

FAB-FORM

Fabric-Formed Concrete



HELIX



THE 12 HOUR FOUNDATION

NEWS

FAB-FORM
MD&A
2nd Quarter 2016

MD&A TO OUR SHAREHOLDERS

The cover is a screenprint of our current home page, showing a recent foundation project completed in 12 hours by SED Construction, Chilliwack, BC. For more information, see:

<http://www.fab-form.com/zontBracing/12hourFoundation.php>

As always, thank you Board Members, Shareholders, and progressive Dealers and Contractors for your continued support and commitment.

The Company's independent auditors have neither reviewed nor audited these Consolidated Financial Statements.

Sincerely



Richard Fearn
President and CEO
26 August 2016



Herb Bentz
Chief Financial Officer
26 August 2016

MANAGEMENT DISCUSSION & ANALYSIS

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 2016 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.

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 currently sells products in North America. 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 six-month period ended 30 June 2016 and our consolidated financial statements for the year ended 31 December 2015 while reading this discussion. The reader should also refer to the MD&A in our 2015 Annual Report as any MD&A information that has not changed materially since year end is not repeated here.

FAB-FORM INDUSTRIES LTD.
MANAGEMENT DISCUSSION & ANALYSIS

2nd QUARTER OPERATING RESULTS

1. Sales and Cost of Goods Sold

	Apr - Jun 16	Apr - Jun 15	Change	% Change
Sales				
Fastfoot	45,331	41,828	3,503	8.4%
Fast-Tube	3,726	4,225	-499	-11.8%
Fastbag	4,104	3,772	331	8.8%
Monopour	10,248	11,136	-888	-8.0%
Helix	52,690	22,238	30,452	136.9%
Nudura	245,059	117,611	127,448	108.4%
ICF Accessories	11,325	0	11,325	100.0%
Zont Bracing	89,560	96,814	-7,254	-7.5%
Sundry Income	156	98	58	58.9%
Total Sales	462,199	297,723	164,477	55.2%
Cost of Goods Sold				
Total Direct Product COGS	326,484	186,736	139,749	74.8%
<i>Gross margins before indirect costs</i>	<i>29.4%</i>	<i>37.3%</i>		
Indirect Product COGS				
Amortization production equip.	1,827	2,975	-1,148	-38.6%
Production tools	41	407	-366	-90.0%
Production rental	7,267	7,298	-31	-0.4%
Variable Overhead	730	795	-65	-8.2%
Wages not allocated	1,083	0	1,083	100.0%
Customer Delivery	4,578	1,739	2,839	163.2%
Packing Materials	107	613	-506	-82.6%
Total Indirect Product COGS	15,631	13,827	1,805	13.1%
Total Cost of Goods Sold	342,116	200,563	141,553	70.6%
<i>Gross margins after indirect costs</i>	<i>26.0%</i>	<i>32.6%</i>		
Gross Profit	120,084	97,160	22,924	23.6%

In the second quarter of 2016 sales continued their upward trend with gross sales 55.2% higher than the previous year. Sales of Helix, Nudura and ICF accessories all increased by triple digits, however these products have lower margins.

As a result, gross profit increased only 23.6% to \$120,084 from \$97,160 the previous year, lower than the sales increase of 55.2%. Direct product gross margins decreased to 29.4% from 37.3% the previous year due to the lower margins of Helix, Nudura and ICF accessories.

Indirect product cost of goods sold showed a moderate increase of 13.1% over the previous year's quarter.

FAB-FORM INDUSTRIES LTD.
MANAGEMENT DISCUSSION & ANALYSIS

2. Administration expenses

	Apr - Jun 16	Apr - Jun 15	Change	% Change
Amortization & Depreciation	2,441	3,777	-1,336	-35.4%
Occupancy	2,822	2,824	-2	-0.1%
Patent & TM Maintenance Fees	205	205	0	0.0%
Professional Fees	8,447	3,760	4,687	124.7%
Pubco	2,667	3,204	-536	-16.7%
General expenses	12,525	12,394	131	1.1%
Management Fees	320	8,312	-7,992	-96.1%
Telecommunications	1,831	885	946	106.9%
Total Admin Expenses	31,259	35,361	-4,102	-11.6%

Professional fees increased due to ligation charges with respect to duties paid to US Customs. It is the company's lawyers' opinion that the products qualify as duty free. Management fees were significantly lower than the previous years' quarter.

3. Selling and Marketing Expenses

	Apr - Jun 16	Apr - Jun 15	Change	% Change
Selling & Marketing	19,665	16,465	3,201	19.44%

In the second quarter of 2016 all sales and marketing expenses were allocated to each product line. As a result, it is not possible to compare details with the previous year. Selling and marketing expenses increased by 19.4% over the previous year's quarter, less than the increase in gross sales of 55.2%.

FAB-FORM INDUSTRIES LTD.
MANAGEMENT DISCUSSION & ANALYSIS

1st HALF OPERATING RESULTS

1. Sales and Cost of Goods Sold

	Jan - Jun 16	Jan - Jun 15	Change	% Change
Sales				
Fastfoot	82,014	62,605	19,408	31.0%
Fast-Tube	7,574	5,123	2,451	47.9%
Fastbag	7,433	4,723	2,710	57.4%
Monopour	17,394	36,845	-19,451	-52.8%
Helix	91,242	35,255	55,987	158.8%
Nudura	445,464	122,898	322,566	262.5%
ICF Accessories	18,723	0	18,723	100.0%
Bracing	159,390	154,003	5,387	3.5%
Sundry Income	7,351	403	6,948	1,723.7%
Total Sales	836,584	421,856	414,729	98.3%
Cost of Goods Sold				
Total Direct Product COGS	586,060	244,304	341,756	139.9%
<i>Direct product gross margin</i>	29.9%	42.1%		
Indirect Product COGS				
Amortization production equip.	5,309	7,908	-2,600	-32.9%
Production tools	104	937	-833	-88.9%
Production rental	14,526	14,596	-70	-0.5%
Variable Overhead	1,660	1,826	-166	-9.1%
Wages not allocated	1,347	0	1,347	100.0%
Customer Delivery	4,598	1,186	3,412	287.8%
Packing Materials	358	756	-398	-52.7%
Total Indirect Product COGS	27,902	27,209	692	2.5%
Total Cost of Goods Sold	613,961	271,513	342,448	126.1%
<i>Indirect product gross margin</i>	26.6%	35.6%		
Gross Profit	222,623	150,343	72,280	48.1%

In the first half of 2016 sales continued their upward trend with gross sales 98.3% higher than the previous year. Sales of Helix, Nudura and ICF accessories all increased by triple digits, however these products have lower margins.

As a result, gross profit increased only 50.6% to \$226,436 from \$150,343 the previous year, lower than the sales increase of 98.3%. Direct product gross margins decreased to 29.9% from 42.1% the previous year due to the lower margins of Helix, Nudura and ICF accessories.

Indirect product cost of goods did not show any substantial increase from the previous year's first half.

FAB-FORM INDUSTRIES LTD.
MANAGEMENT DISCUSSION & ANALYSIS

2. Administration expenses

	Jan - Jun 16	Jan - Jun 15	Change	% Change
Amortization & Depreciation	3,827	5,563	-1,736	-31.2%
Occupancy	5,946	5,126	820	16.0%
Patent & TM Maintenance Fees	410	410	0	0.0%
Professional Fees	11,590	6,960	4,630	66.5%
Pubco	4,761	5,249	-488	-9.3%
General expenses	22,118	19,906	2,212	11.1%
Management Fees	10,641	8,633	2,008	23.3%
Telecommunications	3,810	3,736	75	2.0%
Total Admin Expenses	63,103	55,582	7,521	13.5%
<i>Admin expenses as % of gross sales</i>	<i>7.5%</i>	<i>13.2%</i>		

Professional fees increased due to litigation charges with respect to duties paid to US Customs. It is the company's lawyers' opinion that the products qualify as duty free. Total administrative expenses dropped as a percent of gross sales, from 13.2% in 2015 to 7.5% in 2016.

3. Selling and Marketing Expenses

	Apr - Jun 16	Apr - Jun 15	Change	% Change
Selling & Marketing	39,636	49,087	9,702	-19.3%

In the first half of 2016 all sales and marketing expenses were allocated to each product line. It is not possible to compare details with the previous year. Selling and marketing expenses decreased by 19.3% over the previous year's half.

LIQUIDITY, FINANCIAL POSITION and CAPITAL RESOURCES

Operations generated approximately \$19,000 cash flow per month in the first half of the year, with about half of this cash financing higher levels of inventory and receivables. Long term debt was paid off at the rate of around \$3,200 per month. As higher levels of sales are anticipated in the second half of 2016, additional demands can be assumed on cash flow.

It is the Company's intention to increase the line of credit to help alleviate these cash demands, especially when purchases are made by containers with significant capital value.

Working capital at the end of the second quarter improved to \$243,871 from \$107,831 at the end of the second quarter of 2015.

NEW PRODUCT DEVELOPMENT and PRIVATE PLACEMENT

It is the Company's intention to introduce two new products in the second half of 2016. To raise capital for the development and marketing of these products, the Company will be completing a non-brokered private placement in the second half of 2016.

FAB-FORM INDUSTRIES LTD.
 MANAGEMENT DISCUSSION & ANALYSIS

SELECTED QUARTERLY FINANCIAL SUMMARY

The following table sets out selected quarterly financial information derived from the Company's financial statements, for each of the eight recently completed quarters.

	2016			2015			2014	
	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr
Revenues	462,199	374,385	322,619	364,883	297,723	124,133	295,968	470,993
Net Income (loss)	57,472	41,772	(18,917)	61,238	35,920	20,536	(23,614)	33,991
Shares outstanding (diluted)	7,797,988	7,797,988	7,797,988	7,797,988	7,797,988	7,797,988	7,797,988	7,797,988
Income (loss) per diluted share	0.007	0.005	(0.002)	0.008	0.005	0.003	(0.003)	0.004

Additional financial information on the Company can be found on SEDAR at www.sedar.com.

Approved
 "Board of Directors"
 26 August 2016

FAB-FORM INDUSTRIES LTD.

FURTHER INFORMATION

FAB-FORM INDUSTRIES LTD. is a manufacturer and marketer of forming products using poly membranes to form and damp-proof concrete for the building industry. Fab-Form is the only company in the world commercializing this technology, and is headquartered in Delta, BC. Its common shares trade on the Toronto Venture Exchange under the symbol "FBF".

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