QUARTERLY REPORT

THREE-MONTH AND NINE-MONTH PERIODS ENDED OCTOBER 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF THE FINANCIAL POSITION AND OPERATING RESULTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

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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, 2020.

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

Three-Month and Nine-Month Periods Ended October 31, 2020

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, 2020 and October 31, 2020. It also compares the operating results and cash flows for the three-month and nine-month periods ended October 31, 2020 to those of the same period of the previous fiscal year. This MD&A covers all major events that occurred between February 1, 2020 and December 8, 2020, on which date ADF Group Inc.'s Board of Directors approved the unaudited interim condensed consolidated financial statements, as well as the MD&A for the three-month and nine-month periods ended October 31, 2020.

This MD&A should be read in conjunction with the Corporation's Unaudited Interim Condensed Consolidated Financial Statements and the notes thereto for the three-month and nine-month periods ended October 31, 2020, as well with the Audited Consolidated Financial Statement and Management's Discussion and Analysis of the Financial Position and Operating Results Report for the fiscal year ended January 31, 2020. The Unaudited Interim Condensed Consolidated Financial Statements and the comparative information for the 3-month and 9-month periods ended October 31, 2020, have been prepared in accordance with the International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable to interim financial reports, including International Accounting Standard 34 *Interim Financial Reporting.* The summary of significant accounting policies applied by the Corporation in accordance with IFRS is presented in Note 2 to the Unaudited Interim Condensed Consolidated Financial Statements for the Three-Month and Nine-Month Periods Ended October 31, 2020.

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 21 "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 markets served by ADF are difficult to analyze at this time. Between the impacts of the pandemic and the uncertainty which was associated with the U.S. presidential elections, we see a slowdown in the negotiation process of new projects. Although the pipeline of projects is still interesting, contract negotiations take longer than usual to finalize. However, we continue to be generally positive about business opportunities arising from our regular markets, but, as we have mentioned in previous interim MD&A reports, and considering that there are still several outstanding issues regarding the pandemic and its upcoming upheavals, we remain cautious about our assessments of the economic recovery.

6. SIGNIFICANT EVENTS OF THE THREE-MONTH AND NINE-MONTH PERIODS ENDED OCTOBER 31, 2020

6.1. Renewal of the Credit Facility

On February 28, 2020, the Corporation has secured an increase in its Canadian credit facility, bringing it from $20.0 million to $30.0 million. The other terms and conditions remain unchanged. On September 28, 2020, this credit facility was extended, without amendment. This increase will allow the Corporation to support the sustained growth of its order backlog.

6.2. New Contracts

On March 23, 2020, the Corporation announced the award of two new contracts in North America worth a total of $65.0 million, one as part of the construction of a new industrial building in the transportation sector in Quebec, and the other consists in the construction of a new commercial building in California. In both cases, ADF was entrusted with the design and engineering of connections, the fabrication, including the procurement of raw material (steel) and industrial coating, as well as the installation of these new structures. These new contracts will be carried out at both of ADF's fabrication plants, one in Terrebonne, Quebec and the other in Great Falls, Montana. Fabrication work on both new projects has started in July 2020 and extend over a 12-month period.

6.3. Dividend

On April 8, 2020, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share, which was paid on May 15, 2020 to shareholders of record as at April 30, 2020.

On September 9, 2020, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share to be paid on October 16, 2020 to shareholders of record as at September 30, 2020.

6.4. New Loans

On May 5, 2020, the Corporation obtained two new loans from a U.S. bank, totaling $5.7 million (US$4.0 million). These loans are guaranteed by the *U.S. Small Business Administration* ("SBA") and were issued to two U.S. subsidiaries of ADF under the *U.S. Care Act* in response to COVID-19. These loans will be reimbursed over an 18-month period starting in December 2020, or after, subject to the latest legislative changes to the program. In addition, if certain conditions are met, these loans, may be partially or even fully forgiven.

7. SIGNIFICANT EVENTS THAT OCCURED SINCE OCTOBER 31, 2020

7.1. U.S Revolving Credit

In November 2020, the Corporation renewed the agreement for its revolving credit agreement with a U.S. bank. This renewal brings the available limit to US$2.0 million from US$1.6 million as at January 31, 2020. The other terms and conditions remained unchanged.

7.2. New Contracts

On November 25, 2020, the Corporation announced the award of two new contracts in the commercial building sector in the U.S.A., worth a total of $101.0 million.

The scope of the largest of these contracts, in terms of value and tonnage, relates to the design and engineering of connections, fabrication, which also includes industrial coating and the supply of raw material (steel), and the installation of the steel structure of a new building with a commercial vocation in the Northwestern U.S.A. Fabrication is expected to start in the first months of 2021 at ADF's plant located in Terrebonne, Quebec, and will run until the third quarter of the year 2021.

The other contract, is located in the Northeastern U.S.A. and consists in, among other things, the supply of raw material (steel) and shop drawings, and the fabrication of the steel structure used in the construction of a new government building. Fabrication is expected to begin later in 2021 and will run until mid-2022.

8. COVID-19

Since January 31, 2020, the Covid-19 pandemic has escalated in North America, and a second wave has hit these same regions in the past months.

A number of Canadian provinces and U.S. states, including Quebec and Montana, have instituted confinement periods or have introduced certain restrictions to contain the spread of the virus, except for essential services. Since the beginning of this pandemic and at the time of this MD&A Report, all of ADF's facilities, including all of our job sites, remained open and operational.

However, in order for our fabrication plant in Terrebonne, Quebec, to remain in operation, and in addition to the required sanitary and physical distancing measures, we initially had to limit the number of employees per work shift. This limitation has allowed us to maintain a sufficient level of fabrication in order to serve our various customers, but has resulted in some operational limitations. In addition, some additional costs have also been incurred as a result of the various measures taken. As of this time, the number of employees per shift has virtually returned to the pre-pandemic level.

We have taken steps to care for our employees, including allowing them to work remotely and implementing strategies to support appropriate social distancing techniques for employees who cannot work remotely. We have also taken precautions with regard to the hygiene of employees, facilities and offices, as well as the implementation of significant travel restrictions. We are also evaluating our business continuity plans for all of our operations in the context of this pandemic. This situation is evolving rapidly and we will continue to monitor and mitigate developments affecting our staff, suppliers, customers and the general public as much as we can.

So, although for the moment the impact of Covid-19 on ADF's operations is limited, the extent to which the virus can have an impact on our results will depend on future developments, which are very uncertain and cannot be predicted at the time of this filing, including new information that may emerge regarding the severity of CovidD-19 and the measures taken to contain it or address its impact, among others.

9. 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 3-month and 9-month periods ended October 31, 2020, and during each of the four last quarters, 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**
(CA$/US$)	*Quarterly*	*Cumulative*	
Third quarter (October 31, 2019)	1.3235	1.3280	1.3160
Fourth quarter (January 31, 2020)	1.3163	1.3251	1.3233
First quarter (April 30, 2020)	1.3784	1.3784	1.3910
Second quarter (July 31, 2020)	1.3664	1.3723	1.3404
Third quarter (October 31, 2020)	**1.3222**	**1.3557**	**1.3318**

As a result of fluctuations in the global market due to the Covid-19 pandemic and the oil market, which weighed on the Canadian currency earlier this year, the Canadian dollar recovered in value against the U.S. dollar during the quarter ended October 31, 2020. Thus, for the 3-month periods ended October 31, 2020 and 2019, the value of the Canadian dollar and the U.S. dollar was virtually similar, while the Canadian dollar is still down against the U.S. currency for the 9-month periods ended on the same dates.

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 had a negligible impact on the gross margin for the 3-month period ended October 31, 2020 and a favorable impact of $0.6 million on the gross margin for the 9-month period ended on the same date.

Moreover, these exchange rate variations have generated a $0.1 million foreign exchange gain during the 3-month period ended October 31, 2020 and a $0.8 million foreign exchange loss during the 9-month period also ended October 31, 2020, in the Consolidated Statement of Income (Loss).

10. NON-GAAP MEASURES

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

	9-Month Periods Ended October 31,		12-Month Periods Ended January 31,	
	2020	2019	2020	2019
Working capital (in thousands of dollars)	**$37,502**	$29,958	$29,313	$31,848
Current ratio	**1.73:1**	1.48: 1	1.58:1	1.85:1
Long-term debt to shareholders' equity ratio (1)	**0.31:1**	0.43: 1	0.43:1	0.35:1
Total debt, net of liquidities (in thousands of dollars) (1)	**$11,691**	$28,516	$36,181	$29,652
Total credit facilities and long-term debt, net of cash and cash equivalents, to shareholders' equity ratio (1)	**0.12:1**	0.30: 1	0.38:1	0.31:1
Liabilities to shareholders' equity ratio	**0.82:1**	0.98: 1	0.84:1	0.68:1
Earnings before interest, tax, depreciation and amortization (EBITDA) (in thousands of dollars)	**$12,564**	$3,607	$5,225	$1,945
EBITDA margin (as a percentage of revenues)	**9.3%**	2.7%	2.9%	1.4%
Book value per share (in dollars)	**$3.03**	$2.89	$2.89	$2.97
Return on shareholders' equity	**4.7%**	(3.0)%	(2.3)%	(0.4)%

(1) Includes current and non-current portions of the lease liabilities starting February 1, 2019, being the date of adoption by the Corporation of IFRS 16 *Leases* under the modified-retrospective approach (see Section 30 "Changes in Accounting Policies" of Annual Management's Discussion and Analysis for the fiscal year ended January 31, 2020, for more details). Financial data prior to the date of adoption has therefore not been restated.

Refer to Section 10 "Non-GAAP Measures" of the Management's Discussion and Analysis of the Financial Position and Operating Results for the Fiscal Year Ended January 31, 2020, for the definition of the financial indicators in the above table, except for article 10.1 below.

10.1. EBITDA and EBITDA Margin

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

- Net financial expenses;
- Income tax expense;
- Foreign exchange (gains) losses, and
- Depreciation and amortization of property, plant and equipment, intangible assets and right-of-use assets.

Net income (loss) is reconciled with EBITDA in the table below:

	3 Months		9 Months	
Periods Ended October 31,	**2020**	2019	**2020**	2019
(In thousands of dollars)	**$**	$	**$**	$
Net income (loss)	**2,579**	(4,059)	**4,759**	(2,022)
Income tax expense	**842**	81	**1,997**	520
Net financial expenses	**472**	542	**1,324**	1,516
Amortization	**1,234**	1,187	**3,685**	3,532
Foreign exchange (gain) loss	**(107)**	(175)	**799**	61
EBITDA	**5,020**	(2,424)	**12,564**	3,607
— As a % of revenues	**10.6%**	(5.8)%	**9.3%**	2.7%

11. ANALYSIS OF OPERATING RESULTS FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED OCTOBER 31, 2020

11.1. Revenues and Gross Margin

3-Month Periods Ended October 31,	**2020**	2019	Changes 2020/2019	
(In thousands of dollars and in percentages)	**$**	$	$	%
Revenues	**47,158**	42,103	5,055	12.0
Cost of goods sold	**39,651**	41,111	(1,460)	(3.6)
Gross margin	**7,507**	992	6,515	Pos.
— As a % of revenues	**15.9%**	2.4%		13.5

9-Month Periods Ended October 31,	**2020**	2019	Changes 2020/2019	
(In thousands of dollars and in percentages)	**$**	$	$	%
Revenues	**135,451**	133,368	2,083	1.6
Cost of goods sold	**115,700**	120,853	(5,153)	(4.3)
Gross margin	**19,751**	12,515	7,236	57.8
— As a % of revenues	**14.6%**	9.4%		5.2

a) **Revenues**

Revenues during the 3-month period ended October 31, 2020, totalled $47.2 million, up by $5.1 million compared with the same period ended October 31, 2019. Revenues for the 9-month period ended October 31, 2020, totalled $135.5 million, compared with $133.4 million for the same period ended October 31, 2019.

Revenues are recognized progressively based on costs incurred to date relative to the total estimated costs at completion on the various projects executed during the periods concerned.

As a reminder, revenues for the 3-month and 9-month periods ended October 31, 2019, were impacted by a downward adjustment of $7.7 million, with no impact on income tax, resulting from an out-of-court settlement related to a commercial dispute in Florida, U.S.A. This adjustment also impacted both the gross margin and net income (loss).

Besides this item, the variation in revenues is for the most part explained by the schedule of projects underway during the analyzed periods. As previously explained in Section 8 "COVID-19", ADF's fabrication hours were not significantly impacted by the pandemic, at least during the quarter ended October 31, 2020.

The change in the foreign exchange rate during the 3-month period ended October 31, 2020, had a negligible effect on revenues and a favorable impact of $3.7 million for the 9-month period ended in the same date.

In terms of economic dependency, 71% of the Corporation's revenues during the 9-month period ended October 31, 2020, were realized with three (3) clients for respective amounts of $51.2 million, $26.1 million and $18.8 million, all from the United States (84% of the Corporation's revenues during the 9-month period ended October 31, 2019, were realized with five (5) clients for respective amounts of $36.5 million, $25.2 million, $18.8 million, $17.1 million and $14.4 million, all from the United States), and who each accounted for 10% or more of the Corporation's revenues.

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

b) **Gross Margin**

The gross margin, in dollar value, increased by $6.5 million during the 3-month period ended October 31, 2020, compared with the same period of the previous fiscal year. As a percentage of revenues, the gross margin went from 2.4% during the 3-month period ended October 31, 2019, to 15.9% for the same period ended October 31, 2020.

During the 9-month period ended October 31, 2020, the gross margin totalled $19.8 million or 14.6% of revenues, compared with $12.5 million or 9.4% of revenues for the same period a year ago.

As previously mentioned, the $7.7 million downward adjustment equally impacted the gross margin during the 3-month and 9-month periods ended October 31, 2019, and consequently, also the gross margins as a percentage of revenues as well during both these periods. For reference, gross margin for the 9 months ended October 31, 2019 would have been 14.3% excluding the impact of the out-of-court settlement, compared with 14.6% for the 9 months ended October 31, 2020.

The increase in gross margin during the 3-month and 9-month periods ended October 31, 2020, compared with the same periods a year ago, is for the most part attributable to the aforementioned out-of-court settlement and by the mix of projects carried out during the periods analyzed, together with a better absorption of fixed costs, resulting from internal efficiencies gained in our production plants.

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.

It should be noted that for the quarter ended October 31, 2020, and as at the date of this MD&A Report, the pandemic did not have an impact on ADF's operations in terms of the supply or cost of raw materials, mainly steel.

11.2. Selling and Administrative Expenses

3-Month Periods Ended October 31,	**2020**	2019	Changes 2020/2019	
(In thousands of dollars and in percentages)	**$**	$	$	%
Selling and administrative expenses	**3,721**	4,603	(882)	(19.2)
— As a % of revenues	**7.9%**	10.9%		(3.0)

9-Month Periods Ended October 31,	**2020**	2019	Changes 2020/2019	
(In thousands of dollars and in percentages)	**$**	$	$	%
Selling and administrative expenses	**10,872**	12,440	(1,568)	(12.6)
— As a % of revenues	**8.0%**	9.3%		(1.3)

During the 3-month period ended October 31, 2020, selling and administrative expenses amounted to $3.7 million, posting a $0.9 million decrease compared with the same period ended October 31, 2019. For the 9-month period ended October 31, 2020, the selling and administrative expenses amounted to $10.9 million, posting a $1.6 million decrease compared with the same period a year ago.

The cumulative decrease as at October 31, 2020, reflects a decrease in legal fees related to a commercial litigation that was settled during the quarter ended October 31, 2019, and a temporary reduction in ADF's administrative staffing during the first quarter ended April 30, 2020, as a result of the pandemic.

Given the increase in revenues and the decrease in selling and administrative expenses during the 3-month and 9-month periods ended October 31, 2020, selling and administrative expenses, as a percentage of revenues, stood at 7.9% and 8.0% respectively during that same periods, compared with 10.9% and 9.3% respectively during the same quarters a year ago.

11.3. Amortization

In accordance with IFRS standards, amortization expense is included in cost of goods sold and selling and administrative expenses. However, Management considers it appropriate to continue separately commenting on the trend in amortization expense since it is considered a significant, although non-cash, component in the analysis of the Corporation's profit margins.

3-Month Periods Ended October 31,	**2020**	2019	Changes 2020/2019	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization	**1,234**	1,187	47	4.0
— As a % of revenues	**2.6%**	2.8%		(0.2)

9-Month Periods Ended October 31,	**2020**	2019	Changes 2020/2019	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization	**3,685**	3,532	153	4.3
— As a % of revenues	**2.7%**	2.6%		0.1

The amortization expense during the 3-month and 9-month periods ended October 31, 2020, was slightly higher to that of the 3-month and 9-month periods ended October 31, 2019, in light of the capital expenditure over the past year.

The amortization expense for the analysed periods was distributed as follows:

3-Month Periods Ended October 31,	**2020**	2019	Changes 2020/2019	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization expense included in cost of goods sold	**927**	913	14	1.5
Amortization expense included in selling and administrative expenses	**307**	274	33	12.0
Total amortization	**1,234**	1,187	47	4.0

9-Month Periods Ended October 31,	**2020**	2019	Changes 2020/2019	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization expense included in cost of goods sold	**2,793**	2,677	116	4.3
Amortization expense included in selling and administrative expenses	**892**	855	37	4.3
Total amortization	**3,685**	3,532	153	4.3

11.4. Net Financial Expenses

3-Month Periods Ended October 31,	**2020**	2019	Changes 2020/2019	
(In thousands of dollars and in percentages)	**$**	$	$	%
Net financial expenses	**472**	542	(70)	(12.9)
— As a % of revenues	**1.0%**	1.3%		(0.3)

9-Month Periods Ended October 31,	**2020**	2019	Changes 2020/2019	
(In thousands of dollars and in percentages)	**$**	$	$	%
Net financial expenses	**1,324**	1,516	(192)	(12.7)
— As a % of revenues	**1.0%**	1.1%		(0.1)

The decrease in net financial expenses during the 3-month and 9-month periods ended October 31, 2020, is explained by the variation in the average debt balances, including the use of the credit facilities during each of these periods (see Section 13 "Cash Flow Position and Financial Position").

11.5. Foreign Exchange (Gain) Loss

3-Month Periods Ended October 31,	**2020**	2019	Changes 2020/2019	
(In thousands of dollars and in percentages)	**$**	$	$	%
Foreign exchange (gain) loss	**(107)**	(175)	68	38.9
— As a % of revenues	**(0.2)%**	(0.4)%		0.2

9-Month Periods Ended October 31,	**2020**	2019	Changes 2020/2019	
(In thousands of dollars and in percentages)	**$**	$	$	%
Foreign exchange (gain) loss	**799**	61	738	Pos
— As a % of revenues	**0.6%**	0.0%		0.6

Given its internal policy, and in order to reduce the impact of foreign exchange fluctuations on US-denominated contracts in the backlog, the Corporation occasionally enters into foreign exchange contracts to cover this foreign exchange risk. As explained in Section 9 "Exchange Rate", the impact of COVID-19, together with fluctuations in global oil prices, caused the Canadian dollar to fall against its U.S. counterpart. In doing so, as required by accounting policies, the valuation of the foreign exchange contracts at their fair values on hand as at October 31, 2020, largely explaining the variations during the analyzed periods.

The foreign exchange gain recorded during the quarter ended October 31, 2020, includes an immaterial foreign exchange loss on ongoing operations and a $0.1 million realized and not realized foreign exchange gain relating to the fair value of financial derivatives.

The foreign exchange gain recorded during the quarter ended October 31, 2019, included a $0.1 million foreign exchange loss on ongoing operations and a $0.3 million realized and unrealized foreign exchange gain relating to the fair value of financial derivatives. During the 3-month period ended October 31, 2019, an immaterial foreign exchange gain on the translation of foreign subsidiaries was recorded in Comprehensive Income (Loss).

The foreign exchange loss recorded during the 9-month period ended October 31, 2020, includes a $0.5 million foreign exchange loss on ongoing operations and a $0.3 million realized and not realized foreign exchange loss relating to the fair value of financial derivatives.

The foreign exchange gain recorded during the 9-month period ended October 31, 2019, included a $0.3 million foreign exchange loss on ongoing operations and a $0.3 million realized and unrealized foreign exchange gain relating to the fair value of financial derivatives. During the 9-month period ended October 31, 2019, an immaterial foreign exchange gain on the translation of foreign subsidiaries was recorded in Comprehensive Income (Loss).

The Corporation is exposed to exchange rate fluctuations between the Canadian and U.S. dollars since a significant portion of its revenues is generally recorded in U.S. dollars.

During the 3-month and 9-month periods ended October 31, 2020, the portion of revenues realized in U.S. dollars represented 78% and 79% respectively (91% and 93% respectively during the 3-month and 9-month periods ended October 31, 2019, and 92% during the fiscal year ended January 31, 2020).

The Corporation expects that the percentage of its revenues in U.S. dollars should remain at a fairly high level in the fiscal year ending January 31, 2021.

11.6. Income Tax Expense

3-Month Periods Ended October 31,	**2020**	2019	Changes 2020/2019	
(In thousands of dollars and in percentages)	**$**	$	$	%
Income tax expense	**842**	81	761	Pos.
— As a % of revenues	**1.8%**	0.2%		1.6

9-Month Periods Ended October 31,	**2020**	2019	Changes 2020/2019	
(In thousands of dollars and in percentages)	**$**	$	$	%
Income tax expense	**1,997**	520	1,477	Pos.
— As a % of revenues	**1.5%**	0.4%		1.1

In light of the out-of-court settlement previously mentioned in this MD&A, and its impact on tax rates during the 3-month and 9-month periods ended October 31, 2019, it is not only difficult to compared these effective tax rates with the Corporation’s Canadian effective rate, but also with those of the same periods ended October 31, 2020. Effective tax rates were respectively 24.6% and 29.6% for the 3-month and 9-month periods ended October 31, 2020, compared with the Corporation’s Canadian effective rate of 27%.

The income tax expense for the 3-month and 9-month periods ended October 31, 2020, stems primarily from the mix in profits or losses of ADF's subsidiaries, according to their respective jurisdictions, namely the loss recorded from ADF's Canadian subsidiary. In addition, and as discussed in previous MD&A Reports, and in light of the tax assets write-off recorded in the fiscal year ended January 31, 2018, the Corporation recognizes progressively some of these previously written off tax assets based on the pre-tax earnings level of its U.S. subsidiaries.

As at October 31, 2020, the Corporation had operating tax losses estimated at $35.1 million in the United States available for carry forwards, for which no deferred tax benefit has been recorded in the Corporation's Consolidated Statements of Income (Loss). 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.

11.7. Net Income (loss), Basic and Diluted Earnings per Share

	3 Months		9 Months	
Periods Ended October 31,	**2020**	2019	**2020**	2019
(In thousands of dollars and dollars per share)	**$**	$	**$**	$
Total net income (loss)	**2,579**	(4,059)	**4,759**	(2,022)
— As a % of revenues	**5.5%**	(9.6)%	**3.5%**	(1.5)%
Total earnings per share (basic and diluted)	**0.08**	(0.12)	**0.15**	(0.06)

The variation in net income (loss) during the 3-month and 9-month periods ended October 31, 2020, compared with the same periods a year ago is for the most part explained by the elements previously mentioned.

Excluding the impact of the out-of-court settlement, the net income (loss) for the 3-month and 9-month periods ended October 31, 2019 would have been $3.6 million and $5.7 million dollars respectively, and thereby bringing up basic and diluted earnings per share for those same periods to $0.11 per share and $0.18 per share, respectively.

Lastly, and although the pandemic did not significantly impact ADF's operations to date, the cumulative impact of the required COVID-19 related measures, and the inefficiencies and cost related to these measures did have a somewhat negative impact on ADF's cumulative net income for the 9-month period ended October 31, 2020.

12. COMPARATIVE INFORMATION FOR THE LAST EIGHT QUARTERS

The trends observed in the analysis of quarterly results do not necessarily represent those of the future results of the Corporation. ADF's 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 the costs recognized on different projects underway and for each given period, together with the lags between the recognition of costs and revenues, where appropriate, that could result from the use of estimates based on the percentage-of-completion method.

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

Fiscal Years	**2021**			2020				2019
3-Month Periods Ended	3rd Quarter (10.31.2020)	2nd Quarter (07.31.2020)	1st Quarter (04.30.2020)	4th Quarter (01.31.2020)	3rd Quarter (10.31.2019)	2nd Quarter (07.31.2019)	1st Quarter (04.30.2019)	4th Quarter (01.31.2019)
(In thousands of dollars and in dollars per share)	**$**	$	$	$	$	$	$	$
Revenues	**47,158**	42,496	45,797	46,342	42,103	54,119	37,146	28,806
Gross margin	**7,507**	7,407	4,837	3,992	992	5,753	5,770	2,069
— As a % of revenues	**16%**	17%	11%	9%	2%	11%	16%	7%
EBITDA (1)	**5,020**	4,577	2,967	1,618	(2,424)	3,012	3,019	428
— As a % of revenues	**11%**	11%	6%	3%	(6)%	6%	8%	1%
Income (loss) before income tax expense (recovery)	**3,421**	3,895	(560)	(484)	(3,978)	1,176	1,300	(1,026)
— As a% of revenues	**7%**	9%	(1)%	(1)%	(9)%	2%	3%	(4)%
Net income (loss)	**2,579**	2,112	68	(110)	(4,059)	419	1,618	(832)
— Basic per share	**0.08**	0.06	0.00	(0.00)	(0.12)	0.01	0.05	(0.03)
— Diluted per share	**0.08**	0.06	0.00	(0.00)	(0.12)	0.01	0.05	(0.03)

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

13. CASH FLOW AND FINANCIAL POSITION

Despite the impact from the pandemic, 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, its credit facilities and the level of planned capital spending, the Corporation does not expect any liquidity risk in a foreseeable future.

On October 31, 2020, cash and cash equivalents totalled $18.8 million, up by $14.8 million compared with January 31, 2020. In addition, as at October 31, 2020, the Corporation did not draw from its credit facilities, whereas it used $13.1 million as at January 31, 2020. As a result, the Corporation's net financial position as at October 31, 2020, has improved by $27.9 million since January 31, 2020.

Moreover, since the beginning of the current fiscal year, the Corporation obtained an increase to its Canadian credit facility from $20.0 million to $30.0 million. Finally, and as previously mentioned in this MD&A Report (see Section 6 "Significant Events of the Three-Month and Nine-Month Periods Ended October 31, 2020"), the Corporation also obtained two (2) additional loans totaling $5.7 million (US$4.0 million) under the *US Care Act,* a program put in place to address the impacts of COVID-19.

Management believes that these available funds are sufficient to support the execution of its order backlog in hand on October 31, 2020, and to meet its financial commitments for the 2021 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 26 "Outlook"). It also looks at opportunities for accelerated payments discounts negotiated with suppliers.

13.1. Operating Activities

During the 3-month and 9-month periods ended October 31, 2020, the Corporation generated cash flows from its operating activities and assigned it as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2020**	2019	**2020**	2019
(In thousands of dollars)	**$**	$	**$**	$
Net income (loss) adjusted for non-cash items	**4,610**	(2,450)	**9,561**	3,347
Changes in non-cash operating working capital items:				
Accounts receivable	**546**	(1,697)	**6,620**	(13,389)
Holdbacks on contracts	**(431)**	(731)	**(2,454)**	(3,230)
Contract assets	**3,077**	11,352	**4,547**	884
Inventories	**913**	(998)	**263**	(634)
Prepaid expenses and others current assets	**30**	(683)	**(636)**	(339)
Accounts payable and other current liabilities	**(298)**	6,160	**(4,000)**	21,043
Contract liabilities	**(2,251)**	(6,380)	**13,922**	(2,350)
Other	**(3)**	(2)	**(8)**	(7)
	1,583	7,021	**18,254**	1,978
Cash flows from operating activities	**6,193**	4,571	**27,815**	5,325

Net income (loss) adjusted for non-cash items, totalling $4.6 million during the 3-month period ended October 31, 2020, is $7.1 million more than that of the same period ended October 31, 2019. This difference is mainly explained by the increase in net income (loss) in light of the out-of-court settlement recorded a year ago, during the third quarter ended October 31, 2019.

Net income (loss) adjusted for non-cash items increased by $6.2 million during the 9-month period ended October 31, 2020, compared with the same period ended October 31, 2019, mainly for the same reason as stated above.

During the 3-month period ended October 31, 2020, changes in non-cash operating working capital items generated cash flow of $1.6 million. This cash inflow is mostly explained by the net variation in contract assets and liabilities.

During the 9-month period ended October 31, 2020, changes in non-cash operating working capital items generated cash flow of $18.3 million. This cash inflow is mostly explained by the decrease in accounts receivable ($6.6 million) and the increase in contract liabilities ($13.9 million) net of the decrease in accounts payable and other current liabilities ($4.0 million).

These variations are in line with the respective activity level of the analyzed periods.

During the 3-month period ended October 31, 2019, the changes in non-cash operating working capital items generated cash flows of $7.0 million, which is mostly explained by the decrease in contract assets ($11.4 million) and increase in account payables and other current liabilities ($6.2 million), net of the increase in accounts receivable ($1.7 million) and the decrease in contract liabilities ($6.4 million). During the 9-month period ended October 31, 2019, the changes in non-cash operating working capital items generated $2.0 million in liquidities, primarily from the increase in account payables and other current liabilities ($21.0 million), net of the increase in accounts receivable ($13.4 million) and holdbacks on contracts ($3.2 million) and the decrease in contract liabilities ($2.4 million). These variations are related to the respective operational variations in the periods analyzed and include the impact of the previously mentioned out-of-court settlement during the third quarter ended October 31, 2019.

13.2. Investing Activities

The Corporation's investing activities are summarized as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2020**	2019	**2020**	2019
(In thousands of dollars)	**$**	$	**$**	$
Acquisition of property, plant and equipment	**(516)**	(246)	**(733)**	(566)
Acquisition of intangible assets	**(108)**	(110)	**(249)**	(360)
Government grants (1)	**—**	—	**—**	834
Other	**17**	19	**66**	31
Cash flows used in investing activities	**(607)**	(337)	**(916)**	(61)

(1) Related to the acquisition of property, plant and equipment.

During the 3-month and 9-month periods ended October 31, 2020, a total of $0.6 million and $0.9 million in liquidities were respectively used, mostly toward the acquisition of property, plant and equipment and intangible assets. In light of the uncertainty surrounding the COVID-19 pandemic, the Corporation continues to tightly manage its liquidities.

During the 3-month and 9-month periods ended October 31, 2019, a total of $0.3 million and $0.1 million in liquidities were respectively used, mostly for the acquisition of property, plant and equipment and intangible assets, net of a $0.8 million government grant received during the first quarter ended April 30, 2019, relating to the ventilation and air treatment/recovery system at ADF's complex in Terrebonne, Quebec.

The Corporation estimates capital expenditures for fiscal 2021 of less than $3.0 million, mainly for production equipment upgrades at both of ADF's plants in Terrebonne, Quebec, and Great Falls, Montana.

13.3. Financing Activities

The Corporation's financing activities were as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2020**	2019	**2020**	2019
(In thousands of dollars)	**$**	$	**$**	$
Variation in credit facilities	**—**	3,800	**(13,105)**	6,250
Repayment of long-term debt	**(477)**	(471)	**(1,444)**	(1,414)
Payment of lease liabilities	**(240)**	(200)	**(730)**	(550)
Issuance of long-term debt	**—**	—	**5,654**	—
Dividends paid	**(327)**	(327)	**(653)**	(653)
Interests paid	**(267)**	(463)	**(991)**	(1,340)
Cash flows from (used in) financing activities	**(1,311)**	2,339	**(11,269)**	2,293

During the 3-month period ended October 31, 2020, financing activities required liquidities of $1.3 million, compared with a cash inflow of $2.3 million for the same quarter the previous year. This cash outflow is mainly attributable to the reimbursement of the long-term debt and the payment of lease liabilities, including interest thereon, and the second dividend payment.

For the 9-month period ended October 31, 2020, financing activities used liquidities of $11.3 million, related to the elements previously described, and the reimbursement of the credit facilities, net of the issuance of long-term debt (see Section 6.4 "New Loans").

For the 9-month period ended October 31, 2019, the financing activities also generated liquidities totalling $2.3 million, attributable to the variation in the credit facilities, net of the reimbursement of the long-term debt and the lease liabilities, including interest thereon, and the dividend payments.

During the 3-month and 9-month periods ended October 31, 2020 and 2019, the Corporation did not issue subordinate voting shares.

13.4. Contractual Obligations

No significant change has occurred in contractual obligations since the publication of the tables summarizing the information relating to contractual obligations in Section 15.6 of the Corporation's Annual Management's Discussion and Analysis Report for the fiscal year ended January 31, 2020, with the exception for the two loans mentioned hereinabove in Section 6.4 "New Loans".

These two new loans, totaling $5.7 million (US$4.0 million), are guaranteed by the SBA and were issued to two of the Corporation's US subsidiaries. These debts bear a below-market interest rate of 1% and were measured at fair value based on the estimated market interest rate for similar financial instruments.

Therefore, monthly interest is calculated using the annual implicit rate of 3.25%. The $0.2 million (US$0.1 million) difference between the fair value of $5.5 million (US$3.9 million) and the $5.7 million (US$4.0 million) in cash received, was considered as a government assistance and recorded against salary expenses.

The principal of these loans will be repaid by monthly installments estimated at $0.3 million (US$ 0.2 million) starting in December 2020 and ending in May 2022. However, if certain conditions are met, these loans could be partially or entirely forgiven. As of the date hereof, no reasonable assurance has been established that these conditions will be met.

13.5. Debt Covenants

As at October 31, 2020, the Corporation respected all of the covenants with its lenders, and still did at the date hereof. Management expects it will continue to respect its commitments during the fiscal year 2021.

14. CAPITAL STOCK

As at October 31, 2020, and January 31, 2020, the Corporation had 32,635,206 shares outstanding for a total amount of $68.1 million, of which 18,292,099 for subordinate voting shares totalling $52.1 million, and 14,343,107 multiple voting shares for a total of $16.0 million. At the date hereof, the number of shares outstanding remained unchanged.

15. STOCK OPTION PLAN

The number of stock options issued and outstanding was to 5,000 options as at October 31, 2020, compared to 55,000 as at January 31, 2020. These 5,000 options, which had a weighted average life of 1.62 year before maturity, had a weighted average exercise price of $1.21 as at October 31, 2020.

16. DEFERRED SHARE UNITS ("DSU") PLAN

16.1. 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 16.2 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 3-month and 9-month periods ended October 31, 2020, the DSU compensation to external directors recorded in the Consolidated Statement of Income (Loss) amounted to an immaterial amount, including the impact of the change in the market price of the Corporation's share (an expense of $14,000 and $368,000 during for the 3-month and 9-month periods ended October 31, 2019 respectively, including the impact of the change in the market price of the Corporation's share, which amounted to an immaterial gain during the 3-month and 9-month periods ended October 31, 2019, respectively).

Fluctuation in DSU for external directors were as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2020**	2019	**2020**	2019
(In number of deferred share units)	**Number**	Number	**Number**	Number
Outstanding, at the beginning of the period	**614,297**	460,769	**464,467**	403,827
Granted	**5,224**	3,698	**155,054**	265,772
Distributed	**—**	—	**—**	(205,132)
Outstanding and vested, at the end of the period	**619,521**	464,467	**619,521**	464,467

The carrying amount and the intrinsic value of the liabilities related to the external directors' vested DSU amounted to $0.7 million as at October 31, 2020 ($0.6 million as at January 31, 2020).

16.2. 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 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 3-month and 9-month periods ended October 31, 2020 and 2019, the DSU compensation for Executive Officers and key employees amounted to an immaterial amount, including the impact of the change in the market price of the Corporation's share).

Fluctuations in DSU for the Executive Officers and key employees were as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2020**	2019	**2020**	2019
(In number of deferred share units)	**Number**	Number	**Number**	Number
Outstanding, at the beginning of the period	**291,992**	230,411	**198,208**	272,444
Granted	**1,468**	1,087	**95,252**	2,332
Distributed	**—**	(24,187)	**—**	(67,465)
Forfeited	**—**	(9,103)	**—**	(9,103)
Outstanding, at the end of the period	**293,460**	198,208	**293,460**	198,208
Vested, at the end of the period	**174,125**	136,559	**174,125**	136,559

The carrying amount of the liabilities related to Executive Officers and key employees' DSU, amounting to $0.3 million as at October 31, 2020, and $0.3 million as at January 31, 2020, and of which $0.2 million corresponds to the intrinsic value of vested DSU as at October 31, 2020 ($0.2 million as at January 31, 2020).

17. PERFORMANCE SHARE UNITS PLAN ("PSU")

As part of its long-term compensation plan, the Corporation may issue PSU to its Executive Officers and key employees. PSU are not convertible into shares of the Corporation and do not result in dilution for shareholders. The acquired PSU are only redeemable in cash by the Corporation upon the expiration of three (3) years after their grant (the "PSU Settlement Date"), subject to the achievement of financial targets. PSU tranches whose vesting conditions have not been met on the applicable vesting date are canceled, without compensation.

PSU also entitle holders to receive additional units each time dividends are paid on the Corporation's subordinate voting shares.

Compensation expense is recognized in the Consolidated Statement of Income (Loss) over the vesting period and the counterpart is recognized in current liabilities in the Consolidated Statement of Financial Position. Changes in fair value between the grant date and the valuation date result in a change in liability and compensation expense.

The fair value of a PSU at any given date (for example, its grant date, vest date or PSU settlement date, etc.) is equal to the market value of the subordinate voting shares of the Corporation on that date, calculated using the average closing price subordinate voting shares of the Corporation on the Toronto Stock Exchange during the five (5) trading days immediately preceding that date.

During the 3-month and 9-month periods ended October 31, 2020, PSU compensation for Executive Officers and key employees amounted to an expense of $0.1 million and $0.3 million respectively (no expense for the corresponding periods ended on October 31, 2019) including the impact of the variation in the Corporation's share price, which amounted to an immaterial amount during the 3-month and 9-month periods ended October 31, 2020 (no impact from the variation in the Corporation's share price during the 3-month and 9-month periods ended October 31, 2019).

Fluctuations in PSU for Executive Officers and key employees were as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2020**	2019	**2020**	2019
(In number of performance share units)	**Number**	Number	**Number**	Number
Outstanding, at the beginning of the period	**365,376**	231,571	**231,571**	231,571
Granted	**1,070**	—	**134,875**	—
Outstanding, at the end of the period	**366,446**	231,571	**366,446**	231,571
Vested, at the end of the period	**126,948**	—	**126,948**	—

As at October 31, 2020, the carrying amount of the liabilities related the Executive Officers and key employees' PSU, amounted to $0.3 million (no amount as at January 31, 2020), including an amount of $0.2 million, which corresponds to the intrinsic value of the vested PSU as at October 31, 2020.

18. ORDER BACKLOG

ADF Group's order backlog totalled $282.5 million on October 31, 2020, compared with $360.5 million on the same date a year earlier and $328.7 million on January 31, 2020. This variation, excluding the new contracts announced after the end of the quarter (refer to Section 7.2 "Significant Events that Occurred Since October 31, 2020 – New Contracts"), is attributable to the execution of contracts, net of contracts obtained and contractual changes.

As at October 31, 2020, 39% of the order backlog consisted of fabrication hours – the Corporation's core business and most value-added activity – which is at the same level as on January 31, 2020. Most of the contracts on hand as at October 31, 2020, will be progressively executed between now and the end of the fiscal year ending January 31, 2022.

19. FINANCIAL POSITION

As at October 31, 2020, 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, 2020 and October 31, 2020.

Sections	Changes	Explanatory Notes
	(In millions of dollars)	
Cash and cash equivalents, net of the variation in the credit facilities	**27.9**	Refer to Section 13 "Cash Flow and Financial Position" hereinabove.
Accounts receivable	**(5.2)**	Lower level of billing in line with schedules of work progress.
Holdback on contracts	**2.6**	According to the level of activity and the timing of revenue billing of contracts in hand.
Contract assets, net of contract liabilities	**(16.8)**	Net difference between the work progress and the progressive billing of revenues; reflecting the level of activity during the period.
Property, plant and equipment, intangible assets and right-of-use assets	**(2.0)**	Taking into account the low level of capital expenditures, the decrease was mainly due to depreciation and amortization.
Accounts payable and other current liabilities	**(3.2)**	In line with activity level as at October 31, 2020.
Long-term debt and lease liabilities (including current portion)	**3.5**	Variation mainly from the issuance of two new debts, as described in Sections 6.4 "New Loans" and 13.4 "Contractual Obligations".
Accumulated other comprehensive income	**0.3**	Variation mostly caused by the impact of the variation in foreign exchange rates on the translation of foreign operations.

20. 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 26 "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 8 "COVID-19", 21 "External Factors to Which the Corporation's Performance is Exposed" and 26 "Outlook").

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

21.1. Exchange Rate

The exchange rate fluctuation between the Canadian and U.S. dollars has an impact on the Corporation's results. Thus, foreign exchange gain of $0.1 million and a foreign exchange loss of $0.8 million were respectively recorded during the 3-month and 9-month periods ended October 31, 2020, compared with an immaterial foreign exchange gain and an immaterial foreign exchange loss for the 3-month and 9-month periods ended October 31, 2019, respectively.

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 risk between the U.S-denominated cash inflows and outflows.

21.2. Risks and Uncertainties Related to the Corporation's Operations

ADF's markets are subject to several risk and uncertainty factors, which could have an impact on its business, financial position and operating results. These risks and uncertainties include, but are not limited to the following factors, which are further detailed in the Section 25 "External Factors to Which the Corporation's Performance is Exposed" in the MD&A for the fiscal year ended January 31, 2020:

- Uncertainties relating to the world economy, including the risks associated with the COVID-19 pandemic (see Section 8 "COVID-19");
- Bonding capacity and irrevocable letters of credit, and
- Operational risks and uncertainties that could have an impact on the Corporation's financial position and operating results.

22. FINANCIAL INSTRUMENTS

A significant number of items in the Corporation's Consolidated 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 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 October 31, 2020, 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, 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 9 "Financial Instruments" in the Unaudited Interim Condensed Consolidated Financial Statements for Three-Month and Nine-Month Periods Ended October 31, 2020).

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.

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 in Note 27 "Financial Risk Management" in the Corporation's Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2020, and has remained unchanged for the interim periods ended October 31, 2020.

23. CONTROLS AND PROCEDURES

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 the 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.

During the 3-month period ended October 31, 2020, no changes were made to the internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal controls and procedures.

24. ACCOUNTING POLICIES

The unaudited Interim Condensed Consolidated Financial Statements have been prepared using the same accounting policies as the ones used in the preparation of the Corporation's audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2020.

Refer the Corporation's audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2020, and the Unaudited Interim Condensed Consolidated Financial Statements for the Three-Month and Nine-Month Periods ended October 31, 2020, for more information about the significant accounting policies, as well as the significant estimates used to prepare the financial statements.

25. HUMAN RESOURCES

As at October 31, 2020, the Corporation employed a total of 487 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 various construction sites in United States.

26. OUTLOOK

Despite the uncertainties associated with the pandemic, the Corporation's results are adequate. Our results are up and we have been able to announce new contracts totaling 101.0 million dollars since the close of the quarter ended October 31, 2020. We have continued to improve our cash position and are well-positioned to undertake the last stretch of our fiscal year ending January 31, 2021.

However, we are far from satisfied with these results. We will maintain our efforts to grow our order backlog while continuing to continuously improve our internal processes. This approach allows us, and will allow us, to continue to grow despite the current uncertainties. The pace of this growth will be driven by the impact of the pandemic on our markets in the coming months, but we are determined to maintain our recent quarterly gains, and meet these challenges with confidence.

27. ADDITIONAL INFORMATION

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.

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

Terrebonne, Quebec, Canada, December 8, 2020

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 reviewed by the external auditor.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited)

As at	**October 31, 2020**	January 31, 2020
(In thousands of Canadian dollars)	**$**	$
ASSETS		
Current assets		
Cash and cash equivalents	**18,827**	3,983
Accounts receivable	**34,383**	39,555
Holdbacks on contracts	**14,185**	11,628
Current income tax assets	**869**	882
Contract assets	**10,459**	14,435
Inventories	**7,789**	7,898
Prepaid expenses and other current assets	**2,133**	1,581
Total current assets	**88,645**	79,962
Non-current assets		
Property, plant and equipment	**63,264**	64,967
Right-of-use assets	**23,590**	23,818
Intangible assets	**3,270**	3,354
Other non-current assets	**1,392**	1,443
Total assets	**180,161**	173,544
LIABILITIES		
Current liabilities		
Credit facilities (Note 3)	**—**	13,105
Accounts payable and other current liabilities	**27,552**	30,788
Current income tax liabilities	**1,020**	216
Contract liabilities	**16,249**	3,444
Derivative financial instruments	**221**	123
Current portion of lease liabilities	**1,088**	1,070
Current portion of long-term debt	**5,013**	1,903
Total current liabilities	**51,143**	50,649
Non-current liabilities		
Long-term debt (Note 4)	**19,823**	19,156
Lease liabilities	**4,594**	4,930
Deferred income tax liabilities	**5,613**	4,215
Other non-current liabilities	**179**	187
Total liabilities	**81,352**	79,137
SHAREHOLDERS' EQUITY		
Capital stock	**68,120**	68,120
Contributed surplus	**6,435**	6,435
Accumulated other comprehensive income	**7,238**	6,942
Retained income	**17,016**	12,910
Total shareholders' equity	**98,809**	94,407
Total liabilities and shareholders' equity	**180,161**	173,544

The accompanying notes are an integral part of these Unaudited Interim Condensed Consolidated Financial Statements.

ON BEHALF OF THE BOARD OF DIRECTORS,

Director — *｜* **Director**

/ Signed / — */ Signed /*

Mr. Jean Paschini — Mr. Frank Di Tomaso, FCPA, FCA, ICD.D

CONSOLIDATED STATEMENTS OF INCOME (LOSS) (Unaudited)

	3 Months		9 Months	
Periods Ended October 31,	**2020**	2019	**2020**	2019
(In thousands of Canadian dollars and in dollars per share)	**$**	$	**$**	$
Revenues (Note 10)	**47,158**	42,103	**135,451**	133,368
Cost of goods sold	**39,651**	41,111	**115,700**	120,853
Gross Margin	**7,507**	992	**19,751**	12,515
Selling and administrative expenses	**3,721**	4,603	**10,872**	12,440
Net financial expenses (Note 6)	**472**	542	**1,324**	1,516
Foreign exchange loss (gain)	**(107)**	(175)	**799**	61
	4,086	4,970	**12,995**	14,017
Income (loss) before income tax expense	**3,421**	(3,978)	**6,756**	(1,502)
Income tax expense	**842**	81	**1,997**	520
Net income (loss) for the period	**2,579**	(4,059)	**4,759**	(2,022)
Earnings per share				
— Basic and diluted per share (Note 7)	**0.08**	(0.12)	**0.15**	(0.06)
Average number of outstanding basic and diluted shares (in thousands) (Note 7)	**32,635**	32,635	**32,635**	32,635

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

	3 Months		9 Months	
Periods Ended October 31,	**2020**	2019	**2020**	2019
(In thousands of Canadian dollars)	**$**	$	**$**	$
Net income (loss) for the period	**2,579**	(4,059)	**4,759**	(2,022)
Other comprehensive income (loss):				
Exchange differences on translation of foreign operations [a]	**(215)**	47	**296**	65
Comprehensive income (loss) for the period	**2,364**	(4,012)	**5,055**	(1,957)

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 $	Retained Income $	Total $
Balance, February 1, 2019	68,120	6,432	6,648	15,695	96,895
Net income (loss) for the period	—	—	—	(2,022)	(2,022)
Other comprehensive income (loss)	—	—	65	—	65
Comprehensive income (loss) for the period	—	—	65	(2,022)	(1,957)
Share-based compensation	—	3	—	—	3
Dividends (Note 5)	—	—	—	(653)	(653)
Balance, October 31, 2019	68,120	6,435	6,713	13,020	94,288

(In thousands of Canadian dollars)	Capital Stock $	Contributed Surplus $	Accumulated Other Comprehensive Income $	Retained Income $	Total $
Balance, February 1, 2020	**68,120**	**6,435**	**6,942**	**12,910**	**94,407**
Net income (loss) for the period	**—**	**—**	**—**	**4,759**	**4,759**
Other comprehensive income (loss)	**—**	**—**	**296**	**—**	**296**
Comprehensive income (loss) for the period	**—**	**—**	**296**	**4,759**	**5,055**
Dividends (Note 5)	—	—	**—**	**(653)**	**(653)**
Balance, October 31, 2020	**68,120**	**6,435**	**7,238**	**17,016**	**98,809**

The accompanying notes are an integral part of these Unaudited Interim Condensed Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	3 Months		9 Months	
Periods Ended October 31,	**2020**	2019	**2020**	2019
(In thousands of Canadian dollars)	**$**	$	**$**	$
OPERATING ACTIVITIES				
Net income (loss) for the period	**2,579**	(4,059)	**4,759**	(2,022)
Non-cash items:				
Amortization of property, plant and equipment	**866**	847	**2,602**	2,532
Amortization of right-of-use assets	**254**	235	**750**	696
Amortization of intangible assets	**114**	105	**333**	304
Unrealized (gain) loss on derivative financial instruments	**(7)**	(240)	**98**	(341)
Non-cash exchange (gain) loss	**(766)**	115	**(2,483)**	2
Share-based compensation (Note 5)	**133**	14	**381**	402
Income tax expense	**842**	81	**1,997**	520
Net financial expenses (Note 6)	**472**	542	**1,324**	1,516
Others	**123**	(90)	**(200)**	(262)
Net income (loss) adjusted for non-cash items	**4,610**	(2,450)	**9,561**	3,347
Changes in non-cash working capital items (Note 8)	**1,583**	7,021	**18,254**	1,978
Cash flows from operating activities	**6,193**	4,571	**27,815**	5,325
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	**(516)**	(246)	**(733)**	(566)
Acquisition of intangible assets	**(108)**	(110)	**(249)**	(360)
Government grants (1)	**—**	—	**—**	834
Others	**17**	19	**66**	31
Cash flows used in investing activities	**(607)**	(337)	**(916)**	(61)
FINANCING ACTIVITIES				
Variation in credit facilities	**—**	3,800	**(13,105)**	6,250
Issuance of long-term debt (Note 4)	**—**	—	**5,654**	—
Repayment of long-term debt	**(477)**	(471)	**(1,444)**	(1,414)
Repayment of lease liabilities	**(240)**	(200)	**(730)**	(550)
Dividends paid (Note 5)	**(327)**	(327)	**(653)**	(653)
Interests paid	**(267)**	(463)	**(991)**	(1,340)
Cash flows from (used in) financing activities	**(1,311)**	2,339	**(11,269)**	2,293
Impact of fluctuations in foreign exchange rate on cash flows	**(98)**	(47)	**(786)**	(39)
Net change in cash and cash equivalents during the period	**4,177**	6,526	**14,844**	7,518
Cash and cash equivalents, beginning of the period	**14,650**	5,156	**3,983**	4,164
Cash and cash equivalents, end of the period	**18,827**	11,682	**18,827**	11,682

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

The accompanying notes are an integral part of these Unaudited Interim Condensed Consolidated Financial Statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Three-Month and Nine-Month Periods Ended October 31, 2020 and 2019

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.

The condensed consolidated financial statements were approved by the Corporation's Board of Directors on December 8, 2020, 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, 2020 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, 2020.

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, 2020, except for income taxes in interim periods, which they are calculated using the tax rate that would be applicable to expected annual results in each jurisdiction.

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 Estimation Uncertainty and Critical Accounting Judgements

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 immediately recognized.

The types of significant estimates, judgments and assumptions made by Management in applying the Corporation's accounting policies are the same as those applied and described in the Note 4 of the annual Consolidated Financial Statements for the Fiscal Year Ended January 31, 2020. In addition, the outbreak of the new strain of the coronavirus, COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown.

For the 3-month and 9-month periods ended October 31, 2020, the governmental restrictions and measures have not impacted the Corporation in a material way to date as its activities has been maintained as an essential service. In addition, the Corporation rapidly implemented strategic measures to protect its clients and its employees from the COVID-19 virus, and endeavours to mitigate any long-term impact of the pandemic on its business.

Management's estimates and judgments considered the uncertainties, including the uncertainty that the pandemic is causing in the various markets where the Corporation operates, and economic implications of the COVID-19 pandemic on the Corporation's business, financial performance and financial position, and did not result in material impacts for the 3-month and 9-month periods ended October 31, 2020.

However, at the date of publication of these condensed interim consolidated financial statements, although the Corporation was able to reduce the short-term impact of the crisis without significant reduction of its activities, it is not possible at this time to reliably assess the duration and the severity the global pandemic nor the long-term consequences it may have on the Corporation's financial results and cash flows.

NOTE 3 CREDIT FACILITY

On September 28, 2020, the Corporation renewed the agreement of its Canadian operating credit facility. Under this new agreement, the available amount remains at $30,000,000 and the other terms and conditions have remained unchanged.

On February 28, 2020, the Corporation obtained an increase in its Canadian operating credit facility from $20,000,000 to $30,000,000 at this date.

The credit facility was unused as at October 31, 2020 ($13,105,000 used as at January 31, 2020).

NOTE 4 **LONG-TERM DEBT**

On May 5, 2020, under the *US Care Act* and as part of a paycheck protection program, the *US Small Business Administration* (SBA) in response to covid-19, the Corporation obtained two new debts from a US bank totaling $5,654,000 (US$4,014,000). These debts are guaranteed by the SBA and were issued to two US subsidiaries. These debts bear a below-market interest rate of 1% and were measured at fair value based on the estimated market interest rate for similar financial instruments. Therefore, monthly interest is calculated using the annual implicit rate of 3.25%. The $164,000 (US$116,000) difference between the fair value of $5,490,000 (US$3,898,000) and the cash received, in the amount of $5,654,000 (US$4,014,000), was considered government assistance and recorded against salary expenses.

According to the original terms, the principal of these loans was to be reimbursed by monthly installments estimated at $294,000 (US$221,000) starting in December 2020 and ending in May 2022. However, if certain conditions are met, these loans could be partially or entirely forgiven. As at the date hereof, no reasonable assurance has been established that these conditions will be met.

NOTE 5 **CAPITAL STOCK**

5.1 **Dividends**

During the 3-month period ended October 31, 2020, the Corporation recognized as distribution to its Shareholders of Record as at September 30, 2020, and paid on October 16, 2020, semi-annual dividends totalling $327,000 or $0.01 per share, of which $184,000 for subordinate voting shares and $143,000 for multiple voting shares.

During the 3-month period ended October 31, 2019, the Corporation recognized as distribution to its Shareholders of Record as at September 30, 2019, and paid on October 16, 2019, semi-annual dividends totalling $327,000 or $0.01 per share, of which $184,000 for subordinate voting shares and $143,000 for multiple voting shares.

This distribution made during the third quarter ended October 31, 2020, brings the total amount of dividends declared and paid to $653,000 or $0.02 per share for the 9-month period ended October 31, 2020, representing dividends of $367,000 for subordinate voting shares and $286,000 for multiple voting shares (representing dividends of $367,000 for subordinate voting shares and $286,000 for multiple voting shares totaling $653,000 or $0.02 per share for the 9-month period ended October 31, 2019).

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

a) **External Directors**

During the 3-month and 9-month periods ended October 31, 2020, DSU compensation to External Directors recorded in the Consolidated Statement of Income (Loss) amounted to an immaterial expenses, including the impact of the change in the market price of the Corporation's share (expense of $14,000 and $368,000, including the impact of the change in the market price of the Corporation's share, which amounted to an immaterial gain for both the 3-month and 9-month periods ended October 31, 2019, respectively).

Fluctuations to External Directors DSU were as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2020**	2019	**2020**	2019
(In number of deferred share units)	**Number**	Number	**Number**	Number
Outstanding, at the beginning of the period	**614,297**	460,769	**464,467**	403,827
Granted	**5,224**	3,698	**155,054**	265,772
Distributed	**—**	—	**—**	(205,132)
Outstanding and vested, at the end of the period	**619,521**	464,467	**619,521**	464,467

The carrying amount and the intrinsic value of the liabilities related to the external directors' vested DSU amounted to $731,000 as at October 31, 2020 ($641,000 as at January 31, 2020), and is recorded in "Accounts Payable and Other Current Liabilities" in the Consolidated Statements of Financial Position.

b) **Executive Officers and Key Employees**

During the 3-month and 9-month periods ended October 31, 2020 and 2019, the DSU compensation for Executive Officers and key employees amounted to immaterial amounts, including the impact of the change in the market price of the Corporation's share.

Fluctuations in DSU for the Executive Officers and key employees were as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2020**	2019	**2020**	2019
(In number of deferred share units)	**Number**	Number	**Number**	Number
Outstanding, at the beginning of the period	**291,992**	230,411	**198,208**	272,444
Granted	**1,468**	1,087	**95,252**	2,332
Distributed	**—**	(24,187)	**—**	(67,465)
Forfeited	**—**	(9,103)	**—**	(9,103)
Outstanding, at the end of the period	**293,460**	198,208	**293,460**	198,208
Vested, at the end of the period	**174,125**	136,559	**174,125**	136,559

As at October 31, 2020, the carrying amount of the liabilities related the Executive Officers and key employees' DSU, amounted to $268,000 ($264,000 as at January 31, 2020) is recorded in "Accounts Payable and Other Current Liabilities" in the Consolidated Statements of Financial Position, including an amount of $205,000, which corresponds to the intrinsic value of the vested DSU as at October 31, 2020 ($188,000 as at January 31, 2020).

5.3 Performance Share Units Plan ("PSU")

As part of its long-term compensation plan, the Corporation may issue PSU to its Executive Officers and key employees. PSU are not convertible into shares of the Corporation and do not result in dilution for shareholders. The acquired PSU are only redeemable in cash by the Corporation upon the expiration of three (3) years after their grant (the "PSU Settlement Date"), subject to the achievement of financial targets. PSU tranches whose vesting conditions have not been met on the applicable vesting date are canceled, without compensation.

PSU also entitle holders to receive additional units each time dividends are paid on the Corporation's subordinate voting shares.

Compensation expense is recognized in the Consolidated Statement of Income (Loss) over the vesting period and the counterpart is recognized in current liabilities in the Consolidated Statement of Financial Position. Changes in fair value between the grant date and the valuation date result in a change in liability and compensation expense.

The fair value of a PSU at any given date (for example, its grant date, vest date or PSU settlement date, etc.) is equal to the market value of the subordinate voting shares of the Corporation on that date, calculated using the average closing price subordinate voting shares of the Corporation on the Toronto Stock Exchange during the five (5) trading days immediately preceding that date.

During the 3-month and 9-month periods ended October 31, 2020, PSU compensation for Executive Officers and key employees amounted to a $48,000 and $290,000 expense respectively (no expense for the corresponding periods ended on October 31, 2019) including the impact of the variation in the Corporation's share price, which amounted to an immaterial amount during the 3-month and 9-month periods ended October 31, 2020 (no impact from the variation in the Corporation's share price during the 3-month and 9-month periods ended October 31, 2019).

Fluctuations in PSU for Executive Officers and key employees were as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2020**	2019	**2020**	2019
(In number of performance share units)	**Number**	Number	**Number**	Number
Outstanding, at the beginning of the period	**365,376**	231,571	**231,571**	231,571
Granted	**1,070**	—	**134,875**	—
Outstanding, at the end of the period	**366,446**	231,571	**366,446**	231,571
Vested, at the end of the period	**126,948**	—	**126,948**	—

As at October 31, 2020, the carrying amount of the liabilities related the Executive Officers and key employees' PSU, amounted to $287,000 (no amount as at January 31, 2020) is recorded in "Accounts Payable and Other Current Liabilities" in the Consolidated Statements of Financial Position, including an amount of $150,000, which corresponds to the intrinsic value of the vested PSU as at October 31, 2020.

NOTE 6 **NET FINANCIAL EXPENSES**

Net financial expenses were as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2020**	2019	**2020**	2019
(In thousands of CA$)	**$**	$	**$**	$
Interest on long-term debt	**264**	316	**782**	881
Interest on lease liabilities	**64**	64	**194**	186
Interest on credit facilities	**83**	137	**292**	352
Others	**61**	25	**56**	97
	472	542	**1,324**	1,516

NOTE 7 **EARNINGS PER SHARE**

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

	3 Months		9 Months	
Periods Ended October 31,	**2020**	2019	**2020**	2019
Numerator (in thousands of CA$)				
Numerator applicable to basic and diluted earnings per share	**2,579**	(4,059)	**4,759**	(2,022)
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 3-month and 9-month periods ended October 31, 2020 and 2019, no stock options were included in the computation of diluted earnings per share because of their antidilutive effect.

NOTE 8 **SUPPLEMENTAL CASH FLOWS INFORMATION**

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

	3 Months		9 Months	
Periods Ended October 31	**2020**	2019	**2020**	2019
(In thousands of CA$)	**$**	$	**$**	$
Accounts receivable	**546**	(1,697)	**6,620**	(13,389)
Holdbacks on contracts	**(431)**	(731)	**(2,454)**	(3,230)
Contract assets	**3,077**	11,352	**4,547**	884
Inventories	**913**	(998)	**263**	(634)
Prepaid expenses and other current assets	**30**	(683)	**(636)**	(339)
Accounts payable and other current liabilities	**(298)**	6,160	**(4,000)**	21,043
Contract liabilities	**(2,251)**	(6,380)	**13,922**	(2,350)
Other	**(3)**	(2)	**(8)**	(7)
Change in non-cash working capital items	**1,583**	7,021	**18,254**	1,978

NOTE 9 **FINANCIAL INSTRUMENTS**

9.1 **Categories for Measurement**

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: 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 these categories:

As at	**October 31, 2020**	January 31, 2020
(In thousands of CA$)	**$**	$
Financial assets at amortized cost		
Cash and cash equivalents	**18,827**	3,983
Accounts receivable	**34,383**	39,555
Holdbacks on contracts	**14,185**	11,628
	67,395	55,166
Financial liabilities at fair value through net income (loss)		
Derivative financial instruments	**221**	123
	221	123
Financial liabilities to amortized cost		
Credit facilities	**—**	13,105
Accounts payable and other current liabilities (1)	**20,149**	23,991
Long-term debt (2)	**24,836**	21,059
	44,895	58,155

(1) Excludes amounts due for statutory liabilities, employee benefits and share-based payments.
(2) Exclude leases liabilities.

As at October 31, 2020, 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.

9.2 **Fair Value Hierarchy of Financial Assets and liabilities**

Fair value measurement is based on a three-level hierarchy (refer to Note 28 "Financial instruments" to the annual Audited Financial Statements for the Fiscal Year Ended January 31, 2020, for a description of these three levels).

The Corporation classified its derivative financial instruments, which include forward foreign exchange contracts within fair value level 2, since they are essentially based on inputs that are observable.

NOTE 10 **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		9 Months	
Periods Ended October 31	**2020**	2019	**2020**	2019
(In thousands of CA$)	**$**	$	**$**	$
Revenues				
Canada	**10,161**	3,801	**27,883**	9,681
United States	**36,997**	38,302	**107,568**	123,687
	47,158	42,103	**135,451**	133,368

As at	**October 31, 2020**	January 31, 2020
(In thousands of CA$)	**$**	$
Non-current assets (1)		
Canada	**47,148**	48,281
United States	**44,366**	45,301
	91,514	93,582

(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 9-month period ended October 31, 2020, 71% of the Corporation's revenues were realized with three (3) clients, each representing more than 10% of revenues (84% of the Corporation's revenues were realized with five (5) clients during the 9-month period ended October 31, 2019).

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

9-Month Periods Ended October 31,	**2020**	2019
	United States	United States
(In thousands of CA$)	**$**	$
Client A	—	17,135
Client B	—	36,513
Client C	—	25,209
Client D	—	18,777
Client E	—	14,356
Client F	**51,154**	—
Client G	**26,063**	—
Client H	**18,775**	—
	95,992	111,990

NOTE 11 **SUBSEQUENT EVENT**

In November 2020, the Corporation renewed the agreement of its revolving credit agreement with a U.S. bank. This renewal brings the available limit to US$2,000,300 from US$1,560,700 as at January 31, 2020. The other terms and conditions remained unchanged.

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Ce document est également disponible en français.

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