ADF Group Inc.

Management's Discussion & Analysis

of the Financial Position and Operating Results

- For the Three (3) Month and Six (6) Month Periods Ended July 31, 2025

Toronto Stock Exchange: TSX / **DRX**

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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 Management's Discussion and Analysis of the Financial Position and Operating Results (hereinafter "MD&A Report") for the fiscal year ended January 31, 2025.

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

1. GENERAL

The purpose of this management's discussion and analysis of the financial position and operating results (hereinafter "MD&A Report") 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, 2025, and July 31, 2025. It also compares the operating results and cash flows for the three-month and six-month periods ended July 31, 2025, to those of the same period of the previous fiscal year. This MD&A Report covers all major events that occurred between February 1, 2025, and September 10, 2025, on which date ADF Group Inc.'s Board of Directors approved the unaudited interim condensed consolidated financial statements, as well as the MD&A Report for the Three-Month and Six-Month Periods ended July 31, 2025.

This MD&A Report should be read in conjunction with the Corporation's Unaudited Interim Condensed Consolidated Financial Statements and the notes thereto for the three-month and six-month periods ended July 31, 2025, 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, 2025.

The unaudited interim condensed consolidated financial statements and the comparative information for the three-month and six-month periods ended July 31, 2025, have been prepared in accordance with the International Financial Reporting Standard issued by the International Accounting Standards Board ("IFRS Accounting Standards") and applicable to interim financial reports, including International Accounting Standard 34 *Interim Financial Reporting*. The material accounting policies applied by the Corporation in accordance with IFRS are presented in Note 2 to the Unaudited Interim Condensed Consolidated Financial Statements for the Three-Month and Six-Month Periods ended July 31, 2025.

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

2. FORWARD-LOOKING STATEMENTS

In order to provide shareholders and potential investors with additional information about ADF, including management's assessment of future projects and operations, certain statements in this MD&A constitute forward-looking statements. These forward-looking statements include, among other things, information about ADF's likely or foreseeable future operating results and financial position, as well as statements regarding the Transaction, including the expected timeline, receipt of required approvals, including those of the Court and the Toronto Stock Exchange, and the effects and benefits of the Transaction.

Forward-looking statements are subject to risk factors, uncertainties, and other important factors that may cause the Corporation's actual performance to differ from that indicated or implied by these forward-looking statements. These factors include, but are not limited to: the impact of economic conditions in Canada and the United States; industry conditions, including amendments to laws and regulations; increased competition; a potential shortage of qualified personnel or management; the availability and fluctuations in commodity prices; changes in foreign exchange or interest rates; stock market volatility; and the impact of accounting policies established by Canadian, U.S., and international standard-setting authorities; as well as, in the case of statements regarding the Transaction, the possibility that the Transaction may not be completed on the terms and conditions or within the timeframe currently anticipated, or at all, due to failure to satisfy, in a timely manner or otherwise, the closing conditions of the Transaction or for other reasons. Some of these factors are described in more detail in Section 19 External Factors Affecting the Corporation's Performance of this MD&A. It should be noted that the list provided in this MD&A of factors that may affect future growth, results, and performance is not exhaustive, and readers should not place undue reliance on forward-looking statements.

The expectations expressed in forward-looking statements are based on information available to the Corporation at the time such forward-looking statements were made. However, there can be no assurance that these expectations will prove to be correct. All subsequent forward-looking statements, whether written or oral, by the Corporation or anyone acting on its behalf, should be expressly considered in light of the foregoing cautionary statements. Unless required to do so by applicable securities laws, the Corporation expressly disclaims any intention or 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, including 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 infrastructure 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.

Discussions regarding U.S. tariffs continued to lead economic news and also maintained a high level of uncertainty across the markets served by our Corporation. As we confirmed in our MD&A Report for the period ended last April 30, and in light of the rules and exemptions as defined as at the date hereof, these tariffs do not directly impact ADF but continue to have a definite indirect impact on the cost of our inputs and, above all, on the negotiation of new commercial agreements given the uncertainties expressed by U.S. clients.

That being said, we were able to sign a long-term agreement for the supply, fabrication and delivery of steel structures for a new infrastructure project in the energy sector in Quebec, allowing us not only to diversify our offering and ensure a recurring revenue base for the next few years, but also reducing our dependence on the U.S. market.

6. SIGNIFICANT EVENTS OF THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JULY 31, 2025

6.1. U.S. Tariffs on Steel

After the close of the Corporation's fiscal year ended January 31, 2025, the President of the United States issued executive orders directing the United States to impose new tariffs on imports from Canada, Mexico, China, and other countries. At that time, it is unclear whether and when the changes to the current tariffs will be applied and whether other factors will allow all or part of the tariffs to be passed on to the market (see Section 9 *U.S. Tariffs* of this MD&A Report).

6.2. New Contracts

On February 26, 2025, the Corporation announced a series of new orders in Quebec and the United States for a total value of $120.0 million. The largest of this series of new orders consists in the fabrication and installation of steel structures and heavy steel components as part of a major renovation program for a sports complex in the Western U.S.A. This series of new orders also includes contracts for various steel structures in the recreational sector also in the Western U.S.A., as well as in Quebec for a major client for which ADF has completed various other contracts in recent months and years.

On July 23, 2025, the Corporation announced the signing of a major five (5) year contract, valued between $35.0 million and $40.0 million per year, for the supply, fabrication and delivery of steel structures, as part of a new infrastructure project in the energy sector, in Quebec. This contract also includes an option to extend it another five (5) years. At maturity, and including the inflation clauses, this major contract could total close to $400.0 million. Fabrication of the steel structures is scheduled to begin in the coming months at ADF's Terrebonne plant.

6.3. Dividend

On April 9, 2025, the Corporation's Board of Directors approved a semi-annual dividend of $0.02 per share, payable on May 15, 2025, to Shareholders of Record as at April 24, 2025.

6.4. Normal Course Issuer Bid (NCIB)

During the second quarter ended July 31, 2025, in the month of May 2025, the Corporation repurchased and cancelled an additional 350,485 Subordinate Voting Shares, thus reaching the authorized limit for the NCIB, for a total repurchase of 1,770,707 Subordinate Voting Shares.

As a reminder, with the approval of the Toronto Stock Exchange and the *Autorité des marchés financiers* (AMF), the Corporation's Board of Directors authorized the Corporation in December 2024 to implement an NCIB to repurchase Subordinate Voting Shares in the normal course of business. The Corporation planned to repurchase for cancellation, between December 16, 2024 and December 15, 2025, up to 1,770,707 Subordinate Voting Shares, representing approximately 10% of the shares held by the public as at December 2, 2024.

6.5. Work Sharing Program

Given the projects in the pipeline and the fabrication schedule, the Corporation has applied for and will soon received authorization from Service Canada to implement a Work-Sharing program for some of its employees at its fabrication plant in Terrebonne, Quebec. The program came into effect on April 21, 2025, and would allow some employees to benefit from the Employment Insurance program to compensate for reduced working hours. This program received the unionized employees' approval. This program allowed ADF to closely manage its costs until the fabrication phase of the recently announced projects begins. As a result, approximately 200 employees saw their working hours reduced between 50% and 60%; hours that were be compensated by the government program.

As of the date hereof and since July 14, 2025, all employees affected by this program have resumed their normal work hours.

6.6. Nuclear Certification CSA N299, Category 2

In July 2025, the Corporation obtained the CSA N299 Category 2 nuclear certification for its complex in Terrebonne, Quebec. This certification provides ADF access to the Canadian nuclear sector, a highly specialized market segment.

7. SIGNIFICANT EVENTS THAT OCCURRED SINCE JULY 31, 2025

7.1. Dividend

On September 10, 2025, the Corporation's Board of Directors approved a semi-annual dividend of $0.02 per share, payable on October 16, 2025, to Shareholders of Record as at September 26, 2025.

7.2. Agreement to Acquire LAR Group Inc

On September 2, 2025, The Corporation announce that it has entered into an agreement (the "Agreement") to acquire (the "Transaction") Groupe LAR inc. and certain of its subsidiaries (collectively, the "LAR Group"), subject to, among other things, approval by the Superior Court of Québec (Commercial Division) (the "Court").

Established in 1942 and based in Métabetchouan in the Saguenay-Lac-Saint-Jean region, in Quebec, the LAR Group operates in the machining, welding, and industrial mechanics sectors. The LAR Group is a Canadian leader in the design, manufacture and installation of mechanically welded steel structures. Primarily focused on the rapidly expanding large-scale hydroelectricity market, the LAR Group also offers customized overhead crane solutions for the heavy industry. The LAR Group generated $80.9 million in revenue for the fiscal year ended December 31, 2024, and had an order backlog of $104.5 million as at July 31, 2025, which should be progressively realized before the end of ADF's fiscal year ending January 31, 2027.

The consideration payable by ADF for the Transaction consists of a purchase price of $19 million, plus a closing adjustment linked to certain working capital expenses, payable as follows: (i) $15 million in cash, plus the closing adjustment, and (ii) the issuance of 449,944 subordinate voting shares of the Corporation, representing the equivalent of $4 million in subordinate voting shares of the Corporation based on the average closing price of the Corporation's shares on the Toronto Stock Exchange during the five (5) trading days preceding August 29, 2025. ADF will pay the cash consideration using its available cash.

The Transaction is to be completed by way of a reverse vesting order to be sought from the Court in connection with LAR Group's restructuring proceedings, pursuant to the Companies' Creditors Arrangement Act (Canada) and conducted under the supervision of the Court and a monitor to be appointed by the Court. The Agreement and the transactions contemplated therein will need to be approved by the reverse vesting order.

The LAR Group will apply to the Court for the reverse vesting order. The Transaction is expected to close shortly after approval by the Court, subject to the satisfaction or waiver, as applicable, of the other closing conditions customary for transactions of this nature, including approval by the Toronto Stock Exchange.

8. EXCHANGE RATE

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

During the 3-month and 6-month periods ended July 31, 2025, and during each of the last four quarters, the Corporation used the following exchange rates between the Canadian and U.S. dollars:

	Consolidated Statements of Income and Comprehensive Income		**Consolidated Statements of Financial Position**
($CA/$US)	*Quarterly*	*Cumulative*	
Second quarter (July 31, 2024)	1.3696	1.3636	1.3809
Third quarter (October 31, 2024)	1.3656	1.3643	1.3916
Fourth quarter (January 31, 2025)	1.4208	1.3783	1.4484
First quarter (April 30, 2025)	1.4213	1.4213	1.3812
Second quarter (July 31, 2025)	**1.3741**	**1.3971**	**1.3844**

The upward trend of the Canadian dollar against the U.S. dollar continued during the second quarter ended July 31, 2025. However, when comparing the average rates for the second quarter and cumulative periods ended July 31, 2025, and 2024, the Canadian dollar is down slightly versus the U.S. dollar.

Although the Corporation enters into foreign exchange contracts from time to time and according to its internal policy in order to hedge the foreign exchange risk, these exchange rate variations have had a favorable impact of $0.2 million and $2.1 million on the gross margin for the 3-month and 6-month periods ended July 31, 2025 respectively, and generated a foreign exchange loss of $0.8 million and a exchange gain of $2.1 million respectively on the Consolidated Statement of Income for the same periods.

9. U.S. TARIFFS

In recent months, the tariff measures put in place by the U.S. authorities have been marked by frequent and sometimes unpredictable developments. In this context, and now that the official documents have been published and interpreted by the Corporation's customs experts, Management has a clearer view of the different impacts of these tariffs.

The products exported by ADF comply with the requirements of the *Canada-United States-Mexico Agreement* (USMCA). In addition, these products are only subject to specific steel tariffs (and aluminum), set at 50% by U.S. Government Proclamation 10896. These duties only apply if the raw materials used are not smelted and poured in the United States.

However, ADF generally obtains steel from mills located in the United States and has done so for several years. Thus, when this condition is met, ADF's exports are exempt from these duties, allowing the Corporation to maintain its competitiveness in the U.S. market.

As such, ADF's recent decline in revenues is mainly due to the disruptions caused by the rates announcement and implementation process, which have had wide-ranging effects across the industry.

At the same time, the Canadian government introduced countermeasures in the form of surtaxes on steel imports from the United States. However, these surcharges are recoverable upon exports. To facilitate the management of these costs for manufacturers, a remission order has been issued, allowing for immediate relief from these surtaxes at the time of import.

Finally, these tariffs have an indirect impact on our Corporation's fabrication costs, which are due to the increase in steel prices. This increase has and will naturally have an impact on ADF's gross margins. On the other hand, all steel fabricators, like ADF, are and will be subject to these same cost increases.

10. NON-IFRS FINANCIAL MEASURES AND OTHER FINANCIAL MEASURES

This MD&A Report is based on results prepared in accordance with IFRS Accounting Standards and includes non-IFRS financial measures and other financial measures. Non-IFRS financial measures provide useful additional information, but do not have standardized meanings established in accordance with IFRS. Readers should be careful not to confuse or substitute them with performance measures prepared in accordance with IFRS. In addition, readers should avoid comparing these non-IFRS financial measures to similarly titled measures provided or used by other issuers. When such indicators are presented, they are defined, and the reader is notified.

The Corporation uses the following indicators to measure its operating performance and the achievement of objectives:

	3 months		6 months	
Periods ended July 31	**2025**	2024	**2025**	2024
Non-IFRS financial measures				
Adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA) (in thousands of dollars)	**$3,702**	$24,914	**$14,097**	$48,013
Adjusted EBITDA margin (as a percentage of revenues)	**7.0%**	33.3%	**13.0%**	26.3%
Supplementary financial measures				
Gross margin (as a percentage of revenues)	**20.7%**	36.9%	**21.3%**	32.3%

As at	**July 31, 2025**	January 31,2025
Supplementary financial measures		
Working capital (in thousands of dollars)	**$105,504**	$109,194
Working capital ratio	**2.24:1**	2.36:1
Order backlog (in thousands of dollars)	**$468,036**	$293,105

10.1. Adjusted EBITDA and Adjusted EBITDA Margin

The adjusted EBITDA and the adjusted EBITDA margin show the extent to which the Corporation generates profits from operations, without considering the following items:

- Net financial expenses;
- Income tax expense;
- Foreign exchange gain or loss, and
- Depreciation and amortization of property, plant and equipment, intangible assets and right-of-use assets.

Net income is reconciled with adjusted EBITDA in the following table:

	3 months		6 months	
Periods Ended July 31,	**2025**	2024	**2025**	2024
(In thousands of dollars)	**$**	$	**$**	$
Net income	**898**	16,000	**9,644**	31,265
Income taxes expense	**340**	6,226	**3,326**	12,219
Net financial expenses	**74**	268	**91**	666
Amortization	**1,563**	1,528	**3,152**	3,017
Foreign exchange loss (gain)	**827**	892	**(2,116)**	846
Adjusted EBITDA	**3,702**	24,914	**14,097**	48,013
— As a % of revenues (1)	**7.0%**	33.3%	**13.0%**	26.3%

(1) The adjusted EBITDA margin results from dividing adjusted EBITDA by revenues.

When compared to the same periods ended a year earlier, adjusted EBITDA for the 3-month and 6-month periods ended July 31, 2025, declined by $21.2 million and $33.9 million respectively.

These variations are mainly attributable to the decrease in net income during these same periods. These variations will be explained in more detail in the next sections.

10.2. Gross Margin as a Percentage of Revenues

The gross margin as a percentage of revenue indicator is used by the Corporation to assess the level of profitability for a given period based on the project mix for that same period. This indicator is subject to fluctuations in project prices and also in the operational efficiency of the Corporation. The indicator of gross margin as a percentage of revenues results from dividing gross margin by revenues.

In general, the Corporation aims to improve this indicator but recognizes that its fluctuation depends on the type of project signed and several other factors, including the economic context.

10.3. Working Capital and Working Capital Ratio

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

Generally, Management's goal is to achieve a working capital ratio of at least 2.0:1. As at July 31, 2025 and January 31, 2025, this ratio has exceeded this goal. The Corporation establishes the achievement of this goal on the pursuit of its strategy focusing on the execution of contracts generating positive cash flows throughout their execution.

However, the Corporation also recognizes that the growth of its order backlog adds some pressure on working capital, thus explaining the level of this ratio in relation to the Corporation's long-term objective. It should be noted that the drawing up and/or revision of this corporate goal depends on several factors, such as the economic context and development projects that might materialize.

10.4. Order Backlog

The order backlog is a measure used by the Corporation to assess future revenue levels. The order backlog includes firm orders obtained by the Corporation, either through a firm contract or a formal notice to proceed confirmed by the client. The order backlog disclosed by the Corporation therefore includes the portion of confirmed contracts that have not been put into production.

In general, the Corporation aims to improve this indicator but recognizes that its fluctuation is dependent on several factors, including the economic context.

11. ANALYSIS OF OPERATING RESULTS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JULY 31, 2025

11.1. Revenues and Gross Margin

3-Month Periods Ended July 31,	**2025**	2024	Changes 2025/2024	
(In thousands of dollars and in percentages)	**$**	$	$	%
Revenues	**53,006**	74,881	(21,875)	(29.2)
Cost of goods sold	**42,055**	47,256	(5,201)	(11.0)
Gross margin	**10,951**	27,625	(16,674)	(60.4)
— As a % of revenues (1)	**20.7%**	36.9%		(16.2)

(1) Gross margin as a percentage of revenues is a supplementary financial measure. Refer to the Section 10 *Non-IFRS Financial Measures and Other Financial Measures* of this MD&A Report, for definition of this metric.

6-Month Periods Ended July 31,	**2025**	2024	Changes 2025/2024	
(In thousands of dollars and in percentages)	**$**	$	$	%
Revenues	**108,529**	182,281	(73,752)	(40.5)
Cost of goods sold	**85,389**	123,345	(37,956)	(30.8)
Gross margin	**23,140**	58,936	(35,796)	(60.7)
— As a % of revenues (1)	**21.3%**	32.3%		(11.0)

(1) Gross margin as a percentage of revenues is a supplementary financial measure. Refer to the Section 10 *Non-IFRS Financial Measures and Other Financial Measures* of this MD&A Report, for definition of this metric.

a) **Revenues**

Revenues during the 3-month period ended July 31, 2025, totalled $53.0 million, down by $21.9 million compared with the same period ended July 31, 2024. Revenues during the 6-month period ended July 31, 2025, totalled $108.5 million, down by $73.8 million compared with the same period ended July 31, 2024.

The variation in revenues is mostly attributable to the uncertainty surrounding the U.S. trade tariffs, as explained in Section 9 *U.S.Tariffs* herein.

While the Corporation's order backlog is more than adequate, exceeding $468.0 million as at July 31, 2025, the uncertainty surrounding these tariffs has created a non-recoverable delay in fabrication hours, mainly at ADF's plant in Terrebonne, Quebec. As such, and as previously announced (see Section 6.5 *Work-Sharing Program* above), a work-sharing program was implemented at ADF's plant in Terrebonne, Quebec and remained in place for virtually the entire quarter ended July 31, 2025, thus reducing fabrication hours and consequently revenues for the same quarter.

Revenues are recognized progressively based on costs incurred to date relative to the total estimated costs at completion on the various projects executed by the Corporation during the periods concerned. As such, the variation in the foreign exchange rate during the 3-month and 6-month periods closed July 31, 2025, had a positive impact of $0.3 million and $4.0 million respectively on the level of revenues.

In terms of economic dependency, 79% of the Corporation's revenues during the 6-month period ended July 31, 2025, were realized with two (2) clients (82% of the Corporation's revenues, were realized with three (3) clients for the 6-month ended July 31, 2024), each having represented 10% or more of the Corporation's revenues.

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

6-Month Periods Ended July 31,	**2025** (1)	2024 (1)
(In thousands of dollars)	**$**	$
Client A	**73,546**	75,529
Client B	—	51,235
Client C	—	23,316
Client D	**12,250**	—
	85,796	150,080

(1) From the United States

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, went down by $16.7 million during the 3-month period ended July 31, 2025, compared with the same period of the previous fiscal year. Gross margin as a percentage of revenues (1) went from 36.9% during the 3-month period ended July 31, 2024, to 20.7% during the same period ended July 31, 2025.

For the 6-month period ended July 31, 2025, gross margin stood at $23.1 million or 21.3% of revenues compared with $58.9 million or 32.3% of revenues for the same period a year earlier.

As described in Section 16 *Order Backlog*, the fabrication hours are not only the Corporation's core activity but are also its most value-added activity. To that effect, revenues during the 3-month and 6-month periods ended July 31, 2025, were comprised of 26% and 32% respectively of fabrication hours, compared with 38% and 32% respectively for the 3-month and 6-month periods ended July 31, 2024.

The decline in margins is in line with the decrease in revenues and is also explained by the impact of the U.S. tariffs.

(1) Gross margin as a percentage of revenues is a supplementary financial measure. Refer to the Section 10 *Non-IFRS Financial Measures and Other Financial Measures* of this MD&A Report, for definition of this metric.

As explained previously, the decrease in revenues required ADF to implement a work-sharing program at its Terrebonne plant. This program has allowed the Corporation to mitigate the negative impacts of the decrease in fabrication hours, as explained earlier, but not entirely. Tariffs also had an indirect negative impact on the Corporation's margins; Impact which is caused by the increase in the price of steel set by the U.S. steel mills. Finally, given the exemptions in place and the fact that the Corporation was able to pass on the negative impact of a significant portion of these tariffs directly to its customers; these rates had a limited direct impact on the Corporation's margins for the 3-month and 6-month periods ended July 31, 2025.

In addition to what precedes and under normal circumstances, 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.

11.2. Selling and Administrative Expenses

3-Month Periods Ended July 31	**2025**	2024	Changes 2025/2024	
(In thousands of dollars and in percentages)	**$**	$	$	%
Selling and administrative expenses	**8,812**	4,239	4,573	107.9
— As a % of revenues	**16.6%**	5.7%		10.9

6-Month Periods Ended July 31	**2025**	2024	Changes 2025/2024	
(In thousands of dollars and in percentages)	**$**	$	$	%
Selling and administrative expenses	**12,195**	13,940	(1,745)	(12.5)
— As a % of revenues	**11.2%**	7.6%		3.6

Selling and administrative expenses (SG&A) for the 3 months ended July 31, 2025, amounted to $8.8 million, posting a $4.6 million increase compared to the same period ended July 31, 2024. This variation is mostly explained by the adjustment in the market value of Differed Share Units (DSU) and in Performance Share Units (PSU), in line with the variation in the Corporation's share price during the periods analysed.

For the 6-month period ended July 31, 2025, SG&A expenses stood at $12.2 million, which is $1.7 million less than for the same period a year earlier. This variation, although to a lesser degree, is due to the adjustment in the market value of DSU's and PSU's.

For the 3-month and 6-month periods ended July 31, 2025, SG&A expenses as a percentage of revenue were 16.6% and 11.2%, respectively, compared with 5.7% and 7.6%, respectively, for the corresponding periods last year, which is explained by lower revenues during the periods ended July 31, 2025, compared to the same periods a year earlier.

11.3. Amortization

Under IFRS Accounting Standards, amortization expense is included in the cost of goods sold and in 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 July 31	**2025**	2024	Changes 2025/2024	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization	**1,563**	1,528	35	2.3
— As a % of revenues	**2.9%**	2.0%		0.9

6-Month Periods Ended July 31	**2025**	2024	Changes 2025/2024	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization	**3,152**	3,017	135	4.5
— As a % of revenues	**2.9%**	1.7%		1.2

Amortization expense for the 3-month and 6-month periods ended July 31, 2025, was $1.6 million and $3.2 million, respectively, compared with $1.5 million and $3.0 million for the same periods ended July 31, 2024. This variation is in line with the addition of capital assets during the last fiscal year.

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

3-Month Periods Ended July 31	**2025**	2024	Changes 2025/2024	
(In thousands of dollars)	**$**	$	$	$
Amortization expense included in cost of goods sold	**1,213**	1,200	13	1.1
Amortization expense included in selling and administrative expenses	**350**	328	22	6.7
Total amortization	**1,563**	1,528	35	2.3

6-Month Periods Ended July 31	**2025**	2024	Changes 2025/2024	
(In thousands of dollars)	**$**	$	$	$
Amortization expense included in cost of goods sold	**2,445**	2,379	66	2.8
Amortization expense included in selling and administrative expenses	**707**	638	69	10.8
Total amortization	**3,152**	3,017	135	4.5

11.4. Net Financial Expenses

Net finance expenses for the 3-month and 6-month periods ended July 31, 2025, amounting to $74,000 and $91,000 respectively, are $0.2 million and $0.6 million lower than for the corresponding periods one year ago, in line with the average debt balance for the respective periods, net of interest income generated by the Corporation's excess liquidity.

3-Month Periods Ended July 31	**2025**	2024	Variations 2025/2024	
(In thousands of dollars and in percentages)	**$**	$	$	%
Net financial expenses	**74**	268	(194)	(72.4)
— As a % of revenues	**0.1%**	0.4%		(0.3)

6-Month Periods Ended July 31	**2025**	2024	Variations 2025/2024	
(In thousands of dollars and in percentages)	**$**	$	$	%
Net financial expenses	**91**	666	(575)	(86.3)
— As a % of revenues	**0.1%**	0.4%		(0.3)

11.5. Foreign Exchange Loss (Gain)

3-Month Periods Ended July 31	**2025**	2024	Variations 2025/2024	
(In thousands of dollars and in percentages)	**$**	$	$	%
Foreign exchange loss (gain)	**827**	892	(65)	(7.3)
— As a % of revenues	**1.6%**	1.2%		0.4

6-Month Periods Ended July 31	**2025**	2024	Variations 2025/2024	
(In thousands of dollars and in percentages)	**$**	$	$	%
Foreign exchange loss (gain)	**(2,116)**	846	(2,962)	Neg.
— As a % of revenues	**(2.0)%**	0.5%		(2.5)

The foreign exchange loss recorded during the quarter ended July 31, 2025, includes a $0.5 million foreign exchange loss on ongoing operations and a foreign exchange loss of $0.3 million relating to the fair value of financial derivatives. During the 3-month period ended July 31, 2025, a $0.2 million foreign exchange gain on the translation of foreign subsidiaries was recorded in Comprehensive Income.

The foreign exchange gain recorded during the 6-month period ended July 31, 2025, includes a $4.4 million foreign exchange loss on ongoing operations and a foreign exchange gain of $6.5 million relating to the fair value of financial derivatives. During the 6-month period ended July 31, 2025, a $4.6 million foreign exchange loss on the translation of foreign subsidiaries was recorded in Comprehensive Income.

The foreign exchange loss recorded during the quarter ended July 31, 2024, included a $0.4 million foreign exchange loss on ongoing operations and a foreign exchange loss of $0.5 million relating to the fair value of financial derivatives. During the 3-month period ended July 31, 2024, a $0.4 million foreign exchange gain on the translation of foreign subsidiaries was recorded in Comprehensive Income. The foreign exchange loss recorded during the 6-month period July 31, 2024, included a $1.3 million foreign exchange gain on ongoing operations and a $2.1 million foreign exchange loss relating to the fair value of financial derivatives. During the 6-month period ended July 31, 2024, a $2.3 million foreign exchange gain on the translation of foreign subsidiaries was recorded in Comprehensive Income.

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

During the 3-month and 6-month periods ended July 31, 2025, the portion of revenues realized in U.S. dollars was 91% and 89% respectively (92% and 86% respectively during the 3-month and 6-month periods ended July 31, 2024). 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, 2026.

11.6. **Income Taxes Expense**

3-Month Periods Ended July 31	**2025**	2024	Changes 2025/2024	
(In thousands of dollars and in percentages)	**$**	$	$	%
Income taxes expense	**340**	6,226	(5,886)	(94.5)
— As a % of revenues	**0.6%**	8.3%		(7.7)

6-Month Periods Ended July 31	**2025**	2024	Changes 2025/2024	
(In thousands of dollars and in percentages)	**$**	$	$	%
Income taxes expense	**3,326**	12,219	(8,893)	(72.8)
— As a % of revenues	**3.1%**	6.7%		(3.6)

The effective tax rates for the 3-month and 6-month periods ended July 31, 2025, were 27.5% and 25.6% respectively, compared with the Corporation's Canadian effective rate, which is 27%. These effective rates come mainly from the mix of profits or losses from ADF's different subsidiaries, according to their legal and tax jurisdictions.

11.7. **Net Income, Basic and Diluted Earnings per Share**

	3 months		6 months	
Periods ended July 31	**2025**	2024	**2025**	2024
(In thousands of dollars and in dollars per share)	**$**	$	**$**	$
Total net income	**898**	16,000	**9,644**	31,265
— As % of revenues	**1.7%**	21.4%	**8.9%**	17.2%
Total basic and diluted earnings per share	**0.03**	0.51	**0.34**	0.98

The change in net income during the 3-month and 6-month periods ended July 31, 2025, compared with the same period a year ago, is for the most part explained by the elements previously mentioned.

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 accrued costs within different projects and for every given period, together with the lags between the recognition of costs and revenues, where appropriate, that could result from the use of estimates based on the percentage-of-completion method.

More specifically and considering the results for the last eight (8) quarters presented hereinafter, these quarterly fluctuations are mostly explained by the fabrication schedules of the different projects that are underway. Considering that revenues are recognized progressively based on costs incurred to date relative to the total estimated costs at completion on the various projects executed by the Corporation during the fiscal year, these revenues, as well as operating results, can differ significantly from quarter to quarter because of these execution schedules.

Fiscal Years	2026		2025				2024	
3-Month Periods Ended	**2nd Quarter (31.07.2025)**	1st Quarter. (30.04.2025)	4th Quarter (31.01.2025)	3rd Quarter (31.10.2024)	2nd Quarter (31.07.2024)	1st Quarter (30.04.2024)	4th Quarter (31.01.2024)	3rd Quarter (31.10.2023)
(In thousands of dollars and in dollars per share)	**$**	$	$	$	$	$	$	$
Revenues	**53,006**	55,523	77,399	79,952	74,881	107,400	88,394	82,143
Gross margins	**10,951**	12,189	23,997	24,307	27,625	31,312	21,620	20,072
— As % of revenues (1)	**21%**	22%	31%	30%	37%	29%	24%	24%
Adjusted EBITDA (2)	**3,702**	10,395	19,244	24,032	24,914	23,099	15,495	17,769
— As % of revenues (2)	**7%**	19%	25%	30%	33%	22%	18%	22%
Income before income tax expenses	**1,238**	11,732	13,132	21,791	22,226	21,258	14,255	13,277
Net income	**898**	8,746	9,093	16,432	16,000	15,265	10,511	11,198
— Basic and diluted per share	**0.03**	0.30	0.31	0.55	0.51	0.47	0.32	0.34

(1) Gross margin as a percentage of revenues is a supplementary financial measure. Refer to the Section 10 *Non-IFRS Financial Measures and Other Financial Measures* of this MD&A Report, for definition of this metric.

(2) Adjusted EBITDA and adjusted EBITDA margin (as a percentage of revenues) are non-IFRS financial measures. A non-IFRS financial measure is not a standardized financial measure under the financial reporting framework used to prepare the Corporation's financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Section 10 *Non-IFRS Financial Measures and Other Financial Measures* of this MD&A Report, for definition of these metrics and the reconciliation to the most comparable IFRS Accounting Standards.

13. CASH FLOW AND FINANCIAL POSITION

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.

As at July 31, 2025, cash and cash equivalent totaled $50.9 million, representing a decrease of $9.1 million compared with January 31, 2025.

In addition, the Corporation did not use its credit facility as at July 31, 2025, and January 31, 2025.

The Corporation believes that the available cash will exceed the sums required to support the growth and execution of its order backlog on hand as at July 31, 2025, and to meet its financial covenants planned for fiscal 2026.

13.1. Operating Activities

The Corporation's operating activities are summarized as follows:

	3 months		6 months	
Periods Ended July 31,	**2025**	2024	**2025**	2024
(In thousands of dollars)	**$**	$	**$**	$
Net income adjusted for non-cash items	**6,584**	24,271	**13,680**	53,309
Changes in non-cash operating working capital items:				
Accounts receivable	**(27,649)**	71,411	**(2,697)**	29,612
Contract assets	**5,125**	5,142	**(2,208)**	20,492
Inventories	**(4,261)**	1,604	**(5,049)**	(262)
Prepaid expenses and other current assets	**(2,901)**	(2,095)	**(2,463)**	(1,945)
Accounts payable and other current liabilities	**(209)**	(14,789)	**1,945**	(7,343)
Contract liabilities	**14,980**	(791)	**14,054**	(31,428)
Others	**(3)**	(2)	**(5)**	(5)
	(14,918)	60,480	**3,577**	9,121
Income taxes paid	**(9,896)**	(2,366)	**(9,896)**	(2,366)
Cash flows (used in) from operating activities	**(18,230)**	82,385	**7,361**	60,064

a) **Net Income Adjusted for Non-Cash Items**

Net income adjusted for non-cash items totalled $6.6 million during the 3-month period ended July 31, 2025, which is $17.7 million lower than for the 3-month period ended July 31, 2024. This variation is for the most part explained by the decrease in net income and income taxes expense.

For the 6-month period ended July 31, 2025, net income adjusted for non-cash items amounted to $13.7 million, down by $39.6 million from the same period a year earlier, mainly for the same reasons mentioned above.

b) **Change In Non-Cash Working Capital Items**

The change in non-cash working capital items required liquidities of $14.9 million during the 3-month period ended July 31, 2025. This cash outflow is mainly explained by the increase in accounts receivable ($27.6 million), and in inventories ($4.3 million), net of the variation in contract assets and liabilities ($20.1 million).

For the 6-month period ended July 31, 2025, the change in non-cash working capital items generated cash of $3.6 million. This cash inflow mainly attributable to the increase in accounts receivable, contract assets, inventories and prepaid expenses and other current assets (adding up to $12.4 million), net of the increase in contract liabilities ($14.1 million).

These variations reflect the level of activity at the close of the periods analyzed.

For the 3-month period ended July 31, 2024, change in non-cash working capital items generated liquidities of $60.5 million. This cash inflow was mainly explained by the decrease in accounts receivable ($71.4 million), net of the decrease in accounts payable and other current liabilities ($14.8 million). For the 6-month period ended July 31, 2024, the change in non-cash working capital items generated cash of $9.1 million. This cash generation was mainly attributable to the decrease in accounts receivables ($29.6 million) and contract assets ($20.5 million), net of the decrease in contract liabilities ($31.4 million) and in accounts payable and other current liabilities ($7.3 million).

13.2. **Investing Activities**

The Corporation’s investing activities are summarized as follows:

	3 months		6 months	
Periods Ended July 31,	**2025**	2024	**2025**	2024
(In thousands of dollars)	**$**	$	**$**	$
Acquisition of property, plant and equipment	**(541)**	(4,490)	**(1,590)**	(5,645)
Acquisition of intangible assets	**(931)**	(131)	**(1,435)**	(346)
Others	**151**	84	**233**	323
Cash flows used in investing activities	**(1,321)**	(4,537)	**(2,792)**	(5,668)

During the 3-month and 6-month periods ended July 31, 2025, liquidities of $1.3 million and $2.8 million, respectively, were primarily used for additional of property, plant and equipment and intangible assets, including an update of the Corporation's enterprise resource planning (ERP) system, which is scheduled to take place over the next three fiscal years.

During the 3-month and 6-month periods ended July 31, 2024, liquidities of $4.5 million and $5.7 million, respectively, were primarily used for the upgrade of fabrication equipment at ADF’s plants in Terrebonne, Quebec and in Great Falls, Montana.

The Corporation estimates total capital expenditures to reach approximately $11.0 million for the 2026 fiscal year, which will be committed primarily to maintaining production equipment current at ADF's fabrication facilities in Terrebonne, Quebec, and Great Falls, Montana, U.S.A., including new equipment required for the new contracts announced on July 23, 2025 (see Section 6.2 *New Contracts* hereinabove) as well as the overhaul of ADF’s integrated management software package.

13.3. **Financing Activities**

The Corporation’s financing activities were as follows:

	3 months		6 months	
Periods Ended July 31,	**2025**	2024	**2025**	2024
(In thousands of dollars)	**$**	$	**$**	$
Repayment of long-term debt	**(1,069)**	(800)	**(2,060)**	(1,473)
Payments of lease liabilities	**(175)**	(183)	**(348)**	(354)
Shares repurchase and cancellation	**(2,555)**	(48,281)	**(7,924)**	(48,281)
Dividends paid	**(575)**	(326)	**(575)**	(326)
Interests paid	**(518)**	(881)	**(1,033)**	(1,639)
Cash flows used in financing activities	**(4,892)**	(50,471)	**(11,940)**	(52,073)

During the 3-month and 6-month periods ended July 31, 2025, financing activities required $4.9 million and $11.9 million in liquidities respectively, compared with a cash outflow of $50.5 million and $52.1 million respectively during the same periods last fiscal year.

In addition to the repayment of the long-term debt and lease liabilities which globally required cash outflow of $1.2 million and $2.4 million for both periods closed on July 31, 2025, these liquidities were mainly used for the repurchase, for cancellation purposes (see Section 14 *Capital Stock* for more details).

13.4. Debt Covenants

As at July 31, 2025, the Corporation met all of the covenants with its lenders and still did at the date hereof. Management expects it will continue to respect its commitments for the fiscal year 2026.

13.5. 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 13.6 of the annual MD&A Report for the fiscal year ended January 31, 2025.

14. CAPITAL STOCK

Information on the outstanding shares:

	Subordinate Voting Shares		Multiple Voting Shares (1)		Total Outstanding Shares	
(In thousands of dollars and in number of shares)	Number	$	Number	$	Number	$
As at January 31, 2025	17,075,797	48,291	12,076,820	13,463	29,152,617	61,754
Shares repurchase and cancellation	(1,049,405)	(2,907)	—	—	(1,049,405)	(2,907)
As at July 31, 2025	**16,026,392**	**45,384**	**12,076,820**	**13,463**	**28,103,212**	**58,847**

(1) These shares carry 10 votes per share.

On December 11, 2024, with the approval of the TSX and the AMF, the Board of Directors authorized the Corporation to put in place the normal course issuer bid (NCIB) to repurchase Subordinate Voting Shares in the normal course of its business. The Corporation planned to repurchase, for cancellation purposes, between December 16, 2024, and December 15, 2025, up to 1,770,707 Subordinate Voting Shares, representing approximately 10% of the securities held by the public as at December 2, 2024.

During the 6-month period ended July 31, 2025, the Corporation had repurchased a total of 1,049,405 Subordinate Voting Shares for a cash consideration of $7.9 million. In addition to the $2.9 million impact on capital stock, the total consideration had an impact of $0.2 million on contributed surplus and $4.7 million on retained income, including $0.2 million related to the 2% tax on this share repurchase.

As of the date hereof, the number of shares outstanding was 28,103,212 shares.

15. DIVIDEND

On April 9, 2025, the Corporation's Board of Directors approved the payment of a semi-annual dividend of $0.02 per share that was paid on May 15, 2025, to Shareholders of Record as at April 24, 2025.

16. ORDER BACKLOG

ADF Group's order backlog [1] totalled $468.0 million as at July 31, 2025, compared with $402.3 million on the same date a year earlier and $293.1 million on January 31, 2025. The variation is mainly attributable to the signing of new contracts, net of the execution of contracts and the foreign exchange impact. It should be noted that the order backlog as at July 31, 2025, does not include the option to extend the contract announced on July 23, 2025, by five (5) years (see Section 6.2 *New Contracts* hereinabove), nor the order backlog of Groupe LAR, that may be added pursuant to the completion of the Transaction (see Section 7.2 *Agreement to Acquire LAR Group Inc.* above).

As at July 31, 2025, 56% of the order backlog consisted of fabrication hours – the Corporation's core business and most value-added activity – compared with 30% as at January 31, 2025. Most of the contracts on hand as at July 31, 2025, will be progressively executed between now and the end of the fiscal year ending January 31, 2027, excluding the new contract announced on July 23, 2025, which will extend at least over a five-year period.

(1) The order backlog is a supplementary financial measure. Refer to the Section 10 *Non-IFRS Financial Measures and Other Financial Measures* of this MD&A Report, for the definition of this metric.

17. FINANCIAL POSITION

As at July 31, 2025, the Corporation had a more than adequate 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, 2025, and July 31, 2025.

Sections	Changes (In millions of dollars)	Explanatory Notes
Cash and cash equivalents	**(9.1)**	See Section 13 *Cash Flows and Financial Position* of this MD&A Report.
Accounts receivable	**(0.3)**	Variation in invoicing level in line with activity level and work progress schedules.
Contract assets, net of contract liabilities	**(12.5)**	Net difference between the work progress and progressive revenue invoicing of products; the variation reflecting the progress schedule. These variations do not include any readjustment, being either a change in the work progress or change in the price estimate.
Inventories	**4.8**	Material in transit and will be transferred to the project during the next quarter.
Property, plant and equipment, intangible assets and right-of-use assets	**(2.4)**	Net change from acquisition and disposal of property, plant and equipment and intangible assets ($3.0 million), net of foreign exchange rate impact ($2.2 million), and amortization ($3.2 million).
Accounts payable and other current liabilities	**2.7**	Change in line with the level of activity at the respective closing dates.
Long-term debt and lease liabilities (including current portions)	**(2.1)**	Variation coming from the reimbursement of long-term debts ($2.1 million) and lease liabilities ($0.3 million) net of foreign exchange impact and other miscellaneous items ($0.3 million).
Accumulated other comprehensive income	**(4.6)**	Variation resulting from the impact of the conversion of the ADF's foreign subsidiaries.

18. CURRENT ECONOMIC ENVIRONMENT

Although the trends in certain markets served by the Corporation are good, certain external elements could lead to uncertainty 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 closely monitored by Management. The Corporation does not anticipate any liquidity problems, in particular since its credit facility is issued by a Canadian chartered bank with a solid credit rating, and the Corporation's major clients are leaders in their respective fields. Based on the foregoing, the Corporation maintains its short-term prospects (see Section 26 *Outlook*) and does not currently foresee any short-term elements that could compromise its course of business.

That being said, the Corporation will continue to use caution and will closely monitor the situation (see Sections 19 *External Factors to Which the Corporation's Performance is Exposed* and 26 *Outlook*).

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

19.1. Global Pandemic

A pandemic outbreak, as COVID-19 demonstrates, must now be considered in external factors that may influence ADF's performance. Although the type of pandemic or future variant is innumerable, and the impacts of these pandemics on the sector in which our Corporation operates can be multiple, the Corporation will now have to monitor this new risk. The measures taken by ADF to minimize the impacts of COVID-19 on all operations will serve as the basis for future years and will need to be adjusted, if necessary, according to the potential impacts of future pandemics.

19.2. Exchange Rate

The exchange rate fluctuation between the Canadian and U.S. dollars has an impact on the Corporation's results. Thus, a $0.8 million foreign exchange loss and a $2.1 million foreign exchange gain were recorded in income for the 3-month and 6-month periods ended July 31, 2025, respectively, compared with a $0.9 million and a $0.8 million foreign exchange loss for the 3-month and 6-month periods ended July 31, 2024, respectively.

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

— Issuance of debts in U.S. dollars;
— When advantageous, the raw material (steel) and welding products required for fabrication are purchased in U.S. dollars, and
— A foreign exchange policy to protect a portion of the net exchange risk between cash inflows and outflows denominated in U.S. dollars.

19.3. Operating Risks and Uncertainties

ADF's markets are subject to several risk and uncertainty factors, which could have an impact on its business, financial position and operating results. These risks and uncertainties include, but are not limited to the following factors, which are further detailed in the Section 21 *External Factors to Which the Corporation's Performance is Exposed* in the MD&A Report for the fiscal year ended January 31, 2025.

— Uncertainties relating to the world economy including the impact of conflicts on it;
— Bonding capacity and irrevocable letters of credit, and
— Operational risks and uncertainties that could have an impact on the Corporation's financial position and operating results.

20. FINANCIAL INSTRUMENTS

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, contract assets, as well as derivative financial instruments, whose fair market value is positive. Financial liabilities include credit facility, accounts payable and other current liabilities, contract liabilities, long-term debt and derivative financial instruments, whose fair market value is negative.

As at July 31, 2025, 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, 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 (excluding the lease liabilities) 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 5 *Financial Instruments* in the Unaudited Interim Condensed Consolidated Financial Statements for the Three-Month and Six-Month Periods Ended July 31, 2025).

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

The Corporation is mostly exposed to credit, liquidity and market risks, including exchange rate and interest rate risks, when using financial instruments. A description of how the Corporation manages these risks is included in Note 23 *Financial Risk Management* in the Corporation's Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2025, and has remained unchanged for the interim period ended July 31, 2025.

21. 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 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 Accounting Standards.

During the quarter ended July 31, 2025, no changes were made to internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal controls and procedures.

22. MATERIAL ACCOUNTING POLICIES, UNCERTAINTY RELATING TO ESTIMATES AND CRITICAL ACCOUNTING JUDGMENTS

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, 2025.

Refer the Corporation's Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2025, and the Unaudited Interim Condensed Consolidated Financial Statements for the Three-Month and Six-Month Periods Ended July 31, 2025, for more information about the material accounting policies, uncertainty relating to estimates, as well as the critical accounting judgements used to prepare the financial statements.

23. ENVIRONMENT

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

The Corporation's Terrebonne and Great Falls facilities were built on vacant lands. The operations that could have a potential impact on the environment are welding, which generates smoke, and equipment maintenance, which generates waste oil, and industrial coating, which generate fumes and vapours. ADF has installed appropriate pollution control equipment in order to comply with the existing laws and regulations and ensures to perform in the normal course of business, the investments required to meet the highest standards.

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

Moreover, as part of the construction of its new paint shop in Terrebonne, the Corporation updated its environmental certificate of authorization for all its operations located in Terrebonne, including its fabrication plant. Following these investments, ADF Group's facilities in Terrebonne meet the highest environmental standards. During the fiscal year ended January 31, 2022, as part of the new financing that the Corporation obtained, the Corporation conducted environmental assessments at its Terrebonne, Quebec site, which did not identify any deficiencies or contaminants requiring corrective action in accordance with applicable environmental standards.

Finally, in December 2024, the Corporation obtained its ISO 14001 certification for its plant in Terrebonne, Quebec.

For the 3-month and 6-month periods ended July 31, 2025, and 2024, and considering what precedes, the requirements with regard to environmental protection did not have a significant financial or operational impact on the Corporation's capital expenditures, net income and competitive position. The Corporation does not expect to incur any costs outside the normal course of business to comply with environmental requirements.

24. SUSTAINABLE DEVELOPMENT

During the fiscal year ended January 31, 2024, the Corporation began a process to adopt a Sustainable Development Policy. Established around the three ESG axes (environment, social and governance), ADF will identify in the coming months the key objectives for each of these three axes while endowing itself with targets and means to achieve these targets.

We have since implemented several initiatives that will allow us to move forward in this process, including setting up a Sustainable Transition committee. This committee, which is made up of ADF employees, will allow the Corporation to keep its employees up to date with the latest developments, while allowing ADF Management to have ongoing feedback.

The Corporation has also retained the services of an external firm to assess how ADF manages its energy, and measures its Scope 1, 2 and 3 greenhouse gas (GHG) emissions, water and residual materials for all ADF Group facilities, both in Canada and in the United States. The results of this assessment (scopes 1 and 2) were presented in the Corporation's Sustainable Development reports published with its other disclosure documents dated January 31, 2025, and 2024. Management is continuing to analyze this information including finalizing the data for Scope 3, which will allow to incorporate the Corporation's targets into the sustainable development objectives that it will adopt in the coming quarters.

During the fiscal year ended January 31, 2025, the Corporation also published its Report on Forced Labor and Child Labor in Supply Chains, its Confidentiality and Protection of Personal Information Policy, Environmental Policy, as well as its Suppliers' Code of Conduct. All of these documents are available on the Corporation's website at www.adfgroup.com.

Several other initiatives, including the recycling and composting of waste generated by ADF's operation have been set in motion. The Corporation will continue to provide regular quarterly update in its MD&A Reports, including the findings of the report on energy and scope 1, 2 and 3 GHG, water and residual materials, and possible solution and objectives to improve its overall performance.

25. HUMAN RESOURCES

As at July 31, 2025, the Corporation employed a total of 508 people across its head office, fabrication complex and paint shop in Terrebonne, Quebec, Canada, and its office, fabrication plant and paint shop in Great Falls, Montana, U.S.A., and as well as various construction sites in United States.

26. OUTLOOK

Once again, ADF's results for the 3-month and 6-month periods ended July 31, 2025, were impacted by the uncertainty related to the U.S. tariffs. Despite this, and including the fact that ADF's plant in Terrebonne, Quebec, operated with only 30% of its usual workforce for virtually the entire quarter ended July 31, 2025, in light of the Work-Sharing program previously discussed, we were able to generate positive net income while maintaining a healthy financial position.

However, and in light of the new economic realities, we have put in place solutions that will allow ADF not only to continue its growth but also to diversify its offer in the face of the uncertainties from our U.S. markets.

First, we announced at the end of July 2025, a five-year term contract, including an option to extend it five (5) years, for a new infrastructure project in the energy sector in Quebec.

Moreover, on September 2, 2025, we also announced that ADF had entered into an agreement to acquire, subject to the approval of the Superior Court of Quebec (Commercial Division), the Groupe LAR (LAR Group Inc.) and certain of its subsidiaries.

These two announcements not only provide recurring revenues to our Corporation for the next few years but allow us to significantly increase the Canadian content of our order backlog, thus reducing our exposure to the U.S. market, and recent uncertainties thereof.

We are therefore continuing our efforts to maintain the growth of the order backlog, including in the U.S. market, which, notwithstanding what is mentioned above, remains an important market for our Corporation. We will also naturally ensure that we complete the integration of LAR Group into the ADF fold in order to capture as quickly as possible the full potential of this acquisition.

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.sedarplus.ca.

Mr. Jean-Francois Boursier, CPA

/ Signed /

Chief Financial Officer

Ms. Marise Paschini

/ Signed /

Executive Vice-President, Treasurer and Corporate Secretary

Terrebonne, Quebec, Canada, September 10, 2025

QUARTERLY MD&A REPORT

Three-Month and Six-Month Periods Ended July 31, 2025

The electronic version of this document is also available at www.adfgroup.comand at www.sedarplus.ca

Ce document est également disponible en français.

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