ADF Group Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND OPERATING RESULTS

Fiscal Year Ended January 31, 2016

60 Years 1956 - 2016

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1. GENERAL

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", "ADF Group" or "the Corporation") between January 31, 2015 and January 31, 2016. It also compares the operating results and cash flows for the fiscal year ended January 31, 2016 to those of the previous year. This MD&A covers all major events that occurred during the 2016 fiscal year and between February 1, 2016 and April 13, 2016, on which date ADF Group Inc.'s Board of Directors approved the consolidated financial statements, as well as the MD&A for the fiscal year ended January 31, 2016.

This analysis should be read in conjunction with the Corporation's audited consolidated financial statements and the notes thereto for the fiscal year ended January 31, 2016. The consolidated financial statements and the comparative information have been prepared in accordance with the International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies applied by the Corporation in accordance with IFRS are presented in Note 2 to the consolidated financial statements for the fiscal year ended January 31, 2016.

The Corporation reports its results in Canadian dollars. All amounts in this MD&A are expressed in Canadian dollars, except where otherwise indicated.

2. FORWARD-LOOKING STATEMENTS

In order to provide shareholders and potential investors with additional 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; potential shortfall of qualified personnel or managers; 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 26 "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.

The expectations expressed by the forward-looking statements are based on information available to the Corporation on the date such statements were made. However, 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 to above. Unless otherwise required by applicable securities legislation, 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.

3. OVERVIEW

From a blacksmith shop founded in 1956, ADF Group has become over the years a North American leader in the design and engineering of connections, fabrication, including industrial coating, and installation of complex steel structures, 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 industry: office towers and high-rises, commercial and recreational buildings, airport facilities, industrial complexes and transport infrastructures. The Corporation uses the latest technologies in its industry and operates two state-of-the-art fabrication plants and two cutting-edge paint shops. ADF Group's complex located in Canada houses the Corporation's head office, the 58,530-square-metre (630,000-square-foot) fabrication plant, which includes the 3,900 square-meter (42,000 square feet) paint shop. ADF's complex in the United-States is home to the 9,290-square-metre (100,000 square feet) fabrication plant, the 60-acre pre-assembly yard and the 4,460-square-meter (48,000 square feet) paint shop built next to the fabrication plant.

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, and projects subject to fast-track schedules. ADF Group's commitment to deliver every project in accordance with the industry's highest quality standards constitutes a core aspect of the Corporation's mission.

4. COMMERCIAL POSITIONING

ADF Group serves a diversified client base in the non-residential construction market in Canada and the United States:

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

5. MARKET TRENDS

The non-residential construction industry 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, including the 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 uses 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.

Generally, there are more complex steel structure projects in the United States than in Canada, which can result in a certain dependence of the Corporation on the U.S. market.

Globally, the markets in which the Corporation is active performed well last year. The trends observed during the fiscal year ended January 31, 2016, will continue to be positive for ADF, although differently from one region to another.

On the Canadian side, the general situation is a bit more mixed. Discussions have begun between the provinces and the Federal Government with respect to its election promise to inject an additional $60 billion in infrastructure over the next decade, including $20 billion over the next four years. While this promise created optimism in Canada, it is still too early to speculate whether there will be opportunities for ADF depending on the nature of the projects that the government will put forward in the short term.

As for the US market, several indicators allow us to be optimistic. The American Architectural Billings Index (ABI) closed the year of 2015 on an upward trend. This index, which is a taste of upcoming projects, recorded interesting increases in the US Midwest and Southwest markets; regions where ADF has either an historical presence or is currently developing one. The number of new residential constructions is also on the rise in the United States. Although this particular market has no direct impact on our activities, it has always been a catalyst for the rest of the economy. Finally, we see several American states taking measures to allocate budgets for major infrastructure programs. It should be pointed out that by having a complex in Montana it provides ADF access to publicly-funded infrastructure projects in the United States.

ADF Management team is encouraged by these trends. Many major projects are currently being discussed and although some questions remain unanswered, the general trends observed in our markets are on the rise and allow us to look forward to the 2017 fiscal year, with optimism.

6. SIGNIFICANT EVENTS OF THE FISCAL YEAR

The following main events marked the fiscal year ended January 31, 2016:

— On April 8, 2015, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share, payable on May 15, 2015 to shareholders of record as at April 30, 2015.

— On April 9, 2015, the Corporation announced having concluded a series of commercial agreements totalling more than $46.0 million. These new orders were won on the US East coast and extended to the spring of 2016.

— On April 14, 2015, ADF announced that it had entered into agreements with Mr. Jean Paschini, Mr. Pierre Paschini and Ms. Marise Paschini for the repurchase of 750,000 subordinate voting shares at a price of $2.40 per share, for a total consideration of $1.8 million. The repurchased shares were issued upon the exercise of stock options that were granted in April 2005, and that would have expired in April 2015. Following these transactions, the number of subordinate voting shares of the Corporation held directly or indirectly by Jean Paschini, Pierre Paschini and Marise Paschini remained unchanged.

— On May 8, 2015, the Corporation announced that Mr. Marc A. Benoît and Mr. Marc Filion, would not stand for re-election to the Corporation's Board of Directors at the Shareholders meeting in June 2015, and they have tendered their resignation as members of the Board of Directors effective May 1st, 2015. The Corporation also announced the appointment of Ms. Michèle Desjardins and Mr. Frank Di Tomaso, as independent members of the Corporation's Board of Directors, effective May 1st, 2015.

— On September 10, 2015, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share, that was paid on October 15, 2015, to shareholders of record as at September 30, 2015.

— On November 2, 2015, ADF Group announced the award of several commercial agreements with existing and new clients, totalling $49 million. All these new orders were for the most part awarded in the U.S. East Coast and Quebec, and are part of different new construction projects for commercial and industrial buildings, and transport infrastructure projects. The new contracts mostly involve fabrication work, including the shop drawings and the supply of material (steel), and the installation of various steel structures, including heavy steel built-up components. In addition, a number of these contracts also include special surface treatment.

  On that same day, the Corporation also announced having received the approval of its Board of Directors and the permit from *Ministère du Développement durable, Environnement et Lutte contre les changements climatiques du Québec*, to start construction on the new 3,900 square-meter (42,000 square feet) paint shop at its own Terrebonne complex.

— On November 20, 2015, the Corporation closed the purchase of a property (land and building), in Florida, USA, where it will move its US installation operations and sales office. This acquisition provides the Corporation with larger facilities for the storage of its installation equipment used to erect steel structures. The cost of this transaction is US$1.3 million and is financed through the Corporation's liquidities. On the other hand, the property owned by the Corporation which previously housed its sales office and warehouse has been sold on December 1st, 2015 for the total sum of US$1.1 million.

7. SIGNIFICANT EVENTS THAT HAVE OCCURRED SINCE JANUARY 31, 2016

On February 22, 2016, the Corporation draw the second tranche of $5.0 million of the new loan received during the third quarter of the 2016 fiscal year. The Corporation obtained a long-term loan, which could reach $20.0 million from a government corporation, to finance, among others, its working capital. The first $5.0 million tranche was received at the issuance of the loan in August 2015, whereas the final tranche of $10.0 million will be issued, when appropriate, at the Corporation's request, under certain conditions.

On March 30, 2016, the Corporation announced the award of a series of commercial agreements, totalling in excess of $43 million. These new orders were mostly awarded in Quebec and in the U.S. East Coast. These new orders mainly consist in the fabrication work, which includes the shop drawings and the supply of the raw material (steel), as well as the application of special industrial coatings and installation of various steel structures and heavy steel built-up components for industrial and commercial buildings and transport infrastructure projects, including the new Champlain Bridge project in Montreal. These new projects will extend until July 2017.

8. 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 monthly rates (considered a reasonable approximation to actual rates at the date of transactions) are used to translate revenues (except for foreign exchange forward contracts) and expenses for the periods mentioned, while closing rates translate assets and liabilities.

During the fiscal year ended January 31, 2016, as well as during the previous fiscal year, the Corporation used the following exchange rates between the Canadian and U.S. dollars:

	Statements of Income and Comprehensive Income				**Statements of Financial Position**	
	Quarterly		*Cumulative*			
($ CA/$ US)	**2016**	2015	**2016**	2015	**2016**	2015
First quarter (April 30)	**1.2482**	1.1051	**1.2482**	1.1051	**1.2064**	1.0960
Second quarter (July 31)	**1.2478**	1.0817	**1.2480**	1.0932	**1.3080**	1.0904
Third quarter (October 31)	**1.3160**	1.1055	**1.2707**	1.0973	**1.3075**	1.1271
Fourth quarter (January 31)	**1.3734**	1.1674	**1.2957**	1.1144	**1.4006**	1.2711
Annual averages	**1.2957**	1.1144				

Although the Canadian dollar recently stabilized, it continued its downfall that started last year, in relation to the U.S dollar. The average annual rate of the Canadian dollar lost more than 16% of its value compared to the U.S. dollar. Given the breakdown between the Corporation's revenues (sales) and expenses denominated in Canadian and U.S. dollars, the exchange rate variation had a favorable impact of $2.0 million on the Corporation's gross margin during the fiscal year ended January 31, 2016.

Moreover, as explained further in this MD&A, from time to time and accordingly to its internal policy, the Corporation enters into foreign exchange forward contracts to mitigate the exchange risk. As at January 31, 2016, given the drop in the Canadian dollar, the Corporation recorded a $0.4 million non-cash foreign exchange loss on the market value of its foreign exchange forward contracts, at that date. This loss is recorded in the "Other gains" in the Consolidated Statement of Income (see Section 13 of this MD&A).

9. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The summary of ADF's significant accounting policies is described in Note 2 "Summary of Significant Accounting Policies" of the notes to consolidated financial statements for the fiscal year ended January 31, 2016. The policies that the Corporation deems the most critical to adequately understand and assess its reported financial results, include the following:

9.1 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 of these estimates are difficult to determine before the project is sufficiently advanced.

Given the complexity of the estimation process, even when applying business practices, the 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. Generally, 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 related to these contract changes are generally recognized upon their written approval. In certain cases, however, the costs are incurred and recognized before a settlement is finalized with the client. This situation often leads to the recognition of losses before an agreement is reached with the client, since profits are recognized when the negotiated agreement is signed.

In summary, 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 period 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 period to period based on the specific mix of revenues and costs recorded on all projects for every given period.

9.2 Measurement Uncertainty

The preparation of financial statements in conformity with IFRS requires Management to make judgments in applying accounting methods used and to make estimates and assumptions for the future that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Because financial reporting involves accounting judgments and entails 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 identification and assessment of claims and contract changes, the assessment of long-term assets and related impairment, as well as the valuation of stock options, taxes, provisions and contingencies, also require estimates.

10. NON-GAAP MEASURES

The financial information in this MD&A has been prepared in accordance with IFRS, with the exception of certain financial indicators that do not have standardized meaning as prescribed by IFRS and therefore are considered non-GAAP (Generally Accepted Accounting Principles). When such indicators are used, they are defined and the reader is informed. The Corporation uses the following non-GAAP indicators to measure its operating performance and the achievement of objectives:

12-Month Periods Ended January 31,	**2016**	2015
Working capital (in thousands of dollars)	**$20,961**	$19,476
Current ratio	**1.96 :1**	1.88 :1
Long-term debt to shareholders' equity ratio	**0.14:1**	0.10:1
Total debt, net of liquidities (total liquidities, net of debt) (in thousands of dollars)	**$12,842**	$1,402
Total cash, cash equivalents and short-term investments, net of long-term debt, to shareholders' equity ratio	**(0.12):1**	(0.01):1
Liabilities to shareholders' equity ratio	**0.36:1**	0.33:1
Earnings before interest, tax, depreciation and amortization (EBITDA) (in thousands of dollars)	**$7,244**	$1,594
EBITDA margin (as a percentage of revenues)	**7.4%**	2.1%
Book value per share (in dollars)	**$3.30**	$3.20
Return on shareholders' equity	**1.6%**	(1.5)%

10.1 Working Capital

The working capital indicator is used by the Corporation to assess whether current assets are sufficient to meet 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 a current ratio of at least 2:1. Although this ratio was a little below this goal as at January 31, 2016 and 2015, the Corporation establishes the achievement of this goal on 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 renewal of the normal course issuer bid ("NCIB") program, where appropriate, and expansion projects that might arise.

10.2 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 a significant portion 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.

10.3 Total Debt, Net of Liquidities (Total Liquidities, Net of Debt)

This indicator indicates, in absolute value, the Corporation's total net leverage. Although total debts exceed the liquidities, the Corporation believes that a reasonable leverage represents an effective use of its liquidities and its borrowing power.

The table below reconciles this indicator with the items in the Consolidated Statement of Financial Position:

As at January 31,	**2016**	2015
(In thousands of dollars)	**$**	$
Cash and cash equivalents	**(2,377)**	(7,946)
Short-term investments	**—**	(789)
Current portion of long term debt	**868**	763
Long term debt	**14,351**	9,374
Total debt, net of liquidities (total liquidities, net of debt)	**12,842**	1,402

10.4 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, 2016 and 2015, the Corporation's total cash, cash equivalents and short-term investments exceeded its long-term debt, thus explaining this negative ratio.

10.5 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 goal is to maintain this ratio at a comfortable level through, among other things, monthly repayments of the long-term debt and the anticipated operating profitability. However, the achievement of this objective could be slowed down by certain factors, of which:

- An increase in accounts payable and other current liabilities;
- The renewal of its 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.

10.6 EBITDA and EBITDA Margin

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

- Financial revenues and financial expenses;
- Income tax expense;
- Other gains;
- Depreciation and amortization of property, plant and equipment and intangible assets.

Net income is reconciled with EBITDA in the table below:

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of dollars)	**$**	$
Net income	**1,699**	(1,570)
Income tax expense (recovery)	**1,088**	(1,207)
Financial revenues	**(79)**	(151)
Financial expenses	**574**	399
Amortization	**4,615**	4,181
Other gains	**(653)**	(58)
EBITDA	**7,244**	1,594
— As a % of revenues	**7.4%**	2.1%

10.7 Book Value

This financial 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.

The book value per share went from $3.20 on January 31, 2015 to $3.30 on January 31, 2016, which represents an increase of more than 3%. Management expects this value to further increase because it anticipates that the Corporation will be profitable throughout the fiscal year ending January 31, 2017 and, when appropriate, will continue to repurchase subordinate voting shares in the normal course of business.

10.8 Return on Shareholders' Equity

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

Based on net income for the fiscal year ended January 31, 2016, return on shareholders' equity worked out to 1.6% compared with (1.5)% for the fiscal year ended January 31, 2015.

11. KEY PERFORMANCE INDICATORS ("KPI")

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

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

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

Items measured	Profitability	Liquidities	Growth and Competitive Positioning	Financial Position and Returns
KPI	Gross margin	EBITDA	Revenues	Working capital
	EBITDA	Cash flows	Order backlog	Long-term debt to shareholders' equity ratio
	Production capacity utilization			Total net debt to shareholders' equity ratio Return on equity
What is being measured	Operating performance assessment	Assessment of liquidity generation	Assessment of growth, future revenues and competitive positioning	Assessment of short-term 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.

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.

12. SELECTED ANNUAL FINANCIAL INFORMATION

Fiscal Years Ended January 31,	**2016**	2015	2014
(In thousands of dollars and in dollars per share)	**$**	$	$
Revenues	**98,089**	76,058	92,997
Net income	**1,699**	(1,570)	7,682
— Basic per share	**0.05**	(0.05)	0.24
— Diluted per share	**0.05**	(0.05)	0.23
Total assets	**146,471**	137,815	127,984
Non-current liabilities	**17,093**	11,835	6,811
Annual dividend per share	**0.02**	0.02	0.02

During the fiscal year ended January 31, 2016, revenues totalled $98.1 million, recording a $22.0 million increase compared with last year. Net income has also recorded an increase during the fiscal year ended January 31, 2016. As further explained below, these increases, when compared with the fiscal year ended January 31, 2015, stem from a higher fabrication volume, a better absorption of fixed costs, as well as the favorable impact of the exchange rate, as previously explained.

ADF Group's investments in Great Falls, Montana, mainly explain the increase in the Corporation's total assets, which was also accentuated by the increase in the U.S. dollar in relation to the Canadian dollar, at the end of the fiscal year.

Finally, the increase in non-current liabilities is mainly explained by the issuance of new Canadian dollars denominated debts to finance the working capital, as well as the increase in the value of the U.S. dollar.

13. ANALYSIS OF OPERATING RESULTS FOR THE FISCAL YEAR ENDED JANUARY 31, 2016

During the 12 months of operations between February 1, 2015 and January 31, 2016, the Corporation pursued its activities consisting of the design and engineering of connections, fabrication, including industrial coating, and installation of complex steel structures and heavy steel built-ups, mainly in Canada and the United States.

13.1 Revenues and Gross Margin

Fiscal Years Ended January 31,	2016	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Revenues	**98,089**	76,058	22,031	29.0
Cost of goods sold	**84,069**	68,791	15,278	22.2
Gross margin	**14,020**	7,267	6,753	92.9
— As a % of revenues	**14.3%**	9.6%		4.7

a) **Revenues**

Revenues during the fiscal year ended January 31, 2016, totalled $98.1 million, up by $22.0 million compared with the 2015 fiscal year.

The revenues are determined on the basis of the costs incurred on the various projects executed during the fiscal year. The increase in revenues stems mainly from higher fabrication levels throughout the Corporation's operational units. It is important to point out that the 2015 fiscal year was the first year of operation of our fabrication plant located in Great Falls.

In terms of economic dependency, 70% of the Corporation's revenues during the fiscal year ended January 31, 2016, were realized with three (3) clients (one (1) of whom was part of the revenues concentration for the fiscal year ended January 31, 2015), for amounts of $30.5 million from the United States, $24.5 million from the United States and Canada, and $13.3 million from Canada, who each accounted for 10% or more of the Corporation's 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.

b) **Gross Margin**

The gross margin in dollar value increased by $6.8 million during the 2016 fiscal year compared with the 2015 fiscal year, in line with the increase in revenues previously explained. As a percentage of revenues, the gross margin went from 9.6% during the fiscal year ended January 31, 2015 to 14.3% during the fiscal year ended January 31, 2016.

This increase, as a percentage of revenues, is mainly explained by the product mix, a better absorption of costs, in line with the higher fabrication volume and the favorable impact of the exchange rates.

In addition, as described in Section 21 "Order Backlog", the fabrication hours are not only the Corporation's core activity, but are also its most value-added activity. To that effect, the revenues during the fiscal year ended January 31, 2015, were comprised of 52% of fabrication hours compared with 53% for the year ended January 31, 2016, which also explains, to a lesser extent, the increase recorded in gross margin during the 2016 fiscal year.

Increases or decreases in raw material (mainly steel) prices 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 revenues and the purchase of raw materials in U.S. dollars mitigates the impact of exchange rate fluctuations.

13.2 Selling and Administrative Expenses

Fiscal Years Ended January 31,	2016	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Selling and administrative expenses	**11,391**	9,854	1,537	15.6
— As a % of revenues	**11.6%**	13.0%		(1.4)

Selling and administrative expenses amounted to $11.4 million, posting a $1.5 million increase over the 2015 fiscal year. This increase is attributable, for the most part, to higher bidding costs, as well as the impact of the exchange rate on the conversion of selling and administrative expenses denominated in U.S. dollars.

13.3 Amortization

In accordance with IFRS standards, amortization expense is included in the cost of goods sold and selling and administrative expenses (see Note 18 "Classification of Expenses by Nature" to the consolidated financial statements). However, Management considers it appropriate to continue separately commenting on amortization expense since it is considered a significant, although non-cash, component in the analysis of the Corporation's profit margins.

Fiscal Years Ended January 31,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization	**4,615**	4,181	434	10.4
— As a % of revenues	**4.7%**	5.5%		(0.8)

The amortization expense for the 2016 fiscal year amounted to $4.6 million, which was $0.4 million more than that of the 2015 fiscal year. This increase is almost exclusively attributable to the commissioning of the paint shop in Great Falls, Montana.

Fiscal Years Ended January 31,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization expense included in cost of goods sold	**3,675**	3,370	305	9.1
Amortization expense included in selling and administrative expenses	**940**	811	129	15.9
Total amortization	**4,615**	4,181	434	10.4

13.4 **Financial Revenue and Financial Expenses**

Fiscal Years Ended January 31,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Financial revenues	**(79)**	(151)	72	47.7
Financial expenses	**574**	399	175	43.9
	495	248	247	99.6
— As a % of revenues	**0.5%**	0.3%		0.2

The increase in net financial expenses relates to the issuance of new debts and the collection of short-term investments during the fiscal year.

The interest rate swap covering 25% of the principal debt's balance, implemented in April 2010 allowing the Corporation to partially protect itself against fluctuations in interest rates, expired during the 2015 fiscal year. This derivative financial instrument was classified as held-for-trading and measured at its fair value at the end of every quarter; since it was not designated as part of an effective hedging relationship, hedge accounting was not applied.

During the fiscal year ended January 31, 2016, the utilization of the interest rate swap was no longer required to hedge interest rate risk given that the balance of the long-term debt, including the credit facility, included a reasonable combination of fixed and variable interest rates.

13.5 **Other Gains**

Fiscal Years Ended January 31,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Foreign exchange loss (gain)	**(35)**	(58)	23	39.7
Loss (gain) on disposal of property, plant and equipment	**(618)**	—	(618)	Neg.
	(653)	(58)	(595)	Neg.
— As a % of revenues	**(0.7)%**	(0.1)%		(0.6)

a) Foreign Exchange Loss (Gain)

The foreign exchange gain recorded during the fiscal year ended January 31, 2016, includes a $1.3 million foreign exchange gain on ongoing operations and a $1.2 million realized and not realized foreign exchange loss relating to the fair value of financial derivatives. During the 2016 fiscal year, in accordance with the new IFRS standards, a $3.7 million foreign exchange gain on the translation of foreign subsidiaries was recorded in comprehensive income.

The foreign exchange gain recorded during the fiscal year ended January 31, 2015, included a $1.2 million foreign exchange gain on ongoing operations and a $1.1 million realized and not realized foreign exchange loss relating to the fair value of financial derivatives. During the 2015 fiscal year, in accordance with the new IFRS standards, a $4.3 million foreign exchange gain on the translation of foreign subsidiaries was recorded in comprehensive income.

The Corporation is exposed to exchange rate fluctuations between the Canadian and U.S. dollar, since a significant portion of its revenues is generally recorded in U.S. dollars. For the fiscal year ended January 31, 2016, 58% of the Corporation's revenues were recorded in U.S. dollars (21% during the fiscal year ended January 31, 2015). Considering the improvement in U.S. markets and the commissioning of its new plant in Great Falls, Montana, the Corporation expects that the percentage of its revenues in U.S. dollars will continue to increase during the fiscal year 2017.

During the fiscal year ended January 31, 2016, in line with its hedging policy, given the increase in its net risk between future U.S. denominated cash inflows and outflows, the Corporation used the following derivative financial instruments, which are classified as held-for-trading and measured at their fair value at the end of each period, since they are not designated as part of an effective hedging relationship.

The detail of the derivative financial instruments on hand as at January 31, 2016, was established as follows:

	As at January 31, 2016			
	In thousands $US (1)	In thousands $CA (1)	Average Rate	Maturity date
Foreign Exchange Forward Contracts	**2,625**	**3,690**	**1.4059**	**February 5, 2016**
	2,000	**2,632**	**1.3162**	**July 29, 2016**
	2,000	**2,631**	**1.3156**	**October 31, 2016**
	1,000	**1,315**	**1.3146**	**January 31, 2017**

(1) A positive amount represents the sale of U.S. dollars, whereas a negative amount represents the purchase of U.S. dollars.

Based on the balance, as at January 31, 2016, of the Corporation's financial instruments denominated in foreign currencies, a 10% fluctuation in the exchange rate between the Canadian and U.S. dollars (all other variables remaining constant), would have resulted in a $86,000 variation in net income before tax ($469,000 in 2015) and $464,000 variation in comprehensive income before tax ($633,000 in 2015). However, this information only applies to financial instruments based on year-end balances and does not take into account the impact of foreign exchange fluctuations on revenues and other miscellaneous expenses for a complete year.

b) Loss (Gain) on Disposal of Property, Plant and Equipment

During the fourth quarter of the 2016 fiscal year, the Corporation sold a land and its building located in Florida, USA. This disposal generated a $0.6 million gain.

13.7 Income Tax Expense (Recovery)

For the 2016 fiscal year, the income tax expense represented an average effective tax rate of 39%, compared with an income tax recovery that represented an average effective tax rate of 43.5% for the 2015 fiscal year. The difference between these rates and the Corporation's Canadian effective rate (26.9%) is mainly explained by the breakdown of income before income tax (profits or losses) from U.S. and Canadian jurisdictions, which use different income tax rates. It should be noted that the US average effective rate is higher than 40%.

Fiscal Years Ended January 31,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Income tax expense (recovery)	**1,088**	(1,207)	2,295	Pos.
— As a % of revenues	**1.1%**	(1.6)%		2.7

Income tax expense (recovery) has currently no material impact on the Corporation's cash inflows and outflows.

A balance of $3.6 million relating to net deferred income tax assets remained available as at January 31, 2016. This will have a favourable impact on future cash outflows of the Corporation, which will not have to pay future income tax 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 a given jurisdiction, the Corporation will be required to resume paying income taxes in that jurisdiction.

13.8 Net Income, Basic and Diluted Earnings per Share

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of dollars and in dollars per share)	**$**	$
Total net income	**1,699**	(1,570)
— As a % of revenues	**1.7%**	(2.1)%
Total basic earnings per share	**0.05**	(0.05)
Total diluted earnings per share	**0.05**	(0.05)

The increase in net income during the fiscal year ended January 31, 2016, compared with fiscal 2015 is for the most part explained by the previously described reasons, but mainly by the increase in gross margin and the gain on disposal of property, plant and equipment.

14. COMMENTS ON QUARTERLY RESULTS

Trends observed in the analysis of quarterly results do not necessarily represent those of the 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 lags between the recognition of costs and revenues, where appropriate, that could result from the use of estimates based on the percentage-of-completion method.

More specifically, and in light of the results for the last eight (8) quarters presented below, these fluctuations are mostly explained by the fabrication schedules of the different projects announced by the Corporation. Considering that revenues are established based on incurred costs on these different projects carried out by the Corporation, revenues and operating results can differ significantly from quarter to quarter because of these execution schedules.

14.1 **Results for the Last Eight Quarters**

Fiscal Years Ended January 31,	**2016**				2015			
	4th Quarter (01.31.2016)	**3rd Quarter** (10.31.2015)	**2nd Quarter** (07.31.2015)	**1st Quarter** (04.30.2015)	**4th Quarter** (01.31.2015)	**3rd Quarter** (10.31.2014)	**2nd Quarter** (07.31.2014)	**1st Quarter** (04.30.2014)
(In thousands of dollars and in dollars per share)	**$**	**$**	**$**	**$**	$	$	$	$
Revenues	**29,084**	**21,260**	**19,063**	**28,682**	18,750	12,471	20,435	24,402
Gross margin (1)	**4,063**	**4,500**	**1,889**	**3,568**	1,456	777	2,202	2,832
— As a % of revenues	**14%**	**21%**	**10%**	**12%**	8%	6%	11%	12%
EBITDA (2)	**2,083**	**2,848**	**475**	**1,838**	203	(511)	496	1,406
— As a % of revenues	**7%**	**13%**	**2%**	**6%**	1%	(4)%	2%	6%
Income before income tax expense (recovery)	**1,521**	**1,524**	**(420)**	**162**	(872)	(1,610)	(651)	356
— As a % of revenues	**5%**	**7%**	**(2)%**	**1%**	(5)%	(13)%	(3)%	2%
Net income	**1,138**	**1,041**	**(537)**	**57**	(554)	(1,140)	(347)	471
— Basic per share	**0.03**	**0.03**	**(0.02)**	**0.00**	(0.02)	(0.04)	(0.01)	0.01
— Diluted per share	**0.03**	**0.03**	**(0.02)**	**0.00**	(0.02)	(0.04)	(0.01)	0.01

(1) Gross margin excluding foreign exchange variations.
(2) See Section 10 "Non-GAAP Measures" for the definition of EBITDA.

14.2 **Results for the Fourth Quarter Ended January 31, 2016**

The Corporation recorded revenues of $29.1 million during the quarter ended January 31, 2016, up by $10.3 million over the fourth quarter of fiscal 2015. This variation is mostly due to the higher fabrication level, in line with the previous quarters.

The gross margin as a percentage of revenues stood at 14% for the fourth quarter of the 2016 fiscal year, compared with 8% for the same quarter in the 2015 fiscal year. This increase relates to the increase in volume, the mix of fabrication type and the favorable impact of the exchange rate.

The Corporation recorded a net income of $1.1 million during the last quarter of 2016 fiscal year compared with a negative net income of $0.6 million for the same period in fiscal 2015. This increase is explained by the improvement in gross margin, the exchange rate gain, as well as the gain from the disposal of property, plant and equipment, as previously explained.

15. CASH FLOWS AND FINANCIAL POSITION

The Corporation posts a sound financial position and is on a solid footing to address its financial needs. Taking into account its cash and cash equivalents position, its short-term credit facilities and the level of planned capital spending, the Corporation does not expect any liquidity risk in a foreseeable future.

On January 31, 2016, cash, cash equivalents and short-term investments totalled $2.4 million, down by $6.4 million compared with January 31, 2015. As further described hereinafter, the decrease in available cash is explained by the fact that, during fiscal 2016, the Corporation invested more than $9.0 million in property, plant and equipment and intangible assets, most of which for setting up a new paint shop in its own fabrication plant in Terrebonne, Quebec.

Management believes that these available funds are sufficient to support the execution of its order backlog in hand on January 31, 2016, and to meet its financial commitments for the 2017 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 (see Section 34 "Outlook"). It also looks at opportunities for accelerated payments discounts negotiated with suppliers.

15.1 **Operating Activities**

During the 2016 fiscal year the Corporation used cash flows from its operating activities and assigned its cash flows as follows:

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of dollars)	**$**	$
Net income adjusted for non-cash items	**5,902**	2,689
Changes in non-cash operating working capital items:		
Accounts receivable	**(8,008)**	(881)
Holdbacks on contracts	**2,636**	(682)
Work in progress	**(399)**	(683)
Inventories	**(309)**	(44)
Prepaid expenses and other current assets	**(139)**	(475)
Accounts payable and other current liabilities	**651**	1,508
Deferred revenues	**(1,491)**	(16)
	(7,059)	(1,273)
	(1,157)	1,416
Income tax expense recovery	**—**	4
Cash flows from (used in) operating activities	**(1,157)**	1,420

Net income adjusted for non-cash items, totalling $5.9 million during the 2016 fiscal year, is $3.2 million higher than the 2015 fiscal year. This increase results mainly from the $3.3 million increase in net income.

During the 2016 fiscal year, changes in non-cash operating working capital items used cash of $7.1 million. This cash outflow is mostly explained by the increase in account receivables (totalling $8.0 million). This increase related to the activity level as at January 31, 2016, compared with the same date a year ago.

During the 2015 fiscal year, changes in non-cash operating working capital items used cash of $1.3 million. This cash outflow is mostly explained by the increase in accounts receivable, holdbacks on contracts, work in progress and prepaid expenses and other current assets (totalling $2.7 million), net of the increase in accounts payable and other current liabilities ($1.5 million). Generally, these increases are related to the activity level for the fiscal year ended January 31, 2015.

15.2 **Investing Activities**

The Corporation's investing activities are summarized as follows:

Fiscal Years Ended January 31,	**2016**	2015
(In thousands of dollars)	**$**	$
Disposal of short-term investments	**778**	—
Net acquisition of property, plant and equipment	**(8,591)**	(13,860)
Revenues from disposal of property, plant and equipment	**1,457**	—
Acquisition of intangible assets	**(411)**	(373)
Decrease (increase) in other non-current assets	**641**	(608)
Interest received	**96**	160
Cash flows from (used in) investing activities	**(6,030)**	(14,681)

During the 2016 fiscal year, $6.0 million in liquidities were used mostly to purchase property, plant and equipment, mainly for the construction of the new paint shop in Terrebonne, Quebec. Investing activities during the 2015 fiscal year used a net total of $14.7 million in liquidities primarily to build the new paint shop in Great Falls, Montana and to a lesser extent, completing the construction of the new fabrication plant in Montana

The increase in intangible assets for both fiscal years related primarily to the internal development and implementation of production and financial software.

The Corporation estimates capital expenditure for fiscal 2017 at approximately $5.0 million, which will primarily be dedicated to keeping up the production equipment to date at its plants in Terrebonne, Quebec and in Great Falls, Montana.

15.3 **Financing Activities**

The Corporation’s financing activities were as follows:

Fiscal Years Ended January 31,	2016	2015
(In thousands of dollars)	**$**	$
Issuance of long-term debt [1]	**4,893**	5,516
Repayment of long-term debt	**(772)**	(1,857)
Redemption of subordinate voting shares	**(1,918)**	—
Issuance of subordinate voting shares	**730**	31
Dividends paid	**(652)**	(650)
Interest paid on interest rate swap	**—**	(2)
Interest paid	**(552)**	(371)
Cash flows from (used in) financing activities	**1,729**	2,667

(1) Net of the $0.1 million financing fees during fiscal 2016

During fiscal 2016, financing activities generated liquidities of $1.7 million compared with a cash inflow of $2.7 million the previous year. Of this amount, $4.9 million came from the first portion of the new long-term loan that can reach $20.0 million. The second tranche of $5.0 million was drawn in February 2016 (See Section 33 "Subsequent Events") and the payment of the last tranche of $10.0 million will be issued at the Corporation’s request.

During the 2015 fiscal year, as part of its investment project in Montana, the Corporation received $5.5 million in financing (US$5.0 million) from U.S. public authorities (see Note 14 "Long-Term Debt" in the Notes to the Consolidated Financial Statements included in this MD&A).

During the fiscal years 2016 and 2015, the Corporation reimbursed $0.8 million and $1.9 million respectively on its long-term debts. During the 2016 and 2015 fiscal years, the Corporation also paid $0.6 million in dividend to its shareholders of record.

During the 2016 fiscal year, the Corporation issued 887,400 subordinate voting shares, under its Stock Option Plan, for a cash consideration of $0.7 million (42,800 shares were issued during the 2015 fiscal year for a cash consideration of $31,000).

During the 2016 fiscal year, the Corporation redeem a total of 800,000 subordinate voting shares for a cash consideration of $1.9 million (none during fiscal 2015).

15.4 **Payment of Rents and Interest and Payment of Principal on Debt**

The Corporation pays interest on its long-term debts, based on interest rates that ranged between 1.98% and 4.7% as of January 31, 2016. The Corporation is currently making monthly principal repayments totalling less than US$0.1 million on these debts. Other rent payments are described in paragraph 15.6) below.

15.5 **Debt Covenants**

As at January 31, 2016, 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 2017.

15.6 **Contractual Obligations**

Long-term debt, including the obligations under a financial lease agreement, before interest:

(In thousands of dollars)	**$**
Less than one year	**868**
2 to 3 years	**2,071**
4 to 5 years	**2,506**
And more	**9,774**
Total	**15,219**

As at January 31, 2016, the Corporation was committed under operating leases for cars, office equipment and information technology equipment. These commitments amounted to $637,000, for which minimum annual payments due for the next five fiscal years are as follows: $248,000 in 2017, $176,000 in 2018, $114,000 in 2019, $76,000 in 2020 and $23,000 in 2021 and thereon.

As at January 31, 2016, the Corporation had commitments relating to the purchase of property, plant and equipment totalling $2.3 million, which will materialize during the fiscal year ending January 31, 2017.

15.7 **Commitments Related to Letters of Credit as at January 31, 2016**

During the fiscal year ended January 31, 2016, the Corporation held letters of credit, totalling $5.4 million at that date compared with $4.8 million as at January 31, 2015.

16. CAPITAL STOCK

Information on the outstanding shares, including stock options:

(In thousands of dollars, and in number of shares and options)	Subordinate Voting Shares		Multiple Voting Shares [1]		Total Outstanding Shares		Stock Options [2]
	Number	$	Number	$	Number	$	Number
As at January 31, 2014	18,148,235	53,138	14,343,107	16,001	32,491,342	69,139	1,368,864
Issued on exercise of stock options	42,800	46	—	—	42,800	46	(42,800)
Granted (forfeited)	—	—	—	—	—	—	100,000
As at January 31, 2015	18,191,035	53,184	14,343,107	16,001	32,534,142	69,185	1,426,064
Issued on exercise of stock options	**887,400**	**1,174**	**—**	**—**	**887,400**	**1,174**	**(887,400)**
Share repurchase [3]	**(800,000)**	**(2,282)**	**—**	**—**	**(800,000)**	**(2,282)**	**—**
Granted (forfeited)	**—**	**—**	**—**	**—**	**—**	**—**	**(77,000)**
As at January 31, 2016	**18,278,435**	**52,076**	**14,343,107**	**16,001**	**32,621,542**	**68,077**	**461,664**

(1) These shares carry 10 votes per share.
(2) The weighted average exercise price of the current stock options is $2.68 per unit.
(3) See Section 19 “Normal Course Issuer Bid”.

17. STOCK OPTION PLAN

As at January 31, 2016, the Corporation had 32,621,542 shares outstanding (32,534,142 on January 31, 2015). During the 2016 fiscal year, the Corporation issued 887,400 subordinate voting shares at a weighted average price of $0.82 per share, for a total consideration of $1.2 million. All shares were issued under the Corporation’s stock option plan. At the date hereof, being April 13, 2016, the number of shares outstanding was practically unchanged.

During the 2015 fiscal year, the Corporation issued 42,800 subordinate voting shares at a weighted average price of $0.71 per share, all under its stock option plan, for a total consideration of $46,000.

As at January 31, 2016, a total of 461,664 stock options were issued and outstanding. These options, which had a weighted average life of 4.75 years before maturity, had a weighted average exercise price of $2.68 (see Note 15 "Capital Stock" in the Notes to the Consolidated Financial Statements).

18. DEFERRED SHARE UNITS PLAN

During the fiscal year ended January 31, 2011, the Board of Directors approved a Deferred Share Units Plan ("DSU") for its external directors, which came into effect during the second quarter ended July 31, 2011.

This deferred compensation plan allows every external director, who wants to participate, to defer in whole or in part his/her director’s compensation (including fees and attendance fees), by electing to receive a percentage of this compensation in the form of DSUs, which will be bought back in cash by the Corporation on the date the external director ceases to be a director of the Corporation by reason of death, retirement or loss of function as director.

When a director elects to participate in this plan, the Corporation credits the account of the director for a number of units equal to the deferred compensation divided by the market value of the subordinate voting shares, which is established using the average closing price during the five (5) trading days preceding the date of grant. DSU are not convertible into shares of the Corporation and do not result in a dilution to shareholders.

In addition and independently to DSUs that can be granted to external directors for the purposes of deferring their directors’ compensation, the Deferred Share Units Plan also allows the Corporation’s Board of Directors to award, at its discretion, DSUs to any external director, executive officer and key employee. If it sees fit, the Board of Directors can attach conditions related to time and/or to the Corporation’s performance to the vesting of these DSUs. The Corporation therefore provides a letter to the beneficiary attesting such award, including the number of DSUs awarded and all vesting conditions.

When the Corporation pays dividends on subordinate and multiple voting shares, the accounts of the directors, executive officers and key employees are credited for the amount in the form of additional units using the same basis of calculation previously described.

For every DSU awarded, as well as for the variation in fair value, the Corporation recognizes a compensation expense with the counterpart in “Accounts payable and other current liabilities” of the Consolidated Statement of Financial Position. DSU compensation during the fiscal years ended January 31, 2016 and 2015, amounted to $48,000 and $55,000 respectively, each representing 19,319 and 22,526 units.

Fiscal Years Ended January 31,	**2016**	2015
(Number of deferred share units)		
Outstanding, at the beginning of year	**175,645**	153,119
Attributed	**19,319**	22,526
Exercised	**(73,618)**	—
Outstanding, at the end of year	**121,346**	175,645

The DSU are re-evaluated at fair market value at the end of each reporting period until the vesting date, using the market price of the Corporation's subordinate voting shares. During the fiscal year ended January 31, 2016, an upward re-evaluation in the amount of $113,000 was recorded as compensation expense. For the fiscal year ended January 31, 2015, this re-evaluation resulted in $77,000 decrease in compensation expense.

19. NORMAL COURSE ISSUER BID

On May 30, 2014, the Corporation announced the renewal of its normal course issuer bid ("NCIB"), under which it was able to repurchase, for cancellation purposes, up to up to 1,375,824 subordinate voting shares, between June 4, 2014 and June 3, 2015. These 1,375,824 shares represent approximately 10% of the public float of the subordinate voting shares.

During the fiscal year ended January 31, 2016, the Corporation repurchased the 750,000 subordinate voting shares held by three of its executive officers, pursuant to the exercise of the stock options awarded to them in April 2005, for a total amount of $2.1 million ($2.85 per share) including a disbursement of $1.8 million ($2.40 per share) and $0.3 million from contributed surplus. In the context of the share repurchase, the Corporation amended its NCIB in order to specifically authorize off-Exchange purchases under the exemptions provided under applicable securities legislation or issued by securities regulatory authorities. In accordance with the Toronto Stock Exchange's rules, the share repurchase was factored in the computation of the annual aggregate limit of shares eligible for buyback by the Corporation under the NCIB. Therefore, following this transaction, a balance of 625,824 shares could have been eligible for repurchase until June 3, 2015, under the NCIB.

Also during the fiscal year ended January 31, 2016, the Corporation repurchased off-Exchange, under the exemptions provided under applicable securities legislation, a total of 50,000 subordinate voting shares held by a former executive officer for a total amount of $143,000 ($2.85 per share), made up of a $118,000 disbursement and $25,000 from contributed surplus.

During the fiscal years ended January 31, 2015 the Corporation did not redeem subordinate voting shares under the NCIB programs.

20. DIVIDEND

During the fiscal year ended January 31, 2012, the Corporation's Board of Directors approved a dividend policy, payable semi-annually, which was extended since.

Consequently, during the fiscal year ended January 31, 2016, two semi-annual dividends of $326,000 (or $0.01 per share), representing $652,000 were recognized as distribution to its shareholders of record as at April 30, 2015 and September 30, 2015, of which $365,000 was for subordinate voting shares and $287,000 for multiple voting shares. These sums were paid on May 15, 2015 and October 15, 2015, respectively.

During the fiscal year ended January 31, 2015, semi-annual dividends of $325,000 each (or $0.01 per share), representing $650,000 were recognized as distribution to its shareholders of record as at April 30, 2014 and September 30, 2014, of which $363,000 was for subordinate voting shares and $287,000 for multiple voting shares. These sums were paid on May 16, 2014 and October 15, 2014, respectively.

21. ORDER BACKLOG

ADF Group's order backlog totalled $70.6 million on January 31, 2016, compared with $48.0 million on the same date a year earlier. This variation is attributable to contract changes and new contracts.

As at January 31, 2016, 61% of the order backlog consisted of fabrication hours – the Corporation's core business and most value-added activity – compared with 69% on January 31, 2015. Most of the contracts in hand as at January 31, 2016, will progressively be executed between now and the second quarter of Fiscal 2018.

22. FINANCIAL POSITION

As at January 31, 2016, the Corporation had a sound financial position. The Corporation's solid Consolidated Statement of Financial Position allowed it to obtain, when required, the necessary bonding for the award of large-scale contracts. This represents a major advantage for ADF within its markets.

The following table provides details on the major changes in the Consolidated Statement of Financial Position between January 31, 2016 and January 31, 2015.

Sections	Changes	Explanatory Notes
	(In millions of dollars)	
Cash, cash equivalents and short-term investments	**(6.4)**	See Section 15 "Cash Flow and Financial Position" hereinabove.
Accounts receivable	**9.0**	Increase in billing and impact of the exchange rate on the accounts receivable denominated in U.S. dollars.
Holdbacks on contracts	**(2.6)**	Decrease in accordance with the fabrication schedules of contracts on hand.
Work in progress/Deferred revenues (net)	**2.1**	Net difference between the work in progress and revenues billing.

Sections	Changes	Explanatory Notes
	(In millions of dollars)	
Property, plant and equipment and intangible assets	**8.2**	Difference resulting from the acquisition of property, plant and equipment ($9.0 million) and the impact of the exchange rates ($4.6 million), net of amortization ($4.6 million) and disposal of property, plant and equipment, net of the gain ($0.8 million).
Accounts payable and other current liabilities	**1.8**	In line with the level of activities as at January 31, 2016 and the impact of the exchange rate fluctuations on accounts payable denominated in U.S. dollars.
Long-term debt (including current portion)	**5.1**	Increase attributable to impact of the exchange rate ($1.0 million) and the issuance of a new loan ($4.9 million net of issuance fees), net of debt repayments ($0.8 million).
Accumulated other comprehensive income	**3.7**	Impact of the variation in the foreign exchange rates on the translation of foreign operations.

23. CURRENT ECONOMIC ENVIRONMENT

Although the trends are improving in certain markets served by the Corporation, a degree of uncertainty remains regarding the economic context. In times of economic uncertainty, 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, insofar as possible, maintaining at all times a positive cash flow 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.

From a financing point of view, the Corporation has a solid financial position 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 principal 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 34 "Outlook") and does not currently foresee any short-term elements that could compromise its course of business.

That being said, and in light of the fact that the Corporation does not enjoy all the visibility from which it normally benefits in its markets, the Corporation will continue to use caution and will closely monitor the situation (see Sections 26 " External Factors to Which the Corporation's Performance is Exposed" and 34 "Outlook").

24. RELATED PARTY TRANSACTIONS

During the fiscal year ended January 31, 2015, the Corporation granted advances to two Executive-Shareholders. These advances bear interest at the rate prescribed (1.0%) by the tax authorities and repayable during the fiscal year ending January 31, 2016. As at January 31, 2016, these advances were completely paid. Moreover, in the normal course of business, management agreements have been reached with companies held by a group of majority shareholders. These transactions are measured at the exchange value, which is the consideration established and accepted by the related parties:

Company	Type	Transactions with ADF Group Inc.	Fiscal Years Ended January 31,	
			2016	2015
			(In $)	(In $)
Groupe JPMP Inc.	Executives	Three executives 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 Management Information Circular for the 2016 fiscal year).	**$1,300,690**	$1,288,376
ADF Group Inc.	Executives	Other compensation paid directly to Executives.	**$96,708**	$94,831

25. EXECUTIVE OFFICERS' AND DIRECTORS' COMPENSATION

Base salaries of the Corporation's executive officers are competitive and are generally placed either between the 50th and 75th percentile or around the 75th percentile of a reference group made up of 14 publicly-traded Canadian companies similar to the Corporation in terms of size and operating in the same business segment as the Corporation, that is, construction, design and/or fabrication. Regarding the compensation of external directors (other than the Co-Chair of the Board of Directors and Independent Board Leader) is deemed competitive, considering that the annual fees are placed at the median of the reference group and the attendance fees are placed between the median and the 75th percentile. As for the single flat fee of the Co-Chair of the Board of Directors and Independent Board Leader, it is deemed competitive when taking into account the size of the company (See Sections 10 "Executive Compensation" and 11 "Compensation of Directors" of the 2016 Management Information Circular, for more details).

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

26.1 Exchange Rate

The exchange rate fluctuation between the Canadian and U.S. dollars has an impact on the Corporation's results. Thus, a $35,000 exchange gain was recorded for the fiscal year ended January 31, 2016, compared with a $58,000 exchange gain for the 2015 fiscal year.

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

— Issuance of two new debts in U.S. dollars during the fiscal year ended January 31, 2014, and one debt during the fiscal year ended January 31, 2015;

— 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.

26.2 Operating Risks and Uncertainties

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

a) **Indemnity Agreement**

The Corporation entered into an indemnity agreement when it sold a subsidiary in 2004. This former subsidiary was involved in legal proceedings. During fiscal 2014, this lawsuit's main dispute was settled out of court. At the date hereof, certain smaller disputes of secondary importance relating to this same lawsuit, are still pending, and in this context, the Corporation does not expect incurring significant disbursements.

b) **Uncertainties Relating to the World Economy**

The uncertainty related to the global economy could have a negative impact on the Corporation's business segment, i.e. the non-residential construction industry, particularly in North America, its primary market. At the date hereof, although the Corporation's order backlog will provide work for the next quarters, the uncertainty relating to the global economy could adversely affect the Corporation's revenues and profitability beyond that period.

c) **Bonding Capacity and Irrevocable Letters of Credit**

During the fiscal year ended January 31, 2016, the Corporation maintained 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.

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

Normally, 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 on new projects to be negotiated with clients and have an impact on the order backlog and the 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 clients and included in contracts;

— The risk associated with the fluctuations in interest rates is also mitigated by having a good mix between fixed-rate and variable-rate debts, as well as available liquidities, when appropriate, that can generate financial revenues;

— 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 geographical and market sectors;

- 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 contracts in hand, depending on the type of client, can influence the delay of collection. When these contracts are funded by government agencies, it is possible that the collection period of contract receivables is not impacted upward. However, the risk related to the collection is minimal given that these sums are actually guaranteed by government agencies. When these same contracts are funded by non-governmental organizations, Management believes that the vast majority of these accounts are not doubtful accounts since that they are with well-established companies.

27. FINANCIAL INSTRUMENTS

A significant number of items in the Corporation's Statement of Financial Position include financial instruments. The Corporation's financial assets consist of cash, cash equivalents, short-term investments, accounts receivable, holdbacks on contracts, equity investments, as well as derivative financial instruments, whose fair market value is positive. Financial liabilities include accounts payable and other current liabilities, long-term debt and derivative financial instruments, whose fair market value is negative.

As at January 31, 2016, the carrying amount of these financial instruments did 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 other current liabilities), or because the Corporation believed it could obtain similar conditions and schedules (in the case of the long-term debt) or since they are re-evaluated at their fair value at the end of every period (in the case of equity investments and derivative financial instruments) (see Note 30 "Financial Instruments" in the Notes to the Consolidated Financial Statements for the fiscal year ended January 31, 2016).

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

The Corporation is mostly exposed to 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 29 "Financial Risk Management" in the Notes to the Consolidated Financial Statements for the fiscal year ended January 31, 2016.

28. ASSESSMENT OF THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES, AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, disclosure controls and procedures have been designed to provide reasonable assurance that the information that must be presented in Corporation's interim and annual reports is accumulated and communicated to management on a timely basis, including the Chief Executive Officer and the Chief Financial Officer, so that appropriate decisions can be made regarding disclosure. Internal control over financial reporting has also been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Corporation's disclosure controls and procedures as of January 31, 2016, as well as the effectiveness of Corporation's internal control over financial reporting as of the same date using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 Framework) and have concluded that they are effective.

During the quarter and the year ended January 31, 2016, no changes were made to internal control over financial reporting or disclosure controls and procedures that have materially affected, or are reasonably likely to materially affect, internal controls and procedures.

29. 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 NCIB, the brokerage firm retained for the buyback is subject to the same rules with regard to the blackout period.

30. RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

- **IFRS 9 "Financial Instruments"**

  In November 2009, the IASB issued IFRS 9 - Financial Instruments. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments with fair value measurement adjustments for such instruments recognized either through profit or loss or through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent that they do not clearly represent a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. In addition, the standard includes guidance on financial liabilities and derecognition of financial instruments.

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments. The new standard will replace IAS 39 - Financial Instruments: Recognition and Measurement. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement category for financial assets, fair value through other comprehensive income. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts.

The standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exception. Early application is permitted. Restatement of prior periods in relation to the classification and measurement, including impairment, is not required.

— **IFRS 15 "Revenue from Contracts with Customers"**

The IASB published in May 2014, IFRS 15 which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with its customers. It provides a single model in order to depict the transfer of promised goods or services to the customers. In accordance with IFRS 15 basic principle, an entity recognizes revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. In addition, IFRS 15 requires more comprehensive disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes IAS 11 "Construction Contracts", IAS 18 "Revenue" and a number of revenue-related interpretations (IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers", and SIC-31 "Revenue - Barter Transactions Involving Advertising Service"). IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

— **IFRS 16 "Leases"**

In January 2016, the IASB released IFRS 16, Leases, to replace the previous leases Standard, IAS 17, Leases, and related Interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 will be effective for the Corporation's fiscal year beginning on January 1, 2019, with earlier application permitted only if the Corporation applies IFRS 15 "Revenue from contracts with customers".

The Corporation has not yet quantified the effect of the published phases of these Standards nor does it intend, at this time, to early adopt these Standards until the mandatory effective date.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Corporation.

31. ENVIRONNEMENT

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 and Great Falls 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 and industrial coating, which generate fumes, 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 two fabrication plants and for all expansion phases subsequently carried out.

Moreover, as part of the construction of its new paint shop in Terrebonne, the Corporation updated its environmental certificate of authorization for all its operations located in Terrebonne, including its fabrication plant. Following these investments, ADF Group's facilities in Terrebonne meet the highest environmental standards.

For the fiscal years ended January 31, 2016 and 2015, the requirements with regard to environmental protection did not have a significant financial or operational impact on the Corporation's capital expenditures, net income and competitive position. The Corporation does not expect to incur any costs outside the normal course of business to comply with environmental requirements.

32. HUMAN RESOURCES

As at January 31, 2016, the Corporation employed a total of 571 people across its fabrication complex and head office in Terrebonne, Quebec, and its office, fabrication plant and paint shop in Great Falls, Montana, as well as the sales office and various construction sites in Florida, U.S.A.

33. SUBSEQUENT EVENTS

33.1 Dividend

On April 13, 2016, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share to be paid on May 16, 2016 to shareholders of record as at April 29, 2016.

33.2 New Long-Term Debt

On February 22, 2016, the Corporation drew the second tranche of $5.0 million of the new loan contracted during the third quarter of the 2016 fiscal year. The Corporation obtained from, a government corporation, a long-term loan that could go up to total value of $20.0 million, to finance, among others, its working capital. The first $5.0 million tranche was received at the issuance of the loan, whereas the final tranche of $10.0 million will be issued at the Corporation's request, under certain conditions.

34. OUTLOOK

At the dawn of the 2017 fiscal year, which marks the 60th anniversary of ADF Group, the Corporation's Management looks forward with optimism. Today, we have five centers of excellence in North America, including the new paint shop in Terrebonne, which started operations this past March. Together, these operational units will allow us to efficiently serve the North American market. Our fabrication plants in Terrebonne, Quebec and in Great Falls, Montana, together with adjacent paint shops, provide us with a wider range of products and services. Finally, our construction and installation group based in Florida has also grown.

In light of the investments made in past years, we are also reviewing our ways of working, and preparing a new business plan which will combine our experience spanning 60 years and these investments. The 2016 fiscal year is the first step in the right direction with increased results, a growing order backlog and new markets in our target.

We also undertook measures toward increasing ADF's financial flexibility. To this end, we have concluded an agreement to increase our borrowing capacity, providing us with greater flexibility, without putting pressure on our financial position. The strength of our financial position was, is and will remain an asset for ADF.

For the 2017 fiscal year, our goal is to consolidate all our new investments, making sure we maintain a healthy order book, in order to support all of our activities, and continuing to find ways to improve our operational processes. All of these measures will translate into improve profitability, which will allow us to pursue the work begun sixty years ago.

35. ADDITIONAL INFORMATION

Management's discussion and analysis of changes in financial position and operating results for the fiscal year ended January 31, 2016 has been approved by the Corporation's Board of Directors as of April 13, 2016.

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

Ms. Marise Paschini	Mr. Jean-François Boursier, CPA, CA
/ Signed /	/ Signed /
Executive Vice-President, Treasurer and Corporate Secretary	**Chief Financial Officer**

Terrebonne, Quebec, Canada, April 13, 2016

The electronic version of this report is available at www.adfgroup.com and at www.sedar.com.

Ce rapport est aussi disponible en français.

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