



**Altus Group**

**Q1 2019**

**FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED  
MARCH 31, 2019





# Altus Group Limited



## Interim Condensed Consolidated Financial Statements

March 31, 2019 and 2018

(Unaudited)

(Expressed in Thousands of Canadian Dollars)

### Contents

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)	1
Interim Condensed Consolidated Balance Sheets	2
Interim Condensed Consolidated Statements of Changes in Equity	3
Interim Condensed Consolidated Statements of Cash Flows	4
Notes to Interim Condensed Consolidated Financial Statements	5

# Altus Group Limited



## Interim Condensed Consolidated Statements of Comprehensive Income (Loss) For the Three Months Ended March 31, 2019 and 2018 (Unaudited)

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

		Three months ended March 31	
	Notes	2019	2018
<b>Revenues</b>	5	\$ 127,998	\$ 124,690
<b>Expenses</b>			
Employee compensation		86,593	82,109
Occupancy	4	1,813	5,407
Office and other operating		24,617	22,623
Depreciation of right-of-use assets	4	3,650	-
Depreciation of property, plant and equipment		1,916	1,809
Amortization of intangibles		8,427	10,735
Acquisition and related transition costs (income)		(18)	734
Restructuring costs		-	2,853
(Gain) loss on investments		(107)	(85)
Finance costs (income), net - leases	4, 6	732	-
Finance costs (income), net - other	6	1,650	1,428
<b>Profit (loss) before income taxes</b>		<b>(1,275)</b>	<b>(2,923)</b>
Income tax expense (recovery)	7	(840)	(596)
<b>Profit (loss) for the period attributable to shareholders</b>		<b>\$ (435)</b>	<b>\$ (2,327)</b>
<b>Other comprehensive income (loss):</b>			
Items that may be reclassified to profit or loss in subsequent periods:			
Currency translation differences		(5,074)	8,003
Items that are not reclassified to profit or loss in subsequent periods:			
Change in FVOCI investment reserves		(126)	(25,254)
<b>Other comprehensive income (loss), net of tax</b>		<b>(5,200)</b>	<b>(17,251)</b>
<b>Total comprehensive income (loss) for the period, net of tax, attributable to shareholders</b>		<b>\$ (5,635)</b>	<b>\$ (19,578)</b>
<b>Earnings (loss) per share attributable to the shareholders of the Company during the period</b>			
Basic earnings (loss) per share	15	\$(0.01)	\$(0.06)
Diluted earnings (loss) per share	15	\$(0.01)	\$(0.06)

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

# Altus Group Limited



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

(Expressed in Thousands of Canadian Dollars)

	Notes	March 31, 2019	December 31, 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 37,519	\$ 48,738
Trade receivables and other	8	154,200	154,298
Income taxes recoverable		6,479	6,021
Derivative financial instruments		205	478
		198,403	209,535
<b>Non-current assets</b>			
Trade receivables and other	8	2,822	8,975
Derivative financial instruments		1,664	614
Investments	9	11,592	4,903
Deferred tax assets		17,643	19,581
Right-of-use assets	4	68,347	-
Property, plant and equipment		30,911	33,197
Intangibles		105,001	114,894
Goodwill		264,034	266,483
		502,014	448,647
<b>Total Assets</b>		<b>\$ 700,417</b>	<b>\$ 658,182</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables and other	10	\$ 96,937	\$ 117,520
Income taxes payable		1,575	6,802
Lease liabilities	4	11,817	192
Borrowings	11	2,081	666
		112,410	125,180
<b>Non-current liabilities</b>			
Trade payables and other	10	18,811	29,825
Lease liabilities	4	67,039	74
Borrowings	11	140,330	128,435
Deferred tax liabilities		14,637	16,242
		240,817	174,576
<b>Total Liabilities</b>		<b>353,227</b>	<b>299,756</b>
<b>Shareholders' Equity</b>			
Share capital	12	492,653	491,542
Contributed surplus	13	21,115	21,882
Accumulated other comprehensive income (loss)		49,358	54,558
Retained earnings (deficit)		(215,936)	(209,556)
<b>Total Shareholders' Equity</b>		<b>347,190</b>	<b>358,426</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 700,417</b>	<b>\$ 658,182</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 Three Months Ended March 31, 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
<b>As at January 1, 2018</b>		\$ 479,181	\$ 18,550	\$ 10,430	\$ (96,842)	\$ 411,319
Profit (loss) for the period		-	-	-	(2,327)	(2,327)
Other comprehensive income (loss), net of tax:						
Currency translation differences		-	-	8,003	-	8,003
Change in fair value of FVOCI investments		-	-	(25,254)	-	(25,254)
<b>Total comprehensive income (loss) for the period</b>		-	-	(17,251)	(2,327)	(19,578)
Dividends declared		-	-	-	(5,853)	(5,853)
Share-based compensation		-	2,113	-	-	2,113
Dividend Reinvestment Plan		632	-	-	-	632
Shares issued on exercise of options		241	(37)	-	-	204
Shares issued on acquisitions		1,411	-	-	-	1,411
Shares issued under the Equity Compensation Plan		2,496	(2,496)	-	-	-
Treasury shares purchased for share-based compensation		(2,956)	-	-	-	(2,956)
Release of treasury shares under the Restricted Share Plan		2,469	(2,452)	-	-	17
Gain (loss) on sale of RSs and shares held in escrow		-	(1)	-	-	(1)
		4,293	(2,873)	-	(5,853)	(4,433)
<b>As at March 31, 2018</b>		\$ 483,474	\$ 15,677	\$ (6,821)	\$ (105,022)	\$ 387,308
<b>As at January 1, 2019</b>		\$ 491,542	\$ 21,882	\$ 54,558	\$ (209,556)	\$ 358,426
Profit (loss) for the period		-	-	-	(435)	(435)
Other comprehensive income (loss), net of tax:						
Currency translation differences		-	-	(5,074)	-	(5,074)
Change in fair value of FVOCI investments		-	-	(126)	-	(126)
<b>Total comprehensive income (loss) for the period</b>		-	-	(5,200)	(435)	(5,635)
Dividends declared	16	-	-	-	(5,945)	(5,945)
Share-based compensation	13, 14	-	2,299	-	-	2,299
Dividend Reinvestment Plan	12	1,710	-	-	-	1,710
Shares issued on exercise of options	12, 13, 14	377	(64)	-	-	313
Shares issued under the Equity Compensation Plan	12, 13, 14	4,818	(2,891)	-	-	1,927
Treasury shares reserved for share-based compensation	12, 14	(5,961)	-	-	-	(5,961)
Release of treasury shares under the Restricted Share Plan	12, 13, 14	167	(82)	-	-	85
Gain (loss) on sale of RSs and shares held in escrow	13	-	(29)	-	-	(29)
		1,111	(767)	-	(5,945)	(5,601)
<b>As at March 31, 2019</b>		\$ 492,653	\$ 21,115	\$ 49,358	\$ (215,936)	\$ 347,190

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

## Interim Condensed Consolidated Statements of Cash Flows For the Three Months Ended March 31, 2019 and 2018 (Unaudited)

(Expressed in Thousands of Canadian Dollars)

	Notes	Three months ended March 31	
		2019	2018
<b>Cash flows from operating activities</b>			
Profit (loss) before income taxes		\$ (1,275)	\$ (2,923)
Adjustments for:			
Amortization of intangibles		8,427	10,735
Depreciation of property, plant and equipment		1,916	1,809
Depreciation of right-of-use assets	4	3,650	-
Amortization of lease inducements		-	(117)
Finance costs (income), net - leases	4, 6	732	-
Finance costs (income), net - other	6	1,650	1,428
Share-based compensation	13, 14	2,299	2,113
Unrealized foreign exchange (gain) loss		494	(1,049)
(Gain) loss on investments		(107)	(85)
(Gain) loss on disposal of property, plant and equipment and intangibles		276	379
(Gain) loss on equity derivatives and currency forward contracts		(1,087)	3,099
Net changes in operating working capital		(18,613)	(17,424)
Net cash generated by (used in) operations		(1,638)	(2,035)
Less: interest paid on borrowings		(1,058)	(1,206)
Less: interest paid on leases		(732)	-
Less: income taxes paid		(6,236)	(1,590)
Add: income taxes refunded		1,546	54
Net cash provided by (used in) operating activities		(8,118)	(4,777)
<b>Cash flows from financing activities</b>			
Proceeds from exercise of options	12, 13, 14	313	204
Proceeds from borrowings		13,434	13,081
Repayment of borrowings		(231)	(372)
Payments of principal on lease liabilities	4	(2,869)	-
Dividends paid	16	(4,184)	(5,186)
Treasury shares purchased under the Restricted Share Plan	12, 14	(4,268)	(2,956)
Net cash provided by (used in) financing activities		2,195	4,771
<b>Cash flows from investing activities</b>			
Purchase of investments	9	(303)	(1,463)
Purchase of intangibles		(62)	(27)
Purchase of property, plant and equipment		(1,320)	(3,801)
Proceeds from disposal of property, plant and equipment and intangibles		15	-
Acquisitions, net of cash acquired		-	(3,073)
Net cash provided by (used in) investing activities		(1,670)	(8,364)
<b>Effect of foreign currency translation</b>		(3,626)	916
<b>Net increase (decrease) in cash and cash equivalents</b>		(11,219)	(7,454)
<b>Cash and cash equivalents, beginning of period</b>		48,738	28,070
<b>Cash and cash equivalents, end of period</b>		\$ 37,519	\$ 20,616

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

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 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 (the "Fund") was converted from an unincorporated open-ended limited purpose trust into a corporate structure (the "Corporate Conversion"). The Corporate Conversion through a series of transactions involved the exchange, on a one-for-one basis, of the Fund Units and the Class B limited partnership units of Altus Group Limited Partnership ("Altus LP") for common shares of the Company. As a result of this reorganization, Altus LP, Altus Operating Trust and the Fund were liquidated and dissolved. The effective date of the Corporate Conversion was January 1, 2011. The Company continues to operate the business of the Fund.

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 period ended March 31, 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.

This is the first set of the Company's financial statements in which IFRS 16, *Leases*, has been applied. 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 May 8, 2019.



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 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 Q1 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 is applying, for the first time, IFRS 16, *Leases*, using the modified retrospective approach. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations are effective beginning January 1, 2019, but do not have an impact on the interim financial statements of the Company.

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

March 31, 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 has been applied by the Company.

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 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 was 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 for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, 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 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

March 31, 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
<b>Assets</b>			
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
<b>Liabilities</b>			
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 March 31, 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:

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

<sup>(1)</sup> 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

March 31, 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 (e.g., a change in business strategy).

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 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	(497)	(20)	(517)
Depreciation expense	(3,036)	(614)	(3,650)
<b>As at March 31, 2019</b>	<b>\$ 67,627</b>	<b>\$ 720</b>	<b>\$ 68,347</b>

  

	Lease Liabilities	
As at January 1, 2019	\$	82,328
Exchange difference		(603)
Interest expense		732
Payments		(3,601)
<b>As at March 31, 2019</b>	<b>\$</b>	<b>78,856</b>

The Company recognized rent expense from short-term leases of \$101, leases of low-value assets of \$28 and variable lease payments of \$1,627 for the three months ended March 31, 2019 in occupancy expense.

For the impacts of IFRS 16 on segment information and Earnings Before Finance Costs and Income Taxes, please see Note 5.

#### *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:

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 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

- 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 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.



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 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

#### *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. 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 Executive 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 March 31, 2019 and 2018 (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 March 31, 2019	Three months ended March 31, 2018
<b>Adjusted EBITDA</b>	<b>\$ 13,884</b>	<b>\$ 15,508</b>
Additional occupancy expense calculated on a similar basis prior to the adoption of IFRS 16 <sup>(1)</sup>	3,254	-
Depreciation - right-of-use assets	(3,650)	-
Depreciation and amortization - other	(10,343)	(12,544)
Acquisition and related transition costs (income)	18	(734)
Unrealized foreign exchange gain (loss) <sup>(2)</sup>	(494)	1,049
Gain (loss) on disposal of property, plant and equipment <sup>(2)</sup>	(276)	(379)
Non-cash Executive Compensation Plan costs <sup>(3)</sup>	(1,314)	(1,223)
Gain (loss) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged <sup>(3)</sup>	(79)	(383)
Gain (loss) on derivatives <sup>(2)</sup>	-	48
Restructuring costs	-	(2,853)
Gain (loss) on investments <sup>(4)</sup>	107	85
Other non-operating and/or non-recurring income (costs) <sup>(5)</sup>	-	(69)
<b>Earnings (loss) before Finance Costs and Income Taxes</b>	<b>1,107</b>	<b>(1,495)</b>
Finance costs (income), net - leases	732	13
Finance costs (income), net - other	1,650	1,415
<b>Profit (loss) before income taxes</b>	<b>(1,275)</b>	<b>(2,923)</b>
Income tax expense (recovery)	(840)	(596)
<b>Profit (loss) for the period</b>	<b>\$ (435)</b>	<b>\$ (2,327)</b>

<sup>(1)</sup> 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.

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

<sup>(3)</sup> Included in employee compensation expenses in the unaudited interim condensed consolidated statements of comprehensive income (loss).

<sup>(4)</sup> Gain (loss) on investments for the three months ended March 31, 2019 and for the three months ended March 31, 2018 relates to changes in fair value of investments in partnerships.

<sup>(5)</sup> Other non-operating and/or non-recurring income (costs) for the three months ended March 31, 2018 relate to non-recurring legal matters and related costs. These are included in office and other operating expenses in the unaudited interim condensed consolidated statements of comprehensive income (loss).

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2019 and 2018 (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 March 31, 2019							
	Altus Analytics	Commercial Real Estate Property Tax	Consulting Valuation and Cost Advisory	Geomatics	Corporate <sup>(1)</sup>	Eliminations	Total	
Revenues from external customers	\$ 46,617	\$ 44,698	\$ 26,033	\$ 70,731	\$ 10,650	\$ -	\$ -	\$ 127,998
Inter-segment revenues	164	-	(58)	(58)	-	-	(106)	-
<b>Total segment revenues</b>	<b>46,781</b>	<b>44,698</b>	<b>25,975</b>	<b>70,673</b>	<b>10,650</b>	<b>-</b>	<b>(106)</b>	<b>127,998</b>
<b>Adjusted EBITDA</b>	<b>9,821</b>	<b>9,598</b>	<b>2,500</b>	<b>12,098</b>	<b>461</b>	<b>(8,496)</b>	<b>-</b>	<b>13,884</b>
Depreciation and amortization - right-of-use assets <sup>(2)</sup>	612	480	475	955	223	1,860	-	3,650
Depreciation and amortization - other	3,404	4,723	762	5,485	927	527	-	10,343
Finance costs (income), net - leases <sup>(2)</sup>	32	62	58	120	26	554	-	732
Finance costs (income), net - other	-	-	-	-	-	1,650	-	1,650
Income tax expense (recovery)	-	-	-	-	-	(840)	-	(840)

<sup>(1)</sup> Corporate includes global corporate office costs, finance costs (income), net - other and income tax expense (recovery). For the three months ended March 31, 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.

<sup>(2)</sup> 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).

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2019 and 2018 (Unaudited)

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

### 5. Segmented Information, cont'd

	Three months ended March 31, 2018							
	Altus Analytics	Commercial Property Tax	Real Estate Valuation and Cost Advisory	Consulting Total	Geomatics	Corporate <sup>(1)</sup>	Eliminations	Total
Revenues from external customers	\$ 40,324	\$ 48,619	\$ 25,305	\$ 73,924	\$ 10,442	\$ -	\$ -	\$ 124,690
Inter-segment revenues	212	-	(56)	(56)	4	-	(160)	-
<b>Total segment revenues</b>	40,536	48,619	25,249	73,868	10,446	-	(160)	124,690
<b>Adjusted EBITDA</b>	8,230	13,073	2,595	15,668	50	(8,440)	-	15,508
Depreciation and amortization - right-of-use assets <sup>(2)</sup>	-	-	-	-	-	-	-	-
Depreciation and amortization - other	3,465	7,014	665	7,679	919	481	-	12,544
Finance costs (income), net - leases <sup>(2)</sup>	-	-	-	-	-	-	-	-
Finance costs (income), net - other	-	-	-	-	-	1,428	-	1,428
Income tax expense (recovery)	-	-	-	-	-	(596)	-	(596)

<sup>(1)</sup> 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 March 31, 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.

<sup>(2)</sup> 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).

## Notes to Interim Condensed Consolidated Financial Statements March 31, 2019 and 2018 (Unaudited)

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

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
Interest on bank credit facilities	\$ 1,280	\$ 1,355
Interest on lease liabilities (Note 4)	732	-
Interest on finance leases	-	13
Contingent consideration payables: unwinding of discount (Note 17)	158	158
Provisions: unwinding of discount (Note 10)	17	2
Change in fair value of interest rate swaps	310	(45)
<b>Finance costs</b>	<b>2,497</b>	<b>1,483</b>
<b>Finance income</b>	<b>(115)</b>	<b>(55)</b>
<b>Finance costs (income), net</b>	<b>\$ 2,382</b>	<b>\$ 1,428</b>

### 7. Income Taxes

	Three months ended March 31, 2019	Three months ended March 31, 2018
<b>Income tax expense (recovery)</b>		
Current	\$ (1,033)	\$ (494)
Deferred	193	(102)
	<b>\$ (840)</b>	<b>\$ (596)</b>

### 8. Trade Receivables and Other

	March 31, 2019	December 31, 2018
Trade receivables	\$ 108,759	\$ 108,868
Less: loss allowance provision (Note 17)	9,588	9,013
Trade receivables, net	99,171	99,855
Contract assets: unbilled revenue on customer contracts <sup>(1)</sup>	44,283	43,224
Deferred costs to obtain customer contracts	806	1,003
Prepayments	12,215	12,114
Promissory notes receivable	-	6,552
Other receivables	547	525
	157,022	163,273
Less non-current portion	2,822	8,975
	<b>\$ 154,200</b>	<b>\$ 154,298</b>

<sup>(1)</sup> On March 31, 2019, contract assets are stated net of expected credit losses of \$1,281 (2018 - \$1,056). (Note 17)

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2019 and 2018

(Unaudited)

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

### 8. Trade Receivables and Other, cont'd

For the three months ended March 31, 2019, \$175 (2018 - \$139) of amortization associated with deferred costs to obtain customer contracts was expensed to the interim condensed consolidated statements of comprehensive income (loss). For the three months ended March 31, 2019, no impairment losses on deferred costs were recognized (2018 - \$nil).

### 9. Investments

	March 31, 2019	December 31, 2018
Investments in equity instruments	\$ 9,882	\$ 3,408
Investments in partnerships	1,710	1,495
	\$ 11,592	\$ 4,903

### 10. Trade Payables and Other

	March 31, 2019	December 31, 2018
Trade payables	\$ 8,389	\$ 11,167
Accrued expenses	49,101	63,932
Contract liabilities: deferred revenue	35,150	37,163
Contingent consideration payables (Note 17)	14,299	14,169
Dividends payable (Note 16)	5,946	5,895
Lease inducements (Note 4)	-	11,595
Provisions	2,863	3,424
	115,748	147,345
Less non-current portion:		
Accrued expenses	7,759	7,063
Contract liabilities: deferred revenue	9,281	7,134
Contingent consideration payables	-	3,064
Lease inducements	-	10,688
Provisions	1,771	1,876
	18,811	29,825
	\$ 96,937	\$ 117,520

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2019 and 2018 (Unaudited)

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

### 10. 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:					
Unwinding of discount		15		2	17
Used during the period		(542)		(28)	(570)
Exchange differences		(2)		(6)	(8)
<b>Balance as at March 31, 2019</b>		<b>2,552</b>		<b>311</b>	<b>2,863</b>
Less: non-current portion		1,577		194	1,771
	\$	<b>975</b>	\$	<b>117</b>	\$ <b>1,092</b>

### 11. Borrowings

	March 31, 2019	December 31, 2018
<b>Borrowings (current):</b>		
Bank credit facilities	\$ 2,012	\$ 578
Leasehold improvement loans	69	88
	<b>2,081</b>	<b>666</b>
<b>Borrowings (non-current):</b>		
Bank credit facilities	140,400	128,600
Leasehold improvement loans	391	403
Less: deferred financing fees	461	568
	<b>140,330</b>	<b>128,435</b>
<b>Total borrowings</b>	<b>\$ 142,411</b>	<b>\$ 129,101</b>

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2019 and 2018

(Unaudited)

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

### 12. 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)	15,526		377
Issued under the Dividend Reinvestment Plan	75,862		1,710
Issued under the Equity Compensation Plan (Note 14)	235,565		4,818
Treasury shares reserved under the Restricted Share Plan (Note 14)	(103,787)		(4,268)
Treasury shares reserved under the Equity Compensation Plan (Note 14)	(49,135)		(1,693)
Release of treasury shares (Note 14)	4,797		167
<b>Balance as at March 31, 2019</b>	<b>39,191,530</b>	<b>\$</b>	<b>492,653</b>

The 39,191,530 common shares as at March 31, 2019 are net of 438,502 treasury shares with a carrying value of \$17,778 that are being held by the Company until vesting conditions are met (Note 14).

### 13. Contributed Surplus

	Amount
Balance as at January 1, 2019	\$ 21,882
Share-based compensation	2,299
Gain (loss) on sale of RSs and shares held in escrow	(29)
Shares issued on exercise of options (Note 14)	(64)
Release of treasury shares under the Restricted Share Plan (Note 14)	(82)
Shares issued under the Equity Compensation Plan (Note 14)	(2,891)
<b>Balance as at March 31, 2019</b>	<b>\$ 21,115</b>



# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2019 and 2018 (Unaudited)

(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) Executive 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
Exercised	(15,526)	\$20.16
<b>Balance as at March 31, 2019</b>	<b>1,766,514</b>	<b>\$27.77</b>

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
Risk-free interest rate	1.69%
Expected dividend yield	2.3%
Expected volatility	25.29% - 26.64%
Expected option life	3.00 - 4.50 years
Weighted average grant-date fair value per option	\$4.06 - \$5.00

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, as part of the Long-Term Incentive Plan, the Company granted PSUs equivalent to 153,164 common shares. 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.

## Notes to Interim Condensed Consolidated Financial Statements March 31, 2019 and 2018 (Unaudited)

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

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

#### (ii) Deferred Compensation Plans

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 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 12).

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	103,787	134,872
Released	(4,032)	(1,753)
<b>Balance as at March 31, 2019 (all unvested)</b>	<b>320,378</b>	<b>485,789</b>

#### (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	10,903
<b>Balance as at March 31, 2019</b>	<b>135,811</b>

#### (iv) Compensation Expense by Plan

	Three months ended March 31, 2019	Three months ended March 31, 2018
Share Option Plan	\$ 22	\$ 80
Equity Compensation Plan	254	445
Long-Term Incentive Plan	1,038	698
RS Plan	991	828
RSU Plan <sup>(1)</sup>	1,748	(148)
DSU Plan <sup>(2)</sup>	689	(253)

<sup>(1)</sup> For the three months ended March 31, 2019, the Company recorded mark-to-market adjustments of \$654 (2018 - \$(836)).

<sup>(2)</sup> For the three months ended March 31, 2019, the Company recorded mark-to-market adjustments of \$433 (2018 - \$(514)).

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 2019 and 2018 (Unaudited)

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

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

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

	March 31, 2019	December 31, 2018
RSU Plan - carrying value of liability recorded within trade payables and other	\$ 7,815	\$ 6,101
DSU Plan - carrying value of liability recorded within trade payables and other	3,468	2,779

### 15. Earnings (Loss) per Share

The impact of share-based compensation outstanding has been excluded 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 March 31, 2019	Three months ended March 31, 2018
Profit (loss) for the period - basic and diluted	\$ (435)	\$ (2,327)
Weighted average number of common shares outstanding - basic and diluted	39,084,216	38,500,448
Earnings (loss) per share:		
Basic	\$(0.01)	\$(0.06)
Diluted	\$(0.01)	\$(0.06)

### 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 15<sup>th</sup> day of the month following quarter end.

Dividends are declared and paid in Canadian dollars.

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 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:

	March 31, 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
<b>Assets as per Consolidated Balance Sheet:</b>						
Cash and cash equivalents	\$ -	\$ -	\$ 37,519	\$ -	\$ -	\$ 48,738
Trade receivables and other (excluding deferred costs to obtain customer contracts, prepayments and promissory notes receivable)	-	-	144,001	-	-	143,604
Promissory notes receivable	-	-	-	6,552	-	-
Investments in equity instruments	-	9,882	-	-	3,408	-
Investments in partnerships	1,710	-	-	1,495	-	-
Derivative financial instruments	1,869	-	-	1,092	-	-
	\$ 3,579	\$ 9,882	\$ 181,520	\$ 9,139	\$ 3,408	\$ 192,342

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 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

	March 31, 2019		December 31, 2018	
	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 lease inducements, contract liabilities, RSU Plan and DSU Plan payables and contingent consideration payables)	\$ -	\$ 55,016	\$ -	\$ 75,538
RSU Plan and DSU Plan payables	11,283	-	8,880	-
Contingent consideration payables	14,299	-	14,169	-
Borrowings	-	142,411	-	129,101
	\$ 25,582	\$ 197,427	\$ 23,049	\$ 204,639

### Fair Values

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

	March 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in equity instruments	\$ -	\$ -	\$ 9,882	\$ 9,882
Investments in partnerships	-	-	1,710	1,710
Derivative financial instruments	-	1,869	-	1,869
<b>Liabilities:</b>				
Borrowings	-	142,872	-	142,872
RSU Plan and DSU Plan payables	11,283	-	-	11,283
Contingent consideration payables	-	-	14,299	14,299

# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements March 31, 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
<b>Assets:</b>				
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
<b>Liabilities:</b>				
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 months ended March 31, 2019, there were no transfers between the levels in the hierarchy.

	Contingent Consideration Payables (Discounted)
Balance as at January 1, 2019	\$ 14,169
Changes in expected payment recorded through profit or loss	(50)
Unwinding of discount	158
Exchange differences	22
<b>Balance as at March 31, 2019</b>	<b>\$ 14,299</b>

A 1% increase or decrease in the discount rate could decrease or increase the Company's determination of fair value by approximately \$78 as at March 31, 2019.

The estimated contractual amount of contingent consideration payables as at March 31, 2019 was \$14,726 (December 31, 2018 - \$14,754), net of a discount of \$427 (December 31, 2018 - \$585).

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, trade payables and other, leasehold improvement loans and finance lease liabilities are estimated by discounting the future contractual cash flows at the cost of borrowing to the Company, which approximate their carrying values.

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 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

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

#### Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

The Company does not enter into derivative financial instruments for speculative purposes.

#### Currency risk

The Company has operations in Canada, the U.S., Europe and Asia Pacific and, therefore, has exposure to currency risk. There is exposure to foreign exchange fluctuations on the consolidation of the Company's foreign subsidiaries. Assets and liabilities of foreign subsidiaries are translated at the period-end exchange rate and, therefore, have varying values from exchange rate fluctuations. The effects of such variations are recognized in other comprehensive income (loss).

The statements of comprehensive income (loss) of the foreign subsidiaries are translated into Canadian dollars using the period's average exchange rate and, accordingly, exchange rate fluctuations impact revenues and profit or loss, denominated in Canadian dollars.

In order to limit some of its foreign exchange exposure, the Company entered into currency forward contracts.

The Company monitors its foreign exchange exposure and its hedging strategy on an ongoing basis.

The following table summarizes the effect of a 10% strengthening of the Canadian dollar on the Company's profit (loss) as a result of translating the statements of comprehensive income (loss) of foreign subsidiaries, assuming all other variables remain unchanged:

	Three months ended March 31, 2019	Three months ended March 31, 2018
U.S.	\$ (489)	\$ (592)
Europe	324	259
Australia	75	4
Asia	(82)	(29)

## Notes to Interim Condensed Consolidated Financial Statements

March 31, 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

A 10% weakening of the Canadian dollar would have an equal but opposite effect, assuming all other variables remain unchanged.

### 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:

	March 31, 2019	December 31, 2018
No later than 1 year	\$ 4,296	\$ 18,808
Later than 1 year and no later than 5 years	2,044	53,964
Later than 5 years	-	28,444
<b>Total</b>	<b>\$ 6,340</b>	<b>\$ 101,216</b>

The future aggregate minimum sublease payments to be received under non-cancellable subleases as at March 31, 2019 were \$682 (December 31, 2018 - \$3,839).

As at March 31, 2019, the Company provided letters of credit of approximately \$755 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 March 31, 2019, the Company granted a total of 200,000 options (December 31, 2018 - 200,000 options) pursuant to this arrangement.

The Company committed to aggregate capital contributions of \$1,099 (Note 9) 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.



# Altus Group Limited



## Notes to Interim Condensed Consolidated Financial Statements

March 31, 2019 and 2018

**(Unaudited)**

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

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

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

## LISTINGS

Toronto Stock Exchange  
Stock trading symbol: AIF

## AUDITORS

ERNST & YOUNG LLP

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