



Altus Group

Q3 2019

FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2019



Altus Group Limited



Interim Condensed Consolidated Financial Statements

September 30, 2019 and 2018

(Unaudited)

(Expressed in Thousands of Canadian Dollars)

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Interim Condensed Consolidated Statements of Comprehensive Income (Loss) For the Three and Nine Months Ended September 30, 2019 and 2018 (Unaudited)

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

		Three months ended September 30		Nine months ended September 30	
	Notes	2019	2018	2019	2018
Revenues	6	\$ 136,994	\$ 120,636	\$ 418,646	\$ 379,544
Expenses					
Employee compensation		84,698	78,043	261,298	243,564
Occupancy	4	2,015	5,290	5,938	15,941
Office and other operating		27,589	23,684	80,609	71,134
Depreciation of right-of-use assets	4	3,273	-	10,222	-
Depreciation of property, plant and equipment		1,988	2,097	5,585	5,901
Amortization of intangibles		7,753	10,538	23,525	31,959
Acquisition and related transition costs (income)		85	184	238	2,257
Restructuring costs (recovery)		-	(184)	(453)	6,458
(Gain) loss on investments		(63)	(42)	(158)	(81)
Finance costs (income), net - leases	4, 7	715	-	2,160	-
Finance costs (income), net - other	7	1,768	1,738	5,136	4,856
Profit (loss) before income taxes		7,173	(712)	24,546	(2,445)
Income tax expense (recovery)	8	2,137	1,011	6,624	1,275
Profit (loss) for the period attributable to shareholders		\$ 5,036	\$ (1,723)	\$ 17,922	\$ (3,720)
Other comprehensive income (loss):					
Items that may be reclassified to profit or loss in subsequent periods:					
Currency translation differences		(1,296)	(5,513)	(14,190)	3,543
Items that are not reclassified to profit or loss in subsequent periods:					
Change in fair value of FVOCI investments		566	(4,705)	1,737	(44,351)
Other comprehensive income (loss), net of tax		(730)	(10,218)	(12,453)	(40,808)
Total comprehensive income (loss) for the period, net of tax, attributable to shareholders		\$ 4,306	\$ (11,941)	\$ 5,469	\$ (44,528)
Earnings (loss) per share attributable to the shareholders of the Company during the period					
Basic earnings (loss) per share	15	\$0.13	\$(0.04)	\$0.46	\$(0.10)
Diluted earnings (loss) per share	15	\$0.12	\$(0.04)	\$0.45	\$(0.10)

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

Altus Group Limited



Interim Condensed Consolidated Balance Sheets As at September 30, 2019 and December 31, 2018 (Unaudited)

(Expressed in Thousands of Canadian Dollars)

	Notes	September 30, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents		\$ 56,014	\$ 48,738
Trade receivables and other	9	170,079	154,298
Income taxes recoverable		3,259	6,021
Derivative financial instruments		1,542	478
		230,894	209,535
Non-current assets			
Trade receivables and other	9	2,832	8,975
Derivative financial instruments		6,910	614
Investments	10	13,679	4,903
Deferred tax assets		19,348	19,581
Right-of-use assets	4	67,315	-
Property, plant and equipment		30,088	33,197
Intangibles		97,637	114,894
Goodwill		265,107	266,483
		502,916	448,647
Total Assets		\$ 733,810	\$ 658,182
Liabilities			
Current liabilities			
Trade payables and other	11	\$ 103,382	\$ 117,520
Income taxes payable		3,108	6,802
Lease liabilities	4	12,301	192
Borrowings	12	145,822	666
		264,613	125,180
Non-current liabilities			
Trade payables and other	11	26,280	29,825
Lease liabilities	4	67,067	74
Borrowings	12	352	128,435
Deferred tax liabilities		13,487	16,242
		107,186	174,576
Total Liabilities		371,799	299,756
Shareholders' Equity			
Share capital	13	507,448	491,542
Contributed surplus		22,036	21,882
Accumulated other comprehensive income (loss)		41,472	54,558
Retained earnings (deficit)		(208,945)	(209,556)
Total Shareholders' Equity		362,011	358,426
Total Liabilities and Shareholders' Equity		\$ 733,810	\$ 658,182

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 Nine Months Ended September 30, 2019 and 2018 (Unaudited)

(Expressed in Thousands of Canadian Dollars)

	Notes	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Shareholders' Equity
As at January 1, 2018		\$ 479,181	\$ 18,550	\$ 10,430	\$ (96,842)	\$ 411,319
Profit (loss) for the period		-	-	-	(3,720)	(3,720)
Other comprehensive income (loss), net of tax:						
Currency translation differences		-	-	3,543	-	3,543
Change in fair value of FVOCI investments		-	-	(44,351)	-	(44,351)
Total comprehensive income (loss) for the period		-	-	(40,808)	(3,720)	(44,528)
Transfer of loss on disposal of FVOCI investments		-	-	70,783	(70,783)	-
Transactions with owners:						
Dividends declared		-	-	-	(17,596)	(17,596)
Share-based compensation		-	7,037	-	-	7,037
Dividend Reinvestment Plan		2,826	-	-	-	2,826
Shares issued on exercise of options		1,005	(163)	-	-	842
Shares issued on acquisitions		3,729	-	-	-	3,729
Shares issued under the Equity Compensation Plan		2,496	(2,496)	-	-	-
Treasury shares purchased for share-based compensation		(2,966)	-	-	-	(2,966)
Release of treasury shares under the Restricted Share Plan		3,211	(3,067)	-	-	144
Gain (loss) on sale of RSs and shares held in escrow		-	(34)	-	-	(34)
As at September 30, 2018		\$ 489,482	\$ 19,827	\$ 40,405	\$ (188,941)	\$ 360,773
As at January 1, 2019		\$ 491,542	\$ 21,882	\$ 54,558	\$ (209,556)	\$ 358,426
Profit (loss) for the period		-	-	-	17,922	17,922
Other comprehensive income (loss), net of tax:						
Currency translation differences		-	-	(14,190)	-	(14,190)
Change in fair value of FVOCI investments		-	-	1,737	-	1,737
Total comprehensive income (loss) for the period		-	-	(12,453)	17,922	5,469
Transfer of loss on disposal of FVOCI investments		-	-	(633)	633	-
Transactions with owners:						
Dividends declared	16	-	-	-	(17,944)	(17,944)
Share-based compensation	14	-	7,277	-	-	7,277
Dividend Reinvestment Plan	13	4,194	-	-	-	4,194
Shares issued on exercise of options	13, 14	7,563	(1,197)	-	-	6,366
Shares issued on acquisitions	5, 13	3,442	-	-	-	3,442
Shares issued under the Equity Compensation Plan	13, 14	5,243	(2,891)	-	-	2,352
Treasury shares reserved for share-based compensation	13, 14	(7,705)	-	-	-	(7,705)
Release of treasury shares under the Restricted Share Plan	13, 14	3,169	(2,989)	-	-	180
Gain (loss) on sale of RSs and shares held in escrow		-	(46)	-	-	(46)
As at September 30, 2019		\$ 507,448	\$ 22,036	\$ 41,472	\$ (208,945)	\$ 362,011

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

Altus Group Limited



Interim Condensed Consolidated Statements of Cash Flows For the Nine Months Ended September 30, 2019 and 2018 (Unaudited)

(Expressed in Thousands of Canadian Dollars)

		Nine months ended September 30	
	Notes	2019	2018
Cash flows from operating activities			
Profit (loss) before income taxes		\$ 24,546	\$ (2,445)
Adjustments for:			
Amortization of intangibles		23,525	31,959
Depreciation of property, plant and equipment		5,585	5,901
Depreciation of right-of-use assets	4	10,222	-
Amortization of lease inducements		-	422
Finance costs (income), net - leases	4, 7	2,160	-
Finance costs (income), net - other	7	5,136	4,856
Share-based compensation	14	7,277	7,037
Unrealized foreign exchange (gain) loss		1,379	(576)
(Gain) loss on investments		(158)	(81)
(Gain) loss on disposal of property, plant and equipment and intangibles		342	1,144
(Gain) loss on equity derivatives and currency forward contracts		(7,810)	1,633
Net changes in operating working capital		(27,732)	(4,967)
Net cash generated by (used in) operations		44,472	44,883
Less: interest paid on borrowings		(3,800)	(4,177)
Less: interest paid on leases		(2,160)	-
Less: income taxes paid		(12,848)	(10,655)
Add: income taxes refunded		2,761	4,537
Net cash provided by (used in) operating activities		28,425	34,588
Cash flows from financing activities			
Proceeds from exercise of options	13, 14	6,366	842
Proceeds from borrowings		21,600	50,701
Repayment of borrowings		(4,848)	(16,498)
Payments of principal on lease liabilities	4	(8,732)	-
Dividends paid	16	(13,621)	(14,702)
Treasury shares purchased under the Restricted Share Plan	13, 14	(5,353)	(2,966)
Net cash provided by (used in) financing activities		(4,588)	17,377
Cash flows from investing activities			
Purchase of investments	10	(620)	(3,622)
Purchase of intangibles		(149)	(650)
Purchase of property, plant and equipment		(4,610)	(8,293)
Proceeds from disposal of property, plant and equipment and intangibles		102	200
Proceeds from disposal of investment	10	-	54,173
Acquisitions, net of cash acquired	5	(11,654)	(27,192)
Net cash provided by (used in) investing activities		(16,931)	14,616
Effect of foreign currency translation		370	(1,606)
Net increase (decrease) in cash and cash equivalents		7,276	64,975
Cash and cash equivalents, beginning of period		48,738	28,070
Cash and cash equivalents, end of period		\$ 56,014	\$ 93,045

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

Altus Group Limited



Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (Unaudited)

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

1. Business and Structure

Altus Group Limited (the "Company") was formed through the completion of a plan of arrangement under the *Business Corporations Act* (Ontario) (the "Arrangement") pursuant to an information circular dated November 8, 2010, whereby Altus Group Income Fund was converted from an unincorporated open-ended limited purpose trust into a corporate structure.

The Company directly or indirectly owns or controls operating entities located within North America, Europe and Asia Pacific and provides software, data solutions and independent advisory services to the global commercial real estate industry. The Company conducts its business through three business units: Altus Analytics, Commercial Real Estate Consulting and Geomatics.

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") 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 periods ended September 30, 2019 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, 2018, 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, 2018.

The Company adopted IFRS 16, *Leases*, effective January 1, 2019. Changes to significant accounting policies and estimates are described in Note 4.

These interim financial statements were approved by the Board of Directors for issue on November 7, 2019.

Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (Unaudited)

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

3. Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses, and the related disclosures. The Company bases its judgments, estimates and assumptions on current facts, historical experience and various other factors that it believes are reasonable under the circumstances. The economic environment could also impact certain estimates necessary to prepare the Company's interim financial statements, including estimates related to: recognition of revenue and the determination and allocation of transaction price, amounts used in the Company's impairment assessment of trade receivables and contract assets, recoverable amounts used in the Company's impairment testing of its non-financial assets, determination of purchase price allocations and contingent consideration, income taxes, and discount rates applied to the Company's right-of-use assets and related lease liabilities.

The Company's assessment of these factors forms the basis for its judgments on the carrying values of assets and liabilities and the accrual of the Company's costs and expenses. Actual results could differ materially from the Company's estimates and assumptions. The Company reviews its estimates and underlying assumptions on an ongoing basis and makes revisions as determined necessary. Revisions are recognized in the period in which the estimates are revised and may impact future periods as well. There have been no significant changes to the Company's assumptions or the judgments affecting the application of the Company's estimates and assumptions during Q3 2019 from those described in the notes to the Company's most recent audited annual consolidated financial statements as at and for the year ended December 31, 2018. However, see Note 4, "Changes in Significant Accounting Policies and Estimates" below for a discussion of recently adopted accounting pronouncements.

4. Changes in Significant Accounting Policies and Estimates

Adoption of Recent Accounting Pronouncements

The Company has applied IFRS 16, *Leases*, effective January 1, 2019, using the modified retrospective approach. As required by IAS 34, the nature and effect of these changes are disclosed below.

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

Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (Unaudited)

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

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

IFRS 16, Leases

IFRS 16, *Leases*, supersedes IAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the sublessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a remaining lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

a) Nature of the effect of adoption of IFRS 16

The Company has lease contracts for various property and equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as occupancy expense in the consolidated statement of comprehensive income (loss) on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under trade receivables and other and trade payables and other, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (Unaudited)

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

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

Leases previously classified as finance leases

The Company did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under IAS 17). The requirements of IFRS 16 were applied to these leases from January 1, 2019.

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (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 effect of adopting IFRS 16 on the Company's consolidated balance sheet (increase/(decrease)) as at January 1, 2019 is as follows:

	As Previously Reported December 31, 2018	IFRS 16 Adjustments	After Adoption of IFRS 16 January 1, 2019
Assets			
Trade receivables and other - current	\$ 154,298	\$ (361)	\$ 153,937
Property, plant and equipment	33,197	(1,263)	31,934
Right-of-use assets	-	72,514	72,514
Liabilities			
Trade payables and other - current	117,520	(907)	116,613
Trade payables and other - non-current	29,825	(10,265)	19,560
Borrowings - current	858	(192)	666
Borrowings - non-current	128,509	(74)	128,435
Lease liabilities	-	82,328	82,328

- \$361 was reclassified from trade receivables and other - current to right-of-use assets. This pertains to \$497 relating to prepaid leases offset by sublease net investments of \$136.
- Lease assets previously recognized under finance leases of \$1,263 and included under property, plant and equipment were reclassified to right-of-use assets.
- Lease inducements and straight line rent amounts recognized in trade payables and other of \$11,172 related to previous operating leases were reclassified to right-of-use assets. \$907 of this balance was current and \$10,265 was non-current as at December 31, 2018.
- Right-of-use assets of \$72,514 were recognized and presented separately in the consolidated balance sheet inclusive of the reclassifications from trade receivables and other, property, plant and equipment, and trade payables and other as noted above.
- Existing finance lease liabilities under borrowings of \$266 were reclassified to lease liabilities. \$192 of this amount was current and \$74 was non-current as at December 31, 2018.
- Lease liabilities of \$82,328 were recognized and included under lease liabilities inclusive of the reclassifications from borrowings for existing finance leases.

Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (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 lease liabilities as at January 1, 2019 can be reconciled to the operating lease and other operating commitments as of December 31, 2018 as follows:

Commitments as at December 31, 2018	\$	101,216
Commitments relating to short-term leases		(62)
Commitments relating to leases of low-value assets		(42)
Non-lease contractual commitments		(7,482)
Gross lease liabilities on January 1, 2019		93,630
Discounting ⁽¹⁾		(11,568)
Commitments relating to leases previously classified as finance leases		266
Lease liabilities as at January 1, 2019	\$	82,328

⁽¹⁾ Weighted average incremental borrowing rate on leases as at January 1, 2019 was 3.87%.

As the Company adopted IFRS 16 using the modified retrospective method, there is no impact on the consolidated statement of comprehensive income (loss), the basic and diluted earnings (loss) per share, or the consolidated statement of cash flows as at and for the year ended December 31, 2018.

b) Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16:

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (Unaudited)

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

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

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, if applicable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as occupancy expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered of low value (i.e., below \$5). Lease payments on short-term leases and leases of low-value assets are recognized as occupancy expense on a straight-line basis over the lease term.

Significant judgment in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its lease contracts to lease the assets for additional terms of two to ten years. The Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (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 included the renewal period as part of the lease term for certain leases of property only where it was reasonably certain to renew. The renewal options for equipment were not included as part of the lease term because the Company has a policy of leasing equipment for not more than four years and, hence, not exercising any renewal options.

- c) Amounts recognized in the consolidated balance sheets and consolidated statements of comprehensive income (loss)

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-Use Assets		
	Property	Equipment	Total
As at January 1, 2019	\$ 71,160	\$ 1,354	\$ 72,514
Exchange difference	(1,748)	(13)	(1,761)
Additions	7,841	-	7,841
Disposals	(975)	(13)	(988)
Impairment	(69)	-	(69)
Depreciation expense	(9,174)	(1,048)	(10,222)
As at September 30, 2019	\$ 67,035	\$ 280	\$ 67,315

	Lease Liabilities	
As at January 1, 2019		\$ 82,328
Exchange difference		(1,990)
Additions		7,762
Interest expense		2,160
Payments		(10,892)
As at September 30, 2019		\$ 79,368

For the three and nine months ended September 30, 2019, the Company recognized rent expense from short-term leases of \$123 and \$317, leases of low-value assets of \$14 and \$55 and variable lease payments of \$1,742 and \$5,206 in occupancy expense, respectively.

For the impacts of IFRS 16 on segment information and earnings (loss) before finance costs and income taxes, please see Note 6.

Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (Unaudited)

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

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

IFRIC Interpretation 23, Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Company applies significant judgment in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have a material impact on the interim financial statements.

Other Accounting Pronouncements and Amendments

IAS 12, Income Taxes

The amendments apply for annual reporting periods beginning on or after January 1, 2019 and clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income (loss) or equity according to where it originally recognized those past transactions or events.

Since the Company's current practice is in line with this amendment, it had no impact on the interim financial statements.

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

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

Other accounting pronouncements and amendments

Other accounting pronouncements, and amendments proposed as part of the Annual Improvements 2015-2017 Cycle that are assessed to have no impact on the interim financial statements are:

- *Amendments to IFRS 9: Prepayment Features with Negative Compensation*
- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*
- *Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures*
- *IFRS 3, Business Combinations*
- *IFRS 11, Joint Arrangements*
- *IAS 23, Borrowing Costs*

5. Acquisitions

Acquisition of One11 Advisors, LLC

On July 1, 2019, the Company acquired all the issued and outstanding shares of One11 Advisors, LLC ("One11") and its subsidiaries for USD11,000 (CAD14,395) in cash and common shares, subject to closing adjustments. As part of the transaction, the Company entered into non-compete agreements with key members of management of One11. On closing, the Company paid cash of USD7,700 (CAD10,077). Subsequent to September 30, 2019, the Company paid USD629 (CAD823) as working capital adjustments. The common shares USD3,300 (CAD4,318) were issued from treasury. The common shares will be held in escrow and released on the fourth anniversary of the closing date, subject to compliance with certain terms and conditions. One11 is a U.S.-based real estate software consulting firm that provides integrated advisory and managed services for real estate organizations' front to back office strategies, processes and technology.

For accounting purposes, the consideration transferred for the acquired business includes a discount on the value of the common shares to reflect the trading restrictions placed on these common shares.

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5. Acquisitions, cont'd

Acquisition of Caruthers & Associates, Inc.

On July 1, 2019, the Company acquired certain operating assets of Caruthers & Associates, Inc. ("Caruthers") for USD4,000 (CAD5,235) in cash, common shares and contingent consideration, subject to working capital adjustments. As part of the transaction, the Company entered into a non-compete agreement with a key member of management of Caruthers. As consideration for these assets on closing, the Company paid cash of USD2,000 (CAD2,617), common shares of USD1,000 (CAD1,309). Subsequent to September 30, 2019, the Company paid USD119 (CAD156) as working capital adjustments. The common shares will be held in escrow and released on the third anniversary of the closing date, subject to compliance with certain terms and conditions. The purchase agreement provides for contingent consideration of USD1,000 (CAD1,309), subject to certain performance targets being achieved over a 30-month period from the closing date. If mutually agreed upon, the contingent consideration may be settled in cash or common shares. Caruthers is a U.S.-based property tax consulting firm. Its team of seven employees based out of Memphis has been integrated with the Company's U.S. Property Tax business, expanding its geographic footprint in tax services in the U.S.

For accounting purposes, the consideration transferred for the acquired business includes a discount on the value of the common shares to reflect the trading restrictions placed on these common shares.

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5. Acquisitions, cont'd

The accounting for these two acquisitions has not been finalized. The preliminary purchase price allocations are:

	One11	Caruthers	Total
Acquisition-related costs (included in acquisition and related transition costs (income) in the interim condensed consolidated statements of comprehensive income (loss))	\$ 101	\$ 103	\$ 204
Consideration:			
Cash	\$ 10,900	\$ 2,773	\$ 13,673
Common shares	4,318	1,309	5,627
Contingent consideration	-	1,309	1,309
	15,218	5,391	20,609
Less: discount on common shares	(1,727)	(458)	(2,185)
Less: discount on contingent consideration	-	(151)	(151)
	13,491	4,782	18,273
Less: consideration transferred for non-compete agreements	(1,552)	(643)	(2,195)
Consideration transferred for acquired businesses	11,939	4,139	16,078
Recognized amounts of identifiable assets acquired and liabilities assumed:			
Cash and cash equivalents	1,040	-	1,040
Trade receivables and other	3,442	417	3,859
Income taxes recoverable	123	-	123
Trade payables and other	(2,928)	(111)	(3,039)
Intangibles	6,367	1,665	8,032
Total identifiable net assets of acquired businesses	8,044	1,971	10,015
Goodwill	\$ 3,895	\$ 2,168	\$ 6,063
Goodwill and intangibles deductible for tax purposes	\$ 11,814	\$ 4,476	\$ 16,290

Goodwill arising from the acquisitions relate to expected synergies with the existing businesses and the opportunities to strengthen and complement offerings with greater breadth and depth to both existing and acquired clients.

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

5. Acquisitions, cont'd

Revenues and profit (loss) for One11 for the period from July 1, 2019 to September 30, 2019 included in the interim condensed consolidated statements of comprehensive income (loss) are \$4,049 and \$(4), respectively.

Revenues and profit (loss) for Caruthers for the period from July 1, 2019 to September 30, 2019 included in the interim condensed consolidated statement of comprehensive income (loss) are \$181 and \$(302), respectively.

For the acquisitions, intangibles acquired are as follows:

	One11	Caruthers	Total
Finite-life assets			
Non-compete agreements	\$ 1,552	\$ 643	\$ 2,195
Customer lists	6,190	1,081	7,271
Customer backlog	177	584	761
	\$ 7,919	\$ 2,308	\$ 10,227

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

6. 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, Commercial Real Estate Consulting and Geomatics.

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) before income taxes adjusted for the effects of occupancy costs calculated on a consistent basis to 2018, finance costs (income), amortization of intangibles, depreciation of property, plant and equipment, depreciation of right-of-use assets, acquisition and related transition costs (income), restructuring costs, share of profit (loss) of associates, unrealized foreign exchange gains (losses), gains (losses) on disposal of property, plant and equipment, gains (losses) on investments, impairment charges, non-cash Equity Compensation Plan costs, gains (losses) on derivatives, gains (losses) on hedging transactions, gains (losses) on equity derivatives net of mark-to-market adjustments on related restricted share units ("RSUs") and deferred share units ("DSUs") being hedged and other costs or income of a non-operating and/or non-recurring nature.

Subsequent to the adoption of IFRS 16, on January 1, 2019, the measurement of Adjusted EBITDA has been modified to reflect occupancy expense on a consistent basis as 2018, which is a non-GAAP amount, effective January 1, 2019. Management believes that the non-GAAP measure provides useful information to both management and investors in measuring the Company's financial performance.

Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (Unaudited)

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

6. Segmented Information, cont'd

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

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Adjusted EBITDA	\$ 19,820	\$ 16,504	\$ 64,674	\$ 55,783
Additional occupancy expense calculated on a similar basis prior to the adoption of IFRS 16 ⁽¹⁾	3,514	-	10,178	-
Depreciation - right-of-use assets	(3,273)	-	(10,222)	-
Depreciation and amortization - other	(9,741)	(12,635)	(29,110)	(37,860)
Acquisition and related transition (costs) income	(85)	(184)	(238)	(2,257)
Unrealized foreign exchange gain (loss) ⁽²⁾	(252)	(231)	(1,379)	576
Gain (loss) on disposal of property, plant and equipment ⁽²⁾	(50)	(52)	(342)	(1,144)
Non-cash Equity Compensation Plan costs ⁽³⁾	(1,617)	(1,496)	(4,508)	(4,307)
Gain (loss) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged ⁽³⁾	1,312	74	2,247	(976)
Gain (loss) on derivatives ⁽²⁾	-	(4)	-	268
Restructuring (costs) recovery	-	184	453	(6,458)
Gain (loss) on investments ⁽⁴⁾	63	42	158	81
Other non-operating and/or non-recurring income (costs) ⁽⁵⁾	-	(1,176)	-	(1,295)
Impairment charge - leases	(35)	-	(69)	-
Earnings (loss) before finance costs and income taxes	9,656	1,026	31,842	2,411
Finance costs (income), net - leases	715	-	2,160	-
Finance costs (income), net - other	1,768	(1,738)	5,136	(4,856)
Profit (loss) before income taxes	7,173	(712)	24,546	(2,445)
Income tax expense (recovery)	2,137	1,011	6,624	1,275
Profit (loss) for the period	\$ 5,036	\$ (1,723)	\$ 17,922	\$ (3,720)

⁽¹⁾ Management's use of the non-GAAP lease expense calculated on a similar basis prior to the adoption of IFRS 16 is used when analyzing operating performance. Management believes that the non-GAAP measure provides useful information to both management and investors in measuring the Company's financial performance. Refer to Note 4 for the impacts and adjustments of the Company's consolidated financial statements for the adoption of IFRS 16.

⁽²⁾ Included in office and other operating expenses in the interim condensed consolidated statements of comprehensive income (loss).

⁽³⁾ Included in employee compensation expenses in the interim condensed consolidated statements of comprehensive income (loss).

⁽⁴⁾ Gain (loss) on investments for the three and nine months ended September 30, 2019 and for the three and nine months ended September 30, 2018 relates to changes in fair value of investments in partnerships.

⁽⁵⁾ Other non-operating and/or non-recurring income (costs) for the three and nine months ended September 30, 2018 relate to (i) non-recurring legal matters and related costs, (ii) transactional costs for tax planning and restructuring of legal entities within the group and (iii) costs related to an executive departure. These are included in office and other operating expenses in the interim condensed consolidated statements of comprehensive income (loss).

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

6. Segmented Information, cont'd

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

Segment Revenues and Expenditures

	Three months ended September 30, 2019							
	Altus Analytics	Commercial Real Estate Property Tax	Consulting Valuation and Cost Advisory	Geomatics	Corporate ⁽¹⁾	Eliminations	Total	
Revenues from external customers	\$ 50,297	\$ 49,263	\$ 27,236	\$ 76,499	\$ 10,198	\$ -	\$ -	\$ 136,994
Inter-segment revenues	129	-	(53)	(53)	9	-	(85)	-
Total segment revenues	50,426	49,263	27,183	76,446	10,207	-	(85)	136,994
Adjusted EBITDA	10,430	14,766	3,812	18,578	1,345	(10,533)	-	19,820
Depreciation and amortization - right-of-use assets ⁽²⁾	452	356	366	722	121	1,978	-	3,273
Depreciation and amortization - other	3,609	4,582	602	5,184	513	435	-	9,741
Finance costs (income), net - leases ⁽²⁾	35	67	52	119	17	544	-	715
Finance costs (income), net - other	-	-	-	-	-	1,768	-	1,768
Income tax expense (recovery)	-	-	-	-	-	2,137	-	2,137

⁽¹⁾ Corporate includes global corporate office costs, finance costs (income), net - other and income tax expense (recovery). For the three months ended September 30, 2019, Corporate also includes accrued bonuses that relate to the entire organization. The allocation to various business units will be determined at year-end and allocated at that time accordingly.

⁽²⁾ As a result of the adoption of IFRS 16, depreciation and amortization - right-of-use assets and finance costs (income), net - leases have been presented separately (Note 4).

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

6. Segmented Information, cont'd

	Three months ended September 30, 2018							
	Altus Analytics	Commercial Property Tax	Real Estate Valuation and Cost Advisory	Consulting Total	Geomatics	Corporate ⁽¹⁾	Eliminations	Total
Revenues from external customers	\$ 43,919	\$ 38,946	\$ 26,434	\$ 65,380	\$ 11,337	\$ -	\$ -	\$ 120,636
Inter-segment revenues	175	-	(54)	(54)	1	-	(122)	-
Total segment revenues	44,094	38,946	26,380	65,326	11,338	-	(122)	120,636
Adjusted EBITDA	10,102	7,214	3,973	11,187	1,812	(6,597)	-	16,504
Depreciation and amortization - right-of-use assets ⁽²⁾	-	-	-	-	-	-	-	-
Depreciation and amortization - other	3,738	6,764	682	7,446	950	501	-	12,635
Finance costs (income), net - leases ⁽²⁾	-	-	-	-	-	-	-	-
Finance costs (income), net - other	-	-	-	-	-	1,738	-	1,738
Income tax expense (recovery)	-	-	-	-	-	1,011	-	1,011

⁽¹⁾ Corporate includes global corporate office costs, finance costs (income), net - other, share of profit (loss) of associates and income tax expense (recovery). For the three months ended September 30, 2018, Corporate also includes accrued bonuses that relate to the entire organization. The allocation to various business units will be determined at year-end and allocated at that time accordingly.

⁽²⁾ As a result of the adoption of IFRS 16, depreciation and amortization - right-of-use assets and finance costs (income), net - leases have been presented separately beginning January 1, 2019 (Note 4).

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

6. Segmented Information, cont'd

	Nine months ended September 30, 2019							
	Altus Analytics	Commercial Property Tax	Real Estate Valuation and Cost Advisory	Consulting Total	Geomatics	Corporate ⁽¹⁾	Eliminations	Total
Revenues from external customers	\$ 146,949	\$ 159,249	\$ 81,094	\$ 240,343	\$ 31,354	\$ -	\$ -	\$ 418,646
Inter-segment revenues	421	-	(158)	(158)	26	-	(289)	-
Total segment revenues	147,370	159,249	80,936	240,185	31,380	-	(289)	418,646
Adjusted EBITDA	31,457	52,880	9,797	62,677	2,796	(32,256)	-	64,674
Depreciation and amortization - right-of-use assets ⁽²⁾	1,541	1,188	1,227	2,415	466	5,800	-	10,222
Depreciation and amortization - other	10,175	13,794	1,943	15,737	1,888	1,310	-	29,110
Finance costs (income), net - leases ⁽²⁾	102	188	164	352	55	1,651	-	2,160
Finance costs (income), net - other	-	-	-	-	-	5,136	-	5,136
Income tax expense (recovery)	-	-	-	-	-	6,624	-	6,624

⁽¹⁾ Corporate includes global corporate office costs, finance costs (income), net - other and income tax expense (recovery). For the nine months ended September 30, 2019, Corporate also includes accrued bonuses that relate to the entire organization. The allocation to various business units will be determined at year-end and allocated at that time accordingly.

⁽²⁾ As a result of the adoption of IFRS 16, depreciation and amortization - right-of-use assets and finance costs (income), net - leases have been presented separately (Note 4).

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6. Segmented Information, cont'd

	Nine months ended September 30, 2018							
	Altus Analytics	Commercial Property Tax	Real Estate Valuation and Cost Advisory	Consulting Total	Geomatics	Corporate ⁽¹⁾	Eliminations	Total
Revenues from external customers	\$ 131,027	\$ 137,624	\$ 78,747	\$ 216,371	\$ 32,146	\$ -	\$ -	\$ 379,544
Inter-segment revenues	575	-	(115)	(115)	5	-	(465)	-
Total segment revenues	131,602	137,624	78,632	216,256	32,151	-	(465)	379,544
Adjusted EBITDA	31,202	35,705	10,278	45,983	2,721	(24,123)	-	55,783
Depreciation and amortization - right-of-use assets ⁽²⁾	-	-	-	-	-	-	-	-
Depreciation and amortization - other	10,663	20,921	2,029	22,950	2,773	1,474	-	37,860
Finance costs (income), net - leases ⁽²⁾	-	-	-	-	-	-	-	-
Finance costs (income), net - other	-	-	-	-	-	4,856	-	4,856
Income tax expense (recovery)	-	-	-	-	-	1,275	-	1,275

⁽¹⁾ Corporate includes global corporate office costs, finance costs (income), net - other, share of profit (loss) of associates and income tax expense (recovery). For the nine months ended September 30, 2018, Corporate also includes accrued bonuses that relate to the entire organization. The allocation to various business units will be determined at year-end and allocated at that time accordingly.

⁽²⁾ As a result of the adoption of IFRS 16, depreciation and amortization - right-of-use assets and finance costs (income), net - leases have been presented separately beginning January 1, 2019 (Note 4).

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7. Finance Costs (Income), Net

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Interest on bank credit facilities	\$ 1,551	\$ 1,779	\$ 4,264	\$ 4,660
Interest on lease liabilities (Note 4)	715	-	2,160	-
Interest on finance leases	-	7	-	30
Contingent consideration payables: unwinding of discount (Note 17)	149	160	464	493
Provisions: unwinding of discount (Note 11)	28	9	97	14
Change in fair value of interest rate swaps	40	(135)	450	(149)
Finance costs	2,483	1,820	7,435	5,048
Finance income	-	(82)	(139)	(192)
Finance costs (income), net	\$ 2,483	\$ 1,738	\$ 7,296	\$ 4,856

8. Income Taxes

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Income tax expense (recovery)				
Current	\$ 3,215	\$ 8,010	\$ 9,504	\$ 10,802
Deferred	(1,078)	(6,999)	(2,880)	(9,527)
	\$ 2,137	\$ 1,011	\$ 6,624	\$ 1,275

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9. Trade Receivables and Other

	September 30, 2019	December 31, 2018
Trade receivables	\$ 119,568	\$ 108,868
Less: loss allowance provision (Note 17)	10,876	9,013
Trade receivables, net	108,692	99,855
Contract assets: unbilled revenue on customer contracts ⁽¹⁾	51,788	43,224
Deferred costs to obtain customer contracts	1,109	1,003
Prepayments	10,041	12,114
Promissory notes receivable	-	6,552
Other receivables	1,281	525
	172,911	163,273
Less: non-current portion	2,832	8,975
	\$ 170,079	\$ 154,298

⁽¹⁾ On September 30, 2019, contract assets are stated net of expected credit losses of \$1,503 (2018 - \$1,056) (Note 17).

For the three and nine months ended September 30, 2019, \$326 and \$682, respectively, of amortization associated with deferred costs to obtain customer contracts was expensed to the interim condensed consolidated statements of comprehensive income (loss) (2018 - \$129 and \$384, respectively). For the three and nine months ended September 30, 2019 and 2018, no impairment losses on deferred costs were recognized.

10. Investments

	September 30, 2019	December 31, 2018
Investments in equity instruments	\$ 11,686	\$ 3,408
Investments in partnerships	1,993	1,495
	\$ 13,679	\$ 4,903

On March 15, 2019, the Company converted its promissory note receivable and accrued interest receivable in Waypoint Building Group Inc. ("Waypoint") into preferred shares. During the nine months ended September 30, 2019, fair value gains of \$1,756 have been recorded through other comprehensive income (loss).

In addition, the Company also purchased additional common shares in REIX Corporation for \$182 and contributed \$438 towards capital in various partnerships.

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10. Investments, cont'd

During the three months ended September 30, 2019, Honest Buildings Inc. ("Honest Buildings") was acquired by Procore Technologies, Inc. Prior to the transaction, a fair value gain of \$722 was recorded through other comprehensive income (loss). The disposal of the investment in Honest Buildings was settled in cash and preferred shares. Following the exchange, accumulated other comprehensive income (loss) relating to Honest Buildings of \$633 net of tax has been transferred to retained earnings (deficit).

In September 2018, the Company sold its investment in Real Matters for \$54,173. In October 2018, the proceeds were used to reduce the borrowings under the bank credit facilities.

11. Trade Payables and Other

	September 30, 2019	December 31, 2018
Trade payables	\$ 9,358	\$ 11,167
Accrued expenses	64,079	63,932
Contract liabilities: deferred revenue	34,917	37,163
Contingent consideration payables (Note 17)	13,942	14,169
Dividends payable (Note 16)	6,024	5,895
Lease inducements (Note 4)	-	11,595
Provisions	1,342	3,424
	129,662	147,345
Less non-current portion:		
Accrued expenses	13,134	7,063
Contract liabilities: deferred revenue	11,312	7,134
Contingent consideration payables	1,172	3,064
Lease inducements	-	10,688
Provisions	662	1,876
	26,280	29,825
	\$ 103,382	\$ 117,520

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11. Trade Payables and Other, cont'd

Provisions consist of:

	Restructuring		Other		Total
Balance as at January 1, 2019	\$	3,081	\$	343	\$ 3,424
Charged to profit or loss:					
Additional provisions		-		9	9
Unused amounts reversed		(453)		-	(453)
Unwinding of discount		87		10	97
Used during the period		(1,548)		(116)	(1,664)
Exchange differences		(59)		(12)	(71)
Balance as at September 30, 2019		1,108		234	1,342
Less: non-current portion		(475)		(187)	(662)
	\$	633	\$	47	\$ 680

12. Borrowings

	September 30, 2019	December 31, 2018
Borrowings (current):		
Bank credit facilities	\$ 146,000	\$ 578
Leasehold improvement loans	69	88
Less: deferred financing fees	247	-
	145,822	666
Borrowings (non-current):		
Bank credit facilities	-	128,600
Leasehold improvement loans	352	403
Less: deferred financing fees	-	568
	352	128,435
Total borrowings	\$ 146,174	\$ 129,101

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13. 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:

	Number of Shares	Common Shares	
			Amount
Balance as at January 1, 2019	39,012,702	\$	491,542
Issued on exercise of options (Note 14)	261,747		7,563
Issued under the Dividend Reinvestment Plan	168,121		4,194
Issued under the Equity Compensation Plan (Note 14)	246,653		5,243
Treasury shares reserved under the Restricted Share Plan (Note 14)	(118,202)		(5,353)
Treasury shares reserved under the Equity Compensation Plan (Note 14)	(63,553)		(2,352)
Release of treasury shares (Note 14)	99,561		3,169
Issued on acquisitions	179,672		3,442
Balance as at September 30, 2019	39,786,701	\$	507,448

The 39,786,701 common shares as at September 30, 2019 are net of 372,571 treasury shares with a carrying value of \$16,520 that are being held by the Company until vesting conditions are met (Note 14).

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

14. Share-based Compensation

The Company's share-based compensation plans are as follows:

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

Movements in the number of options outstanding and the weighted average exercise price are as follows:

	Number of Options Outstanding	Weighted Average Exercise Price
Balance as at January 1, 2019	1,518,670	\$27.96
Granted on March 6, 2019	185,543	\$26.23
Granted on March 6, 2019	77,827	\$26.30
Granted on June 20, 2019	90,909	\$31.96
Granted on August 20, 2019	53,774	\$37.93
Exercised	(261,747)	\$24.32
Expired/Forfeited	(12,312)	\$24.98
Balance as at September 30, 2019	1,652,664	\$28.83

The options granted in 2019 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 2019	June 2019	August 2019
Risk-free interest rate	1.69%	1.35%	1.29%
Expected dividend yield	2.3%	1.9%	1.6%
Expected volatility	25.29% - 26.64%	24.13% - 25.70%	24.42% - 25.80%
Expected option life	3.00 - 4.50 years	3.00 - 4.50 years	3.00 - 4.50 years
Weighted average grant-date fair value per option	\$4.06 - \$5.00	\$4.80 - \$6.02	\$5.93 - \$7.43

In March 2019, August 2019 and September 2019, as part of the Equity Compensation Plan, a total of 73,479 common shares, 7,260 common shares and 3,828 common shares were issued in escrow, respectively. These shares will not be available until three years following the date of grant. After three years from the date of grant, these common shares are released, provided, subject to certain exceptions such as retirement, disability or death, that the individual is employed with the Company at the time of release. If the employee resigns from the Company or is terminated for cause, the common shares are forfeited.

Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (Unaudited)

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

14. Share-based Compensation, cont'd

In March 2019, as part of the Equity Compensation Plan, the Company settled the vested equity awards granted in 2016 through an issuance of 162,086 common shares from treasury.

In March 2019 and in June 2019, as part of the Long-Term Incentive Plan, the Company granted performance share units ("PSUs") equivalent to 153,164 common shares and 33,378 common shares, respectively. The number of PSUs that will vest may be higher or lower than the number of PSUs originally granted, ranging from 0% to 200% based on the Company's TSR relative to the average TSR of a defined peer group.

(ii) Deferred Compensation Plans

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

This amount has been shown as a reduction in the carrying value of the Company's common shares (Note 13).

A summary of the movement of the RSs and RSUs granted is as follows:

	Number of RSs	Number of RSUs
Balance as at January 1, 2019 (all unvested)	220,623	352,670
Granted	118,202	138,770
Released	(98,458)	(156,748)
Balance as at September 30, 2019 (all unvested)	240,367	334,692

(iii) Directors' Deferred Share Unit Plan

A summary of the movement of the DSUs granted is as follows:

	Number of DSUs
Balance as at January 1, 2019	124,908
Granted	29,070
Balance as at September 30, 2019	153,978

Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (Unaudited)

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14. Share-based Compensation, cont'd

(iv) Compensation Expense by Plan

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Share Option Plan	\$ 15	\$ 36	\$ 43	\$ 171
Equity Compensation Plan	277	444	909	1,348
Long-Term Incentive Plan	1,324	1,016	3,555	2,788
RS Plan	922	935	2,752	2,457
RSU Plan ⁽¹⁾	2,391	1,458	5,844	1,502
DSU Plan ⁽²⁾	1,382	402	3,204	94

⁽¹⁾ For the three and nine months ended September 30, 2019, the Company recorded mark-to-market adjustments of \$1,242 and \$2,977, respectively (2018 - \$266 and \$(980), respectively).

⁽²⁾ For the three and nine months ended September 30, 2019, the Company recorded mark-to-market adjustments of \$1,107 and \$2,415, respectively (2018 - \$149 and \$(658), respectively).

(v) Liabilities for Cash-settled Plans

	September 30, 2019	December 31, 2018
RSU Plan - carrying value of liability recorded within trade payables and other	\$ 8,144	\$ 6,101
DSU Plan - carrying value of liability recorded within trade payables and other	5,983	2,779

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

15. Earnings (Loss) per Share

For the three months ended September 30, 2019, 193,433 share options and 19,922 RSs (including common shares issued in escrow as part of the Equity Compensation Plan) were excluded from the diluted earnings (loss) per share calculation as the impact would have been anti-dilutive.

For the nine months ended September 30, 2019, 1,081,254 share options and 23,227 RSs (including common shares issued in escrow as part of the Equity Compensation Plan) were excluded from the diluted earnings (loss) per share calculation as the impact would have been anti-dilutive.

For the three and nine months ended September 30, 2018, 1,446,369 share options, 297,280 RSs (including common shares issued in escrow as part of the Equity Compensation Plan) and 281,851 equity awards and PSUs were excluded from the diluted earnings (loss) per share calculation as the impact would have been anti-dilutive.

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 September 30		Nine months ended September 30	
	2019	2018	2019	2018
Profit (loss) for the period - basic and diluted	\$ 5,036	\$ (1,723)	\$ 17,922	\$ (3,720)
Weighted average number of common shares outstanding - basic	39,642,560	38,879,435	39,350,460	38,694,699
Dilutive effect of share options	259,189	-	93,073	-
Dilutive effect of equity awards and PSUs	338,902	-	277,729	-
Dilutive effect of RSs	170,752	-	136,067	-
Weighted average number of common shares outstanding - diluted	40,411,403	38,879,435	39,857,329	38,694,699
Earnings (loss) per share:				
Basic	\$0.13	\$(0.04)	\$0.46	\$(0.10)
Diluted	\$0.12	\$(0.04)	\$0.45	\$(0.10)

16. 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 15th day of the month following quarter end.

Dividends are declared and paid in Canadian dollars.

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Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (Unaudited)

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

17. Financial Instruments and Fair Values

Financial Instruments by Category

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

	September 30, 2019			December 31, 2018		
	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
Assets as per Consolidated Balance Sheet:						
Cash and cash equivalents	\$ -	\$ -	\$ 56,014	\$ -	\$ -	\$ 48,738
Trade receivables and other (excluding deferred costs to obtain customer contracts, prepayments and promissory notes receivable)	-	-	161,761	-	-	143,604
Promissory notes receivable	-	-	-	6,552	-	-
Investments in equity instruments	-	11,686	-	-	3,408	-
Investments in partnerships	1,993	-	-	1,495	-	-
Derivative financial instruments	8,452	-	-	1,092	-	-
	\$ 10,445	\$ 11,686	\$ 217,775	\$ 9,139	\$ 3,408	\$ 192,342

Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (Unaudited)

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

17. Financial Instruments and Fair Values, cont'd

	September 30, 2019		December 31, 2018	
	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through Profit or Loss	Amortized Cost
Liabilities as per Consolidated Balance Sheet:				
Trade payables and other (excluding lease inducements, contract liabilities, RSU Plan and DSU Plan payables and contingent consideration payables)	\$ -	\$ 66,676	\$ -	\$ 75,538
RSU Plan and DSU Plan payables	14,127	-	8,880	-
Contingent consideration payables	13,942	-	14,169	-
Borrowings	-	146,174	-	129,101
	\$ 28,069	\$ 212,850	\$ 23,049	\$ 204,639

Fair Values

The tables below present financial instruments that are measured at fair value.

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments in equity instruments	\$ -	\$ -	\$ 11,686	\$ 11,686
Investments in partnerships	-	-	1,993	1,993
Derivative financial instruments	-	8,452	-	8,452
Liabilities:				
Borrowings	-	146,174	-	146,174
RSU Plan and DSU Plan payables	14,127	-	-	14,127
Contingent consideration payables	-	-	13,942	13,942

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Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (Unaudited)

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

17. Financial Instruments and Fair Values, cont'd

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Promissory notes receivable	\$ -	\$ -	\$ 6,552	\$ 6,552
Investments in equity instruments	-	-	3,408	3,408
Investments in partnerships	-	-	1,495	1,495
Derivative financial instruments	-	1,092	-	1,092
Liabilities:				
Borrowings	-	129,669	-	129,669
RSU Plan and DSU Plan payables	8,880	-	-	8,880
Contingent consideration payables	-	-	14,169	14,169

For the three and nine months ended September 30, 2019, there were no transfers between the levels in the hierarchy.

	Contingent Consideration Payables (Discounted)
Balance as at January 1, 2019	\$ 14,169
Contingent arrangements entered into during the period	1,158
Changes in expected payment recorded through profit or loss	(50)
Unwinding of discount	464
Settlements	(981)
Exchange differences	(818)
Balance as at September 30, 2019	\$ 13,942

A 1% increase or decrease in the discount rate could decrease or increase the Company's determination of fair value by approximately \$19 as at September 30, 2019.

The estimated contractual amount of contingent consideration payables as at September 30, 2019 was \$14,196 (December 31, 2018 - \$14,754), net of a discount of \$254 (December 31, 2018 - \$585).

Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (Unaudited)

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

17. Financial Instruments and Fair Values, cont'd

Cash and cash equivalents, trade receivables and other (excluding deferred costs to obtain customer contracts, contract assets, prepayments, and promissory notes receivable) due within one year, and trade payables and other (excluding lease inducements, 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.

18. Commitments and Contingencies

The Company leases offices and equipment under non-cancellable operating leases. On the adoption of IFRS 16 (Note 4), most operating leases are now included on the balance sheet other than for short-term leases and low-value leases. As at December 31, 2018, all operating leases and other lease commitments were included in these commitments. The future aggregate minimum lease payments under such arrangements and other contractual commitments are as follows:

	September 30, 2019	December 31, 2018
No later than 1 year	\$ 3,527	\$ 18,808
Later than 1 year and no later than 5 years	1,842	53,964
Later than 5 years	-	28,444
Total	\$ 5,369	\$ 101,216

The future aggregate minimum sublease payments to be received under non-cancellable subleases as at September 30, 2019 were \$538 (December 31, 2018 - \$3,839).

As at September 30, 2019, the Company provided letters of credit of approximately \$835 to its lessors (December 31, 2018 - \$776).

In connection with the acquisition of Integrated Real Estate Resources, Inc. ("INTRER") completed on December 1, 2015, the Company committed to grant a total of 250,000 options, subject to conditions customary to the Company's share-based compensation plans, over a five-year period to be distributed to INTRER employees. As at September 30, 2019, the Company granted a total of 200,000 options (December 31, 2018 - 200,000 options) pursuant to this arrangement.

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Notes to Interim Condensed Consolidated Financial Statements September 30, 2019 and 2018 (Unaudited)

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

18. Commitments and Contingencies, cont'd

The Company committed to aggregate capital contributions of \$767 (Note 10) to certain partnerships (December 31, 2018 - \$1,241) over the next two years.

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.



Altus Group

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Stock trading symbol: AIF

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