

Results for the Second Quarter July 31, 2010

## ADF Group maintained strong profit margins

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### Highlights:

- Revenues totalled \$13 million compared with \$18.7 million during the same quarter in 2009.
  - The Corporation maintained high profit margins, of which a gross margin of 30% and an EBITDA margin of 19%.
  - ADF closed the second quarter of the 2011 fiscal year with net earnings of \$0.9 million or \$0.03 per share (basic and diluted), compared with \$1.8 million or \$0.05 per share (basic and diluted) in the second quarter of 2009.
  - As at July 31, 2010, ADF had a current ratio of 4.15:1 and a \$5.5 million liquidities surplus over its long-term debt (including the current portion).
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### Terrebonne, Quebec, September 9, 2010

**ADF GROUP INC.** ("ADF" or the "Corporation") (ticker symbol: DRX/TSX) closed the second quarter of the 2011 fiscal year with revenues of \$13 million compared with \$18.7 million in the corresponding quarter of 2009. For the first six months, revenues totalled \$26.6 million, compared with \$35.5 million for the first half of the previous year.

The second-quarter gross margin stood at \$3.9 million or 30% of revenues, compared with \$4.6 million or 24% of revenues for the second quarter ended July 31, 2009. For the first six months, it stood at \$8.4 million or 32% of revenues, compared with \$10 million or 28% of revenues for the first half of the previous year. For the second quarter of the fiscal year, the EBITDA (earnings before interest, taxes, depreciation and amortization) margin remained high at 19% of revenues, similar to the corresponding quarter of the previous year. It stood at 21% for the first half ended July 31, 2010, compared with 22% for the corresponding period of the previous year.

ADF posted second-quarter net earnings of \$0.9 million or \$0.03 per share (basic and diluted), compared with \$1.8 million or \$0.05 per share (basic and diluted) for the second quarter of the previous year. For the first six months, net earnings amounted to \$2.1 million or \$0.06 per share (basic and diluted), down from \$4.1 million or \$0.11 per share (basic and diluted) for the first half of the previous year. Besides the decline in business volume, these lower results are attributable to the negative impact of the increase in the Canadian dollar, as well as the increase in certain costs including amortization and financial charges.

ADF Group closed the period in an excellent financial position, as notably attested to by its 4.15:1 current ratio, long-term debt to equity ratio of just 0.11:1 and its \$5.5 million liquidities surplus, including cash, cash equivalents and short-term investments, net of the long-term debt (including the current portion).

### **Order Backlog**

As at July 31, 2010, the order backlog stood at close to \$90 million, with an execution period extending over a period of 15 to 18 months considering the various contractual changes brought to our existing contracts over the past months.

### **Outlook**

"Although revenues and net earnings are down, we are proud that we were able to perform well and to thereby maintain strong profit margins on several of our contracts in progress. We remain focused on our profitability strategy as attested to by the gross margin (as a percentage of revenues) increases of 6% and 4% respectively for the second quarter and six-month period ended July 31, 2010, compared with the same periods the previous year. In addition, our financial solidity allows us to foresee the future enthusiastically and position us to seize growth opportunities when they arise" said **Jean Paschini**, Chairman of the Board and Chief Executive Officer.

The Corporation and a partner made an offer of \$1 million to acquire an industrial lot in Western Canada. This offer is conditional, notably, to a due diligence of the site and the making of agreements with the local governments satisfactory to the Corporation and its partner, within a 120-day period commencing July 21, 2010.

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

During the second quarter ended July 31, 2010, the Corporation redeemed 1,380,200 subordinate voting shares for a net consideration of \$2.6 million, representing an average price of \$1.91 per share.

### **About ADF Group Inc.**

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.

### **Non-GAAP Measures**

EBITDA is a financial measure not prescribed by Canadian generally accepted accounting principles ("GAAP") and is not likely to be comparable to similar measures presented by other issuers. Management, as well as investors, consider this to be useful information to assist them in assessing the Corporation's profitability and ability to generate funds to finance its operations.

All amounts are in Canadian dollars.

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**CONFERENCE CALL WITH INVESTORS  
TO DISCUSS ADF GROUP'S RESULTS  
FOR THE SECOND QUARTER ENDED JULY 31, 2010  
September 9, 2010 at 10:00 a.m. (Montreal time)**

To participate in the conference call, please dial **1-888-231-8191** a few minutes before the start of the call.

For those unable to participate, a taped rebroadcast will be available from Thursday, September 9, 2010 at 1:00 p.m. until midnight Wednesday, September 15, 2010, by dialing **1-800-642-1687**; **access code 92220862**

The conference call (audio) will also be available at [www.cnw.ca](http://www.cnw.ca).

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

**CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME**

	Three Months		Six Months	
Periods Ended July 31,	2010	2009	2010	2009
(In thousands of \$ except per-share amounts)	\$	\$	\$	\$
<b>Revenues</b>	<b>12,967</b>	18,748	<b>26,608</b>	35,500
Cost of goods sold	<b>9,117</b>	14,162	<b>18,177</b>	25,530
Gross margin before foreign exchange variation	<b>3,850</b>	4,586	<b>8,431</b>	9,970
(Gain) loss on foreign exchange	<b>99</b>	(765)	<b>(325)</b>	(1,326)
Gross margin	<b>3,751</b>	5,351	<b>8,756</b>	11,296
Selling and administrative expenses	<b>1,325</b>	1,005	<b>2,751</b>	2,309
Earnings before undernoted items:	<b>2,426</b>	4,346	<b>6,005</b>	8,987
Amortization				
Amortization of property, plant and equipment	<b>821</b>	667	<b>1,507</b>	1,331
Amortization of intangible assets	<b>81</b>	81	<b>165</b>	154
	<b>902</b>	748	<b>1,672</b>	1,485
Earnings before financial charges (interest income) and income taxes	<b>1,524</b>	3,598	<b>4,333</b>	7,502
Financial charges (interest income)				
Interest on long-term debt	<b>131</b>	50	<b>192</b>	110
Interest income	<b>(160)</b>	(166)	<b>(182)</b>	(325)
Other interest	<b>(7)</b>	(18)	<b>4</b>	—
	<b>(36)</b>	(134)	<b>14</b>	(215)
Earnings before income taxes	<b>1,560</b>	3,732	<b>4,319</b>	7,717
Income taxes				
Current	<b>60</b>	7	<b>181</b>	175
Future	<b>622</b>	1,880	<b>2,062</b>	3,457
	<b>682</b>	1,887	<b>2,243</b>	3,632
<b>Net earnings and comprehensive income</b>	<b>878</b>	1,845	<b>2,076</b>	4,085
<b>Basic earnings per share</b>	<b>0.03</b>	0.05	<b>0.06</b>	0.11
<b>Diluted earnings per share</b>	<b>0.03</b>	0.05	<b>0.06</b>	0.11
<b>Average number of outstanding shares</b> (in thousands)	<b>34,335</b>	36,013	<b>34,413</b>	36,002
<b>Average number of outstanding diluted shares</b> (in thousands)	<b>34,964</b>	36,868	<b>35,140</b>	36,801

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

	Three Months		Six Months	
Periods Ended July 31,	2010	2009	2010	2009
(In thousands of \$)	\$	\$	\$	\$
<b>Retained earnings, beginning of period</b>	<b>10,997</b>	5,047	<b>9,799</b>	2,807
Net earnings	878	1,845	<b>2,076</b>	4,085
<b>Retained earnings, end of period</b>	<b>11,875</b>	6,892	<b>11,875</b>	6,892

**CONSOLIDATED STATEMENTS OF CONTRIBUTED SURPLUS**

	Three Months		Six Months	
Periods Ended July 31,	2010	2009	2010	2009
(In thousands of \$)	\$	\$	\$	\$
<b>Contributed surplus, beginning of period</b>	<b>3,409</b>	2,373	<b>3,371</b>	2,175
Stock-based compensation	88	66	<b>188</b>	127
Exercise of options	—	(17)	<b>(94)</b>	(24)
Excess of the book value over the acquisition cost of redeemed subordinate voting shares	<b>1,406</b>	231	<b>1,438</b>	375
<b>Contributed surplus, end of period</b>	<b>4,903</b>	2,653	<b>4,903</b>	2,653

**CONSOLIDATED BALANCE SHEETS**

	At July 31, 2010	At January 31, 2010 (Audited)
(In thousands of \$)	\$	\$
<b>ASSETS</b>		
Current		
Cash and cash equivalents	7,960	5,770
Short-term investments	7,610	11,652
Accounts receivable	25,287	14,850
Income taxes	123	442
Holdbacks on contracts	583	2,692
Investment tax credits	536	536
Work in progress	847	1,574
Inventories	3,679	3,093
Prepaid expenses	885	334
Derivative financial instruments	569	832
Future income tax assets	3,630	3,182
	51,709	44,957
Holdbacks on long-term contracts	2,107	1,297
Investment tax credits	2,065	2,065
Property, plant and equipment	43,458	42,760
Intangible assets	2,625	2,590
Other assets	243	247
Future income tax assets	6,721	9,452
	108,928	103,368
<b>LIABILITIES</b>		
Current		
Accounts payable	3,977	1,955
Accrued charges	1,118	994
Salaries and fringe benefits payable	1,056	1,732
Deferred revenues	3,701	2,242
Derivative financial instruments	59	—
Current portion of long-term debt	2,537	2,422
	12,448	9,345
Long-term debt	7,485	4,645
Future income tax liabilities	688	713
	20,621	14,703
<b>Shareholders' equity</b>		
Retained earnings	11,875	9,799
Accumulated other comprehensive income	144	144
	12,019	9,943
Capital stock	71,385	75,351
Contributed surplus	4,903	3,371
	88,307	88,665
	108,928	103,368

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Periods Ended July 31,	Three Months		Six Months	
	2010	2009	2010	2009
(In thousands of \$)	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net earnings	878	1,845	2,076	4,085
Adjustments for:				
Amortization of property, plant and equipment	821	667	1,507	1,331
Amortization of intangible assets	81	81	165	154
Gain on disposal of property, plant and equipment	—	—	(52)	—
Change in the fair value of derivative financial instruments	701	(2,345)	322	(3,528)
Non-cash exchange loss (gain)	150	973	(23)	1,911
Interest capitalized on long-term debt	4	5	8	10
Stock-based compensation	88	66	188	127
Future income taxes	622	1,880	2,062	3,457
Net earnings adjusted for non-monetary items	3,345	3,172	6,253	7,547
Changes in non-cash operating items				
Accounts receivable	(5,735)	299	(10,437)	(5,025)
Short-term and long-term holdbacks on contracts	(328)	181	1,299	814
Income taxes	(20)	(213)	319	(246)
Work in progress	859	161	727	(781)
Inventories	(191)	23	(586)	46
Prepaid expenses	(362)	(613)	(551)	(273)
Accounts payable, accrued charges, salaries and fringe benefits payable	334	(1,508)	1,470	(4,918)
Deferred revenues	2,019	(281)	1,459	880
	(3,424)	(1,951)	(6,300)	(9,503)
	(79)	1,221	(47)	(1,956)
<b>INVESTING ACTIVITIES</b>				
Disposal (acquisition) of short-term investments	3,952	(7,000)	4,042	(6,400)
Acquisition of property, plant and equipment	(504)	(332)	(2,153)	(722)
Acquisition of intangible assets	(81)	(127)	(200)	(465)
Decrease in other assets	1	4	4	4
	3,368	(7,455)	1,693	(7,583)
<b>FINANCING ACTIVITIES</b>				
Issuances of subordinate voting shares	2	30	164	47
Issuance of long-term debt	—	—	4,370	—
Repayment of long-term debt	(656)	(703)	(1,067)	(1,467)
Redemption of subordinate voting shares	(2,636)	(1,087)	(2,786)	(1,453)
	(3,290)	(1,760)	681	(2,873)
Impact of fluctuations in foreign exchange rate on cash	59	(255)	(137)	(975)
Net cash inflows (outflows)	58	(8,249)	2,190	(13,387)
Cash and cash equivalents, beginning of period	7,902	17,352	5,770	22,490
<b>Cash and cash equivalents, end of period</b> <sup>1</sup>	<b>7,960</b>	<b>9,103</b>	<b>7,960</b>	<b>9,103</b>
<b>Supplemental cash flow information</b>				
Income taxes paid	—	—	191	204
Interest received	4	95	37	113
Non-cash financing and investing activities:				
Property, plant and equipment given in exchange for new equipment	—	—	139	—

1. At July 31, 2010, cash and cash equivalents were composed of \$7,960,000 in cash (\$9,032,000 in cash and \$71,000 in cash equivalents as at July 31, 2009.)

**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.

	Three Months		Six Months	
Periods Ended July 31,	2010	2009	2010	2009
(In thousands of \$)	\$	\$	\$	\$
<b>Revenues</b>				
– Canada	123	3,752	563	7,693
– United States	12,844	14,996	26,045	27,807
	<b>12,967</b>	18,748	<b>26,608</b>	35,500

	As at July 31, 2010	As at January 31, 2010 (Audited)
(In thousands of \$)	\$	\$
<b>Property, plant and equipment</b>		
– Canada	43,345	42,620
– United States	113	140
	<b>43,458</b>	42,760

During the six-month period ended July 31, 2010, 90% of the Corporation's revenues were recorded with one client (76% with four clients during the same period in 2009 each of which accounted for more than 10% of revenues.). However, revenues were recorded on five distinct projects.