



ADF Group Inc.

Annual Report

Fiscal Year Ended January 31, 2025

Terrebonne, Quebec, April 9, 2025

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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 regarding their future realization. These forward-looking statements are based on currently available data regarding 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.

MESSAGE TO SHAREHOLDERS

For nearly 70 years now, our Corporation has faced several economic and operational challenges. In these most uncertain times, it is important to take the time to highlight the accomplishments of the past fiscal year and explain how these accomplishments will allow us to face the current challenges.

We therefore close the fiscal year ended January 31, 2025 with revenues, margins, and adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) and net income up from a year ago. In addition, our operating activities generated more than \$55 million in liquidities, and we were also able to buy back for cancellation purposes, a total of 3.5 million subordinate voting shares.

In addition to the efforts, we have made over the past several years to grow our order backlog, these excellent results are the result of our targeted investment strategy, which allows our Corporation to differentiate itself from competition through its operational excellence. More specifically, the investments in automation in recent years at our complex in Terrebonne, Quebec, have allowed us to generate higher margins.

It is therefore with a strong financial position and a strong order backlog, to which we have added \$120 million in new projects announced on February 26, that we are starting this new fiscal year. With \$60 million in cash on hand and a \$40 million undrawn credit facility, we can sustain our growth and navigate the uncertainties of U.S. tariffs. While our plant in Great Falls, in the state of Montana, in the United States, is helping us with the impact of these tariffs, they could have a downward impact on our Corporation's margins, especially if they remain in force for a longer time. That said, the markets served by ADF remain active and we are confident that we will be able to continue announcing new contracts.

We will pursue the ongoing search for continuous improvements, which will come, as mentioned above, through our strategic and targeted investments in our equipment and facilities, but also by investing in our people, the key to our success. With innovative working conditions, we will pursue our vision of remaining an employer of choice by giving our employees the opportunity to grow, improve their knowledge and skills, pursue their professional development and a fulfilling career within ADF Group.

Our Corporation is also committed to being a corporate citizen that respects its environment and the communities where ADF Group operates. To this end, last year ADF set up an employee committee to coordinate its sustainable development efforts. In December 2024, we obtained ISO 14001 environmental certification for our plant in Terrebonne, Quebec, and this year we are publishing our second Sustainability Report, which confirms our goals for this important pillar of our future development.

We will therefore continue our efforts to grow our order backlog and find innovative solutions that will improve our operational performance. We maintain our prudent approach to business risk management in order to continue the orderly growth of our Corporation.

In conclusion, we wish to highlight our employees' resilience. The last few years have clearly demonstrated the level of their commitment and their pride in a job well done. We thank them for that. We would like to take this opportunity to thank all of our business partners, the members of our Board of Directors and our shareholders for their trust and support.

**The Chairman of the Board of Directors
and Chief Executive Officer**

President and Chief Operating Officer

**Executive Vice-President, Corporate
Secretary and Treasurer**

/ Signed /

Jean Paschini

/ Signed /

Pierre Paschini, Eng.

/ Signed /

Marise Paschini

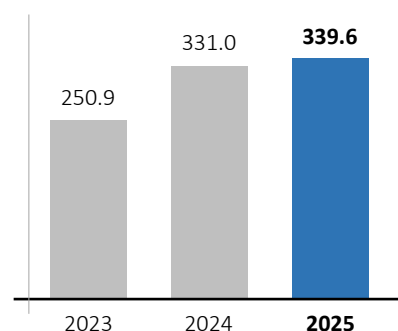
Terrebonne, Quebec, Canada, April 9, 2025

FINANCIAL HIGHLIGHTS

FISCAL YEARS ENDED JANUARY 31ST

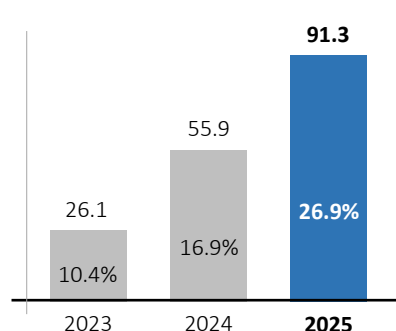
Revenues

(In million \$CA)



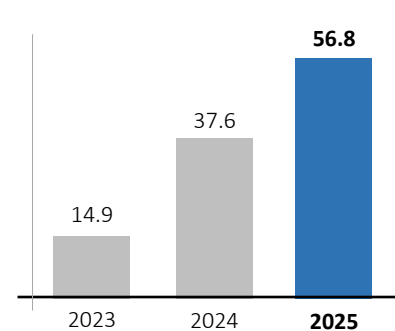
Adjusted EBITDA ⁽¹⁾

(In million \$CA and as a % of revenues)



Net Income

(In million \$CA)



Fiscal Year Ended January 31,	2025	2024	2023	2022	2021
(In thousands of Canadian dollars, and in dollars per share)	\$	\$	\$	\$	\$
Revenues	339,632	331,023	250,890	280,740	172,593
Adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) ⁽¹⁾	91,289	55,939	26,119	17,759	16,341
Income before income taxes expense	78,407	46,406	16,854	11,059	9,019
Net income	56,790	37,622	14,935	9,563	6,867
— Basic and diluted earnings per share	1.84	1.15	0.46	0.29	0.21
Cash flows from (used in) operating activities	55,056	77,860	(2,612)	2,669	28,842
Net acquisition of property, plant and equipment	8,283	5,768	11,463	21,477	1,460

As at January 31 st	2025	2024	2023	2022	2021
(In thousands of Canadian dollars, except ratio)	\$	\$	\$	\$	\$
Total assets	307,897	328,605	271,617	201,050	189,951
Shareholders' equity	169,312	162,130	124,985	108,450	99,565
Cash and cash equivalents	59,983	72,379	7,193	7,130	17,806
Working capital ⁽²⁾	109,194	110,100	65,599	38,713	38,548
— Working capital ratio ⁽²⁾	2.36 : 1	2.04 : 1	1.74 : 1	1.74 : 1	1.62 : 1
Order backlog ⁽²⁾	293,105	510,892	376,489	373,100	436,200

Notes

- (1) Adjusted EBITDA is a non-IFRS (International Financial Reporting Standards) financial measure. 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 9 "Non-IFRS Financial Measures and Other Financial Measures" of the MD&A Report for the Fiscal Year Ended January 31, 2025, for the definition of this metric and the reconciliation to the most comparable International Financial Reporting Standard issued by the International Accounting Standards Board ("IFRS Accounting Standards").
- (2) Additional financial measures: refer to the Section 9 "Non-IFRS Financial Measures and Other Financial Measures" of the MD&A Report for the Fiscal Year Ended January 31, 2025, for the definition of these metrics.

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, 2024, and January 31, 2025. It also compares the operating results and cash flows for the fiscal year ended January 31, 2025, to those of the previous fiscal year. This MD&A Report covers all major events that occurred during the 2025 fiscal year and between February 1, 2025, and April 9, 2025.

This MD&A Report should be read in conjunction with the Corporation's consolidated financial statements and the notes thereto for the fiscal year ended January 31, 2025. The consolidated financial statements and the comparative information have been prepared in accordance with the International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The material accounting policies applied by the Corporation in accordance with IFRS Accounting Standards are presented in Note 2 to the consolidated financial statements for the fiscal year ended January 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 regarding ADF, in particular Management's assessment of future plans and operations, certain statements in this MD&A Report 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 Report. It should be noted that the list of factors that may affect future growth, results and performance, provided in this MD&A Report, 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-metre (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-metre (48,000 square feet) dual-purpose building, adjacent to the fabrication plant, housing a 2,323-square-metre (25,000 square feet) paint and blast zone, and a 2,137-square-metre (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 several 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.

Despite the uncertainty related to the tariffs, we continue to see great opportunities in our markets. The recent announcement of new contracts totaling \$120 million (see next section) reflects these opportunities. However, we are already feeling some of our clients' concerns about the different tariffs and their potential future impacts on the total cost of the projects. These concerns, as we explain later in this Report (see Section 29 "Outlook" hereinafter), are already being felt in our discussions with these potential customers.

Moreover, the impact of these tariffs, including the announcements of April 2nd, could lead to certain inflationary pressures, including increases in central bank prime rates, which could, in the longer term, decrease the announcements of new projects in our markets. These signs are not currently observed, but we will naturally be on the lookout for any changes and, in the meantime, continue our efforts to grow our order backlog.

6. SIGNIFICANT EVENTS OF THE FISCAL YEAR

6.1 Dividends

On April 10, 2024, the Corporation's Board of Directors approved the payment of a semi-annual dividend of \$0.01 per share, which was paid on May 15, 2024, to Shareholders of Record as at April 26, 2024.

On September 11, 2024, the Corporation's Board of Directors approved the payment of a semi-annual dividend of \$0.02 per share, which was paid on October 17, 2024, to shareholders of record as at September 27, 2024.

6.2 New Contracts

On May 28, 2024, the Corporation announced the award of a series of new orders in Quebec, in Western Canada and the U.S. Midwest totaling \$90.0 million. A portion of these contracts comes from additional work relating to the second phase of a contract previously announced in December 2023, which consists of the design and engineering of connections, fabrication including industrial coating, the supply of the steel, as well as erecting of steel structure and heavy steel components of a very large-surface industrial building. These contracts also included a project in the industrial sector in Quebec as well as a contract awarded in Western Canada in the public infrastructure sector.

On September 24, 2024, the Corporation announced the signing of a series of new orders in Quebec and the U.S. Midwest totaling \$55.0 million. As part of a major contract in the pharmaceutical sector in the Midwest region, ADF's management announced that it has entered into another commercial agreement with its client for additional work similar to the other contracts mentioned above, and which concerns the construction of the steel structure of an industrial type building that is also part of the second phase. This series of new orders also included structural steel fabrication contracts in various regions of Quebec, all in the industrial sector.

6.3 Cash Utilization Strategy

On June 10, 2024, the Corporation's Board of Directors announced its cash utilization strategy, including the intention to repurchase up to 3,000,000 shares and the amendment to its Dividend Policy to increase the semi-annual dividend from \$0.01 per share to \$0.02 per share. The amendment has been applied to the dividend payment of October 17, 2024.

On June 13, 2024, the Corporation announced that it had reached private agreements with Jean Paschini, Pierre Paschini and Marise Paschini, members of the Corporation's Board of Directors and Senior Management team, through *Les Placements Jean et Diane Paschini Inc.*, *Gestion P.R. Paschini Inc.*, *Les Placements M.A.P.S. Inc.* and *Groupe JPMP Inc.*, providing for the purchase, for cancellation purposes, of an aggregate of 2,766,287 Subordinate Voting Shares (including 2,266,287 Multiple Voting Shares converted into Subordinate Voting Shares), at a price of \$17.31 per share, for a cash consideration of \$47.9 million. The purchase price represented an 8.5% discount to the closing price of the Subordinate Voting Shares on the Toronto Stock Exchange on June 12, 2024, which was recommended by an external advisor to the Special Committee of the Board of Directors of ADF Group. ADF Group paid the purchase price from its available cash (see Section 14 "Capital Stock" hereinafter).

On December 11, 2024, the Corporation's Board of Directors authorized a share repurchase bid. On December 11, 2024, the Corporation also announced that the Toronto Stock Exchange (TSX) had accepted its Notice of Intention to Proceed with a normal course issuer bid (NCIB). For more details, please refer to the press release issued by the Corporation, a copy of which can be found on the Corporation's website (www.adfgroup.com) under the section "Investors/Documentation Center" and hereinafter under Section 14 "Capital Stock".

6.4 ISO 14001:2015 (ISO 14001) Certification

On December 2, 2024, the Corporation obtained its ISO 14001 certification for its complex located in Terrebonne, Quebec. ISO 14001 is a recognized international standard for environmental management. This achievement illustrates the Corporation's commitment to adopting and promoting sustainable practices throughout its operations, solidifying its position as a responsible leader in the steel industry.

7. SIGNIFICANT EVENTS THAT OCCURRED SINCE JANUARY 31, 2025

7.1 Impact from New U.S. Tariffs

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. 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. The Corporation is assessing the direct and indirect impacts on its business, its results and its financial position, of such tariffs, of retaliatory duties or other trade protectionist measures implemented as the situation evolves, and these impacts could be material.

7.2 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.

7.3 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.

8. EXCHANGE RATE

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

During the fiscal year ended January 31, 2025, as well as during the previous fiscal year, the Corporation used the following exchange rates between the Canadian and U.S. dollars:

(CA\$/US\$)	Consolidated Statements of Income and Comprehensive Income				Consolidated Statements of Financial Position	
	Quarterly		Cumulative		Fiscal 2025	Fiscal 2024
	Fiscal 2025	Fiscal 2024	Fiscal 2025	Fiscal 2024		
First quarter (April 30)	1.3575	1.3549	1.3575	1.3549	1.3746	1.3578
Second quarter (July 31)	1.3696	1.3345	1.3636	1.3444	1.3809	1.3177
Third quarter (October 31)	1.3656	1.3576	1.3643	1.3488	1.3916	1.3871
Fourth quarter (January 31)	1.4208	1.3523	1.3783	1.3497	1.4484	1.3397
Annual averages	1.3783	1.3497				

The Canadian dollar lost value against the U.S. dollar on a quarterly, annual and closing average basis compared to the corresponding rates last fiscal year, mainly in the quarter ended January 31, 2025.

Although the Corporation enters, from time to time and in accordance with its internal policy, into foreign exchange contracts to hedge the foreign exchange risk, these exchange rate variations had a positive impact of \$4.3 million on gross margin for the fiscal year ended January 31, 2025, and generated a \$5.6 million foreign exchange loss in the Consolidated Statement of Income for the same period.

9. 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:

Fiscal Years Ended January 31,	2025	2024
Non-IFRS financial measures		
Adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA) (in thousands of dollars)	\$91,289	\$55,939
Adjusted EBITDA margin (as a percentage of revenues)	26.9%	16.9%
Supplementary financial measures		
Gross margin (as a percentage of revenues)	31.6%	22.0%

As at January 31,	2025	2024
Supplementary financial measures		
Working capital (in thousands of dollars)	\$109,194	\$110,100
Working capital ratio	2.36:1	2.04 :1
Order backlog (in thousands of dollars)	\$293,105	\$510,892

9.1 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 expense;
- Income tax expense;
- Foreign exchange gains or losses, 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 table below:

Fiscal Years Ended January 31,	2025	2024
(In thousands of dollars)	\$	\$
Net income	56,790	37,622
Income tax expense	21,617	8,784
Net financial expense	1,116	2,573
Amortization	6,160	5,800
Foreign exchange loss	5,606	1,160
Adjusted EBITDA	91,289	55,939
— As a % of revenues ⁽¹⁾	26.9%	16.9%

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

Adjusted EBITDA for the fiscal year ended January 31, 2025, increased by \$35.4 million or 63.2%. This increase, as explained below, is mainly attributable to the increase in gross margin recorded during the fiscal year.

Adjusted EBITDA for the fiscal year ended January 31, 2024, more than doubled year-over-year. This increase was driven by a higher net income which, as explained in more detail hereinafter, benefited from higher revenues and margins in the fiscal year ended January 31, 2024.

9.2 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.

Generally, 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.

9.3 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.

Overall, the Corporation aims to achieve a working capital ratio of at least 2.0:1. As at January 31, 2025, this ratio has exceeded this target. 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.

9.4 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.

10. SELECTED ANNUAL FINANCIAL INFORMATION

Fiscal Years Ended January 31,	2025	2024	2023
(In thousands of dollars and in dollars per share)	\$	\$	\$
Revenues	339,632	331,023	250,890
Net income	56,790	37,622	14,935
— Basic and diluted per share	1.84	1.15	0.46
Total assets	307,897	328,605	271,617
Non-current liabilities	58,215	60,999	57,851
Dividend per share	0.03	0.02	0.02

Revenues for the fiscal year ended January 31, 2025, totalled \$339.6 million, recording an increase of \$8.6 million over the previous fiscal year.

Net income posted an increase of \$19.2 million or 50.9% during the fiscal year ended January 31, 2025, compared with fiscal 2024, in line with improved revenues, and above all, gross margin and consequently adjusted EBITDA.

Total assets for the fiscal year ended January 31, 2025, decreased by \$20.7 million compared with the previous fiscal year.

11. ANALYSIS OF OPERATING RESULTS FOR THE FISCAL YEAR ENDED JANUARY 31, 2025

During the 12 months of operations between February 1, 2024, and January 31, 2025, the Corporation pursued its activities consisting of the design and engineering of connections, fabrication, including industrial coating, and installation of complex steel structures and heavy steel components, in Canada and the United States.

11.1 Revenues and Gross Margin

Fiscal Years Ended January 31,	2025	2024	Annual variations	
(In thousands of dollars and in percentages)	\$	\$	\$	%
Revenues	339,632	331,023	8,609	2.6
Cost of goods sold	232,391	258,102	(25,711)	(10.0)
Gross margin	107,241	72,921	34,320	47.1
— As a % of revenues ⁽¹⁾	31.6%	22.0%		9.6

(1) Gross margin as a percentage of revenues is a supplementary financial measure. Refer to the Section 9 “Non-IFRS Financial Measures and Other Financial Measures” of this MD&A Report, for definition of this metric.

a) Revenues

Revenues during the fiscal year ended January 31, 2025, totalled \$339.6 million, up by \$8.6 million compared with the fiscal year ended January 31, 2024.

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 fiscal year.

The change in revenues is primarily explained by the execution of projects in the order backlog. In addition, the change in the foreign exchange rate during the 2025 fiscal year had a positive impact of \$8.4 million on revenues.

In terms of economic dependence, ADF has realized during the fiscal year ended January 31, 2025, 78% of its revenues from two (2) clients, for respective amounts of \$170.4 million and \$93.4 million all from the United States, and each accounting for 10% or more of the Corporation’s revenues. One of these clients was among the clients representing more than 10% of revenues for the fiscal year ended January 31, 2024.

For the fiscal year ended January 31, 2024, the Corporation realized 69% of its revenues from four (4) clients, for respective amounts of \$92.2 million, \$48.7 million, \$45.7 million and \$42.1 million all from the United States, each accounting 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 \$34.3 million during the 2025 fiscal year compared with the 2024 fiscal year. Gross margin, as a percentage of revenues, ⁽¹⁾ went from 22.0% during the fiscal year ended January 31, 2024, to 31.6% during the fiscal year ended January 31, 2025.

(1) Gross margin as a percentage of revenues is a supplementary financial measure. Refer to the Section 9 “Non-IFRS Financial Measures and Other Financial Measures” of this MD&A Report, for definition of this metric.

This increase as a percentage of revenues is explained by the level of fabrication activity compared with the previous fiscal year, thus generating a better absorption of fixed costs, as well as by the improvement in internal efficiency from the investments made in recent years in automation at ADF's plant in Terrebonne, Quebec.

Fabrication hours are not only the Corporation's core activity but are also its most value-added activity. To that effect, revenues during the fiscal year ended January 31, 2025, were comprised of 35% of fabrication hours, compared with 40% for the fiscal year ended January 31, 2024.

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 regards 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 Expense

Fiscal Years Ended January 31,	2025	2024	Annual variations	
(In thousands of dollars and in percentage)	\$	\$	\$	%
Selling and administrative expense	22,112	22,782	(670)	(2.9)
— As a % of revenues	6.5%	6.9%		(0.4)

Selling and administrative expense amounted to \$22.1 million, which is \$0.7 million lower than the previous fiscal year.

This decrease is explained by the market value adjustment of Deferred Share Units ("DSU") and Performance Share Units ("PSU"), in line with the increase in the Corporation's share price during the fiscal years analyzed.

11.3 Amortization

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

Fiscal Years Ended January 31,	2025	2024	Annual variations	
(In thousands of dollars and in percentage)	\$	\$	\$	%
Amortization	6,160	5,800	360	6.2
— As a % of revenues	1.8%	1.8%		0.0

The amortization expense for the 2025 fiscal year amounted to \$6.2 million, which is \$0.4 million higher than the previous fiscal year. This increase in amortization is mainly explained by the addition of capital assets during the fiscal year.

The amortization expense breakdown is as follows:

Fiscal Years Ended January 31,	2025	2024	Annual variations	
(In thousands of dollars and in percentage)	\$	\$	\$	%
Amortization expense included in cost of goods sold	4,850	4,531	319	7.0
Amortization expense included in selling and administrative expense	1,310	1,269	41	3.2
Total amortization	6,160	5,800	360	6.2

11.4 Net Financial Expense

Fiscal Years Ended January 31,	2025	2024	Annual variations	
(In thousands of dollars and in percentage)	\$	\$	\$	%
Net financial expense	1,116	2,573	(1,457)	(56.6)
— As a % of revenues	0.3%	0.8%		(0.5)

The decrease in net finance costs is explained by the average debt balance and interest income on excess cash balances during the fiscal year ended January 31, 2025 (see Section 13 "Cash Flows and Financial Position" below).

11.5 Foreign Exchange Loss

Fiscal Years Ended January 31,	2025	2024	Annual variations	
(In thousands of dollars and in percentage)	\$	\$	\$	%
Foreign exchange loss	5,606	1,160	4,446	Pos.
— As a % of revenues	1.7%	0.4%		1.3

The foreign exchange loss recorded during the fiscal year ended January 31, 2025, included a \$3.0 million foreign exchange gain on ongoing operations and a \$8.6 million foreign exchange loss relating to the fair value of financial derivatives. During the 2025 fiscal year, a \$7.3 million foreign exchange gain on the translation of foreign subsidiaries was recorded in Comprehensive Income.

The foreign exchange loss recorded during the fiscal year ended January 31, 2024, included a \$2.0 million foreign exchange loss on ongoing operations and a \$0.8 million foreign exchange gain relating to the fair value of financial derivatives. During the 2024 fiscal year, a \$0.2 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.

For the fiscal year ended January 31, 2025, 88% of the Corporation's revenues were recorded in U.S. dollars (89% during the fiscal year ended January 31, 2024). Considering the improvement in U.S. markets and its facilities in Great Falls, Montana, the Corporation expects that the percentage of its revenues in U.S. dollars will continue to be significant during the fiscal year 2026.

In line with its hedging policy, to manage its net risk between the future US-denominated cash inflows and outflows, the Corporation entered into foreign exchange forward contracts. As at January 31, 2025, the Corporation was party to foreign exchange forward contracts for the sale of US\$100.9 million (US\$85.9 million as at January 31, 2024) with maturities varying between three (3) months to fifteen (15) months with rates between 1.3000 and 1.4175 (between 1.3000 and 1.3735 as at January 31, 2024).

Based on the balance, as at January 31, 2025, of the Corporation's financial instruments denominated in foreign currencies, a 10% fluctuation in the exchange rate between the Canadian and U.S. dollars (all other variables remaining constant), would have had no impact on net income before tax (no impact during the fiscal year ended January 31, 2024).

However, this information only applies to financial instruments based on year-end balances and does not take into account the impact of foreign exchange fluctuations on revenues and other miscellaneous expenses for a complete fiscal year.

11.6 Income Taxes Expense

Fiscal Years Ended January 31,	2025	2024	Annual variations	
(In thousands of dollars and in percentage)	\$	\$	\$	%
Income tax expense	21,617	8,784	12,833	146.1
— As a % of revenues	6.4%	2.7%		3.7

The effective taxes rates for the fiscal years ended January 31, 2025 and 2024, stood respectively at 27.6% and 18.9%, compared with the Corporation's Canadian effective rate, which is 27%.

These effective rates come mainly from the mix of profits or losses of ADF's different subsidiaries, according to their legal and tax jurisdictions.

As at January 31, 2024, the Corporation had \$5.3 million in operating losses carryforwards available in the United States, all of which were utilized during the fiscal year ended January 31, 2025.

11.7 Net Income, Basic and Diluted Earnings per Share

Fiscal Years Ended January 31,	2025	2024
(In thousands of dollars and in percentage)	\$	\$
Total net income	56,790	37,622
Total basic and diluted earnings per share	1.84	1.15

The increase in net income during the fiscal year ended January 31, 2025, compared with the previous fiscal year, results from items previously explained in this section, and more specifically, from higher revenues and gross margins.

12. COMMENTS ON QUARTERLY RESULTS

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

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

More specifically and 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.

12.1 Results for the Last Eight (8) Quarters

Fiscal Years Ended January 31,	2025				2024			
	4 th Quarter (01.31.2025)	3 rd Quarter (10.31.2024)	2 nd Quarter (07.31.2024)	1 st Quarter (04.30.2024)	4 th Quarter (01.31.2024)	3 rd Quarter (10.31.2023)	2 nd Quarter (07.31.2023)	1 st Quarter (04.30.2023)
(In thousands of dollars and in dollars per share and in percentage)	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	77,399	79,952	74,881	107,400	88,394	82,143	80,215	80,271
Gross margin	23,997	24,307	27,625	31,312	21,620	20,072	17,779	13,450
— As a % of revenues ⁽¹⁾	31%	30%	37%	29%	24%	24%	22%	17%
Adjusted EBITDA ⁽²⁾	19,244	24,032	24,914	23,099	15,495	17,769	12,644	10,031
— As a % of revenues ⁽²⁾	25%	30%	33%	22%	18%	22%	16%	12%
Income before income tax expense	13,132	21,791	22,226	21,258	14,255	13,277	10,949	7,925
Net income	9,093	16,432	16,000	15,265	10,511	11,198	10,542	5,371
— Basic and diluted per share	0.31	0.55	0.51	0.47	0.32	0.34	0.32	0.16

(1) Gross margin as a percentage of revenues is a supplementary financial measure. Refer to the Section 9 “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 9 “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.

12.2 Results for the Fourth Quarter Ended January 31, 2025

For the quarter ended January 31, 2025, the Corporation recorded revenues of \$77.4 million, down by \$11.0 million from the fourth quarter of the 2024 fiscal year. The change compared with this quarter is explained by the fabrication schedule, in line with the order backlog in hand.

The gross margin, as a percentage of revenues ⁽¹⁾ stood at 31.0% for the fourth quarter ended January 31, 2025, compared with 24.4% for the corresponding quarter of fiscal 2024. The margins increase between these two quarters is primarily explained by the mix of products in fabrication and by improvement in internal efficiency generated by the automation of operating process at ADF’s plant in Terrebonne, Quebec.

The Corporation recorded net income of \$9.1 million during the last quarter of fiscal 2025, compared with net income of \$10.5 million for the corresponding period of fiscal 2024; this quarter was negatively impacted by a foreign exchange loss of \$4.3 million.

Because the Corporation carries out contracts that vary in complexity and in duration, upward or downward fluctuations may occur from quarter to quarter. In light of this, revenue and order backlog growth must be analyzed over several quarters, rather than from a period to the next.

(1) Gross margin as a percentage of revenues is a supplementary financial measure. Refer to the Section 9 “Non-IFRS Financial Measures and Other Financial Measures” of this MD&A Report, for definition of this metric.

13. CASH FLOWS 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 facility and the level of planned capital spending, the Corporation does not expect any liquidity risk in a foreseeable future.

On January 31, 2025, cash and cash equivalents totalled \$60.0 million, down by \$12.4 million compared with January 31, 2024. In addition, as at January 31, 2025, and as at January 31, 2024, the Corporation did not draw from its credit facility.

Management believes that these available funds are sufficient to support the growth and execution of its order backlog in hand on January 31, 2025, and to meet its financial commitments for the 2026 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. It also looks at opportunities for accelerated payments discounts negotiated with suppliers (see Section 29 “Outlook”).

13.1 Operating Activities

The Corporation's operating activities are summarized as follows:

Fiscal Years Ended January 31,	2025	2024
(In thousands of dollars)	\$	\$
Net income adjusted for non-cash items	89,801	58,791
Changes in non-cash operating working capital items:		
Accounts receivable	159	13,589
Contract assets	20,210	(2,217)
Inventories	456	(2,849)
Prepaid expense and other current assets	118	(1,213)
Accounts payable and other current liabilities	(9,398)	10,749
Contract liabilities	(36,389)	1,113
Others	(11)	(10)
	(24,855)	19,162
Income tax paid	(9,890)	(93)
Cash flows from operating activities	55,056	77,860

Net income adjusted for non-cash items totalled \$89.8 million during the 2025 fiscal year, which is \$31.0 million higher than during the 2024 fiscal year. This variation is for the most part explained by the increase in net revenues and by the impact of the income tax expense.

During the 2025 fiscal year, changes in non-cash operating working capital items required cash of \$24.9 million. This cash outflow is mostly explained by the decrease in contract liabilities (\$36.4 million) and in accounts payable and other current liabilities (\$9.4 million), net of the decrease in contract assets (\$20.2 million). These variations are in line with the activity level as at January 31, 2025, compared with the same date a year ago.

During the 2024 fiscal year, changes in non-cash operating working capital items generated cash of \$19.2 million. This cash inflow is mostly explained by the decrease in accounts receivable (\$13.6 million) and the higher accounts payable and other current liabilities (\$10.7 million), net of the increase in contract assets (\$2.2 million) and inventories (\$2.8 million).

13.2 Investing Activities

The Corporation's investing activities are summarized as follows:

Fiscal Years Ended January 31,	2025	2024
(In thousands of dollars)	\$	\$
Acquisition of property, plant and equipment	(8,283)	(5,768)
Acquisition of intangible assets	(810)	(720)
Others	384	222
Cash flows used in investing activities	(8,709)	(6,266)

During the 2025 fiscal year, \$8.7 million in liquidities were required mainly for the acquisition of property, plant and equipment (\$8.3 million) and intangible assets (\$0.8 million). Acquisition of property, plant and equipment during the fiscal year ended January 31, 2025, was mainly for fabrication equipment at ADF's plants in Terrebonne, Quebec and in Great Falls, Montana.

During the 2024 fiscal year, \$6.3 million in liquidities were used mainly for the acquisition of property, plant and equipment (\$5.8 million) and intangible assets (\$0.7 million). Acquisition of property, plant and equipment during the fiscal year ended January 31, 2024, was mainly for fabrication equipment at ADF's plants in Terrebonne, Quebec and in Great Falls, Montana.

The intangible assets for both fiscal years relate primarily to the in-house development and implementation of production, estimating and financial software.

The Corporation anticipates capital expenditures for fiscal year 2026 of \$8.0 million, to keep the production equipment current at its plants in Terrebonne, Quebec and in Great Falls, Montana.

13.3 Financing Activities

The Corporation's financing activities were as follows:

Fiscal Years Ended January 31,	2025	2024
(In thousands of dollars)	\$	\$
Share buyback and cancellation	(54,574)	—
Repayment of long-term debt	(3,076)	(2,296)
Payment of lease liabilities	(700)	(686)
Dividends paid	(924)	(653)
Interest paid	(2,795)	(3,053)
Cash flow used in financing activities	(62,069)	(6,688)

During fiscal year 2025, financing activities used \$62.1 million in liquidities, compared with a cash outflow of \$6.7 million during the previous fiscal year.

These liquidities, during the fiscal year ended January 31, 2025, were mainly used for the buyback and cancellation of 3,487,589 Subordinate Voting Shares (see Section 14 "Capital Stock" below for more details).

In addition to these share buybacks and cancellation, the sums paid during the two fiscal years analyzed were for the repayment of long-term debt and lease liabilities, and for the payments of dividends and interest.

13.4 Payment of Rent and Interest and Payment of Principal on Debt

The Corporation pays interest on its long-term debts, based on interest rates ranging between 0% and 6.7% as at January 31, 2025. The Corporation is currently making monthly principal repayments totalling less than \$0.4 million on these debts. Other rent payments relating to lease liabilities and other long-term contracts are described in Section 13.6 "Contractual Obligations" below.

13.5 Debt Covenants

During the fiscal year ended January 31, 2025, the Corporation met all covenants with its lenders and still did at the date hereof. Management expects it will continue to respect its commitments during fiscal year 2026.

13.6 Contractual Obligations

Long-Term Debt

Long-term debt, excluding interest and deferred financing costs, is detailed as follows:

(In thousands of dollars)	\$
Less than one year	4,212
2 to 3 years	8,608
4 to 5 years	8,608
And over	22,299
Total	43,727

Lease Obligations

The lease liabilities excluding interest, are detailed as follows:

(In thousands of dollars)	\$
Less than one year	821
2 to 3 years	1,548
4 to 5 years	864
And over	11
Total	3,244

14. CAPITAL STOCK

Information on the outstanding shares:

(In thousands of dollars and in number of shares)	Subordinate voting shares		Multiple Voting Shares ⁽¹⁾		Total	
	Number	\$	Number	\$	Number	\$
As at January 31, 2024	18,297,099	52,126	14,343,107	16,001	32,640,206	68,127
Shares conversion	2,266,287	2,538	(2,266,287)	(2,538)	—	—
Shares repurchase and cancellation	(3,487,589)	(6,373)	—	—	(3,487,589)	(6,373)
As at January 31, 2025	17,075,797	48,291	12,076,820	13,463	29,152,617	61,754

(1) These shares carry 10 votes per share.

a) **Private Agreements**

The Corporation purchased for cancellation purposes, an aggregate of 2,766,287 Subordinate Voting Shares, including 2,266,287 Multiple Voting Shares converted into Subordinate Voting Shares, at a price of \$17.31 per share, for a cash consideration of \$47.9 million. In addition to the \$4.4 million impact on capital stock, the total consideration had an impact of \$0.1 million on contributed surplus and \$44.9 million on retained income, including \$1.4 million for the fees related to this share repurchase.

b) **Normal Course Issuer Bid (NCIB)**

On December 11, 2024, with the approval of the Toronto Stock Exchange and the *Autorités des marchés financiers*, the Board of Directors authorized the Corporation to put in place the NCIB in order to repurchase Subordinate Voting Shares in the normal course of its business. The Corporation plans 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 securities held by the public as at December 2, 2024.

As at January 31, 2025, the Corporation had repurchased a total of 721,302 Subordinate Voting Shares for a cash consideration of \$6.5 million. In addition to the \$2.0 million impact on capital stock, the total consideration had an impact of \$0.2 million on contributed surplus and \$4.5 million on retained income, including \$0.1 million related to the 2% tax on this share repurchase.

As of the date hereof, the number of shares outstanding was 28,729,416 shares, following the buyback for cancellation of 423,201 Subordinate Voting Shares since February 1, 2025, through its NCIB.

15. **SHARE-BASED COMPENSATION**

15.1 **Deferred Share Units (DSU)**

a) **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 on the Toronto Stock Exchange 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 b) below) are credited for the amount in the form of additional units using the same basis of calculation previously described.

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

During the fiscal year ended January 31, 2025, DSU compensation to External Directors recorded in the Consolidated Statement of Income amounted to an expense of \$0.4 million (a \$1.6 million expense during the fiscal year ended January 31, 2024), including the impact of the change in the market price of the Corporation's share.

The fluctuation in DSU for External Directors was as follows:

Fiscal Years Ended January 31,	2025	2024
(In number of deferred share units)	Number	Number
Outstanding, at the beginning of fiscal year	248,585	166,653
Granted	18,960	81,932
Outstanding and vested, at the end of fiscal year	267,545	248,585

The carrying amount and the intrinsic value of the liabilities related to the External Directors' vested DSU were \$2.3 million as at January 31, 2025 (\$1.9 million as at January 31, 2024).

b) **Executive Officers and Key Employees**

As set forth in the DSU Plan, the Corporation may grant DSU, on a discretionary basis to its 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 progressively expensed as incurred over the vesting period and their costs is determined using a valuation model based on the market price of the Corporation's Subordinate Voting Shares. The DSU are re-evaluated at the fair value at the end of each reporting period until the vesting date, using the market price of the Corporation's Subordinate Voting Shares.

The DSU compensation for Executive Officers and key employees, recorded in the Consolidated Statement of Income during the fiscal year ended January 31, 2025, amounted to an expense of \$0.4 million (\$2.3 million expense during the fiscal year ended January 31, 2024), including the impact of the variation in the Corporation's share price.

The fluctuation in DSU for the Executive Officers and key employees was as follows:

Fiscal Years Ended January 31,	2025	2024
(In number of deferred share units)	Number	Number
Outstanding, at the beginning of fiscal year	416,121	378,267
Granted	5,810	37,854
Outstanding, at the end of fiscal year	421,931	416,121
Vested, at the end of fiscal year	378,279	338,973

The carrying amount of the liabilities related to Executive Officers and key employees' DSU, amounting to \$3.6 million as at January 31, 2025 (\$3.0 million as at January 31, 2024), and of which \$3.3 million correspond to the intrinsic value of vested DSU as at January 31, 2025 (\$2.6 million as at January 31, 2024).

15.2 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 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 of Subordinate Voting Shares of the Corporation on the Toronto Stock Exchange during the five (5) trading days immediately preceding that date.

During the fiscal year ended January 31, 2025, PSU compensation for Executive Officers and key employees amounted to a \$0.7 million expense (\$0.7 million expense for the fiscal year ended January 31, 2024) including the impact of the variation in the Corporation's share price.

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

Fiscal Years Ended January 31,	2025	2024
(In number of performance share units)	Number	Number
Outstanding, at the beginning of fiscal year	129,326	218,378
Granted	23,063	36,389
Settled	(45,942)	(125,441)
Outstanding, at the end of fiscal year	106,447	129,326
Vested, at the end of fiscal year	62,797	52,178

As at January 31, 2025, the carrying amount of the liabilities related the Executive Officers and key employees' PSU, amounted to \$0.8 million (\$0.9 million as at January 31, 2024), including an amount of \$0.5 million, which corresponds to the intrinsic value of the vested PSU as at January 31, 2025 (\$0.4 million as at January 31, 2024).

16. DIVIDENDS

During the fiscal year ended January 31, 2025, two semi-annual dividends were recognized as distribution to the Corporation's shareholders including a first one totalling \$0.3 million (\$0.01 per share) to Shareholders of Record as at April 26, 2024 and a second one totalling \$0.6 million (\$0.02 per share) to Shareholders of Record as at September 27, 2024. These two semi-annual dividends, which total \$0.9 million (\$0.03 per share), including \$0.5 million for Subordinate Voting Shares and \$0.4 million for Multiple Voting Shares, were paid on May 15, 2024, and October 17, 2024.

During the fiscal year ended January 31, 2024, two semi-annual dividends of \$0.3 million each (or \$0.01 per share), were recognized as distribution to the Shareholders of Record of the Corporation as at April 28, 2023, and as at September 29, 2023, respectively, totalling \$0.7 million (or \$0.02 per share), of which \$0.4 million for Subordinate Voting Shares and \$0.3 million for Multiple Voting Shares. These sums were paid on May 17, 2023, and October 17, 2023.

17. ORDER BACKLOG

ADF Group's order backlog ⁽¹⁾ totalled \$293.1 million on January 31, 2025, compared with \$510.9 million on the same date a year earlier. This variation is attributable to new contracts and contractual changes, net of the execution of contracts.

As at January 31, 2025, 30% of the order backlog consisted of fabrication hours – the Corporation's core business and most value-added activity – compared with 48% on January 31, 2024. Most of the contracts in hand as at January 31, 2025, will progressively be executed by the middle of the fiscal year ending January 31, 2027.

(1) The order backlog is a supplementary financial measure. Refer to the Section 9 "Non-IFRS Financial Measures and Other Financial Measures" of this MD&A Report, for the definition of this metric.

18. FINANCIAL POSITION

As at January 31, 2025, the Corporation had a sound financial position. The Corporation's solid consolidated statement of financial position allows 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 January 31, 2024.

Sections	Changes (In millions of dollars)	Explanatory Notes
Cash and cash equivalents	(12.4)	See Section 13 "Cash Flows and Financial Position" of this MD&A Report.
Accounts receivable	6.1	Variation of billing level in line with activity level and work progress schedules.
Contract assets, net of contract liabilities	16.3	Net variance between the work progress and progressive revenue billing; the difference reflecting the progress schedule. These variations do not include any adjustment, being either a change in the work progress or change in the price estimate.
Property, plant and equipment, intangible assets and right-of-use assets	6.6	Net change from acquisition of property, plant and equipment and intangible assets (\$9.1 million) and foreign exchange impact (\$3.7 million), net of amortization (\$6.2 million).
Accounts payable and other current liabilities	(5.2)	Change in line with the level of activity at the respective closing dates.
Long-term debt and lease liabilities (including current portions)	(3.2)	Change from reimbursement of long-term debts (\$3.1 million) and lease liabilities (\$0.7 million) net of foreign exchange impact and other miscellaneous items (\$0.6 million).
Deferred income tax assets net of deferred income tax liabilities	(1.8)	Variations in timing differences between tax and accounting of certain items.

19. 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.

Additionally, and in recent months, the direct and indirect impact of U.S. tariffs has created uncertainty in the day-to-day management of our operations. This situation evolves almost daily and will be closely monitored by the Corporation.

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. While the investment program in previous years represents a larger investment, 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 29 "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 21 "External Factors to Which the Corporation's Performance is Exposed" and 29 "Outlook").

20. RELATED PARTY TRANSACTIONS

During the fiscal year ended January 31, 2025, certain advances were granted to executive-shareholders. These advances were fully reimbursed at the date hereof and no outstanding balances remained as at January 31, 2025.

Moreover, in the normal course of business, management agreements have been reached with companies held by a group of majority shareholders. These transactions are measured at the exchange value, which is the consideration established and accepted by the related parties:

Fiscal Years Ended January 31,			2025	2024
Company	Type	Transactions with ADF Group Inc.	(In dollars)	(In dollars)
Groupe JPMP Inc.	Executives	Three executives of ADF Group are compensated through this company for their work within the Corporation, as stipulated in their contracts of employment (see Section 10 "Executive Compensation" of the Management Information Circular for the 2025 fiscal year).	1,334,480	1,286,140
ADF Group Inc.	Executives	Other compensation paid directly to Executives.	696,220	1,056,915

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

21.1 Global Pandemic

A pandemic outbreak, as demonstrated by COVID-19, 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 the 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.

21.2 Exchange Rate

The exchange rate fluctuation between the Canadian and U.S. dollars has an impact on the Corporation's results. Thus, a \$5.6 million foreign exchange loss was recorded for the fiscal year ended January 31, 2025, compared with a \$1.2 million foreign exchange loss for the 2024 fiscal year.

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.

21.3 Risks and Uncertainties Related to the Corporation's Operations

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

a) Uncertainties Relating to the World Economy

The uncertainty related to the global economy could have a negative impact on the Corporation's business segment, i.e. the non-residential construction industry, particularly in North America, its primary market. At the date hereof, although the Corporation's order backlog will provide work for the next quarters, the uncertainty relating to the global economy could adversely affect the Corporation's revenues and profitability beyond that period. In addition, in recent months, the direct and indirect impact of U.S. tariffs has created uncertainty in the day-to-day management of our operations. This situation evolves almost daily and will be closely monitored by the Corporation.

b) Bonding Capacity and Irrevocable Letters of Credit

During the fiscal year ended January 31, 2025, the Corporation maintained the necessary bid bonds and/or letters of credit to its business partners, required for bids, as well as in the scope of contractual commitments, or other financial instruments, such as performance, payment and supply bonds, or an irrevocable letter of credit.

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

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

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

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

22. FINANCIAL INSTRUMENTS

A significant number of items in the Corporation's Statement of Financial Position include financial instruments. The Corporation's financial assets consist of cash, cash equivalents, accounts receivable, 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 January 31, 2025 and 2024, 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, 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 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 24 "Financial Instruments" in the Consolidated Financial Statements for the fiscal year ended January 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 an 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 hereinabove in this MD&A Report, as well as in Note 23 "Financial Risk Management" in the Consolidated Financial Statements for the fiscal year ended January 31, 2025.

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

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

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Corporation's disclosure controls and procedures as at January 31, 2025, as well as the effectiveness of Corporation's internal control over financial reporting as of the same date using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 Framework) and have concluded that they are effective.

During the quarter ended January 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.

24. DISCLOSURE AND INSIDER TRADING POLICIES

In accordance with its internal policies and guidelines, the Corporation diligently reports all relevant financial information. In addition, when the Corporation publishes its financial results or announces major contract awards or any other material information, it enforces a blackout period for its directors and managers, as well as for its personnel who wishes to trade on ADF Group's securities, in order to ensure compliance and transparency of any trading by persons regarded as insiders. With regard to the employees, this blackout period can, under the circumstances, be either enforced for all the Corporation's employees or limited to a more restricted number of employees according to their knowledge of privilege information concerning the event to be disclosed.

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

Refer to Note 2 "Material Accounting Policies" and Note 3 "Estimation Uncertainty and Critical Accounting Judgments" of the Notes to Consolidated Financial Statements for the Fiscal Year Ended January 31, 2025.

26. ENVIRONNEMENT

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

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

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

Moreover, as part of the construction of its new paint shop in Terrebonne, the Corporation updated its environmental certificate of authorization for all its operations located in Terrebonne, including its fabrication plant. Following these investments, ADF Group's facilities in Terrebonne meet the highest environmental standards. More recently, during the fiscal year ended January 31, 2022, as part of the new financing that the Corporation obtained, the Corporation conducted phase I and phase II 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 ISO14001 certification for its site in Terrebonne, Quebec.

For the fiscal years ended January 31, 2025, and 2024, and taking into account 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.

27. 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.

28. HUMAN RESOURCES

As at January 31, 2025, the Corporation employed a total of 561 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.

29. OUTLOOK

Before looking ahead to our next fiscal year, we need to take time to fully appreciate the excellent fiscal year that ended January 31, 2025. Building on the strategic investments made during the past few years, which have given our Corporation unparalleled flexibility and operational efficiency, we ended the fiscal year 2025 with a significant increase in revenues, margins, adjusted EBITDA and net income compared to the fiscal year ended a year ago. Given the liquidity generated by these results, we have been able to buy back, as at the date of this MD&A Report, a total of 3,910,790 Subordinate Voting Shares, while maintaining a more than adequate financial position at the turn of the current fiscal year, which promises to be challenging.

At the time of writing this MD&A Report, U.S. tariffs are having a negative impact on our profitability. While some exemptions are available and products fabricated at our plant in Great Falls, Montana, are not directly affected by these tariffs, the direct impact of these additional costs and the uncertainty about their values and scope are already impacting our operations. Although we announced \$120.0 million in new contracts at the very beginning of the current fiscal year, the uncertainty caused by the imposition of U.S. tariffs is delaying the conclusion of new commercial agreements, and in this context, we are compelled to take certain contingency measures, including the implementation of a Work-Sharing program at our plant located in Terrebonne, Quebec. In this sense, we can already confirm that revenues for the fiscal year ending January 31, 2026, will be down, mainly in the first quarters, and that our margins will also be affected by the direct and indirect impacts of U.S. tariffs.

Notwithstanding these elements, and given our geographic diversity and operational excellence, we will continue our efforts to grow our order backlog, navigating through economic and commercial announcements and changes in our markets. Rest assured, as ADF has always done for nearly 70 years now, that our decisions will be made based on the Corporation's continued sound and prudent growth.

30. **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

Ms. Marise Paschini

/ Signed /

/ Signed /

Chief Financial Officer

Executive Vice-President, Treasurer and Corporate Secretary

Terrebonne, Quebec, Canada, April 9, 2025

MANAGEMENT'S REPORT

TO OUR SHAREHOLDERS

ADF Group Inc.'s (the "Corporation") consolidated financial statements and Management's Discussion and Analysis ("MD&A Report") and all other information in the Annual Report, are the responsibility of the Corporation's Management and have been approved by its Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The MD&A Report has been prepared in accordance with the requirements of Canadian securities regulators. The consolidated financial statements and MD&A Report include items that are based on Management's best estimates and judgments. Financial information provided elsewhere in the Annual Report is consistent with that shown in the consolidated financial statements.

Management maintains accounting and internal control systems that are designed to provide reasonable assurance that financial information is reliable and assets are safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for the financial reporting and ultimately responsible for reviewing and approving the consolidated financial statements and MD&A Report. The Board of Directors carries out this responsibility principally through its Audit Committee, consisting of independent directors. The Audit Committee reviews the Corporation's consolidated financial statements and MD&A Report and formulates the appropriate recommendations to the Board of Directors. The independent auditor appointed by the shareholders has full access to the Audit Committee, with or without Management being present.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, independent auditor, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. The independent auditor's report, hereafter, outlines the scope of its audits and set forth its opinion on the consolidated financial statements.

Jean Paschini

Jean-François Boursier, CPA

/ Signed /

/ Signed /

Chairman of the Board of Directors and Chief Executive Officer

Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report

To the Shareholders of ADF Group Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ADF Group Inc. and its subsidiaries (together, the Corporation) as at January 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at January 31, 2025 and 2024;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T.: +1 514 205 5000, F.: +1 514 876 1502, Fax to mail: ca_montreal_main_fax@pwc.com

PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended January 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition – total anticipated costs on cost-plus contracts with ceilings and on fixed price contracts <i>Refer to note 2 – Material accounting policies and note 3 – Estimation uncertainty and critical accounting judgments to the consolidated financial statements.</i> For the year ended January 31, 2025, revenue from cost-plus contracts with ceilings and from fixed price contracts make up a significant portion of the Corporation's total revenues of \$340 million. Revenue from contracts with customers is recognized, for each performance obligation, either over a period of time or at a specific point in time, depending on which method reflects the transfer of control of the goods or services underlying the performance obligation to the customer.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the total anticipated costs for a sample of contracts, which included evaluation of the reasonableness of the costs to complete the contract, as follows: – Obtained and read contract agreements, and change orders when applicable, to understand contract scope and key terms. – Evaluated the timely identification by management of circumstances that may warrant a modification to the total anticipated costs including, but not limited to, contracts subject to claims and contract modifications. – Interviewed operational personnel of the Corporation to evaluate progress to date, the total anticipated costs to be incurred, and factors impacting the amount of time and cost to complete the contract and considered consistency with supporting documents. – Compared the original margin expected on the contract to the actual margin to date. – Compared the costs incurred and the anticipated costs to complete to the original total anticipated costs. • Tested on a sample basis the costs incurred to supporting documents.



Key audit matter	How our audit addressed the key audit matter
For performance obligations satisfied over time, such as for cost-plus and fixed price contracts, the Corporation recognizes revenue over time using an input method, based on costs incurred to date relative to total anticipated costs at completion, to measure progress toward satisfying such performance obligations. Under this method, costs that do not contribute to the performance of the Corporation in transferring control of goods or services to the customer are excluded from the measurement of progress toward satisfying the performance obligation. In any event, when the total anticipated costs exceed the total anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known. The determination of total anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors, such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors. A change in any of those factors could affect revenue recognition. We considered this a key audit matter due to the significant judgments made by management when estimating anticipated costs. This in turn led to significant auditor judgments and audit effort in performing procedures to evaluate the total anticipated costs, including the assessment of management's judgments about its ability to estimate costs required to complete the contract.	Compared the original total anticipated costs to the total costs incurred for contracts completed during the year.
Other information	

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.



Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sebastien Bellemare.

/s/PricewaterhouseCoopers LLP¹

Montréal, Quebec
April 9, 2025

¹ CPA auditor, public accountancy permit No. A116819

CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Years Ended January 31, 2025 and 2024

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at January 31,	2025	2024
(In thousands of Canadian dollars)	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	59,983	72,379
Accounts receivable (Note 4)	83,910	77,844
Current income tax assets	1,586	115
Contract assets (Note 13)	26,491	44,862
Inventories (Note 5)	13,489	13,534
Investment tax credits (Notes 6 and 7)	834	3,112
Prepaid expense and other current assets	3,271	3,730
Total current assets	189,564	215,576
Non-current assets		
Property, plant and equipment (Note 6)	91,886	86,615
Right-of-use assets (Note 7)	22,119	21,173
Intangible assets (Note 8)	4,328	3,925
Deferred income tax assets (Note 18)	—	266
Other non-current assets	—	1,050
Total assets	307,897	328,605
LIABILITIES		
Current liabilities		
Accounts payable and other current liabilities (Note 10)	50,236	55,441
Current income taxes liabilities	6,454	—
Contract liabilities (Note 13)	11,484	46,168
Derivative financial instruments (Note 23)	7,198	—
Current portion of lease liabilities (Note 7)	821	827
Current portion of long-term debt (Note 11)	4,177	3,040
Total current liabilities	80,370	105,476
Non-current liabilities		
Long-term debt (Note 11)	38,208	42,138
Lease liabilities (Note 7)	2,423	2,839
Deferred income tax liabilities (Note 18)	17,449	15,876
Other non-current liabilities	135	146
Total liabilities	138,585	166,475
SHAREHOLDERS' EQUITY		
Capital stock (Note 12)	61,754	68,127
Contributed surplus	6,179	6,435
Accumulated other comprehensive income	15,536	8,283
Retained income	85,843	79,285
Total shareholders' equity	169,312	162,130
Total liabilities and shareholders' equity	307,897	328,605

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

ON BEHALF OF THE BOARD OF DIRECTORS,

Director

Director

/ Signed /

/ Signed /

Jean Paschini

Guy Pelletier, CPA, ASC

CONSOLIDATED STATEMENTS OF INCOME

Fiscal Years Ended January 31,	2025	2024
(In thousands of Canadian dollars, except the number of shares and the amounts per share)	\$	\$
Revenues (Notes 13 and 25)	339,632	331,023
Cost of goods sold (Note 14)	232,391	258,102
Gross Margin	107,241	72,921
Selling and administrative expense (Note 14)	22,112	22,782
Net financial expense (Note 17)	1,116	2,573
Foreign exchange loss (Note 23)	5,606	1,160
	28,834	26,515
Income before income taxes expense	78,407	46,406
Income tax expense (Note 18)	21,617	8,784
Net income for the fiscal year	56,790	37,622
Earnings per share		
— Basic and diluted per share (Note 19)	1.84	1.15
Weighted average number of outstanding basic and diluted shares (in thousands) (Note 19)	30,852	32,640

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Fiscal Years Ended January 31,	2025	2024
(In thousands of Canadian dollars)	\$	\$
Net income for the fiscal year	56,790	37,622
Other comprehensive income (loss):		
Exchange differences on translation of foreign operations ^(a)	7,253	176
Comprehensive income for the fiscal year	64,043	37,798

a) Will subsequently be reclassified to net income.

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Capital Stock (Note 12)	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Income	Total
(In thousands of Canadian dollars)	\$	\$	\$	\$	\$
Balance, February 1, 2023	68,127	6,435	8,107	42,316	124,985
Net income for the fiscal year	—	—	—	37,622	37,622
Other comprehensive income	—	—	176	—	176
Comprehensive income for the fiscal year	—	—	176	37,622	37,798
Dividends	—	—	—	(653)	(653)
Balance, January 31, 2024	68,127	6,435	8,283	79,285	162,130

	Capital Stock (Note 12)	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Income	Total
(In thousands of Canadian dollars)	\$	\$	\$	\$	\$
Balance, February 1, 2024	68,127	6,435	8,283	79,285	162,130
Net income for the fiscal year	—	—	—	56,790	56,790
Other comprehensive income	—	—	7,253	—	7,253
Comprehensive income for the fiscal year	—	—	7,253	56,790	64,043
Repurchase and cancellation of shares (Note 12)	(6,373)	(256)	—	(49,308)	(55,937)
Dividends	—	—	—	(924)	(924)
Balance, January 31, 2025	61,754	6,179	15,536	85,843	169,312

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years Ended January 31,	2025	2024
(In thousands of Canadian dollars)	\$	\$
OPERATING ACTIVITIES		
Net income for the fiscal year	56,790	37,622
Non-cash items:		
Amortization of property, plant and equipment (Note 6)	4,917	4,612
Amortization of right-of-use assets (Note 7)	745	753
Amortization of intangible assets (Note 8)	498	435
Loss (gain) on derivative financial instruments (Note 23)	7,403	(1,168)
Non-cash foreign exchange gain	(5,298)	(176)
Share-based compensation (Note 12)	1,386	4,576
Income taxes expense (Note 18)	21,617	8,784
Investment tax credit (Note 7)	(1,601)	—
Net financial expense (Note 17)	1,116	2,573
Interest income (Note 17)	2,590	1,363
Others	(362)	(583)
Net income adjusted for non-cash items	89,801	58,791
Change in non-cash working capital items (Note 20)	(24,855)	19,162
Income taxes paid	(9,890)	(93)
Cash flows from operating activities	55,056	77,860
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (Note 6)	(8,283)	(5,768)
Acquisition of intangible assets (Note 8)	(810)	(720)
Others	384	222
Cash flows used in investing activities	(8,709)	(6,266)
FINANCING ACTIVITIES		
Repurchase and cancellation of shares (Note 12)	(54,574)	—
Repayment of the long-term debt (Note 20)	(3,076)	(2,296)
Payment of lease liabilities (Note 20)	(700)	(686)
Dividends paid	(924)	(653)
Interest paid	(2,795)	(3,053)
Cash flows used in financing activities	(62,069)	(6,688)
Impact of fluctuations in foreign exchange rate on cash and cash equivalents	3,326	280
Net change in cash and cash equivalents during the fiscal year	(12,396)	65,186
Cash, and cash equivalents, beginning of fiscal year	72,379	7,193
Cash and cash equivalents, end of fiscal year	59,983	72,379

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Years Ended January 31, 2025 and 2024

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 consolidated financial statements were approved by the Corporation's Board of Directors on April 9, 2025, and were signed on its behalf.

NOTE 2 MATERIAL ACCOUNTING POLICIES

The material accounting policies are summarized below. These policies have been consistently applied to all the periods presented, except as otherwise stated.

2.1 Basis of Assessment

The consolidated financial statements are established in accordance with the International Financial Reporting Standards issued by the *International Accounting Standards Board* ("IFRS Accounting Standards"), and have been prepared under the historical cost convention, except for the evaluation of certain financial instruments, which are measured at their fair value, as described in the accounting policies hereinafter. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2.2 Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Subsidiaries are entities which the Corporation controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are de-consolidated from the date that control ceases. Inter-company transactions and balances have been eliminated.

As at January 31, 2025 and 2024, the percentage of ownership held directly or indirectly by the Corporation in its subsidiaries was 100%. These subsidiaries are all incorporated in the United States, and are summarized as follows:

Subsidiaries	Activity Sectors
ADF Group USA Inc.	Holding
ADF Industrial Coating Inc.	Sales and surface treatment
ADF International Inc.	Sales, fabrication and steel erecting services
ADF Steel Corp.	Sales and other services
ADF Structural Steel Inc.	Sales, fabrication, steel erecting and engineering services

2.3 Foreign Currency Translation

2.3.1 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 US dollar for its U.S. entities. The consolidated financial statements are presented in Canadian dollars, which is the Corporation's reporting currency.

The financial statements of entities whose functional currency differs from that of the Corporation (foreign operations) are translated into Canadian dollars as follows:

- Assets and liabilities – at the closing rate at the date of the statement of financial position, and
- Revenues and expenses – at the average rate of the monthly period (considered a reasonable approximation to the actual rates in effect at the date of transactions).

All resulting changes are recognized in other comprehensive income (loss) as exchange differences on translation of foreign operations.

When the Corporation disposes of its entire interest in a foreign operation, the accumulated exchange differences in other comprehensive income (loss) related to the foreign operation are reclassified in net income.

2.3.2 Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Translation differences resulting from the settlement of foreign currency transactions and from the translation at the exchange rates effective at the reporting date of monetary assets and liabilities denominated in currencies other than the operation's functional currency of the Corporation are recognized in "Foreign Exchange Loss (Gain) " in the Consolidated Statement of Income.

2.4 Revenue Recognition

Fabrication and installation are considered as a single performance obligation and are therefore recognized in revenues from contracts with customers, either over a period of time or at a specific point in time, depending on which method reflects the transfer of control of the goods or services underlying the performance obligation to the customer.

For performance obligations satisfied over time, such as cost-plus and fixed price contracts, the Corporation recognizes revenue over time using an input method, based on costs incurred to date relative to total estimated costs at completion, to measure progress toward satisfying such performance obligations. Under this method, costs that do not contribute to the performance of the Corporation in transferring control of goods or services to the customer are excluded from the measurement of progress toward satisfying the performance obligation. For certain contracts, notably certain cost-plus contracts or unit-rate contracts, the Corporation recognizes revenue based on its right to consideration when such amount corresponds directly with the value to the customer of the entity's performance completed to date. In certain other situations, the Corporation might recognize revenue at a point in time, when the criteria to recognize revenue over time are not met. In any event, when the total anticipated costs exceed the total anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.

The amount of revenue recognized by the Corporation is based on the transaction price allocated to each performance obligation. Such transaction price corresponds to the amount of consideration to which the Corporation expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The transaction price includes, among other things and when applicable, an estimate of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration is usually derived from incentives, performance bonuses and penalties, and could include claims and unpriced contract modifications. When a contract includes a significant financing component, the value of such component is excluded from the transaction price and is recognized separately as financial revenue or expense, as applicable.

The Corporation accounts for a contract modification, which consists of a change in the scope or price (or both) of a contract, as a revenue adjustment on a cumulative catch-up basis at the date of contract modification.

Contract related balances include contract assets and liabilities presented separately in the consolidated statements of financial position.

- Contract assets are recognized when goods or services are transferred to customers before consideration is received or before the Corporation has an unconditional right to payment for performance completed to date. Contract assets are subsequently transferred to the accounts receivable when the right of payment becomes unconditional. When this right arises, the Corporation's bills the client, usually monthly, according to the negotiated payment schedule, which varies from client to client. Contract assets comprise cost incurred and recorded margins in excess of advances and progress billings on contracts.
- Contract liabilities are recognized when amounts are received or to be received from customers in advance of transfer of goods or services. Contract liabilities are subsequently recognized in revenue as or when the Corporation performs under contracts. Contract liabilities include advances and progress billings in excess of costs incurred and recorded margin on contracts.

A net position of contract asset or contract liability is determined for each contract. The cash flows in respect of advances and progress billings, including amounts received from third parties, are classified as cash flows from operating activities.

2.5 Cash and Cash Equivalents

Cash includes cash on hand and bank balances. Cash equivalents are short-term investments, with maturities at the time of acquisition generally not exceeding three (3) months or redeemable at any time at full value and for which the risk of change in value is not significant. Bank overdrafts are presented as current liabilities, where applicable.

2.6 Inventories

Inventories, predominantly raw material (steel), are valued at the lower of cost or net realizable value. The cost is determined using the specific cost method. The net realizable value is the estimated selling price less the estimated costs required to realize the sale. An impairment is recognized if the carrying amount exceeds the net recoverable value. The impairment amount may be reversed during a subsequent period when circumstances justifying that impairment no longer exist.

2.7 Property, Plant and Equipment and Amortization

Property, plant and equipment are recorded at cost, less accumulated amortization and accumulated impairment. The cost includes expenses that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, where appropriate, only when it is likely that future economic benefits associated with the item will flow to the Corporation and the cost of this asset can be measured reliably. Costs of maintenance and repair are recorded as expenses in the Consolidated Statement of Income in the period in which they are incurred.

The main property, plant and equipment categories are amortized using the straight-line method, which allocates the costs of depreciable assets over the estimated useful life of a component, as follows:

- Buildings and improvement to lands over periods varying from 15 to 110 years ;
- Equipment and overhead cranes over periods varying from 2 to 30 years, and
- Office furniture, rolling stock and computer hardware over periods varying from 3 to 30 years.

The Corporation allocates the initially recognized amount of property, plant and equipment to its significant components and depreciates each component separately. The carrying amount of a replaced component is derecognized upon replacement. The residual value, amortization method and useful life of property, plant and equipment are reviewed every year and adjusted as required.

2.8 Intangible Assets and Amortization

Identifiable intangible assets, which are mainly made up of software with a determined useful life are recognized at cost and amortized at fixed rates based on their estimated useful life that is, based on the straight-line method on a 3 to 24-year period.

The amortization method and useful life of intangible assets are reviewed every year and adjusted as required.

2.9 Impairment of Non-Financial Assets

Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use, being the present value of the expected future cash flows of the relevant asset or CGU.

The impairment losses, as well as profits and losses resulting from the disposal of non-financial assets, are included in the Consolidated Statement of Income. The Corporation evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

2.10 Lease Agreements

The Corporation leases various office space, equipment, office furniture, rolling stock and computer hardware. Lease agreements are typically made for fixed periods of 2 to 6 years and may be subject to extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

- On the date of conclusion of a contract, the Corporation assesses whether the contract is, or contains, a lease agreement according to whether it confers the right to control the use of a specific asset for a certain period of time in return for consideration. Where this is the case, the Corporation accounts for the leases as a right-of-use asset and a corresponding lease liability is recorded on the lease start date, that is, the date the underlying asset is available for use.

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

- The lease liability is measured at the present value of lease payments to be made over the lease term, discounted using the Corporation's incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation or payment of penalties for termination of a lease. Each lease payment is allocated between the repayment of the principal portion of lease liability and the interest expense. The interest expense is charged income over the lease period. Payments associated with short-term leases (twelve months or less) and leases of low-value assets are recognized on a straight-line basis as an expense in the Consolidated Statement of Income.
- After the commencement date, the carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced to reflect lease payments made. In addition, the carrying amount of lease liabilities is revaluated when there is a change in future lease payments arising from a change in an index or specified rate, if there is a modification to the lease terms and conditions, a change in the estimate of the amount expected to be payable under residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a termination, extension or purchase option. The revaluation amount of the lease liabilities is recognized as an adjustment to the right-of-use asset, or in the Consolidated Statement of Income when the carrying amount of the right-of-use asset is reduced to zero.

2.11 Income Tax

Income tax expense includes current and deferred income tax expense. Income tax is recognized in the Consolidated Statement of Income except to the extent that it relates to items recognized directly in other comprehensive income (loss) or in shareholders' equity, in which case, the income tax is also recognized directly in other comprehensive income (loss) or in shareholders' equity as appropriate.

Current tax is the expected income tax payable or recoverable on the taxable income for the fiscal year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous fiscal years.

In general, deferred income tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the closing date and are expected to apply when the deferred income tax asset or liability is settled. A deferred income tax asset is recognized to the extent that the Corporation establishes that it is likely that there will be future taxable profit against which deductible temporary differences and unused tax losses can be allocated.

The Corporation recognizes a deferred income tax assets or liabilities for all temporary differences generated by investments in subsidiaries, except when the Corporation controls the date on which the temporary difference will reverse, and it is likely that such temporary difference will not reverse in the foreseeable future.

The Corporation's deferred income tax assets and liabilities are classified as non-current assets and liabilities in the Consolidated Statement of Financial Position. They are offset only when the Corporation has a right and the intention to offset these tax assets and liabilities from the same tax authority.

2.12 Tax Credits and Government Grants

In the course of its business, the Corporation may receive government grants, which are recorded against the expenses or in reduction of the related capital assets. The Corporation also benefits from tax credits derived from investments, jobs creation, labor force training and scientific research and experimental development ("SR&ED") activities. These tax credits are also recorded using the cost reduction method, under which the tax credits related to eligible expenditures, whether capitalized or expensed, as long as their realization is reasonably assured.

Tax credits and government grants receivable are discounted when the effect of the time value of money is material.

2.13 Share-Based Compensation and Other Share-Based Payments

a) Deferred Share Units ("DSU")

The DSU Plan allows every external director, who elects to participate, to defer in whole or in part his director's compensation (including annual and attendance fees), by choosing to receive this compensation in the form of DSU. When an external director elects to participate in this plan, the Corporation credits the director's account for a number of units equal to the deferred compensation, divided by the market value of the Corporation's Subordinate Voting Shares calculated using the average closing price of the five (5) trading days preceding the date of award. 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 grant, 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. In the event a condition is attached to a DSU, every unvested DSU at the date of repurchase will be cancelled without consideration. However, in the event of a change of control, unvested DSU will be considered vested, immediately prior to the occurrence of this change of control.

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 director, officer or employee.

When the Corporation pays dividends on subordinate voting shares, the accounts of the Directors, Executive Officers and key employees are credited for the amount in the form of additional units using the same calculation method previously described.

For each DSU awarded and changes in the fair value, the Corporation recognizes a compensation expense with the counterpart entry in "Accounts Payable and Other Current Liabilities" of the Consolidated Statement of Financial Position.

b) 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.

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

The Corporation recognizes the compensation expense in the Consolidated Statement of Income 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.

2.14 Earnings Per Share

Basic earnings per share is obtained by dividing net income for the period attributable to Corporation's shareholders by the weighted average number of all shares issued and outstanding shares with voting rights during the period.

Diluted earnings per share are obtained by dividing basic net income by the sum of the weighted average number of voting shares used to calculate basic earnings per share and the weighted average number of voting shares that would be issued if all of the potentially dilutive outstanding voting shares were converted using the treasury stock method for stock options.

2.15 Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized in the Consolidated Statement of Financial Position when the Corporation becomes a party to the financial instrument or derivative contract.

a) Classification

At the initial recognition, the Corporation determines the classification of its financial assets and its financial liabilities in the following measurement categories:

- Those to be measured subsequently at fair value, either through net income ("FVTPL") or through other comprehensive income (loss) ("FVOCI"), or
- Those to be measured at amortized cost.

The classification of debt instruments held is driven by the Corporation's business model for managing the financial assets and their contractual cash flow characteristics. Assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Equity instruments that are held for trading and all derivative instruments are classified as FVTPL. For other equity instruments, on the day of acquisition, the Corporation may irrevocably elect (on an instrument-by-instrument basis) to classify them at FVOCI whereby subsequent gains and losses will never be reclassified to net income. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Corporation was eligible and elected to measure them at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

b) Measurement

— Financial Instruments at Amortized Cost

Financial instruments at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment. The transaction costs are capitalized to the costs of financial assets and liabilities. Therefore, the transaction costs applied to the long-term debt are classified against the long-term debt and amortized using the effective interest method.

Currently, the Corporation classifies cash and cash equivalents and accounts receivable as financial assets measured at amortized cost and credit facilities, accounts payable and other current liabilities and long-term debt as financial liabilities measured at amortized cost.

— Financial Instruments at Fair Value

Financial instruments are initially recorded at fair value and are remeasured at each reporting date with any change thereto recognized as a gain or loss in the Consolidated Statement of Income. The transaction costs are expensed in the Consolidated Statements of Income.

Currently, the Corporation's derivative financial instruments are classified at FVTPL.

c) Impairment

The Corporation prospectively assesses the expected credit losses associated with debt instruments and contract assets carried at amortized cost or at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Corporation assumes that there is no significant increase in the credit risk regarding low-credit risk instruments.

For accounts receivable and contract assets, the Corporation applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognized at the time of initial recognition.

d) Derecognition

— Financial Assets

The Corporation derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and nearly all the associated risks and rewards of ownership to another entity. Gains and losses upon derecognition are generally recognized in the Consolidated Statements of Comprehensive Income.

— Financial Liabilities

The Corporation derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in the Consolidated Statements of Income.

e) **Offsetting**

Financial assets and liabilities are offset with the net balance recorded in the Consolidated Statement of Financial Position when there is an unconditional and legally enforceable right to set off the recognized amounts, as well as the Corporation's intention to either settle the net amount or realize the asset and settle the liability simultaneously.

2.16 **Hedging Relationships**

In accordance with its foreign currency hedge and interest rates policy, the Corporation can use financial derivative instruments such as foreign exchange contracts, foreign currency options and interest rate options to eliminate or mitigate the risk of exchange rate fluctuations on its foreign currency transactions, assets and liabilities and to reduce its interest rate risk on its long term debts with floating interest rates. Management is responsible for establishing acceptable risk levels and does not use derivatives for speculation purposes.

The Corporation only uses these derivatives to hedge possible future transactions. Since the Corporation did not elect to apply hedge accounting, the foreign exchange forward contracts and foreign currency options are recognized at their fair value at the end of each period. Consequently, the gains or losses from the revaluation are presented in net income under "Foreign Exchange (Gain) Loss" as previously defined under Note 2.15.

2.17 **Segmented Information**

The Corporation operates in the non-residential construction industry, primarily in the United States and Canada. The Corporation operational areas are consistently presented with the internal reports provided to the Chief Executive Officer (the chief operating decision-maker).

2.18 **Dividends**

The dividends on shares approved by the Board of Directors are recognized in the financial statements in the period in which they are declared.

2.19 **New Accounting Standards Applied**

The IASB has issued the following accounting standard amendments, which became effective on February 1, 2024:

- Amendments to IAS 1 specify the criteria for classifying debt and other liabilities as current or non-current. The amendments help determine whether, in the statement of financial position, debt and other liabilities whose settlement date is uncertain should be classified as current (expected to be settled or likely to be settled within the next year) or non-current. The amendments also clarify the classification requirements for debt that an entity can settle by converting it into equity securities ;
- The amendments to IAS 1 clarify that restrictive covenants to be complied with after the balance sheet date do not affect the classification of debts as current or non-current at the balance sheet date. Instead, the amendments require an entity to disclose such restrictive covenants in the notes to the financial statements.

The implementation of these accounting standard amendments had no impact on the Corporation's consolidated financial statements.

2.20 **New Accounting Standards Not Yet Applied**

The IASB has issued the following accounting standard and amendments:

- IFRS 18 "Presentation and Disclosure in Financial Statements", will replace IAS 1 "Presentation of Financial Statements". The new standard will change how corporations present their results in the main body of the statements of earnings (loss) and provide information in the notes to the financial statements. In addition, IFRS 18 provides the framework for the disclosure of certain "non-GAAP" information, such as management's performance measures, which will be included in the audited financial statements. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and earlier application is permitted. The Corporation is currently assessing the impact of this new standard, which is effective for the Corporation on February 1, 2027, on its consolidated financial statements.
- The amendments to IFRS 9 and IFRS 7 related to the classification and measurement of financial instruments. The amendments clarify certain concepts such as the classification of financial assets that include environmental, social and governance ("ESG") linked features and establish a derecognition date for liabilities settled using electronic payment systems. The amendments add disclosure requirements for financial instruments designated at fair value through other comprehensive income. The amendments become effective for annual reporting periods beginning on or after January 1, 2026, but earlier application is permitted. Management is currently assessing the impact of these amendments, which are effective for the Corporation on February 1, 2026.

NOTE 3 ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENTS

The preparation of financial statements in accordance with IFRS Accounting Standards 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 significant accounting judgements and estimates used by the Corporation to prepare the financial statements are:

3.1 **Revenue Recognition**

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

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

Due to the uncertain nature of the estimations, the amount of a variable consideration may vary significantly over time. Such estimated amount of a variable consideration then needs to be updated at the end of each reporting period.

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

3.2 Assessment and Amortization of Long-Lived Assets

Management reviews the useful lives of its amortizable assets at each reporting date.

As at January 31, 2025, and 2024, Management estimated that the useful lives represented the expected useful life of the Corporation's assets. The carrying amounts are analyzed at the end of each fiscal year. Actual results could however differ because of technical obsolescence, particularly with regard to hardware and software.

3.3 Impairment of Non-Financial Assets

The Corporation's management reviews the carrying value of the Corporation's non-financial assets when there are events or circumstances that may indicate impairment.

Management makes judgments in assessing whether changes to certain factors would be considered an indicator of impairment, which include both internal and external factors such as:

- changes in signed backlog ;
- changes in adjusted earnings before interest depreciation and amortization (adjusted EBITDA) margin ;
- changes in EBITDA multiples of comparable companies, and
- the Corporation's market capitalization compared to its net assets.

An impairment loss is recognized, if any, for the amount by which an asset or CGU carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use.

For the purpose of assessing the potential impairment of the Corporation's non-financial assets, management would use the fair value less costs of disposal model to estimate the fair value based on earnings before interest depreciation and amortization (EBITDA) multiple approach. The significant assumptions, which affect the financial analysis include revenues, operating costs and margins, foreign exchange rates and comparable companies EBITDA multiple. These estimates are subject to certain risks and uncertainties that may affect the determination of the recoverability of the Corporation's non-financial assets.

As at January 31, 2025, and 2024, the Corporation's management has determined that there is no indicator of impairment and therefore no impairment test has been performed.

NOTE 4 ACCOUNTS RECEIVABLE

As at January 31, (In thousands of CA\$)	2025	2024
Trade receivables	68,030	63,119
Holdbacks on contracts (Note 13)	15,880	14,725
	83,910	77,844

NOTE 5 INVENTORIES

As at January 31, (In thousands of CA\$)	2025	2024
Inventories	15,284	15,117
Inventories depreciation	(1,795)	(1,583)
	13,489	13,534

During the fiscal year ended January 31, 2025, the inventories amount recognized as cost of goods sold totalled \$76,128,000 and \$70,298,000 during the fiscal year ended January 31, 2024.

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvement to Lands	Equipment and Overhead Cranes	Office Furniture, Rolling Stock, and Computer Hardware	Total
(In thousands of CA\$)	\$	\$	\$	\$	\$
As at February 1, 2023					
Cost	6,190	68,364	62,957	8,008	145,519
Accumulated amortization	—	(24,928)	(24,759)	(5,454)	(55,141)
Net book value	6,190	43,436	38,198	2,554	90,378
Acquisitions ⁽¹⁾	—	2,546	(2,416)	837	967
Disposals	—	—	—	(165)	(165)
Effect of fluctuations in exchange rates	7	—	37	3	47
Amortization expense	—	(1,460)	(2,690)	(462)	(4,612)
Balance at January 31, 2024	6,197	44,522	33,129	2,767	86,615
As at January 31, 2024					
Cost	6,197	70,769	60,272	8,212	145,450
Accumulated amortization	—	(26,247)	(27,143)	(5,445)	(58,835)
Net book value	6,197	44,522	33,129	2,767	86,615
Acquisitions ⁽²⁾	—	4,456	2,420	1,658	8,534
Disposals	—	—	—	(415)	(415)
Effect of fluctuations in exchange rates	157	1,174	661	77	2,069
Amortization expense	—	(1,376)	(3,018)	(523)	(4,917)
Balance at January 31, 2025	6,354	48,776	33,192	3,564	91,886
As at January 31, 2025					
Cost	6,354	76,572	64,082	9,308	156,316
Accumulated amortization	—	(27,796)	(30,890)	(5,744)	(64,430)
Net book value	6,354	48,776	33,192	3,564	91,886

(1) Net of investment tax credits totaling \$4,801,000 obtained from the Government of Quebec for the acquisition of equipment related to fabrication and processing.

(2) As at January 31, 2025, acquisitions of property, plant and equipment in an amount of \$251,000 was not yet paid and was included in accounts payable and other current liabilities.

For the fiscal year ended January 31, 2025, the amortization of property, plant and equipment totalled \$4,917,000 (\$4,612,000 for the fiscal year ended January 31, 2024) of which \$4,476,000 is included in the cost of goods sold, and \$441,000 is included in the selling and administrative expense (respectively \$4,159,000 and \$453,000 for the fiscal year ended January 31, 2024).

The book value of the property, plant and equipment under construction and not amortized stood at \$6,840,000 as at January 31, 2025 (\$2,253,000 as at January 31, 2024). These amounts were mainly related to addition of new equipment at the Corporation's facilities located in Terrebonne, Quebec, and at the Corporation's facilities located in the United States.

NOTE 7 LEASE AGREEMENTS**7.1 Right-of-Use Assets**

During the fiscal years ended January 31, 2025, and 2024, the Corporation's lease agreements relate to office spaces, equipment and rolling stock. The net book value of the right-of-use assets, are as follows:

	Land	Buildings and Improvement to Land	Office Furniture, Rolling Stock and Computer Hardware	Total
(In thousands of CA\$)	\$	\$	\$	\$
As at February 1, 2023				
Cost	1,664	23,642	2,129	27,435
Accumulated amortization	—	(5,023)	(564)	(5,587)
Net book value	1,664	18,619	1,565	21,848
New leases	—	—	329	329
Disposals of leases	—	—	(328)	(328)
Amortization expense	—	(509)	(244)	(753)
Effect of fluctuations in exchange rates	6	69	2	77
Balance as January 31, 2024	1,670	18,179	1,324	21,173
As at January 31, 2024				
Cost	1,670	23,725	1,914	27,309
Accumulated amortization	—	(5,546)	(590)	(6,136)
Net book value	1,670	18,179	1,324	21,173
New leases	—	—	299	299
Disposals of leases	—	—	(198)	(198)
Amortization expense	—	(520)	(225)	(745)
Effect of fluctuations in exchange rates	135	1,449	6	1,590
Balance as January 31, 2025	1,805	19,108	1,206	22,119
As at January 31, 2025				
Cost	1,805	25,650	1,822	29,277
Accumulated amortization	—	(6,542)	(616)	(7,158)
Net book value	1,805	19,108	1,206	22,119

For the fiscal year ended January 31, 2025, the amortization of right-of-use assets totalled \$745,000 (\$753,000 for the fiscal year ended January 31, 2024), of which \$300,000 is included in the cost of goods sold, and \$445,000 is included in selling and administrative expense (\$300,000 and \$453,000 respectively for the fiscal year ended January 31, 2024).

7.2 Lease Liabilities

The balance of lease liabilities is detailed as follows:

As at January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Current portion	821	827
Non-current portion	2,423	2,839
	3,244	3,666

The most important of these liabilities was contracted on April 18, 2014, by a subsidiary of the Corporation from a U.S. government agency. This lease was structured according to a sale and leaseback contract, resulting in a lease liability in the amount of US\$4,999,800. This liability bears a below-market interest rate of 1.98% and was measured at fair value based on the prevailing market interest rate. Consequently, monthly interest is calculated using the annual implicit rate of 4.48%.

The US\$794,000 difference between the fair value of US\$4,206,000 and the cash received, in the amount of US\$4,999,800, was recorded as a grant against the related property, plant and equipment.

The capital of this liability is repayable in equal monthly installments estimated at US\$29,000 since May 2014 and ending in May 2029, with a bargain purchase option for \$10. This lease was also subject to certain covenants, including covenants related to job creation which have since been met.

Over the term of the lease, this lease is eligible for a tax credit of up to US\$5,783,000, corresponding to the payments of principal and interest, the use of which is dependent on future taxable profits in the state of Montana, U.S.A. This tax credit expires after seven (7) years if it is not used. As at January 31, 2025, based on the disbursements made, the available and unexpired tax credit stood at \$3,332,000 (US\$2,300,000) maturing between January 31, 2026, to January 31, 2031. However, based on the level of historical taxable income and the uncertainty relating to projected taxable income in this U.S. state, only an amount of \$1,601,000 (US\$1,150,000) has been recognized as an investment tax credit against salaries (Note 15). As at January 31, 2025, the unused balance of this tax credit was \$834,000 (US\$576,000) presented in current assets under the heading "Investment Tax Credit".

NOTE 8 INTANGIBLE ASSETS

	Total
(In thousands of CA\$)	\$
As at February 1, 2023	
Cost	10,615
Accumulated amortization	(6,975)
Net book value	3,640
Acquisitions	720
Amortization expense	(435)
Balance at January 31, 2024	3,925
As at January 31, 2024	
Cost	11,318
Accumulated amortization	(7,393)
Net book value	3,925
Acquisitions ⁽¹⁾	901
Amortization expense	(498)
Balance at January 31, 2025	4,328
As at January 31, 2025	
Cost	12,204
Accumulated amortization	(7,876)
Net book value	4,328

(1) As at January 31, 2025, an amount of \$91,000 of acquisitions of intangible assets was not yet paid and was included in accounts payable and other current liabilities.

As at January 31, 2025 and 2024, all intangible assets were subject to amortization and were mostly comprised of in-house software development. The remaining weighted average amortization period of intangible assets was eight (8) years as at January 31, 2025.

For the fiscal year ended January 31, 2025, amortization of intangible assets totalled \$498,000 (\$435,000 for the fiscal year ended January 31, 2024) of which \$74,000 is included in the cost of goods sold, and \$424,000 is included in selling and administrative expense (respectively \$72,000 and \$363,000 for the fiscal year ended January 31, 2024).

NOTE 9 CREDIT FACILITY

The Corporation has a \$40,000,000 credit facility granted by a Canadian financial institution. This credit facility was renewed on October 10, 2024, without any change in terms and conditions. The available amount of \$40,000,000 is subject to a monthly margin calculation on accounts receivable, inventory, and contract assets, which may limit the eligible credit facility amount only when the credit facility threshold exceeds \$20,000,000.

As of January 31, 2025, and 2024, no amount was drawn from the credit facility.

This credit facility, which is renewable annually, bears interest at the Canadian bank's variable base rates, plus 1.0%, and is secured by the universality of movable, present and future, tangible and intangible assets as well as inventories and accounts receivable, excluding holdbacks receivable.

This credit agreement contains covenants that, among other things, require the Corporation to maintain certain financial ratios, which were all met as at January 31, 2025.

NOTE 10 ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

As at January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Accounts payable	20,965	24,441
Salaries and fringe benefits payable	9,592	7,505
Accrued liabilities	11,212	16,133
Share-based compensation (Note 12)	6,734	5,832
Indirect taxes	1,733	1,530
	50,236	55,441

NOTE 11 LONG-TERM DEBT

As at January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Bank loan, secured by a hypothec totaling \$40,000,000 on the main building of the parent company, ADF Group Inc., including future additions and certain equipment. ⁽¹⁾	24,964	26,620
Bank loan, secured by a first rank movable security hypothec totaling \$24,000,000 on the universality of machinery and equipment, present and future of ADF Group Inc., the parent company. ⁽²⁾	17,421	18,558
	42,385	45,178
Current portion	4,177	3,040
	38,208	42,138

(1) On November 9, 2021, the Corporation obtained a \$30,000,000 bank loan from Business Development Bank of Canada ("BDC"). This loan bears interest at the annual variable interest rate of the BDC, less 1.5%, and is payable monthly. The capital is repayable by a first installment of \$140,800 in March 2022, followed by 215 equal monthly installments of \$138,880 beginning in April 2022, and ending in February 2040. Under this loan, the Corporation has committed to complying annually with financial ratios, which were all respected as at January 31, 2025.

(2) As at January 14, 2022 and January 18, 2022, the Corporation obtained from Investissement Québec ("IQ") two authorized bank loans with progressive disbursements totaling \$20,000,000 to finance its equipment modernization and robotization program at its Terrebonne plant. These two loans, which progressive disbursements began in February 2022, are detailed as follows:

- The first of these two bank loans, totalling \$12,300,000, bears interest at IQ's annual prime rate plus 1.5% and benefited from a 24-month capital repayment moratorium at the end of which it will be repayable by 96 monthly capital payments of \$128,125, which began in March 2024 and ending in February 2032.
- The second of these two bank loans, totalling \$7,700,000 benefits from a 36-month capital repayment moratorium, at the end of which it will be repayable by 83 monthly capital instalments of \$91,667 which began in March 2025 to end with a final capital payment of \$91,639 in February 2032.

As at January 31, 2023, the Corporation had drawn all of this loan. This loan, which bears no interest, has been valued at fair value using an interest rate commonly practiced on the market. Therefore, interest at the implicit annual rate of 3.95% is calculated monthly. The difference of \$1,640,000 between this fair value of \$6,060,000 and the cash received in the amount of \$7,700,000 has been accounted for as a grant against property, plant and equipment to which it relates during the financial year ended January 31, 2023.

These two loans are guaranteed by a first rank movable hypothec in the total amount of \$24,000,000 on the universality of machinery and equipment, present and future. They are also subject to compliance with certain financial ratios.

Certain property, plant and equipment having a carrying value of \$58,554,000 as at January 31, 2025, and \$58,751,000 as at January 31, 2024, are given as security for the long-term debt.

As at January 31, 2025, the Corporation was in compliance with its covenants of its long-term loans and bonding agreements (See Note 21 "Commitments and Contingencies").

NOTE 12 CAPITAL STOCK**12.1 Capital Stock**

- Authorized:
- Unlimited number of subordinate voting shares, carrying one (1) vote per share.
 - Unlimited number of multiple voting shares, carrying ten (10) votes per share.
 - Unlimited number of preferred shares, issuable in series.

	Subordinate voting shares		Multiple Voting Shares		Total	
(In thousands of CA\$ and in number of shares)	Number	\$	Number	\$	Number	\$
As at January 31, 2024	18,297,099	52,126	14,343,107	16,001	32,640,206	68,127
Shares conversion	2,266,287	2,538	(2,266,287)	(2,538)	—	—
Shares repurchase and cancellation	(3,487,589)	(6,373)	—	—	(3,487,589)	(6,373)
As at January 31, 2025	17,075,797	48,291	12,076,820	13,463	29,152,617	61,754

a) **Private Agreements**

On June 13, 2024, the Corporation entered into private agreements with three members of the Corporation's Board of Directors and management team, through their respective management companies, providing for the repurchase, for cancellation purposes, of an aggregate of 2,766,287 Subordinate Voting Shares (including 2,266,287 Multiple Voting Shares converted into Subordinate Voting Shares), at a price of \$17.31 per share, for a cash consideration of \$47,884,000, paid on June 17, 2024 and allocated as follows:

- \$4,373,000 against capital stock, consisting of 2,266,287 Subordinate Voting Shares at an average book value of \$1.12 per share, for a total of \$2,538,000, as well as 500,000 Subordinate Voting Shares at an average book value of \$3.67, for a total of \$1,835,000 ;
- \$105,000 as a reduction of contributed surplus, and
- \$43,406,000 against retained income.

Moreover, an additional amount of \$1,445,000 was reduced from retained income, representing the costs relating to this repurchase including the 2% share repurchase tax.

b) **Normal Course Issuer Bid (NCIB)**

With the approval of the Toronto Stock Exchange and the *Autorité des marchés financiers*, the Board of Directors authorized, on December 11, 2024, the Corporation to put in place the NCIB in order to repurchase Subordinate Voting Shares in the normal course of its business. The Corporation plans to repurchase, for cancellation, between December 16, 2024 and December 15, 2025, up to 1,770,707 Subordinate Voting Shares, representing approximately 10% of securities held by the public as at December 2, 2024. As at January 31, 2025, the Corporation had repurchased a total of 721,302 Subordinate Voting Shares for a cash consideration of \$6,479,000, of which \$286,000 was disbursed after the fiscal year ended January 31, 2025, and is therefore included under "Accounts payable and other current liabilities" in the Consolidated Statement of Financial Position. The total consideration is allocated as follows:

- \$2,000,000 against capital stock ;
- \$151,000 as a reduction of contributed surplus, and
- \$4,328,000 against retained income.

Moreover, an additional amount of \$129,000 was reduced from retained income, representing the 2% share repurchase tax.

12.2 **Deferred Share Units Plan (DSU)**

The DSU are recognized progressively in the Consolidated Statement of Income over the vesting period and their cost is determined using a valuation model based on the market price of the Corporation's Subordinate Voting Shares. The DSU are re-evaluated at fair value at the end of each reporting period, using the market price of the Corporation's Subordinate Voting Shares.

a) **External Directors**

During the fiscal years ended January 31, 2025, and 2024, DSU compensation to External Directors recorded in the Consolidated Statement of Income amounted to an expense of \$354,000 and \$1,555,000 respectively, including the impact of the variation in the Corporation's share price, which amounted to an expense of \$107,000 for the fiscal year ended January 31, 2025, compared to an expense of \$1,394,000 for the fiscal year ended January 31, 2024.

Fluctuations in DSU for External Directors were as follows:

Fiscal Years Ended January 31,	2025	2024
(In number of deferred share units)	Number	Number
Outstanding, at the beginning of fiscal year	248,585	166,653
Granted	18,960	81,932
Outstanding and vested, at the end of fiscal year	267,545	248,585

The carrying amount and the intrinsic value of the liabilities related to the External Directors vested DSU amounted to \$2,325,000 as at January 31, 2025 (\$1,942,000 as at January 31, 2024), and is recorded in "Accounts Payable and Other Current Liabilities" in the Consolidated Statements of Financial Position.

b) Executive Officers and Key Employees

The DSU compensation for Executive Officers and key employees, amounted to \$372,000 for the fiscal years ended January 31, 2025 (\$2,286,000 for the fiscal years ended January 31, 2024), including the impact of the variation in the Corporation's share price which amounted to an immaterial amount during the fiscal year ended January 31, 2025, compared with a \$2,032,000 expense or during the fiscal year ended January 31, 2024.

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

Fiscal Years Ended January 31,	2025	2024
(In number of deferred share units)	Number	Number
Outstanding, at the beginning of fiscal year	416,121	378,267
Granted	5,810	37,854
Outstanding, at the end of fiscal year	421,931	416,121
Vested, at the end of fiscal year	378,279	338,973

The carrying amount of the liabilities related to Executive Officers and key employees' DSU, amounting to \$3,573,000 as at January 31, 2025 (\$3,027,000 as at January 31, 2024), is recorded in "Accounts Payable and Other Current Liabilities" in the Consolidated Statements of Financial Position, and of which \$3,287,000 correspond to the intrinsic value of vested DSU as at January 31, 2025 (\$2,647,000 as at January 31, 2024).

12.3 Performance Share Units Plan (PSU)

During the fiscal year ended January 31, 2025, PSU compensation for Executive Officers and key employees amounted to an expense of \$660,000 (an expense of \$735,000 for the fiscal year ended January 31, 2024) including the impact of the variation in the Corporation's share price which amounted to an immaterial amount during the fiscal year ended January 31, 2025, compared with a \$409,000 expense during the fiscal year ended January 31, 2024.

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

Fiscal Years Ended January 31,	2025	2024
(In number of performance share units)	Number	Number
Outstanding, at the beginning of fiscal year	129,326	218,378
Granted	23,063	36,389
Settled	(45,942)	(125,441)
Outstanding, at the end of fiscal year	106,447	129,326
Vested, at the end of fiscal year	62,797	52,178

As at January 31, 2025, the carrying amount of the liabilities related the Executive Officers and key employees' PSU, amounted to \$836,000 (\$863,000 as at January 31, 2024), including an amount of \$545,000 which corresponds to the intrinsic value of the vested PSU as at January 31, 2025 (\$408,000 as at January 31, 2024).

NOTE 13 INFORMATION RELATED TO CONTRACTS WITH CUSTOMERS

All revenues recognized during the fiscal years ended January 31, 2025 and 2024, derived from contracts with customers.

The amounts are calculated as net incurred costs, plus recognized profits, less recognized losses and progress billings for the period. The carrying amount of assets and liabilities is as follows:

As at January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Total amount of costs incurred, and margins recorded on all ongoing contracts	1,059,142	1,026,672
Less advances and progress billings	(1,044,135)	(1,027,978)
	15,007	(1,306)

Recognized as follows:

As at January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Amount owed by clients for work performed on contracts, recorded in contract assets	26,491	44,862
Amount owed to clients for work performed on contracts, recorded in contract liabilities	(11,484)	(46,168)
	15,007	(1,306)

Holdbacks on contracts amounting to \$15,880,000 as at January 31, 2025, will be received at the time of the client's approval of the work performed during the next 12 months (\$14,725,000 as at January 31, 2024) and are included under "Accounts receivable" in current assets in the Consolidated Statement of Financial Position.

In addition to the foreign exchange fluctuations, the variation in contract assets and liabilities is mainly attributable to the level of activity on the respective closing dates and the payment schedules of the respective fabrication contracts during the periods analyzed. The Corporation can also receive advances and deposits from its customers before revenues are recognized.

The Corporation determined that less than 5% of its total revenues from performance obligations, recorded during the fiscal year ended January 31, 2025, were earned during previous periods. These revenues are primarily attributable to price adjustments approved by customers during the fiscal year ended January 31, 2025, for services earned in prior fiscal years as per the Corporation's normal course of business.

In addition, revenues recorded during the fiscal year ended January 31, 2025, included an amount of \$46,168,000 (\$44,533,000 during the fiscal year ended January 31, 2024) which were included in the opening balance of contract liabilities.

The amount of the transaction price related to performance obligations that were not fulfilled (or partially fulfilled) as at January 31, 2025, on all contracts with customers, is expected to be recognized in revenues as follows: 2025: \$210,272,000 and thereafter: \$82,833,000.

NOTE 14 CLASSIFICATION OF EXPENSES BY NATURE

Fiscal Years Ended January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Raw material, consumables, and subcontracting	147,746	146,053
Salaries and employees' benefit expenses (Note 15)	61,800	79,627
Transportation	7,300	10,371
Drafting and engineering	6,981	10,281
Amortization expense	6,160	5,800
Travelling and representation expenses	3,340	4,296
Professional fees	5,969	4,908
Maintenance and repairs	3,758	2,688
Rental equipment	1,856	7,879
Electricity and heating	1,558	1,624
Management fees with related companies (Note 16)	1,334	1,286
Insurance	3,273	2,969
Taxes and permits	1,469	1,569
Office expenses	1,445	1,183
Other	514	350
	254,503	280,884

Distributed as follows:

Fiscal Years Ended January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Cost of goods sold	232,391	258,102
Selling and administrative expense	22,112	22,782
	254,503	280,884

Cost of goods sold is as follows

Fiscal Years Ended January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Cost of goods sold excluding amortization	227,541	253,571
Amortization of property, plant and equipment, intangible assets and right-of-use assets	4,850	4,531
	232,391	258,102

NOTE 15 SALARIES AND EXPENSES RELATED TO EMPLOYEES' BENEFITS

Fiscal Years Ended January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Salaries and other short-term benefits ⁽¹⁾	46,168	57,172
Social security costs	11,316	15,301
Pension plan contributions	2,616	2,303
Share-based compensation (Note 12)	1,386	4,576
Others	314	275
	61,800	79,627

(1) Recognition of an investment tax credit of \$1,601,000 against salary expense during the fiscal year ended January 31, 2025.

NOTE 16 EXECUTIVE OFFICER'S COMPENSATION

The Corporation's principal Executive Officers are members of the Board of Directors and of the Management Committee of ADF Group Inc. (the parent company) and their related persons. Their compensation includes the following expenses:

Fiscal Years Ended January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Salaries and other short-term benefits	3,861	4,186
Social security costs	361	316
Management fees ⁽¹⁾	1,334	1,286
Pension plan contributions	189	186
Share-based compensation	1,386	4,576
Attendance fees	384	275
	7,515	10,825

(1) In the normal course of business, management agreements have been reached with companies held by a group of majority shareholders and are measured at the exchange amount.

NOTE 17 NET FINANCIAL EXPENSES

Net financial expenses were as follows:

Fiscal Years Ended January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Interest on long-term debt	3,063	3,332
Interest on lease liabilities	154	181
Interest on credit facilities	100	100
Interest income ⁽¹⁾	(2,590)	(1,363)
Others	389	323
	1,116	2,573

(1) Coming mainly from interest income generated by cash.

NOTE 18 INCOME TAXES**18.1 Income Tax Expense**

Fiscal Years Ended January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Current		
Income tax expense during the fiscal year	20,011	2,414
Deferred		
Recognized deferred income tax assets from the United States	—	(3,951)
Adjustments for prior fiscal years	—	9
Origination and reversal of temporary differences	1,606	10,312
	1,606	6,370
Income tax expense	21,617	8,784

The next table reconciles the Corporation's income tax expense and the amount which would be obtained by multiplying income before income tax expense and the combined Canadian federal and provincial tax rate:

Fiscal Years Ended January 31,	2025		2024	
(In thousands of CA\$ and in percentage)	\$	%	\$	%
Allowance using basic income tax rates	20,778	26.50	12,297	26.50
Increase (decrease) resulting from:				
Difference in rates applicable to foreign subsidiaries	1,143	1.46	—	—
Recognized deferred income tax assets from the United States ⁽¹⁾	(304)	(0.39)	(3,951)	(8.51)
Others			438	0.94
Income tax expense	21,617	27.57	8,784	18.93

(1) During the fiscal year ended January 31, 2024 in light of the results of its U.S. subsidiaries, the Corporation recognized \$3,951,000 in deferred income tax assets, representing the balance at the end of the fiscal year 2024, related to U.S. operations for which no deferred tax benefit was previously recognized.

18.2 Deferred Income Tax Assets and Liabilities

The tables below provide the movement in deferred income tax assets and liabilities during the fiscal year, without taking into account the offsetting of the balances within the same tax jurisdiction:

a) Deferred Income Tax Assets

	Tax Loss Carryovers	SR&ED Expenses	Financial Expenses and Other Deferred Charges	Foreign Exchange Forward Contracts	Others	Total
(In thousands of CA\$)	\$	\$	\$	\$	\$	\$
As at February 1, 2023	4,337	596	509	233	489	6,164
Recognized in the Consolidated Statement of Income	(2,436)	(440)	843	(233)	(62)	(2,328)
As at January 31, 2024	1,901	156	1,352	—	427	3,836
Recognized in the Consolidated Statement of Income	(1,901)	(156)	345	1,907	(39)	156
As at January 31, 2025	—	—	1,697	1,907	388	3,992

b) Deferred Income Tax Liabilities

	Property, Plant and Equipment, Right-of-Use Assets and Intangible Assets	Holdbacks on Contracts Receivable	Investment Tax Credits	Contract Assets	Foreign Exchange Forward Contracts	Total
(In thousands of CA\$)	\$	\$	\$	\$	\$	\$
As at February 1, 2023	8,563	2,661	353	3,827	—	15,404
Recognized in the Consolidated Statement of Income	2,542	(282)	1,152	543	87	4,042
As at January 31, 2024	11,105	2,379	1,505	4,370	87	19,446
Recognized in the Consolidated Statement of Income	1,089	229	(268)	799	(87)	1,762
Effect of fluctuations in exchange rates	233	—	—	—	—	233
As at January 31, 2025	12,427	2,608	1,237	5,169	—	21,441

The deferred income tax assets and liabilities are presented as follows in the Consolidated Statements of Financial Position:

As at January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Non-current deferred income tax assets	3,992	3,836
Compensation per fiscal jurisdiction	(3,992)	(3,570)
	—	266
Non-current deferred income tax liabilities	(21,441)	(19,446)
Compensation per fiscal jurisdiction	3,992	3,570
	(17,449)	(15,876)
Deferred income tax liabilities (net)	(17,449)	(15,610)

As at January 31, 2024, the Corporation had operating loss carry-forwards of \$5,304,000 available in the United States, all of which were utilized during the fiscal year ended January 31, 2025.

The movement in the net deferred income tax assets and liabilities is provided in the table below:

Fiscal Years Ended January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Beginning of fiscal year	(15,610)	(9,240)
Recognized in the Consolidated Statement of Income	(1,606)	(6,370)
Effect of fluctuations in exchange rates	(233)	—
End of fiscal year	(17,449)	(15,610)

NOTE 19 EARNINGS PER SHARE

Diluted income per share was 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.

Fiscal Years Ended January 31,	2025	2024
Numerator (in thousands of CA\$)		
Numerator applicable to basic and diluted earnings per share	56,790	37,622
Denominator (in thousands)		
Basic and diluted weighted average number of shares	30,852	32,640

NOTE 20 SUPPLEMENTAL CASH FLOWS INFORMATION

20.1 Change in Non-Cash Working Capital Items

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

Fiscal Years Ended January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Accounts receivable	159	13,589
Contract assets	20,210	(2,217)
Inventories	456	(2,849)
Prepaid expense and other current assets	118	(1,213)
Accounts payable and other current liabilities	(9,398)	10,749
Contract liabilities	(36,389)	1,113
Others	(11)	(10)
Change in non-cash working capital items	(24,855)	19,162

20.2 Non-Cash Transactions

The following transactions had no cash impact for the fiscal years ended January 31, 2025 and 2024:

- A 2% share repurchase tax cost totaling \$1,077,000, undisbursed and included in accounts payable as at January 31, 2025, have been eliminated from financing activities.
- Investment tax credits of \$4,957,000 were used during the fiscal year ended January 31, 2025, to reduce income taxes payable.

20.3 Changes in Liabilities Arising from Financing Activities

The following tables reconcile the beginning and ending balances of the Consolidated Statement of Financial Position for long-term debt, lease liabilities and credit facilities, including the current portions:

a) Long-Term Debts

Fiscal Years Ended January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Balance, beginning of fiscal year	45,178	47,185
Repayment of the long-term debt	(3,076)	(2,296)
Effect of fluctuations in exchange rates	—	6
Others	283	283
Balance, end of fiscal year	42,385	45,178

b) Lease Liabilities

Fiscal Years Ended January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Balance, beginning of fiscal year	3,666	4,334
New leases	299	330
Leases termination	(197)	(327)
Lease liabilities payment	(700)	(686)
Effect of fluctuations in exchange rates	176	15
Balance, end of fiscal year	3,244	3,666

NOTE 21 COMMITMENTS AND CONTINGENCIES

21.1 Bonding Agreements

In the normal course of business, the Corporation may be required by clients to provide performance bonds for the execution of work. In order to provide such bonds, some subsidiaries of the Corporation have entered into general indemnity agreements with bonding companies. To guarantee their obligations under the terms of these agreements, the Corporation and these subsidiaries have granted the bonding companies a movable hypothec on certain assets such as rights, titles, licences, and equipment, work in progress and accounts receivable. The bonding issued on the ongoing projects as at January 31, 2025, stood at \$347,523,000.

21.2 Long-Term Contracts

As at January 31, 2025, the Corporation's commitments totalled \$1,157,000 under long-term contracts with suppliers for the provision of current and future services. The minimum annual payments due are spread over the next four (4) fiscal years, including \$515,000 during the fiscal year 2026, \$371,000 during fiscal year 2027, \$214,000 during fiscal year 2028 and \$57,000 during fiscal year 2029.

21.3 Contingencies

In the normal course of business, the Corporation is involved in various legal proceedings, the outcomes of which cannot be determined at this time, and, accordingly, no provision has been recorded in the consolidated financial statements. The Corporation believes that the resolution of these proceedings will not have a material favourable or unfavourable effect on its financial position or results of operations.

NOTE 22 CAPITAL DISCLOSURES

The Corporation's objectives when managing capital are to:

- Maintain a structure in order to optimize the cost of capital based on an acceptable risk level, while offering an adequate return to shareholders;
- Manage capital in an optimal manner, while ensuring that the lenders' financial covenants are respected;
- Manage capital in order to uphold a bonding capacity in line with the Corporation's growth objectives; and
- Further increase capital in order to preserve the trust of investors, lenders, suppliers and clients.

The Corporation defines capital as the sum of shareholders' equity, long-term debt and lease liabilities, including current portion, and short-term bank loans, where appropriate.

The Corporation has not made any changes to its capital management since the last fiscal years. Generally, the Corporation manages its capital structure and makes adjustments based on the objectives previously mentioned, economic trends, as well as all underlying risks related to the contracts in hand.

In order to uphold or readjust its capital structure, the Corporation can:

- Issue new treasury shares ;
- Amend the dividend paid to shareholders ;
- Redeem Subordinate Voting Shares ;
- Incur new debts, and
- Sell certain assets to reduce indebtedness.

In addition, the Corporation periodically monitors its capital, namely regarding a number of financial indicators, of which the “Total of the credit facility and long-term debt including lease liabilities, net of cash and cash equivalents, to shareholders’ equity” ratio. This ratio measures the level of the credit facility and long-term financing including lease liabilities, net of cash and cash equivalents, in relation to the capital invested by shareholders. This financial indicator does not have standardized meaning as prescribed by IFRS and therefore may not be comparable to similar measurements presented by other issuers.

As at January 31,	2025	2024
Total credit facility, current and long-term portions of debt and lease liabilities, net of cash and cash equivalents (In thousands of CA\$)	(14,354)	(23,535)
Shareholders’ equity (In thousands of CA\$)	169,312	162,130
Total credit facility and current portion and long-term debt and lease liabilities, net of cash and cash equivalents, to shareholders’ equity ratio	(0.08):1	(0.15) :1

The Corporation’s goal is to maintain a ratio of 0.50:1 or less. Moreover, this goal could be revised in light of developing projects that will be considered strategic and conducive.

NOTE 23 FINANCIAL RISK MANAGEMENT

The Corporation is party to financial instruments, and thus, is particularly exposed to market risks (Note 23.1), credit and credit concentration risks (Note 23.2), and liquidity risks (Note 23.3).

23.1 Market Risk

The risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices, whether those changes are caused by factors specific to distinct financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Corporation is particularly exposed to the following market risks:

- a) Foreign exchange risk
- b) Interest rate risk

The Corporation is exposed to risks of various importance that could have an impact on its capacity to reach its strategic growth objectives. The Corporation aims to control and mitigate its financial risks through management practices that require the identification and analysis of the risks related to its operations. Periodic monitoring and review of these risks are performed based on market conditions and the Corporation’s level of activity.

A description of the main financial risks to which the Corporation is exposed is provided below:

a) Foreign Exchange Risk

The Corporation is exposed to exchange rate fluctuations between the Canadian and US dollar, since a significant portion of its revenues is generally recorded in US dollars. For the fiscal year ended January 31, 2025, 88% of the Corporation’s revenues were recorded in U.S. dollars (89% during the fiscal year ended January 31, 2024). Notwithstanding these variations and pursuant to its foreign currency hedge policy, the Corporation uses different mechanisms to mitigate the impact of these fluctuations on its results, such as:

- Maximizing purchases in US dollars when possible, to avail itself of a natural hedging ;
- Acquiring fabrication equipment in US dollars ;
- Issuance of long-term debt in US dollars ;
- Using hedge accounting, as the case may be, and
- Using foreign exchange forward contracts and/or foreign currency options to hedge part of the residual exchange risk.

In line with its hedging policy, to manage its net risk between the future US-denominated cash inflows and outflows, the Corporation entered into foreign exchange forward contracts.

As at January 31, 2025, the Corporation was party to foreign exchange forward contracts for the sale of US\$100,900,000 (US\$85,868,000 as at January 31, 2024) with maturities varying between three (3) months to fifteen (15) months with rates between 1.3000 and 1.4175 (between 1.3000 and 1.3735 as at January 31, 2024). These derivative financial instruments are classified as held for trading and are measured at their fair value at the end of each period since they are not designated as part of an effective hedging relationship.

For this purpose, as at January 31, 2025, the fair value of foreign exchange forward contracts was \$7,198,000, recorded under "Derivative financial instruments in the current liabilities in the Consolidated Statements of Financial Position (\$204,000 as at January 31, 2024 under "Other current assets").

The foreign exchange loss of \$5,606,000 recorded in the Consolidated Statement of Income for the fiscal year ended January 31, 2025, includes a foreign exchange gain of \$3,044,000 on ongoing operations and a foreign exchange loss of \$8,650,000 related to the variation in the fair value of foreign exchange forward contracts. A foreign exchange gain of \$7,253,000 on the translation of foreign subsidiaries was recorded in Comprehensive Income for the fiscal year ended January 31, 2025.

During the year ended January 31, 2024, the foreign exchange loss of \$1,160,000 in the consolidated statement of income included a foreign exchange loss of \$1,983,000 on ongoing operations and a foreign exchange gain of \$823,000 related to the variation in the fair value of foreign exchange forward contracts. A foreign exchange gain of \$176,000 on the translation of foreign subsidiaries was recorded in comprehensive income for the fiscal year ended January 31, 2024.

The following table summarizes significant non-derivative financial assets and liabilities that are subject to a foreign currency exposure as at January 31, 2025 and 2024, and whose foreign currency exposure is recognized in income:

As at January 31,	2025	2024
(In thousands of US\$)	\$	\$
Financial assets		
Cash and cash equivalents	33,654	21,341
Accounts receivable	18,137	38,845
Current advances to subsidiaries ⁽¹⁾	—	26
	51,791	60,212
Financial liabilities		
Accounts payable and other current liabilities	10,459	8,031
Current advances to subsidiaries ⁽¹⁾	1,211	—
	11,670	8,031
Net exposure	40,121	52,181

(1) Although these balances are eliminated in the Consolidated Statement of Financial Position, the effects of currency fluctuations are recorded in net income.

Based on the balance, as at January 31, 2025, of the Corporation's financial instruments denominated in foreign currencies, a 10% fluctuation in the exchange rate between the Canadian and US dollars, while all other variables remaining constant, would have had no impact on net income before tax (no impact for the year ended January 31, 2024).

b) Interest Rate Risk

The Corporation is exposed to interest rate fluctuations mainly because of the floating interest rate of its credit facility and a portion of its long-term debt, where applicable (Notes 9 and 11). In addition, the interest rate fluctuations could also affect the Corporation's financial revenues generated by the cash and cash equivalents.

The Corporation's interest rate policy generally requires that an appropriate mix between fixed interest and floating interest debts be maintained in order to reduce the net impact of interest rate fluctuations. According to this policy, if this combination is unsuitable, the Corporation can use interest-rate swaps so as to achieve a less volatile interest expense.

As at January 31, 2025, the Corporation holds two interest rate options for a nominal value of \$10,000,000 each, to hedge interest rate fluctuations greater than 4.5% and 5.5% (based on the one-month CDOR) of its Canadian dollar denominated floating interest long-term debt, one maturing on October 23, 2025, and the other on August 24, 2026. The change in the fair value of these interest rate options recognized in net financial expenses in the Consolidated Statement of Income during the fiscal years ended January 31, 2025, and 2024, was immaterial.

Based on the balance of the floating interest debt as at January 31, 2025, and 2024, the impact of an upward or downward 0.5% change in interest rates, assuming all other variables remain constant, would have had an immaterial impact on the Corporation's net income over a horizon of 12 months.

23.2 Credit and Credit Concentration Risks

a) Credit Risk

Risk, that a party to a financial instrument neglecting its obligations will cause a financial loss for the other party.

b) Credit Concentration Risk

Risk that the business deals with a limited number of clients and financial institutions, which might increase the credit risk, as defined above.

In the normal course of business, the Corporation's exposure to credit risks results from the possibility that a client or financial institution may default, in part or in whole, on their financial obligations as they come due. Concentration of credit risk relates to cash and cash equivalents, when applicable, accounts receivable and contract assets.

Cash and cash equivalents are usually risk-free or low risk investments. Where this is the case, the Corporation deposit its cash and cash equivalents with recognized financial institutions, the most important of which are Canadian chartered banks.

In the normal course of business, the Corporation grants credit to its clients. The Corporation carries out credit checks on its clients and establishes allowances for credit losses, if applicable, using the lifetime expected credit losses to estimate this allowance. This method takes into account the credit risks of its customers, the expected life of these financial assets, historical trends and economic conditions.

Credit risk with respect to accounts receivable is mitigated by the available mechanisms of protection in case of non-payment, including liens on buildings, and given that the Corporation's clients tend to be general contractors, or companies doing business with contractors governed by rigorous practices and servicing adequately funded projects.

As at January 31, 2025, 6.5% of accounts receivable and contract assets, representing \$6,140,000 (4.5% or \$4,860,000 as at January 31, 2024) was overdue under contractual terms. A default on a financial asset occurs when the client is past due for a period of more than 90 days after the contractual term established with each client and the Corporation has no security. As at January 31, 2025 and 2024, the Corporation did not have any security for its accounts receivable and contract assets. Management believes that most of these accounts are with established clients or were cashed since, and therefore, the Corporation does not believe that it is exposed to an unusual or significant level of credit risk as at January 31, 2025, and 2024.

As previously described, credit risk arising from the concentration of its clients is also mitigated through monitoring and the measures available to the Corporation. As at January 31, 2025, 61% of accounts receivable was concentrated with one (1) client (71% of accounts receivable attributable to three (3) clients as at January 31, 2024). It should be noted that given the specialization of its market niches and the nature of the contracts that the Corporation submits bids for, such concentration regularly occurs in the Corporation's activities.

23.3 Liquidity Risk

Liquidity risk is the risk that the Corporation is unable to fulfill its obligations as they come due. The Corporation manages its liquidity risk by forecasting cash flows from operating, investing and financing activities. The senior management is also actively involved in the review and approval of contracts with clients and planned capital expenditures. To fund its liquidity requirements, the Corporation uses cash flows from its operating activities, the credit facility, issuance of debts and shares. In addition, in order to alleviate this risk, the Corporation has a policy that essentially targets contracts that can generate positive cash flows throughout their execution.

As at January 31, 2025, the contractual maturities analysis of financial liabilities was as follows:

	Book Value as at January 31, 2025	Less than 1 Year	From 1 to 3 Years	From 4 to 5 Years	More than 5 Years	Total
(In thousands of CA\$)	\$	\$	\$	\$	\$	\$
Accounts payable and other current liabilities	50,236	50,236	—	—	—	50,236
Long-term debt						
Principal	42,385	4,212	8,608	8,608	22,299	43,727
Interest		2,152	3,694	2,884	5,387	14,117
Lease liabilities						
Principal	3,244	821	1,548	864	11	3,244
Interest		132	146	28	—	306
	95,865	57,553	13,996	12,384	27,697	111,630

As at January 31, 2024, the contractual maturities analysis of financial liabilities was as follows:

	Book Value as at January 31, 2024	Less than 1 Year	From 1 to 3 Years	From 4 to 5 Years	More than 5 Years	Total
(In thousands of CA\$)	\$	\$	\$	\$	\$	\$
Accounts payable and other current liabilities	55,441	55,441	—	—	—	55,441
Long-term debt						
Principal	45,178	3,076	8,608	8,608	26,512	46,804
Interest		3,058	5,309	4,260	8,697	21,324
Lease liabilities						
Principal	3,666	827	1,555	1,114	170	3,666
Interest		149	194	65	2	410
	104,285	62,551	15,666	14,047	35,381	127,645

Balances in U.S. dollars and/or subject to floating interest rates are established based on the relevant spot rates at the respective dates.

NOTE 24 FINANCIAL INSTRUMENTS**24.1 Categories for Measurements**

The next table provides the book value per class of financial instruments:

As at January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Financial assets at amortized cost		
Cash and cash equivalents	59,983	72,379
Accounts receivable	83,910	77,844
	143,893	150,223
Financial assets at fair value through net income		
Derivative financial instruments	—	328
	—	328
Financial liabilities at fair value through net income		
Derivative financial instruments	7,198	—
	7,198	—
Financial liabilities to amortized cost		
Accounts payable and other current liabilities ⁽¹⁾	32,177	40,574
Long-term debt ⁽²⁾	42,385	45,178
	74,562	85,752

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

(2) Excludes lease liabilities.

As at January 31, 2025 and 2024, given the upcoming maturity dates of cash and cash equivalents, accounts receivable, other current assets, contract assets, accounts payable and other current liabilities, as well as contract liabilities, their fair value was approximately equal to their book value.

The fair value of the long-term debt (excluding the lease liabilities) did not differ significantly from its book value as at January 31, 2025, and 2024, as the effective interest rates reflect current market conditions.

24.2 Fair Value Hierarchy of Financial Assets and Liabilities

The Corporation classifies the fair value measurements of its financial assets and liabilities using the following fair value hierarchy, which has been defined as follows:

- Fair value - Level 1: Quoted price (unadjusted) in active markets for identical assets or liabilities.
- Fair value - Level 2: Valuation technique based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Fair value - Level 3: Valuation technique requiring the use of unobservable inputs that have a material effect on the measurement.

For all financial instruments measured at fair value, the Corporation classified fair value measurements at level 2, as their valuation is primarily based on observable inputs.

NOTE 25 SEGMENTED INFORMATION

The Corporation operates 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.

Fiscal Years Ended January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Revenues		
Canada	40,836	36,060
United States	298,796	294,963
	339,632	331,023

As at January 31,	2025	2024
(In thousands of CA\$)	\$	\$
Non-current assets ⁽¹⁾		
Canada	68,624	69,359
United States	49,709	43,404
	118,333	112,763

(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 the project's location.

During the fiscal year ended January 31, 2025, 78% of the Corporation's revenues was realized with two (2) clients, each representing 10% and more of its revenues (69% with four (4) clients during the fiscal year ended January 31, 2024).

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

Fiscal Years Ended January 31,	2025 ⁽¹⁾	2024 ⁽¹⁾
(In thousands of CA\$)	\$	\$
Client A	—	45,739
Client B	170,351	—
Client C	—	42,086
Client D	—	92,240
Client E	93,383	48,723
	263,734	228,788

(1) From the United States.

NOTE 26 SUBSEQUENT EVENTS

26.1 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.

26.2 Implications on New Tariffs

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. 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. The Corporation is assessing the direct and indirect impacts on its business, its results and its financial position, of such tariffs, of retaliatory duties or other trade protectionist measures implemented as the situation evolves, and these impacts could be material.

INFORMATION FOR SHAREHOLDERS

- **Annual Meeting of Shareholders** June 10, 2025 at 11:00 a.m. (EST)
IMPERIA Hotel & Suites
 2935 de la Pinière Boulevard, Terrebonne, Quebec, Canada J6X 0A3
- **Investor Relations** **ADF Group Inc.**
 300 Henry-Bessemer Street, Terrebonne, Québec, Canada J6Y 1T3
 T. (450) 965-1911 • F. (450) 965-8558 • Email: infos@adfgroup.com
Computershare Inc.
 650 de Maisonneuve Boul. West, 7th Floor, Montreal, Quebec, Canada H3A 3T2
 T. (514) 982-7888 • F. (514) 982-7974
- **2025 Annual Information Form** Available at the Corporation's headquarters, as well as on ADF Group Inc. website (www.adfgroup.com) and on SEDAR (www.sedarplus.ca).
- **Stock Information** The Corporation's securities are listed on the Toronto Stock Exchange under the ticker symbol TSX: **DRX**. At the date hereof, there were 17,075,797 Subordinate Voting Shares issued and outstanding.

BOARD OF DIRECTORS AND COMMITTEES

Jean Paschini

Chairman of the Board of Directors and Chief Executive Officer,
ADF Group Inc.

Pierre Paschini, P.Eng.

President and Chief Operating Officer, ADF Group Inc.

Marise Paschini

Executive Vice-President, Treasurer, Corporate Secretary
ADF Group Inc.

Jean Rochette, MBA, ASC ⁽¹⁾ ⁽²⁾

Independent Board Leader of ADF Group Inc.
President and Director, Distribution Assist Canada Inc.

Guy Pelletier, CPA, ASC ⁽¹⁾ ⁽²⁾

Chair of the Audit Committee of ADF Group Inc.
Corporate Director

Danilo D'Aronco, P.Eng. M.Eng.

Consulting Engineer for D'Aronco Pineau Hébert Varin Inc.,
Sigmax Inc. and AXNOR Consultants Inc.

Me Richard Martel ⁽¹⁾ ⁽²⁾

Lawyer specialized in labor law

Myriam Blouin ⁽¹⁾ ⁽²⁾

Chair of the CNG Committee of ADF Group Inc.
Human Resources Consultant

Luc Reny ⁽¹⁾ ⁽²⁾

Vice-President, Human Resources and Administration,
Power Corporation of Canada

⁽¹⁾ Member of the Audit Committee

⁽²⁾ Member of the Compensation, Nomination and Governance Committee

CORPORATE INFORMATION

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Pompano Beach, Florida, U.S.A.

Transfer Agent and Registrar

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Montreal, Quebec, Canada H3A 3T2

Financial Institution

National Bank of Canada
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Independent Auditor

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1250 René-Lévesque Boulevard West, Suite. 2500
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ANNUAL REPORT

Fiscal Year Ended January 31, 2025

The electronic version of this document is also available at www.adfgroup.com and at www.sedarplus.ca
Ce document est également disponible en français.

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