QUARTERLY REPORT

THREE-MONTH AND SIX-MONTH PERIODS ENDED JULY 31 2019

UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS

NOTE TO THE READERS

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

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)

As at	**July 31, 2019**	January 31, 2019
(In thousands of Canadian dollars)	**$**	$
ASSETS		
Current assets		
Cash and cash equivalents	**5,156**	4,164
Accounts receivable	**40,940**	29,919
Holdbacks on contracts	**8,775**	6,227
Current income tax assets	**859**	859
Contract assets	**28,629**	17,952
Inventories	**7,980**	8,349
Prepaid expenses and other current assets	**1,281**	1,638
Total current assets	**93,620**	69,108
Non-current assets		
Property, plant and equipment	**65,830**	89,375
Right-of-use assets (Note 4)	**23,475**	—
Intangible assets	**3,363**	3,312
Other non-current assets	**1,448**	1,417
Total assets	**187,736**	163,212
LIABILITIES		
Current liabilities		
Credit facilities (Note 5)	**9,055**	6,605
Accounts payable and other current liabilities	**32,300**	16,857
Current income tax liabilities	**207**	422
Contract liabilities	**15,070**	10,920
Derivative financial instruments	**83**	184
Current portion of lease liabilities (Note 4)	**853**	—
Current portion of long-term debt	**1,886**	2,272
Total current liabilities	**59,454**	37,260
Non-current liabilities		
Long-term debt	**20,092**	24,939
Lease liabilities (Note 4)	**4,872**	—
Deferred income tax liabilities	**4,499**	3,921
Other non-current liabilities	**192**	197
Total liabilities	**89,109**	66,317
SHAREHOLDERS' EQUITY		
Capital stock	**68,120**	68,120
Contributed surplus	**6,435**	6,432
Accumulated other comprehensive income (loss) (Note 7)	**6,666**	6,648
Retained income	**17,406**	15,695
Total shareholders' equity	**98,627**	96,895
Total liabilities and shareholders' equity	**187,736**	163,212

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

ON BEHALF OF THE BOARD OF DIRECTORS,

Director

/ Singed /

Mr. Jean Paschini

Director

/ Signed /

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

CONSOLIDATED STATEMENTS OF INCOME (LOSS) (Unaudited)

	3 Months		6 Months	
Periods Ended July 31,	**2019**	2018	**2019**	2018
(In thousands of Canadian dollars and in dollars per share)	**$**	$	**$**	$
Revenues	**54,119**	32,220	**91,265**	60,697
Cost of goods sold	**48,366**	30,151	**79,742**	57,842
Gross Margin	**5,753**	2,069	**11,523**	2,855
Selling and administrative expenses	**3,921**	3,108	**7,837**	6,195
Net financial expenses (Note 8)	**487**	624	**974**	982
Foreign exchange loss (gain)	**169**	(955)	**236**	(1,959)
	4,577	2,777	**9,047**	5,218
Income (loss) before income tax expense (recovery)	**1,176**	(708)	**2,476**	(2,363)
Income tax expense (recovery)	**757**	(176)	**439**	(921)
Net income (loss) for the period	**419**	(532)	**2,037**	(1,442)
Earnings per share				
— Basic and diluted per share (Note 9)	**0.01**	(0.02)	**0.06**	(0.04)
Average number of outstanding basic and diluted shares (in thousands) (Note 9)	**32,635**	32,635	**32,635**	32,635

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

	3 Months		6 Months	
Periods Ended July 31,	**2019**	2018	**2019**	2018
(In thousands of Canadian dollars)	**$**	$	**$**	$
Net income (loss) for the period	**419**	(532)	**2,037**	(1,442)
Other comprehensive income (loss) (Note 7):				
Exchange differences on translation of foreign operations [a]	**(733)**	422	**18**	1,774
Comprehensive income (loss) for the period	**(314)**	(110)	**2,055**	332

a) Will subsequently be reclassified to net income (loss).

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

(In thousands of Canadian dollars)	**Capital Stock**	**Contributed Surplus**	**Accumulated Other Comprehensive Income (Loss)** (Note 7)	**Retained Income**	**Total**
	$	$	$	$	$
Balance, February 1, 2018	68,120	6,423	4,706	16,533	95,782
Net loss for the period	—	—	—	(1,442)	(1,442)
Other comprehensive income	—	—	1,774	—	1,774
Comprehensive income (loss) for the period	—	—	1,774	(1,442)	332
New IFRS 9 adoption	—	—	(189)	189	—
Share-based compensation	—	6	—	—	6
Dividends (Note 6)	—	—	—	(326)	(326)
Balance, July 31, 2018	68,120	6,429	6,291	14,954	95,794

(In thousands of Canadian dollars)	**Capital Stock**	**Contributed Surplus**	**Accumulated Other Comprehensive Income (Loss)** (Note 7)	**Retained Income**	**Total**
	$	**$**	**$**	**$**	**$**
Balance, February 1, 2019	**68,120**	**6,432**	**6,648**	**15,695**	**96,895**
Net income for the period	**—**	**—**	**—**	**2,037**	**2,037**
Other comprehensive income	**—**	**—**	**18**	**—**	**18**
Comprehensive income for the period	**—**	**—**	**18**	**2,037**	**2,055**
Share-based compensation	**—**	**3**	**—**	**—**	**3**
Dividends (Note 6)	**—**	**—**	**—**	**(326)**	**(326)**
Balance, July 31, 2019	**68,120**	**6,435**	**6,666**	**17,406**	**98,627**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	3 Months		6 Months	
Periods Ended July 31,	**2019**	2018	**2019**	2018
(In thousands of Canadian dollars)	**$**	$	**$**	$
OPERATING ACTIVITIES				
Net income (loss) for the period	**419**	(532)	**2,037**	(1,442)
Non-cash items:				
Amortization of property, plant and equipment	**843**	1,057	**1,685**	2,084
Amortization of right-of-use assets (Note 4)	**236**	—	**461**	—
Amortization of intangible assets	**101**	91	**199**	179
Unrealized (gain) loss on derivative financial instruments	**(785)**	138	**(101)**	553
Non-cash exchange loss (gain)	**764**	(642)	**(113)**	(2,774)
Share-based compensation (Note 6)	**191**	(89)	**388**	(279)
Income tax expense (recovery)	**757**	(176)	**439**	(921)
Net financial expenses (Note 8)	**487**	624	**974**	982
Others	**(167)**	—	**(172)**	—
Net income (loss) adjusted for non-cash items	**2,846**	471	**5,797**	(1,618)
Changes in non-cash working capital items (Note 10)	**724**	3,716	**(5,043)**	1,594
Cash flows from (used in) operating activities	**3,570**	4,187	**754**	(24)
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	**(94)**	(1,561)	**(320)**	(2,575)
Acquisition of intangible assets	**(118)**	(112)	**(250)**	(279)
Disposal of equity investments	**—**	—	**—**	217
Government grants (1)	**—**	—	**834**	—
Others	**(3)**	9	**12**	—
Cash flows from (used in) investing activities	**(215)**	(1,664)	**276**	(2,637)
FINANCING ACTIVITIES				
Variation in credit facilities	**(300)**	1,855	**2,450**	6,705
Repayment of long-term debt (Note 10)	**(485)**	(359)	**(943)**	(812)
Repayment of lease liabilities (Note 4)	**(184)**	—	**(350)**	—
Dividends paid (Note 6)	**(326)**	(326)	**(326)**	(326)
Interests paid	**(385)**	(552)	**(877)**	(979)
Cash flows from (used in) financing activities	**(1,680)**	618	**(46)**	4,588
Impact of fluctuations in foreign exchange rate on cash flows	**(74)**	17	**8**	226
Net change in cash and cash equivalents during the period	**1,601**	3,158	**992**	2,153
Cash and cash equivalents, beginning of the period	**3,555**	1,993	**4,164**	2,998
Cash and cash equivalents, end of the period	**5,156**	5,151	**5,156**	5,151

(1) Received for the acquisition of property, plant and equipment.

Supplemental information on cash flows is provided in Note 10.

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

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three-Month and Six-Month Periods Ended July 31, 2019 and 2018

All tabular figures are in thousands of Canadian dollars (CA$) and in dollars per share, unless otherwise specified.

NOTE 1 **NATURE OF BUSINESS**

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

These unaudited interim condensed consolidated financial statements were approved by the Corporation's Board of Directors on September 11, 2019 and were signed on its behalf.

NOTE 2 **BASIS OF PREPARATION**

2.1 Statement of Compliance

These unaudited interim condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and applicable to interim financial reports, including International Accounting Standard 34, "Interim Financial Reporting". These unaudited interim condensed consolidated financial statements are intended to provide an update on the January 31, 2019 annual audited consolidated financial statements. Accordingly, they do not include all of the information required for annual financial statements and must be read in conjunction with the Corporation's annual audited consolidated financial statements as at January 31, 2019.

The financial statements have been prepared using the same accounting policies as outlined in Note 2 to the Corporation's Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2019, except for the adoption of new accounting policies described in Note 3, below.

2.2 Basis of Measurement

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

2.3 Functional and Reporting Currency

Items included in each of the Corporation's entities financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Corporation's functional currencies are the Canadian dollar for its Canadian entity, and the U.S. dollar for its U.S. entities. These Unaudited Interim Condensed Consolidated Financial Statements are presented in Canadian dollars, which is the Corporation's reporting currency.

2.4 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. Areas involving a greater degree of judgment or complexity, or areas where assumptions and estimates have a significant impact on the consolidated financial statements, are disclosed in Note 5 to the Corporation's Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2019, and remained unchanged for the three-month and six-month periods ended July 31, 2019, except for the Note 3.1 d), below.

NOTE 3 **CHANGES IN ACCOUNTING POLICIES**

3.1 IFRS 16 "Leases"

On February 1, 2019, the Corporation adopted IFRS 16 "Leases", which establishes the principles that an entity should use to determine the recognition, measurement, presentation and disclosure of leases for both parties to a contract, that is, the customer ("lessee") and the supplier ("lessor").

IFRS 16 replaces the following standards: IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC-15 "Operating Leases - Incentives", and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". IFRS 16 introduces a single lease accounting model for lessees whereby all lease agreements are recognized in the Consolidated Statement of Financial Position through a right-of-use asset and a lease liability. Exemptions are permitted for short-term leases and leases for which the underlying asset is of low value.

a) Impacts of the Adoption

For leases previously classified as operating leases, the Corporation recognized a lease liabilities for a total of $1,068,000 measured at the present value of the remaining lease payments, discounted using the Corporation's estimated incremental borrowing rate of 4.5% as at February 1, 2019, or using the implicit rate of the contract, as well as a right-of-use assets for a corresponding value. In the Consolidated Statement of Income (Loss), rent expense is replaced by amortization of the right-of-use asset and by interest on the lease liability calculated using the effective interest rate method.

For leases previously classified as finance leases, the carrying amounts of the right-of-use assets and of the lease liabilities as at February 1, 2019 correspond to the carrying amounts of the property, plant and equipment held under finance leases of $22,149,000 and the finance lease debt of $4,299,000 as measured in accordance with IAS 17 as at January 31, 2019. In the Consolidated Statement of Income (Loss), the amortization of the right-of-use asset and the interest on the lease liabilities are consistent with the amortization of property, plant and equipment held under finance leases and interest on finance lease debt previously recognized in accordance with IAS 17.

The right-of-use asset is reported in the Consolidated Statement of Financial Position. It is then measured at cost less accumulated amortization and impairment losses. Amortization is calculated either over the lease term or estimated useful life, whichever is shorter, except for lease agreements that have the effect, at the end of their term, of transferring ownership to the Corporation the property of the underlying good. In these cases, the Corporation amortizes the right-of-use asset until the end of the useful life.

The lease liability is reported in the Consolidated Statement of Financial Position. It is then measured at amortized cost using the effective interest rate method.

The Corporation has adopted the standard on a retrospective basis with the cumulative effect of initially applying IFRS 16 recorded as of February 1, 2019, with any effect recorded to the retained income and no restatement of prior years. Based on the above, there was no impact on retained income as of the date of adoption.

As part of the transition to IFRS 16, the Corporation applied the following practical expedients:

— the Corporation did not reassess whether a contract is, or contains, a lease at the date of initial application. It has applied IFRS 16 to contracts that were previously identified as leases in accordance with IAS 17 and IFRIC 4 ;

— the Corporation accounted for leases with a term of 12 months or less at the date of initial application as short-term leases by recognizing the rent payments in profit or loss on a straight-line basis over the lease term, and

— the Corporation has elected to recognize the expense of low-value leases on a straight-line basis over the lease term.

The retrospective application of IFRS 16 had the following impact as at February 1, 2019:

Consolidated Statements of Financial Position	**Balance as at January 31, 2019**	**IFRS 16 Adjustments**	**Adjusted Balance as at February 1, 2019**
(In thousands of CA$)	$	$	$
Property, plant and equipment	89,375	(22,149)	67,226
Right-of-use assets	—	23,217	23,217
Current portion of leases liabilities	—	610	610
Current portion of long term debt	2,272	(399)	1,873
Long term debt	24,939	(3,900)	21,039
Lease liabilities	—	4,757	4,757

b) **Reconciliation Between Operating Lease Commitments and Lease Liabilities Recognized**

The following table provides a reconciliation between operating lease commitments as at January 31, 2019, applying IAS 17 and the lease liabilities recognized as at February 1, 2019, applying IFRS 16:

(In thousands of CA$)	$
Commitments related to operating leases under IAS 17 as at January 31, 2019	542
Effect of electing to account for short-term and low value leases off financial position	(101)
Adjustments as result of different treatment of extension options	660
Effect of discounting those lease commitments	(33)
Additional lease liabilities from initial application of IFRS 16	1,068
Finance lease liabilities recognized as per IAS 17 as at January 31, 2019	4,299
Lease liabilities recognised as at February 1, 2019	5,367
Current portion	610
Non-current portion	4,757
	5,367

c) **Significant Accounting Policies**

The accounting policies related to the right-of-use assets and lease liabilities are as follows:

— At inception, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

— Leases are recognized as a right-of-use asset and a corresponding lease liability at the commencement date of the lease, i.e. the date the underlying asset is available for use. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is amortized over the shorter of the asset's useful life or the lease term on a straight-line basis except for lease agreements that have the effect, at the end of their term, of transferring ownership to the Corporation the property of the underlying good. In these cases, the Corporation amortize the right-of-use assets until the end of the useful life. Right-of-use assets are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.

— The lease liability is measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payment of penalties for termination of a lease. Each lease payment is allocated between the repayment of the principal portion of lease liability and the interest portion. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the Consolidated Statement of Income (Loss).

— After the commencement date, the carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced to reflect lease payments made. In addition, the carrying amount of lease liabilities is revaluated when there is a change in future lease payments arising from a change in an index or specified rate, if there is a modification to the lease terms and conditions, a change in the estimate of the amount expected to be payable under residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a termination, extension or purchase option. The revaluation amount of the lease liabilities is recognized as an adjustment to the right-of-use asset, or in the Consolidated Statement of Income (Loss) when the carrying amount of the right-of-use asset is reduced to zero.

d) **Significant Judgment in Determining the Lease Term of Contracts with Extension Options and Termination Options**

The Corporation determines the lease term as the non-cancellable period of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Corporation applies judgment in assessing whether it is reasonably certain to exercise its options to extend its leases or to not exercise its options to terminate its leases, by considering all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the Corporation’s control.

In addition, IFRS 16 requires the Corporation to discount lease payments at the implicit interest rate in the lease if this rate is readily available. If this rate cannot be determined easily, the lessee must use its marginal borrowing rate. In some cases, the Corporation must use its marginal borrowing rate when initially recognizing lease agreements, when implicit interest rates are not readily available and information on the fair value of underlying assets is not readily available and the direct costs incurred by the lessor in respect of the leased assets are not available from the lessor. The establishment of the marginal borrowing rate requires the use of several assumptions that, if different from those used, could have a material impact on the amount recognized as a right-of-use related to the lease agreement and the lease liabilities, as well as the amount of amortization of the right related to the lease and the interest expense on the lease liability.

3.2 IFRIC 23 "Uncertainty Over Income Tax Treatments"

On February 1, 2019, the Corporation adopted IFRIC 23, which clarifies how to measure an income tax asset or liability 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 adoption of IFRIC 23 had no impact on the Unaudited Interim Condensed Consolidated Financial Statements.

NOTE 4 LEASE AGREEMENTS

4.1 Right-of-Use Assets

During the six-month period ended July 31, 2019, the Corporation entered into lease agreements relating primarily for office spaces and rolling stock. The net book value of the right-of- use assets, including the adoption adjustments to IFRS 16, are as follows:

	Land	**Buildings and Improvement to Land**	**Office Space**	**Office Furniture, Rolling Stock and Computer Hardware**	**Total**
(In thousands of CA$)	**$**	**$**	**$**	**$**	**$**
Finance lease agreements as at January 31, 2019 related to IAS 17	**1,638**	**20,312**	**—**	**199**	**22,149**
IFRS 16 adoption (Note 3.1)	**—**	**—**	**189**	**879**	**1,068**
Adjusted net book value as at February 1, 2019	**1,638**	**20,312**	**189**	**1,078**	**23,217**
New leases	**—**	**—**	**350**	**355**	**705**
Amortization	**—**	**(304)**	**(52)**	**(105)**	**(461)**
Exchange difference	**1**	**12**	**1**	**—**	**14**
Net book value as at July 31, 2019	**1,639**	**20,020**	**488**	**1,328**	**23,475**

4.2 **Lease Liabilities**

The balance of the lease liabilities including the adjustments relating to the adoption of IFRS 16 are detailed as follows:

(In thousands of CA$)	$
Finance lease agreements as at January 31, 2019 related to IAS 17	**4,299**
IFRS 16 adoption (Note 3.1)	**1,068**
Adjusted balance of the leases liabilities as at February 1, 2019	**5,367**
New leases	**705**
Repayment	**(350)**
Exchange difference	**3**
Lease liabilities as at July 31, 2019	**5,725**

As at July 31, 2019	
(In thousands of CA$)	$
Current portion	**853**
Non-current portion	**4,872**
	5,725

NOTE 5 **CREDIT FACILITY**

On March 2019, the Corporation renewed the agreement of its Canadian operating credit facility. Under this new agreement, the available amount remains at $20,000,000, but is now subject to a monthly calculation of accounts receivable and inventories, which may limit the amount available under the credit facility. This calculation is therefore no longer subject to a minimum limit of $100,000,000 of the order backlog, as it was under the agreement that was in effect prior to this renewal. Other terms and conditions remained unchanged.

As at July 31 2019 and as at January 31, 2019, the Corporation's borrowing availability on its Canadian credit facility was $20,000,000 on both dates, whereas, the credit facility used as at July 31, 2019 was $9,055,000 ($6,605,000 as at January 31, 2019).

NOTE 6 **CAPITAL STOCK**

6.1 **Dividends**

During the three-month periods ended July 31, 2019 and 2018, the Corporation did not declare dividends.

During the six-month period ended July 31, 2019, the Corporation recognized as distribution to its Shareholders of Record as at April 30, 2019, and paid on May 15, 2019, semi-annual dividends totalling $326,000 or $0.01 per share, of which $183,000 for subordinate voting shares and $143,000 for multiple voting shares.

During the six-month period ended July 31, 2018, the Corporation recognized as distribution to its Shareholders of Record as at April 30, 2018 and paid on May 16, 2018, semi-annual dividends totalling $326,000 or $0.01 per share, of which $183,000 for subordinate voting shares and $143,000 for multiple voting shares.

6.2 **Stock Option Plan**

During the six-month period ended July 31, 2019, a total of 156,000 stock options expired and 60,000 stock options were cancelled. The number of stock options issued and outstanding went from 371,000 options as at January 31, 2019, to 155,000 options as at July 31, 2019. These 155,000 options, which had a weighted average life of 3.65 years before maturity, had a weighted average exercise price of $2.36 as at July 31, 2019.

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

a) **External Directors**

The DSU are revaluated at fair value at the end of each reporting period until the vesting date, using the market price of the Corporation's subordinate voting shares.

During the three-month and six-month periods ended July 31, 2019, the DSU compensation to external directors recorded in the Consolidated Statement of Income (Loss) amounted respectively to an expense of $173,000 and $354,000, including the impact of the change in the market price of the Corporation's share, which amounted respectively to an immaterial gain during the three-month and six-month periods ended July 31, 2019 (a $72,000 and $201,000 recovery for the three-month and six-month periods ended July 31, 2018 respectively, including the impact of the change in the market price of the Corporation's share, which amounted to a recovery of $72,000 and $217,000 for the three-month and six-month periods ended July 31, 2018, respectively).

The fluctuation to External Directors DSU was as follows:

	3 Months		6 Months	
Periods Ended July 31,	**2019**	2018	**2019**	2018
(In number of deferred share units)	**Number**	Number	**Number**	Number
Outstanding, at the beginning of the period	**538,996**	401,022	**403,827**	391,895
Awarded	**126,905**	—	**262,074**	9,127
Distributed	**(205,132)**	—	**(205,132)**	—
Outstanding and vested, at the end of the period	**460,769**	401,022	**460,769**	401,022

The carrying amount and the intrinsic value of the liabilities related to the external directors' vested DSU amounted to $567,000 as at July 31, 2019 ($460,000 as at January 31, 2019), and is recorded in "Accounts Payable and Other Current Liabilities" in the Consolidated Statements of Financial Position.

b) **Executive Officers and Key Employees**

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

The DSU are recognized progressively in the Consolidated Statement of Income (Loss) over the vesting period and their costs is determined using a valuation model based on the market price of the Corporation's subordinate voting shares.

During the three-month and six-month periods ended July 31, 2019 and 2018, the DSU compensation for executive officers and key employees amounted to an immaterial, including the impact of the change in the market price of the Corporation's share.

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

	3 Months		6 Months	
Periods Ended July 31,	**2019**	2018	**2019**	2018
(In number of deferred share units)	**Number**	Number	**Number**	Number
Outstanding, at the beginning of the period	**273,228**	304,435	**272,444**	303,733
Awarded	**—**	—	**1,245**	702
Distributed	**—**	—	**(461)**	—
Outstanding, at the end of the period	**273,228**	304,435	**273,228**	304,435
Vested, at the end of the period	**155,601**	132,176	**155,601**	132,176

As at July 31, 2019, the carrying amount of the liabilities related the executive officers and key employees' DSU, totalling to $262,000 ($280,000 as at January 31, 2019) is recorded in "Accounts Payable and Other Current Liabilities" in the Consolidated Statements of Financial Position, including $191,000, which corresponds to the intrinsic value of the vested DSU as at July 31, 2019 ($164,000 as at January 31, 2019).

NOTE 7 **ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

	3 Months		6 Months	
Periods Ended July 31	**2019**	2018	**2019**	2018
(In thousands of CA$)	**$**	$	**$**	$
Exchange differences on translation of foreign operations, less hedging operations, net of related income taxes (1)				
Opening balance	**7,399**	5,869	**6,648**	4,517
Changes during the period	**(733)**	422	**18**	1,774
Closing balance	**6,666**	6,291	**6,666**	6,291
Change in value of available-for-sale financial assets (2)				
Opening balance	**—**	—	**—**	189
New IFRS 9 adoption	**—**	—	**—**	(189)
Closing balance	**—**	—	**—**	—
	6,666	6,291	**6,666**	6,291

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

(2) Reclassification of equity investments in retained earnings as of February 1, 2018 following the adoption of the new IFRS 9.

NOTE 8 **NET FINANCIAL EXPENSES**

Net financial expenses were as follows:

	3 Months		6 Months	
Periods Ended July 31	**2019**	2018	**2019**	2018
(In thousands of CA$)	**$**	$	**$**	$
Interest on long-term debt	**315**	374	**565**	600
Interest on lease liabilities	**52**	—	**122**	—
Interest on credit facilities	**104**	180	**215**	325
Others	**16**	70	**72**	57
	487	624	**974**	982

NOTE 9 **EARNINGS PER SHARE**

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

	3 Months		6 Months	
Periods Ended July 31	**2019**	2018	**2019**	2018
Numerator (in thousands of CA$)				
Numerator applicable to basic and diluted earnings per share	**419**	(532)	**2,037**	(1,442)
Denominator (in thousands)				
Basic and diluted weighted average number of shares	**32,635**	32,635	**32,635**	32,635

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

During the three-month and six-month periods ended July 31, 2019 and 2018, no stock options were included in the computation of diluted earnings per share because of their antidilutive effect.

NOTE 10 **SUPPLEMENTAL CASH FLOWS INFORMATION**

10.1 **Change in Non-Cash Working Capital Items**

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

	3 Months		6 Months	
Periods Ended July 31	**2019**	2018	**2019**	2018
(In thousands of CA$)	**$**	$	**$**	$
Accounts receivable	**5,430**	(9,766)	**(11,692)**	(4,706)
Holdbacks on contracts	**(788)**	1,414	**(2,499)**	820
Contract assets	**(8,343)**	11,007	**(10,468)**	11,669
Inventories	**674**	(1,899)	**364**	(3,458)
Prepaid expenses and other current assets	**1,310**	(271)	**344**	556
Accounts payable and other current liabilities	**12,208**	1,217	**14,883**	(4,787)
Contract liabilities	**(9,764)**	2,014	**4,030**	1,500
Other	**(3)**	—	**(5)**	—
Change in non-cash working capital items	**724**	3,716	**(5,043)**	1,594

10.2 **Reconciliation of the Long-Term Debt**

The following table reconciles the beginning and ending balances of the consolidated statement of financial position for long-term debt, including the current portion of long-term debt:

	3 Months		6 Months	
Periods Ended July 31	**2019**	2018	**2019**	2018
(In thousands of CA$)	**$**	$	**$**	$
Balance, beginning of the period	**22,516**	28,102	**27,211**	28,201
Finance lease agreements reclassified as at February 1, 2019 (Note 3.1)	**—**	—	**(4,299)**	—
Adjusted balance at the beginning period	**22,516**	28,102	**22,912**	28,201
Repayment of long term debt	**(485)**	(359)	**(943)**	(812)
Effect of fluctuations in exchange rates	**(53)**	116	**9**	470
Balance, end of the period	**21,978**	27,859	**21,978**	27,859

10.3 **Non-Cash Transactions**

Transactions that had no cash impact on financing and investing activities were as follows:

— new lease agreements for which operating the right-of-use assets and lease liabilities totaling $414,000 and $705,000 were recorded during the three-month and six-month periods ended July 31, 2019 (no new lease agreements during the three-month and six-month periods ended July 31, 2018).

NOTE 11 **FINANCIAL INSTRUMENTS**

Financial assets and liabilities have been classified in categories specifying their basis for measurement, and in the case of items measured at fair value specifying whether changes in the fair value are recognized in the net income (loss) or in other comprehensive income (loss). These categories are: at financial assets and liabilities at amortized cost and financial liabilities at fair value through net income (loss). The following table presents the carrying amount of financial assets and liabilities in each of the categories as at July 31, 2019 and January 31, 2019.

As at	**July 31, 2019**	January 31, 2019
(In thousands of CA$)	**$**	$
Financial assets at amortized cost		
Cash and cash equivalents	**5,156**	4,164
Accounts receivable	**40,940**	29,919
Holdbacks on contracts	**8,775**	6,227
	54,871	40,310
Financial liabilities at fair value through net income (loss)		
Derivative financial instruments	**83**	184
	83	184
Financial liabilities to amortized cost		
Credit facilities	**9,055**	6,605
Accounts payable and other current liabilities (1)	**26,439**	11,168
Long-term debt (2)	**21,978**	22,912
	57,472	40,685

(1) Excludes amounts due for statutory liabilities, employee benefits and share-based payments.
(2) Exclude obligations under financial leases related to IFRS 17 as at January 31, 2019.

As at July 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 and cash equivalents, accounts receivable, contract assets, other current assets, holdbacks on contracts, the credit facilities, accounts payable and other current liabilities as well as contract liabilities) or because the effective interest rates on long-term debts (including lease liabilities) reflect current market conditions.

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

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

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

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

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

NOTE 12 **SEGMENTED INFORMATION**

The Corporation operates in one operational sector, being, the non-residential construction industry, primarily in the United States and Canada. This sector includes the following areas of expertise: the design and engineering of connections, fabrication, including industrial coating, and installation of complex steel structures, heavy steel built-ups, as well as miscellaneous and architectural metalwork.

	3 Months		6 Months	
Periods Ended July 31	**2019**	2018	**2019**	2018
(In thousands of CA$)	**$**	$	**$**	$
Revenues				
Canada	**4,274**	581	**5,880**	1,618
United States	**49,845**	31,639	**85,385**	59,079
	54,119	32,220	**91,265**	60,697

As at	**July 31, 2019**	January 31, 2019
(In thousands of CA$)	**$**	$
Non-current assets (1)		
Canada	**48,944**	48,750
United States	**45,172**	45,355
	94,116	94,105

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

Revenues from external clients were allocated to each country on the basis of project's location.

During the six-month period ended July 31, 2019, 69% of the Corporation's revenues were realized with four (4) clients, each representing more than 10% of revenues (85% of the Corporation's revenues were realized with two (2) clients during the six-month period ended July 31, 2018).

The following table, presents the breakdown of revenues for each these clients:

Six-Month Periods Ended July 31,	**2019**	2018
	United States	United States
(In thousands of CA$)	**$**	$
Client A	**11,750**	45,744
Client B	**11,414**	6,003
Client C	**25,193**	—
Client D	**14,271**	—
	62,628	51,747

NOTE 13 **SUBSEQUENT EVENT**

On September 11, 2019, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share to be paid on October 16, 2019 to shareholders of record as at September 30, 2019.

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

Ce document est également disponible en français.

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