

## ADF GROUP ANNOUNCES ITS RESULTS OF THE THIRD QUARTER ENDED OCTOBER 31, 2009

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### Highlights:

- > Net profit margin of 10.7% of revenues for the first nine months ended October 31, 2009.
  - > Earnings before interest, taxes, depreciation and amortization ("EBITDA") of 21% of revenues during the third quarter and for the nine-month period ended October 31, 2009.
  - > Order backlog totalling \$137 million as at October 31, 2009, compared with \$115 million at the same date last year, representing a 19% increase.
  - > Liquidities (consisting of cash, cash equivalents and short-term investments) of \$16.8 million as at October 31, 2009, exceeding by \$9.7 million its long-term debt including the current portion.
  - > Appointment of Me Robert Paré to ADF Group's Board of Directors.
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Terrebonne, Quebec, December 10, 2009

**ADF GROUP INC.** ("ADF" or the "Corporation") (TSX: DRX) closed its third quarter ended October 31, 2009 with revenues of \$15.8 million, compared with \$25.1 million during the same quarter last year. The revenue decrease is explained by the different contract execution and revenue mix, as well as by certain delays attributable to clients in the progress of certain major contracts. These delays should be recovered in the upcoming quarters, which should help grow ADF's revenues, due in part to the commencement, towards the end of the third quarter, of the \$77 million contract awarded last July in North America. For the nine-month period ended October 31, 2009, revenues totalled \$51.3 million, compared with \$74.3 million for the same period of 2008.

Third-quarter EBITDA amounted to \$3.3 million, accounting for 21% of revenues, compared with \$5.8 million or 23% of revenues during the third quarter of the previous fiscal year. For the first nine months of the current fiscal year, EBITDA totalled \$10.9 million or 21% of revenues, compared with \$17.8 million or 24% of revenues last year. These variations are attributable to a decline in revenues and the different mix of revenues and costs recognized in connection with contracts underway during these periods.

ADF Group closed the third quarter with net earnings of \$1.4 million or \$0.04 per share (basic and diluted), compared with \$6.5 million or \$0.18 per share (basic and diluted) for the same quarter last year. However, it should be noted that last year's third-quarter results included a \$3.9 million net foreign exchange gain, before taxes, compared with an immaterial foreign exchange gain this year, without which net earnings of the quarter ended October 31, 2008, would have amounted to approximately \$3.7 million. For the first nine months ended October 31, 2009, net earnings totalled \$5.5 million or \$0.15 per share (basic and diluted) compared with \$13.8 million or \$0.38 basic per share and \$0.37 diluted per share for the same period last year.

"At a time when we are witnessing an improvement in conditions in our principal markets, we are pleased to see that ADF Group weathered the worst of the economic recession while maintaining significant profitability, as reflected by a net profit margin of 10.7% of revenues for the first nine months", indicated **Mr. Jean Paschini**, Chairman of the Board and Chief Executive Officer.

As at October 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 \$16.8 million — exceeding by \$9.7 million its long-term debt including the current portion — and shareholders' equity of \$86.8 million.

### **Redemption of Subordinate Voting Shares in the Normal Course of Business ("NCIB")**

During the third quarter ended October 31, 2009, the Corporation redeemed 896,800 subordinate voting shares for a net consideration of \$2.2 million, representing an average price of \$2.49 per share. As at October 31, 2009, since the implementation of the NCIB program, the Corporation has redeemed 1,515,100 subordinate voting shares for a net consideration of \$3.7 million, representing an average price of \$2.43 per share.

## Outlook

"We look to the upcoming quarters with confidence. At as October 31, 2009, our order backlog totalled \$137 million, with an 18-month execution schedule, compared with \$115 million at the same date last year, representing a 19% increase. In addition, we have bid, or will bid, on projects worth a total of \$250 million, including a first project in the nuclear power plants segment" added Mr. Jean Paschini.

He also said that ADF is progressing as scheduled in seeking the qualification to comply with the nuclear system requirements in effect in America by the end of current fiscal year. Moreover, during the fourth quarter, ADF will complete the \$6 million investment program initiated last summer, in order to diversify the production methods at its industrial complex. ADF Group will thus be positioned even more solidly to take advantage of the next economic recovery.

## Appointment To The Corporation's Board Of Directors

Mr. Paschini announced today the appointment of Me Robert Paré as a member of ADF Group's Board of Directors, effective December 9, 2009. Recognized as one of Canada's most eminent lawyers in business law, Me Paré is Senior Partner of the law firm Fasken Martineau DuMoulin. On behalf of ADF Group, Mr. Paschini welcomes him and thanks him in advance for his contribution to our Corporation's future development.

## About ADF

ADF Group Inc. is a North American leader in the design, engineering, fabrication and selective installation in the non-residential construction industry of complex steel structures, heavy built-ups, as well as in miscellaneous and architectural metals. ADF is one of the few players in the industry capable of handling highly technically complex mega projects on fast-track schedules in the commercial, institutional, industrial and public sectors.

## Forward-Looking Information

This press release contains forward-looking statements reflecting ADF objectives and expectations. These statements are identified by the use of verbs such as "expect" as well as by the use of future or conditional tenses. By their very nature these types of statements involve risks and uncertainty. Consequently, reality may differ from ADF's expectations.

All amounts are in Canadian dollars.

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**CONFERENCE CALL WITH INVESTORS:  
TO DISCUSS ADF GROUP'S RESULTS  
FOR THE THIRD QUARTER AND FIRST NINE MONTHS  
ENDED OCTOBER 31, 2009**

**Thursday, December 10, 2009 at 10:00 am (Montreal time)**

To participate in the conference call, please dial **1-888-231-8191**.

To ensure you can participate, please dial a few minutes before the start of call.

For those unable to participate, a taped rebroadcast will be available from Thursday, December 10, 2009 at noon until 23:59 Thursday, December 17, 2009, by dialing **1-800-642-1687; access code 44248228**.

**The conference call will be simultaneously webcast at [www.adfgroup.com](http://www.adfgroup.com) and archived for 90 days.**

**Members of the media are invited to listen in.**

**CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME**

Periods ended October 31, (In thousands of \$, except per-share amounts)	Three (3) Months		Nine (9) Months	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Revenues</b>	<b>15,769</b>	25,104	<b>51,269</b>	74,257
Cost of goods sold	<b>11,837</b>	17,809	<b>37,367</b>	52,904
Gross margin	<b>3,932</b>	7,295	<b>13,902</b>	21,353
Selling and administrative expenses	<b>656</b>	1,519	<b>2,965</b>	3,596
Earnings before undernoted items:	<b>3,276</b>	5,776	<b>10,937</b>	17,757
Amortization				
Property, plant and equipment	<b>686</b>	535	<b>2,017</b>	1,718
Intangible assets	<b>84</b>	15	<b>238</b>	41
	<b>770</b>	550	<b>2,255</b>	1,759
Gain on foreign exchange	<b>(120)</b>	(3,944)	<b>(1,446)</b>	(4,585)
	<b>650</b>	(3,394)	<b>809</b>	(2,826)
Earnings before financial charges and income taxes	<b>2,626</b>	9,170	<b>10,128</b>	20,583
Financial charges				
Interest on long-term debt	<b>43</b>	130	<b>153</b>	369
Interest income	<b>(110)</b>	(81)	<b>(435)</b>	(213)
Other interest	<b>19</b>	29	<b>19</b>	101
	<b>(48)</b>	78	<b>(263)</b>	257
Earnings before income taxes	<b>2,674</b>	9,092	<b>10,391</b>	20,326
Income taxes				
Current	<b>108</b>	3	<b>283</b>	174
Future	<b>1,186</b>	2,571	<b>4,643</b>	6,350
	<b>1,294</b>	2,574	<b>4,926</b>	6,524
<b>Net earnings and comprehensive income</b>	<b>1,380</b>	6,518	<b>5,465</b>	13,802
<b>Basic earnings per share</b>	<b>0.04</b>	0.18	<b>0.15</b>	0.38
<b>Diluted earnings per share</b>	<b>0.04</b>	0.18	<b>0.15</b>	0.37
<b>Average number of outstanding shares</b> (in thousands)	<b>35,322</b>	36,171	<b>35,498</b>	36,141
<b>Average number of outstanding diluted shares</b> (in thousands)	<b>36,187</b>	37,097	<b>36,323</b>	37,267

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)**

Periods ended October 31, (In thousands of \$)	Three (3) Months		Nine (9) Months	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Retained earnings (deficit), beginning of the period</b>	<b>5,857</b>	(68,254)	<b>1,772</b>	(75,538)
Net earnings	<b>1,380</b>	6,518	<b>5,465</b>	13,802
<b>Retained earnings (deficit), end of the period</b>	<b>7,237</b>	(61,736)	<b>7,237</b>	(61,736)

**CONSOLIDATED STATEMENTS OF CONTRIBUTED SURPLUS**

Periods ended October 31, (In thousands of \$)	Three (3) Months		Nine (9) Months	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Contributed surplus, beginning of the period</b>	<b>2,653</b>	2,059	<b>2,175</b>	1,965
Stock-based compensation	<b>89</b>	62	<b>216</b>	173
Exercise of options and warrants	<b>(5)</b>	—	<b>(29)</b>	(17)
Excess of the book value over the acquisition cost of redeemed subordinate voting shares	<b>415</b>	—	<b>790</b>	—
<b>Contributed surplus, end of the period</b>	<b>3,152</b>	2,121	<b>3,152</b>	2,121

**CONSOLIDATED BALANCE SHEETS**

	At October 31, 2009	At January 31 2009 (Audited)
(In thousands of \$)	\$	\$
<b>ASSETS</b>		
Current		
Cash and cash equivalents	4,438	22,490
Short-term Investments	12,400	6,000
Accounts receivable	18,689	11,165
Holdbacks on contracts	3,294	3,462
Work in progress	1,282	628
Inventories	2,890	3,271
Prepaid expenses	622	660
Derivative financial instruments	1,781	—
Future income tax assets	6,854	6,666
	<b>52,250</b>	54,342
Holdbacks on long-term contracts	348	1,129
Property, plant and equipment	40,125	40,360
Intangible assets	2,727	2,402
Other assets	241	185
Future income tax assets	7,113	13,444
Investment tax credits	2,505	2,505
	<b>105,309</b>	114,367
<b>LIABILITIES</b>		
Current		
Accounts payable	2,527	5,170
Accrued charges	1,802	4,716
Salaries and fringe benefits payable	2,070	3,762
Deferred revenues	4,326	4,767
Income taxes	89	226
Derivative financial instruments	—	1,058
Current portion of long-term debt	2,450	3,018
	<b>13,264</b>	22,717
Long-term debt	4,726	6,827
Future income tax liabilities	492	47
	<b>18,482</b>	29,591
<b>Shareholders' equity</b>		
Retained earnings	7,237	1,772
Accumulated other comprehensive income	144	144
	<b>7,381</b>	1,916
Capital stock	76,294	80,685
Contributed surplus	3,152	2,175
	<b>86,827</b>	84,776
	<b>105,309</b>	114,367

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Periods ended October 31, (In thousands of \$)	Three (3) Months		Nine(9) Months	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net earnings	1,380	6,518	5,465	13,802
Adjustments for:				
Amortization of property, plant and equipment	686	535	2,017	1,718
Amortization of intangible assets	84	15	238	41
Loss (gain) on disposal of property, plant and equipment	—	1	—	(974)
Unrealized loss (gain) on derivative financial instruments	689	970	(2,839)	970
Non-cash exchange loss (gain)	2	(1,725)	1,178	(1,792)
Future income taxes	1,186	2,571	4,643	6,350
Interest capitalized on interest-free long-term debt	5	5	15	14
Stock-based compensation	89	62	216	173
Net earnings adjusted	4,121	8,952	10,933	20,302
Changes in non-cash operating working capital items				
Accounts receivable	(2,499)	(2,733)	(7,524)	(7,701)
Short-term and long-term holdbacks on contracts	135	(849)	949	(1,942)
Work in progress	127	(2,119)	(654)	(1,617)
Inventories	335	(357)	381	(655)
Income taxes	109	33	(137)	57
Prepaid expenses	311	268	38	(377)
Accounts payable, accrued charges, salaries and fringe benefits payable	(2,331)	223	(7,249)	4,649
Deferred revenues	(1,321)	(326)	(441)	2,420
	(5,134)	(5,860)	(14,637)	(5,166)
Cash flows from operating activities	(1,013)	3,092	(3,704)	15,136
<b>INVESTING ACTIVITIES</b>				
Acquisition of property, plant and equipment	(1,060)	(830)	(1,782)	(8,306)
Acquisition of intangible assets	(98)	(303)	(563)	(942)
Investment purchase	—	—	(6,400)	—
Decrease (increase) in other items	(60)	7	(56)	6
Cash flows applied to investing activities	(1,218)	(1,126)	(8,801)	(9,242)
<b>FINANCING ACTIVITIES</b>				
Redemption of shares	(2,234)	—	(3,687)	—
Repayment of long-term debt	(217)	(607)	(1,684)	(1,620)
Issuance of subordinate voting shares	10	2	57	49
Cash flows applied to financing activities	(2,441)	(605)	(5,314)	(1,571)
Impact of fluctuations in foreign exchange rate on cash	7	245	(233)	149
Net cash (outflows) inflows	(4,665)	1,606	(18,052)	4,472
Cash and cash equivalents, beginning of the period	9,103	10,552	22,490	7,686
<b>Cash and cash equivalents, end of the period</b> <sup>(1)</sup>	<b>4,438</b>	<b>12,158</b>	<b>4,438</b>	<b>12,158</b>
<b>Supplemental cash flow information</b>				
Income taxes paid	2	—	206	162
Interest paid (received)	6	58	(107)	262
Non-cash financing and investing activities:				
Property, plant and equipment given in exchange for new equipment	—	—	—	2,261

(1) At October 31, 2009, cash and cash equivalents were composed of \$4,416,000 in cash and \$22,000 in cash equivalents (\$4,398,000 in cash and \$7,760,000 in cash equivalents as at October 31, 2008.)

**SEGMENTED INFORMATION**

The Corporation operates in the non-residential construction sector, primarily in North America. 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.

Periods ended October 31,	Three (3) Months		Nine (9) Months	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Revenues</b>				
– Canada	1,413	2,506	9,106	5,560
– United States	14,356	22,598	42,163	68,697
	15,769	25,104	51,269	74,257

	As at October 31, 2009	As at January 31, 2009 (Audited)
	\$	\$
<b>Property, Plant and Equipment</b>		
– Canada	39,945	40,148
– United States	180	212
	40,125	40,360

During the first nine months ended October 31, 2009, 72% of the Corporation's revenues were recorded with four clients (75% with three clients during the same period in 2008), each of which accounted for more than 10% of revenues.