



**Altus Group**

# Q2 2020 Financial Statements

For the six months ended June 30, 2020



# Altus Group Limited



## Interim Condensed Consolidated Financial Statements

June 30, 2020 and 2019

(Unaudited)

(Expressed in Thousands of Canadian Dollars)

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## Interim Condensed Consolidated Statements of Comprehensive Income (Loss) For the Three and Six Months Ended June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Per Share Amounts)

	Notes	Three months ended June 30		Six months ended June 30	
		2020	2019 <sup>(1)</sup>	2020	2019 <sup>(1)</sup>
<b>Revenues</b>	5	\$ 155,470	\$ 143,131	\$ 286,726	\$ 260,479
<b>Expenses</b>					
Employee compensation		92,638	83,455	180,993	163,007
Occupancy		1,914	1,889	3,985	3,508
Office and other operating		26,361	25,849	53,243	47,506
Depreciation of right-of-use assets		2,814	3,041	5,686	6,317
Depreciation of property, plant and equipment		1,404	1,208	2,727	2,669
Amortization of intangibles		6,481	7,370	12,875	15,325
Acquisition and related transition costs (income)		-	171	(1,176)	153
Share of (profit) loss of joint venture	11	(8)	-	(8)	-
Restructuring costs (recovery)	12	7,480	(296)	7,455	(296)
(Gain) loss on investments		35	12	(90)	(95)
Finance costs (income), net - leases	6	631	668	1,291	1,355
Finance costs (income), net - other	6	1,080	1,718	2,587	3,368
<b>Profit (loss) from continuing operations before income taxes</b>		<b>14,640</b>	<b>18,046</b>	<b>17,158</b>	<b>17,662</b>
Income tax expense (recovery)	7	3,307	5,327	4,068	4,487
<b>Profit (loss) for the period from continuing operations</b>		<b>\$ 11,333</b>	<b>\$ 12,719</b>	<b>\$ 13,090</b>	<b>\$ 13,175</b>
Profit (loss) for the period from discontinued operations	8	266	602	(5,170)	(289)
<b>Profit (loss) for the period attributable to shareholders</b>		<b>\$ 11,599</b>	<b>\$ 13,321</b>	<b>\$ 7,920</b>	<b>\$ 12,886</b>
<b>Other comprehensive income (loss):</b>					
Items that may be reclassified to profit or loss in subsequent periods:					
Currency translation differences		(12,994)	(7,820)	8,672	(12,894)
Items that are not reclassified to profit or loss in subsequent periods:					
Change in fair value of FVOCI investments		263	1,297	(987)	1,171
<b>Other comprehensive income (loss), net of tax</b>		<b>(12,731)</b>	<b>(6,523)</b>	<b>7,685</b>	<b>(11,723)</b>
<b>Total comprehensive income (loss) for the period, net of tax, attributable to shareholders</b>		<b>\$ (1,132)</b>	<b>\$ 6,798</b>	<b>\$ 15,605</b>	<b>\$ 1,163</b>
<b>Earnings (loss) per share attributable to the shareholders of the Company during the period</b>					
Basic earnings (loss) per share:					
Continuing operations	16	\$0.28	\$0.32	\$0.33	\$0.34
Discontinued operations	16	\$0.01	\$0.02	\$(0.13)	\$(0.01)
Diluted earnings (loss) per share:					
Continuing operations	16	\$0.28	\$0.32	\$0.32	\$0.33
Discontinued operations	16	\$0.01	\$0.02	\$(0.13)	\$(0.01)

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

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 4, 5, 8 and 20).

# Altus Group Limited



## Interim Condensed Consolidated Balance Sheets As at June 30, 2020 and December 31, 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars)

	Notes	June 30, 2020	December 31, 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 74,066	\$ 60,262
Trade receivables and other	9	198,047	181,955
Income taxes recoverable		5,111	2,403
Derivative financial instruments		1,685	1,449
		278,909	246,069
<b>Non-current assets</b>			
Trade receivables and other	9	1,417	3,696
Derivative financial instruments		6,174	5,975
Investments	10	10,884	11,481
Investment in joint venture	11	14,858	-
Deferred tax assets		22,733	22,163
Right-of-use assets		55,991	63,729
Property, plant and equipment		22,043	29,037
Intangibles		81,764	92,595
Goodwill		261,455	260,380
		477,319	489,056
<b>Total Assets</b>		<b>\$ 756,228</b>	<b>\$ 735,125</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables and other	12	\$ 119,426	\$ 128,566
Income taxes payable		7,836	4,548
Lease liabilities		10,868	12,564
Borrowings	13	-	137,929
		138,130	283,607
<b>Non-current liabilities</b>			
Trade payables and other	12	15,819	16,197
Lease liabilities		57,145	63,419
Borrowings	13	159,346	334
Deferred tax liabilities		12,360	11,916
		244,670	91,866
<b>Total Liabilities</b>		<b>382,800</b>	<b>375,473</b>
<b>Shareholders' Equity</b>			
Share capital	14	520,489	509,646
Contributed surplus		23,927	24,447
Accumulated other comprehensive income (loss)		47,930	40,245
Retained earnings (deficit)		(218,918)	(214,686)
<b>Total Shareholders' Equity</b>		<b>373,428</b>	<b>359,652</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 756,228</b>	<b>\$ 735,125</b>

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

# Altus Group Limited



## Interim Condensed Consolidated Statements of Changes in Equity For the Six Months Ended June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars)

	Notes	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Shareholders' Equity
<b>As at January 1, 2019</b>		\$ 491,542	\$ 21,882	\$ 54,558	\$ (209,556)	\$ 358,426
Profit (loss) for the period		-	-	-	12,886	12,886
Other comprehensive income (loss), net of tax:						
Currency translation differences		-	-	(12,894)	-	(12,894)
Change in fair value of FVOCI investments		-	-	1,171	-	1,171
<b>Total comprehensive income (loss) for the period</b>		-	-	(11,723)	12,886	1,163
Transactions with owners:						
Dividends declared		-	-	-	(11,905)	(11,905)
Share-based compensation		-	4,715	-	-	4,715
Dividend Reinvestment Plan		3,454	-	-	-	3,454
Shares issued on exercise of options		1,272	(203)	-	-	1,069
Shares issued under the Equity Compensation Plan		4,818	(2,891)	-	-	1,927
Treasury shares reserved for share-based compensation		(6,195)	-	-	-	(6,195)
Release of treasury shares under the Restricted Share Plan		3,016	(2,914)	-	-	102
Gain (loss) on sale of RSs and shares held in escrow		-	(35)	-	-	(35)
		6,365	(1,328)	-	(11,905)	(6,868)
<b>As at June 30, 2019</b>		\$ 497,907	\$ 20,554	\$ 42,835	\$ (208,575)	\$ 352,721
<b>As at January 1, 2020</b>		\$ 509,646	\$ 24,447	\$ 40,245	\$ (214,686)	\$ 359,652
Profit (loss) for the period		-	-	-	7,920	7,920
Other comprehensive income (loss), net of tax:						
Currency translation differences		-	-	8,672	-	8,672
Change in fair value of FVOCI investments		-	-	(987)	-	(987)
<b>Total comprehensive income (loss) for the period</b>		-	-	7,685	7,920	15,605
Transactions with owners:						
Dividends declared	17	-	-	-	(12,152)	(12,152)
Share-based compensation	15	-	6,342	-	-	6,342
Dividend Reinvestment Plan	14	781	-	-	-	781
Shares issued on exercise of options	14, 15	8,336	(1,283)	-	-	7,053
Shares issued under the Long-Term Equity Incentive Plan	14, 15	2,608	(2,098)	-	-	510
Treasury shares reserved for share-based compensation	14, 15	(4,527)	-	-	-	(4,527)
Release of treasury shares under the Restricted Share Plan	14, 15	3,645	(3,489)	-	-	156
Gain (loss) on sale of RSs and shares held in escrow		-	8	-	-	8
		10,843	(520)	-	(12,152)	(1,829)
<b>As at June 30, 2020</b>		\$ 520,489	\$ 23,927	\$ 47,930	\$ (218,918)	\$ 373,428

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

## Interim Condensed Consolidated Statements of Cash Flows For the Six Months Ended June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars)

	Notes	Six months ended June 30	
		2020	2019
<b>Cash flows from operating activities</b>			
Profit (loss) before income taxes from continuing operations		\$ 17,158	\$ 17,662
Profit (loss) before income taxes from discontinued operations	8	(5,170)	(289)
Profit (loss) before income taxes		\$ 11,988	\$ 17,373
Adjustments for:			
Depreciation of right-of-use assets		5,738	6,949
Depreciation of property, plant and equipment		2,838	3,597
Amortization of intangibles		12,876	15,772
Finance costs (income), net - leases	6	1,356	1,445
Finance costs (income), net - other	6	2,576	3,368
Share-based compensation	15	6,342	4,715
Unrealized foreign exchange (gain) loss		64	1,127
(Gain) loss on investments	10	(90)	(95)
(Gain) loss on disposal of property, plant and equipment and intangibles		24	292
(Gain) loss on equity derivatives and interest rate swaps		(573)	(4,069)
Share of (profit) loss of joint venture	11	(8)	-
Impairment charge - leases		36	-
Fair value loss (gain) on net assets directly associated with discontinued operations	8	5,224	-
(Gain) loss on sale of the discontinued operations	8	(483)	-
Net changes in operating working capital		(30,585)	(35,803)
Net cash generated by (used in) operations		17,323	14,671
Less: interest paid on borrowings		(2,138)	(2,360)
Less: interest paid on leases		(1,356)	(1,445)
Less: income taxes paid		(4,559)	(7,508)
Add: income taxes refunded		639	1,774
<b>Net cash provided by (used in) operating activities</b>		<b>9,909</b>	<b>5,132</b>
<b>Cash flows from financing activities</b>			
Proceeds from exercise of options	14, 15	7,053	1,069
Financing fees paid		(553)	-
Proceeds from borrowings	13	38,135	21,600
Repayment of borrowings	13	(16,264)	(831)
Payments of principal on lease liabilities		(7,604)	(5,654)
Dividends paid	17	(11,320)	(8,384)
Treasury shares purchased under the Restricted Share Plan	14, 15	(4,017)	(4,268)
<b>Net cash provided by (used in) financing activities</b>		<b>5,430</b>	<b>3,532</b>
<b>Cash flows from investing activities</b>			
Purchase of investments	10	(181)	(525)
Cash contribution to investment in joint venture	8	(1,150)	-
Purchase of intangibles		(66)	(149)
Purchase of property, plant and equipment		(1,660)	(2,405)
Proceeds from disposal of property, plant and equipment and intangibles		96	70
<b>Net cash provided by (used in) investing activities</b>		<b>(2,961)</b>	<b>(3,009)</b>
Effect of foreign currency translation		1,426	(2,834)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>13,804</b>	<b>2,821</b>
Cash and cash equivalents, beginning of period		60,262	48,738
<b>Cash and cash equivalents, end of period</b>		<b>\$ 74,066</b>	<b>\$ 51,559</b>

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



# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020 and 2019

(Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 1. Business and Structure

Altus Group Limited (the "Company") is a leading provider of software, data solutions and independent advisory services to the global commercial real estate ("CRE") industry. The Company's businesses, Altus Analytics and Commercial Real Estate Consulting, reflect decades of experience, a range of expertise, and technology-enabled capabilities. The Company's solutions empower clients to analyze, gain insight and recognize value on their real estate investments. Headquartered in Canada, the Company has approximately 2,200 employees around the world, with operations in North America, Europe and Asia Pacific. The Company's clients include many of the world's largest CRE industry participants.

During the period, the Company conducted its business through three business units: Altus Analytics, Commercial Real Estate Consulting and Geomatics. Effective June 27, 2020, the Company combined its Geomatics business segment with WSP Global Inc.'s ("WSP") respective geomatics business unit. The combined entity launched as GeoVerra Inc. ("GeoVerra"), forming a Canadian geomatics firm with employees in offices in Western Canada and Ontario, with the Company receiving a 49.5% equity interest and 50% of the voting rights (Note 11). Accordingly, Geomatics is presented as discontinued operations (Note 8). The Company continues to conduct its business through its two remaining business units: Altus Analytics and Commercial Real Estate Consulting.

The address of the Company's registered office is 33 Yonge Street, Suite 500, Toronto, Ontario, Canada. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol AIF and is domiciled in Canada.

"Altus Group" refers to the consolidated operations of the Company.

### 2. Basis of Preparation

These interim condensed consolidated financial statements ("interim financial statements") as at and for the period ended June 30, 2020 follow the same accounting policies and methods of their application as those used in the Company's most recent audited annual consolidated financial statements as at and for the year ended December 31, 2019, except for those identified under Changes in Significant Accounting Policies and Estimates (Note 4).

These interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Accordingly, they do not include all of the information and disclosures required in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), and should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2019.



## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020 and 2019

(Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 2. Basis of Preparation, cont'd

These interim financial statements were approved by the Board of Directors for issue on August 12, 2020.

### 3. Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. It also requires management to exercise judgment in applying the Company's accounting policies and the reported amounts of assets and liabilities, revenue and expenses, and related disclosures. Estimates and judgments are continually evaluated and are based on current facts, historical experience and other factors, including expectations of future events that are believed are reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The following are management's most significant estimates and assumptions in determining the value of assets and liabilities and the most significant judgments in applying its accounting policies: revenue recognition and determination and allocation of the transaction price, impairment of trade receivables and contract assets, estimated impairment of goodwill, determination of purchase price allocations and contingent consideration, and income taxes.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. The continued spread of this contagious disease outbreak and related public health developments have adversely affected workforces, economies, and financial markets globally, leading to an economic downturn and to legislative and regulatory changes that has impacted the Company's business and operations. The duration and magnitude of the impact of the outbreak and its potential adverse effects on the Company's business or results of operations continue to be uncertain and will depend on future developments. Judgments made in these interim financial statements reflect management's best estimates as of the period end, taking into consideration the most significant judgments that may be directly impacted by COVID-19. The following are management's significant estimates and assumptions that could be impacted most by COVID-19: revenue recognition and determination and allocation of the transaction price, impairment of trade receivables and contract assets, and estimated impairment of goodwill.

Refer to Note 4, "Changes in Significant Accounting Policies and Estimates", for a discussion of newly adopted accounting pronouncements and accounting policies.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020 and 2019

(Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 4. Changes in Significant Accounting Policies and Estimates

#### Discontinued Operations

A discontinued operation is a component of the Company's business, with operations and cash flows that are distinguishable from those of the rest of the Company, and which represents a separate major line of business or geographical area of operations, and which is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively for resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the major line of business or geographical operation meets the criteria to be classified as assets held for sale or distribution. When an operation is classified as a discontinued operation, IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, requires that the comparative statements of comprehensive income (loss) are re-presented as if the operation was discontinued from the start of the comparative year. As a result, the Company's discontinued operations are excluded from the profit (loss) from continuing operations and are presented as an amount, net of tax, as profit (loss) from discontinued operations in the statements of comprehensive income (loss). Furthermore, the Company has made the accounting policy choice to present net cash flows related to its discontinued operations in the notes to the interim financial statements.

#### Investment in Joint Venture

Joint ventures are joint arrangements over which the Company has joint control along with the other parties to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company's investment in its joint venture, GeoVerra, was initially recognized at fair value and accounted for using the equity method.

Accordingly, the Company's share of (profit) loss of joint venture subsequent to the initial combination is recognized in profit or loss, and its share of movements in other comprehensive income (loss), if any, is recognized in other comprehensive income (loss). Such movements are adjusted against the carrying amount of the Company's investment in its joint venture.

Unrealized gains on transactions between the Company and its joint venture are eliminated to the extent of the Company's interest in the joint venture. Unrealized losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred. The accounting policies adopted by the joint venture have been changed where necessary to ensure consistency with the Company's accounting policies.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020 and 2019

(Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 4. Changes in Significant Accounting Policies and Estimates, cont'd

The Company reviews its investment in its joint venture for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If impaired, the carrying amount of the Company's investment in its joint venture is written down to its estimated recoverable amount, being the higher of fair value less costs to sell and value in use, and charged to profit or loss.

#### Government Grants

Government grants that compensate or reimburse the Company for expenses incurred are recorded as a reduction of the related expense when there is reasonable assurance of their ultimate realization.

#### Adoption of Recent Accounting Pronouncements

##### *Amendment to IFRS 16, COVID-19-Related Rent Concessions*

In May 2020, the International Accounting Standards Board ("IASB") issued an amendment to permit lessees, as a practical expedient, not to assess whether particular rent concessions that reduce lease payments occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

The amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The amendment did not have an impact on the interim financial statements.

##### *Amendments to IFRS 3, Business Combinations*

In October 2018, the IASB issued amendments to the guidance in IFRS 3, *Business Combinations*, which revise the definition of a business for acquisition accounting purposes. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. To be considered a business without outputs, there will now need to be an organized workforce present. Under the new standard, the changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions.

The amendments to IFRS 3 are effective for business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting periods beginning on or after January 1, 2020. The Company will assess the impact of this standard on a case-by-case basis upon future acquisitions performed but does not anticipate a material impact due to the nature and structure of its historical acquisitions.

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020 and 2019

(Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 4. Changes in Significant Accounting Policies and Estimates, cont'd

#### *Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform*

In September 2019, the IASB issued amendments to IFRS 7, *Financial Instruments and Disclosures*, IFRS 9, *Financial Instruments*, and IAS 39, *Financial Instruments: Recognition and Measurement*, to provide reliefs applying to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or hedging instrument.

These amendments are effective for annual periods beginning on or after January 1, 2020. The amendments had no impact on the interim financial statements.

#### *Amendments to IAS 1 and IAS 8: Definition of Material*

In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

These amendments are effective for annual periods beginning on or after January 1, 2020. The amendments to the definition of material did not have a significant impact on the interim financial statements.

#### **Future Accounting Pronouncements**

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

#### *Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Deferral of Effective Date*

In January 2020, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments:

- specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months;
- provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and
- clarify when a liability is considered settled.

## Notes to Interim Condensed Consolidated Financial Statements

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(Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 4. Changes in Significant Accounting Policies and Estimates, cont'd

On July 15, 2020, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2023 and is to be applied retrospectively. The Company has not yet determined the impact of these amendments on its financial statements.

#### *Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract*

In May 2020, the IASB issued amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, to specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract, and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The new guidance will be effective for annual periods beginning on or after January 1, 2022 and is to be applied to contracts that have unfulfilled obligations as at the beginning of that period. The Company has not yet determined the impact of these amendments on its financial statements.

### 5. Segmented Information

The segmentation reflects the way the CEO allocates resources and assesses performance. The CEO considers the business from a core service perspective. The areas of core service are Altus Analytics and Commercial Real Estate Consulting. As the Company combined its Geomatics business segment with WSP's respective business unit to launch GeoVerra on June 27, 2020, the Geomatics business is no longer considered core and is presented as discontinued operations in these interim financial statements (Notes 4, 8 and 20). Accordingly, the results of the Geomatics business are not reflected in the segmented information presented.

Altus Analytics provides data, analytics software and technology-related services. Proprietary data and data analytics platforms provide comprehensive real estate information and enable performance reviews, benchmarking and attribution analysis of commercial real estate portfolios. Software, such as ARGUS branded products, represents comprehensive global solutions for managing commercial real estate portfolios and improve the visibility and flow of information throughout critical processes.

Commercial Real Estate Consulting services provides Property Tax, and Valuation and Cost Advisory services that span the life cycle of commercial real estate - feasibility, development, acquisition, management and disposition. Property Tax performs assessment reviews, management, appeals and personal property and state and local tax advisory services. Valuation and Cost Advisory provides appraisals of real estate portfolios, valuation of properties for transactional purposes, due diligence and litigation and economic consulting, in addition to services in the areas of construction feasibility studies, budgeting, cost and loan monitoring and project management.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020 and 2019

(Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 5. Segmented Information, cont'd

The accounting policies of the segments are the same as those applied in these interim financial statements. Revenue transactions between segments are valued at market rates and eliminated on consolidation. Revenues represent those recognized from contracts with customers.

The CEO assesses the performance of the operating segments based on a measure of Adjusted EBITDA. This measurement basis represents profit (loss) from continuing operations before income taxes, adjusted for the effects of: occupancy costs calculated on a similar basis prior to the adoption of IFRS 16, finance costs (income), net - other, depreciation of property, plant and equipment and amortization of intangibles, depreciation of right-of-use assets, finance costs (income), net - leases, acquisition and related transition costs (income), unrealized foreign exchange (gains) losses, (gains) losses on disposal of property, plant and equipment and intangibles, share of (profit) loss of joint venture, impairment charges, non-cash Equity Compensation Plan and Long-Term Equity Incentive Plan costs, (gains) losses on equity derivatives net of mark-to-market adjustments on related restricted share units ("RSUs") and deferred share units ("DSUs") being hedged, (gains) losses on derivatives, restructuring costs (recovery), (gains) losses on investments, (gains) losses on hedging transactions, and other costs or income of a non-operating and/or non-recurring nature.

Subsequent to the classification of the Geomatics business as discontinued operations and the launch of GeoVerra, the measurement of Adjusted EBITDA has been modified to reflect adjustments for: profit (loss) from discontinued operations and share of (profit) loss of joint venture.

## Notes to Interim Condensed Consolidated Financial Statements June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 5. Segmented Information, cont'd

The following table provides a reconciliation between Adjusted EBITDA and profit (loss):

	Three months ended June 30		Six months ended June 30	
	2020	2019 <sup>(1)</sup>	2020	2019 <sup>(1)</sup>
<b>Adjusted EBITDA</b>	\$ 34,899	\$ 30,036	\$ 48,147	\$ 43,593
Occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 <sup>(2)</sup>	3,194	3,135	6,236	6,120
Depreciation of right-of-use assets	(2,814)	(3,041)	(5,686)	(6,317)
Depreciation of property, plant and equipment and amortization of intangibles	(7,885)	(8,578)	(15,602)	(17,994)
Acquisition and related transition (costs) income	-	(171)	1,176	(153)
Unrealized foreign exchange gain (loss) <sup>(3)</sup>	(836)	(633)	(64)	(1,127)
Gain (loss) on disposal of property, plant and equipment and intangibles <sup>(3)</sup>	(10)	(42)	(24)	(315)
Share of profit (loss) of joint venture	8	-	8	-
Non-cash Equity Compensation Plan and Long-Term Equity Incentive Plan costs <sup>(4)</sup>	(2,353)	(1,538)	(3,868)	(2,714)
Gain (loss) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged <sup>(4)</sup>	67	1,014	(697)	935
Restructuring (costs) recovery	(7,480)	296	(7,455)	296
Gain (loss) on investments <sup>(5)</sup>	(35)	(12)	90	95
Impairment charge - leases	(36)	(34)	(36)	(34)
Other non-operating and/or non-recurring income (costs) <sup>(6)</sup>	(368)	-	(1,189)	-
<b>Earnings (loss) from continuing operations before finance costs and income taxes</b>	<b>16,351</b>	<b>20,432</b>	<b>21,036</b>	<b>22,385</b>
Finance (costs) income, net - leases	(631)	(668)	(1,291)	(1,355)
Finance (costs) income, net - other	(1,080)	(1,718)	(2,587)	(3,368)
<b>Profit (loss) from continuing operations before income taxes</b>	<b>14,640</b>	<b>18,046</b>	<b>17,158</b>	<b>17,662</b>
Income tax (expense) recovery	(3,307)	(5,327)	(4,068)	(4,487)
<b>Profit (loss) for the period from continuing operations</b>	<b>\$ 11,333</b>	<b>\$ 12,719</b>	<b>\$ 13,090</b>	<b>\$ 13,175</b>
Profit (loss) for the period from discontinued operations	266	602	(5,170)	(289)
<b>Profit (loss) for the period</b>	<b>\$ 11,599</b>	<b>\$ 13,321</b>	<b>\$ 7,920</b>	<b>\$ 12,886</b>

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 4, 8 and 20).

<sup>(2)</sup> Management uses the non-GAAP occupancy costs calculated on a similar basis prior to the adoption of IFRS 16 when analyzing operating performance, which may provide useful information to investors in measuring the Company's financial performance.

<sup>(3)</sup> Included in office and other operating expenses in the interim condensed consolidated statements of comprehensive income (loss).

<sup>(4)</sup> Included in employee compensation expenses in the interim condensed consolidated statements of comprehensive income (loss).

<sup>(5)</sup> Gain (loss) on investments relates to changes in the fair value of investments in partnerships.

<sup>(6)</sup> Other non-operating and/or non-recurring income (costs) for the three months ended June 30, 2020 relate to (i) legal, advisory, and other consulting costs related to a Board strategic initiative, and (ii) transaction and other related costs. For the six months ended June 30, 2020, other non-operating and/or non-recurring income (costs) relate to (i) transitional costs related to the departure of a senior executive, (ii) legal, advisory, and other consulting costs related to a Board strategic initiative, and (iii) transaction and other related costs. These are included in office and other operating expenses in the interim condensed consolidated statements of comprehensive income (loss).



# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 5. Segmented Information, cont'd

The following summary presents certain financial information regarding the Company's segments:

#### Segment Revenues and Expenditures

	Three months ended June 30, 2020						
	Altus Analytics	Commercial Real Estate	Valuation and Cost Advisory	Consulting	Corporate <sup>(1)</sup>	Eliminations	Total
		Property Tax		Total			
Revenues from external customers	\$ 51,157	\$ 76,873	\$ 27,440	\$ 104,313	\$ -	\$ -	\$ 155,470
Inter-segment revenues	139	1	(61)	(60)	-	(79)	-
<b>Total segment revenues</b>	<b>51,296</b>	<b>76,874</b>	<b>27,379</b>	<b>104,253</b>	<b>-</b>	<b>(79)</b>	<b>155,470</b>
<b>Adjusted EBITDA</b>	<b>9,651</b>	<b>33,954</b>	<b>3,318</b>	<b>37,272</b>	<b>(12,024)</b>	<b>-</b>	<b>34,899</b>
Depreciation of right-of-use assets	1,218	831	693	1,524	72	-	2,814
Depreciation of property, plant and equipment and amortization of intangibles	3,643	3,253	603	3,856	386	-	7,885
Finance costs (income), net - leases	42	190	157	347	242	-	631
Finance costs (income), net - other	-	-	-	-	1,080	-	1,080
Income tax expense (recovery)	-	-	-	-	3,307	-	3,307

<sup>(1)</sup> Corporate includes global corporate office costs, finance costs (income), net - other and income tax expense (recovery). For the three months ended June 30, 2020, Corporate also includes accrued bonuses that relate to the Company's continuing operations. The allocation to various business units will be determined at year-end and allocated at that time accordingly.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 5. Segmented Information, cont'd

	Three months ended June 30, 2019						
	Altus Analytics	Commercial Property Tax	Real Estate Valuation and Cost Advisory	Consulting Total	Corporate <sup>(1)(2)</sup>	Eliminations	Total <sup>(2)</sup>
Revenues from external customers	\$ 50,035	\$ 65,288	\$ 27,808	\$ 93,096	\$ -	\$ -	\$ 143,131
Inter-segment revenues	128	-	(30)	(30)	-	(98)	-
<b>Total segment revenues</b>	<b>50,163</b>	<b>65,288</b>	<b>27,778</b>	<b>93,066</b>	<b>-</b>	<b>(98)</b>	<b>143,131</b>
<b>Adjusted EBITDA</b>	<b>11,206</b>	<b>28,516</b>	<b>3,485</b>	<b>32,001</b>	<b>(13,171)</b>	<b>-</b>	<b>30,036</b>
Depreciation of right-of-use assets <sup>(3)</sup>	1,093	895	800	1,695	253	-	3,041
Depreciation of property, plant and equipment and amortization of intangibles	3,162	4,489	579	5,068	348	-	8,578
Finance costs (income), net - leases <sup>(3)</sup>	199	201	179	380	89	-	668
Finance costs (income), net - other	-	-	-	-	1,718	-	1,718
Income tax expense (recovery)	-	-	-	-	5,327	-	5,327

<sup>(1)</sup> Corporate includes global corporate office costs, finance costs (income), net - other and income tax expense (recovery). For the three months ended June 30, 2019, Corporate also includes accrued bonuses that relate to the Company's continuing operations. The allocation to various business units will be determined at year-end and allocated at that time accordingly.

<sup>(2)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 4, 8 and 20).

<sup>(3)</sup> Comparative figures have been restated to reflect the allocation to various business units for Corporate and shared leases previously reported within Corporate.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 5. Segmented Information, cont'd

	Six months ended June 30, 2020						
	Altus Analytics	Commercial Property Tax	Real Estate and Cost Advisory	Consulting Total	Corporate <sup>(1)</sup>	Eliminations	Total
Revenues from external customers	\$ 102,746	\$ 129,469	\$ 54,511	\$ 183,980	\$ -	\$ -	\$ 286,726
Inter-segment revenues	269	1	(117)	(116)	-	(153)	-
<b>Total segment revenues</b>	<b>103,015</b>	<b>129,470</b>	<b>54,394</b>	<b>183,864</b>	<b>-</b>	<b>(153)</b>	<b>286,726</b>
<b>Adjusted EBITDA</b>	<b>18,923</b>	<b>44,518</b>	<b>6,095</b>	<b>50,613</b>	<b>(21,389)</b>	<b>-</b>	<b>48,147</b>
Depreciation of right-of-use assets	2,308	1,703	1,396	3,099	279	-	5,686
Depreciation of property, plant and equipment and amortization of intangibles	6,931	6,726	1,193	7,919	752	-	15,602
Finance costs (income), net - leases	265	388	319	707	319	-	1,291
Finance costs (income), net - other	-	-	-	-	2,587	-	2,587
Income tax expense (recovery)	-	-	-	-	4,068	-	4,068

<sup>(1)</sup> Corporate includes global corporate office costs, finance costs (income), net - other and income tax expense (recovery). For the six months ended June 30, 2020, Corporate also includes accrued bonuses that relate to the Company's continuing operations. The allocation to various business units will be determined at year-end and allocated at that time accordingly.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 5. Segmented Information, cont'd

	Six months ended June 30, 2019						
	Altus Analytics	Commercial Property Tax	Real Estate Valuation and Cost Advisory	Consulting Total	Corporate <sup>(1)(2)</sup>	Eliminations	Total <sup>(2)</sup>
Revenues from external customers	\$ 96,652	\$ 109,986	\$ 53,841	\$ 163,827	\$ -	\$ -	\$ 260,479
Inter-segment revenues	292	-	(88)	(88)	-	(204)	-
<b>Total segment revenues</b>	96,944	109,986	53,753	163,739	-	(204)	260,479
<b>Adjusted EBITDA</b>	21,027	38,114	5,985	44,099	(21,533)	-	43,593
Depreciation of right-of-use assets <sup>(3)</sup>	2,135	1,923	1,697	3,620	562	-	6,317
Depreciation of property, plant and equipment and amortization of intangibles	6,566	9,212	1,341	10,553	875	-	17,994
Finance costs (income), net - leases <sup>(3)</sup>	400	409	366	775	180	-	1,355
Finance costs (income), net - other	-	-	-	-	3,368	-	3,368
Income tax expense (recovery)	-	-	-	-	4,487	-	4,487

<sup>(1)</sup> Corporate includes global corporate office costs, finance costs (income), net - other and income tax expense (recovery). For the six months ended June 30, 2019, Corporate also includes accrued bonuses that relate to the Company's continuing operations. The allocation to various business units will be determined at year-end and allocated at that time accordingly.

<sup>(2)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 4, 8 and 20).

<sup>(3)</sup> Comparative figures have been restated to reflect the allocation to various business units for Corporate and shared leases previously reported within Corporate.

## Notes to Interim Condensed Consolidated Financial Statements June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 6. Finance Costs (Income), Net

	Three months ended June 30		Six months ended June 30	
	2020	2019 <sup>(1)</sup>	2020	2019 <sup>(1)</sup>
Interest on bank credit facilities	\$ 1,052	\$ 1,433	\$ 2,377	\$ 2,713
Interest on lease liabilities	631	668	1,291	1,355
Contingent consideration payables: unwinding of discount (Note 18)	57	157	102	315
Provisions: unwinding of discount (Note 12)	10	52	28	69
Change in fair value of interest rate swaps	(16)	100	138	410
<b>Finance costs</b>	<b>1,734</b>	<b>2,410</b>	<b>3,936</b>	<b>4,862</b>
<b>Finance income</b>	<b>(23)</b>	<b>(24)</b>	<b>(58)</b>	<b>(139)</b>
<b>Finance costs (income), net</b>	<b>\$ 1,711</b>	<b>\$ 2,386</b>	<b>\$ 3,878</b>	<b>\$ 4,723</b>

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 4, 5, 8 and 20).

### 7. Income Taxes

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
<b>Income tax expense (recovery)</b>				
Current	\$ 5,116	\$ 7,322	\$ 4,500	\$ 6,289
Deferred	(1,809)	(1,995)	(432)	(1,802)
	\$ 3,307	\$ 5,327	\$ 4,068	\$ 4,487

### 8. Discontinued Operations

On January 21, 2020, the Company announced its intention to combine its Geomatics business segment with WSP's respective geomatics business unit. Effective June 27, 2020, the combined entity launched as GeoVerra Inc., forming a Canadian geomatics firm with employees in offices in Western Canada and Ontario, with the Company receiving a 49.5% equity interest and 50% of the voting rights (Note 11). Accordingly, the comparative interim condensed consolidated statement of comprehensive income (loss) has been re-presented separately between continuing and discontinued operations. Furthermore, the Geomatics segment is no longer presented in the segmented information (Note 5), and the Company has made an accounting policy choice to present details of net cash flows from discontinued operations in this note to the interim financial statements. Unless otherwise specified, all other notes to the interim financial statements do not include amounts from discontinued operations.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020 and 2019

(Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 8. Discontinued Operations, cont'd

Financial information relating to the discontinued operations for the period is set out below.

The results of the Geomatics business presented as profit (loss) for the period from discontinued operations in the interim condensed consolidated statements of comprehensive income (loss) are as follows:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
<b>Revenues</b>	\$ 5,994	\$ 10,523	\$ 13,962	\$ 21,173
<b>Expenses</b>				
Employee compensation <sup>(1)</sup>	2,338	6,552	8,228	13,593
Occupancy	155	221	333	415
Office and other operating	2,170	2,554	4,381	5,514
Depreciation of right-of-use assets	-	258	52	632
Depreciation of property, plant and equipment	-	473	111	928
Amortization of intangibles	-	(25)	1	447
Restructuring costs (recovery)	807	(157)	1,231	(157)
Finance costs (income), net - leases	27	45	65	90
Finance costs (income), net - other	(3)	-	(11)	-
Fair value loss (gain) on net assets directly associated with discontinued operations	717	-	5,224	-
(Gain) loss on sale of the discontinued operations	(483)	-	(483)	-
<b>Profit (loss) for the period from discontinued operations</b>	\$ 266	\$ 602	\$ (5,170)	\$ (289)

<sup>(1)</sup> During the three and six months ended June 30, 2020, the Geomatics business recorded government grants related to COVID-19 wage subsidies of \$2,576 as a reduction to employee compensation expense.

Following the classification of the Geomatics business segment as discontinued operations on January 21, 2020 to its disposal on June 27, 2020 in exchange for the Company's investment in GeoVerra, fair value losses of \$5,224 were recognized in profit (loss) from discontinued operations during the period to reduce the carrying value of the assets held for sale to the lower of their carrying value or their fair value less costs to sell.

## Notes to Interim Condensed Consolidated Financial Statements June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 8. Discontinued Operations, cont'd

The net cash flows provided by (used in) the Geomatics discontinued operations to the date of disposal are as follows:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Net cash provided by (used in) operating activities	\$ 1,606	\$ 1,699	\$ 3,145	\$ 1,111
Net cash provided by (used in) financing activities	(396)	(280)	(651)	(597)
Net cash provided by (used in) investing activities	(1,285)	(290)	(1,429)	(835)
<b>Cash flows from discontinued operations</b>	<b>\$ (75)</b>	<b>\$ 1,129</b>	<b>\$ 1,065</b>	<b>\$ (321)</b>

The assets and liabilities disposed of in connection with the Geomatics business in exchange for the Company's interest in GeoVerra on June 27, 2020 (Note 11), subject to closing adjustments and final agreement with WSP, are as follows:

	June 30, 2020
<b>Consideration received:</b>	
Common shares of joint venture	\$ 14,850
<b>Assets and liabilities contributed:</b>	
Cash and cash equivalents	1,150
Trade receivables and other	11,020
Right-of-use assets	2,912
Property, plant and equipment	5,175
Intangibles	9
Trade payables and other	(2,231)
Lease liabilities	(3,395)
Borrowings	(273)
<b>Total net assets contributed</b>	<b>\$ 14,367</b>
Gain on sale of the discontinued operations	\$ 483



# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 9. Trade Receivables and Other

	June 30, 2020	December 31, 2019
Trade receivables	\$ 145,530	\$ 127,462
Less: loss allowance provision	14,788	10,924
Trade receivables, net	130,742	116,538
Contract assets: unbilled revenue on customer contracts <sup>(1)</sup>	51,836	53,136
Deferred costs to obtain customer contracts	1,807	1,745
Prepayments	11,127	12,516
Due from related party (GeoVerra)	1,539	-
Other receivables	2,413	1,716
	199,464	185,651
Less: non-current portion	1,417	3,696
	\$ 198,047	\$ 181,955

<sup>(1)</sup> On June 30, 2020, contract assets are stated net of expected credit losses of \$1,682 (2019 - \$1,364).

For the three and six months ended June 30, 2020, \$344 and \$781, respectively, of amortization associated with deferred costs to obtain customer contracts was expensed to the interim condensed consolidated statements of comprehensive income (loss) (2019 - \$181 and \$356, respectively). For the three and six months ended June 30, 2020 and 2019, no impairment losses on deferred costs were recognized.

### 10. Investments

	June 30, 2020	December 31, 2019
Investments in equity instruments	\$ 8,364	\$ 9,288
Investments in partnerships	2,520	2,193
	\$ 10,884	\$ 11,481

During the six months ended June 30, 2020, the Company contributed \$181 towards capital in various partnerships.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020 and 2019

(Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 11. Investment in Joint Venture

During the three months ended June 30, 2020, the Company obtained a 49.5% interest (that provides joint control through an equal 50% of the voting rights) in GeoVerra, a joint venture offering a broad variety of geomatics services across Canada, by contributing certain assets and liabilities of the Company's Geomatics discontinued operations (Note 8). WSP contributed an equal amount of net assets that have a similar nature to those contributed by the Company. The activity in the Company's investment in GeoVerra during the year is as follows:

		Amount
Balance as at January 1, 2020	\$	-
Investment in joint venture on June 27, 2020 (Note 8)		14,850
Share of profit (loss)		8
<b>Balance as at June 30, 2020</b>	<b>\$</b>	<b>14,858</b>

### 12. Trade Payables and Other

	June 30, 2020	December 31, 2019
Trade payables	\$ 6,731	\$ 9,936
Accrued expenses	72,638	79,689
Contract liabilities: deferred revenue	40,524	40,321
Due to related party (GeoVerra)	2,767	-
Contingent consideration payables (Note 18)	60	7,667
Dividends payable (Note 17)	6,080	6,029
Provisions	6,445	1,121
	<b>135,245</b>	<b>144,763</b>
Less non-current portion:		
Accrued expenses	12,222	11,937
Contract liabilities: deferred revenue	3,095	1,458
Contingent consideration payables	-	2,289
Provisions	502	513
	<b>15,819</b>	<b>16,197</b>
	<b>\$ 119,426</b>	<b>\$ 128,566</b>

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 12. Trade Payables and Other, cont'd

Provisions consist of:

	Restructuring	Other	Total
Balance as at January 1, 2020	\$ 953	\$ 168	\$ 1,121
Charged to profit or loss:			
Additional provisions, net of releases <sup>(1)</sup>	8,686	-	8,686
Unwinding of discount (Note 6) <sup>(2)</sup>	27	6	33
Used during the period	(3,405)	-	(3,405)
Exchange differences	7	3	10
<b>Balance as at June 30, 2020</b>	<b>6,268</b>	<b>177</b>	<b>6,445</b>
Less: non-current portion	(325)	(177)	(502)
	<b>\$ 5,943</b>	<b>\$ -</b>	<b>\$ 5,943</b>

<sup>(1)</sup> During the three and six months ended June 30, 2020, \$807 and \$1,231 were charged to restructuring costs (recovery) in discontinued operations (Note 8).

<sup>(2)</sup> During the three and six months ended June 30, 2020, \$2 and \$5 were charged to finance costs (income), net - other in discontinued operations (Note 8).

#### **Restructuring**

During the three months ended June 30, 2020, the Company initiated a global restructuring program across all of its business segments which resulted in restructuring costs of \$7,480 of which \$3,911 related to Altus Analytics and the balance to CRE Consulting and Corporate segments. These costs relate primarily to employee severance costs. The restructuring was planned as part of the Company's strategy to focus and invest in technology and investment services platforms.

## Notes to Interim Condensed Consolidated Financial Statements June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 13. Borrowings

	June 30, 2020	December 31, 2019
Bank credit facilities	\$ 160,000	\$ 138,000
Leasehold improvement loans	-	403
Less: deferred financing fees	654	140
	159,346	138,263
Less non-current portion:		
Bank credit facilities	160,000	-
Leasehold improvement loans	-	334
Less: deferred financing fees	654	-
	159,346	334
	\$ -	\$ 137,929

#### *Amendment to bank credit facilities*

On March 24, 2020, the Company amended its bank credit facilities to further strengthen its financial and liquidity position. The amended credit facilities increase the Company's borrowing capacity to \$275,000 from \$200,000, with certain provisions that allow the Company to further increase the limit to \$350,000. The amended agreement extends the term by three years expiring March 24, 2023, with an additional two-year extension at the Company's option. The other significant amendment is that the bank credit facilities are unsecured.

Loans bear interest at a floating rate, based on the Canadian Prime rates, Canadian Bankers' Acceptance rates, U.S. Base rates or LIBOR rates plus, in each case, an applicable margin to those rates. The applicable margin for Canadian Bankers' Acceptance and LIBOR borrowings depends on a trailing four-quarter calculation of the funded debt to EBITDA ratio. The amended bank credit facilities require the Company to comply with the following financial ratios:

- Maximum Funded Debt to EBITDA ratio: maximum of 4.00:1
- Minimum Interest Coverage ratio: minimum of 3.00:1

As at June 30, 2020, the Company was in compliance with the financial covenants of the amended bank credit facilities, which are summarized below:

	June 30, 2020
Funded debt to EBITDA (maximum of 4.00:1)	1.65:1
Interest coverage (minimum of 3.00:1)	18.17:1

In addition, the Company and certain of its subsidiaries, collectively the guarantors, must account for at least 80% of consolidated revenues on a trailing 12-month basis.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020 and 2019

(Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 14. Share Capital

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares, issuable in series. The common shares have no par value. Common shares issued and outstanding are as follows:

	Common Shares	
	Number of Shares	Amount
Balance as at January 1, 2020	39,826,600	\$ 509,646
Issued on exercise of options (Note 15)	257,396	8,336
Issued under the Dividend Reinvestment Plan	19,863	781
Issued under the Long-Term Equity Incentive Plan	66,013	2,608
Treasury shares reserved under the Restricted Share Plan	(55,543)	(4,017)
Treasury shares reserved under the Long-Term Equity Incentive Plan	(7,007)	(510)
Release of treasury shares	81,523	3,645
<b>Balance as at June 30, 2020</b>	<b>40,188,845</b>	<b>\$ 520,489</b>

The 40,188,845 common shares as at June 30, 2020 are net of 345,891 treasury shares with a carrying value of \$17,078 that are being held by the Company until vesting conditions are met (Note 15).

### 15. Share-based Compensation

The activity in the Company's share-based compensation plans during the period is as follows:

#### (i) Executive Compensation Plan and Long-Term Equity Incentive Plan

On May 6, 2020, the Company's shareholders approved a resolution to increase the number of authorized common shares to be reserved for issuance under the Company's Long-Term Equity Incentive Plan and to ratify the grant of awards made under it to executives and key employees. The resolution increases the maximum number of common shares reserved for issuance by 1,850,000 to 4,075,000.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 15. Share-based Compensation, cont'd

The following is a summary of the Company's share option activity:

	Number of Options Outstanding	Weighted Average Exercise Price
Balance as at January 1, 2020	1,579,283	\$28.98
Granted	522,199	\$45.11
Exercised	(257,396)	\$27.41
Expired/Forfeited	(12,978)	\$32.43
<b>Balance as at June 30, 2020</b>	<b>1,831,108</b>	<b>\$33.77</b>

Information about the Company's share options outstanding and exercisable as at June 30, 2020 is as follows:

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Number of Options Exercisable
\$19.29 - \$21.37	145,762	1.34 years	145,762
\$26.04 - \$29.72	549,408	3.22 years	214,206
\$30.70 - \$35.83	513,965	2.99 years	205,908
\$36.91 - \$45.11	621,973	4.62 years	-
<b>\$33.77</b>	<b>1,831,108</b>	<b>3.48 years</b>	<b>565,876</b>

The options granted vest over a period of up to 48 months. The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	March 6, 2020
Risk-free interest rate	0.67%
Expected dividend yield	1.3%
Expected volatility	25.42% - 26.02%
Expected option life	3.00 - 4.50 years
Exercise price	\$45.11
Weighted average grant-date fair value per option	\$7.19 - \$8.74

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 15. Share-based Compensation, cont'd

The following is a summary of the activity related to common shares held in escrow under the Equity Compensation Plan and Long-Term Equity Incentive Plan:

	Common shares
Balance as at January 1, 2020	126,096
Granted	7,007
Settled	(1,666)
Forfeited	(2,793)
<b>Balance as at June 30, 2020</b>	<b>128,644</b>

The Company settled vested Performance Share Units ("PSUs") under the Equity Compensation Plan and Long-Term Equity Incentive Plan through the issuance of common shares:

	Common shares
Settled in March 2019	162,086
Settled in March 2020	54,707

The Company granted the following PSUs under the Long-Term Equity Incentive Plan:

	Number of PSUs
Granted in 2019	186,542
Granted in 2020	135,494

### (ii) Deferred Compensation Plans

The following is a summary of the Company's Restricted Share Plan ("RS Plan") activity:

	Number of RSs
Balance as at January 1, 2020 (all unvested)	239,200
Granted	55,543
Settled	(76,005)
Forfeited	(1,491)
<b>Balance as at June 30, 2020 (all unvested)</b>	<b>217,247</b>

In connection with the 2019 performance year, the Company granted a total of \$4,017 under the RS Plan. In March 2020, the Company purchased 55,543 common shares in the open market (through the facilities of the TSX or by private agreement).



## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020 and 2019

(Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 15. Share-based Compensation, cont'd

In connection with the 2018 performance year, the Company granted a total of \$4,128 under the RS Plan. In March 2019, the Company purchased 100,482 common shares in the open market (through the facilities of the TSX or by private agreement).

The following is a summary of the Company's Restricted Share Unit Plan ("RSU Plan") activity:

	Number of RSUs
Balance as at January 1, 2020 (all unvested)	327,591
Granted	84,102
Settled	(71,734)
Forfeited	(4,024)
<b>Balance as at June 30, 2020 (all unvested)</b>	<b>335,935</b>

#### (iii) Directors' Deferred Share Unit Plan

The following is a summary of the Company's Deferred Share Unit Plan ("DSU Plan") activity:

	Number of DSUs
Balance as at January 1, 2020	161,662
Granted	15,416
Redeemed	(30,081)
<b>Balance as at June 30, 2020</b>	<b>146,997</b>

#### (iv) Compensation Expense by Plan

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Share Option Plan	\$ 13	\$ 6	\$ 26	\$ 28
Equity Compensation Plan	427	378	735	632
Long-Term Equity Incentive Plan	1,980	1,193	3,207	2,231
RS Plan	1,310	839	2,374	1,830
RSU Plan <sup>(1)</sup>	1,978	1,705	3,106	3,453
DSU Plan <sup>(2)</sup>	1,004	1,133	1,286	1,822

<sup>(1)</sup> For the three and six months ended June 30, 2020, the Company recorded mark-to-market adjustments of \$1,121 and \$1,278, respectively (2019 - \$1,081 and \$1,735, respectively).

<sup>(2)</sup> For the three and six months ended June 30, 2020, the Company recorded mark-to-market adjustments of \$698 and \$655, respectively (2019 - \$875 and \$1,308, respectively).

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020 and 2019

(Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 15. Share-based Compensation, cont'd

Included in compensation expense above, for the three and six months ended June 30, 2020, are amounts related to the Geomatics discontinued operations totalling \$177 and \$238, respectively (2019 - \$77 and \$254, respectively).

#### (v) Liabilities for Cash-settled Plans

	June 30, 2020	December 31, 2019
RSU Plan - carrying value of liability recorded within trade payables and other	\$ 8,796	\$ 8,832
DSU Plan - carrying value of liability recorded within trade payables and other	6,152	6,257

### 16. Earnings (Loss) per Share

For the three and six months ended June 30, 2020, 568,199 and 522,199 share options, respectively, and 82,134 RSs (including common shares issued in escrow as part of the Equity Compensation Plan and Long-Term Equity Incentive Plan) were excluded from the diluted earnings (loss) per share calculations as the impact would have been anti-dilutive.

For the three and six months ended June 30, 2019, 1,454,357 share options and 63,345 RSs (including common shares issued in escrow as part of the Equity Compensation Plan and Long-Term Equity Incentive Plan) were excluded from the diluted earnings (loss) per share calculations as the impact would have been anti-dilutive.

## Notes to Interim Condensed Consolidated Financial Statements June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 16. Earnings (Loss) per Share, cont'd

The following table summarizes the basic and diluted earnings (loss) per share and the basic and diluted weighted average number of common shares outstanding:

	Three months ended June 30		Six months ended June 30	
	2020	2019 <sup>(1)</sup>	2020	2019 <sup>(1)</sup>
Profit (loss) for the period from continuing operations - basic and diluted	\$ 11,333	\$ 12,719	\$ 13,090	\$ 13,175
Profit (loss) for the period from discontinued operations - basic and diluted	266	602	(5,170)	(289)
Profit (loss) for the period - basic and diluted	\$ 11,599	\$ 13,321	\$ 7,920	\$ 12,886
Weighted average number of common shares outstanding - basic	40,114,805	39,318,470	40,005,374	39,201,990
Dilutive effect of share options	350,393	106,495	357,117	87,411
Dilutive effect of equity awards and PSUs	385,760	247,263	376,557	204,526
Dilutive effect of RSs	188,092	98,204	214,281	86,402
Weighted average number of common shares outstanding - diluted	41,039,050	39,770,432	40,953,329	39,580,329
Earnings (loss) per share:				
Basic				
Continuing operations	\$0.28	\$0.32	\$0.33	\$0.34
Discontinued operations	\$0.01	\$0.02	\$(0.13)	\$(0.01)
Diluted				
Continuing operations	\$0.28	\$0.32	\$0.32	\$0.33
Discontinued operations	\$0.01	\$0.02	\$(0.13)	\$(0.01)

<sup>(1)</sup> Comparative figures have been restated to reflect discontinued operations (Notes 4, 5, 8 and 20).

### 17. Dividends Payable

The Company declared a \$0.15 dividend per common share to shareholders of record on the last business day of each quarter, and dividends were paid on the 15<sup>th</sup> day of the month following quarter end. Dividends are declared and paid in Canadian dollars.

## Notes to Interim Condensed Consolidated Financial Statements June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 18. Financial Instruments and Fair Values

#### Financial Instruments by Category

The tables below indicate the carrying values of financial assets and liabilities for each of the following categories:

	June 30, 2020			December 31, 2019		
	Fair Value Through Profit or Loss	Fair Value Through Other Comprehensive Income	Amortized Cost	Fair Value Through Profit or Loss	Fair Value Through Other Comprehensive Income	Amortized Cost
<b>Assets as per Consolidated Balance Sheet:</b>						
Cash and cash equivalents	\$ -	\$ -	\$ 74,066	\$ -	\$ -	\$ 60,262
Trade receivables and other (excluding deferred costs to obtain customer contracts, and prepayments)	-	-	186,530	-	-	171,390
Investments in equity instruments	-	8,364	-	-	9,288	-
Investments in partnerships	2,520	-	-	2,193	-	-
Derivative financial instruments	7,859	-	-	7,424	-	-
	<b>\$ 10,379</b>	<b>\$ 8,364</b>	<b>\$ 260,596</b>	<b>\$ 9,617</b>	<b>\$ 9,288</b>	<b>\$ 231,652</b>

	June 30, 2020		December 31, 2019	
	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through Profit or Loss	Amortized Cost
<b>Liabilities as per Consolidated Balance Sheet:</b>				
Trade payables and other (excluding contract liabilities, RSU Plan and DSU Plan payables and contingent consideration payables)	\$ -	\$ 79,713	\$ -	\$ 81,686
Contingent consideration payables	60	-	7,667	-
Borrowings	-	159,346	-	138,263
	<b>\$ 60</b>	<b>\$ 239,059</b>	<b>\$ 7,667</b>	<b>\$ 219,949</b>

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 18. Financial Instruments and Fair Values, cont'd

#### Fair Values

The following tables present the fair value hierarchy under which the Company's financial instruments are valued:

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in equity instruments	\$ -	\$ -	\$ 8,364	\$ 8,364
Investments in partnerships	-	-	2,520	2,520
Derivative financial instruments	-	7,859	-	7,859
<b>Liabilities:</b>				
Borrowings	-	160,000	-	160,000
Contingent consideration payables	-	-	60	60
	December 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in equity instruments	\$ -	\$ -	\$ 9,288	\$ 9,288
Investments in partnerships	-	-	2,193	2,193
Derivative financial instruments	-	7,424	-	7,424
<b>Liabilities:</b>				
Borrowings	-	138,403	-	138,403
Contingent consideration payables	-	-	7,667	7,667

For the three and six months ended June 30, 2020, there were no transfers between the levels in the hierarchy.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements June 30, 2020 and 2019 (Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 18. Financial Instruments and Fair Values, cont'd

The following table summarizes the movement in the Company's contingent consideration payables:

	Contingent Consideration Payables (Discounted)
Balance as at January 1, 2020	\$ 7,667
Changes in expected payment recorded through profit or loss	(1,176)
Unwinding of discount (Note 6)	102
Settlements	(6,624)
Exchange differences	91
<b>Balance as at June 30, 2020</b>	<b>\$ 60</b>

A 1% increase or decrease in the discount rate could decrease or increase the Company's determination of fair value by approximately \$nil as at June 30, 2020.

The estimated contractual amount of contingent consideration payables as at June 30, 2020 was \$60 (December 31, 2019 - \$7,919), net of a discount of \$nil (December 31, 2019 - \$252).

Cash and cash equivalents, trade receivables and other (excluding deferred costs to obtain customer contracts, contract assets, and prepayments) due within one year, and trade payables and other (excluding contract liabilities, RSU Plan and DSU Plan payables, and contingent consideration payables) due within one year, are all short-term in nature and, as such, their carrying values approximate their fair values. The fair values of non-current trade receivables and other and trade payables and other are estimated by discounting the future contractual cash flows at the cost of borrowing to the Company, which approximate their carrying values.

The fair value of the bank credit facilities approximates its carrying value, as the instruments bear interest at rates comparable to current market rates.

### 19. Commitments and Contingencies

As at June 30, 2020, the Company provided letters of credit of approximately \$1,086 to its lessors (December 31, 2019 - \$1,074).

As at June 30, 2020, the Company has guaranteed up to \$1,500 in connection with vehicle leases and related services entered into by GeoVerra.

The Company committed to aggregate capital contributions of \$626 (Note 10) to certain partnerships (December 31, 2019 - \$682).

## Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020 and 2019

(Unaudited)

(Expressed in Thousands of Canadian Dollars, Except for Shares and Per Share Amounts)

### 19. Commitments and Contingencies, cont'd

From time to time, the Company or its subsidiaries are involved in legal proceedings, claims and litigation in the ordinary course of business with customers, former employees and other parties. Although it is not possible to determine the final outcome of such matters, based on all currently available information, management believes that liabilities, if any, arising from such matters will not have a material adverse effect on the Company's financial position or results of operations and have been adequately provided for in these interim financial statements.

In the ordinary course of business, the Company is subject to tax audits from various government agencies relating to income and commodity taxes. As a result, from time to time, the tax authorities may disagree with the positions and conclusions made by the Company in its tax filings, which could lead to assessments and reassessments. These assessments and reassessments may have a material adverse effect on the Company's financial position or results of operations.

### 20. Comparative Information

Certain prior year amounts have been restated or re-presented for consistency with the current year presentation requirements under IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, to re-present the comparative interim condensed consolidated statement of comprehensive income (loss) upon classification and disposal of the Geomatics business as discontinued operations.







# Altus Group

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Stock trading symbol: AIF

## **AUDITORS**

ERNST & YOUNG LLP

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