THIRD QUARTER
ENDED OCTOBER 31, 2015

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FISCAL YEAR

2016

Group Inc.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE TO THE READERS

These condensed interim consolidated financial statements have been prepared by the Management of ADF Group Inc. and have not been audited or reviewed by an external auditor.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	**October 31, 2015**	January 31, 2015
(In thousands of Canadian dollars)	**(unaudited)** **$**	(audited) $
ASSETS		
Current assets		
Cash and cash equivalents (Note 19)	**4,608**	7,946
Short-term investments	**769**	789
Derivative financial instruments (Note 20)	**108**	—
Accounts receivable	**17,194**	14,143
Holdbacks on contracts (Note 12)	**1,439**	4,309
Income tax assets	**—**	29
Work in progress (Note 12)	**3,024**	6,834
Inventories	**6,550**	5,769
Prepaid expenses and other current assets (Note 4)	**2,096**	1,679
Assets held for sale (Note 5)	**595**	—
Total current assets	**36,383**	41,498
Non-current assets		
Property, plant and equipment (Note 6)	**83,977**	83,000
Intangible assets (Note 7)	**2,849**	2,781
Other non-current assets	**3,328**	3,969
Deferred income tax assets	**5,855**	6,567
Total assets	**132,392**	137,815
LIABILITIES		
Current liabilities		
Accounts payable and other current liabilities	**9,726**	15,971
Income tax liability	**47**	—
Deferred revenues (Note 12)	**1,914**	4,173
Derivative financial instruments (Note 20)	**—**	1,115
Current portion of long-term debt	**805**	763
Total current liabilities	**12,492**	22,022
Non-current liabilities		
Long-term debt (Note 9)	**13,928**	9,374
Deferred income tax liabilities	**2,241**	2,461
Total liabilities	**28,661**	33,857
SHAREHOLDERS’ EQUITY		
Capital stock (Note 10)	**67,995**	69,185
Contributed surplus	**6,428**	6,433
Accumulated other comprehensive income (Note 11)	**6,894**	5,835
Retained income	**22,414**	22,505
Total shareholders’ equity	**103,731**	103,958
Total liabilities and shareholders’ equity	**132,392**	137,815

The accompanying notes are an integral part of these consolidated financial statements.

ON BEHALF OF THE BOARD OF DIRECTORS,

Mr. Jean Paschini

/ Signed /

Director

Mr. Frank Di Tomaso, FCPA, FCA, ICD.D.

/ Signed /

Director

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

Periods Ended October 31,	3 Months 2015	3 Months 2014	9 Months 2015	9 Months 2014
(In thousands of Canadian dollars and in dollars per share)	**$**	$	**$**	$
Revenues (Note 12)	**21,260**	12,471	**69,005**	57,308
Cost of goods sold (Note 13)	**16,760**	11,694	**59,048**	51,497
Gross Margin	**4,500**	777	**9,957**	5,811
Selling and administrative expenses (Note 13)	**2,833**	2,358	**8,211**	7,595
Financial revenues	**(33)**	(35)	**(65)**	(129)
Financial expenses (Note 16)	**151**	101	**373**	265
Foreign exchange loss (gain)	**25**	(37)	**172**	(15)
	2,976	2,387	**8,691**	7,716
Income before income tax expense (recovery)	**1,524**	(1,610)	**1,266**	(1,905)
Income tax expense (recovery) (Note 17)	**483**	(470)	**705**	(889)
Net income for the period	**1,041**	(1,140)	**561**	(1,016)
Earnings per share				
Basic per share (Note 18)	**0.03**	(0.04)	**0.02**	(0.03)
Diluted per share (Note 18)	**0.03**	(0.04)	**0.02**	(0.03)
Average number of outstanding shares (in thousands) (Note 18)	**32,625**	32,501	**32,594**	32,495
Average number of outstanding diluted shares (in thousands) (Note 18)	**32,708**	32,501	**32,833**	32,495

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

Periods Ended October 31,	3 Months 2015	3 Months 2014	9 Months 2015	9 Months 2014
(In thousands of Canadian dollars)	**$**	$	**$**	$
Net income for the period	**1,041**	(1,140)	**561**	(1,016)
Other comprehensive income (Note 11) [(a)]				
Exchange differences on translation of foreign operations [(b)]	**(12)**	1,019	**1,059**	369
Comprehensive income for the period	**1,029**	(121)	**1,620**	(647)

(a) Will subsequently be reclassified to net income.

(b) Net of hedging activities and an immaterial related income tax expense for the nine-month period ended October 31, 2014 (no hedging activities since July 2014. See Note 11).

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

(In thousands of Canadian dollars)	**Capital Stock** $	**Contributed Surplus** $	**Accumulated Other Comprehensive Income** $	**Retained Income** $	**Total** $
Balance, February 1, 2014	69,139	6,407	1,562	24,725	101,833
Net income for the period	—	—	—	(1,016)	(1,016)
Other comprehensive income	—	—	369	—	369
Comprehensive income for the period	—	—	369	(1,016)	(647)
Share-based compensation (Note 10)	—	26	—	—	26
Options exercised	14	(4)	—	—	10
Dividends (Note 10)	—	—	—	(650)	(650)
Balance, October 31, 2014	69,153	6,429	1,931	23,059	100,572

(In thousands of Canadian dollars)	**Capital Stock** $	**Contributed Surplus** $	**Accumulated Other Comprehensive Income** $	**Retained Income** $	**Total** $
Balance, February 1, 2015	**69,185**	**6,433**	**5,835**	**22,505**	**103,958**
Net income for the period	**—**	**—**	**—**	**561**	**561**
Other comprehensive income	**—**	**—**	**1,059**	**—**	**1,059**
Comprehensive income for the period	**—**	**—**	**1,059**	**561**	**1,620**
Share-based compensation (Note 10)	**—**	**35**	**—**	**—**	**35**
Redemption of subordinate voting shares (Note 10)	**(2,282)**	**364**	**—**	**—**	**(1,918)**
Options exercised (Note 10)	**1,092**	**(404)**	**—**	**—**	**688**
Dividends (Note 10)	**—**	**—**	**—**	**(652)**	**(652)**
Balance, October 31, 2015	**67,995**	**6,428**	**6,894**	**22,414**	**103,731**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	3 Months		9 Months	
Periods Ended October 31,	**2015**	2014	**2015**	2014
(In thousands of Canadian dollars)	**$**	$	**$**	$
OPERATING ACTIVITIES				
Net income for the period	**1,041**	(1,140)	**561**	(1,016)
Non-cash items:				
Amortization of property, plant and equipment (Note 6)	**1,099**	970	**3,177**	2,890
Amortization of intangible assets (Note 7)	**82**	100	**238**	285
Loss on disposal of property, plant and equipment	**3**	—	**3**	—
Unrealized gain on derivative financial instruments	**(235)**	—	**(1,223)**	—
Non-cash exchange (gain) loss	**(94)**	99	**(250)**	(40)
Share-based compensation (Note 10)	**9**	17	**35**	26
Income tax expense (recovery)	**483**	(470)	**705**	(889)
Financial revenues	**(33)**	(35)	**(65)**	(129)
Financial expenses	**151**	101	**373**	265
Net income adjusted for non-cash items	**2,506**	(358)	**3,554**	1,392
Changes in non-cash working capital items (Note 19)	**(1,455)**	4,769	**(5,955)**	(8,265)
Income tax expense recovery	**—**	—	**—**	4
Cash flows from (used in) operating activities	**1,051**	4,411	**(2,401)**	(6,869)
INVESTING ACTIVITIES				
Disposal of short-term investments	**—**	34	**9**	34
Net acquisition of property, plant and equipment	**(1,295)**	(5,052)	**(3,473)**	(9,652)
Acquisition of intangible assets	**(104)**	(130)	**(306)**	(314)
Disposal of property, plant and equipment	**12**	—	**12**	—
(Increase) decrease in other non-current assets	**(5)**	(62)	**632**	(610)
Interest received	**31**	28	**69**	122
Cash flows from (used in) investing activities	**(1,361)**	(5,182)	**(3,057)**	(10,420)
FINANCING ACTIVITIES				
Issuance of long-term debt (Note 9)	**5,000**	—	**5,000**	5,516
Financing costs relating to the debt (Note 9)	**(107)**	—	**(107)**	—
Repayment of long-term debt	**(196)**	(158)	**(566)**	(1,690)
Redemption of subordinate voting shares (Note 10)	**(118)**	—	**(1,918)**	—
Issuance of subordinate voting shares (Note 10)	**—**	3	**688**	10
Dividends paid (Note 10)	**(326)**	(325)	**(652)**	(650)
Interest paid on the interest rate swap	**—**	—	**—**	(2)
Interest paid	**(131)**	(99)	**(351)**	(240)
Cash flows from (used in) financing activities	**4,122**	(579)	**2,094**	2,944
Impact of fluctuations in foreign exchange rate on cash flow	**—**	(13)	**26**	(4)
Net change in cash and cash equivalents during the period	**3,812**	(1,363)	**(3,338)**	(14,349)
Cash and cash equivalents, beginning of the period (Note 19)	**796**	5,689	**7,946**	18,675
Cash and cash equivalents, end of the period (Note 19)	**4,608**	4,326	**4,608**	4,326

Supplemental information on cash flows is provided in Note 19.

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 NATURE OF BUSINESS

ADF GROUP INC. ("ADF", "ADF Group" or "the Corporation") is the parent company and is incorporated under the Canada Business Corporations Act. Its head office is located at 300 Henry-Bessemer Street, in Terrebonne, Quebec. The Corporation's securities are traded on the Toronto Stock Exchange under the ticker symbol DRX. The Corporation operates two fabrication plants; one in Canada and one in the United States, as well as a paint shop in the United States. The Corporation concentrates its activities in the design and engineering of connections, fabrication, including industrial coating, and the installation of complex steel superstructures, heavy steel built-ups, as well as miscellaneous and architectural metalwork. The Corporation's products and services are intended for the following five principal segments of the non-residential infrastructures sector: office towers and high-rises, commercial and recreational buildings, airport facilities, industrial complexes, and transport infrastructures.

NOTE 2 BASIS OF PREPARATION

a) **Statement of Compliance**

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), applicable to interim financial reports, including International Accounting Standard 34, "Interim Financial Reporting". These condensed interim consolidated financial statements are intended to provide an update on the annual Audited Consolidated Financial Statements of January 31, 2015. Accordingly, they do not include all of the information required for annual financial statements and must be read in conjunction with the Corporation's annual Audited Consolidated Financial Statements as at January 31, 2015.

The Board of Directors approved these condensed interim consolidated financial statements on December 9, 2015. These financial statements have been prepared using the same accounting policies as outlined in Note 2 to Corporation's Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2015.

b) **Basis of Assessment**

These consolidated financial statements have been prepared under the historical cost convention, except for the evaluation of certain financial instruments measured at the fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

c) **Functional and Reporting Currency**

Items included in each of the Corporation's entities financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Corporation's functional currencies are the Canadian dollar for its Canadian entity, and the U.S. dollar for its U.S. entities. The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is the Corporation's reporting currency. All amounts are rounded to the nearest thousand dollars, except where otherwise indicated.

d) **Use of Estimates and Judgments**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. Areas involving a greater degree of judgment or complexity, or areas where assumptions and estimates have a significant impact on the consolidated financial statements, are disclosed in Note 5 to the Corporation's Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2015, and remained unchanged for the three-month and nine-month periods ended October 31, 2015.

NOTE 3 RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

A summary of recent IFRS pronouncements not yet adopted is included in Note 4 of the annual financial statements of January 31, 2015, and consists of the IFRS 15 "Revenue from Contracts with Customers" published by the IASB in May 2014 as well as the IFRS 9 "Financial Instruments" published by the IASB in November 2009.

In July 2015, the IASB confirmed the deferral of the IFRS 15 effective date, by a year, to January 1, 2018, with earlier application permitted. The effective date of IFRS 9 remains January 1, 2018.

The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

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.

NOTE 4 PREPAID EXPENSES AND OTHER CURRENT ASSETS

As at	**October 31, 2015**	January 31, 2015
(In thousands of CA$)	**$**	$
Related parties advances (1)	**97**	892
Prepaid expenses	**1,708**	400
Others	**291**	387
	2,096	1,679

(1) During the fiscal year ended January 31, 2015, the Corporation granted advances to two Executive Shareholders. These advances bear the interest rate prescribed by the tax authorities (1%) and are repayable during the fiscal year ending January 31, 2016. The balance of these advances stood at $97,000 as at October 31, 2015 and $892,000 as at January 31, 2015. Interest related to these advances, of an immaterial amount, was recorded as part of the interest income in the Consolidated Statement of Income for the Three-Month and Nine-Month Periods Ended October 31, 2015 (nil for the three-month and nine-month periods ended October 31, 2014).

NOTE 5 ASSETS HELD FOR SALE

During the three-month period ended October 31, 2015, a subsidiary of the Corporation put its land and building up for sale, to acquire a new facility to move its U.S. operations. As at October 31, 2015, a conditional purchase offer was underway and was concluded on December 1st, 2015 (see Note 22). The net book value of these property, plant and equipment has been reclassified into current assets held-for-sale and are as follows:

As at	**October 31, 2015**
(In thousands of CA$)	**$**
Land	**362**
Building	**233**
	595

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

For the three-month and nine-month periods ended October 31, 2015, the amortization of property, plant and equipment totalled $1,099,000 and $3,177,000 ($970,000 and $2,890,000 for the three-month and nine-month periods ended October 31, 2014, respectively) and was distributed as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2015**	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Cost of goods sold	**895**	963	**2,630**	2,407
Selling and administrative expenses	**204**	7	**547**	483
	1,099	970	**3,177**	2,890

As at October 31, 2015 and 2014, the book value of the property, plant and equipment not yet used and not amortized stood at $1,287,000 and $9,712,000 respectively, was distributed as follows:

As at October 31,	**2015**	2014
(In thousands of CA$)	**$**	$
Building and improvement to land	**1,287**	7,662
Equipment and overhead cranes	**—**	2,050
	1,287	9,712

NOTE 7 INTANGIBLE ASSETS

As at October 31, 2015 and 2014, all intangible assets were subject to amortization.

For the three-month and nine-month periods ended October 31, 2015, amortization of intangible assets totalled respectively $82,000 and $238,000 ($100,000 and $285,000 for the three-month and nine-month periods ended October 31, 2014 respectively), was distributed as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2015**	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Cost of goods sold	**36**	50	**108**	148
Selling and administrative expenses	**46**	50	**130**	137
	82	100	**238**	285

NOTE 8 CREDIT FACILITY

According to its credit agreement renewable annually, the Corporation has access to a credit facility of up to $10,000,000. This credit facility is not based on margination of the lending value when the order backlog totals more than $50,000,000. However, if the order backlog is below $50,000,000, a monthly calculation based on contracts receivable and inventories, which may limit the amount of the credit facility, is applied. To this effect, as at October 31, 2015 and as at January 31, 2015 the available credit facility was $10,000,000. In addition, this credit agreement also provides the Corporation access to an amount of $10,000,000 that can be used for the issuance of letters of credit.

NOTE 9 LONG TERM DEBT

The Corporation obtained a $20,000,000 long-term loan from a government corporation, to finance, among others, its working capital. This bank loan is guaranteed by a movable and immovable hypothec of $24,000,000 on the universality of all movable and immovable, tangible and intangible assets, present and future of the parent-company, ADF Group Inc. The disbursements of this loan will be as follows:

- A first tranche of $5,000,000 was drawn on August 28, 2015 ;
- A second tranche of $5,000,000, at the request of the Corporation, but before April 23, 2016 ;
- The balance of $10,000,000 will be disbursed in increments of $2,500,000 or more, at the request of the Corporation, under certain conditions.

This loan bears annual floating interest rate of the Development Bank of Canada, and is payable monthly. The first principal repayment, in the amount of $95,850, will be made on March 1st, 2018, followed by equal monthly installments of $98,050, beginning April 1st, 2018 and ending February 1st, 2035, being the loan's maturity date.

The $107,000 financing costs are recorded against the debt and amortized over the debt's expected life using the effective interest rate method.

As at October 31, 2015, the balance of this debt in the Consolidated Statement of Financial Position and included in the non-current liabilities was $4,894,000, and distributed as follow:

As at	October 31, 2015
(In thousands of CA$)	$
Debt	5,000
Financing costs, at amortized cost	(106)
	4,894

NOTE 10 CAPITAL STOCK

a) **Capital Stock**

Authorized: Unlimited number of subordinate voting shares, carrying one (1) vote per share.
Unlimited number of multiple voting shares, carrying ten (10) votes per share.
Unlimited number of preferred shares, issuable in series.

	Subordinate Voting Shares		Multiple Voting Shares		Total	
(In thousands of CA$ and in number of shares)	Number	$	Number	$	Number	$
As at February 1, 2014	18,148,235	53,138	14,343,107	16,001	32,491,342	69,139
Issued on exercise of stock options	42,800	46	—	—	42,800	46
As at January 31, 2015	18,191,035	53,184	14,343,107	16,001	32,534,142	69,185
Issued on exercise of stock options	**867,400**	**1,092**	**—**	**—**	**867,400**	**1,092**
Shares redemption	**(800,000)**	**(2,282)**	**—**	**—**	**(800,000)**	**(2,282)**
As at October 31, 2015	**18,258,435**	**51,994**	**14,343,107**	**16,001**	**32,601,542**	**67,995**

During the three-month period ended October 31, 2015, the Corporation did not issue subordinate voting shares following the exercise of stock options (2,500 subordinate voting shares during the three-month period ended October 31, 2014 for an immaterial amount).

During the nine-month period ended October 31, 2015, the Corporation issued a total of 867,400 subordinate voting shares following the exercise of stock options, for a total amount of $1,092,000, comprising of a cash consideration of $688,000 and an amount of $404,000 from contributed surplus (12,100 subordinate voting shares during the nine-month period ended October 31, 2014 for an immaterial amount).

b) **Subordinate Voting Shares Redemption**

On May 30, 2014, the Corporation announced that it had received the approval from its Board of Directors and the Toronto Stock Exchange to renew its normal course issuer bid ("NCIB"), under which it could repurchase, for cancellation purposes, up to 1,375,824 of its subordinate voting shares between June 4, 2014 and June 3, 2015. These 1,375,824 shares represented approximately 10% of the public float of adjusted subordinate voting shares. These shares could have been repurchased from time to time when deemed appropriate by the Corporation, while considering the economic conditions and its liquidities. Except for the shares repurchased mentioned in the following paragraph, no other shares were repurchased during the three-month and nine-month periods ended October 31, 2015 and 2014, under this NCIB.

During the nine-month period ended October 31, 2015, the Corporation repurchased the 750,000 subordinate voting shares held by three of its directors, pursuant to the exercise of the stock options awarded to them in April 2005, for a total amount of $2,139,000 ($2.85 per share) including a disbursement of $1,800,000 ($2.40 per share) and $339,000 to 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 be eligible for repurchase until June 3, 2015, under the NCIB.

During the three-month period ended October 31, 2015, 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 director for a total amount of $143,000 ($2.85 per share), made up of a $118,000 disbursement and $25,000 from contributed surplus.

c) **Dividends**

During the three-month period ended October 31, 2015, the Corporation recognized as distribution to its shareholders of record as at September 30, 2015 and paid on October 15, 2015, a semi-annual dividend of $0.01 per share, totalling $326,000, which represented dividends of $183,000 for the subordinate voting shares and $143,000 for the multiple voting shares.

For the three-month period ended October 31, 2014, the Corporation recognized as distribution to its shareholders of record as at September 30, 2014 and paid on October 15, 2014, a semi-annual dividend of $0.01 per share, totalling $325,000, which represented dividends of $182,000 for subordinate voting shares and $143,000 for multiple voting shares.

This distribution made during the third quarter ended October 31, 2015, brings the total amount of dividends declared and paid to $652,000 or $0.02 per share for the nine-month period ended October 31, 2015, representing dividends of $365,000 for subordinate voting shares and $287,000 for multiple voting shares (representing dividends of $363,000 for subordinate voting shares and $287,000 for multiple voting shares totaling $650,000 or $0.02 per share for the nine-month period ended October 31, 2014).

d) **Stock Option Plan**

At October 31, 2015, a total of 3,426,029 subordinate voting shares (3,426,029 shares as at January 31, 2015) were reserved for the Stock Option Plan, of which 1,401,029 shares as at October 31, 2015 (1,324,029 shares as at January 31, 2015), had not yet been granted.

The plan requires that the exercise price of the options granted must not be less than the closing market value on the day the options are granted by the Corporation's Board of Directors. These options start vesting one year after the grant date, at the rate of 20% per year, except those issued on February 20, 2007, which vested at a rate of 50% per year, and those issued on July 17, 2009 and December 14, 2009, having an acquisition rate of 33% per year, commencing at these dates. All options have a 10-year life from the grant date.

As at	**October 31, 2015**		January 31, 2015	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
(In dollars per option and in number of options)	**Number**	**$**	Number	$
Outstanding, at the beginning	**1,426,064**	**1.51**	1,368,864	1.40
Issued	**—**	**—**	110,000	2.67
Exercised	**(867,400)**	**0.79**	(42,800)	0.71
Canceled	**(77,000)**	**2.34**	(10,000)	2.74
Outstanding, at the end	**481,664**	**2.66**	1,426,064	1.51
Exercisable, at the end	**369,664**	**2.78**	1,273,064	1.42

As at October 31, 2015, the weighted average exercise price and the weighted average remaining contractual life of the options were as follows:

(In dollars per option and number of options)	**Outstanding Options**			**Exercisable Options**	
Exercise Price	**Outstanding**	**Weighted Average Remaining Life**	**Weighted Average Exercise Price**	**Exercisable**	**Weighted Average Exercise Price**
$	Number	Year	$	Number	$
6.48	5,000	2.20	6.48	5,000	6.48
5.65	60,000	2.46	5.65	60,000	5.65
2.66	100,000	8.71	2.66	20,000	2.66
2.52	60,000	4.12	2.52	60,000	2.52
2.45	96,000	3.71	2.45	96,000	2.45
2.14	27,664	1.30	2.14	27,664	2.14
1.88	50,000	4.87	1.88	50,000	1.88
1.35	50,000	7.46	1.35	20,000	1.35
1.21	5,000	6.62	1.21	3,000	1.21
1.14	20,000	0.61	1.14	20,000	1.14
1.05	8,000	0.56	1.05	8,000	1.05
	481,664	**2.46**	**2.66**	**369,664**	**2.78**

Total expenses of $9,000 and $35,000 for share-based compensation were recorded in the Consolidated Statement of Income for the Three-Month and Nine-Month Periods Ended October 31, 2015 respectively, and a corresponding amount was recognized in contributed surplus ($17,000 and $26,000 respectively for the three-month and nine-month periods ended October 31, 2014).

No options were granted during the nine-month period ended October 31, 2015. The weighted average fair value of the options granted during the nine-month periods ended October 31, 2014 was estimated at $2.39 at the grant date using the Black-Scholes option pricing model on the basis of the following weighted average assumptions for the options granted:

Nine-month period ended October 31,	2014
Options issued (in units)	110,000
Annual share dividend yield	0.75%
Stock price	$2.67
Expected volatility (1)	45.8%
Risk-free interest rate (2)	1.84%
Expected life (3)	6 years

(1) The expected volatility considers the historic volatility of the Corporation's share price.

(2) The risk-free interest rate used to determine the fair value at the issuance of the options is based on a yield curve for zero-coupon bonds from the Bank of Canada.

(3) The contractual expected life of the issued options is 10 years.

e) **Deferred Share Units Plan ("DSU")**

During the three-month and nine-month periods ended October 31, 2015, the DSU compensation amounted to $12,000 and $61,000 respectively, each representing 4,818 units and 16,093 units, and are recorded in "Accounts payable and other current liabilities" in the Consolidated Statements of Financial Position ($13,000 and $40,000 respectively, representing each 5,655 and 15,918 units for the three-month and nine-month periods ended October 31, 2014).

	3 Months		9 Months	
Periods Ended October 31,	**2015**	2014	**2015**	2014
(Number of deferred share units)				
Outstanding, at the beginning of the period	**150,111**	163,382	**175,645**	153,119
Attributed	**4,818**	5,655	**16,093**	15,918
Exercised	**—**	—	**(36,809)**	—
Outstanding, at the end of the period	**154,929**	169,037	**154,929**	169,037

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 nine-month period ended October 31, 2015, an upward re-evaluation in the amount of $23,000 (none for the three-month period ended October 31, 2015) was recorded as an increase in compensation expense, with the consideration recorded as an increase in accounts payable and other current liabilities in the Consolidated Statement of Financial Position.

For the nine-month period ended October 31, 2014, this re-evaluation resulted in a decrease of $73,000 in compensation expense and accounts payable and other current liabilities (no re-evaluation for the three-month period ended October 31, 2014).

NOTE 11 ACCUMULATED OTHER COMPREHENSIVE INCOME

	3 Months		9 Months	
Periods Ended October 31,	**2015**	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Exchange differences on translation of foreign operations				
Opening balance	**7,067**	1,073	**5,996**	1,741
Changes during the period	**(12)**	1,019	**1,059**	351
Closing balance	**7,055**	2,092	**7,055**	2,092
Hedging of foreign operations, net of related income taxes (1)				
Opening balance	**(300)**	(300)	**(300)**	(318)
Changes during the period (2)	**—**	—	**—**	18
Closing balance	**(300)**	(300)	**(300)**	(300)
Change in value of available-for-sale financial assets				
Opening balance	**139**	139	**139**	139
Changes during the period	**—**	—	**—**	—
Closing balance	**139**	139	**139**	139

Allocated as follows:

As at	**October 31, 2015**	January 31, 2015
(In thousands of CA$)	**$**	$
Exchange differences on translation of foreign operations, net of related hedging activities, net of related income taxes (3)	**6,755**	5,696
Change in value of available-for-sale financial assets (4)	**139**	139
	6,894	5,835

(1) To protect itself against the foreign exchange risk related to net investments in its foreign subsidiaries, the Corporation used hedge accounting until July 2014 by fully designating one of its US-denominated long-term debts as a hedge. However, because this long-term debt was fully reimbursed in July 2014, hedge accounting ceased to apply on that date.

(2) Net of an immaterial related income tax expense for the nine-month period ended October 31, 2014 (no amount for the three-month period ended October 31, 2014). During the three-month period ended July 31, 2014, following the repayment of the U.S. dollar denominated bank loan, the hedging of foreign operations ended. No hedging for the three-month and nine-month periods ended October 31, 2015.

(3) The component "Translation of foreign operations" represents exchange differences relating to the translation from the functional currencies of the Corporation's foreign operations into Canadian dollars. On disposal of a foreign operation, the cumulative translation differences are reclassified to the Consolidated Statement of Income as part of the gain or loss on disposal.

(4) The component "Available-for-sale financial assets" arises upon the revaluation of available-for-sale financial assets. When a revaluated financial asset is sold, the portion of the component that relates to that financial asset, and is effectively realized, is recognized in the Consolidated Statement of Income. When a revaluated financial asset is impaired, the portion of the component that relates to that financial asset is recognized in Consolidated Statement of Income.

NOTE 12 INFORMATION RELATED TO CONTRACTS

During three-month and nine-month periods ended October 31, 2015, revenues from contracts totalling $21,260,000 and $69,005,000 respectively ($12,471,000 and $57,308,000 for the three-month and nine-month periods ended October 31, 2014, respectively) have been included in revenues of the reporting period. The amounts recorded in the Consolidated Statement of Financial Position relate to current contracts at the end of the reporting period.

The amounts are calculated as net incurred costs, plus profits, less recognized losses and billings for the period. The carrying amount of assets and liabilities is as follows:

As at	**October 31, 2015**	January 31, 2015
(In thousands of CA$)	**$**	$
Total amount of cost incurred and profits and losses recorded on all ongoing contracts	**164,198**	263,167
Less progress billings	**(163,088)**	(260,506)
	1,110	2,661
Recognized as follows:		
Amount owed by clients for work performed on contracts, recorded in work in progress	**3,024**	6,834
Amount owed to clients for work performed on contracts, recorded in deferred revenues	**(1,914)**	(4,173)
	1,110	2,661

Advances received from clients on contracts for work not yet realized are recognized in accounts payable and other current liabilities. These advances were nil as at October 31, 2015 ($1,975,000 as at January 31, 2015).

Holdbacks on contracts, amounting to $1,439,000 as at October 31, 2015, will be received at the time of the client's approval of the work performed ($4,309,000 as at January 31, 2015) and are included in current assets in the Consolidated Statement of Financial Position.

NOTE 13 CLASSIFICATION OF EXPENSES BY NATURE

	3 Months		9 Months	
Periods Ended October 31,	**2015**	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Salaries and employees' benefit expenses (Note 14)	**9,346**	4,465	**27,130**	14,562
Raw material, consumables and subcontracting	**4,201**	5,570	**22,674**	31,367
Amortization expenses	**1,181**	1,070	**3,415**	3,175
Drafting and engineering	**577**	323	**2,883**	1,408
Transport	**1,452**	259	**2,848**	1,286
Professional fees	**536**	567	**1,577**	1,882
Travelling expenses and representation	**522**	431	**1,436**	1,283
Management fees with related companies (Note 15)	**424**	348	**1,074**	987
Electricity and heating	**296**	221	**938**	601
Taxes and permits	**298**	260	**926**	780
Maintenance and repairs	**232**	133	**739**	420
Insurance	**252**	212	**775**	591
Other	**276**	193	**844**	750
	19,593	14,052	**67,259**	59,092

Distributed as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2015**	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Cost of goods sold	**16,760**	11,694	**59,048**	51,497
Selling and administrative expenses	**2,833**	2,358	**8,211**	7,595
	19,593	14,052	**67,259**	59,092

Cost of goods sold is as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2015**	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Cost of goods sold excluding amortization	**15,829**	10,681	**56,310**	48,942
Amortization of property, plant and equipment and intangible assets	**931**	1,013	**2,738**	2,555
	16,760	11,694	**59,048**	51,497

NOTE 14 SALARIES AND EXPENSES RELATED TO EMPLOYEES BENEFITS

	3 Months		9 Months	
Periods Ended October 31,	**2015**	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Salaries and other short-term benefits	**7,277**	3,392	**20,881**	11,469
Social security costs	**1,769**	841	**5,207**	2,240
Pension plan contributions	**291**	215	**1,007**	827
Share-based compensation	**9**	17	**35**	26
	9,346	4,465	**27,130**	14,562

NOTE 15 EXECUTIVES' COMPENSATION

The Corporation's principal executive officers are members of the Board of Directors and members of the Management Committee of ADF Group (the parent company) and their related persons. Their compensation includes the following expenses:

	3 Months		9 Months	
Periods Ended October 31,	**2015**	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Salaries and other short-term benefits	**414**	442	**1,154**	1,344
Social security costs	**42**	63	**184**	161
Management fees (1)	**424**	348	**1,074**	987
Pension plan contributions	**16**	19	**111**	101
Share-based compensation	**1**	3	**6**	11
Other (2)	**88**	62	**328**	120
	985	937	**2,857**	2,724

(1) In the normal course of business, management agreements have been reached with companies held by a group of majority shareholders and are measured at exchange amount.

(2) Mainly made up of attendance fees.

NOTE 16 FINANCIAL EXPENSES

During the three-month and nine-month periods ended October 31, 2015 and 2014, financial expenses were as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2015**	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Interest on long-term debt	**145**	85	**337**	238
Other interest	**6**	16	**36**	27
	151	101	**373**	265

NOTE 17 INCOME TAX EXPENSE (RECOVERY)

The average effective tax rate for the nine-month period ended October 31, 2015 corresponds to an expense of 56%, representing $705,000, for an income before income tax of $1,266,000. This rate is explained by the distribution of income before income tax between the Corporation's Canadian and U.S. entities. More specifically, the negative income before income tax from Canadian jurisdictions are subject to a lower tax rate than the positive income before income tax from U.S jurisdictions that are subject to higher tax rates.

For the nine-month period ended October 31, 2014, the average effective tax rate corresponds to a recovery of 47%, representing an amount of $889,000 for a loss before income tax of $1,905,000. This high rate is explained by the distribution of income before income tax between the Corporation's Canadian and U.S. entities. More specifically, the negative income before income tax from U.S. jurisdictions are subject to higher tax rates than the positive income before income tax from Canadian jurisdictions that are subject to lower tax rates.

NOTE 18 EARNINGS PER SHARE

Diluted earnings per share were calculated using the treasury stock method. The table hereafter reconciles the numerator and denominator used in the calculation of basic and diluted earnings per share.

	3 Months		9 Months	
Periods Ended October 31,	**2015**	2014	**2015**	2014
Numerator (in thousands of CA$)				
Numerator applicable to basic and diluted earnings per share	**1,041**	(1,140)	**561**	(1,016)
Denominator (in thousands)				
Basic weighted average number of shares	**32,625**	32,501	**32,594**	32,495
Effect of dilutive instruments:				
— Stock options	**83**	—	**239**	—
Diluted weighted average number of shares	**32,708**	32,501	**32,833**	32,495

For the purpose of computing diluted earnings per share, the Corporation must account for stock options as a dilutive instrument.

During the three-month and nine-month periods ended October 31, 2015, only 167,664 stock options (no stock options during the three-month and nine-month periods ended October 31, 2014) were included in the computation of diluted earnings per share because of their antidilutive effect.

NOTE 19 SUPPLEMENTAL CASH FLOWS INFORMATION

The following table sets out in detail the components of the "Changes in non-cash working capital items":

	3 Months		9 Months	
Periods Ended October 31,	**2015**	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Accounts receivable	**(1,494)**	2,765	**(2,763)**	(87)
Holdbacks on contracts	**2,513**	1,148	**2,875**	(1,757)
Income tax	**—**	—	**9**	—
Work in progress	**(499)**	1,369	**3,843**	170
Inventories	**(1,065)**	(29)	**(736)**	(295)
Prepaid expenses and other current assets	**(364)**	(368)	**(397)**	(528)
Accounts payable and other current liabilities	**421**	1,753	**(6,495)**	(2,457)
Deferred revenues	**(967)**	(1,869)	**(2,291)**	(3,311)
Changes in non-cash working capital items	**(1,455)**	4,769	**(5,955)**	(8,265)

For the purpose of the Consolidated Statements of Cash Flows, cash and cash equivalents consisted of $4,608,000 and $7,946,000 in cash at October 31, 2015 and January 31, 2015, respectively.

NOTE 20 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

a) **Financial Risk Management**

As described in Note 29 to the Audited Consolidated Financial Statements for the fiscal year ended January 31, 2015, the Corporation is exposed to exchange rate fluctuations between the Canadian and U.S. dollars, since a significant portion of its revenues is generally recorded in U.S. dollars. During the three-month and nine-month periods ended October 31, 2015, the proportion of sales concluded in U.S. dollars was 88% and 77% respectively (46% and 14% during the three-month and nine-month periods ended October 31, 2014). As part of its foreign currency hedge policy, the Corporation uses different mechanisms, where appropriate, to mitigate the impact of these fluctuations on its results, such as:

- Maximizing purchases in U.S. dollars when possible to avail itself of a natural hedging;
- Acquiring fabrication equipment in U.S. dollars;
- Converting long-term debt into U.S. dollars;
- Using hedging accounting; and
- Using forward foreign exchange contracts to hedge part of the residual exchange risk.

The detail of the derivative financial instruments in hand as at October 31, 2015, was established as follows:

	As at October 31, 2015			
	In thousands of $US (1)	**In thousands $CA (1)**	**Average rate**	**Expiration date**
Forward foreign exchange contracts	**(700)**	**(797)**	**1.1390**	**November 2015**
	3,325	**4,303**	**1.2940**	**January 2016**
	2,000	**2,632**	**1.3162**	**July 2016**
	2,000	**2,631**	**1.3156**	**October 2016**
	1,000	**1,315**	**1.3146**	**January 2017**

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

The Corporation’s position is summarized below:

As at	**October 31, 2015**	January 31, 2015
(In thousands of CA$)	**$**	$
Current assets relating to derivative financial instruments:		
Forward foreign exchange contracts	**108**	—
	108	—
Current liabilities relating to derivative financial instruments:		
Forward foreign exchange contracts	**—**	(885)
Foreign currency options	**—**	(230)
	—	(1,115)

b) **Financial Instruments**

Financial assets and liabilities have been classified in categories specifying their basis for measurement, and in the case of items measured at fair value specifying whether changes in the fair value are recognized in the net income or in other comprehensive income. These categories are: fair value through net income, loans and receivables, assets available-for-sale and, in the case of liabilities, amortized cost.

As at October 31, 2015, 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 and 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).

Therefore, to determine fair value, the financial instruments measured at the fair value at the Consolidated Statements of Financial Position are classified using the following fair value hierarchies in accordance with IFRS, which have been defined as follows:

— Fair value - Level 1: Quoted price (unadjusted) in active markets for identical assets or liabilities;

— Fair value - Level 2: For inputs, other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

— Fair value - Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation classified its equity investments within fair value level 1, since they are based on inputs that are observable in an active market.

The Corporation classified its derivative financial instruments, which include forward foreign exchange contracts and foreign currency options within fair value level 2, since they are essentially based on inputs that are observable other than in an active market.

NOTE 21 SEGMENTED INFORMATION

The Corporation operates in the non-residential infrastructures sector, primarily in the United States and Canada. Its operations include 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.

	3 Months		9 Months	
Periods Ended October 31,	**2015**	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Revenues				
Canada	**2,501**	6,676	**15,701**	49,238
United States	**18,759**	5,795	**53,304**	8,070
	21,260	12,471	**69,005**	57,308

As at	**October 31, 2015**	January 31, 2015
(In thousands of CA$)	**$**	$
Non-current assets (1)		
Canada	**45,089**	45,218
United States	**45,065**	44,532
	90,154	89,750

(1) The non-current assets mainly include property, plant and equipment, intangible assets, investment tax credits and others non-current assets.

During the nine-month period ended October 31, 2015, three (3) clients accounted for 74% of the Corporation's revenues, for respective amounts of $25,871,000 from the United States, and $12,905,000 and $12,096,000 from Canada (47% of the revenues were realized with one client during the nine-month period ended October 31, 2014, for an amount of $27,015,000 from Canada), and therefore each client accounted for more than 10% of the Corporation's revenues.

NOTE 22 SUBSEQUENT EVENTS

Commitments to Purchase Property, Plant and Equipment

— On November 2, 2015, the Corporation announced having received the approval of its Board of Directors and the permit from Quebec's *Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques*, to start construction on the new 3,900 square-meter (42,000-square-foot) paint shop at its own Terrebonne complex. This development project is a strategic investment of $6,000,000. ADF's management expects that this new paint shop, which will be complementary to its core structural steel fabrication activities, to be operational in the month of April 2016. As at December 9, 2015, these commitments total $460,000.

— On November 20, 2015, the Corporation closed the purchase of a property (land and buildings), 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$1,300,000 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$1,125,000. Both of these amounts are exclusive of transaction fees.

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Group Inc.

300 Henry-Bessemer
Terrebonne, Quebec J6Y 1T3
Canada

T. (450) 965-1911
Toll free 1 (800) 263-7560
F. (450) 965-8558

infos@adfgroup.com
www.adfgroup.com

Toronto Stock Exchange: TSX/DRX