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

THREE-MONTH PERIOD ENDED APRIL 30, 2017

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FORWARD-LOOKING STATEMENTS

Management of ADF Group Inc. wishes to inform the reader that this document contains forward-looking statements within the meaning of applicable securities laws, in which Management's expectations regarding ADF Group Inc.'s future performance may be discussed. These forward-looking statements include information concerning ADF Group's probable or foreseeable future operating results and financial position, and involve certain risks and uncertainties with regard to their future realization. These forward-looking statements are based on currently available data in regard to competition, financial position, economic conditions and operating plans. The principal risks and uncertainties that could affect ADF Group Inc.'s results, such that those results could differ materially from those expressed in any forward-looking statements, are presented in Sections "Current Economic Environment" and "External Factors to Which the Corporation's Performance is Exposed" of the MD&A Report for the fiscal year ended January 31, 2017.

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 February 1, 2017 and April 30, 2017. It also compares the operating results and cash flows for the three-month period ended April 30, 2017 to those for the same period of the previous year. This MD&A covers all major events that occurred between February 1, 2017 and June 13, 2017, on which date ADF Group Inc.'s Board of Directors approved the consolidated financial statements, as well as the MD&A for the three-month period ended April 30, 2017.

This MD&A should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements and the notes thereto for the three-month period ended April 30, 2017. The unaudited condensed interim consolidated financial statements and the comparative information have been prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable to interim financial reports, including International Accounting Standard 34 "Interim Financial Reporting".

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 19 "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-meter (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-meter (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.

The different indicators for markets served by ADF continue to show progress. The US Architectural Billing Index is up, which is generally a positive sign for our industry as it announces new projects. In addition, recent announcements confirm these trends. This past March, The New York and New Jersey Port Authority confirmed its $32 billion investment program to refurbish its assets base over a 10-year span. In the beginning of April 2017, California approved a $0.12 tax increase on gas which will bring in several billion dollars to the state during the next decade to finance its infrastructure projects. There is an increase in such measures and they should act as catalysts for our industry.

6. SIGNIFICANT EVENT OF THE THREE-MONTH PERIOD ENDED APRIL 30, 2017

On April 12, 2017, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share that was paid on May 16, 2017 to shareholders of record as at April 28, 2017.

7. SIGNIFICANT EVENT THAT OCCURED SINCE APRIL 30, 2017

On May 30, 2017, the Corporation announced having concluded, in the previous days, a series of commercial agreements, totalling $51 million. These new orders were obtained in the U.S. East Coast and West Coast markets and are for the fabrication and the erection of complex steel structures and heavy steel components that are part of new commercial building projects. These new contracts will extend over a 16-month period.

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

During the three-month period ended April 30, 2017, as well as during each of the four quarters of the previous fiscal year, the Corporation used the following exchange rates between the Canadian and U.S. dollars:

(CA$/US$)	**Statements of Income and Comprehensive Income (Loss)**	**Statements of Financial Position**
First quarter (April 30, 2016)	1.3263	1.2548
Second quarter (July 31, 2016)	1.2957	1.3056
Third quarter (October 31, 2016)	1.3112	1.3411
Fourth quarter (January 31, 2017)	1.3327	1.3012
First quarter (April 30, 2017)	**1.3317**	**1.3662**

During the three-month period ended April 30, 2017, the Canadian dollar has loss value against the US dollar. The closing rate went from 1.3012 on January 31, 2017 to 1.3662 on April 30, 2017, representing a 5% loss for the Canadian dollar.

The average rate for the quarter followed the same trend, but to a lesser extent. The average value of the Canadian dollar during the quarter ended April 30, 2017 was 0.4% below the average rate for the quarter ended April 30, 2016. This variation in the exchange rate had a slight positive impact of $51,000 on the Corporation's gross margin during the quarter ended April 30, 2017.

9. 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-generally accepted accounting principles ("GAAP"). 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:

	3-Month Periods Ended April 30,		12-Month Periods Ended January 31,	
	2017	2016	2017	2016
Working capital (in thousands of dollars)	**$24,757**	$24,407	$24,769	$20,961
Current ratio	**1.50:1**	2.48:1	1.77:1	1.96 :1
Long-term debt to shareholders' equity ratio	**0.33:1**	0.18:1	0.30:1	0.14:1
Total debt, net of liquidities (in thousands of dollars)	**$35,208**	$18,152	$31,716	$12,842
Total cash and cash equivalents, net of credit facilities and the long-term debt, to shareholders' equity ratio	**(0.33):1**	(0.17):1	(0.30):1	(0.12):1
Liabilities to shareholders' equity ratio	**0.66:1**	0.36:1	0.50:1	0.36:1
Earnings before interest, tax, depreciation and amortization (EBITDA) (in thousands of dollars) [(a)]	**$3,081**	$3,043	$8,462	$7,244
EBITDA margin (as a percentage of revenues) [(b)]	**6.3%**	12.0%	8.2%	7.4%
Book value per share (in dollars)	**$3.30**	$3.19	$3.24	$3.30
Return on shareholders' equity	**0.8%**	2.5%	1.4%	1.6%

For the definition of the financial indicators in the above table, except for article a) below, see Section 10 "Non-GAAP Measures" of the Management's Discussion and Analysis of the Financial Position and Operating Results for the Fiscal Year Ended January 31, 2017.

a) 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;
- Foreign exchange gains or losses, and
- Depreciation and amortization of property, plant and equipment and intangible assets.

Net income is reconciled with EBITDA in the table below:

Three-Month Periods Ended April 30,	**2017**	2016
(In thousands of dollars)	**$**	$
Net income	**354**	965
Income tax expense	**269**	381
Financial revenues	**(17)**	(35)
Financial expenses	**387**	190
Amortization	**1,094**	1,167
Foreign exchange loss	**994**	375
EBITDA	**3,081**	3,043
— As a % of revenues	**6.3%**	12.0%

10. ANALYSIS OF OPERATING RESULTS FOR THE THREE-MONTH PERIOD ENDED APRIL 30, 2017

a) Revenues and Gross Margin

Three-Month Periods Ended April 30,	**2017**	2016	Changes 2017/2016	
(In thousands of dollars and in percentages)	**$**	$	$	%
Revenues	**48,638**	25,440	23,198	91.2
Cost of goods sold	**43,412**	19,306	24,106	124.9
Gross margin	**5,226**	6,134	(908)	(14.,8)
— As a % of revenues	**10.7%**	24.1%		(13.4)

Revenues

Revenues during the three-month period ended April 30, 2017, totalled $48.6 million, up by $23.2 million compared with the same period of the 2017 fiscal year. More specifically, the increase in revenues is mostly explained by the acceleration of new projects and more precisely the Salt Lake City Airport project.

The revenues are determined on the basis of the costs incurred on the various projects executed by the Corporation during the period.

In terms of economic dependency, 87% of the Corporation's revenues during the three-month period ended April 30, 2017, were realized with three (3) clients for respective amounts of $15.2 million, $15.2 million and $11.8 million, all from the United States (79% of the revenues during the three-month period ended April 30, 2016, were realized with three (3) clients for respective amounts of $11.2 million from Canada and the United States, and $6.3 million and $2.6 million from the United States), and therefore each client accounted for more than 10% 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.

Gross Margin

The gross margin in dollar value decreased by $0.9 million during the three-month period ended April 30, 2017, compared with the same period ended April 30, 2016. As a percentage of revenues, the gross margin went from 24.1% during the three-month period ended April 30, 2016 to 10.7% for the period ended April 30, 2017.

This decrease as a percentage of revenues is for the most part explained by the mix of products currently in fabrication. As explained in these same pages of the previous interim MD&A, there is still a certain pressure being exerted on prices, which reduces the margins on recently awarded contracts. It should be noted that the margin for the quarter ended April 30, 2016 had also benefited from favorable adjustments totalling $1.0 million related to the sale of scrap steel and costs in occupational health and safety.

In addition, the percentage of revenues from the Corporation's fabrication activities went from 58% during the quarter ended April 30, 2016, to 29% during the quarter ended April 30, 2017. This decrease is explained by the sequence of projects included in the revenues of the analyzed quarters. As previously stated, fabrication activities drive higher margins.

Increases or decreases in raw material (mainly steel) prices do not generally have a material impact on the gross margin since in most cases, 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.

b) **Selling and Administrative Expenses**

Three-Month Periods Ended April 30,	**2017**	2016	Changes 2017/2016	
(In thousands of dollars and in percentages)	**$**	$	$	%
Selling and administrative expenses	**3,239**	4,258	(1,019)	(23.9)
— As a % of revenues	**6.7%**	16.7%		(10.0)

Selling and administrative expenses amounted to $3.2 million, posting a $1.0 million decrease compared with the same period ended April 30, 2016. Besides the stabilization of bid costs, this variation stems mainly from the issuance of deferred share units (or DSU) during the quarter ended April 30, 2016, in accordance with the change made to the Directors, Executive Officers and key employees' compensation programs.

c) **Amortization**

In accordance with IFRS standards, amortization expense is included in cost of goods sold and selling and administrative expenses (see Note 9 "Classification of Expenses per Nature" to the Unaudited Condensed Interim Consolidated Financial Statements as at April 30, 2017, included in this MD&A). However, Management considers it appropriate to continue separately commenting on the trend in amortization expense since it is considered a significant, although non-cash, component in the analysis of the Corporation's profit margins.

Three-Month Periods Ended April 30,	**2017**	2016	Changes 2017/2016	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization	**1,094**	1,167	(73)	(6.3)
— As a % of revenues	**2.2%**	4.6%		(2.4)

The amortization expense during the three-month period ended April 30, 2017 remained virtually unchanged compared with the three-month period ended April 30, 2016, and was distributed as follows:

Three-Month Periods Ended April 30,	**2017**	2016	Changes 2017/2016	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization expense included in cost of goods sold	**841**	913	(72)	(7.9)
Amortization expense included in selling and administrative expenses	**253**	254	(1)	(0.4)
Total amortization	**1,094**	1,167	(73)	(6.3)

d) **Financial Revenues and Financial Expenses**

Three-Month Periods Ended April 30,	**2017**	2016	Changes 2017/2016	
(In thousands of dollars and in percentages)	**$**	$	$	%
Financial revenues	**(17)**	(35)	18	51.4
Financial expenses	**387**	190	197	103.7
	370	155	215	138.7
— As a % of revenues	**0.8%**	0.6%		0.2

The increase in net financial expense during the quarter ended April 30, 2017, is explained by the increase in the higher average debt balance of the Corporation, including the use of the credit facilities (See Section 12 "Cash Flows and Financial Position").

e) **Foreign Exchange Loss**

Three-Month Periods Ended April 30,	**2017**	2016	Changes 2017/2016	
(In thousands of dollars and in percentages)	**$**	$	$	%
Foreign exchange loss	**994**	375	619	165.1
— As a % of revenues	**2.0%**	1.5%		0.5

The foreign exchange loss recorded during the quarter ended April 30, 2017, includes a $1.7 million foreign exchange gain on ongoing operations and a $2.7 million realized and not realized foreign exchange loss relating to the fair value of financial derivatives. During the three-month period ended April 30, 2017, a $1.9 million foreign exchange gain on the translation of foreign subsidiaries was recorded in comprehensive income (loss).

The foreign exchange loss recorded during the quarter ended April 30, 2016, includes a $2.1 million foreign exchange loss on ongoing operations and a $1.7 million realized and not realized foreign exchange gain relating to the fair value of financial derivatives. During the three-month period ended April 30, 2016, a $4.1 million foreign exchange loss on the translation of foreign subsidiaries was recorded in comprehensive income (loss).

The Corporation is exposed to exchange rate fluctuations between the Canadian and U.S. dollars since a significant portion of its revenues is usually generally recorded in U.S. dollars. During the three-month period ended April 30, 2017, the portion of revenues realized in U.S. dollars was 91% (60% during the three-month period ended April 30, 2016, and 72% during the fiscal year ended January 31, 2017). Considering the improvement in U.S. markets and our facilities in Great Falls, Montana, the Corporation expects that the percentage of its revenues in U.S. dollars should remain at a fairly high level in the fiscal year ending January 31, 2018.

During the three-month period ended April 30, 2017, in line with its hedging policy and 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 April 30, 2017, was as follows:

	As at April 30, 2017			
	In thousands of US$ (1)	**In thousands of CA$ (1)**	**Average rate**	**Maturity date**
Foreign exchange contracts	**1,000**	**1,320**	**1.3200**	**July 31, 2017**
	5,400	**7,039**	**1.3035**	**July 31, 2017**
	3,950	**5,155**	**1.3050**	**July 31, 2017**
	4,016	**5,445**	**1.3557**	**July 31, 2017**
	400	**533**	**1.3313**	**July 31, 2017**
	2,000	**2,668**	**1.3338**	**October 31, 2017**
	4,300	**5,736**	**1.3340**	**October 31, 2017**
	6,000	**7,804**	**1.3007**	**October 31, 2017**
	800	**1,038**	**1.2976**	**October 31, 2017**
	1,700	**2,296**	**1.3503**	**January 31, 2018**
	200	**265**	**1.3263**	**January 31, 2018**
	2,000	**2,624**	**1.3121**	**January 31, 2018**
	2,500	**3,270**	**1.3081**	**January 31, 2018**
	3,500	**4,610**	**1.3171**	**January 31, 2018**
	2,900	**3,837**	**1.3232**	**April 30, 2018**
	3,500	**4,655**	**1.3301**	**July 31, 2018**
Foreign currency options	**750**	**945**	**1.2600**	**July 31, 2017**
	(750)	**(965)**	**1.2860**	**July 31, 2017**
	2,000	**2,600**	**1.3000**	**October 31, 2017**
	(2,000)	**(2,752)**	**1.3760**	**October 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 of the Corporation's financial instruments denominated in foreign currencies, as at April 30, 2017, a 10% fluctuation in the exchange rate between the Canadian and the U.S. dollars (all other variables remaining constant) would have had a non-material impact in net income before income tax, and in a comprehensive income (loss) before income tax. However, this information only applies to financial instruments based on period-end balances and does not take into account the impact of foreign exchange fluctuations on revenues and other miscellaneous expenses for a complete fiscal year.

f) **Income Tax Expense**

Three-Month Periods Ended April 30,	**2017**	2016	Changes 2017/2016	
(In thousands of dollars and in percentages)	**$**	$	$	%
Income tax expense	**269**	381	(112)	(29.4)
— As a % of revenues	**0.6%**	1.5%		(0.9)

For the three-month period ended April 30, 2017, the income tax expense represented an average effective tax rate of 43%, compared with an average effective tax rate of 28.3% for the same period of the 2017 fiscal year. The difference between these rates and the Corporation's Canadian effective rate (27%) 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.

A balance of $2.8 million relating to net deferred income tax assets remained available as at April 30, 2017. This will have a favourable impact on the future cash outflows of the Corporation, which will not have to pay future income taxes until the full amount of available tax attributes has been used in the different jurisdictions where the Corporation executes contracts. Once these future tax attributes are fully used in a given jurisdiction, the Corporation will be required to resume paying income taxes in that jurisdiction.

g) **Net Income, Basic and Diluted Earnings per Share**

Three-Month Periods Ended April 30,	**2017**	2016
(In thousands of dollars and in dollars per share)	**$**	$
Total net income	**354**	965
— As a % of revenues	**0.1%**	3.8%
Total basic earnings per share	**0.01**	0.03
Total diluted earnings per share	**0.01**	0.03

The decrease in net income during the three-month period ended April 30, 2017, compared with the same period of a year ago is for the most part explained by the previously described reasons, in particular the decrease in gross margin, a higher foreign exchange loss and by the non-recurring gain in revenues from the sale of scrap steel and the reimbursement in occupational health and safety, recorded in the quarter ended April 30, 2016.

11. COMPARATIVE INFORMATION FOR THE LAST EIGHT QUARTERS

The trends observed in the analysis of quarterly results do not necessarily represent those of the future results of the Corporation. ADF's 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.

Overall, quarterly fluctuations in the following indicators result mainly from the changes in the revenue mix and the costs recognized on different projects underway and for each 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, the variations from one quarter to the other are mostly explained by the respective fabrication schedules of the various 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.

Fiscal Years	**2018**	2017				2016		
Three-Month Periods Ended	**1st Quarter (04.30.2017)**	4th Quarter (01.31.2017)	3rd Quarter (10.31.2016)	2nd Quarter (07.31.2016)	1st Quarter (04.30.2016)	4th Quarter (01.31.2016)	3rd Quarter (10.31.2015)	2nd Quarter (07.31.2015)
(In thousands of dollars and in dollars per share)	**$**	$	$	$	$	$	$	$
Revenues	**48,638**	36,456	21,089	19,861	25,440	29,084	21,260	19,063
Gross margin	**5,226**	4,833	3,253	2,990	6,134	4,063	4,500	1,889
— As a % of revenues	**11%**	13%	15%	15%	24%	14%	21%	10%
EBITDA (1)	**3,081**	2,313	1,437	1,669	3,043	2,083	2,848	475
— As a % of revenues	**6%**	6%	7%	8%	12%	7%	13%	2%
Income before income tax expense (recovery)	**623**	871	45	251	1,346	1,521	1,524	(420)
— As a% of revenues	**1%**	2%	0%	1%	5%	5%	7%	(2)%
Net income	**354**	253	36	245	965	1,138	1,041	(537)
— Basic per share	**0.01**	0.01	0.00	0.01	0.03	0.03	0.03	(0.02)
— Diluted per share	**0.01**	0.01	0.00	0.01	0.03	0.03	0.03	(0.02)

(1) See Section 9 "Non-GAAP Measures" for the definition of EBITDA.

12. 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 credit facilities and the level of planned capital spending, the Corporation does not expect any liquidity risk in a foreseeable future.

As at April 30, 2017, the Corporation had $191,000 in cash and cash equivalents, which is $143,000 less than at January 31, 2017. As explained in the MD&A for the fiscal year ended January 31, 2017, the Corporation's liquidities are currently under pressure with the start of new major projects, in particular the Salt Lake City Airport project.

However, management believes that these available funds, considering the available credit facilities, will allow it to support the execution of its order backlog in hand on April 30, 2017, and to meet its expected financial commitments for the 2018 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 25 "Outlook"). It also looks at opportunities for accelerated payments discounts negotiated with suppliers.

a) Operating Activities

During the three-month period ended April 30, 2017, the Corporation required cash flows from its operating activities and assigned it as follows:

Three-Month Periods Ended April 30,	**2017**	2016
(In thousands of dollars)	**$**	$
Net income adjusted for non-cash items	**3,391**	3,254
Changes in non-cash operating working capital items:		
Accounts receivable	**(13,713)**	(3,495)
Holdbacks on contracts	**(1,840)**	(145)
Work in progress	**(1,481)**	3,071
Inventories	**1,139**	(257)
Prepaid expenses and others current assets	**237**	555
Accounts payable and other current liabilities	**10,597**	(3,949)
Deferred revenues	**(531)**	(34)
	(5,592)	(4,254)
	(2,201)	(1,000)
Income tax paid	**—**	(777)
Cash flows from (used in) operating activities	**(2,201)**	(1,777)

Net income adjusted for non-cash items, totalling $3.4 million during the three-month period ended April 30, 2017, was higher by $137,000 over the same period ended April 30, 2016. This slight increase results mainly from the variation in unrealized foreign exchange gains and losses relating to financial derivatives and non-cash foreign exchange gains and losses.

During the three-month period ended April 30, 2017, the changes in non-cash operating working capital items used cash outflows of $5.6 million, which are mostly explained by the increase in accounts receivable, holdbacks on contracts and work in progress, net of the increase in accounts payable and other current liabilities. These increases are entirely in connection with the schedules of ongoing projects.

During the three-month period ended April 30, 2016, the changes in non-cash operating working capital items used cash outflows of $4.3 million, which are mostly explained by the increase in accounts receivable and the decrease in accounts payable and other current liabilities, net of the decrease in work in progress. These variations are attributable to the schedules of the different contracts that are currently underway.

b) **Investing Activities**

The Corporation's investing activities are summarized as follows:

Three-Month Periods Ended April 30,	**2017**	2016
(In thousands of dollars)	**$**	$
Net acquisition of property, plant and equipment	**(328)**	(4,192)
Revenues from disposal of property, plant and equipment	**26**	—
Acquisition of intangible assets	**(114)**	(102)
Increase in other non-current assets	**(16)**	(10)
Interest received	**17**	35
Cash flows from (used in) investing activities	**(415)**	(4,269)

During the three-month period ended April 30, 2017, $0.4 million in liquidities were used, mostly for the net acquisition of property, plant and equipment and intangible assets.

During the three-month period ended April 30, 2016, $4.3 million in liquidities were used, mostly to complete the construction of the new paint shop in Terrebonne, Quebec.

The Corporation estimates capital expenditures for fiscal 2018 at approximately $5.0 million, which will primarily be used to maintain the fabrication equipment current at both of ADF's plants in Terrebonne, Quebec, and Great Falls, Montana.

c) **Financing Activities**

The Corporation's financing activities were as follows:

Three-Month Periods Ended April 30,	**2017**	2016
(In thousands of dollars)	**$**	$
Issuance of long-term debt	**—**	5,000
Variation in credit facilities	**3,037**	
Repayment of long-term debt	**(215)**	(207)
Issuance of subordinate voting shares	**17**	—
Interest paid	**(387)**	(194)
Cash flows from (used in) financing activities	**2,452**	4,599

During the three-month period ended April 30, 2017, financing activities generated liquidities of $2.5 million, compared with a cash inflows of $4.6 million for the same quarter the previous year. This cash inflow comes from the increased credit facilities.

During the three-month period ended April 30, 2016, the $4.6 million cash inflow stemmed primarily from the $5.0 million tranche of the new long-term loan contracted during the 2016 fiscal year.

During the three-month period ended April 30, 2017, the Corporation issued 7,664 subordinate voting shares for a cash consideration of $17,000 (none issued during the three-month period ended April 30, 2016).

d) **Payment of Rents and Interest and Payment of Principal on Debt**

The Corporation pays interest on its long-term loans. The interest rates on these loans were between 1.98% and 3.55% as at April 30, 2017. The Corporation is making total monthly principal repayments of US$0.1 million on these loans. Other rent payments are described under Note 24 "Commitments and Guarantees" of the Notes to the Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2017.

e) **Debt Covenants**

As at April 30, 2017, the Corporation respected all of the covenants with its lenders, and still did at the date hereof. Management expects it will continue to respect its commitments during the fiscal year 2018.

f) **Commitments Related to Letters of Credit as at April 30, 2017**

The Corporation contracted letter of credits, the balance of which was $4.7 million as at April 30, 2017, compared with $4.9 million as at April 30, 2016 and $4.5 million as at January 31, 2017.

13. 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, 2016	18,278,435	52,076	14,343,107	16,001	32,621,542	68,077	461,664
Issued on exercise of stock options	6,000	11	—	—	6,000	11	(6,000)
Granted (forfeited)	—	—	—	—	—	—	(72,000)
As at January 31, 2017	18,284,435	52,087	14,343,107	16,001	32,627,542	68,088	383,664
Issued on exercise of stock options	**7,664**	**32**	**—**	**—**	**7,664**	**32**	**(7,664)**
As at April 30, 2017	**18,292,099**	**52,119**	**14,343,107**	**16,001**	**32,635,206**	**68,120**	**376,000**

(1) These shares carry 10 votes per share.
(2) The weighted average exercise price of the current stock option is $2.99 per unit as at April 30, 2017.

As at April 30, 2017, the Corporation had 32,635,206 shares outstanding (32,627,542 as at January 31, 2017). During the three-month period ended April 30, 2017, the Corporation did not grant stock options and issued 7,664 subordinate voting shares, under its Stock Options Plan (no stock options were granted and no share were issued during the three-month period ended April 30, 2016). At the date hereof, being June 13, 2017, the number of shares outstanding remained practically unchanged.

On April 30, 2017, a total of 376,000 stock options were issued and outstanding. These options, which had a weighted average life of 3.58 years before maturity, had a weighted average exercise price of $2.99 (see Note 6 "Capital Stock" to the Unaudited Condensed Interim Consolidated Financial Statements for the Three-Month Period Ended April 30, 2017).

14. DEFERRED SHARE UNITS PLAN

a) **External Directors**

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.

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.

During the three-month periods ended April 30, 2017 and 2016, the DSU compensation amounted to a negative amount of $36,000 and a positive amount of $556,000 respectively.

For further details, see Note 6 "Capital Stock" to the Unaudited Condensed Interim Consolidated Financial Statements for the Three-Month Period Ended April 30, 2017.

b) **Executive Officers and Key Employees**

As set forth in the DSU Plan (see Section 18 "Deferred Share Units Plan" of the Management's Discussion and Analysis of the Financial Position and Operating Results for the Fiscal Year Ended January 31, 2017) the Corporation may granted Executive Officers and key employees, DSUs on a discretionary basis, the vesting of which will extend over a 2-year to 5-year period, at a rate of 20% to 50% per year. The vested DSUs will be bought back in cash by the Corporation on the date its holder ceases to be an officer or employee of the Corporation by reason of death, retirement or loss of function as officer or employee.

The DSU are recognized as they are vested and their costs is determined using a valuation model, and re-evaluated at each reporting period. The share-based compensation expense, totalling respectively $7,000 and $81,000 was recorded in the Consolidated Statement of Income for the Three-Month Period Ended April 30, 2017 and 2016, and the corresponding amount was recognized in accounts payable and other current liabilities in the Consolidated Statements of Financial Position.

For further details, see Note 6 "Capital Stock" to the Unaudited Condensed Interim Consolidated Financial Statements for the Three-Month Period Ended April 30, 2017.

15. DIVIDEND

On April 12, 2017, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per subordinate and multiple voting shares, which was paid on May 16, 2017, to shareholders of record as at April 28, 2017.

16. ORDER BACKLOG

ADF Group's order backlog totalled $155.5 million on April 30, 2017, compared with $78.4 million on the same date a year earlier and $194.5 million on January 31, 2017. This variation, compared with January 31, 2017, is attributable to the newly signed contracts and contractual changes, net of the execution of contracts and the impact of the exchange rate on US-denominated contracts.

As at April 30, 2017, 77% of the order backlog consisted of fabrication hours – the Corporation's core business and most value-added activity – compared with 40% on January 31, 2017. Most of the contracts on hand as at April 30, 2017, will be progressively executed between now and the third quarter of the fiscal year ending January 31, 2019.

17. FINANCIAL POSITION

As at April 30, 2017, 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, 2017 and April 30, 2017.

Sections	Changes	Explanatory Notes
	(In millions of dollars)	
Cash and cash equivalents, net of the variation in the credit facilities	**(3.2)**	Refer to Section 12 "Cash Flows and Financial Position" herein above.
Accounts receivable	**15.3**	Increase in billing as at April 30, 2017, in line with progress schedules.
Work in progress/Deferred revenues (net)	**2.8**	Net difference between the work in progress and the progressive billing of revenues.
Inventories	**(1.1)**	Change in inventories, in line with the fabrication schedules.
Derivative financial instruments (net)	**(2.5)**	Impact from the fluctuation in the market values of financial instruments, mostly the impact of the exchange rate on foreign exchange contracts on hand as at April 30, 2017.
Property, plant and equipment and intangible assets	**1.7**	Difference resulting from acquisition of property, plant and equipment and intangible assets ($0.4 million) and the impact of the exchange rate ($2.4 million), net of amortization ($1.1 million).

Sections	Changes	Explanatory Notes
	(In millions of dollars)	
Accounts payable and other current liabilities	**12.7**	In line with the level of activity as at April 30, 2017 and more specifically the higher purchasing activities level during the two previous quarters.
Long-term debt (including current portion)	**0.3**	Variation resulting from the impact of the exchange rate on US-denominated debts ($0.5 million) net of the debt reimbursement ($0.2 million).
Accumulated other comprehensive income (loss)	**1.9**	Impact of the variation in the foreign exchange rates on the translation of foreign operations.

18. 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 25 "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 19 "External Factors to Which the Corporation's Performance is Exposed" and 25 "Outlook").

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

a) Exchange Rate

The exchange rate fluctuation between the Canadian and U.S. dollars has an impact on the Corporation's results. Thus, a $1.0 million exchange loss was recorded for the three-month period ended April 30, 2017, compared with a $0.4 million foreign exchange loss for the three-month period ended April 30, 2016.

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.

b) Operating Risks and Uncertainties

ADF's markets are subject to several risk and uncertainty factors, which could have an impact on its business, financial position and operating results. These risks and uncertainties include, but are not limited to the following factors, which are further detailed in the section 26 "External Factors to Which the Corporation's Performance is Exposed" in the MD&A for the fiscal year ended January 31, 2017:

— Indemnity agreement;
— Uncertainties relating to the world economy;
— Bonding capacity and irrevocable letters of credit; and
— Operational risks and uncertainties that could have an impact on the Corporation's financial position and operating results.

20. FINANCIAL INSTRUMENTS

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

As at April 30, 2017, 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 and cash equivalents, accounts receivable, holdbacks on contracts receivable, credit facilities, and accounts payable and other current liabilities), or because the Corporation believes 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 15 b) "Financial Instruments" to the Unaudited Condensed Interim Consolidated Financial Statements for the Three-Month Period Ended April 30, 2017, included in this MD&A).

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/or foreign currency options, as well as interest rate swaps, the case may be.

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 15 a) "Financial Risk Management and 15 b) "Financial Instruments" to the Unaudited Condensed Interim Consolidated Financial Statements for the Three-Month Period Ended April 30, 2017.

21. 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 April 30, 2017, 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 ended April 30, 2017, 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.

22. ACCOUNTING POLICIES

The significant accounting policies applied by the Corporation in accordance with IFRS are presented in Note 2 "Summary of Significant Accounting Policies" to the Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2017.

A summary of the recent IFRS pronouncements not yet adopted is included in Note 3 "Recent IFRS Pronouncements not yet Adopted" to the Unaudited Condensed Interim Consolidated Financial Statements for the Three-Month Period Ended April 30, 2017.

23. HUMAN RESOURCES

As at April 30, 2017, the Corporation employed a total of 789 people in its fabrication plant, pant shop and head office in Terrebonne, Quebec, its offices, fabrication plant and paint shop in Great Falls, Montana, as well as the sales office and various construction sites in Florida, U.S.A.

24. SUBSEQUENT EVENTS

a) New Long-Term Debt

On May 19, 2017, a subsidiary of the Corporation contracted a new loan to finance the purchase of equipment for its fabrication plant in Great Falls, Montana. This US$520,000 loan from a US bank will be a 5-year term and will carry a 3.84% fixed interest rate.

b) US Revolving Credit

On that same date, pursuant to the closing of the new long-term debt mentioned above, the US revolving credit was reduced to US$440,360. All other conditions thereof remain unchanged.

Both the new long-term debt and the US revolving credit are secured by a US$3.4 million letter of credit.

25. **OUTLOOK**

The Corporation's 2018 fiscal year started with a marked increase in revenues, reaching $48.6 million, which is not only $23.0 million higher compared with the same quarter a year ago, but also $12.0 million higher compared with the quarter ended January 31, 2017.

Our efforts to increase our order backlog is real and the recent contract awards, totalling over $50 million (see Section 7 "Significant Event that Occurred Since April 30, 2017"), echoes these facts. This being said, the conditions in markets served by our Corporation are adding their share of challenges. Although there are interesting business opportunities and that the geographical footprint of our different assets allows us to achieve success across North America, the pressure exerted on selling prices eats up the profitability on these various projects.

We are making efforts to improve our internal efficiency and the added volume allows us to better absorb our fixed costs. However, as long as the selling prices stay at the level they are today, ADF Group's results will somewhat remain behind. Market globalization attracts new competitors and the various approaches adopted by governments to protect local markets are creating environments that do not support price increases.

Despite these challenges, we are confident that we have taken the right approach. Our facilities, our personnel and our experience remain our best assets. It is therefore with this approach in hand that we look forward and progressively continue to increase our profitability.

26. **ADDITIONAL INFORMATION**

Management's discussion and analysis of changes in financial position and operating results for the three-month period ended April 30, 2017 has been approved by the Corporation's Board of Directors as of June 13, 2017.

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

/ Signed /

Executive Vice-President, Treasurer and Corporate Secretary

Mr. Jean-François Boursier, CPA, CA

/ Signed /

Chief Financial Officer

Terrebonne, Quebec, Canada, June 13, 2017

The electronic version of this Report is available at www.adfgoup.com and at www.sedar.com.

Ce rapport est également disponible en français.

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