Management's Discussion and Analysis

FISCAL YEAR

2015

ADF Group Inc.

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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, 2015.

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

Fiscal Years Ended January 31, 2015 and 2014

1. GENERAL

The purpose of this management's discussion and analysis of the financial position and operating results ("MD&A") is to provide the reader with an overview of the changes in the financial position of ADF Group Inc. ("ADF", "ADF Group" or "the Corporation") between January 31, 2014 and January 31, 2015. It also compares the operating results and cash flows for the fiscal year ended January 31, 2015 to those of the previous year. This MD&A covers all major events that occurred during the 2015 fiscal year and between February 1, 2015 and April 8, 2015, on which date ADF Group Inc.'s Board of Directors approved the consolidated financial statements, as well as the MD&A for the fiscal year ended January 31, 2015.

This analysis should be read in conjunction with the Corporation's audited consolidated financial statements and the notes thereto for the fiscal year ended January 31, 2015. The consolidated financial statements and the comparative information have been prepared in accordance with the International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies applied by the Corporation in accordance with IFRS are presented in Note 2 to the consolidated financial statements for the fiscal year ended January 31, 2015.

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

2. FORWARD-LOOKING STATEMENTS

In order to provide shareholders and potential investors with additional information regarding ADF, in particular Management's assessment of future plans and operations, certain statements in this MD&A are forward-looking statements subject to risks, uncertainties and other important factors that could cause the Corporation's actual performance to differ from those expressed in or implied by these forward-looking statements.

Such factors include, but are not limited to: the impact of economic conditions in Canada and the United States; industry conditions including amendments in laws and regulations; increased competition; potential shortfall of qualified personnel or managers; availability and fluctuations in commodity prices; foreign exchange or interest rate fluctuations; stock market volatility; and the impact of accounting policies issued by Canadian, U.S. and international standard setters. Some of these factors are further discussed under Section 26 "External Factors to Which the Corporation's Performance is Exposed" in this MD&A. It should be noted that the list of factors that may affect future growth, results and performance, provided in this MD&A, is not exhaustive. The reader should not place undue reliance on forward-looking statements.

The expectations expressed by the forward-looking statements are based on information available to the Corporation on the date such statements were made. However, there can be no assurance that such estimates will prove to be correct. All subsequent forward-looking statements made, whether written or verbally, by the Corporation or persons acting on its behalf, are expressly qualified in their entirety by the caveats referred to above. Unless otherwise required by applicable securities legislation, the Corporation expressly disclaims any intention, and assumes no obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

3. OVERVIEW

From a blacksmith shop founded in 1956, ADF Group has become over the years a North American leader in the design and engineering of connections, fabrication, including industrial coating, and installation of complex steel structures, heavy steel built-ups, as well as miscellaneous and architectural metalwork. The Corporation's products and services are intended for the following five principal segments of the non-residential construction market: 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; one of 58,530-square-metre (630,000-square-foot) in Canada and one of 9,290-square-metre (100,000-square-foot) in the United States, where the Corporation operates since the beginning of 2015 a new 3,900-square-meter (42,000-square-foot) paint shop.

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 sector 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 positive trends observed in the Corporation's markets in recent quarters continue allowing the Management of ADF Group to look forward to the foreseeable future with optimism. Although a number of oil-related projects in Western Canada are delayed due to the recent fall in oil prices, this region remains active with several major projects lined up. Our new complex in Great Falls, in Montana, U.S.A., which includes our new fabrication plant and paint shop, allows us to offer a broader array of services, and to be more competitive. Like Western Canada, the US market, west of the Great Lakes region is also active and allows us to put to good use ADF's new Montana's resources.

The markets served by our Terrebonne fabrication plant are also revitalized, with new projects announced in the greater New York region. This region has historically been a good market for our company, and in which ADF has been active for several years now. In the beginning of fiscal 2015, we have increased our staffing in Florida, USA, which has been another traditionally profitable market niche for ADF since the 1990's. However, as for many other markets, Florida had to face an economic slowdown in recent years. We are happy to see our marketing efforts slowly paying off, and we feel confident that major contracts will be announced in coming months. In conclusion, and to a lesser extent, we see some business opportunities for ADF in the Eastern Canadian market, namely the provinces of Ontario and Quebec.

It is therefore with an overall more positive situation that ADF closed its 2015 fiscal year and look forward to 2016.

6. SIGNIFICANT EVENTS OF THE FISCAL YEAR

The following main events marked the fiscal year ended January 31, 2015:

— On February 13, 2014, the Corporation announced that its Board of Directors approved plans to build a new paint shop adjacent to its fabrication plant in Great Falls, Montana, U.S.A. The construction work of the 3,900-square-meter (42,000-square-foot) paint shop started in March 2014 and was commissioned in January 2015. These new facilities, including the acquisition of equipment, required a US$9.4 million investment funded by the Corporation's liquidities.

— On April 9, 2014, the Corporation's Board of Directors declared a semi-annual dividend of $0.01 per share and paid on May 16, 2014 to shareholders of record as at April 30, 2014.

— On May 30, 2014, the Corporation announced the renewal of its normal course issuer bid. From June 4, 2014 to June 3, 2015, the Corporation is authorized to repurchase, for cancellation purposes, up to 1,375,824 subordinate voting shares. These 1,375,824 shares represent approximately 10% of the subordinate voting shares held by the public.

— On September 10, 2014, ADF's Board of Directors approved a semi-annual dividend of $0.01 per share, paid on October 15, 2014, to shareholders of record as at September 30, 2014.

— On October 14, 2014, the Corporation announced the award of new orders totalling $40.0 million in Canada and the United States. The largest of these contracts includes the fabrication, the shop drawings, the supply of raw material (steel) and the delivery of the steel structure of a commercial building, as part of a major real estate project in New York City. The other contracts involve the fabrication of steel structures for industrial buildings for different projects in Northeastern U.S.A, West of the Great Lakes and in the Province of Quebec, Canada.

— On December 3, 2014, the Corporation announced the award of new orders totalling more than $22.0 million. The largest of these contracts includes the fabrication, the shop drawings, the supply of raw material (steel), surface treatment and the delivery of the steel structure of an industrial building in Saskatchewan, Canada. The other contracts involve the fabrication of steel structures for industrial buildings for different projects in New York and U.S West coast and Ontario, Canada.

7. **SIGNIFICANT EVENTS THAT HAVE OCCURRED SINCE JANUARY 31, 2015**

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

8. **EXCHANGE RATE**

The Corporation is subject to foreign currency fluctuations from the translation of revenues, expenses, assets and liabilities of its foreign operations and from commercial transactions denominated in foreign currency. Average monthly rates (considered a reasonable approximation to actual rates at the date of transactions) are used to translate revenues (except for foreign exchange forward contracts) and expenses for the periods mentioned, while closing rates translate assets and liabilities.

During the fiscal year ended January 31, 2015, as well as during the previous fiscal year, the Corporation used the following exchange rates between the Canadian and U.S. dollars:

	Statements of Income and Comprehensive Income				**Statements of Financial Position**	
	Quarterly		*Cumulative*			
($ CA/$ US)	**2015**	2014	**2015**	2014	**2015**	2014
First quarter (April 30)	**1.1051**	1.0176	**1.1051**	1.0176	**1.0960**	1.0075
Second quarter (July 31)	**1.0817**	1.0306	**1.0932**	1.0243	**1.0904**	1.0272
Third quarter (October 31)	**1.1055**	1.0372	**1.0973**	1.0286	**1.1271**	1.0427
Fourth quarter (January 31)	**1.1674**	1.0700	**1.1144**	1.0389	**1.2711**	1.1138
Annual averages	**1.1144**	1.0389				

During the 2015 fiscal year, the Canadian dollar lost on average a little above 7% of its value compared to the U.S. dollar. This drop in value reached its lowest at the end of January 2015, so much so that as at January 31, 2015, the Canadian dollar lost $0.16 or 14% of its value compared with the same date last year. Given the breakdown between the Corporation's revenues (sales) and expenses denominated in Canadian and U.S. dollars during the 2015 fiscal year, the exchange rate variation had a favorable impact of $0.4 million on the Corporation's gross margin during the fiscal year ended January 31, 2015.

Moreover, as explained further in this MD&A, from time to time and accordingly to its internal policy, the Corporation enters into foreign exchange forward contracts to mitigate the exchange risk. As at January 31, 2015, given the major decrease in the Canadian dollar, the Corporation recorded a $1.1 million non-cash foreign exchange loss on the market value of its foreign exchange forward contracts, at that date. This loss is recorded in the "Foreign Exchange Loss (Gain)" in the Consolidated Statement of Income (see Section 13 e) of this MD&A).

9. **SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

The summary of ADF's significant accounting policies is described in Note 2 "Summary of Significant Accounting Policies" of the notes to consolidated financial statements for the fiscal year ended January 31, 2015. The policies that the Corporation deems the most critical to adequately understand and assess its reported financial results, include the following:

a) **Revenue and Cost Recognition**

ADF uses the percentage-of-completion method to establish the revenues and costs recorded for every contract and for every given financial period. This method requires Management to make estimates with regard to the work completed and the costs to complete the remainder of the work in order to determine the amount of revenues and profits to be recognized at the end of every period. Under this method, the profits recognized are dependent on a variety of estimates, including the progress of the engineering work, quantities of material, achievement of certain contractual milestones, costs to complete, changes made by the professionals hired by the project's owner, site conditions and other situations having an impact on costs. These estimates depend on Management's judgment with respect to these factors at a specific date, and certain of these estimates are difficult to determine before the project is sufficiently advanced.

Given the complexity of the estimation process, even when applying business practices, the projected costs can vary from the estimates. The revision of such estimates could reduce or increase the profit on a contract and also, under certain circumstances, result in the immediate recognition of estimated losses. Furthermore, in the normal course of business, changes to contracts often occur while they are in progress. Generally, the revenues relating to those contract changes are included in the total estimated revenues up to the anticipated costs when there is a verbal agreement with the client. Consequently, the profits related to these contract changes are generally recognized upon their written approval. In certain cases, however, the costs are incurred and recognized before a settlement is finalized with the client. This situation often leads to the recognition of losses before an agreement is reached with the client, since profits are recognized when the negotiated agreement is signed.

In summary, Management would like to point out that the mechanisms related to the percentage-of-completion method can cause fluctuations in the recognition of revenues and costs from one period to another with regard to the contracts underway. Consequently, while the Corporation tends to realize its profitability objective on its overall order backlog and the full project execution term, gross margin can vary from period to period based on the specific mix of revenues and costs recorded on all projects for every given period.

b) **Measurement Uncertainty**

The preparation of financial statements in conformity with IFRS requires Management to make judgments in applying accounting methods used and to make estimates and assumptions for the future that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Because financial reporting involves accounting judgments and entails the use of estimates, actual results could differ from those estimates.

As indicated hereinabove, the valuation of work in progress and deferred revenues requires Management to estimate the percentage of completion, cost of completion and anticipated gross margin. The identification and assessment of claims and contract changes, the assessment of long-term assets and related impairment, as well as the valuation of stock options, taxes, provisions and contingencies, also require estimates.

10. NON-GAAP MEASURES

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

12-Month Periods Ended January 31,	**2015**	2014
Working capital (in thousands of dollars)	**$19,476**	$29,615
Current ratio	**1.88 :1**	2.53 :1
Long-term debt to shareholders' equity ratio	**0.10:1**	0.06 :1
Total debt, net of liquidities (total liquidities, net of debt) (in thousands of dollars)	**$1,402**	$(13,452)
Total cash, cash equivalents and short-term investments, net of long-term debt, to shareholders' equity ratio	**(0.01):1**	0.13 :1
Liabilities to shareholders' equity ratio	**0.33:1**	0.26 :1
Earnings before interest, tax, depreciation and amortization (EBITDA) (in thousands of dollars)	**$1,594**	$14,234
EBITDA margin (as a percentage of revenues)	**2.1%**	15.3%
Book value per share (in dollars)	**$3.20**	$3.13
Return on shareholders' equity	**(1.5)%**	7.5%

a) **Working Capital**

The working capital indicator is used by the Corporation to assess whether current assets are sufficient to meet current obligations. Working capital is equal to current assets less current liabilities, whereas the current ratio is calculated by dividing current assets by current liabilities.

Generally, Management's goal is to maintain a current ratio of at least 2:1. Although this ratio was a little below this goal as at January 31, 2015, the Corporation establishes the achievement of this goal on the pursuit of its strategy focusing on the execution of contracts generating positive cash flows throughout their execution. It should be noted that the drawing up and/or revision of this corporate goal depends on a number of factors, such as the economic context, the renewal of the normal course issuer bid ("NCIB") program, where appropriate, and expansion projects that might arise.

b) **Long-Term Debt to Shareholders' Equity**

This ratio indicates the extent to which the Corporation depends on long-term financing as it measures the relationship between the Corporation's indebtedness and the capital invested by shareholders. It represents the Corporation's total long-term debt, including the current portion, over shareholders' equity.

Generally, the Corporation's goal is to reduce this ratio through monthly reimbursements to creditors and the expected operating profitability. However, the pursuit of this goal could be hindered by the increase in the U.S. dollar in relation to the Canadian dollar since the majority of the long-term debt is denominated in U.S. dollars. In the long term, Management's strategy is to maintain prudent management of its capital structure and debt ratio based on its potential development projects, economic context and business opportunities.

c) **Total Debt, Net of Liquidities (Total Liquidities, Net of Debt)**

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

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

As at January 31,	2015	2014
(In thousands of dollars)	$	$
Cash and cash equivalents	**(7,946)**	(18,675)
Short-term investments	**(789)**	(798)
Current portion of long term debt	**763**	1,706
Long term debt	**9,374**	4,315
Total debt, net of liquidities (total liquidities, net of debt)	**1,402**	(13,452)

d) **Total Cash, Cash Equivalents and Short-Term Investments, Net of Long-Term Debt, to Shareholders' Equity**

This ratio measures the level of cash, cash equivalents and short-term investments, net of long-term financing, in relation to the capital invested by shareholders. It represents the Corporation's total cash, cash equivalents and short-term investments, net of long-term debt, including the current portion, over shareholders' equity.

As at January 31, 2015, the Corporation's total cash, cash equivalents and short-term investments exceeded its long-term debt, thus explaining this negative ratio.

e) **Liabilities to Shareholders' Equity**

This ratio indicates the extent to which the Corporation depends on debt financing. It represents the Corporation's total liabilities over shareholders' equity.

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

- An increase in accounts payable and other current liabilities;
- The renewal of its NCIB, where appropriate; and
- The impact of fluctuations in the Canadian dollar in relation to the U.S. dollar on liabilities denominated in U.S. dollars.

f) **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;
- Depreciation and amortization of property, plant and equipment and intangible assets.

Net income is reconciled with EBITDA in the table below:

Fiscal Years Ended January 31,	2015	2014
(In thousands of dollars)	$	$
Net income	**(1,570)**	7,682
Income tax expense (recovery)	**(1,207)**	2,928
Financial revenues	**(151)**	(155)
Financial expenses	**399**	189
Amortization	**4,181**	3,446
Foreign exchange loss (gain)	**(58)**	144
EBITDA	**1,594**	14,234
— As a % of revenues	**2.1%**	15.3%

g) **Book Value Per Share**

This financial ratio indicates the book value of each outstanding share (multiple voting shares and subordinate voting shares) issued at the end of the targeted quarter. The book value is equal to shareholders' equity divided by the total number of shares outstanding.

The book value per share went from $3.13 on January 31, 2014 to $3.20 on January 31, 2015, which represents an increase of more than 2%. Management expects this value to further increase because it anticipates that the Corporation will be profitable throughout the fiscal year ending January 31, 2016 and, when appropriate, will continue to repurchase subordinate voting shares in the normal course of business.

h) **Return on Shareholders' Equity**

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

Based on net income for the fiscal year ended January 31, 2015, return on shareholders' equity worked out to (1.5)% compared with 7.5% for the fiscal year ended January 31, 2014.

11. KEY PERFORMANCE INDICATORS ("KPI")

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

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

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

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

Most of these KPIs are discussed later in this MD&A. Some of these KPIs are not publicly disclosed since they are of a competitive nature.

Moreover, the Corporation's incentive plan is based on the achievement of financial objectives and specific personal goals. The financial objectives are based on EBITDA.

12. SELECTED ANNUAL FINANCIAL INFORMATION

Fiscal Years Ended January 31,	**2015**	2014	2013
(In thousands of dollars and in dollars per share)	**$**	$	$
Revenues	**76,058**	92,997	41,412
Net income	**(1,570)**	7,682	(1,554)
— Basic per share	**(0.05)**	0.24	(0.05)
— Diluted per share	**(0.05)**	0.23	(0.05)
Total assets	**137,815**	127,984	106,530
Non-current liabilities	**11,835**	6,811	1,157
Annual dividend per share	**0.02**	0.02	0.02

During the fiscal year ended January 31, 2015, revenues totalled $76.1 million, recording a decrease of almost $17.0 million compared with last year. Net income has also recorded a decline during the fiscal year ended January 31, 2015. As further explained below, the comparative fiscal year ended January 31, 2014, benefited from the significant contribution of the Syncrude Project, in Alberta, Canada.

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

Finally, the increase in non-current liabilities is mainly explained by the issuance of new debts in U.S. dollars to finance the purchase of equipment for the new plant in Great Falls, as well as by the increase in the value of the U.S. dollar.

13. ANALYSIS OF OPERATING RESULTS FOR THE FISCAL YEAR ENDED JANUARY 31, 2015

During the 12 months of operations between February 1, 2014 and January 31, 2015, the Corporation pursued its activities consisting of the design and engineering of connections, fabrication, including industrial coating, and installation of complex steel structures and heavy steel built-ups, mainly in Canada and the United States.

a) **Revenues and Gross Margin**

Fiscal Years Ended January 31,	**2015**	2014	Changes 2015/2014	
(In thousands of dollars and in percentages)	**$**	$	$	%
Revenues	**76,058**	92,997	(16,939)	(18.2)
Cost of goods sold	**68,791**	72,778	(3,987)	(5.5)
Gross margin	**7,267**	20,219	(12,952)	(64.1)
— As a % of revenues	**9.6%**	21.7%		(12.1)

— **Revenues**

Revenues during the fiscal year ended January 31, 2015, totalled $76.1 million, down by $16.9 million compared with the 2014 fiscal year.

The revenues are determined on the basis of the costs incurred on the various projects executed during the fiscal year. This being said, it is important to point out that the Syncrude project, in Alberta, significantly contributed to the 2014 fiscal year results, and that the fabrication of the steel structures for the Quebec City's new amphitheater project was then in full swing. For the 2015 fiscal year, the progressive decrease in the fabrication hours required to complete these two projects was partially offset by the gradual implementation of our new fabrication plant in Great Falls, which generated new revenues, as well as the new projects announced between October 2014 and January 2015 (see Section 6 hereinabove). More specifically, the projects signed during the 2015 fiscal year represented 40% (or $30.7 million) of total revenues during the fiscal year ended January 31, 2015.

In terms of economic dependency, 47% of the Corporation's revenues during the fiscal year ended January 31, 2015, were realized with two (2) clients (one (1) of which was part of the revenues concentration for the fiscal year ended January 31, 2014), for amounts of $27,526,000 and $8,313,000 (both from Canada) respectively, who each accounted for 10% or more of the Corporation's revenues. Although the Corporation attempts to limit the concentration of its revenues, given the nature of its activities and market, its revenues are likely to remain concentrated among a restricted number of clients in upcoming quarters.

— **Gross Margin**

The gross margin in dollar value decreased by $13.0 million during the 2015 fiscal year compared with the 2014 fiscal year, in line with the decrease in revenues previously explained. As a percentage of revenues, the gross margin decreased from 21.7% during the fiscal year ended January 31, 2014 to 9.6% during the fiscal year ended January 31, 2015.

This decrease, as a percentage of revenues, is mainly explained by the fact that, even with a successful start up, as planned, the first year of operations of our new Great Falls' fabrication plant was characterized by the usual learning curve. It should be noted that the gross margin during the 2014 fiscal year was also favourably impacted by the Syncrude project, previously mentioned. Finally, because the majority of projects included in the order backlog as at January 31, 2015, were signed toward the end of the fiscal year, and thus had very little impact on the results for the fiscal year ended January 31, 2015, the favorable impact thereof will materialized during the fiscal year ending January 31, 2016.

In addition, as described in Section 21 "Order Backlog", the fabrication hours are not only the Corporation's core activity, but are also its most value-added activity. To that effect, the revenues during the fiscal year ended January 31, 2014, were comprised of 57% of fabrication hours compared with 52% for the year ended January 31, 2015, which also explains the decrease recorded in gross margin during the year.

Increases or decreases in raw material (mainly steel) prices do not generally have a material impact on the gross margin since in some of the contracts in hand, the clients supply the steel to be transformed by ADF, whereas protection clauses with regard to price changes are usually included in contracts where ADF supplies the steel. In addition, the natural hedge attributable to revenues and the purchase of raw materials in U.S. dollars mitigates the impact of exchange rate fluctuations.

b) **Selling and Administrative Expenses**

Fiscal Years Ended January 31,	**2015**	2014	Changes 2015/2014	
(In thousands of dollars and in percentages)	**$**	$	$	$
Selling and administrative expenses	**9,854**	9,431	423	4.5
— As a % of revenues	**13.0%**	10.1%		2.9

Selling and administrative expenses amounted to $9.8 million, posting a $0.4 million increase over the 2014 fiscal year. This increase is attributable, for the most part, to the administrative staff at ADF's new fabrication plant in Great Falls, Montana, as well as the increase in the costs related to bidding activities.

c) **Amortization**

In accordance with IFRS standards, amortization expense is included in the cost of goods sold and selling and administrative expenses (see note 19 "Classification of Expenses by Nature" to the consolidated financial statements). However, Management considers it appropriate to continue separately commenting on amortization expense since it is considered a significant, although non-cash, component in the analysis of the Corporation's profit margins.

Fiscal Years Ended January 31,	**2015**	2014	Changes 2015/2014	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization	**4,181**	3,446	735	21.3
— As a % of revenues	**5.5%**	3.7%		1.8

The amortization expense for the 2015 fiscal year amounted to $4.2 million, which was $0.7 million more than that of the 2014 fiscal year. This increase is almost exclusively attributable to the start up of the new fabrication plant in Great Falls, Montana.

Fiscal Years Ended January 31,	**2015**	2014	Changes 2015/2014	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization expense included in cost of goods sold	**3,370**	2,910	460	15.8
Amortization expense included in selling and administrative expenses	**811**	536	275	51.3
Total amortization	**4,181**	3,446	735	21.3

d) **Financial Revenue and Financial Expenses**

Fiscal Years Ended January 31,	**2015**	2014	Changes 2015/2014	
(In thousands of dollars and in percentages)	**$**	$	$	%
Financial revenues	**(151)**	(155)	4	2.6
Financial expenses	**399**	189	210	111.1
	248	34	214	Pos.
— As a % of revenues	**0.3%**	0.0%		0.3

The increase in net financial expenses stems from the issuance of new U.S. denominated debts relating to our investment in Great Falls, Montana, U.S.A.

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

As at January 31, 2015, the utilization of the interest rate swap was no longer required to hedge interest rate risk given that the balance of the long-term debt consisted of fixed interest rates and the credit facility variable interest rate was not used.

e) **Foreign Exchange Loss (Gain)**

Fiscal Years Ended January 31,	**2015**	2014	Changes 2015/2014	
(In thousands of dollars and in percentages)	**$**	$	$	%
Foreign exchange loss (gain)	**(58)**	144	202	140.3
— As a % of revenues	**(0.1)%**	0.2%		0.3

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

The foreign exchange loss recorded during the fiscal year ended January 31, 2014, included a $0.2 million foreign exchange loss on ongoing operations and a $0.1 million realized foreign exchange gain on foreign exchange forward contracts. During the 2014 fiscal year, in accordance with the new IFRS standards, a $3.2 million foreign exchange gain on the translation of foreign subsidiaries was recorded in comprehensive income.

The Corporation is exposed to exchange rate fluctuations between the Canadian and U.S. dollar, since a significant portion of its revenues is generally recorded in U.S. dollars. This trend reversed during the fiscal year 2014. In fact, for the fiscal year ended January 31, 2015, 21% of the Corporation's revenues were recorded in U.S. dollars (2% during the fiscal year ended January 31, 2014). Considering the improvement in U.S. markets and the commissioning of its new plant in Great Falls, Montana, the Corporation expects that the percentage of its revenues in U.S. dollars will continue to increase during the fiscal year 2016.

During the fiscal year ended January 31, 2015, in line with its hedging policy, given the increase in its net risk between future U.S. denominated cash inflows and outflows, the Corporation purchased the following derivative financial instruments, which are classified as held-for-trading and measured at their fair value at the end of each period, since they are not designated as part of an effective hedging relationship.

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

	As at January 31, 2015			
	In thousands of $US [1]	**In thousands $CA [1]**	**Average rate**	**Maturity date**
Foreign Exchange Forward Contracts	**5,700**	**6,461**	**1.1335**	**April 2015**
	3,800	**4,303**	**1.1325**	**July 2015**
	(775)	**(881)**	**1.1372**	**October 2015**
	(700)	**(797)**	**1.1390**	**November 2015**
Foreign Currency Options	**1,500**	**1,733**	**1.1550**	**April 2015**
	(1,500)	**(1,673)**	**1.1150**	**April 2015**
	1,000	**1,160**	**1.1600**	**July 2015**
	(1,000)	**(1,115)**	**1.1150**	**July 2015**

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

Based on the balance, as at January 31, 2015, of the Corporation's financial instruments denominated in foreign currencies, a 10% fluctuation in the exchange rate between the Canadian and U.S. dollars (all other variables remaining constant), would have resulted in a $469,000 variation in net income before tax ($7,000 in 2014) and $633,000 variation in comprehensive income before tax ($48,000 in 2014). However, this information only applies to financial instruments based on year-end balances and does not take into account the impact of foreign exchange fluctuations on revenues and other miscellaneous expenses for a complete year.

f) **Income Tax Expense (Recovery)**

For the 2015 fiscal year, the income tax expense represented an average effective tax rate of 43.5%, compared with an income tax recovery that represented a negative average effective tax rate of 27.6% for the 2014 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.

Fiscal Years Ended January 31,	**2015**	2014	Changes 2015/2014	
(In thousands of dollars and in percentages)	**$**	$	$	%
Income tax expense (recovery)	**(1,207)**	2,928	(4,135)	(141.2)
— As a % of revenues	**(1.6)%**	3.1%		(4.7)

Income tax expense (recovery) has currently no material impact on the Corporation's cash inflows and outflows. Given the available tax attributes, an immaterial amount was disbursed during the fiscal years ended January 31, 2015 and 2014.

A balance of $4.1 million relating to net deferred income tax assets remained available as at January 31, 2015. This will have a favourable impact on future cash outflows of the Corporation, which will not have to pay future income tax until the full amount of available tax attributes has been used in the different jurisdictions where the Corporation executes contracts. Once these future income tax assets are fully used in a given jurisdiction, the Corporation will be required to resume paying income taxes in that jurisdiction.

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

Fiscal Years Ended January 31,	**2015**	2014
(In thousands of dollars and in dollars per share)	**$**	$
Total net income	**(1,570)**	7,682
— As a % of revenues	**(2.1)%**	8.3%
Total basic earnings per share	**(0.05)**	0.24
Total diluted earnings per share	**(0.05)**	0.23

The decrease in net income during the fiscal year ended January 31, 2015, compared with fiscal 2014 is for the most part explained by the previously described reasons, namely by the completion of the Syncrude project, in Alberta, and the Quebec City's new amphitheater, as well as the impact our new fabrication plant and paint shop in Montana has had on the increase in the costs related to administrative staff and amortization of property, plant and equipment.

14. COMMENTS ON QUARTERLY RESULTS

Trends observed in the analysis of quarterly results do not necessarily represent those of the future results of the Corporation. ADF's fabrication activities are not, as such, subject to seasonal fluctuations. However, the non-residential construction market in which the Corporation is active goes through upward and downward cycles, as evidenced by the current global economy.

Overall, quarterly fluctuations in the following indicators result mainly from the changes in the revenue mix and accrued costs within different projects and for every given period, together with the lags between the recognition of costs and revenues, where appropriate, that could result from the use of estimates based on the percentage-of-completion method.

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

a) **Results for the Last Eight Quarters**

	Fiscal Years Ended January 31,							
	2015				2014			
	4th Quarter (01.31.2015)	**3rd Quarter (10.31.2014)**	**2nd Quarter (07.31.2014)**	**1st Quarter (04.30.2014)**	4th Quarter (01.31.2014)	3rd Quarter (10.31.2013)	2nd Quarter (07.31.2013)	1st Quarter (04.30.2013)
(In thousands of dollars and in dollars per share)	**$**	**$**	**$**	**$**	$	$	$	$
Revenues	**18,750**	**12,471**	**20,435**	**24,402**	29,291	33,781	17,649	12,276
Gross margin (1)	**1,456**	**777**	**2,202**	**2,832**	5,864	8,751	4,222	1,382
— As a % of revenues	**8%**	**6%**	**11%**	**12%**	20%	26%	24%	11%
EBITDA (2)	**203**	**(511)**	**496**	**1,406**	4,408	6,789	2,562	475
— As a % of revenues	**1%**	**(4)%**	**2%**	**6%**	15%	20%	15%	4%
Income before income tax expense (recovery)	**(872)**	**(1,610)**	**(651)**	**356**	3,316	5,962	1,712	(380)
— As a % of revenues	**(5)%**	**(13)%**	**(3)%**	**2%**	11%	18%	10%	(3)%
Net income	**(554)**	**(1,140)**	**(347)**	**471**	2,352	4,380	1,219	(269)
— Basic per share	**(0.02)**	**(0.04)**	**(0.01)**	**0.01**	0.07	0.13	0.04	(0.01)
— Diluted per share	**(0.02)**	**(0.04)**	**(0.01)**	**0.01**	0.07	0.13	0.04	(0.01)

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

b) **Results for the Fourth Quarter Ended January 31, 2015**

The Corporation recorded revenues of $18.7 million during the quarter ended January 31, 2015, down by $10.5 million compared with the fourth quarter of fiscal 2014. This decrease is mostly due to the completion of the Syncrude, the Quebec City's amphitheater and the Trois-Rivières' amphitheater projects.

The gross margin as a percentage of revenues stood at 8% for the fourth quarter of the 2015 fiscal year, compared with 20% for the same quarter in the 2014 fiscal year. As for the annual results, the impacts of the previously mentioned projects have also impacted the margins during the fourth quarter.

The Corporation recorded a negative net income of $0.6 million during the last quarter of 2015 fiscal year compared with a net income of $2.4 million for the same period in fiscal 2014. This variation is explained by the aforementioned projects, as well as by the amortization relating to the investments made in Montana, and by the negative impact of the decrease in value of the Canadian dollar against the U.S. dollar over the fair value of financial derivatives in place as at January 31, 2015 (see Sections 8 and 13 e) of this MD&A).

15. CASH FLOWS AND FINANCIAL POSITION

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

On January 31, 2015, cash, cash equivalents and short-term investments remained high, totalling $8.7 million, down by $10.7 million compared with January 31, 2014. As further described hereinafter, the decrease in available cash is explained by the fact that the Corporation invested more than $13.0 million during fiscal 2015 in major part to build a new paint shop, next to its fabrication plant in Great Falls, Montana. Since the beginning of fiscal 2014, the Corporation invested close to $40.0 million in its new facilities in Montana from its own funds and through the new U.S. denominated debts totalling CA$10.3 million.

Management believes that these available funds are sufficient to support the execution of its order backlog in hand on January 31, 2015, and to meet its financial commitments for the 2016 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 35 "Outlook"). It also looks at opportunities for accelerated payments discounts negotiated with suppliers.

a) **Operating Activities**

During the 2015 fiscal year the Corporation generated cash flows from its operating activities and assigned its cash flows as follows:

Fiscal Years Ended January 31,	**2015**	2014
(In thousands of dollars)	**$**	$
Net income adjusted for non-cash items	**2,689**	14,806
Changes in non-cash operating working capital items:		
Accounts receivable	**(881)**	2,842
Holdbacks on contracts	**(682)**	(2,523)
Work in progress	**(683)**	(5,863)
Inventories	**(44)**	(825)
Prepaid expenses and other current assets	**(475)**	(567)
Accounts payable and other current liabilities	**1,508**	7,983
Deferred revenues	**(16)**	(2,079)
	(1,273)	(1,032)
	1,416	13,774
Income tax expense paid	**4**	(30)
Cash flows from (used in) operating activities	**1,420**	13,744

Net income adjusted for non-cash items, totalling $2.7 million during the 2015 fiscal year, decreased by $12.1 million compared with the 2014 fiscal year. This reduction results mainly from the decrease in net income ($9.3 million) and the change in income tax expense ($4.1 million).

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

During the 2014 fiscal year, changes in non-cash operating working capital items required cash of $1.0 million. This cash outflow is mostly explained by the increase in the level of activity, which generated an increase in holdback on contracts ($2.5 million) and a net change in work in progress and deferred revenues ($7.9 million). These cash outflows were mostly offset by the collection of accounts receivable ($2.8 million) and the increase in accounts payable and other current liabilities ($8.0 million), which both resulted from the increase in activities.

b) **Investing Activities**

The Corporation's investing activities are summarized as follows:

Fiscal Years Ended January 31,	**2015**	2014
(In thousands of dollars)	**$**	$
Disposal of short-term investments	**—**	2,482
Net acquisition of property, plant and equipment	**(13,860)**	(22,683)
Acquisition of intangible assets	**(373)**	(488)
Increase in other non-current assets	**(608)**	(204)
Interest received	**160**	156
Cash flows from (used in) investing activities	**(14,681)**	(20,737)

During the 2015 fiscal year, $14.7 million in liquidities were used mostly to build the new paint shop in Great Falls, Montana and to a lesser extent, completing the construction of the new fabrication plant in Montana. Investing activities during the 2014 fiscal year used a net total of $20.7 million in liquidities mainly to build the new fabrication plant in Great Falls.

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

The Corporation estimates capital expenditures for fiscal 2016 at approximately $5.0 million, which will primarily be dedicated to keeping up the production equipment to date at its plants in Terrebonne, Quebec and in Great Falls, Montana.

c) **Financing Activities**

The Corporation's financing activities were as follows:

Fiscal Years Ended January 31,	2015	2014
(In thousands of dollars)	$	$
Issuance of long-term debt	**5,516**	4,819
Repayment of long-term debt	**(1,857)**	(2,619)
Issuance of subordinate voting shares	**31**	56
Dividends paid	**(650)**	(649)
Interest paid on interest rate swap	**(2)**	(13)
Interest paid	**(371)**	(174)
Cash flows from (used in) financing activities	**2,667**	1,420

During fiscal 2015, financing activities generated liquidities of $2.7 million compared with a cash inflow of $1.4 million the previous year. As part of its investment project in Montana, the Corporation received $5.5 million in financing (US$5.0 million) from a chartered bank and U.S. public authorities, which is in addition to the US$4.4 million financing received during the 2014 fiscal year (see Note 15 "Long-Term Debt" in the Notes to the Consolidated Financial Statements included in this MD&A).

During the fiscal years 2015 and 2014, the Corporation reimbursed $1.9 million and $2.6 million respectively on its long-term debts. During the 2015 and 2014 fiscal years, the Corporation also paid $0.6 million in dividend to its shareholders of record.

During the 2015 fiscal year, the Corporation issued 42,800 subordinate voting shares, under its stock option plan, for a cash consideration of $31,000 (44,000 shares were issued during the 2014 fiscal year for a cash consideration of $56,000).

During the 2015 fiscal year, the Corporation did not redeem subordinate voting shares under its NCIB program, which matures in June 2015 (no subordinate voting shares were repurchased in fiscal 2014).

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

The Corporation pays interest on its long-term debts, based on interest rates that ranged between 1.98% and 2.785% as of January 31, 2015. The Corporation is making monthly principal repayments totalling less than US$0.1 million on these debts. Other rent payments are described in paragraph f) below.

e) **Debt Covenants**

As at January 31, 2015, the Corporation respected all covenants with its lenders, and still did at the date hereof. Management expects it will continue to respect its commitments during fiscal 2016.

f) **Contractual Obligations**

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

(In thousands of dollars)	$
Less than one year	**763**
2 to 3 years	**1,613**
4 to 5 years	**1,693**
And more	**6,068**
Total	**10,137**

As at January 31, 2015, the Corporation was committed under operating leases for cars, office equipment and information technology equipment. These commitments amounted to $744,000, for which minimum annual payments due for the next five fiscal years are as follows: $314,000 in 2016, $255,000 in 2017, $101,000 in 2018, $46,000 in 2019 and $28,000 in 2020.

As at January 31, 2015, the Corporation had commitments relating to the purchase of property, plant and equipment totalling $0.7 million (US$0.6 million), which will materialize during the fiscal year ending January 31, 2016.

g) **Commitments Related to Letters of Credit as at January 31, 2015**

During the fiscal year ended January 31, 2015, the Corporation issued letters of credit, totalling $4.8 million at that date compared with $4.2 million as at January 31, 2014.

16. **CAPITAL STOCK**

Information on the outstanding shares, including stock options:

(In thousands of dollars, and in number of shares and options)	**Subordinate Voting Shares**		**Multiple Voting Shares** (1)		**Total Outstanding Shares**		**Stock Options** (2)
	Number	$	Number	$	Number	$	Number
As at January 31, 2013	18,104,235	53,034	14,343,107	16,001	32,447,342	69,035	1,362,864
Issued on exercise of stock options	44,000	104	—	—	44,000	104	(44,000)
Granted (forfeited)	—	—	—	—	—	—	50,000
As at January 31, 2014	**18,148,235**	**53,138**	**14,343,107**	**16,001**	**32,491,342**	**69,139**	**1,368,864**
Issued on exercise of stock options	**42,800**	**46**	**—**	**—**	**42,800**	**46**	**(42,800)**
Granted (forfeited)	**—**	**—**	**—**	**—**	**—**	**—**	**100,000**
As at January 31, 2015	**18,191,035**	**53,184**	**14,343,107**	**16,001**	**32,534,142**	**69,185**	**1,426,064**

(1) These shares carry 10 votes per share.
(2) The weighted average exercise price of the current stock options is $1.51 per unit.

17. **STOCK OPTION PLAN**

As at January 31, 2015, the Corporation had 32,534,142 shares outstanding (32,491,342 on January 31, 2014). During the 2015 fiscal year, the Corporation issued 42,800 subordinate voting shares at a weighted average price of $0.71 per share, for a total consideration of $46,000. All shares were issued under the Corporation's stock option plan. At the date hereof, being April 8, 2015, the number of shares outstanding was practically unchanged.

During the 2014 fiscal year, the Corporation issued 44,000 subordinate voting shares at a weighted average price of $1.30 per share, all under its stock option plan, for a total consideration of $104,000.

On January 31, 2015, a total of 1,426,064 stock options were issued and outstanding. These options, which had a weighted average life of 1.38 years before maturity, had a weighted average exercise price of $1.51 (see Note 16 "Capital Stock" in the Notes to the Consolidated Financial Statements).

18. **DEFERRED SHARE UNITS PLAN**

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

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

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

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

DSU compensation issued during the fiscal years ended January 31, 2015 and 2014, amounted to $55,000 and $124,000 respectively, each representing 22,526 and 64,813 units.

Fiscal Years Ended January 31,	**2015**	2014
(Number of deferred share units)		
Outstanding, at the beginning of year	**153,119**	88,306
Attributed	**22,526**	64,813
Outstanding, at the end of year	**175,645**	153,119

The DSU are re-evaluated at fair market value at the end of each reporting period until the vesting date, using the market price of the Corporation's subordinate voting shares. During the fiscal year ended January 31, 2015, a downward re-evaluation in the amount of $77,000 was recorded as compensation expense. For the fiscal year ended January 31, 2014, this re-evaluation resulted in an increase of $243,000 in compensation expense.

19. **NORMAL COURSE ISSUER BID**

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

During the fiscal years ended January 31, 2015 and 2014, the Corporation did not redeem subordinate voting shares under the NCIB programs.

20. **DIVIDEND**

During the fiscal year ended January 31, 2012, the Corporation's Board of Directors approved a dividend policy, payable semi-annually, which was extended since. Consequently, two (2) semi-annual dividends of $0.01 per subordinate voting share and multiple voting share (totalling $0.6 million) were paid on May 16, 2014 and October 15, 2014, to shareholders of record as at April 30, 2014 and September 30, 2014, respectively.

During the fiscal year ended January 31, 2014, semi-annual dividends of $0.01 per share, totalling $325,000 and $324,000 respectively, representing $649,000 were recognized as distribution to its shareholders of record as at April 30, 2013 and September 30, 2013, of which $363,000 was for subordinate voting shares and $286,000 for multiple voting shares. These sums were paid on May 17, 2013 and October 16, 2013 respectively.

21. **ORDER BACKLOG**

ADF Group's order backlog totalled $48.0 million on January 31, 2015, compared with $35.8 million on the same date a year earlier. This variation is attributable to the execution of contracts, net of contract changes and new contracts.

As at January 31, 2015, 69% of the order backlog consisted of fabrication hours – the Corporation's core business and most value-added activity – compared with 45% on January 31, 2014. Most of the contracts in hand as at January 31, 2015, will be progressively executed between now and the third quarter of fiscal 2016.

22. **FINANCIAL POSITION**

As at January 31, 2015, 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, 2015 and January 31, 2014.

Sections	**Changes**	**Explanatory Notes**
	(In millions of dollars)	
Cash, cash equivalents and short-term investments	**(10.7)**	See Section 15 of this MD&A.
Accounts receivable	**1.2**	Increase attributable to the billing level as at January 31, 2015.
Holdbacks on contracts (current and non-current)	**0.7**	Increase due to the contracts currently underway.
Work in progress/Deferred revenues (net)	**0.6**	Net change between the work in progress and revenue billings.
Property, plant and equipment and intangible assets	**14.6**	Acquisition of property, plant and equipment and intangible assets mainly for the paint shop in Great Falls ($13.5 million) and the impact of foreign exchange of $5.3 million, net of amortization of $4.2 million.
Accounts payable and other current liabilities	**2.5**	Increase attributable to the activity level.
Long-term debt (including current portion)	**4.1**	Issuance of a new debt to finance ADF's facility in Montana ($5.5 million) and the foreign exchange impact of $1.4 million, net of debt repayment ($1.9 million) and a public grant with below-market interest rate ($0.9 million).

Sections	Changes	Explanatory Notes
	(In millions of dollars)	
Derivative financial instruments	**1.1**	Increase in current liabilities relating to the evaluation of the fair market value of financial derivatives in place as at January 31, 2015.
Accumulated other comprehensive income	**4.3**	Impact of the variation in the foreign exchange on the translation of foreign operations.

23. **CURRENT ECONOMIC ENVIRONMENT**

Although the trends are improving in the 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 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 35 "Outlook") and does not currently foresee any short-term elements that could compromise its course of business.

That being said, and in light of the fact that the Corporation does not enjoy all the visibility from which it normally benefits in its markets, the Corporation will continue to use caution and will closely monitor the situation (see Sections 26 " External Factors to Which the Corporation's Performance is Exposed" and 35 "Outlook").

24. **RELATED PARTY TRANSACTIONS**

During the fiscal year ended January 31, 2015, the Corporation granted advances to two Executive-Shareholders. These advances bear interest at the rate prescribed (1%) by the tax authorities and repayable during the fiscal year ending January 31, 2016. As at January 31, 2015, the balance of these advances was $892,000. Moreover, in the normal course of business, management agreements have been reached with companies held by a group of majority shareholders. These transactions are measured at the exchange value, which is the consideration established and accepted by the related parties:

Company	Type	Transactions with ADF Group Inc.	Fiscal Years Ended January 31,	
			2015	2014
			(In dollars)	(In dollars)
Groupe JPMP Inc.	Executives	Three executives of ADF Group are compensated through this company for their work within the Corporation, as stipulated in their contracts of employment (see Section 10 of the Management Information Circular for the 2015 fiscal year).	**$1,288,376**	$1,822,557
ADF Group Inc	Executives	Other compensation paid directly to Executives.	**$94,831**	—

25. **EXECUTIVE OFFICERS' AND DIRECTORS' COMPENSATION**

Salaries and bonuses of the Corporation's executive officers are competitive and are generally placed either between the 50th and 75th percentile or around the 75th percentile of a reference group made up of 12 publicly-traded Canadian companies similar to the Corporation in terms of size and operating in the same business segment as the Corporation, that is, manufacturing, design and/or fabrication. Regarding the compensation of external directors, their attendance fees are deemed competitive, that is, between the median and the 3rd quartile. As for their annual fees, they place at the first (1st) quartile compared with the practices in effect within the reference group, except for the Co-Chairman of the Board and Independent Board Leader, which places somewhere in the middle of the fees paid to chairs of boards and to lead directors of companies included in the reference group (see Sections 10 and 11 of the 2015 Management Information Circular).

26. 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 $0.1 million exchange gain was recorded for the fiscal year ended January 31, 2015, compared with a $0.1 million exchange loss for the 2014 fiscal year.

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

— The conversion, in November 2007, of a significant portion of the long-term debt denominated in Canadian dollars ($11.6 million) into U.S. dollars (US$12.4 million). This measure was maintained following the increase in long-term debt in February 2010, and by issuance of two new debts in U.S. dollars during the fiscal year ended January 31, 2014, and one debt during the fiscal year 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

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

i. Indemnity Agreement

The Corporation entered into an indemnity agreement when it sold a subsidiary in 2004. This former subsidiary was involved in legal proceedings. The impact, as well as the amounts that could be due by the Corporation under the terms of this indemnity agreement, were subject to the recognition on January 31, 2009 of a provision for an expected loss of more than $1.0 million, including fees incurred at that date. During fiscal 2014, this lawsuit's main dispute was settled out of court, resulting in an additional expense and disbursement of US$215,000. At the date hereof, certain smaller disputes of secondary importance relating to this same lawsuit, are still pending, and in this context, the Corporation does not expect incurring significant disbursements.

ii. Uncertainties Relating to the World Economy

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

iii. Bonding Capacity and Irrevocable Letters of Credit

During the fiscal year ended January 31, 2015, the Corporation maintained the necessary bid bonds and/or letters of credit to its business partners, required for bids, as well as in the scope of contractual commitments, or other financial instruments, such as performance, payment and supply bonds or an irrevocable letter of credit.

iv. Operational Risks and Uncertainties That Could Have an Impact on the Corporation's Financial Position and Operating Results

Normally, ADF's contracts are performed under contractual arrangements at firm prices. ADF has developed and applies rigorous risk assessment and management practices to reduce the nature and extent of the financial, technical and legal risks specific to each of these contractual agreements. ADF's continued commitment to strict risk management practices when undertaking and executing contracts includes the technical risks assessment, legal review of contracts, application of tight cost controls and scheduling of projects, regular review of projects' revenues, costs and cash flows, and implementation of agreements aimed at generating positive cash flows from projects and other provisions aimed at mitigating risks.

The following items could have an impact on the Corporation's future financial position and operating results:

— Economic conditions could exert pressure on the profit margins on new projects to be negotiated with clients and have an impact on the order backlog and the award of new contracts;

— Contractual changes overlapping two periods, that is, for which costs would have been recognized but no revenues recorded during a given period and no final settlement concluded with the client at the end of that period, could have an impact on the Corporation's results and cash flows in the following period, subsequent to the signing of this agreement;

— An increase in the price of steel might be a risk, although it would be mitigated by the sale price adjustment clauses concluded with clients and included in contracts;

— Interest rate risk is also mitigated by the Corporation's level of fixed rate interest of indebtedness, as well as its available liquidities generating financial revenues;

— Competition in the Corporation's business segment;

- Economic dependency related to the concentration of its client base; the Corporation strives to mitigate this risk through its development strategy of broadening its geographical and market sectors;
- The assessment of custom duties or other protectionist measures by the United States, ADF's main market, on fabricated steel imports;
- Fluctuations in the exchange rate between the Canadian and U.S. dollars. However, this risk is mitigated in part by the foreign currency hedge policy adopted by the Corporation's Board of Directors; and
- The nature of the contracts in hand at the date hereof, and the fact that most are financed by governmental agencies, could affect upward the collection period of contracts receivable. However, the credit risk is mitigated when contracts are financed by government agencies.

27. FINANCIAL INSTRUMENTS

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

As at January 31, 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, 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) (see Note 30 "Financial Instruments" in the Notes to the Consolidated Financial Statements for the fiscal year ended January 31, 2015).

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

The Corporation is mostly exposed to credit, liquidity and market risks, including exchange rate and interest rate risks, when using financial instruments. A description of how the Corporation manages these risks is included hereinabove in this MD&A, as well as in Note 29 "Financial Risk Management" in the Notes to the Consolidated Financial Statements for the fiscal year ended January 31, 2015.

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

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

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Corporation's disclosure controls and procedures as of January 31, 2015, as well as the effectiveness of Corporation's internal control over financial reporting as of the same date using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 Framework) and have concluded that they are effective.

During the quarter and the year ended January 31, 2015, no changes were made to internal control over financial reporting or disclosure controls and procedures that have materially affected, or are reasonably likely to materially affect, internal controls and procedures.

29. DISCLOSURE AND INSIDER TRADING POLICIES

In accordance with its internal policies and guidelines, the Corporation diligently reports all relevant financial information. In addition, when the Corporation publishes its financial results or announces major contract awards or any other material information, it enforces a blackout period for its directors and managers, as well as for its personnel who wish to trade on ADF Group's securities, in order to ensure compliance and transparency of any trading by persons regarded as insiders. With regard to the employees, this blackout period can, under the circumstances, be either enforced for all the Corporation's employees or limited to a more restricted number of employees according to their knowledge of privilege information concerning the event to be disclosed.

In addition, in the context of the NCIB, the brokerage firm retained for the buyback is subject to the same rules with regard to the blackout period.

30. ACCOUNTING POLICIES MODIFICATIONS

Effective February 1, 2014, the Corporation adopted the following new and revised IFRS:

a) **IFRIC 21 "Levies"**

The Corporation adopted the IFRIC 21, which sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to paying a levy and when a liability should be recognized. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively.

b) **IAS 32 "Financial Instruments-Presentation"**

The amendments to IAS 32 clarify some of the requirements for offsetting financial assets and financial liabilities on the Consolidated Statement of Financial Position.

The application of these new standards, amendments and interpretations to existing standards had no impact on the Corporation's Unaudited Condensed Interim Consolidated Financial Statements.

31. **RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED**

a) **IFRS 9 "Financial Instruments"**

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

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

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

b) **IFRS 15 " Revenue From Contracts With Customers"**

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

IFRS 15 supersedes IAS 11 "Construction Contracts", IAS 18 "Revenue" and a number of revenue-related interpretations (IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers", and SIC-31 "Revenue - Barter Transactions Involving Advertising Service"). IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted.

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

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

32. **ENVIRONMENT**

ADF's operations are subject to various laws and regulations adopted by federal, provincial, state and local governments pertaining to environmental protection.

The Corporation's Terrebonne and Great Falls facilities were built on vacant land. The operations that could have a potential impact on the environment are welding, which generates smoke, and equipment maintenance, which generates waste oil and industrial coating, which generate fumes, ADF has installed appropriate pollution control equipment in order to comply with the existing laws and regulations.

Waste oil is recuperated by specialized firms. The Corporation has the necessary environmental certificates of authorization for its two fabrication plants and for all expansion phases subsequently carried out.

For the fiscal years ended January 31, 2015 and 2014, the requirements with regard to environmental protection did not have a significant financial or operational impact on the Corporation's capital expenditures, net income and competitive position. The Corporation does not expect to incur any costs outside the normal course of business to comply with environmental requirements.

33. **HUMAN RESOURCES**

As at January 31, 2015, the Corporation employed a total of 430 people across its fabrication complex and head office in Terrebonne, Quebec, and its office, fabrication plant and paint shop in Great Falls, Montana, as well as the sales office and various construction sites in Florida, U.S.A.

34. SUBSEQUENT EVENTS

Dividend

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

Commitments to Purchase Property, Plant and Equipment

Since January 31, 2015, the Corporation is committed for the purchase of property, plant and equipment for fabrication activities at its new facility in Montana, U.S.A., for a total amount of US$564,000, which will be entirely disbursed during the fiscal year ending January 31, 2016.

35. OUTLOOK

Fiscal 2015 was a key year for ADF with the successful start up of its new fabrication plant in Great Falls, Montana, concurrently to the announcement of an additional major investment to build a new paint shop, adjacent to our new fabrication plant. These two strategic development projects, through which ADF intends to position itself even better on new markets, together with the economic recovery in the Corporation's key markets, such as New York and Florida, are important elements which herald the return of better days.

At the beginning of fiscal 2015, ADF's management knew very well that additional efforts would be required and that the Corporation's results would be impacted. However, we are pleased to see that this year of transition went smoother than expected, when considering the significant challenge of starting up a new plant, while at the same time building a new paint shop. We have received positive feedback from our actual and new clients welcoming ADF's new global offer. What's more, these clients were able to see first-hand that the know-how gained by ADF over the course of the past 60 years, is transferred to the teams of our new facilities.

Today, we look forward to the future with solid financial and operational bases. Indeed, our financial situation, our three state-of-the-art plants equipped with cutting-edge machinery and our experienced staff, allows us to see the coming years with a renewed optimism. Our main markets are growing and several major projects are in our line of sight. Despite a constant downward pressure on prices, we are confident that fiscal 2016 will allow ADF to be profitable again and to achieve a sustainable growth.

Our efforts of the past years, our rigorous management approach and our commitment to quality work, allowed us to well position ADF in different markets segments and geographical regions across North America. All elements are in place to grow ADF Group and meet our business partners and shareholders' expectations.

36. ADDITIONAL INFORMATION

Management's discussion and analysis of changes in financial position and operating results for the fiscal year ended January 31, 2015 has been approved by the Corporation's Board of Directors as of April 8, 2015.

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

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

Terrebonne, Quebec, Canada, April 8, 2015

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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