

# FAB-FORM

Fabric-Formed Concrete



HELIX®

OVERVIEW ADVANTAGES TECHNICAL MIXING PROJECTS & TESTIMONIALS SPECIFICATIONS

## HELIX® MICRO REBAR

FEBRUARY 20, 2014 – ANN ARBOR, MICH. – Helix Steel recently earned IAPMO's Uniform Evaluation Service (UES) Evaluation Report ER-279 on Helix 5-25 Micro-Rebar. This report accredits Helix Micro-Rebar 5-25 and its design method under ISO Guide 65 for use as an alternative to conventional rebar and wire mesh in concrete. Helix Micro-Rebar 5-25 is the only discontinuous concrete reinforcement product in the world that now has a ISO certified design manual that can be followed to design vertical applications (such as walls) with Helix as the primary concrete reinforcement.

### What is Helix®?

Helix® is a short twisted steel 'micro bar' used as a structural replacement for conventional steel reinforcing. Helix® is much more than a fiber used for crack control. Due to its unique shape and resulting behavior, Helix® can replace 50 to 100% of traditional steel reinforcing, while improving the shear strength and durability of concrete.

The image on the right shows the size of each Helix® micro rebar: just one inch long with a square cross section, the distance from one face to the other only .016" (.4mm). But there's a big difference between Helix® and other fibers: Helix® is **TWISTED**, with five full twists along the 1" length.



# FAB-FORM

2nd Quarter Report  
2014

**MANAGEMENT DISCUSSION & ANALYSIS**

**SECOND QUARTER 2014 & 2013**

## FAB-FORM INDUSTRIES LTD.

### MANAGEMENT DISCUSSION & ANALYSIS

*2<sup>nd</sup> Quarter 2014, unaudited*

This discussion and analysis of the financial results of Fab-Form Industries Ltd. (Fab-Form or the Company) should be read in conjunction with the interim consolidated unaudited financial statements for the second quarter of 2014 and accompanying notes. The results reported herein have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on the SEDAR (System for Electronic Document Analysis and Retrieval) website at [www.sedar.com](http://www.sedar.com).

#### FORWARD LOOKING STATEMENTS

Some statements contained in this MD&A constitute "forward-looking statements" as is defined in applicable securities laws. These statements include, without limitation, the success of developing, manufacturing and distributing new products and other similar statements concerning anticipated future events, conditions or results that are not historical in nature, and reflect management's current estimates, beliefs, intentions and expectations; they are not guarantees of future performance. The Company cautions that all forward-looking information is inherently uncertain and that actual performance may be affected by a number of material factors, many of which are beyond the Company's control. Such factors include, among others, risks and uncertainties relating to product development; the ability of the Company to obtain additional financing; the Company's limited operating history; the need to comply with environmental and governmental regulations; potential defects in product performance; fluctuations in currency exchange rates; fluctuating prices of commodities; operating hazards and risks; competition; the uncertainty of capturing market share and other risks and uncertainties. Accordingly, actual future events, conditions and results may differ materially from the estimates, beliefs, intentions and expectations expressed or implied in the forward-looking information. All statements are made as of the Report Date and, except as required by law, the Company is under no obligation to update or alter any forward-looking information.

#### COMPANY DESCRIPTION

Fab-Form is a Canadian manufacturing company which develops, manufactures and distributes products for the concrete forming industry around the world. The Company's objective is to identify patentable technology in concrete forming, develop, manufacture products and distribute them to world markets. The Company is a reporting issuer in Alberta and British Columbia, and trades on the TSX Venture Exchange under the symbol "FBF".

#### INTERIM MD&A REPORTING

The reader should refer to our interim consolidated financial statements for the three month period ended 30 June 2014 and our consolidated financial statements for the year ended 31 December 2013 while reading this discussion. The reader should also refer to the MD&A in our 2013 Annual Report as any MD&A information that has not changed materially since year end is not repeated here.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

2<sup>nd</sup> Quarter 2014, unaudited

## OPERATING RESULTS

## 1. Product Sales

	Apr - Jun 14	Apr - Jun 13	\$ Change	% Change
<b>Fastfoot®</b>	<b>41,734</b>	48,837	-7,103	-15%
<b>Fastbag®</b>	<b>3,129</b>	1,836	1,293	70%
<b>Fast-Tube™</b>	<b>1,337</b>	2,640	-1,303	-49%
<b>Helix®</b>	<b>107,732</b>	16,727	91,005	544%
<b>Zont™ bracing</b>	<b>79,849</b>	44,195	35,653	81%
<b>Monopour</b>	<b>32,314</b>	34,046	-1,732	-5%
<b>Sundry</b>	<b>3,188</b>	120	3,068	2,557%
	<b>\$ 269,283</b>	\$ 148,401	\$ 120,882	82%

Sales for the second quarter showed a healthy 82% improvement over 2013.

Helix® increased 544% over the previous year as a result of a major foundation project in the USA as well as local foundation pours. Helix® has received excellent acceptance with local engineers due to our relationship with Wicke, Herfst and Maver. Helix® is an engineered product and therefore requires careful engineering support for each project.

Zont™ bracing continues to gain wide acceptance in the ICF markets of Canada, USA and Scotland with an 81% increase over the previous year's quarter.

## 2. Cost of Sales

	Apr - Jun 14	Apr - Jun 13	\$ Change	% Change
<b>Direct product COGS</b>	<b>\$ 178,194</b>	\$ 71,915	\$ 106,279	148%
<i>Direct Product gross margin</i>	<b>34.0%</b>	51.5%	-17.5%	-34%
<b>Indirect product COGS</b>				
Amortization production equipment	<b>2,454</b>	2,598	-144	-6%
Fixed overhead	<b>7941</b>	3,350	4,591	137%
Variable overhead	<b>200</b>	614	-414	-67%
<b>Total indirect product COGS</b>	<b>10,685</b>	6,562	4,123	63%
<b>Total COGS</b>	<b>\$ 188,879</b>	\$ 78,863	\$ 110,402	141%
<i>Gross margin including Overheads</i>	<b>29.9%</b>	47.1%	-17.2%	-36%

'Direct Product COGS' includes material and variable labour costs that are directly involved in the production of the physical goods themselves. 'Indirect Product Costs' include those production costs that are independent of the rate of production. Figures from 2013 have been restated to make them comparable.

Direct product gross margins decreased significantly from 51.5% in the second quarter of 2013 to 34% this year, a drop of 34%, due to higher sales of Helix®, a low margin product.

Gross margins, after direct and indirect cost of goods sold, were 29.9% and 47.1% respectively, a drop of 36%.

## 3. Profitability

Profit before other items was \$31,541 in the second quarter of 2014, comparable to \$29,087 in 2013. Inventory write-down was \$2,525 and \$7,019 in the second quarter of 2014 and 2013 respectively, resulting in a comprehensive income of \$29,017 in 2014 and \$21,780 in 2013. Profits did not track sales as a result of lower margins of Helix.

## MANAGEMENT DISCUSSION &amp; ANALYSIS

2<sup>nd</sup> Quarter 2014, unaudited**4. General and Administrative Expenses**

	<b>Apr - Jun 14</b>	Apr - Jun 13	Change	% Change
<b>General</b>	\$ <b>5,616</b>	\$ 7,975	\$ 1,664	-30%
<b>Amortization &amp; depreciation</b>	<b>4,935</b>	3,302	2,424	49%
<b>Management fees</b>	<b>381</b>	5,381	-4,000	-93%
<b>Occupancy</b>	<b>2,752</b>	1,561	1,118	76%
<b>Patent maintenance fees</b>	<b>205</b>	1,413	752	-85%
<b>Professional fees</b>	<b>3,939</b>	3,400	200	16%
<b>Public company</b>	<b>4,435</b>	3,317	428	34%
<b>Telecommunications</b>	<b>1,613</b>	1,812	1,110	-11%
<b>Total</b>	<b>\$ 23,876</b>	\$ 28,161	\$ 3,695	-15%

General and administrative expenses dropped 15% in the second quarter of 2014 compared with the previous year. This reduction was due primarily to a reduction in management fees.

**5. Selling and Marketing Expenses**

	<b>Apr - Jun 14</b>	Apr - Jun 13	Change	% Change
<b>Online advertising</b>	\$ <b>732</b>	\$ 733	\$ -1	-1%
<b>Selling Expenses</b>	<b>13,551</b>	6,419	7,132	111%
<b>Trade Shows</b>	<b>1,630</b>	1,319	311	24%
<b>Total</b>	<b>\$ 15,913</b>	\$ 8,471	\$ 7,442	88%

Selling expenses increased 111% in the second quarter of 2014 over the previous year.

**6. Quarterly Financial Summary**

The following table, extracted from our consolidated financial statements, sets out quarterly financial information for eight recent quarters.

	<b>2014</b>			<b>2013</b>		<b>2012</b>		
	<b>2nd Qtr</b>	<b>1st Qtr</b>	<b>4th Qtr</b>	<b>3rd Qtr</b>	<b>2nd Qtr</b>	<b>1st Qtr</b>	<b>4th Qtr</b>	<b>3rd Qtr</b>
Revenues	<b>269,283</b>	<b>64,071</b>	<b>148,903</b>	<b>136,148</b>	<b>163,528</b>	<b>47,098</b>	<b>59,871</b>	<b>122,438</b>
Net Income (loss)	<b>29,017</b>	<b>(5,251)</b>	<b>(21,652)</b>	<b>12,064</b>	<b>24,378</b>	<b>(13,242)</b>	<b>(6,432)</b>	<b>24,355</b>
Shares outstanding (diluted)	<b>7,797,988</b>	<b>7,797,988</b>	<b>7,797,988</b>	<b>7,797,988</b>	<b>7,797,987</b>	<b>7,797,988</b>	<b>7,797,988</b>	<b>7,797,988</b>
Income (loss) per diluted share	<b>0.00</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>0.00</b>	<b>0.00</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>0.00</b>

Additional financial information on the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Approved

"Board of Directors"

14 August 2014

FAB-FORM INDUSTRIES LTD.

## MANAGEMENT DISCUSSION & ANALYSIS

*2<sup>nd</sup> Quarter 2014, unaudited*

FAB-FORM INDUSTRIES LTD. is a manufacturer and distributor of forming products for the construction industry. Fab-Form is headquartered in Delta, BC. Its common shares trade on the Toronto Venture Exchange under the symbol "FBF".

For additional information contact our board members:

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