FISCAL YEAR

ENDED JANUARY 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF THE FINANCIAL POSITION AND OPERATING RESULTS

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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, 2019.

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 January 31, 2019. It also compares the operating results and cash flows for the fiscal year ended January 31, 2019 to those of the previous year. This MD&A covers all major events that occurred during the 2019 fiscal year and between February 1, 2019 and April 15, 2019.

This MD&A should be read in conjunction with the Corporation's audited consolidated financial statements and the notes thereto for the fiscal year ended January 31, 2019. 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, 2019.

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 24 "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.

The fiscal year ended January 31, 2019 was marked by uncertainty. The implementation of new tariffs on steel imports by the United States Administration, followed by Canadian retaliatory measures have not only added an upward pressure on the cost of raw material, but have also created an environment less conducive to business development. Although most of the indicators analyzed by the Corporation, such the Architectural Billings Index ("ABI"), are on the rise and many important projects go forward, we feel that project owners are concerned about the increase in construction costs, which is driven by the rising costs of steel, as well as by other pending socio-political issues. The significant investments in infrastructure that were announced are not forthcoming on both sides of the 49th parallel and the economic agendas of both the U.S. and Canadian governments seem to have been pushed aside for the time being, not to mention that although the new commercial agreement between Canada, Mexico and the United States was signed, it is yet to be ratified by the respective legislatures, including the United States Congress.

Despite these factors, the markets served by the Corporation show encouraging signs, as evidenced not only by the recent contracts announcements, but also by the number of bids currently analyzed. Despite some headwinds, the overall economy continues to perform well, which is always a good sign for our industry. As previously indicated, and despite a certain levelling, the ABI index remains positive (above 50) which indicates forthcoming projects, and the transport infrastructure market segment, mostly in the United States, is growing. The recent rise in oil prices being more the result of a reduction in Canadian production than an overall upturn of this market, we do not anticipate significant investments in the short-term. However, some investment opportunities are currently analyzed for the Toronto and Montreal regions.

6. SIGNIFICANT EVENTS OF THE FISCAL YEAR

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 did not result in additional costs, occurred as a result of three unsuccessful bids submitted by the Corporation for major projects in the United States, at the beginning of the fiscal year.

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 two new major projects in the United States worth a total of $95.0 million. These new orders are part of new construction projects of commercial and industrial buildings, and call for the fabrication, which also includes the supply of shop drawings, 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.

Given the projects currently included in the order book and the fabrication schedules thereof, the Corporation 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, allowed for 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.

On June 11, 2018, the Corporation received confirmation that its Canadian operating credit facility would be increased from $20.0 million to $22.5 million, until August 31, 2018. This temporary increase provided the Corporation added leverage to support its growth objective.

On September 12, 2018, the Corporation's Board of Directors approved the payment of a semi-annual dividend of $0.01 per share, paid on October 16, 2018, to shareholders of record as at September 28, 2018.

On September 24, 2018, the Corporation announced the signing of two new major contracts in the United States, worth a total of $102.0 million. The first contract has been awarded in Western U.S. and consists in the design and engineering of connections, fabrication, including the procurement of raw material (steel) and industrial coating, as well as the installation of complex steel structures and heavy steel components, for a new public transport infrastructure. This contract will be carried out at ADF's plant located in Great Falls, Montana, U.S.A. Fabrication work is scheduled to start during the first quarter of the fiscal year beginning on February 1st, 2019, and will extend over a 30-month period, approximately.

The Corporation was also awarded a contract to erect the steel of a new recreational structure in the U.S. Southeast. In addition, ADF's Engineering team will provide design-assist services during the structure's design phase, as well as provide installation engineering methodology.

7. SIGNIFICANT EVENTS THAT OCCURRED SINCE JANUARY 31, 2019

On February 12, 2019, the Corporation announced a series of new contracts worth a total of $73.0 million, in the recreational and commercial market sectors in Western USA. The contracts consist in the design and engineering of connections, fabrication, including the procurement of raw material (steel) and industrial coating, as well as the installation of complex steel structures and heavy steel components. These contracts will be carried out at ADF's fabrication plant, in Great Falls, Montana, U.S.A. Fabrication work is scheduled to start soon, and will extend until the end of the fiscal year 2020.

On April 10, 2019, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share to be paid on May 15, 2019 to shareholders of record as at April 30, 2019.

In March 2019, the Corporation renewed the agreement of its Canadian operating credit facility. Under this new agreement, the available amount remains at $20.0 million, but is now subject to a monthly calculation of accounts receivable and inventories, which may limit the amount available under of the credit facility. This calculation is therefore no longer subject to a minimum limit of $100.0 million of the order backlog, as it was under the agreement that was in effect prior to this renewal. Other terms and conditions remained unchanged.

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 foreign exchange forward contracts) and expenses for the periods mentioned, while closing rates translate assets and liabilities.

During the fiscal year ended January 31, 2019, as well as during the previous fiscal year, the Corporation used the following exchange rates between the Canadian and U.S. dollars:

	Consolidated Statements of Income (loss) and Comprehensive Income (Loss)				**Consolidated Statements of Financial Position**	
	Quarterly		*Cumulative*			
($CA/$US)	**2019**	2018	**2019**	2018	**2019**	2018
First quarter (April 30)	**1.2767**	1.3317	**1.2767**	1.3317	**1.2836**	1.3662
Second quarter (July 31)	**1.3041**	1.3214	**1.2912**	1.3264	**1.3017**	1.2485
Third quarter (October 31)	**1.3029**	1.2503	**1.2952**	1.3009	**1.3142**	1.2893
Fourth quarter (January 31)	**1.3315**	1.2648	**1.3028**	1.2919	**1.3144**	1.2293
Annual averages	**1.3028**	1.2919				

The Canadian dollar has lost value against its U.S. counterpart during the analyzed periods. This decrease is less than 1.0% in the Consolidated Statement of Income (loss) and Statement of Comprehensive Income (loss), but is 6.9% in the Consolidated Statement of Financial positon. Although the Corporation enters, from time to time and according to its internal policy, into foreign exchange contracts in order to cover the foreign exchange risk, these exchange rate variations have had a positive impact of $0.6 million on the gross margin for the fiscal year ended January 31, 2019, and generated a $2.0 million foreign exchange gain in the consolidated statement of income (loss) during the same period.

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-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:

Fiscal Years Ended January 31,	**2019**	2018
Working capital (in thousands of dollars)	**$31,848**	$34,768
Current ratio	**1.85:1**	1.74:1
Long-term debt to shareholders' equity ratio	**0.35:1**	0.40:1
Total debt, net of liquidities (in thousands of dollars)	**$29,652**	$35,353
Total bank overdraft, credit facilities and long-term debt, net of cash and cash equivalents, to shareholders' equity ratio	**0.31:1**	0.37:1
Liabilities to shareholders' equity ratio	**0.68:1**	0.83:1
Earnings before interest, tax, depreciation and amortization (EBITDA) (in thousands of dollars)	**$1,945**	$8,436
EBITDA margin (as a percentage of revenues)	**1.4%**	4.7%
Book value per share (in dollars)	**$2.97**	$2.93
Return on shareholders' equity	**(0.4)%**	(7.5)%

9.1 Working Capital

The working capital indicator is used by the Corporation to assess whether current assets are sufficient to meet current liabilities. 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, 2019 and 2018, 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 and development projects that might materialize.

During the fiscal year ended January 31, 2019, the working capital ratio neared the 2:1 corporate target. The loss of major contracts at the beginning of the fiscal year as a result of the introduction of new tariffs on steel imports by the U.S. Administration, and the impact thereof on our operations, contributed to reduce the working capital. Notwithstanding this situation and in light of the cost-control measures initiated by ADF's Management, the working capital situation gradually turned around, to reach an acceptable working capital ratio, although slightly below the corporate target.

9.2 Long-Term Debt to Shareholders' Equity Ratio

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 and credit facilities, over shareholders' equity.

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

During the fiscal year ended January 31, 2019, the long-term debt to shareholders' equity ratio and the total debt net of liquidities improved in light of the capital repayments made during the fiscal year and the lower utilization of the credit facilities.

9.3 Total Debt, Net of Liquidities

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

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

As at January 31,	**2019**	2018
(In thousands of dollars)	**$**	$
Cash and cash equivalents	**(4,164)**	(4,905)
Bank overdraft	**—**	1,907
Credit facilities	**6,605**	10,150
Current portion of long-term debt	**2,272**	2,066
Long-term debt	**24,939**	26,135
Total debt, net of liquidities	**29,652**	35,353

9.4 Total Bank Overdraft, Credit Facilities and Long-Term Debt, Net of Cash and Cash Equivalents, to Shareholders' Equity Ratio

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

9.5 Liabilities to Shareholders' Equity Ratio

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

In the short-term, Management's goal is to maintain this ratio at an adequate 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 issuance of new long-term debts, and
- The impact of fluctuations in the Canadian dollar in relation to the U.S. dollar on liabilities denominated in U.S. dollars.

9.6 EBITDA and EBITDA Margin

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

— Financial revenues and financial expenses;
— Income tax expense;
— Foreign exchange (gains) losses, and
— Depreciation and amortization of property, plant and equipment and intangible assets.

Net loss is reconciled with EBITDA in the table below:

Fiscal Years Ended January 31,	**2019**	2018
(In thousands of dollars)	**$**	$
Net loss	**(374)**	(7,213)
Income tax (recovery) expense	**(2,019)**	9,385
Net financial expenses	**1,784**	1,608
Amortization	**4,573**	4,423
Foreign exchange (gain) loss	**(2,019)**	233
EBITDA	**1,945**	8,436
— As a % of revenues	**1.4%**	4.7%

9.7 Book Value

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

The book value per share went from $2.93 on January 31, 2018 to $2.97 on January 31, 2019, representing a 1.4% increase, which is mainly explained by the exchange gain related to the translation of foreign operations included in the "Accumulated Other Comprehensive Income (Loss)" in the Consolidated Statement of Financial Position as at January 31, 2019.

Management expects this value to further increase because it anticipates that the Corporation will be profitable throughout the fiscal year ending January 31, 2020.

9.8 Return on Shareholders' Equity

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

Based on net loss for the fiscal year ended January 31, 2019, return on shareholders' equity was negative 0.4% compared to a negative return of 7.5% for the fiscal year ended January 31, 2018.

10. KEY PERFORMANCE INDICATORS ("KPI")

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

— Profitability;
— Liquidities;
— Growth and competitive positioning, and
— 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.

11. SELECTED ANNUAL FINANCIAL INFORMATION

Fiscal Years Ended January 31,	**2019**	2018	2017
(In thousands of dollars and in dollars per share)	**$**	$	$
Revenues	**135,073**	180,474	102,846
Net income (loss)	**(375)**	(7,213)	1,499
— Basic per share	**(0.01)**	(0.22)	0.05
— Diluted per share	**(0.01)**	(0.22)	0.05
Total assets	**163,212**	175,258	158,684
Non-current liabilities	**29,057**	32,188	20,821
Annual dividend per share	**0.02**	0.02	0.02

For the fiscal year ended January 31, 2019, revenues totalled $135.1 million, recording a $45.4 million decrease compared with the previous fiscal year. Net loss improved by $6.8 million during the fiscal year ended January 31, 2019 compared with the fiscal year 2018.

The decrease in revenues stems from the lower level of activity recorded during the fiscal year ended January 31, 2019. This decrease is primarily attributable to the loss of three (3) major contracts at the beginning of the fiscal year as a result of the uncertainty caused by the introduction of new tariffs on steel imports by the U.S. Government.

During the fiscal year 2019, the decrease in total net assets results mainly from the decrease in accounts receivable and contract assets/work in progress, which is in line with the level of activity during the fiscal year.

The slight decrease in non-current liabilities during the fiscal year 2019 results from the repayment of the long-term debt, as well as the decrease in deferred income tax liabilities.

12. ANALYSIS OF OPERATING RESULTS FOR THE FISCAL YEAR ENDED JANUARY 31, 2019

During the 12 months of operations between February 1, 2018 and January 31, 2019, 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, in Canada and the United States.

12.1 Revenues and Gross Margin

Fiscal Years Ended January 31,	**2019**	2018	Changes 2019/2018	
(In thousands of dollars and in percentages)	**$**	$	$	%
Revenues	**135,073**	180,474	(45,401)	(25.2)
Cost of goods sold	**125,520**	164,352	(38,832)	(23.6)
Gross margin	**9,553**	16,122	(6,569)	(40.7)
— As a % of revenues	**7.1%**	8.9%		(1.8)

a) **Revenues**

Revenues during the fiscal year ended January 31, 2019, totalled $135.1 million, down by $45.4 million compared with the fiscal year ended January 31, 2018.

Revenue is recognized progressively based on costs incurred to date relative to the total estimated costs at completion on the various projects executed during the year.

The decrease in revenues stems mainly from the loss of three (3) major U.S. contracts at the beginning of the fiscal year following the new tariffs on steel imports into U.S. soil. Although the Corporation was successful in securing new contracts totalling $200.0 million as at January 31, 2019, (see Section 6 "Significant Events of the Fiscal Year"), the impact from the loss of these contracts on fabrication volume could not be recovered.

The change in the foreign exchange rate during the 2019 fiscal year has in turn increase the level of revenues by $1.3 million.

In terms of economic dependency, 79% of the Corporation's revenues during the fiscal year ended January 31, 2019, were realized with three (3) clients (one (1) of whom was part of the revenues concentration for the fiscal year ended January 31, 2018), for amounts of $60.5 million, $32.5 million and $13.1 million, all from the United States, and who each accounted for 10% or more of the Corporation's revenues.

During the fiscal year ended January 31, 2018, 85% of the Corporation's revenues were realized with three (3) clients, for respective amounts of $29.4 million, $43.1 million and $81.1 million all from the United State, who each accounted for 10% or more of the Corporation's revenues, and one (1) of whom was part of the Corporation's revenues concentration during the fiscal year ended January 31, 2017.

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 $6.6 million during the 2019 fiscal year compared with the 2018 fiscal year. As a percentage of revenues, the gross margin went from 8.9% during the fiscal year ended January 31, 2018, to 7.1% during the fiscal year ended January 31, 2019.

This decrease as a percentage of revenues is mainly driven by the pressure exerted on the prices on the markets served by ADF. In addition, beside the impact of the new tariffs on revenues, previously indicated, the loss of the fabrication volume had a negative impact on the productivity at ADF's Terrebonne plant, therefore impacting the absorption of costs. Despite the cost-cutting measures initiated by ADF's Management and the subsequent signing of new contracts, the negative impact put a strain on the results of the first two quarters of the fiscal year ended January 31, 2019, and in the process impacted ADF's results for the fiscal year ended January 31, 2019.

In addition, as described in Section 19 "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, 2019, were comprised of 34% of fabrication hours, which also includes industrial coating, compared with 47% of revenues for the fiscal year ended January 31, 2018, which also explains the decline in gross margin from one year to another.

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.

12.2 Selling and Administrative Expenses

Fiscal Years Ended January 31,	**2019**	2018	Changes 2019/2018	
(In thousands of dollars and in percentages)	**$**	$	$	%
Selling and administrative expenses	**12,181**	12,109	72	0.6
— As a % of revenues	**9.0%**	6.7%		2.3

Selling and administrative expenses amounted to $12.2 million, which is almost similar to that of the 2018 fiscal year. As a percentage of revenues, the increase in selling and administrative expenses is solely driven by the decrease in revenues during the fiscal year ended January 31, 2019.

12.3 Amortization

In accordance with IFRS standards, amortization expense is included in the cost of goods sold and selling and administrative expenses (see Note 16 "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,	**2019**	2018	Changes 2019/2018	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization	**4,573**	4,423	150	3.4
— As a % of revenues	**3.4%**	2.4%		1.0

The amortization expense for the 2019 fiscal year amounted to $4.6 million, which was $0.2 million more than that of the 2018 fiscal year, which is in line with the moderate level of investment in property, plant and equipment during the fiscal year.

Fiscal Years Ended January 31,	**2019**	2018	Changes 2019/2018	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization expense included in cost of goods sold	**3,504**	3,403	101	3.0
Amortization expense included in selling and administrative expenses	**1,069**	1,020	49	4.8
Total amortization	**4,573**	4,423	150	3.4

12.4 Net Financial Expenses

Fiscal Years Ended January 31,	**2019**	2018	Changes 2019/2018	
(In thousands of dollars and in percentages)	**$**	$	$	%
Net financial expenses	**1,784**	1,608	176	10.9
— As a % of revenues	**1.3%**	0.9%		0.4

The increase in net financial expenses relates to the variation in the average balance of the Corporation outstanding debts, including the use of credit facilities (see Section 14 "Cash Flow Position" hereinafter).

12.5 Foreign Exchange (Gain) Loss

Fiscal Years Ended January 31,	**2019**	2018	Changes 2019/2018	
(In thousands of dollars and in percentages)	**$**	$	$	%
Foreign exchange (gain) loss	**(2,019)**	233	(2,252)	Neg.
— As a % of revenues	**(1.5)%**	0.1%		(1.6)

The foreign exchange gain recorded during the fiscal year ended January 31, 2019, includes a $3.3 million foreign exchange gain on ongoing operations and a $1.3 million realized and not realized foreign exchange loss relating to the fair value of financial derivatives. During the 2019 fiscal year, a $2.1 million foreign exchange gain on the translation of foreign subsidiaries was recorded in Comprehensive Income (Loss).

The foreign exchange loss recorded during the fiscal year ended January 31, 2018, includes a $2.7 million foreign exchange loss on ongoing operations and a $2.4 million realized and not realized foreign exchange gain relating to the fair value of financial derivatives. During the 2018 fiscal year, a $2.0 million foreign exchange loss on the translation of foreign subsidiaries was recorded in Comprehensive Income (Loss).

The Corporation is exposed to exchange rate fluctuations between the Canadian and U.S. dollars, since a significant portion of its revenues is generally recorded in U.S. dollars. For the fiscal year ended January 31, 2019, 96% of the Corporation's revenues were recorded in U.S. dollars (91% during the fiscal year ended January 31, 2018). Considering the improvement in U.S. markets and its new plant in Great Falls, Montana, the Corporation expects that the percentage of its revenues in U.S. dollars will continue to be significant during the fiscal year 2020.

In line with its hedging policy, to manage its net risk between the future US-denominated cash inflows and outflows, the Corporation entered into foreign exchange forward contracts. As at January 31, 2019, the Corporation was party to foreign exchange forward contracts for the sale of US$32.6 million (US$19.7 million as at January 31, 2018) with maturities varying between three (3) month to 12 months with rates between 1.2807 and 1.3269 (between 1.2285 and 1.2646 as at January 31, 2018).

Based on the balance as at January 31, 2019, 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 not have had a significant effect on net income (loss) before tax and in comprehensive income (loss) before tax. For the year ended January 31, 2018, the impact would have been $2.2 million on net income before tax and immaterial on comprehensive income (loss) before tax. 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 fiscal year.

12.6 Income Tax (Recovery) Expense

Fiscal Years Ended January 31,	**2019**	2018	Changes 2019/2018	
(In thousands of dollars and in percentages)	**$**	$	$	%
Income tax (recovery) expense	**2,019**	9,385	(11,404)	Neg.
— As a % of revenues	**(1.5)%**	5.2%		(6.7)

The effective tax rates for the period analyzed are hard to compare with those of the Corporation's Canadian effective rate, which is 27%.

During the quarter ended January 31, 2018, the Corporation's management decided to write off some of its deferred tax assets, which were mainly from tax losses of the Corporation's US subsidiaries. Although these assets were written off, these assets remain available to the Corporation and may be reclassified when it becomes more likely than improbable that these assets will be realized. To this end and in light of the positive results of its US subsidiaries during the fiscal year ended January 31, 2019, the Corporation recognized $1.5 million of these tax losses previously written off, thus eliminating the income tax expense of these subsidiaries. The balance of the income tax recovery for the year ended January 31, 2019, is therefore mainly attributable to the positive results of the Corporation's Canadian operations.

As at January 31, 2019, the Corporation had operating tax losses of $32.0 million available in the United States ($33.8 million as at January 31, 2018) 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.

12.7 Net Loss, Basic and Diluted Earnings per Share

Fiscal Years Ended January 31,	**2019**	2018
(In thousands of dollars and in dollars per share)	**$**	$
Total net loss	**(374)**	(7,213)
— As a % of revenues	**(0.3)%**	(4.0)%
Total basic earnings per share	**(0.01)**	(0.22)
Total diluted earnings per share	**(0.01)**	(0.22)

The decrease in net loss recorded during the fiscal year ended January 31, 2019, compared with the 2018 fiscal year, is previously explained in this section. The most significant item was the write-off of certain deferred income tax assets, which drove the increase in income tax expense during the fiscal year ended January 31, 2018.

13. COMMENTS ON QUARTERLY RESULTS

The 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.

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 hereinafter, these fluctuations are mostly explained by the fabrication schedules of the different projects announced by the Corporation. Considering that revenues is recognized progressively based on costs incurred to date relative to the total estimated costs at completion on the various projects executed during the year, revenue and operating results can differ significantly from quarter to quarter because of these execution schedules.

13.1 Results for the Last Eight Quarters

	2019				2018			
Fiscal Years Ended January 31,	**4th Quarter (01.31.2019)**	**3rd Quarter (10.31.2018)**	**2nd Quarter (07.31.2018)**	**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)
(In thousands of dollars and in dollars per share)	**$**	**$**	**$**	**$**	$	$	$	$
Revenues	**28,806**	**45,570**	**32,220**	**28,477**	49,346	37,212	45,278	48,638
Gross margin	**2,069**	**4,629**	**2,069**	**787**	4,188	2,419	4,289	5,226
— As a % of revenues	**7%**	**10%**	**6%**	**3%**	8%	7%	9%	11%
EBITDA (1)	**428**	**2,594**	**109**	**(1,186)**	2,785	468	2,102	3,081
— As a % of revenues	**1%**	**6%**	**0%**	**(4)%**	6%	1%	5%	6%
Income (loss) before income tax expense (recovery)	**(1,026)**	**996**	**(708)**	**(1,655)**	553	(1,319)	2,315	623
— As a % of revenues	**(4)%**	**2%**	**(2)%**	**(6)%**	1%	(4)%	5%	1%
Net income (loss)	**(832)**	**1,900**	**(532)**	**(910)**	(8,796)	(698)	1,927	354
— Basic per share	**(0.03)**	**0.06**	**(0.02)**	**(0.03)**	(0.27)	(0.02)	0.06	0.01
— Diluted per share	**(0.03)**	**0.06**	**(0.02)**	**(0.03)**	(0.27)	(0.02)	0.06	0.01

(1) See Section 10 "Non-GAAP Measures" for the definition of EBITDA.

13.2 Results for the Fourth Quarter Ended January 31, 2019

The Corporation recorded revenues of $28.8 million during the quarter ended January 31, 2019, posting a decrease of $20.5 million over the fourth quarter of fiscal 2018. With the exception of the third quarter, each of the quarters of the 2019 fiscal year were below compared with the same periods a year ago. During the fourth quarter, the decrease is mostly attributable to the completion of certain projects, which were not yet replaced by the start of fabrication on the recently announced projects.

The gross margin as a percentage of revenues stood at 7% for the fourth quarter ended January 31, 2019, compared with 8% for the same quarter in the 2018 fiscal year. The margins attests to the lower prices on projects currently underway and the impact of the lower fabrication volume on cost absorption.

The mix in revenues had an unfavorable impact on gross margins, when considering that the fabrication percentage, which includes industrial coating activities, went from 65% during the quarter ended January 31, 2018, to 29% during the quarter ended January 31, 2019.

The Corporation recorded a net loss of $0.8 million during the last quarter of 2019 fiscal year compared with a net loss of $8.8 million for the same period in fiscal year 2018. As previously explained, that quarter's results include the impact from income tax adjustments.

14. CASH FLOWS AND FINANCIAL POSITION

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

On January 31, 2019, cash and cash equivalents, net of the bank overdraft, as applicable, totalled $4.2 million, up by $1.2 million compared with January 31, 2018. In addition, as at January 31, 2019, the Corporation used $6.6 million on its credit facilities, whereas it used $10.2 million as at January 31, 2018.

Management believes that these available funds are sufficient to support the execution of its order backlog in hand on January 31, 2019, and to meet its financial commitments for the 2020 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 33 "Outlook"). It also looks at opportunities for accelerated payments discounts negotiated with suppliers.

14.1 Operating Activities

During the 2019 fiscal year the Corporation used cash flows from its operating activities and assigned its cash flows as follows:

Fiscal Years Ended January 31,	**2019**	2018
(In thousands of dollars)	**$**	$
Net income adjusted for non-cash items	**1,493**	10,249
Changes in non-cash operating working capital items:		
Accounts receivable	**5,601**	(11,514)
Holdbacks on contracts	**(936)**	(1,516)
Contract assets/Work in progress	**13,477**	(10,121)
Inventories	**(3,413)**	1,760
Prepaid expenses and other current assets	**851**	(1,330)
Accounts payable and other current liabilities	**(12,553)**	13,203
Contract liabilities/Deferred revenues	**6,955**	2,275
Other	**200**	—
	10,182	(7,243)
	11,675	3,006
Income tax expense recovery	**—**	656
Cash flows from operating activities	**11,675**	3,662

Net income adjusted for non-cash items, totalling $1.5 million during the 2019 fiscal year, is $8.8 million less than during the 2018 fiscal year. This difference is for the most part explained by the change in non-cash foreign exchange gain and income tax expense, net of the variation of the net loss.

During the 2019 fiscal year, changes in non-cash operating working capital items generated cash of $10.2 million. This cash inflow is mostly explained by the decrease in account receivable ($5.6 million) and in contract assets/work in progress ($13.5 million), and the increase in contract liabilities/deferred revenues ($7.0 million), net of the decrease in accounts payable and other current liabilities ($12.6 million). These variations are in line with the activity level as at January 31, 2019, compared with the same date a year ago.

Overall, operating activities generated cash flows of $11.7 million during the fiscal year ended January 31, 2019, compared with cash flows of $3.7 million during the fiscal year ended January 31, 2018.

During the 2018 fiscal year, changes in non-cash operating working capital items used cash of $7.2 million. This cash outflow is mostly explained by the increase in accounts receivable ($11.5 million), and work in progress ($10.1 million), net of the increase in accounts payable and other current liabilities ($13.2 million).

14.2 Investing Activities

The Corporation's investing activities are summarized as follows:

Fiscal Years Ended January 31,	**2019**	2018
(In thousands of dollars)	**$**	$
Acquisition of property, plant and equipment	**(3,273)**	(4,831)
Revenues from disposal of property, plant and equipment	**35**	175
Acquisition of intangible assets	**(482)**	(671)
Government grants	**210**	—
Sale of equity investments	**217**	—
Others	**13**	9
Cash flows used in investing activities	**(3,280)**	(5,318)

During the 2019 fiscal year, $3.3 million in liquidities were used to improve the ventilation and lighting systems at ADF's Terrebonne plant, which improved the work environment for employees, all the while recovering more efficiently the greenhouse gases.

Investing activities during the 2018 fiscal year used a net total of $5.3 million in liquidities mainly for the acquisition of property, plant and equipment. These investments aimed at upgrading production equipment at both ADF's Terrebonne and Great Falls facilities.

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

The Corporation estimates capital expenditure for fiscal year 2020 at less than $5.0 million, which will primarily be used to keep the production equipment current at its plants in Terrebonne, Quebec and in Great Falls, Montana.

14.3 Financing Activities

The Corporation's financing activities were as follows:

Fiscal Years Ended January 31,	**2019**	2018
(In thousands of dollars)	**$**	$
Issuance of long-term debt	**—**	10,702
Variation in the credit facilities	**(3,545)**	(3,159)
Repayment of long-term debt	**(1,544)**	(945)
Issuance of subordinate voting shares	**—**	17
Dividends paid	**(653)**	(653)
Interest paid	**(1,774)**	(1,603)
Cash flow (use in) from financing activities	**(7,516)**	4,359

During fiscal year 2019, financing activities used liquidities of $7.5 million compared with a cash inflow of $4.4 million the previous fiscal year, which came from the issuance of new debts and the variation in the credit facilities.

During the fiscal year ended January 31, 2018, the Corporation has drawn two $5.0 million tranches on a loan obtained during the third quarter of the 2016 fiscal year. This $20.0 million long-term loan, with progressive disbursements, was issued by a government corporation, to finance, among others, ADF's working capital.

During the fiscal years 2019 and 2018, the Corporation reimbursed $1.5 million and $0.9 million respectively on these long-term debts. During both the 2019 and 2018 fiscal years, the Corporation also paid a total of $0.7 million in dividend to its shareholders of record.

14.4 Payment of Rents and Interest and Payment of Principal on Debt

The Corporation pays interest on its long-term debts, based on interest rates ranging between 1.98% and 4.9% as of January 31, 2019. The Corporation is currently making monthly principal repayments totalling less than $0.3 million on these debts. Other rent payments are described in paragraph 14.6 below.

14.5 Debt Covenants

During the fiscal year ended January 31, 2019, 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 year 2020.

14.6 Contractual Obligations

a) Long-Term Debt

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

(In thousands of dollars)	$
Less than one year	**2,272**
2 to 3 years	**4,572**
4 to 5 years	**4,397**
And more	**15,970**
Total	**27,211**

b) Operating Leases and Other Long-Term Contracts

As at January 31, 2019, the Corporation's commitments totalled $0.5 million under operating leases and $0.1 million under other long-term contracts. The minimum annual payments are spread over the next four fiscal years and are as follows:

Fiscal Years Ended January 31,	2020	2021	2022	2023
(In thousands of dollars)	$	$	$	$
Operating leases (1)	261	194	75	12
Other long-term contracts (2)	72	60	—	—
	333	254	75	12

(1) Includes operating leases for rental vehicles and office equipment.
(2) Include long-term commitments with suppliers for services provided.

14.7 Commitments Related to Letters of Credit as at January 31, 2019

The Corporation held letters of credit, totalling US$3.4 million as at January 31, 2019 and 2018, corresponding to $4.5 million and $4.2 million respectively.

15. 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**
	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 (2)	7,664	32	—	—	7,664	32	(7,664)
Forfeited	—	—	—	—	—	—	(5,000)
As at January 31, 2018 and 2019	**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) Issued during fiscal year ended January 31, 2018.

As at January 31, 2019 and 2018, the Corporation had 32,635,206 shares outstanding. At the date hereof, the number of shares outstanding was practically unchanged.

16. STOCK OPTION PLAN

As at January 31, 2019 and 2018, a total of 371,000 stock options were issued and outstanding. These options, which had a weighted average life of 2.03 years before maturity, had a weighted average exercise price of $2.94 (see Note 13 "Capital Stock" in the Notes to the Consolidated Financial Statements).

17. DEFERRED SHARE UNITS ("DSU") PLAN

17.1 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 DSU, which will be bought back in cash by the Corporation on the date the external director ceases to be a director of the Corporation by reason of death, retirement or loss of function as director.

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

In addition and independently to DSU that can be granted to external directors for the purposes of deferring their directors' compensation, the DSU plan also allows the Corporation's Board of Directors to award, at its discretion, DSU to any external director, executive officer and key employee. If it sees fit, the Board of Directors can attach conditions related to time and/or to the Corporation's performance to the vesting of these DSU.

When the Corporation pays dividends on subordinate and multiple voting shares, the accounts of the directors, executive officers and key employees (see paragraph 17.2 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 fiscal years ended January 31, 2019 and 2018, DSU compensation to External Directors recorded in the Consolidated Statement of Income (Loss) amounted to recoveries of $0.4 million and a $0.1 million respectively, including the impact of the change in the market price of the Corporation's share, which amounted to recoveries of $0.4 million and $0.3 million respectively during the fiscal years ended January 31, 2019 and 2018.

The fluctuation in DSU for External Directors was as follows:

Fiscal Years Ended January 31,	**2019**	2018
(In number of deferred share units)	**Number**	Number
Outstanding, at the beginning of year	**391,895**	312,032
Awarded	**11,932**	79,863
Outstanding and vested, at the end of year	**403,827**	391,895

The carrying amount and the intrinsic value of the liabilities related to the External Directors' vested DSU amounted to $0.5 million as at January 31, 2019 ($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.

17.2 Executive Officers and Key Employees

As set forth in the DSU Plan, the Corporation may grant DSU, on a discretionary basis, 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, amounted to a recovery of $0.2 million for the fiscal year ended January 31, 2019 ($0.1 million expense for the fiscal year ended January 31, 2018) and include the impact of the change in the market price of the Corporation's share which amounted to a recovery of $0.2 million during the fiscal year ended January 31, 2019 (an immaterial amount during the fiscal year ended January 31, 2018).

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

Fiscal Years Ended January 31,	**2019**	2018
(In number of deferred share units)	**Number**	Number
Outstanding, at the beginning of year	**303,733**	273,162
Awarded	**1,700**	30,571
Forfeited	**(32,989)**	—
Outstanding, at the end of year	**272,444**	303,733
Vested, at the end of year	**143,734**	74,243

The carrying amount of the liabilities related to executive officers and key employees' DSU, amounting to $0.3 million as at January 31, 2019, and $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 vested DSU as at January 31, 2019 and 2018.

18. DIVIDEND

During the fiscal year ended January 31, 2019, two semi-annual dividends of $0.3 million each (or $0.01 per share), were recognized as distribution to the shareholders of record of the Corporation as at April 30, 2018 and September 28, 2018 respectively, totalling $0.7 million (or $0.02 per share), of which $0.4 million for subordinate voting shares and $0.3 million for multiple voting shares. These sums were paid on May 16, 2018 and October 16, 2018, respectively.

During the fiscal year ended January 31, 2018, two semi-annual dividends $0.3 million each (or $0.01 per share), were recognized as distribution to the shareholders of record of the Corporation as at April 28, 2017 and September 29, 2017 respectively, totalling $0.7 million (or $0.02 per share), of which $0.4 million for subordinate voting shares and $0.3 million for multiple voting shares. These sums were paid on May 16, 2017 and October 17, 2017, respectively.

19. ORDER BACKLOG

ADF Group's order backlog totalled $219.5 million on January 31, 2019, compared with $85.5 million on the same date a year earlier. This variation is attributable to new contracts and contract modifications, net of contracts execution. The order backlog as at January 31, 2019, does not include the new contracts announced since that date (see section 7 "Significant events since January 31, 2019").

As at January 31, 2019, 44% 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 in hand as at January 31, 2019, will progressively be executed by the end of the fiscal year ending January 31, 2021.

20. FINANCIAL POSITION

As at January 31, 2019, 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, 2019 and January 31, 2018.

Sections	Changes	Explanatory Notes
	(In millions of dollars)	
Cash and cash equivalents, net of the variation in the credit facilities and bank overdraft	**4.7**	See Section 14 "Cash Flow and Financial Position" hereinabove.
Accounts receivable	**(3.2)**	Reduction in billing, in line with the level of activity and progress schedules.
Contract assets/Work in progress, net of Contract liabilities/Deferred revenues	**(19.8)**	Net difference between work progress and progressive revenue billing. The decrease reflects the level of activity during the fiscal year.
Inventories	**3.2**	Variation in line with fabrication schedules and the end of certain projects.
Property, plant and equipment and intangible assets	**1.1**	Change from the acquisition of property, plant and equipment and intangible assets ($3.7 million), net of government grants ($1.0 million) and the impact of foreign exchange rate ($3.0 million), net of amortization ($4.6 million).
Accounts payable and other current liabilities	**(12.5)**	In line with the level of activity as at January 31, 2019.
Deferred income tax	**(2.1)**	Variation resulting from the income tax recovery during the fiscal year ended January 31, 2019.
Long-term debt (including current portion)	**(1.0)**	Variation stemming from the debt reimbursement ($1.5 million), net of the impact of the foreign exchange rate ($0.5 million).
Accumulated other comprehensive income (loss)	**1.9**	Variation mostly caused by the impact of the variation in the foreign exchange rates on the translation of foreign operations.

21. 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 sound 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 33 "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 24 " External Factors to Which the Corporation's Performance is Exposed" and 33 "Outlook").

22. RELATED PARTY TRANSACTIONS

During the fiscal year ended January 31, 2019, certain advances were granted to executive-shareholders. These advances were fully reimbursed at the date hereof and no outstanding balances remained as at January 31, 2019.

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,	
			2019	2018
			(In $)	(In $)
Groupe JPMP Inc.	Executives	Three executives of ADF Group are compensated through this company for their work within the Corporation, as stipulated in their contracts of employment (see Section 10 "Executive Compensation" of the Management Information Circular for the 2019 fiscal year).	**1,357,442**	1,333,830
ADF Group Inc.	Executives	Other compensation paid directly to Executives.	**96,695**	199,371

23. EXECUTIVE OFFICERS' AND DIRECTORS' COMPENSATION

Base salaries of the Corporation's executive officers are competitive and are generally placed either between the 50th and 75th percentile or around the 75th percentile of a reference group made up of 14 publicly-traded Canadian companies similar to the Corporation in terms of size and operating in the same business segment as the Corporation, that is, construction, design and/or fabrication.

Regarding the compensation of external directors (other than the Co-Chair of the Board of Directors and Independent Board Leader) is deemed competitive, considering that the annual fees are placed at the median of the reference group and the attendance fees are placed between the median and the 75th percentile. As for the single flat fee of the Co-Chair of the Board of Directors and Independent Board Leader, it is deemed competitive when taking into account the size of the company and responsibilities delegated or shared by the Chief Executive Officer (See Sections 10 "Executive Compensation" and 11 "Compensation of Directors" of the 2019 Management Information Circular, for more details).

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

24.1 Exchange Rate

The exchange rate fluctuation between the Canadian and U.S. dollars has an impact on the Corporation's results. Thus, a $2.0 million foreign exchange gain was recorded for the fiscal year ended January 31, 2019, compared with a $0.2 million foreign exchange loss for the 2018 fiscal year.

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

— Issuance of 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
— A foreign exchange policy to protect a portion of the net exchange risk between cash inflows and outflows denominated in U.S. dollars.

24.2 Operating Risks and Uncertainties

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

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

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

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

During the fiscal year ended January 31, 2019, 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.

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

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

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

- Economic conditions could exert pressure on the profit margins on new projects to be negotiated with clients and have an impact on the order backlog and the award of new contracts;
- Contractual changes overlapping two periods, that is, for which costs would have been recognized but no revenues recorded during a given period and no final settlement concluded with the client at the end of that period, could have an impact on the Corporation's results and cash flows in the following period, subsequent to the signing of this agreement;
- An increase in the price of steel might be a risk, although it would be mitigated by the sale price adjustment clauses concluded with clients and included in contracts;
- The risk associated with the fluctuations in interest rates is also mitigated by having a good mix between fixed-rate and variable-rate debts, as well as available liquidities, when appropriate, that can generate financial revenues;
- Competition in the Corporation's business segment;
- Economic dependency related to the concentration of its client base; the Corporation strives to mitigate this risk through its development strategy of broadening its geographical and market sectors;
- The imposition by the United States, — historically ADF's main market, of tariffs or other protectionist measures on imported processed steel;
- 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 Executive Officers, and
- The nature of contracts in hand, depending on the type of client, can influence the delay of collection. When these contracts are funded by government agencies, it is possible that the collection period of contract receivables is not impacted upward. However, the risk related to the collection is minimal given that these sums are actually guaranteed by government agencies. When these same contracts are funded by non-governmental organizations, Management believes that the vast majority of these accounts are not doubtful accounts since that they are with well-established companies.

25. 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, accounts receivable, holdbacks on contracts, contract assets, as well as derivative financial instruments, whose fair market value is positive. Financial liabilities include bank overdraft, credit facilities, accounts payable and other current liabilities, contract liabilities, long-term debt and derivative financial instruments, whose fair market value is negative.

As at January 31, 2019, 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, accounts receivable, holdbacks on contracts receivable, contract assets and liabilities, credit facilities, and accounts payable and other current liabilities), or because the Corporation believed it could obtain similar conditions and schedules (in the case of the long-term debt) or since they are re-evaluated at their fair value at the end of every period (in the case of derivative financial instruments) (see Note 27 "Financial Instruments" in the Consolidated Financial Statements for the fiscal year ended January 31, 2019).

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, where appropriate.

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 26 "Financial Risk Management" in the Consolidated Financial Statements for the fiscal year ended January 31, 2019.

26. 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, 2019, 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 fiscal year ended January 31, 2019, no changes were made to internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal controls and procedures.

27. 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 wishes 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.

28. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

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, 2019. The preparation of financial statements in accordance with IFRS requires Management to make judgements in the application of accounting policies used and to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the periods. Because financial reporting involves accounting judgements and entails the use of estimates, actual results could differ from those estimates. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is recognized immediately.

The significant accounting judgements and estimates used by the Corporation to prepare the financial statements are:

28.1 Revenue Recognition

The identification of revenue-generating contracts with customers, the identification of performance obligations, the determination of the transaction price and its allocation between identified performance obligations, the use of the appropriate revenue recognition method (over time or at a specific point in time) for each performance obligation and the measure of progress for performance obligation satisfied over time are the main aspects of the revenue recognition process, all of which require judgment and the use of assumptions.

The transaction price corresponds to the amount of consideration to which the Corporation expects to be entitled in exchange for transferring promised goods or services to a customer. Such amount may require the Corporation to estimate an amount of a variable consideration, notably from estimated volume of work, claims and unpriced change orders, incentives or penalties, among others. Furthermore, the Corporation needs to constraint the transaction price by including only the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The amount of variable consideration to be included in the transaction price of a given contract is determined by using various estimates and assumptions, which could be based on historical experience with the same customer or other similar contracts, third-party assessments, legal interpretation of relevant contractual clauses and probabilistic methodologies, among others. Due to the uncertain nature of the estimations, the amount of a variable consideration may vary significantly over time. Such estimated amount of a variable consideration then needs to be updated at the end of each reporting period.

The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors. A change in any of those factors could affect revenues recognition.

28.2 Assessment and Amortization of Long-Lived Assets

Management reviews the useful lives of its amortizable assets at each reporting date. The carrying amounts are analyzed at the end of each fiscal year. Actual results could however differ because of technical obsolesce, particularly with regard to hardware and software.

28.3 Income Taxes

The Corporation calculates the income tax expense for each jurisdiction where it operates. However, the actual income tax amounts become definitive only upon the filing of income tax returns and acceptance thereof by the competent authorities, which occur after the financial statements are published.

Judgements must periodically be made to determine if deferred income tax assets must be recognized in the Consolidated Statement of Financial Position. Deferred income tax assets, including unused tax losses, require Management to assess whether the Corporation will generate taxable income in subsequent periods, in order to use deferred income tax assets. Once the assessment is done, if the Corporation believes that it is likely that a portion of its deferred income tax assets will not be realized, the deferred income tax asset is derecognized. The estimate of future taxable income is based on cash flow from operations forecasts and applicable tax laws in effect in each jurisdiction. Should future cash flows and taxable profit differ materially from these estimates, it could have an impact on the Corporation's ability to realize the net deferred income tax assets at the reporting date of the financial position.

28.4 Impairment of Non-Financial Assets

The Corporation's management reviews the carrying value of the Corporation's non-financial assets when there are events or circumstances that may indicate impairment. An impairment loss is recognized for the amount by which an asset's or cash-generating units ("CGUs") carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use.

In making an assessment of the potential impairment of the Corporation's non-financial assets, management has used the fair value less costs of disposal model to estimate the fair value based on an earnings before interest depreciation and amortization (EBITDA) multiple approach. The significant assumptions, which affect the financial analysis include revenues, operating costs and margins, foreign exchange rates and comparable companies EBITDA multiple. These estimates are subject to certain risks and uncertainties that may affect the determination of the recoverability of the Corporation's non-financial assets. Although management has made its best estimates of potential impairment, the interpretation of these factors is subjective and will not necessarily result in precise findings. Should an underlying assumption change, the resulting estimates could change by a material amount.

29. CHANGE IN ACCOUNTING POLICIES AND RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

29.1 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 and Measurement**

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 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, or
— 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 certain conditions and is not designated at FVTPL.

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 is able and 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
Holdbacks on contracts	Loans and receivables (amortized cost)	Amortized cost
Equity investments	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
Derivative financial instruments	FVTPL	FVTPL
Long-term debt	Other financial liabilities (amortized cost)	Amortized cost

ii. **Impairment**

Since February 1, 2018, the Corporation prospectively assesses the expected credit losses on debt instruments carried at amortized cost. The impairment methodology used depends on whether or not there is a significant increase in the credit risk. 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.

iii. **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 as FVOCI. 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"**

On February 1, 2018, the Corporation adopted IFRS 15 which 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; and 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. 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 IFRS 15 guidance are met.

The Corporation has adopted IFRS 15 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 adjustment was recorded on February 1, 2018.

The Corporation’s contract assets and contract liabilities include mainly the balances that were presented as “Work in progress”, and Deferred revenues”” in the Corporation’s consolidated statement of financial position until January 31, 2018.

29.2 **Recent IFRS Pronouncements Not Yet Adopted**

a) **IFRS 16 "Leases"**

In January 2016, the IASB released IFRS 16, to replace the previous leases Standard, IAS 17, *Leases,* and related Interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or financial leases and introduces a single lessee accounting model for the lessee. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating leases or financial leases, and to account for those two types of leases differently.

This operating lease accounting model will result in the recognition of a right-to-use asset, as well as a lease liability reflecting the current value of the future lease payments. Depreciation expense on the right-to-use asset and interest expense on the lease liability will replace the operating lease expenses that were recognized under IAS 17.

IFRS 16 allows for two possible transition methods for its application: a) retrospective with restatement of prior reporting period or b) retrospectively with the cumulative effect from initial adoption of the standard recognized on the date of initial application (modified retrospective method). The Corporation intends to adopt IFRS 16 using the modified retrospective method.

The Corporation expects that the adoption and application of IFRS 16 on February 1, 2019, will result in an increase in assets and liabilities through the recognition of right-to-use assets and lease liabilities. At this stage of the IFRS 16 implementation, the Corporation is still quantifying the impact on its assets and liabilities.

While the quantification of the impact remains to be finalized, the implementation of the changes to certain processes and internal controls, as well as the implementation of a new lease and accounting management system, are substantially completed.

b) **IFRIC 23 "Uncertainty Over Income Tax Treatments"**

IFRIC 23 is applicable retrospectively for annual reporting periods beginning on or after January 1, 2019 (being February 1, 2019 for the Corporation). IFRIC 23 clarifies how to recognize and measure income taxes where there is uncertainty over income tax treatments, based on whether it is probable that the relevant tax authority will accept the Corporation's tax treatments. The Corporation does not expect its consolidated financial statements to be materially impacted by the adoption of IFRIC 23.

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

30. ENVIRONNEMENT

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

The Corporation's Terrebonne and Great Falls facilities were built on vacant lands. 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 and vapours, ADF has installed appropriate pollution control equipment in order to comply with the existing laws and regulations and ensures to perform in the normal course of business, the investments required to meet the highest standards.

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

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

For the fiscal years ended January 31, 2019 and 2018, and taking into account the preceding paragraph, the requirements with regard to environmental protection did not have a significant financial or operational impact on the Corporation's capital expenditures, net income (loss) and competitive position. The Corporation does not expect to incur any costs outside the normal course of business to comply with environmental requirements.

31. HUMAN RESOURCES

As at January 31, 2019, the Corporation employed a total of 593 people across its head office, fabrication complex and paint shop in Terrebonne, Quebec, and its office, fabrication plant and paint shop in Great Falls, Montana, U.S.A., and as well as the sales office and various construction sites in United States.

32. SUBSEQUENT EVENTS

On April 10, 2019, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share to be paid on May 15, 2019 to shareholders of record as at April 30, 2019.

On March 2019, the Corporation renewed its Canadian operating credit facility agreement. Under this new agreement, the available credit facility remains at $20.0 million, however it is now subject to a monthly calculation of accounts receivable and inventories, which may limit the amount available under this credit facility. This calculation is therefore no longer subject to a minimum order backlog of $100.0 million, as it was the case under the previously agreed facility agreement. All other terms and conditions remained unchanged.

33. OUTLOOK

Despite a beginning of the year marked by uncertainty driven by the free-trade agreement negotiations, and especially the application of new tariffs on steel, we can still draw some positive conclusions from this fiscal year.

Naturally, we are not pleased with the results, which were strongly impacted by the loss of three major contracts at the beginning of the fiscal year as a result of the uncertainty surrounding the announcement of new tariffs on steel imports. Even by implementing measures to lessen our costs, the loss of fabrication volume, primarily at our Terrebonne plant, in Quebec, had several negative impacts on our results.

This is not the first time the Corporation faces headwinds and although revenues declined compared with the previous fiscal year, we still managed to successfully position ADF for the next fiscal year. We have announced close to $200.0 million worth in new contracts during the fiscal year ended January 31, 2019, and that is excluding the $73.0 million in new contracts we secured since that date. We have improved our cash position, and in the process improved our cash flow, net of the credit facility, by almost $5.0 million.

Although we began the 2020 fiscal year with a good order backlog, we will continue our efforts to growth it to ensure efficient utilization of our fabrication plants and paint shops. Although there are many external factors which are beyond our control, we continue to increase our efforts on those we can control. Operational excellence, innovation and client satisfaction have been, are and remain the cornerstone of ADF.

34. ADDITIONAL INFORMATION

Management's discussion and analysis of changes in financial position and operating results for the fiscal year ended January 31, 2019, has been approved by the Corporation's Board of Directors.

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, April 15, 2019

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

Ce document est aussi disponible en français.

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