FISCAL 2019 FIRST QUARTERLY REPORT

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

THREE-MONTH PERIOD ENDED APRIL 30, 2018

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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, 2018.

1. GENERAL

The purpose of this management's discussion and analysis of the financial position and operating results ("MD&A") is to provide the reader with an overview of the changes in the financial position of ADF Group Inc. ("ADF", "ADF Group" or "the Corporation") between February 1, 2018 and April 30, 2018. It also compares the operating results and cash flows for the three-month period ended April 30, 2018 to those for the same period of the previous year. This MD&A covers all major events that occurred between February 1, 2018 and June 12, 2018, on which date ADF Group Inc.'s Board of Directors approved the unaudited interim condensed consolidated financial statements, as well as the MD&A for the three-month period ended April 30, 2018.

This MD&A should be read in conjunction with the Corporation's unaudited interim condensed consolidated financial statements and the notes thereto for the three-month period ended April 30, 2018. The unaudited interim condensed consolidated financial statements and the comparative information have been prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable to interim financial reports, including International Accounting Standard 34 "Interim Financial Reporting".

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

2. FORWARD-LOOKING STATEMENTS

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

Such factors include, but are not limited to the impact of economic conditions in Canada and the United States; industry conditions including amendments in laws and regulations; increased competition; potential shortfall of qualified personnel or managers; availability and fluctuations in commodity prices; foreign exchange or interest rate fluctuations; stock market volatility; and the impact of accounting policies issued by Canadian, U.S. and international standard setters. Some of these factors are further discussed under Section 19 "External Factors to Which the Corporation's Performance is Exposed" in this MD&A. It should be noted that the list of factors that may affect future growth, results and performance, provided in this MD&A, is not exhaustive. The reader should not place undue reliance on forward-looking statements.

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

3. GENERAL OVERVIEW

From a blacksmith shop founded in 1956, ADF Group has become over the years a North American leader in the design and engineering of connections, fabrication, including industrial coating, and installation of complex steel structures, heavy steel built-ups, as well as miscellaneous and architectural metalwork. The Corporation's products and services are intended for the following five principal segments of the non-residential construction industry: office towers and high-rises, commercial and recreational buildings, airport facilities, industrial complexes and transport infrastructure.

The Corporation uses the latest technologies in its industry and operates two state-of-the-art fabrication plants and two cutting-edge paint shops. ADF Group's complex located in Canada houses the Corporation's head office, the 58,530-square-metre (630,000-square-foot) fabrication plant, which includes the 3,900 square-meter (42,000 square feet) paint shop. ADF's complex in the United-States is home to the 9,290-square-metre (100,000 square feet) fabrication plant, the 60-acre pre-assembly yard and the 4,460-square-meter (48,000 square feet) dual-purpose building, adjacent to the fabrication plant, housing a 2,323-square-meter (25,000 square feet) paint and blast zone, and a 2,137-square-meter (23,000 square feet) area for preparation and detailing work.

A pioneer in the development and implementation of innovative solutions, the Corporation is recognized for its engineering expertise, its project management, its important fabrication capacity and its skills in two specialized market niches: the fabrication of steel superstructures with a high level of architectural and geometric complexity, and projects subject to fast-track schedules. ADF Group's commitment to deliver every project in accordance with the industry's highest quality standards constitutes a core aspect of the Corporation's mission.

4. COMMERCIAL POSITIONING

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

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

5. MARKET TRENDS

The non-residential construction industry includes the products and services related to the construction of commercial, institutional and industrial buildings, such as office towers, commercial buildings, hotels, sports complexes, museums, recreational complexes, as well as manufacturing plants and other industrial facilities. This sector also encompasses public works, including the construction and renovation of infrastructures and buildings, notably, hydroelectric dams, airports, bridges and overpasses. It should be noted that the demand in this sector is related to business cycles. Generally, there are more private projects in a bull cycle, whereas government projects take over in a bear cycle.

According to Management, approximately half of the non-residential projects use structural steel as a structural component, while the other half primarily uses concrete. Generally, structural steel accounts for about 10% to 20% of a project's total cost, depending on the project's nature. Structural steel offers a number of advantages when compared to other materials, which explains its increasing use in the construction of complex structures. These advantages include durability, speed of installation, greater flexibility in fast-track projects, lower installation and maintenance costs, as well as its high strength/weight ratio as a result of improved alloys.

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

As mentioned in our last Management's Discussion and Analysis Report, markets served by ADF, mainly on the American side, remain very dynamic. We continue to see a very interesting pipeline of projects. In addition the Architecture Billings Index (ABI) is up, confirming that the current trend in the number of projects out for bid is expected to continue rising.

These positive news are conditional on the sustained pressure on selling prices in our markets and uncertainties surrounding the NAFTA (North American Free Trade Agreement) negotiations and the discussions regarding the tariffs on imported steel.

6. SIGNIFICANT EVENTS OF THE THREE-MONTH PERIOD ENDED APRIL 30, 2018

— On March 27, 2018, the Corporation announced that it had to proceed to the temporary layoff of 50 employees at its Terrebonne facilities. This temporary measure, which does not result in additional costs, occurred as a result of three unsuccessful bids submitted by the Corporation for major projects in the United States. The recall to work of employees targeted by this temporary layoff will be done progressively as new contracts are signed, and taking into account the usual delay between the signing of a contract and the start of production in the plant.

— On April 11, 2018, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share paid on May 16, 2018 to shareholders of record as at April 30, 2018.

— On April 23, 2018, the Corporation announced the award of major contracts in the United States worth a total of $95 million. These new orders are part of new construction projects of commercial and industrial buildings, and call for the fabrication, encompassing shop drawings, the supply of raw material (steel) and industrial coating, and the installation of complex steel structures and heavy steel components. These new orders will be carried out at both of ADF's fabrication plants.

7. SIGNIFICANT EVENTS THAT OCCURRED AFTER APRIL 30, 2018

— Given the projects currently included the order book and the fabrication schedules thereof, the Corporation applied and received the approval from Service Canada to implement a Work-Sharing program for a certain number of its Terrebonne plant employees. The program, which came into effect on June 11, 2018, will allow certain employees to receive Employment Insurance benefits to make up for the reduced work hours. The Corporation and its union employees reached an agreement to put this program in place. This program will enable ADF to closely manage its costs until the fabrication work on the recently awarded projects begins. Thus, approximately 120 employees will have their working hours reduced from 40% to 60%, and these hours will be compensated by the Government program.

— On June 11, 2018, the Corporation received confirmation that its Canadian operating credit facility will be increased from $20 million to $22.5 million, until August 31, 2018. This temporary increase will provide the Corporation added leverage to support its growth objective.

8. EXCHANGE RATE

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

During the three-month period ended April 30, 2018, as well as during each of the four quarters of the previous fiscal year, the Corporation used the following exchange rates between the Canadian and U.S. dollars:

(CA$/US$)	**Statements of Income and Comprehensive Income (Loss)**	**Statements of Financial Position**
First quarter (April 30, 2017)	1.3317	1.3662
Second quarter (July 31, 2017)	1.3214	1.2485
Third quarter (October 31, 2017)	1.2503	1.2893
Fourth quarter (January 31, 2018)	1.2648	1.2293
First quarter (April 30, 2018)	**1.2767**	**1.2836**

During the three-month period ended April 30, 2018, the Canadian dollar has lost value against the U.S. dollar. The closing rate went from 1.2293 on January 31, 2018 to 1.2836 on April 30, 2018, representing a 4% decline for the Canadian dollar.

The variation in the average value of the Canadian dollar during the quarter ended April 30, 2018 went the opposite way. The average rate of the Canadian dollar during the quarter ended April 30, 2018, against the U.S. dollar was 4% higher compared with the same period a year ago. This variation in the exchange rate had an unfavorable impact of $0.6 million on the Corporation's gross margin during the quarter ended April 30, 2018.

9. NON-GAAP MEASURES

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

	3-Month Periods Ended April 30,		12-Month Periods Ended January 31,	
	2018	2017	2018	2017
Working capital (in thousands of dollars)	**$32,714**	$24,757	$34,768	$24,769
Current ratio	**1.74:1**	1.50:1	1.74:1	1.77:1
Long-term debt to shareholders' equity ratio	**0.45:1**	0.33:1	0.40:1	0.30:1
Total debt, net of liquidities (in thousands of dollars)	**$41,109**	$35,208	$35,353	$31,716
Total bank overdraft, credit facilities and long-term debt, net of cash and cash equivalents, to shareholders' equity ratio	**0.43:1**	0.33:1	0.37:1	0.30:1
Liabilities to shareholders' equity ratio	**0.79:1**	0.66:1	0.83:1	0.50:1
Earnings before interest, tax, depreciation and amortization (EBITDA) (in thousands of dollars)	**$(1,186)**	$3,081	$8,436	$8,462
EBITDA margin (as a percentage of revenues)	**(4.2)%**	6.3%	4.7%	8.2%
Book value per share (in dollars)	**$2.94**	$3.30	$2.93	$3.24
Return on shareholders' equity	**(8.8)%**	0.8%	(7.5)%	1.4%

For the definition of the financial indicators in the above table, except for article 9.1 below, see Section 10 "Non-GAAP Measures" of the Management's Discussion and Analysis of the Financial Position and Operating Results for the Fiscal Year Ended January 31, 2018.

9.1. 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 (recovery);
— Foreign exchange gains or losses, and
— Depreciation and amortization of property, plant and equipment and intangible assets.

Net income is reconciled with EBITDA in the table below:

Three-Month Periods Ended April 30,	**2018**	2017
(In thousands of dollars)	**$**	$
Net income	**(910)**	354
Income tax (recovery) expense	**(745)**	269
Financial revenues	**(13)**	(17)
Financial expenses	**371**	387
Amortization	**1,115**	1,094
Foreign exchange (gain) loss	**(1,004)**	994
EBITDA	**(1,186)**	3,081
— As a % of revenues	**(4.2)%**	6.3%

10. ANALYSIS OF OPERATING RESULTS FOR THE THREE-MONTH PERIOD ENDED APRIL 30, 2018

10.1. Revenues and Gross Margin

Three-Month Periods Ended April 30,	**2018**	2017	Changes 2018/2017	
(In thousands of dollars and in percentages)	**$**	$	$	%
Revenues	**28,477**	48,638	(20,161)	(41.5)
Cost of goods sold	**27,690**	43,412	(15,722)	(36.2)
Gross margin	**787**	5,226	(4,439)	(84.9)
— As a % of revenues	**2.8%**	10.7%		(7.9)

a) **Revenues**

Revenues during the three-month period ended April 30, 2018, totalled $28.5 million, down by $20.2 million compared with the same period of the 2018 fiscal year. More specifically, the decrease in revenues is mostly explained by the current level of activity in the plants.

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

In terms of economic dependency, 87% of the Corporation’s revenues during the three-month period ended April 30, 2018, were realized with two (2) clients for respective amounts of $21.8 million and $2.8 million, all from the United States (87% of the revenues during the three-month period ended April 30, 2017, were realized with three (3) clients with three (3) clients for respective amounts of $15.2 million, $15.2 million and $11.8 million, all from the United States), and therefore each client accounted for more than 10% of the Corporation’s revenues.

Although the Corporation attempts to limit the concentration of its revenues, given the nature of its activities and market, its revenues are likely to remain concentrated among a restricted number of clients in upcoming quarters.

b) **Gross Margin**

The gross margin in dollar value decreased by $4.4 million during the three-month period ended April 30, 2018, compared with the same period ended April 30, 2017. As a percentage of revenues, the gross margin went from 10.7% during the three-month period ended April 30, 2017 to 2.8% for the period ended April 30, 2018.

This decrease as a percentage of revenues is for the most part explained by the drop in the activity level previously mentioned. While certain projects are currently at the end of production, the newly awarded projects have not yet hit the production floor. Given the low level of costs incurred, paired with a less effective absorption of fixed costs, the margins as a percentage of revenues are penalized twice over. In addition, the temporary layoffs announced at the end of March 2018 had little impact on the first quarter’s results.

In addition, the percentage of revenues from the Corporation’s fabrication activities went from 29% during the quarter ended April 30, 2017, to 42% during the quarter ended April 30, 2018, although fabrication activities, in terms of dollars, are higher than a year ago.

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

10.2. Selling and Administrative Expenses

Three-Month Periods Ended April 30,	**2018**	2017	Changes 2018/2017	
(In thousands of dollars and in percentages)	**$**	$	$	%
Selling and administrative expenses	**3,088**	3,239	(151)	(4.7)
— As a % of revenues	**10.8%**	6.7%		4.1

Selling and administrative expenses amounted to $3.1 million, posting a $0.2 million decrease compared with the same period ended April 30, 2017. This variation is essentially attributable to cost-reduction efforts and more specifically through active management of professional fees.

10.3. Amortization

In accordance with IFRS standards, amortization expense is included in cost of goods sold and selling and administrative expenses (see Note 11 "Classification of Expenses per Nature" to the Unaudited Interim Condensed Consolidated Financial Statements as at April 30, 2018, included in this MD&A). However, Management considers it appropriate to continue separately commenting on the trend in amortization expense since it is considered a significant, although non-cash, component in the analysis of the Corporation’s profit margins.

Three-Month Periods Ended April 30,	**2018**	2017	Changes 2018/2017	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization	**1,115**	1,094	21	1.9
— As a % of revenues	**3.9%**	2.2%		1.7

The amortization expense during the three-month period ended April 30, 2018, remained virtually unchanged compared with the three-month period ended April 30, 2017, and was distributed as follows:

Three-Month Periods Ended April 30,	**2018**	2017	Changes 2018/2017	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization expense included in cost of goods sold	**862**	841	21	2.5
Amortization expense included in selling and administrative expenses	**253**	253	—	—
Total amortization	**1,115**	1,094	21	1.9

10.4. **Financial Revenues and Financial Expenses**

Three-Month Periods Ended April 30,	**2018**	2017	Changes 2018/2017	
(In thousands of dollars and in percentages)	**$**	$	$	%
Financial revenues	**(13)**	(17)	4	23.5
Financial expenses	**371**	387	(16)	(4.1)
	358	370	(12)	(3.2)
— As a % of revenues	**1.3%**	0.8%		0.5

The slight decline in net financial expenses during the quarter ended April 30, 2018, is explained by the increase in the higher average debt balance of the Corporation, including the use of the credit facilities (See Section 12 "Cash Flows and Financial Position").

10.5. **Foreign Exchange (Gain) Loss**

Three-Month Periods Ended April 30,	**2018**	2017	Changes 2018/2017	
(In thousands of dollars and in percentages)	**$**	$	$	%
Foreign exchange (gain) loss	**(1,004)**	994	(1,998)	Neg.
— As a % of revenues	**(3.5)%**	2.0%		(5.5)

The foreign exchange gain recorded during the quarter ended April 30, 2018, includes a $1.9 million foreign exchange gain on ongoing operations and a $0.9 million realized and not realized foreign exchange loss relating to the fair value of financial derivatives. During the three-month period ended April 30, 2018, a $1.4 million foreign exchange gain on the translation of foreign subsidiaries was recorded in comprehensive income (loss).

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

The Corporation is exposed to exchange rate fluctuations between the Canadian and U.S. dollars since a significant portion of its revenues is usually generally recorded in U.S. dollars. During the three-month period ended April 30, 2018, the portion of revenues realized in U.S. dollars was 96% (91% during the three-month period ended April 30, 2017, and 91% during the fiscal year ended January 31, 2018). Considering the improvement in U.S. markets and our facilities in Great Falls, Montana, the Corporation expects that the percentage of its revenues in U.S. dollars should remain at a fairly high level in the fiscal year ending January 31, 2019.

In line with its hedging policy, to manage its net risk between the future U.S.-denominated cash inflows and outflows, the Corporation entered into foreign exchange forward contracts. As at April 30, 2018, the Corporation was party to foreign exchange forward contracts for the sale of US$11.2 million (US$19.7 million as at January 31, 2018) with maturities varying between three (3) months to nine (9) months with rates between 1.2577 and 1.2872 (between 1.2285 and 1.2646 as at January 31, 2018).

Based on the balance of the Corporation's financial instruments denominated in foreign currencies as at April 30, 2018, a 10% fluctuation in the exchange rate between the Canadian and U.S. dollars, while all other variables remaining constant, would have had an insignificant effect on net income before tax and $2.4 million in comprehensive income (loss) before tax (an immaterial amount in net income before tax and in comprehensive income (loss) before tax, as at April 30, 2017). However, this information only applies to financial instruments based on period-end balances and does not take into account the impact of foreign exchange fluctuations on revenues and other miscellaneous expenses for a complete fiscal year.

10.6. **Income Tax (Recovery) Expense**

Three-Month Periods Ended April 30,	**2018**	2017	Changes 2018/2017	
(In thousands of dollars and in percentages)	**$**	$	$	%
Income tax (recovery) expense	**(745)**	269	(1,014)	Neg.
— As a % of revenues	**(2.6)%**	0.6%		(3.2)

For the three-month period ended April 30, 2018, the income tax recovery represented an average effective tax rate of 45%, compared with income tax expenses at an average effective tax rate of 43% for the same period of the 2018 fiscal year. The difference between the rates during the quarter ended April 30, 2018, and the Corporation's Canadian effective rate (27%) is mainly explained by the breakdown of income (profits or losses) before income tax from U.S. and Canadian jurisdictions which use different income tax rates.

As at April 30, 2018, the Corporation had operating tax losses of just over $33.0 million in the United States available for carry forwards, for which no deferred tax benefit has been recorded in the Corporation's accounts. 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.

10.7. Net Income (Loss), Basic and Diluted Earnings per Share

Three-Month Periods Ended April 30,	**2018**	2017
(In thousands of dollars and in dollars per share)	**$**	$
Total net income (loss)	**(910)**	354
— As a % of revenues	**(3.2)%**	0.7%
Total basic earnings per share	**(0.03)**	0.01
Total diluted earnings per share	**(0.03)**	0.01

The decrease in net income (loss) during the three-month period ended April 30, 2018, compared with the same period a year ago is for the most part explained by the previously mentioned elements, but more specifically the decrease in fabrication volume, which not only reduced the level of revenues that were recognized, but also negatively impacted the first quarter's margins. This decrease was in part offset by a foreign exchange gain recorded during the quarter ended in April 2018.

11. COMPARATIVE INFORMATION FOR THE LAST EIGHT QUARTERS

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

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

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

Fiscal Years	**2019**	2018				2017		
Three-Month Periods Ended	**1st Quarter (04.30.2018)**	4th Quarter (01.31.2018)	3rd Quarter (10.31.2017)	2nd Quarter (07.31.2017)	1st Quarter (04.30.2017)	4th Quarter (01.31.2017)	3rd Quarter (10.31.2016)	2nd Quarter (07.31.2016)
(In thousands of dollars and in dollars per share)	**$**	$	$	$	$	$	$	$
Revenues	**28,477**	49,346	37,212	45,278	48,638	36,456	21,089	19,861
Gross margin	**787**	4,188	2,419	4,289	5,226	4,833	3,253	2,990
— As a % of revenues	**3%**	8%	7%	9%	11%	13%	15%	15%
EBITDA (1)	**(1,186)**	2,785	468	2,102	3,081	2,313	1,437	1,669
— As a % of revenues	**(4)%**	6%	1%	5%	6%	6%	7%	8%
Income before income tax expense (recovery)	**(1,655)**	553	(1,319)	2,315	623	871	45	251
— As a% of revenues	**(6)%**	1%	(4)%	5%	1%	2%	0%	1%
Net income (loss)	**(910)**	(8,796)	(698)	1,927	354	253	36	245
— Basic per share	**(0.03)**	(0.27)	(0.02)	0.06	0.01	0.01	0.00	0.01
— Diluted per share	**(0.03)**	(0.27)	(0.02)	0.06	0.01	0.01	0.00	0.01

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

12. CASH FLOWS AND FINANCIAL POSITION

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

As at April 30, 2018, the Corporation had $2.0 million in cash and cash equivalents, net of the bank overdraft, which is $1.0 million less than at January 31, 2018. The Corporation's liquidities are under pressure since it is currently in between two phases on major projects. The newly awarded contracts will start shortly, and as previously explained, the procurement of raw material required to begin production on these projects creates a certain pressure on the liquidities. The Corporation closely monitors the situation and has the necessary financial capacities to meet its financial obligations.

In light of what precedes, Management believes that these available funds, considering the available credit facilities, will allow it to support the execution of its order backlog in hand on April 30, 2018, and to meet its expected financial commitments for the 2019 fiscal year.

Furthermore, the Corporation continually appraises the opportunities to use part of its liquidities to finance certain projects that could provide additional long-term competitive advantages (see Section 25 "Outlook"). It also looks at opportunities for accelerated payments discounts negotiated with suppliers.

12.1. **Operating Activities**

During the three-month period ended April 30, 2018, the Corporation required cash flows from its operating activities and assigned it as follows:

Three-Month Periods Ended April 30,	**2018**	2017
(In thousands of dollars)	**$**	$
Net income adjusted for non-cash items	**(1,883)**	3,391
Changes in non-cash operating working capital items:		
Accounts receivable	**5,060**	(13,713)
Holdbacks on contracts	**(594)**	(1,840)
Contract assets/Work in progress	**662**	(1,481)
Inventories	**(1,559)**	1,139
Prepaid expenses and others current assets	**827**	237
Accounts payable and other current liabilities	**(6,004)**	10,597
Contract liabilities/Deferred revenues	**(514)**	(531)
	(2,122)	(5,592)
Cash flows from (used in) operating activities	**(4,005)**	(2,201)

Net income adjusted for non-cash items, representing a loss of $1.9 million during the three-month period ended April 30, 2018, was $5.3 million less than the same period ended April 30, 2017. This decrease results mainly from the decrease in net income, net of the variation in unrealized exchange losses on financial derivative instruments.

During the three-month period ended April 30, 2018, the changes in non-cash operating working capital items used cash outflows of $2.1 million, which are mostly explained by the decrease in accounts payable and other current liabilities, and the increase in inventories, net of the decrease in accounts receivable. These variations are in line with the current production level and the end of certain projects.

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

12.2. **Investing Activities**

The Corporation's investing activities are summarized as follows:

Three-Month Periods Ended April 30,	**2018**	2017
(In thousands of dollars)	**$**	$
Net acquisition of property, plant and equipment	**(1,014)**	(328)
Revenues from disposal of property, plant and equipment	**8**	26
Disposal of equity investments	**217**	—
Acquisition of intangible assets	**(167)**	(114)
Increase in other non-current assets	**(17)**	(16)
Interest received	**—**	17
Cash flows from (used in) investing activities	**(973)**	(415)

During the three-month period ended April 30, 2018, a total of $1.0 million in liquidities were used mostly for the acquisition of property, plant and equipment to replace the ventilation and air conditioning (HVAC) system at ADF's complex in Terrebonne, Quebec.

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

The Corporation estimates capital expenditures for fiscal 2019 at approximately $4.0 million, mainly for production equipment at both of ADF's plants in Terrebonne, Quebec, and Great Falls, Montana.

12.3. **Financing Activities**

The Corporation's financing activities were as follows:

Three-Month Periods Ended April 30,	**2018**	2017
(In thousands of dollars)	**$**	$
Variation in credit facilities	**4,850**	3,037
Repayment of long-term debt	**(453)**	(215)
Issuance of subordinate voting shares	**—**	17
Interest paid	**(427)**	(387)
Cash flows from (used in) financing activities	**3,970**	2,452

During the three-month period ended April 30, 2018, financing activities generated liquidities of $4.0 million, compared with a cash inflows of $2.5 million for the same quarter the previous year. This cash inflow comes from the increase in credit facilities.

12.4. **Payment of Rents and Interest and Payment of Principal on Debt**

The Corporation pays interest on its long-term loans. The interest rates on these loans were between 1.98% and 4.15% as at April 30, 2018. The Corporation is making total monthly principal repayments of US$0.2 million on these loans. Other rent payments are described under Note 22 "Commitments" of the Notes to the Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2018.

12.5. **Debt Covenants**

As at April 30, 2018, the Corporation respected all of the covenants with its lenders, and still did at the date hereof. Management expects it will continue to respect its commitments during the fiscal year 2019.

12.6. **Commitments Related to Letters of Credit as at April 30, 2018**

The Corporation contracted letter of credits, the balance of which was US$3.4 million as at April 30, 2018 and 2017, as well as January 31, 2018.

13. **CAPITAL STOCK**

Information on the outstanding shares, including stock options:

(In thousands of dollars, and in number of shares and options)	**Subordinate Voting Shares**		**Multiple Voting Shares** (1)		**Total Outstanding Shares**		**Stock Options** (2)
	Number	$	Number	$	Number	$	Number
As at January 31, 2017	18,284,435	52,087	14,343,107	16,001	32,627,542	68,088	383,664
Issued on exercise of stock options	7,664	32	—	—	7,664	32	(7,664)
Granted (forfeited)	—	—	—	—	—	—	(5,000)
As at January 31, 2018 and April 30, 2018	**18,292,099**	**52,119**	**14,343,107**	**16,001**	**32,635,206**	**68,120**	**371,000**

(1) These shares carry 10 votes per share.

(2) The weighted average exercise price of the current stock option is $2.94 per unit as at April 30, 2018.

As at April 30, 2018, the Corporation had 32,635,206 shares outstanding (32,635,206 as at January 31, 2018) and at the date hereof, being June 12, 2018, the number of shares outstanding remained practically unchanged.

On April 30, 2018, a total of 371,000 stock options were issued and outstanding. These options, which had a weighted average life of 2.65 years before maturity, had a weighted average exercise price of $2.94 (see Note 8 "Capital Stock" to the Unaudited Interim Condensed Consolidated Financial Statements for the Three-Month Period Ended April 30, 2018).

14. **DEFERRED SHARE UNITS PLAN**

14.1. **External Directors**

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

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

When the Corporation pays dividends on subordinate and multiple voting shares, the accounts of the directors, executive officers and key employees (see 14.2 below) are credited for the amount in the form of additional units using the same basis of calculation previously described.

The DSU are re-evaluated at fair 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 three-month periods ended April 30, 2018 and 2017, the DSU compensation to External Directors recorded in the Consolidated Statement of Income (Loss) amounted respectively to recoveries of $129,000 and $36,000, including the impact of the change in the market price of the Corporation's share, which amounted to a $145,000 recovery during the three-month period ended April 30, 2018 (a recovery of $50,000 for the three-month period ended April 30, 2017).

The fluctuation in DSU issued to External Directors was as follows:

Three-Month Periods Ended April 30,	**2018**	2017
(In number of deferred share units)	**Number**	Number
Outstanding, at the beginning of the period	**391,895**	312,032
Awarded	**9,127**	5,010
Outstanding and vested, at the end of the period	**401,022**	317,042

The carrying amount and the intrinsic value of the liabilities related to the external directors' vested DSU amounted to $0.7 million as at April 30, 2018 ($0.8 million as at January 31, 2018), and is recorded in "Accounts Payable and Other Current Liabilities" in the Consolidated Statements of Financial Position.

14.2. Executive Officers and Key Employees

As set forth in the DSU Plan, the Corporation may grant DSU, on a discretionary basis, to executive officers and key employees. These DSU usually vest gradually over a 2 to 5-year period, at a rate of 20% to 50% per year. The vested DSU will be bought back in cash by the Corporation on the date its holder ceases to be an officer or employee of the Corporation by reason of death, retirement or loss of function as officer or employee.

The DSU are recognized progressively in the Consolidated Statement of Income (Loss) over the vesting period and their costs is determined using a valuation model based on the market price of the Corporation's subordinate voting shares. The DSU compensation for executive officers and key employees, represented a $63,000 recovery during the three-month period ended April 30, 2018 (an immaterial expense during the three-month period ended April 30, 2017), and includes the impact of the change in the market price of the Corporation's share, which amounted to a $87,000 recovery and an immaterial amount for the three-month periods ended April 30, 2018 and 2017, respectively.

The fluctuation in DSU for the executive officers and key employees was as follows:

Three-Month Periods Ended April 30,	**2018**	2017
(In number of deferred share units)	**Number**	Number
Outstanding, at the beginning of the period	**303,733**	273,216
Awarded	**702**	231
Outstanding, at the end of the period	**304,435**	273,447
Vested, at the end of the period	**122,177**	63,396

As at April 30, 2018, the carrying amount of the liabilities related the executive officers and key employees' DSU, totalling to $0.4 million ($0.4 million as at January 31, 2018) is recorded in "Accounts Payable and Other Current Liabilities" in the Consolidated Statements of Financial Position, and of which $0.2 million corresponds to the intrinsic value of the vested DSU as at April 30, 2018 and as at January 31, 2018).

15. DIVIDEND

On April 11, 2018, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per subordinate and multiple voting shares, which was paid on May 16, 2018, to shareholders of record as at April 30, 2018.

16. ORDER BACKLOG

ADF Group's order backlog totalled $158.7 million on April 30, 2018, compared with $155.5 million on the same date a year earlier and $85.5 million on January 31, 2018. This variation, compared with January 31, 2018, is attributable to the newly signed contracts and contractual changes, net of the execution of contracts and the impact of the exchange rate on US-denominated contracts.

As at April 30, 2018, 39% of the order backlog consisted of fabrication hours – the Corporation's core business and most value-added activity – compared with 72% on January 31, 2018. Most of the contracts on hand as at April 30, 2018, will be progressively executed between now and the third quarter of the fiscal year ending January 31, 2020.

17. FINANCIAL POSITION

As at April 30, 2018, 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, 2018 and April 30, 2018.

Sections	Changes	Explanatory Notes
	(In millions of dollars)	
Cash and cash equivalents, net of the variation in the credit facilities and bank overdraft	**(5.9)**	See Section 12 "Cash Flow and Financial Position" hereinabove.
Accounts receivable	**(3.9)**	Decrease in billing level as at April 30, 2018, in line with the work schedules.
Contract assets/Work in progress, net of contract liabilities/Deferred revenues	**0.4**	Net difference between work progress and progressive revenue billing.
Inventories	**1.8**	Variation in inventories in line with fabrication schedules and the end of certain projects.
Property, plant and equipment and intangible assets	**2.0**	Difference resulting from acquisition of property, plant and equipment and intangible assets ($1.2 million) and the impact of the exchange rate ($1.9 million), net of amortization expense ($1.1 million).
Accounts payable and other current liabilities	**(5.3)**	In line with the level of activity as at April 30, 2018.
Long-term debt (including current portion)	**(0.1)**	Variation resulting from debt reimbursement ($0.5 million, net of the impact of the exchange rate on U.S.-denominated debts ($0.4 million).
Accumulated other comprehensive income (loss)	**1.2**	Impact of the variation in the foreign exchange rates on the translation of foreign operations.

18. CURRENT ECONOMIC ENVIRONMENT

Although the trends are improving in certain markets served by the Corporation, a degree of uncertainty remains regarding the economic context. In times of economic uncertainty, the Corporation is faced with the following challenges:

— Its business segment is strongly dependent on project owners' capacity to finance their projects. For lack of financing, certain projects can be delayed or simply abandoned. Although the Corporation strives to mitigate this risk by focusing its marketing efforts on projects whose financing is most likely to materialize, it has no control over financial market trends; and

— Certain project owners who secured financing on the start-up of projects could be forced to cease the work pursuant to the withdrawal of financing, due to a lack of capital of either the project lender or the owner. The Corporation mitigates this risk by ensuring that amounts due are diligently collected and, insofar as possible, maintaining at all times a positive cash flow for every project. Moreover, the Corporation does business with owners who are financially solid. At the date hereof, no project of the Corporation is subject to such constraints.

From a financing point of view, the Corporation has a solid financial position and currently respects all its financial covenants. It expects it will continue to do so during the next 12 months. Capital expenditures are subject to very close monitoring by Management. The Corporation does not anticipate any liquidity problems, in particular since its principal credit facility is issued by a Canadian chartered bank with a solid credit rating, and the Corporation's major clients are leaders in their respective fields. Based on the foregoing, the Corporation maintains its short-term prospects (see Section 25 "Outlook") and does not currently foresee any short-term elements that could compromise its course of business.

That being said, and in light of the fact that the Corporation does not enjoy all the visibility from which it normally benefits in its markets, the Corporation will continue to use caution and will closely monitor the situation (see Sections 19 "External Factors to Which the Corporation's Performance is Exposed" and 25 "Outlook").

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

19.1. Exchange Rate

The exchange rate fluctuation between the Canadian and U.S. dollars has an impact on the Corporation's results. Thus, a $1.0 million exchange gain was recorded for the three-month period ended April 30, 2018, compared with a $1.0 million foreign exchange loss for the three-month period ended April 30, 2017.

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

— Issuance of two new debts in U.S. dollars;

— 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.

19.2. **Operating Risks and Uncertainties**

ADF's markets are subject to several risk and uncertainty factors, which could have an impact on its business, financial position and operating results. These risks and uncertainties include, but are not limited to the following factors, which are further detailed in the section 25 "External Factors to Which the Corporation's Performance is Exposed" in the MD&A for the fiscal year ended January 31, 2018:

— Indemnity agreement;

— Uncertainties relating to the world economy;

— Bonding capacity and irrevocable letters of credit; and

— Operational risks and uncertainties that could have an impact on the Corporation's financial position and operating results.

20. **FINANCIAL INSTRUMENTS**

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

As at April 30, 2018, the carrying amount of these financial instruments did not significantly differ from the fair market value, either because of their forthcoming maturity date (in the case of cash and cash equivalents, accounts receivable, contracts assets, other current assets, holdbacks on contracts, the credit facilities, accounts payable and other current liabilities), as well as contracts liabilities or because the effective interest rates on long-term debts (including the financial leases) reflected prevailing market conditions.

Derivative financial instruments are typically used to manage the Corporation's foreign exchange and interest rate risk exposure. They are generally comprised of foreign exchange forward contracts and/or foreign currency options, as well as interest rate swaps, the case may be.

The Corporation is mostly exposed to credit, liquidity and market risks, including exchange rate and interest rate risks, when using financial instruments. A description of how the Corporation manages these risks is included hereinabove in this MD&A, as well as in Note 17.1 "Financial Risk Management and 17.2 "Financial Instruments" to the Unaudited Interim Condensed Consolidated Financial Statements for the Three-Month Period Ended April 30, 2018.

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

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

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Corporation's disclosure controls and procedures as of April 30, 2018, as well as the effectiveness of Corporation's internal control over financial reporting as of the same date using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 Framework) and have concluded that they are effective.

During the quarter ended April 30, 2018, no changes were made to internal control over financial reporting or disclosure controls and procedures that have materially affected, or are reasonably likely to materially affect, internal controls and procedures.

22. **ACCOUNTING POLICIES**

The significant accounting policies applied by the Corporation in accordance with IFRS are presented in Note 2 "Summary of Significant Accounting Policies" to the Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2018, except for the adoption of new accounting policies described hereafter:

22.1. **Change in Accounting Policies**

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

On February 1, 2018, the Corporation adopted IFRS 9 which establishes the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 was adopted on a retrospective basis without restatement of comparative information.

i. **Classification**

IFRS 9 largely retains most of the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

On initial recognition, the Corporation determines the financial instruments classification as per the following categories:

— instruments measured at amortized cost ;

— instruments measured at fair value through other comprehensive income (loss) (FVOCI) or through net income (loss) (FVTPL).

IFRS 9 uses a new approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

— it is held within a business model whose objective is to hold assets to collect contractual cash flows ; and

— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments are classified as FVTPL. However unless they are held for trading, the Corporation, on initial recognition, may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as instruments held for trading or derivatives) or if the Corporation elects to measure them at FVTPL.

The following table presents the initial IAS 39 classification and the new IFRS 9 classification for all financial instruments held by the Corporation as at February 1, 2018.

Financial Assets and Liabilities	Classification According to IAS 39	Classification According to IFRS 9
Cash and cash equivalents	Loans and receivables (amortized cost)	Amortized cost
Accounts receivable	Loans and receivables (amortized cost)	Amortized cost
Contract assets/Work in progress	Loans and receivables (amortized cost)	Amortized cost
Holdbacks on contracts	Loans and receivables (amortized cost)	Amortized cost
Investments in shares	Available for sale (FVOCI)	FVTPL
Other current assets	Loans and receivables (amortized cost)	Amortized cost
Bank overdraft	Other financial liabilities (amortized cost)	Amortized cost
Credit facilities	Other financial liabilities (amortized cost)	Amortized cost
Accounts payable and other current liabilities	Other financial liabilities (amortized cost)	Amortized cost
Contract liabilities/Deferred revenues	Other financial liabilities (amortized cost)	Amortized cost
Derivative financial instruments	FVTPL	FVTPL

ii. **Evaluation**

— **Financial Instruments at Amortized Cost**

Financial instruments at amortized cost are initially measured at fair value, and subsequently at amortized cost, using the effective interest method, less any impairment loss. Interest income, foreign exchange gains and losses and impairment are recognized in the Consolidated Statement of Income (Loss).

— **Financial Instruments at Fair Value**

Financial instruments are initially and subsequently measured at fair value. Changes in fair value and transaction costs are accounted for in the Consolidated Statement of Income (Loss). When the Corporation elects to measure a financial liability at FVTPL, changes in the Corporation's own credit risk are accounted for in Other Comprehensive Income (Loss).

iii. **Impairment**

Since February 1, 2018, the Corporation prospectively estimates the expected credit losses associated with the debt instruments accounted for at amortized cost. The impairment methodology used depends on whether there is a significant increase in the credit risk or not. For account receivables and contract assets, the Corporation measures expected credit losses at an amount equal to lifetime expected credit loss as allowed by IFRS 9 under the simplified method.

iv. **Impact of Adoption**

The Corporation has concluded that the application of this new standard does not have a material impact on its consolidated financial statements. However, the changes in the fair value of the equity investments owned by the Corporation as at February 1, 2018, can no longer be recognized through other comprehensive income (loss). As described above, equity investments must now be classified as FVTPL. Consequently, the balance of $189,000 previously recorded in accumulated other comprehensive income (loss) was reclassified to retained income as at February 1, 2018.

b) **IFRS 15 "Revenue from Contracts with Customers"**

Published by the IASB in May 2014, the IFRS 15 is effective for fiscal years beginning on or after January 1, 2018 and 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 introduces a unique single five-step global model for the revenue recognition on contracts with customers. Such model requires to: 1) identify the contract with a customer; 2) identify the performance obligations related to that contract; 3) determine the transaction price of the contract; 4) allocate such transaction price between the performance obligations; 5) determine under which method revenue will be recognized.

Under IFRS 15, the Corporation recognizes income when the benefit obligations are satisfied, that is, when the control over the good or service is transferred to the customer, which, in the case of the majority of the Corporation's contracts, is according to the progress.

Contract amendment notices and claims, also known as contract amendments, were previously accounted for in accordance with IAS 11, "Construction Contracts" ("IAS 11"). Under these provisions, revenue from contract amendments can be recognized only when certain conditions are met, including when it is likely that the customer will approve the changes and the amount of revenue resulting from these changes. IFRS 15 also provides guidance on the recognition of revenue arising from contract amendments, however, these guidelines are based, among other things, on the fact that this contract amendment is approved and it is highly probable that the subsequent settlement of the uncertainty will not result in a significant downward adjustment to the cumulative amount of revenue recognized in relation to the contract amendments. Given the higher level of probability to be applied under IFRS 15, certain revenue recognized in accordance with IAS 11 could be adjusted downward under IFRS 15. Revenue from these contract amendments will now be recognized when the guidance in IFRS 15 is met.

The Corporation has adopted IFRS 15 in its consolidated financial statements for the fiscal year beginning February 1, 2018, in accordance with the modified retrospective method, by accounting for transitional adjustments in retained income at the date of first application (February 1, 2018), without restatement of the comparative figures. IFRS 15 provides for certain optional simplification measures, including at the time of the initial adoption of the standard. The Corporation applied the following simplification measures when adopting IFRS 15 on February 1, 2018:

Practical Expedient	Description
Completed contract	The Corporation has applied IFRS 15 retrospectively only to contracts that were not completed contracts as at February 1, 2018.
Contract modifications	The Corporation did not apply IFRS 15 retrospectively to contract modifications that occurred before February 1, 2018.

The adoption of this standard did not result in any change in revenue recognition in relation to the corresponding periods, and therefore no comparative information has been restated.

22.2. Recent IFRS Pronouncements Not Yet Adopted

For a summary of the recent IFRS pronouncements not yet adopted refer to Note 4 of Unaudited Interim Condensed Consolidated Financial Statements for the Three-Month Period Ended April 30, 2018.

23. HUMAN RESOURCES

As at April 30, 2018, the Corporation employed a total of 543 people in its fabrication plant, paint shop and head office in Terrebonne, Quebec, its offices, fabrication plant and paint shop in Great Falls, Montana, as well as the various construction sites in Florida, U.S.A.

24. SUBSEQUENT EVENT

On June 11, 2018, the Corporation received confirmation that its Canadian operating credit facility will be increased from $20 million to $22.5 million, until August 31, 2018. This temporary increase will provide the Corporation added leverage to support its growth objective.

25. OUTLOOK

We are not satisfied with the results achieved in the first quarter ended April 30, 2018, despite the fact that this period was impacted by a series of factors.

On the one hand, the impact of the U.S. commercial trade policies regarding new tariffs on imported steel at the beginning of the first quarter, which ended the final round of negotiations on three major projects in the United States, at the request of our clients. More recently, talks regarding these new tariffs resumed, and although, this topic is constantly evolving, the Corporation will analyze the potential impacts thereof on its operations. Notwithstanding the uncertainties surrounding this policy, the Corporation has won two new major projects in the United States at the end of the first quarter.

This being said, it is important to understand that the Corporation is in between periods where certain projects are almost completed, while the new contracts previously mentioned have not yet hit the production floor at the time of writing these lines, and therefore, do not generate a stream of revenues.

Therefore, in light of the level of production at ADF's complex in Terrebonne, certain cost-reduction measures have been implemented, including the temporary layoff of 50 employees at the end of March 2018 and more recently, the implementation of the federal work-sharing program. However, these cost reduction measures have had little or no impact on the analysed period.

The growth in revenues recorded last fiscal year has, and continues to put pressure on the Corporation's working capital. Financial facilities have been put in place in order to compensate for these pressure points and we are continuing our efforts to have sufficient financial capacity to support our growth objectives.

While prices are still low in the markets served by ADF, the number of potential projects remains interesting and encourages us to pursue our efforts. It is in this perspective that we will continue our efforts toward growing our order backlog all the while maintaining our operational excellence.

26. ADDITIONAL INFORMATION

Management's discussion and analysis of changes in financial position and operating results for the three-month period ended April 30, 2018 has been approved by the Corporation's Board of Directors as of June 12, 2018.

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

Ms. Marise Paschini

/ Signed /

Executive Vice-President, Treasurer and Corporate Secretary

Mr. Jean-François Boursier, CPA, CA

/ Signed /

Chief Financial Officer

Terrebonne, Quebec, Canada, June 12, 2018

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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