a diversified client-base in the non-residential construction market:

- General construction contractors;
- Project owners;
- Engineering firms and project architects;
- Structural steel erectors; and
- Other steel structure fabricators.

Over the past years, ADF has earned a solid reputation and a growing recognition in the industry for its capacity to deliver its projects on time and within budget, which allowed it to build long-term relations with its clients and partners. To date, it has established business relationships with world-class contractors and engineering firms that are among the top in North America.

Being increasingly recognized for the quality, efficiency and reliability of its services represents a significant advantage for the Corporation in the selection process, especially when it comes to highly complex projects and those subject to fast-track schedules. In fact, several of ADF's existing clients award it new contracts subsequently.

Since the beginning of the 1990s the Corporation has considerably diversified its geographic and sectoral markets. Expanding its pool of potential projects allows it to be increasingly selective and target projects not only based on their geographical location, but also on their expected profitability and risk level. As a result of its ability to meet the demands across different market niches and the size of the projects it is awarded, the Corporation's revenues in a specific geographic or sectoral market may vary considerably from one year to the next.

The Corporation's sales and marketing efforts primarily focus on the development of long-term business relationships with its clients. The Corporation identifies new project opportunities and obtains information on the market conditions and the sales potential through its relationships and interaction with existing and targeted clients, and through in-house research. Moreover, given its market reputation, ADF is called upon by clients regarding new projects. Once a prospective project has been identified, the Corporation tailors its marketing strategy to the project's specific nature and requirements and to its past business relationship with the client.

## **RISK MANAGEMENT**

The Corporation's risk management process essentially includes the identification and assessment of business risks and opportunities and the implementation of strategies and controls to manage, monitor and communicate these risks. Lastly, the Board of Directors is responsible for identifying and assessing the Corporation's principal business risks, reviewing overall business risks and ensuring the implementation of appropriate risk management systems. The Compensation, Remuneration and Governance Committee and the Audit Committee, both composed of independent Directors, help the Board of Directors in fulfilling its overall administrative responsibilities.

## **MARKET TRENDS**

The non-residential construction sector includes the products and services related to the construction of commercial, institutional and industrial buildings, such as office towers, commercial buildings, hotels, sports complexes, museums, recreational complexes, as well as manufacturing plants and other industrial facilities. This sector also encompasses public works, of which construction and renovation of infrastructures and buildings, notably, hydroelectric dams, airports, bridges and overpasses. It should be noted that the demand in this sector is related to business cycles. Generally, there are more private projects in a bull cycle, whereas government projects take over in a bear cycle.

According to Management, approximately half of the non-residential projects use structural steel as a structural component, while the other half primarily use concrete. Generally, structural steel accounts for about 10% to 20% of a project's total cost, depending on the project's nature. Structural steel offers a number of advantages when compared to other materials, which explains its increasing use in the construction of complex structures. These advantages include durability, speed of installation, greater flexibility in fast-track projects, lower installation and maintenance costs, as well as its high strength/weight ratio as a result of improved alloys.

Complex steel structure projects are more frequent in the United States than in Canada, resulting in a certain dependence of the Corporation on the U.S. market.

The economic situation that has prevailed for some years is significantly affecting the conditions of ADF's markets, especially given the scale of the amounts required to fund such projects. In Canada, certain infrastructure projects were announced in the recent years, but in a much lower number than the production capacity available on the market, which tends to put a downward pressure on the industry's profit margins. Through its strategic focus, ADF aims to increase its order backlog by targeting projects offering a potential for gross margins and cash flows in line with its objectives. As for the U.S. market, it is still in a stand-by mode for new projects. However, the Corporation is observing some activity in New York City, where projects are expected to materialize. Although no announcements were made in this regard, this market should become active in order to allow New York City to maintain its rank and reputation amongst the major urban centers worldwide.

The economic slowdown also has an impact on a potential market niche for ADF, that is, the nuclear power plants segment. On one hand, the decrease in demand and prices of electricity led to the postponement of certain nuclear power plant refurbishment or construction projects. On the other hand, these projects require significant capital investments, which are hard to access given the current market conditions. At the end of the 2010 fiscal year, ADF received the certification from the American Society of Mechanical Engineering ("ASME") confirming that it complies with the requirements related to the existing nuclear systems. This will allow the Corporation to participate in the fabrication of steel structures for the construction or refurbishment of nuclear power plants in America and abroad.

## MAIN ACHIEVEMENTS OF THE 2011 FISCAL YEAR

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

### *Redemption of Subordinate Voting Shares in the Normal Course of Business*

On April 15, 2010, the Corporation announced its intention to redeem, over a 12-month period ending no later than April 18, 2011, for cancellation purposes, up to 1,940,000 of the outstanding subordinate voting shares, representing approximately 10% of this class of shares held by the public and outstanding.

As of January 31, 2011, the Corporation had redeemed all of its 1,940,000 subordinate voting shares under the normal course issuer bid ("NCIB"), for a net consideration of \$3.7 million, representing an average price of \$1.93 per share.

### *Foreign Currency Hedge*

On January 31, 2011, the residual commitments on the forward foreign exchange contracts totalled US\$16.5 million (US\$17 million on January 31, 2010), at an average conversion rate of CA\$1.0502 for US\$1.0000 (CA\$1.1224 at January 31, 2010). These commitments represent a foreign currency hedge of about 25% of the net risk between the future cash inflows and outflows denominated in U.S. dollars in regard to the order backlog in hand for the fiscal year ending January 31, 2012. These forward foreign exchange contracts mature as follows: US\$7.5 million in April 2011, US\$7.5 million in July 2011, and US\$1.5 million in October 2011.

### *Order Backlog*

ADF Group's order backlog totalled \$67 million on January 31, 2011, compared with \$116 million on the same date a year earlier. This decrease, compared with January 31, 2010, is attributable to the execution of contracts, net of contractual change orders. As at January 31, 2011, 73% of the order backlog consisted of fabrication hours – the Corporation's core business and most value-added activity – compared with 63% in 2010. Contracts in hand as at January 31, 2011, will be progressively executed over the course of the next 12 to 15 months.

### *Renewal of the Credit Facility*

The \$10 million operating credit facility was renewed on October 20, 2010, essentially under the same conditions. During the fiscal years ended January 31, 2011 and 2010, no amount was drawn from this credit facility. (See Note 10 "Credit Facility" in the notes to the consolidated financial statements as at January 31, 2011.)

### *Appointment of a New Chief Financial Officer*

The position of Chief Financial Officer has been filled by Mr. Jean-François Boursier, CA, who took office on September 15, 2010. During the interim period, the position's responsibilities were assumed by Mrs. Marise Paschini, Executive Vice-President, Treasurer and Corporate Secretary of the Corporation, with the support of the Corporation's internal team of seasoned professionals.

## EVENTS OCCURRING AFTER JANUARY 31, 2011 AND SUBSEQUENT EVENT

On March 9, 2011, the Corporation announced the award of additional work in the scope of the contracts it is currently carrying out at the World Trade Center in New York, U.S.A. The total value of these new orders is estimated at US\$23 million. These new mandates include the design and engineering of connections, fabrication and delivery to the site of additional heavy steel built-up components for the different projects being carried out by ADF in New York.

On April 13, 2011, following the Board of Directors' approval, the Corporation announced the establishment of a dividend policy, as well as the initial payment of a semi-annual dividend of \$0.01 per share, payable on May 16, 2011 to shareholders of record on April 29, 2011. Subject to subsequent approvals, and taking into account its current shareholding, the Corporation expects that these dividends will result in an annual outflow of just under \$0.7 million. (See Note 26 "Subsequent Event" in the notes to the Corporation's consolidated financial statements for the fiscal year ended January 31, 2011, included in the Annual Report.)

## EXCHANGE RATE

The Corporation is subject to foreign currency fluctuations from the translation of revenues, expenses, assets and liabilities of its foreign operations and from commercial transactions denominated in foreign currency. Average rates are used to translate revenues (except for forward foreign exchange contracts) and certain expenses for the years mentioned, while closing rates translate certain assets and liabilities (see Note 2 "Significant Accounting Policies" in the notes to the Corporation's consolidated financial statements). During the fiscal year ended January 31, 2011, the Corporation used the following exchange rates between the Canadian and U.S. dollars:

(CA\$/US\$)	Statements of Earnings and Comprehensive Income		Balance Sheet	
	2011	2010	2011	2010
First quarter (April 30)	1.0281	1.2446	1.0158	1.1930
Second quarter (July 31)	1.0409	1.1324	1.0283	1.0775
Third quarter (October 31)	1.0313	1.0754	1.0202	1.0819
<b>Fourth quarter (January 31)</b>	<b>1.0052</b>	<b>1.0530</b>	<b>1.0015</b>	<b>1.0693</b>
<b>Annual averages</b>	<b>1.0264</b>	<b>1.1029</b>	—	—

As indicated above, the average value of the Canadian dollar, in relation to the U.S. dollar, increased by almost 7% from year to year. This exerted an adverse pressure on results. The closing rate went from \$1.0693 on January 31, 2010 to \$1.0015 on January 31, 2011, thus reducing the impact of the exchange rate on certain balance sheet items expressed in U.S. dollars. As previously mentioned, in accordance with its foreign currency hedge policy, the Corporation uses derivative instruments such as exchange contracts to protect itself against the risk of currency fluctuations and to mitigate the effects.

### KEY PERFORMANCE INDICATORS ("KPI")

ADF measures its performance on a company-wide basis through the following elements:

- Profitability;
- Liquidities;
- Growth and competitive positioning; and
- Financial position and returns.

To this end, the Corporation developed KPIs. The indicators against which each element is evaluated are presented below:

Elements Measured	Profitability	Liquidities	Growth and Competitive Positioning	Financial Position
<b>KPI</b>	Gross profit	Earnings before interest, tax, depreciation and amortization (EBITDA)	Revenues	Working capital
	EBITDA	Cash flows	Order backlog	Long-term debt to shareholder's equity ratio
	—	—	—	Total net debt to shareholders' equity ratio
	Production capacity utilization	—	—	Return on equity
<b>What is being measured</b>	Operating performance assessment	Assessment of liquidity generation	Assessment of growth, future revenues and competitive positioning	Assessment of short- and long-term financial position soundness, and return to shareholders

Most of these KPIs are discussed later in this MD&A. Some of these KPIs are not publicly disclosed since they are of a competitive nature.

As mentioned earlier, the market's current weakness has an adverse impact on the Corporation's capacity utilization and the rate of absorption of the Corporation's fixed costs (see Section "Revenues and Gross Margin" below).

Moreover, the Corporation's incentive plan is based on the achievement of financial objectives and specific personal goals. The financial objectives are based on EBITDA.

### NON-GAAP MEASURES

The financial information presented in this MD&A has been prepared in accordance with GAAP, with the exception of certain financial indicators. In fact, the Corporation regularly uses measurements not defined by GAAP to assess its operating performance. Consequently, they are not standard and lend themselves with difficulty to a comparison with similar measurements presented by other issuers. When such indicators are used, they are defined and the reader is informed.

The Corporation uses the following financial indicators, which are not defined by GAAP, to measure its operating performance and the achievement of objectives.

12-month periods ended January 31,	2011	2010
(In thousands of \$, except for ratios and %)	\$	\$
Working capital	41,654	35,612
Current ratio	4.17:1	4.81:1
Long-term debt to shareholders' equity	0.10:1	0.08:1
Total cash, cash equivalents and short-term investments, net of long-term debt, to shareholders' equity	0.14:1	0.12:1
Liabilities to shareholders' equity	0.22:1	0.17:1
EBITDA	10,871	14,160
EBITDA as a percentage of revenues	19.7%	21.5%
Book value per share	2.72	2.57
Return on shareholders' equity	4.2%	7.9%

### **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.

Generally, Management's 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 continuation of the NCIB program, where appropriate, and the expansion projects that might arise.

### **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.

Generally, the Corporation's goal is to reduce this ratio through monthly reimbursements to creditors and the expected operating profitability. However, the pursuit of this goal could be hindered by the increase in the U.S. dollar in relation to the Canadian dollar since the majority of the long-term debt is denominated in U.S. dollars. In the long-term, Management's strategy is to maintain prudent management of its capital structure and debt ratio based on its potential development projects, economic context and business opportunities.

### **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 January 31, 2011, the Corporation's total cash, cash equivalents and short-term investments exceeded its long-term debt. This situation could however change 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 concluded by the Corporation might not generate positive cash flows throughout their execution, the renewal of the NCIB program, where appropriate, and long-term debt financing of potential development projects.

### **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.

In the short-term, Management's aim is to maintain this ratio at a comfortable level through, among other things, monthly repayments of the long-term debt. However, the achievement of this objective could be slowed down by certain factors, of which:

- An increase in accounts payable and accrued charges;
- The renewal of the NCIB, where appropriate; and
- The impact of fluctuations in the Canadian dollar in relation to the U.S. dollar on liabilities denominated in U.S. dollars.

### **EBITDA and EBITDA Margin**

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

- Finance 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:

<b>Fiscal years ended January 31,</b>	<b>2011</b>	<b>2010</b>
(In thousands of \$, except %)	\$	\$
Net earnings	<b>3,743</b>	6,992
Income taxes	<b>4,544</b>	6,280
Finance charges (interest income)	<b>99</b>	(489)
Amortization	<b>3,360</b>	3,057
(Gain) loss on foreign exchange	<b>(875)</b>	(1,680)
<b>EBITDA</b>	<b>10,871</b>	14,160
— As a % of revenues	<b>19.7%</b>	21.5%

### **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 fiscal year ending in January 2012, and, where appropriate, will continue its NCIB. The book value per share increased to \$2.72 on January 31, 2011, from \$2.57 on January 31, 2010, which represents an increase of 5.8%.

### **Return on Shareholders' Equity**

This ratio indicates the return on shareholders' investment during the relevant fiscal year. It is equal to net earnings over shareholders' equity.

Based on net earnings for the fiscal year ended January 31, 2011, return on shareholders' equity worked out to 4.2%, compared with 7.9% for the fiscal year ended January 31, 2010.

### **SELECTED ANNUAL FINANCIAL INFORMATION**

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

<b>Fiscal years ended January 31,</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
(In thousands of \$, except per-share amounts)	\$	\$	\$
Revenues	<b>55,268</b>	65,740	98,851
Net earnings	<b>3,743</b>	6,992	15,574
— Basic per share	<b>0.11</b>	0.20	0.43
— Diluted per share	<b>0.11</b>	0.19	0.42
Total assets <sup>1</sup>	<b>108,458</b>	103,368	115,402
Long-term liabilities	<b>6,184</b>	5,358	6,874
Dividend per share	—	—	—

1. Restated. (For more details, see Note 7 "Property, Plant and Equipment" of the notes to the consolidated financial statements for January 31, 2011.)

Analysis of the above table highlights the following changes:

- A decrease in revenues during the fiscal years 2010 and 2011 due to the prevailing economic conditions in the Corporation's markets, as well as to the delays attributable to clients in the progress of certain major contracts. It should be noted that according to the revenue and cost recognition method used by the Corporation, further described in Section "Significant Accounting Policies and Estimates" below, revenues recorded on a contract at the end of every period are computed according to the percentage of costs incurred attributable to that contract. Therefore, the factors mentioned previously had the effect of reducing the incurred costs and, consequently, the recorded revenues;
- A decrease in net earnings in 2011 compared with the two previous years, which is primarily explained by a decrease in the volume of business during the fiscal years 2010 and 2011, and by the recognition of a \$3.8 million foreign exchange gain during fiscal 2009, compared with foreign exchange gains of \$1.7 million in the 2010 fiscal year and of \$0.9 million in the 2011 fiscal year;
- A 5% increase in assets on January 31, 2011, compared with January 31, 2010, mainly due to the net increase in accounts receivable, as further commented in Section "Consolidated Balance Sheets". However, despite this increase in accounts receivable, total assets on January 31, 2011 were 6% lower than those of January 31, 2009, due to a higher cash position and higher future income tax assets in 2009 than in 2011; and
- A relatively stable position in long-term liabilities, notably reflecting the additional financing of US\$4.2 million acquired during the first quarter ended April 30, 2010.

The strong Canadian dollar in recent years had an effect on the balance of total assets during the three fiscal years, since the CA\$/US\$ exchange rate went from \$1.2265 on January 31, 2009 to \$1.0693 on January 31, 2010 and finally to \$1.0015 on January 31, 2011. These variations reduced the balance of accounts denominated in U.S. dollars, mainly in long-term liabilities, inasmuch the majority of the long-term debt is denominated in U.S. dollars.

### **SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

The summary of ADF's significant accounting policies is described in Note 2 "Significant Accounting Policies" of the notes to consolidated financial statements for the fiscal year ended January 31, 2011.

#### **Revenue and Cost Recognition**

ADF uses the percentage-of-completion method to establish the revenues and costs recorded for every contract and for every given financial period. This method requires Management to make estimates with regard to the work completed, and the costs to complete the remainder of the work in order to determine the amount of revenues and profits to be recognized at the end of every period. Under this method, the profits recognized are dependent on a variety of estimates, including the progress of the engineering work, quantities of material, achievement of

certain contractual milestones, costs to complete, changes made by the professionals hired by the project's owner, site conditions and other situations having an impact on costs. These estimates depend on Management's judgment with respect to these factors at a specific date, and certain estimates are difficult to determine before the project is sufficiently advanced.

Considering the complexity of the estimation process, even with the best business practices, projected costs can vary from the estimates. The revision of such estimates could reduce or increase the profit on a contract and also, under certain circumstances, result in the immediate recognition of estimated losses. Furthermore, in the normal course of business, changes to contracts often occur while they are in progress. The revenues relating to those contract changes are included in the total estimated revenues up to the anticipated costs when there is a verbal agreement with the client. Consequently, the profits generated on these contract changes are recognized only upon their written approval.

In certain cases, however, the costs are incurred and recognized before a settlement is finalized and recorded. This situation often leads to the recognition of losses when the costs are incurred before an agreement is reached with the client, while the profits are recognized when the negotiated agreement is signed and posted to the Corporation's books.

In brief, Management would like to point out that the mechanisms related to the percentage-of-completion method can cause fluctuations in the recognition of revenues and costs from one quarter to another with regard to the contracts underway. Consequently, while the Corporation tends to realize its profitability objective on its overall order backlog and the full project execution term, gross margin can vary from quarter to quarter based on the specific mix of revenues and costs recorded on all projects for every given period.

**Measurement Uncertainty**

The preparation of financial statements in accordance with GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the fiscal year. Therefore, because financial reporting presupposes the use of estimates, actual results could differ from those estimates. As indicated hereinabove, the valuation of work in progress and deferred revenues requires Management to estimate the percentage of completion, cost of completion and anticipated gross margin. The valuation of long-term assets and related impairment, options, taxes, provisions and contingencies, also requires estimates.

**ADDITIONAL INFORMATION AND ANALYSIS OF OPERATING RESULTS FOR THE FISCAL YEAR ENDED JANUARY 31, 2011**

**Business Continuity**

During the 12 months of operation, that is, between February 1, 2010 and January 31, 2011, the Corporation pursued its activities consisting of the connection design and engineering, fabrication and installation of complex steel structures and heavy steel built-ups, mainly in the United States and Canada.

**Revenues and Gross Margin**

<b>Fiscal years ended January 31,</b>	<b>2011</b>	<b>2010</b>	<b>Changes 2011/2010</b>	
(In thousands of \$, except %)	\$	\$	\$	%
<b>Revenues</b>	<b>55,268</b>	65,740	(10,472)	(15.9)
<b>Cost of goods sold</b>	<b>38,196</b>	47,087	(8,891)	(18.9)
<b>Gross margin</b>	<b>17,072</b>	18,653	(1,581)	(8.5)
— As a % of revenues	<b>30.9%</b>	28.4%	—	2.5%

▪ **Revenues**

The decrease in revenues during the fiscal year ended January 31, 2011, compared with the fiscal year ended January 31, 2010, is explained by the different revenue mix recorded under the contracts carried out during the comparable periods, as well as the delays incurred by our clients in the course of certain ongoing major contracts. Consequently, these factors reduced the costs incurred under the contracts, which are used as a basis for the computation of revenues recognized to the Corporation's books at the end of every period. Thus, during the 2011 fiscal year, the costs related to the contracts decreased by 19% compared with the 2010 fiscal year. Given the mix of orders in hand, Management expects a relatively stable level of its revenues in the next quarters.

In terms of economic dependency, almost all of the Corporation's revenues during the year ended January 31, 2011, were realized with two clients, one of which having accounted for more than 10% of revenues. Although the Corporation attempts 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.

▪ **Gross Margin**

The gross margin decline in dollar value during the 2011 fiscal year, compared with the 2010 fiscal year, is, for the most part, explained by the revenue decrease aforementioned. However, as a percentage of revenues, the gross margin was higher than the previous fiscal year, notably due to the different product mix, the efforts towards the optimization and the integration of new equipment acquired in recent years.

Increases or decreases in the price of the raw material (mainly steel) do not generally have a material impact on the gross margin since in some of the contracts in hand, the clients supply the steel to be transformed by ADF, whereas protection clauses with regard to price changes are usually included in contracts where ADF supplies the steel. In addition, the natural hedge attributable to the purchase of raw material (steel) in U.S. dollars mitigates the impact of the exchange rate.

#### ***Selling and Administrative Expenses***

<b>Fiscal years ended January 31,</b>	<b>2011</b>	<b>2010</b>	<b>Changes 2011/2010</b>	
(In thousands of \$, except %)	\$	\$	\$	%
<b>Selling and administrative expenses</b>	<b>6,201</b>	4,493	1,708	38.0
— As a % of revenues	<b>11.2%</b>	6.8%	—	4.4%

The increase in selling and administrative expenses during the 2011 fiscal year compared with the 2010 fiscal year is, for the most part, explained by the increase in professional fees and the reversal of certain expenses in the 2010 fiscal year. The increase in selling and administrative expenses, as a percentage of revenues, is explained by the fact that a large part of these expenses is fixed in relation to the decrease in revenues previously described.

#### ***Amortization***

<b>Fiscal years ended January 31,</b>	<b>2011</b>	<b>2010</b>	<b>Changes 2011/2010</b>	
(In thousands of \$, except %)	\$	\$	\$	%
<b>Amortization</b>	<b>3,360</b>	3,057	303	9.9
— As a % of revenues	<b>6.1%</b>	4.7%	—	1.4%

The increase in amortization during the 2011 fiscal year compared with the 2010 fiscal year is mainly explained by the commissioning of all the new production equipment acquired during the last two fiscal years, and the intangible assets developed in-house. In addition, and as described in Note 2 to the consolidated financial statements dated January 31, 2011 ("Significant Accounting Policies"), the Corporation changed the useful life of some property, plant and equipment and intangible assets, to better reflect their degree of use, which had the effect of increasing the amortization expense by \$0.2 million during the 2011 fiscal year.

#### ***Finance Charges (Interest Income)***

<b>Fiscal years ended January 31,</b>	<b>2011</b>	<b>2010</b>	<b>Changes 2011/2010</b>	
(In thousands of \$, except %)	\$	\$	\$	%
<b>Finance charges (interest income)</b>	<b>99</b>	(489)	588	120.2
— As a % of revenues	<b>0.2%</b>	(0.7)%	—	0.9%

Finance charges increased during the 2011 fiscal year compared with the 2010 fiscal year, due, for the most part, to the decrease in investments, a lower fair market value of certain investments and the recognition of the fair value of the interest-rate swap, as well as to the increase in long-term debt following the additional financing obtained in the beginning of the fiscal year (see Section "Consolidated Balance Sheets").

This interest-rate swap, covering 25% of the balance of the principal debt, came into effect on May 1, 2010. This financial instrument allows the Corporation to partially protect itself against fluctuations in interest rates. This derivative financial instrument is classified as held for trading and measured at its fair value at the end of every quarter; since it is not designated as part of an effective hedging relationship, hedge accounting is not applied.

Taking into account the interest-rate swap, 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, as long as the Corporation's cash and cash equivalents, including short-term investments, exceed the long-term debt, as is currently the case, the adverse impact of a possible increase in interest rates on the debt service will be partially offset by the favourable impact of such an increase on the Corporation's interest income.

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

<b>Fiscal years ended January 31,</b>	<b>2011</b>	<b>2010</b>	<b>Changes 2011/2010</b>	
(In thousands of \$, except %)	\$	\$	\$	%
<b>(Gain) loss on foreign exchange</b>	<b>(875)</b>	(1,680)	805	47.9
— As a % of revenues	<b>(1.6)%</b>	(2.6)%	—	1.0%

The gain on foreign exchange recorded in the 2011 fiscal year includes a \$0.3 million exchange gain on ongoing operations and a \$2.2 million realized and unrealized exchange gain on matured forward foreign exchange contracts, net of a \$1.6 million exchange loss on the translation of foreign subsidiaries.

On January 31, 2011, the unmatured forwards foreign exchange contracts amounting to US\$16.5 million, posted a favourable fair value position of \$0.7 million, representing an average rate of CA\$1.0502 for US\$1.0000, compared with a favourable fair value position of \$0.8 million on January 31, 2010, on forward foreign exchange contracts of US\$17 million, which were unmatured at that date.

As in preceding years, the Corporation has continued with its hedge policy. As previously mentioned these derivative financial instruments are classified as held for trading and measured at their fair value at the end of every quarter; since they are not designated as part of an effective hedging relationship, hedge accounting is not applied.

The Corporation's principal foreign exchange risk lies in the fact that its revenues are mainly denominated in U.S. dollars while its costs, other than raw material (steel), are mostly denominated in Canadian dollars.

As shown in the following table, taking into account these forward foreign exchange contracts of US\$16.5 million and the US\$30.7 million net change position between the assets and liabilities denominated in U.S. dollars, ADF had a net foreign exchange position of US\$14.2 million on January 31, 2011.

As at January 31, 2011, assets and liabilities denominated in U.S. dollars included the following amounts:

(In thousands of \$)	US\$	CA\$
Cash and cash equivalents	12,868	12,888
Accounts receivable	22,118	22,151
Holdbacks on contracts receivable	3,723	3,728
Work in progress	402	403
Future income tax assets	6,764	6,774
	45,875	45,944
Accounts payable and accrued charges	(1,528)	(1,530)
Deferred revenues	(5,111)	(5,119)
Long-term debt	(8,355)	(8,368)
Other liabilities	(228)	(228)
	(15,222)	(15,245)
Net currency risk related to balance sheet items	30,653	30,699
Forwards foreign exchange contracts	(16,500)	(17,328)
Net foreign exchange position	14,153	13,371

Thus, taking into account this net foreign exchange position, a 10% fluctuation in the exchange rate between the Canadian and U.S. dollars could result in a \$3.1 million variation in earnings before income taxes. However, this information does not take into account the impact of foreign exchange fluctuations on revenues and other miscellaneous expenses for a complete fiscal year.

#### Income Taxes

Fiscal years ended January 31,	2011	2010	Changes 2011/2010	
(In thousands of \$, except %)	\$	\$	\$	%
<b>Income taxes</b>	<b>4,544</b>	6,280	(1,736)	(27.6)
— As a % of revenues	<b>8.2%</b>	9.6%	—	(1.4)%

For the 2011 fiscal year, income tax expenses represent an effective tax rate of 54.8%, compared with 47.3% for the 2010 fiscal year. Most of the 2011 earnings were generated by foreign subsidiaries, which are subject to a higher tax rate than in Canada. Furthermore, a gap resulting from a non-deductible loss on the translation of integrated foreign subsidiaries also had an upward impact on the tax rate. However, the tax expense currently has no material impact on the Corporation's cash outflows. Given the available tax attributes, a \$0.4 million tax expense represented the sole outflow for the 2011 fiscal year.

It should be noted that a balance of \$9.9 million relating to tax attributes remained available as at January 31, 2011. This will have a favourable impact on the Corporation's future cash outflow, which will not have to pay future income taxes until the full amount of available tax attributes has been used 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.

**Net Earnings, Basic and Diluted Earnings per Share**

<b>Fiscal years ended January 31,</b>	<b>2011</b>	<b>2010</b>
(In thousands of \$, except per-share amounts and %)	\$	\$
Total net earnings	<b>3,743</b>	6,992
— As a % of revenues	<b>6.8%</b>	10.6%
Total basic earnings per share	<b>0.11</b>	0.20
Total diluted earnings per share	<b>0.11</b>	0.19

The reduction in net earnings during the 2011 fiscal year compared with the 2010 fiscal year is attributable to the principal facts previously mentioned in this section.

**COMMENTS ON QUARTERLY RESULTS****Results for the Last Eight Quarters**

Trends observed in the analysis of quarterly results do not necessarily represent those of future results of the Corporation. ADF's fabrication activities are not, as such, subject to seasonal fluctuations. However, the non-residential construction market in which the Corporation is active goes through upward and downward cycles, as evidenced by the current global economy. Overall, quarterly fluctuations in the following indicators result mainly from the changes in the revenue mix and accrued costs within different projects and for every given period, together with the shift between the recognition of costs and revenues, where appropriate, that can arise given the revenues estimate based on the percentage-of-completion method.

<b>Fiscal years ended January 31,</b>	<b>2011</b>				<b>2010</b>			
	<b>Q1 (Apr. 30)</b>	<b>Q2 (Jul. 31)</b>	<b>Q3 (Oct. 31)</b>	<b>Q4 (Jan. 31)</b>	<b>Q1 (Apr. 30)</b>	<b>Q2 (Jul. 31)</b>	<b>Q3 (Oct. 31)</b>	<b>Q4 (Jan. 31)</b>
(In thousands of \$, except per-share amounts and %)	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	<b>13,641</b>	<b>12,967</b>	<b>13,687</b>	<b>14,973</b>	16,752	18,748	15,769	14,471
Gross margin <sup>1</sup>	<b>4,581</b>	<b>3,850</b>	<b>3,495</b>	<b>5,146</b>	5,384	4,586	3,932	4,751
— As a % of revenues	<b>34%</b>	<b>30%</b>	<b>26%</b>	<b>34%</b>	32%	24%	25%	33%
EBITDA <sup>2</sup>	<b>3,155</b>	<b>2,525</b>	<b>2,069</b>	<b>3,122</b>	4,080	3,581	3,276	3,223
— As a % of revenues	<b>23%</b>	<b>19%</b>	<b>15%</b>	<b>21%</b>	24%	19%	21%	22%
Earnings before income taxes	<b>2,759</b>	<b>1,560</b>	<b>1,718</b>	<b>2,250</b>	3,985	3,732	2,674	2,881
— As a % of revenues	<b>20%</b>	<b>12%</b>	<b>13%</b>	<b>15%</b>	24%	20%	17%	20%
Net earnings	<b>1,198</b>	<b>878</b>	<b>630</b>	<b>1,037</b>	2,240	1,845	1,380	1,527
— Basic per share	<b>0.03</b>	<b>0.03</b>	<b>0.02</b>	<b>0.03</b>	0.06	0.05	0.04	0.04
— Diluted per share	<b>0.03</b>	<b>0.03</b>	<b>0.02</b>	<b>0.03</b>	0.06	0.05	0.04	0.04

1. Gross margin, excluding foreign exchange variation.

2. See Section "Non- GAAP Measures" hereinabove, for the definition of EBITDA.

**Results for the Fourth Quarter Ended January 31, 2011**

Revenues for the quarter ended January 31, 2011, were slightly higher than those for the quarter ended on the same day a year earlier, despite the increase in the Canadian dollar in relation to the U.S. dollar.

In accordance with the favourable trend since the beginning of the 2011 fiscal year, the gross margin as a percentage of revenues reached 34% for the fourth quarter of the 2011 fiscal year, which is 1% greater than that for the same quarter of the previous year.

Net earnings for the fourth quarter ended January 31, 2011, were down by \$0.5 million compared with the same quarter in 2010, totalling \$1 million. This gap is mainly explained by a lower foreign exchange gain and a lower interest income during the quarter ended January 31, 2011 compared with previous year.

**CASH FLOWS AND FINANCIAL POSITION**

The Corporation has a sound financial position and is on a solid footing to address its financial needs. Taking into account its favourable cash and cash equivalent position, its available credit facility and the level of planned capital spending, the Corporation does not expect to face any liquidity risk in a foreseeable future. On January 31, 2011, 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 are sufficient to support the execution of its order backlog in hand on January 31, 2011, and to meet its financial commitments for the 2012 fiscal year.

Furthermore, the Corporation continually appraises the opportunities to use part of its liquidities to finance certain projects that could provide additional long-term competitive advantages and allow it to benefit from accelerated payments discounts negotiated with suppliers.

**Operating Activities**

In the past fiscal year, the Corporation generated cash flows from its operations and assigned cash flows as follows:

<b>Fiscal years ended January 31,</b>	<b>2011</b>	<b>2010</b>
(In thousands of \$)	\$	\$
Net earnings adjusted for non-monetary items	<b>11,767</b>	16,064
Changes in non-cash operating working capital items		
Accounts receivable	<b>(7,952)</b>	(3,685)
Short-term and long-term holdbacks on contracts	<b>260</b>	602
Income taxes	<b>601</b>	(668)
Investment tax credits	<b>—</b>	(96)
Work in progress	<b>1,171</b>	(946)
Inventories	<b>(772)</b>	178
Prepaid expenses	<b>(64)</b>	326
Accounts payable and accrued charges	<b>684</b>	(8,967)
Deferred revenues	<b>2,752</b>	(2,525)
	<b>(3,320)</b>	(15,781)
Cash flows from operating activities	<b>8,447</b>	283

The reduction in net earnings adjusted for non-monetary items in the amount of \$4.3 million (fiscal 2011 compared with fiscal 2010) stems from the decrease in net earnings and future taxes, net of the increase in amortization of property, plant and equipment and the change in the fair value of derivative financial instruments.

During the 2011 fiscal year, changes in non-cash operating capital items used cash flows of \$3.3 million due, for the most part, to a \$7.9 million increase in accounts receivable attributable to delays in the collection of certain contracts of a governmental nature. This increase was partially offset by the \$1.2 million decrease in work in progress and the \$2.7 million increase in deferred revenues due to the fabrication and billing schedules. During the 2010 fiscal year, the increase in accounts receivable combined with the reduction in accounts payable and accrued charges explained the outflow of \$15.8 million in cash flows from operating activities.

**Investing Activities**

The investment activities are summarized as follows:

<b>Fiscal years ended January 31,</b>	<b>2011</b>	<b>2010</b>
(In thousands of \$)	\$	\$
Disposal (acquisition) of short-term investments	<b>8,865</b>	(5,652)
Net acquisition of property, plant and equipment	<b>(2,302)</b>	(4,046)
Net acquisition of intangible assets	<b>(350)</b>	(588)
Other	<b>(4)</b>	(29)
Cash flows related to investing activities	<b>6,209</b>	(10,315)

During the 2011 fiscal year, the Corporation generated \$8.9 million from its short-term investments, while the net impact of the 2010 fiscal year resulted in an acquisition of \$5.7 million. Acquisitions of property, plant and equipment totalled \$2.3 million and were mostly for the fitting out of an existing fabrication bay, whereas the increase in intangible assets stems, for both fiscal years, from the implementation of production and financial software. During the 2010 fiscal year, the Corporation invested \$4 million to acquire production equipment. The Corporation estimates capital expenditures for fiscal 2012 at \$2 million.

**Financing Activities**

The Corporation's financing activities were as follows:

<b>Fiscal years ended January 31,</b>	<b>2011</b>	<b>2010</b>
(In thousands of \$)	\$	\$
Issuance of long-term debt	<b>4,370</b>	—
Repayment of long-term debt	<b>(2,333)</b>	(1,718)
Issuance of subordinate voting shares	<b>176</b>	87
Redemption of subordinate voting shares	<b>(3,736)</b>	(4,533)
Cash flows applied to financing activities	<b>(1,523)</b>	(6,164)

The Corporation issued 249,200 subordinate voting shares under its stock option plan (118,136 shares in 2010) for a total of \$176,000 (\$87,000 in 2010). Moreover, it redeemed 1,940,000 subordinate voting shares under a NCIB (1,850,000 shares in 2010) for a cash consideration of \$3.7 million in 2011 (\$4.5 million in 2010).

In order to finance the acquisition of equipment and complete the fitting out of some areas of its fabrication complex, the Corporation received an additional financing of US\$4.2 million (CA\$4.4 million) during the first quarter of the 2011 fiscal year. Conversely, it reimbursed \$2.3 million on its long-term debt in 2011 (\$1.7 million in 2010).

#### **Payment of Rent and Interest and Payment of Principal on Debt**

The Corporation pays interest on one of its four long-term loans. The interest rate on this loan was 2.25% as of January 31, 2011. Since March 1, 2008, the Corporation has been making monthly principal repayments of US\$0.2 million on one loan. However, following an agreement with its lender, this monthly repayment was suspended from September 1, 2009 to February 1, 2010 inclusively. Conversely, the principal repayments on the largest of the other loans, in the amount of \$31,000 bi-annually, began in May 2009. Other rent payments, in immaterial amounts, are described under Note 17 "Commitments" of the notes to consolidated financial statements accompanying this MD&A.

#### **Debt Covenants**

As of January 31, 2011, the Corporation respected all covenants with its lenders, and still did at the date hereof. Management expects it will continue to respect its commitments during fiscal 2012.

#### **Contractual Obligations**

Long-term debt:

(in thousands of \$)	\$
<b>Total</b>	<b>8,664</b>
— Less than one year	2,513
— 2 to 3 years	4,995
— 4 to 5 years	1,156

#### **Commitments Related to Letters of Credit as at January 31, 2011**

As at January 31, 2011, the Corporation contracted letters of credit of US\$0.5 million.

#### **Capital Stock and Stock Option Plan**

Information on the outstanding shares, including stock options:

(In thousands of \$, except number of shares and options)	Subordinate Voting Shares		Multiple Voting Shares <sup>1</sup>		Total Outstanding Shares		Stock Options <sup>2</sup>
	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	118,136	131	—	—	118,136	131	(118,136)
Granted	—	—	—	—	—	—	228,000
Share redemption	(1,850,000)	(5,465)	—	—	(1,850,000)	(5,465)	—
As at January 31, 2010	20,122,605	59,350	14,343,107	16,001	34,465,712	75,351	1,591,064
Issued on exercise of stock options	249,200	280	—	—	249,200	280	(249,200)
Granted	—	—	—	—	—	—	50,000
Cancelled	—	—	—	—	—	—	(10,000)
Share redemption	(1,940,000)	(5,681)	—	—	(1,940,000)	(5,681)	—
<b>As at January 31, 2011<sup>3</sup></b>	<b>18,431,805</b>	<b>53,949</b>	<b>14,343,107</b>	<b>16,001</b>	<b>32,774,912</b>	<b>69,950</b>	<b>1,381,864</b>

1. These shares carry 10 votes per share.

2. The weighted average exercise price of the current stock options is \$1.39 per unit.

3. No change occurred between February 1, 2011 and April 13, 2011.

On January 31, 2011, the Corporation had 32,774,912 shares outstanding (34,465,712 on January 31, 2010). During the 2011 fiscal year, the Corporation issued 249,200 subordinate voting shares at a weighted average price of \$1.12 per share, for a total consideration of \$0.3 million. All these shares were issued under the Corporation's stock option plan.

During the 2010 fiscal year, the Corporation also issued under its stock option plan, 118,136 subordinate voting shares at a weighted average price of \$1.11 per share for a total cash consideration of \$0.1 million.

On January 31, 2011, a total of 1,381,864 stock options were issued and outstanding. These options, which had a weighted average life of 5.38 years before maturity, had a weighted average exercise price of \$1.39 (see Note 13 of the consolidated financial statements).

### CONSOLIDATED BALANCE SHEETS

The following table presents a detailed explanation of the major changes that impacted the consolidated balance sheets between January 31, 2011 and January 31, 2010.

Section	Change	Explanatory Note
	(In millions of \$)	
Cash, Cash Equivalents and Short-Term Investments	4.0	For further information, see "Cash Flows and Financial Position" hereinabove in this MD&A.
Accounts Receivable	8.0	The increase is mainly attributable to the fact that most projects realized by ADF during the 2011 fiscal year were of a governmental nature, which tends to increase the collection period of contracts receivable. Since the second quarter of the 2011 fiscal year, the Corporation has collected \$29.6 million in contracts receivable. However, it is important to point out that these governmental contracts, by their nature, reduce the Corporation's collection risk.
Work in Progress	(1.2)	The change is explained by the gap between the degree of work completed and client billing.
Property, Plant and Equipment	(0.5)	The change is attributable to the acquisition of property, plant and equipment in the amount of \$2.5 million, including non-cash items of \$0.2 million, net of amortization of \$3 million.
Future Income Tax Assets (Short- and Long-Term)	(5.3)	The decrease stems from the use of tax loss carryovers.
Accounts Payable and Accrued Charges	0.7	The increase results mostly from the receipt of material and services toward the end of the fourth quarter of the 2011 fiscal year, which remained unpaid on January 31, 2011.
Deferred Revenues	2.8	The increase results from the gap between work in progress and client billing.
Long-Term Debt (including Current Portion)	1.6	The change is attributable to the \$4.3 million financing received in the first quarter of the 2011 fiscal year, and a new obligation under a capital lease (\$0.1 million), net of : — Monthly repayment on debts (\$2.3 million); and — Lower exchange rate for the U.S. dollar for the translation of U.S. dollar denominated debts (\$0.5 million).
Capital Stock	(5.4)	The change results from the issuance of subordinate voting shares under the Corporation's stock option plan (\$0.3 million), net of the book value of the subordinate voting shares redeemed under the NCIB (\$5.7 million).
Contributed Surplus	2.1	The increase stems mainly from the difference between the book value of the subordinate voting shares redeemed under the NCIB and the average market price at the time of redemption.

### ISSUES RELATING TO THE CURRENT ECONOMIC ENVIRONMENT

Although Management is witnessing a slight improvement of conditions in its principal markets, as attested to, notably, by the number of projects on which the Corporation is invited to bid, there is still some uncertainty about the economic context. In uncertain times, 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 could be forced to cease the work pursuant to the withdrawal 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, maintain at all times a positive cash flows for 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.

During the fiscal year ended January 31, 2011, the Corporation's results were negatively impacted by the economic slowdown. In addition, the strengthening of the Canadian dollar in relation to the U.S. dollar has exerted and will most probably continue to exert pressure on the Corporation's results. Management focuses its efforts on the productivity of its fabrication activities and its hedging strategy by means of forward foreign exchange contracts in order to mitigate the impact of currency fluctuations.

From a financing point of view, the Corporation has a solid balance sheet and currently respects all its financial covenants. It expects it will continue to do so during the next 12 months. Capital expenditures are subject to very close monitoring by Management. The Corporation does not anticipate any liquidity problems, in particular since its credit facility is issued by a Canadian chartered bank with a solid credit rating, and the Corporation's major clients are leaders in their respective fields. Based on the foregoing, the Corporation maintains its short-term prospects (see Section "Outlook" hereinafter), and does not currently foresee any short-term elements that could compromise its course of business.

That being said, and considering that the Corporation does not enjoy all the visibility from which it normally benefits in its markets, it will nonetheless continue to exercise caution and will closely monitor the situation (see Sections "External Factors to Which the Corporation's Performance is Exposed" and "Outlook" hereinafter).

#### RELATED-PARTY TRANSACTIONS

These transactions are measured at the exchange value, which is the consideration established and accepted by the related parties:

Company	Owners	Transactions with ADF Group	Fiscal years ended January 31,	
			2011 (In \$)	2010 (In \$)
Groupe JPMP Inc.	Directors	Three senior officers of ADF Group are compensated through this company for their work within the Corporation, as stipulated in their contracts of employment. (See Section 10 of the 2011 Management Information Circular.)	1,293,931	1,487,150

#### EXECUTIVE OFFICERS' AND DIRECTORS' COMPENSATION

Salaries and bonuses of the Corporation's executive officers are competitive and are generally placed between the first (1<sup>st</sup>) and second (2<sup>nd</sup>) quartile of a reference group made up of 15 Canadian companies operating in the same business segment as the Corporation, that is, the engineering and fabrication of construction products, and are similar to the Corporation in terms of size (sales figure or performance) and geographical position. Although larger in size, the Corporation's three major competitors have been included in the reference group since they belong to the same labour market for the studied positions. Regarding the compensation of external directors, their fees are deemed competitive, whereas their annual fees remain modest (below the first (1<sup>st</sup>) quartile) compared with the practices in effect within the said reference group. (See Sections 10 and 11 of the 2011 Management Information Circular for further details.)

#### EXTERNAL FACTORS TO WHICH THE CORPORATION'S PERFORMANCE IS EXPOSED

##### *Exchange Rate*

Exchange rate fluctuations between the Canadian and U.S. dollars have an impact on the Corporation's results. Thus, a \$0.9 million exchange gain was recorded for the fiscal year ended January 31, 2011, compared with a \$1.7 million exchange gain for the 2010 fiscal year.

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

- The conversion, in November 2007, of a significant portion of the long-term debt denominated in Canadian dollars (\$11.6 million) into U.S. dollars (US\$12.4 million). At the time of conversion, the rate used was CA\$0.9364 for US\$1.00. This measure was maintained following the increase in long-term debt in February 2010;
- When advantageous, the raw material (steel) and welding products required for fabrication are purchased in U.S. dollars; and
- Implementation of a foreign exchange policy to protect a portion of the net exchange risk between cash inflows and outflows denominated in U.S. dollars.

### ***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 at more than \$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 World Economy**

The uncertainty related to the global economy has a negative impact on the Corporation's business segment, particularly in North America, its primary market. At the date hereof, although the Corporation's order backlog will provide work for the next 12 to 15 months, the uncertainty 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 fiscal year ended January 31, 2011, the Corporation issued the necessary bid bonds and/or letters of credit to its business partners, required for bids, as well as in the scope of contractual commitments, or other financial instruments, 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 the technical risks assessment, legal review of contracts, application of tight cost controls and scheduling of projects, regular review of projects' revenues, costs and cash flows, and 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:

- Economic conditions could exert pressure on the profit margins achieved on new projects to be negotiated with clients and have an impact on the order backlog and award of new contracts;
- Contractual changes overlapping two periods, that is, for which costs would have been recognized but no revenues recorded during a given period and no final settlement concluded with the client at the end of that period, could have an impact on the Corporation's results and cash flows in the following period, subsequent to the signing of this agreement;
- An increase in the price of steel might be a risk, although it would be mitigated by the sale price adjustment clauses concluded with the clients and included in the contracts;
- Interest rate risk is also mitigated by the Corporation's low level of indebtedness, as well as its available liquidities generating interest income. In addition, since May 1, 2010, the Corporation has set up an interest-rate swap covering 25% of the balance of its principal loan to partially protect itself against risks of interest rate fluctuations;
- Competition in the Corporation's business segment;
- Economic dependency related to the concentration of its client base; the Corporation strives to mitigate this risk through its development strategy of broadening its geographic and sectoral markets;
- The assessment of custom duties or other protectionist measures by the United States, ADF's main market, on fabricated steel imports;
- Fluctuations in the exchange rate between the Canadian and U.S. dollars; however, this risk is mitigated in part by the foreign currency hedge policy adopted by the Corporation's Board of Directors; and
- The nature of the contracts in hand, and the fact that most are financed by governmental agencies, could affect upward the collection period of contracts receivable, although, credit risk is mitigated when contracts are financed by government agencies.

### **FINANCIAL INSTRUMENTS**

A significant number of the Corporation's balance sheet items include financial instruments. The Corporation's financial assets consist of cash, cash equivalents, short-term investments, accounts receivable, holdbacks on contracts receivable, equity investments, as well as derivative financial instruments, whose fair market value is positive. Financial liabilities include accounts payable and accrued charges, long-term debt and derivative financial instruments, whose fair market value is negative. The book value of these financial instruments does not significantly differ from the fair market value, either because of their forthcoming maturity date (in the case of cash, cash equivalents, short-term investments, accounts receivable, holdbacks on contracts receivable, accounts payable and accrued charges), or because the Corporation believed it could obtain similar conditions and schedules (in the case of the long-term debt). See Notes 2 "Significant Accounting Policies" and 23 "Financial Instruments" of the Corporation's financial statements as at January 31, 2011.

Since 2009, the CICA Handbook Section 3862 lists new requirements about disclosures of the data used to measure the fair values of financial instruments. An assessment based on (unadjusted) quoted prices in active markets for similar items was used for the Corporation's cash, cash equivalents, short-term investment, equity investments, interest-rate swap and forward foreign exchange contracts.

Derivative financial instruments are typically used to manage the Corporation's foreign exchange and interest rate risks. They are mostly comprised of forward foreign exchange contracts and an interest rate swap.

The Corporation is mostly exposed to the credit, liquidity and market risks, including exchange rate and interest-rate risks, when using financial instruments. A description of how the Corporation manages these risks is included hereinabove in this MD&A, as well as in Note 22 "Financial Risk Management" of the Corporation's financial statements as at January 31, 2011.

#### **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 effect.

The Corporation also applies the standards imposed by capital market regulatory authorities with regard, notably, to Multilateral Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings.

##### ***Disclosure Controls and Procedures***

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

##### ***Internal Control Over Financial Reporting***

The Chief Executive Officer and Chief Financial Officer have 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 GAAP. They have also evaluated the effectiveness of ADF Group's internal control over financial reporting and have concluded that such control is effective.

Since the last assessment at the end of the third quarter ended October 31, 2010, there has been no change in the Corporation's internal control over financial reporting that occurred during the fourth quarter ended January 31, 2011, that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control.

#### **DISCLOSURE AND INSIDER TRADING POLICIES**

In accordance with 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 any other material information, it enforces a blackout period for its directors and managers, as well as for its personnel who wish to trade on ADF Group'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, under the circumstances, be 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 buyback is subject to the same rules with regard to the blackout period.

#### **CHANGES IN ACCOUNTING ESTIMATES**

During the 2011 fiscal year, the Corporation revised the amortization method for certain property, plant and equipment and intangible assets, as well as their useful life to better reflect their use over time. These changes were applied prospectively beginning on May 1, 2010. The impact on the amortization expense during the fiscal year ended January 31, 2011 was as follows:

	Previous		Revised		Increase (Decrease) in Amortization Expense  (In thousands of \$)
	Method	Duration or %	Method	Duration	
<b>Property, Plant and Equipment</b>					
Buildings	Straight-line	5 to 40 years	Straight-line	15 to 110 years	219
Land improvements	Declining balance	20%	Straight-line	30 to 110 years	(25)
Equipments	Straight-line	5 to 25 years	Straight-line	3 to 25 years	5
Overhead cranes	Straight-line	5 to 25 years	Straight-line	5 to 25 years	2
Office furniture	Straight-line and declining balance	5 to 10 years and 20%	Straight-line	5 to 20 years	(11)
Rolling stock	Straight-line	5 to 10 years	Straight-line	5 to 30 years	—
Computer hardware	Straight-line and declining balance	5 to 11 years and 30%	Straight-line	5 to 12 years	32
					222
<b>Intangible Assets</b>					
Computer software	Straight-line and declining balance	5 to 15 years and 20% to 30%	Straight-line	5 to 15 years	(10)

#### FUTURE ACCOUNTING CHANGES

The Corporation will cease to prepare its consolidated financial statements in accordance with GAAP as set out in Part V of the Canadian Institute of Chartered Accountants ("CICA") Handbook – Accounting for the periods beginning on February 1, 2011, when it will start to apply International Financial Reporting Standards as published by the International Accounting Standards Board as set out in Part I of the CICA Handbook – Accounting as its primary basis of accounting. Consequently, future accounting changes to GAAP are not discussed in this MD&A as they will never be applied to the Corporation.

#### 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 replace GAAP and to start using IFRS. IFRS use a conceptual framework similar to GAAP, but there are significant differences in recognition, measurement and disclosures. In the first year of adoption, companies will be required to provide comparative information, as if the financial statements of the previous year had been prepared in accordance with IFRS, and to report supplemental information in the financial statements. The Corporation will start applying IFRS in its first quarter ending April 30, 2011.

As detailed in the Annual Report for the fiscal year ended January 31, 2010, the Corporation established a plan, which outlines the phases and timetables, for the translation of ADF Group's consolidated financial statements to IFRS. Moreover, the Corporation has set up and trained a team to conduct this transition. This team regularly reports on the progress of conversion to the Corporation's Audit Committee, whose objective is to approve the accounting policies choices recommended by the project team and ensure that adjustments are made with regard to information technology, contracts and internal control. The external auditors will review and comment the choices made by Management.

ADF Group's Audit Committee will ensure that Management fulfills its responsibilities and achieves a successful IFRS conversion. Project status is reported to the Audit Committee every quarter. In addition, ADF Group sometimes has recourse to the services of an external consulting firm for assistance with each phase of its conversion plan.

#### IFRS Conversion Plan Status

ADF Group's IFRS conversion plan is currently on schedule. The conversion plan includes three main phases:

1. Preliminary diagnostic and differences identification;
2. Analysis and design; and
3. Implementation and disclosures.

The Corporation has completed the first phase of the conversion plan and identified the major differences in accounting and disclosures between GAAP and IFRS. The second phase, which consists in a detailed review of the impacts of the identified differences and recommending accounting policy choices, is completed. The quantitative analysis is in its final stage as specified in the following table. In addition, a draft opening balance sheet and financial statements, prepared in accordance with IFRS at the transition date, that is, February 1, 2010, was completed and presented to the Audit Committee in the third quarter ended October 31, 2010.

#### — Major Differences Between IFRS and Current Accounting Standards

The following table provides a non-exhaustive summary of the changes required to the Corporation's current accounting standards. The intent is to highlight the most important differences at the date of transition to IFRS. In addition, publication of discussion documents, exposure drafts and new standards of the International Accounting Standards Board ("IASB") could change the preliminary findings.

Accounting Policies	Differences Between IFRS and GAAP		Preliminary Findings
	IFRS	GAAP	
<b>Property, plant and equipment</b>	<p>Following their initial recognition, the Corporation may use the cost model or the revaluation model to account for its property, plant and equipment.</p> <p>Property, plant and equipment items must be depreciated by component and each component must be depreciated over its useful life.</p>	<p>The revaluation model is not permitted.</p> <p>Component identification rules are less stringent.</p>	<p>To avoid changes in the fair value of property, plant and equipment in the balance sheet and the corresponding impacts on the statement of earnings and comprehensive income, the Corporation expects to continue using the cost model.</p> <p>Given the information collated up to now, this difference between GAAP and IFRS should not have a significant impact on the Corporation's financial statements.</p>
<b>Property, plant and equipment and intangible assets</b>	<p>Three depreciation methods are allowed under IFRS, namely the straight-line method, the declining balance method and the units of production method.</p> <p>IAS 16 is more explanatory with regard to which depreciation method should be used and that best reflects the expected consumption pattern.</p>	<p>The depreciation methods are basically the same under IFRS. They provide a rational and structured base for the allotment of the amortizable amount.</p>	<p>These differences will not have a significant impact.</p>
<b>Impairment of assets</b>	<p>IAS 36 "Impairment of Assets" uses a one-step approach to identify asset impairments, with asset carrying values being compared to the higher of value in use (determined using discounted future cash flows) or fair value less costs of sale. Moreover, according to this standard, previous impairment losses may be reversed under certain circumstances.</p>	<p>Requires a two-step approach for impairment tests. The first step consists in comparing the carrying values of assets and undiscounted future cash flows to assess whether there is an indication of impairment. The second step consists in measuring any impairment by comparing the carrying values of assets to their fair values.</p> <p>Under GAAP, previously recognized impairment values cannot be reversed.</p>	<p>This difference in methods might result in the impairment of assets for which the carrying values were previously supported by undiscounted cash flows under GAAP but which may not be on a discounted cash flow basis.</p> <p>The Corporation recorded such depreciation during fiscal 2004. In accordance with IFRS, since the facts and circumstances leading to this devaluation no longer exist at the date of transition, it is no longer required. Therefore, a favourable adjustment of \$0.7 million, net of taxes, will be recorded in the Corporation's shareholders' equity in the opening balance sheet as at February 1, 2010.</p> <p>This adjustment will also increase the amortization expense in future fiscal years, however not significantly.</p>
<b>Share-based payments</b>	<p>When stock option awards vest gradually, each tranche is to be considered as a separate award.</p>	<p>The gradually vested tranches could be considered as a single award.</p>	<p>The compensation expense will be recognized over the expected term of each vested tranche.</p> <p>A negative adjustment of \$0.4 million will be recorded in retained earnings in the February 1, 2010 opening balance sheet, which represents the additional cumulative expense, stemming from not applying the exemption allowed under IFRS 1. (See "Shared-Based Payments" in the next table.)</p> <p>The impact on the annual financial statements will not be significant.</p>

Accounting Policies	Differences Between IFRS and GAAP		Preliminary Findings
	IFRS	GAAP	
<b>Effects of changes in foreign exchange rates</b>	Under IFRS, the foreign operation cannot be classified as an integrated or self-sustaining foreign operation. The entity must measure its own functional currency and financial position and its results in that currency. The currency, which is determined by the primary economic environment in which the entity operates, must be assessed by taking into account three key indicators, two soft indicators and four complementary indicators should the entity be a foreign operation.	Under GAAP, the classification between an integrated and self-sustaining foreign operation is based on the professional judgment of the foreign operations' specific economic facts and circumstances.	<p>The functional currency of each entity included in ADF Group's financial statements was assessed using the indicators specified under IFRS.</p> <p>Following these analyses, the Corporation concluded that the functional currency of its U.S. operations was the U.S. dollar. This will have an impact on the conversion rates, which will be used to convert each entity's operations.</p> <p>In addition, in light of this change, the foreign exchange gains or losses resulting from the conversion of its U.S. operations will be accounted for in the Comprehensive Income Statement, rather than on the Income Statement itself.</p>

— **Main Exemptions Possible Under IFRS 1 "First-Time Adoption of International Financial Reporting Standards"**

IFRS 1 generally requires new adopters to apply IFRS retrospectively to all the periods reported in their first IFRS financial statements. As first adopters, ADF Group must apply IFRS 1, which however provides for a certain number of elective exemptions to full retrospective application that the Corporation is currently assessing. The major elective exemptions chosen are presented in the table below.

Elective Exemptions	Preliminary Findings
<b>Business combinations</b>	This exemption allows an entity not to restate retrospectively the business combinations that occurred before the IFRS transition date. ADF Group elected not to restate retrospectively business combinations that occurred before February 1, 2010.
<b>Share-based payments</b>	This exemption allows an entity not to restate all the share-based payments granted after November 7, 2002, but only those not vested at the date of transition. The Corporation elected not to apply this exemption and restated all of the shareholders' equity instruments granted. As previously mentioned, pursuant to this restatement, a negative adjustment of \$0.4 million will be recorded in shareholders' equity in the opening balance sheet as at February 1, 2010.
<b>Fair value as deemed cost</b>	On the transition date, IFRS 1 allows an entity to measure each property, plant and equipment item at fair value and designate this fair value as its deemed cost. An entity can also elect to keep the balances previously determined under GAAP and, if necessary, retroactively recalculate the original cost and amortization in accordance with the requirements of IAS 16 "Property, Plant and Equipment". ADF Group will continue to use the cost method for this property, plant and equipment, and not restate them at fair value under the allowable IFRS 1 exemptions, with the exception of land which will be measured at fair value at the transition date. This reappraisal will increase the land value by \$3.7 million, and will be reflected in shareholders' equity in the opening balance sheet, net of related taxes (\$0.6 million) on February 1, 2010.
<b>An agreement includes a lease agreement</b>	IFRS 1 allows an entity to determine whether or not an existing agreement, at the IFRS transition date, includes a lease agreement based on the facts and circumstances that prevailed at that date. If such agreement contains a lease agreement at the transition date, the Corporation will consider this agreement at that date, rather than retrospectively. This decision will have no monetary impact on Corporation's opening balances.
<b>Borrowing cost</b>	IFRS 1 allows an entity not to capitalize the borrowing costs on qualifying assets before the IFRS transition date. The borrowing costs are already capitalized based on the Corporation's current accounting policies, and consequently, this exemption will not be applied.

Elective Exemptions	Preliminary Findings
<b>Cumulative translation differences</b>	Retrospective application of IFRS would require the Corporation to determine the amount of cumulative translation differences in accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates", from the date at which a subsidiary or an entity subject to significant influence was formed or acquired. IFRS 1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS. ADF Group elected to reset to zero all translation gains and losses in the retained earnings opening balance at the transition date. The Corporation will complete the calculation's final impact by April 30, 2011.

#### — Impact on Information Systems and on Internal Controls Over Financial Reporting

As part of its IFRS conversion plan, ADF Group is also analyzing the contractual impacts of new accounting policy choices on its financing agreements and similar obligations. The impacts on information and disclosure systems, as well as internal controls were also reviewed, and the Corporation does not expect that any major changes will be required during the transition.

As at January 31, 2011, based on the Corporation's preliminary and non-exhaustive findings with regard to the major differences, as previously presented, which could have a certain impact on its consolidated financial statements resulting from the transition from GAAP to IFRS, the Corporation's Management believes that the potential effect will result in a positive impact of 4% on the Corporation's consolidated shareholders' equity as at February 1, 2010, and would have represented a favourable impact of slightly more than \$1 million on the Corporation's consolidated net earnings for the 2011 fiscal year. It should be noted that this favourable impact stems primarily from the foreign exchange loss, (see "Effects of Changes in Foreign Exchange Rates" in the table above) and that this amount varies according to the fluctuation in the exchange rate.

In addition, following the transition from GAAP to IFRS, the previously mentioned impacts could change in consequence of the amendments to the international standards currently being developed, or in accordance with new information or other internal or external factors, which could arise up until this transition is effectively completed, during the preparation of the financial statements for the year ending January 31, 2012.

#### ENVIRONMENT

ADF's operations are subject to various laws and regulations adopted by federal, provincial, state and local governments pertaining to environmental protection.

The Corporation's Terrebonne facilities were built on vacant land. The operations that could have a potential impact on the environment are welding, which generates smoke, and equipment maintenance, which generates waste oil. ADF has installed appropriate pollution control equipment in order to comply with the existing laws and regulations.

Waste oil is recuperated by specialized firms. The Corporation has the necessary environmental certificates of authorization for its fabrication plant and for all expansion phases subsequently carried out.

For the fiscal years ended January 31, 2011 and 2010, the requirements with regard to environmental protection did not have a significant financial or operational impact on the Corporation's capital expenditures, earnings and competitive position. The Corporation does not expect to incur any costs outside the normal course of business to comply with environmental requirements. Finally, the Corporation does not expect that the conversion to IFRS will change these findings.

#### HUMAN RESOURCES

As at January 31, 2011, the Corporation employed a total of 285 people in its offices, fabrication plant and construction sites in Florida.

#### OUTLOOK

ADF benefits from a solid financial position, as evidenced by the available cash surplus of nearly \$13 million (including cash, cash equivalents and short-term investments) over its long-term debt, including the current portion.

The solid financial performance and achievements over the past years are a direct result of ADF Group's niche positioning strategy, its operational excellence and its selective approach to projects, which are targeted according to their potential for differentiation and the generation of good profit margins and strong cash flows. This value creation strategy will continue to guide ADF Group's development over the long term. For the 2012 fiscal year, however, the Corporation will adapt its action plan to the current business environment, which will likely remain affected by the slow economic recovery and the scarcity of new projects in the Corporation's niches, especially in the United States. In this context, one of the Corporation's primary objectives for fiscal 2012 will be to grow its order backlog in order to sustain its future business volume. Hence, while concentrating on the optimal execution of its ongoing contracts and pursuing its development efforts in Western Canada, the Corporation will seek to increase its production capacity utilization rate by targeting high-volume projects. This approach could temporarily lower the average gross profit margin of the Corporation's contract portfolio (expressed as a percentage of revenues), which would be offset by the revenue growth and a better fixed cost absorption rate.

During fiscal 2012, ADF Group will maintain rigorous management of its operations to preserve the soundness of its balance sheet and thus position itself advantageously for the economic recovery in its targeted markets.

**ADDITIONAL INFORMATION**

Management's discussion and analysis of changes in financial position and operating results for the fiscal year ended January 31, 2011 has been approved by the Corporation's Board of Directors as of April 13, 2011.

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](http://www.adfgroup.com) and the SEDAR (System for Electronic Document Analysis and Retrieval) website at [www.sedar.com](http://www.sedar.com).

**Marise Paschini**

**Jean-François Boursier, CA**

*/ Signed /*

*/ Signed /*

Executive Vice-President, Treasurer  
and Corporate Secretary

Chief Financial Officer

Terrebonne, Quebec, Canada, April 13, 2011