MANAGEMENT’S DISCUSSION & ANALYSIS

2016
Altus Group Limited

Management’s Discussion & Analysis
December 31, 2016

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The following management’s discussion and analysis (“MD&A”) is intended to assist readers in understanding Altus Group Limited (the “Company” or “Altus Group”), its business environment, strategies, performance, and outlook and the risks applicable to Altus Group. It should be read in conjunction with our consolidated financial statements and accompanying notes (the “financial statements”) for the year ended December 31, 2016, which have been prepared on the basis of International Financial Reporting Standards (“IFRS”) and reported in Canadian dollars. Unless otherwise indicated herein, references to “$” are to Canadian dollars.

Unless the context indicates otherwise, all references to “we”, “us”, “our” or similar terms refer to Altus Group, and, as appropriate, our consolidated operations.

This MD&A is dated as of February 23, 2017.

Forward-Looking Information

Certain information in this MD&A may constitute “forward-looking information” within the meaning of applicable securities legislation. All information contained in this MD&A, other than statements of current and historical fact, is forward-looking information. Forward-looking information includes, but is not limited to, the discussion of our business and operating initiatives, focuses and strategies, our expectations of future performance for our various business units and our consolidated financial results, and our expectations with respect to cash flows and liquidity. Generally, forward-looking information can be identified by use of words such as “may”, “will”, “expect”, “believe”, “plan”, “would”, “could” and other similar terminology. All of the forward-looking information in this MD&A is qualified by this cautionary statement.

Forward-looking information is not, and cannot be, a guarantee of future results or events. Forward-looking information is based on, among other things, opinions, assumptions, estimates and analyses that, while considered reasonable by us at the date the forward-looking information is provided, inherently are subject to significant risks, uncertainties, contingencies and other factors that may cause actual results, performance or achievements, industry results or events to be materially different from those expressed or implied by the forward-looking information. The material factors or assumptions that we identified and were applied by us in drawing conclusions or making forecasts or projections set out in the forward-looking information include, but are not limited to: the successful execution of our business strategies; consistent and stable economic conditions or conditions in the financial markets; consistent and stable legislation in the various countries in which we operate; no disruptive changes in the technology environment; the opportunity to acquire accretive businesses; the successful integration of acquired businesses; and the continued availability of qualified professionals.

Inherent in the forward-looking information are known and unknown risks, uncertainties and other factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any results, performance or achievements expressed or implied by such forward-looking information. Those risks, uncertainties and other factors that could cause actual results to differ materially from the forward-looking information include, but are not limited to: general state of the economy; currency risk; oil and gas sector; ability to maintain profitability and manage growth; commercial real estate market; competition in the industry; ability to attract and retain professionals; information from multiple sources; reliance on larger enterprise transactions with longer and less predictable sales cycles; success of new product introductions; ability to respond to technological change
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and develop products on a timely basis; protection of intellectual property or defending against claims of intellectual property rights of others; ability to implement technology strategy and ensure workforce adoption; information technology governance and security, including cyber security; acquisitions; fixed-price and contingency engagements; appraisal and appraisal management mandates; Canadian multi-residential market; weather; legislative and regulatory changes; customer concentration and loss of material clients; interest rate risk; credit risk; income tax matters; revenue and cash flow volatility; health and safety hazards; performance of contractual obligations and client satisfaction; risk of legal proceedings; insurance limits; ability to meet solvency requirements to pay dividends; leverage and restrictive covenants; unpredictability and volatility of common share price; capital investment; and issuance of additional common shares diluting existing shareholders’ interests, as described in this document under “Key Factors Affecting the Business”.

Given these risks, uncertainties and other factors, investors should not place undue reliance on forward-looking information as a prediction of actual results. The forward-looking information reflects management’s current expectations and beliefs regarding future events and operating performance and is based on information currently available to management. Although we have attempted to identify important factors that could cause actual results to differ materially from the forward-looking information contained herein, there are other factors that could cause results not to be as anticipated, estimated or intended. The forward-looking information contained herein is current as of the date of this MD&A and, except as required under applicable law, we do not undertake to update or revise it to reflect new events or circumstances. Additionally, we undertake no obligation to comment on analyses, expectations or statements made by third parties in respect of Altus Group, our financial or operating results, or our securities.

Non-IFRS Measures

We use certain non-IFRS measures as indicators of financial performance. Readers are cautioned that they are not defined performance measures under IFRS and may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to financial measures as reported by those entities. We believe that these measures are useful supplemental measures that may assist investors in assessing an investment in our shares and provide more insight into our performance.

*Adjusted Earnings before Interest, Taxes, Depreciation and Amortization*, ("Adjusted EBITDA"), represents operating profit (loss) adjusted for the effects of amortization of intangibles, depreciation of property, plant and equipment, acquisition related expenses (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 sale of certain business assets, impairment charges, non-cash Executive Compensation Plan costs, 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. Adjusted EBITDA margin is Adjusted EBITDA divided by revenues. Refer to page 22 for a reconciliation of Adjusted EBITDA to our financial statements.

*Adjusted Earnings (Loss) per Share*, ("Adjusted EPS"), represents basic earnings per share adjusted for the effects of amortization of intangibles acquired as part of business acquisitions, non-cash finance costs (income) related to the revaluation of amounts payable to U.K. unitholders, net of changes in fair value of
related equity derivatives, distributions related to amounts payable to U.K. unitholders, acquisition related expenses (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 sale of certain business assets, interest accretion on contingent consideration payables, impairment charges, non-cash Executive Compensation Plan costs, gains (losses) on hedging transactions, gains (losses) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged and other costs or income of a non-operating and/or non-recurring nature. All of the adjustments are made net of tax. Refer to page 23 for a reconciliation of Adjusted EPS to our financial statements.

Overview of the Business

Altus Group Limited is a leading provider of independent advisory services, software and data solutions to the global commercial real estate (“CRE”) industry. Our businesses, Altus Analytics and Altus Expert Services, reflect decades of experience, a range of expertise, and technology-enabled capabilities. Our solutions empower clients to analyze, gain insight and recognize value on their real estate investments. Headquartered in Canada, we have approximately 2,300 employees around the world, with operations in North America, Europe and Asia Pacific. Our clients include some of the world’s largest real estate industry participants.

We have three reporting business segments - Altus Analytics, Commercial Real Estate Consulting (“CRE Consulting”) and Geomatics.

Altus Analytics
Altus Analytics provides data, analytics software and technology-related services. Our clients consist of large holders of CRE asset portfolios, including public and private investment funds, pension funds, real estate investment trusts (“REITs”), corporate investors, developers, brokers, governments and financial institutions.

Our software solutions are among the most recognized in the CRE industry. Our flagship ARGUS Enterprise (“AE”) software is the leading global solution for valuation and portfolio management. It provides the industry valuation standard in the U.S., the U.K. and Australia and enables global portfolio analytical capabilities with multi-currency adaptability. AE’s suite of functionality offers property budgeting, investment structure forecasting, reporting, and sensitivity analysis. Other software products include ARGUS Developer (software for development feasibility analysis), ARGUS on Demand (“AOD”) (a hosted version of AE and ARGUS Developer), and Voyanta (a cloud-based data management solution). ARGUS branded products are sold as perpetual licenses, with ongoing maintenance, or on a subscription basis, while Voyanta’s pricing is on a subscription basis.

In the U.S., our offering combines appraisal management with data and analytics functionality that allows large real estate investors to perform quarterly performance reviews, benchmarking and attribution analysis of their portfolios with the use of our proprietary data analytics platforms. This offering is now also available in Europe through our offices in the U.K. and Luxembourg. The contractual terms of our agreements are generally for three to five year terms and pricing is primarily based on the number of real estate assets on our platform, adjusted for frequency of valuations and complexity.
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In Canada, Altus Analytics also includes data subscription products, such as RealNet and Altus InSite, which provide comprehensive real estate information on the Canadian residential, office, industrial and investment markets.

**Expert Services**
Expert Services consists of Commercial Real Estate Consulting and Geomatics.

**Commercial Real Estate Consulting**
CRE Consulting services - Property Tax, and Valuation and Cost Advisory services - span the life cycle of commercial real estate - feasibility, development, acquisition, management and disposition. With offices in Canada, the U.S. and the U.K., our team of Property Tax professionals help clients minimize the tax burden and reduce the cost of compliance. Our core real estate property tax services include assessment reviews, management and appeals, in addition in the U.S., personal property and state and local tax advisory services. Valuation services, which are predominantly provided in Canada, consist of appraisals of real estate portfolios, valuation of properties for transactional purposes, due diligence and, litigation and economic consulting. Our Cost practice, offered in both the private and public sectors in North America and Asia Pacific, provides expert services in the areas of construction feasibility studies, budgeting, cost and loan monitoring and project management. Given the strength of our brand, our independence and quality of our work, we enjoy a high rate of client renewals across all of our service lines. Pricing for our services is based on a fixed fee or time and materials fee basis, and for a significant number of projects in Property Tax, on a contingency basis.

**Geomatics**
Geomatics is the practice of recording and managing spatially referenced information, including land surveying, geographic information systems, global positioning systems and light detection and ranging. Our services, performed by highly qualified certified professionals, include land surveys and mapping for setting of property boundaries, route and corridor selection, land settlement, construction developments, and oil field and well-sites. Our competitive advantages include the depth of our team’s experience and specialized training, our strong track record of safety, the timeliness and quality of our work, and our geographic reach in Western Canada. Our services are primarily charged on a time and materials fee basis.

**Strategy**

Our key competitive strengths in the marketplace are comprised of our independence, our industry expertise, the breadth and diversity of our offerings, our differentiated data and software solutions, and our growing global scale. Our independence, which has earned us a reputation for unbiased and objective advice, remains an important factor in winning competitive bids, attracting strategic partnerships and offering industry-standard data and software solutions that are trusted by many market participants. We empower our clients through our expert services, data, analytical tools and software solutions, to make better informed decisions and maximize the value of their real estate investments.

We continue to see long-term industry growth prospects supported by favourable market trends which consist of greater institutional investments in CRE on a global basis. These CRE owners are managing increasingly complex global portfolios, and investors and regulators are demanding greater transparency
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to better understand and analyze risks, returns and opportunities. Our platform offerings serve these growing requirements as they provide industry standard solutions on a global basis.

Our goal is to evolve towards a focused and integrated business model which scales our data, analytics and software capabilities on a global basis, while continuing to provide independent and technology-enabled real estate consulting services.

Strategic Initiatives

To further our long-term strategy, we are focused on three key strategic initiatives:

1. Continue to build out Altus Analytics product offerings;
2. Enhance the value of our Expert Services businesses; and
3. Build and scale our data offerings.

Continue to build out Altus Analytics product offerings
In 2016, with the formation of Altus Analytics we made significant progress to streamline our organizational structure and enhance our go-to-market strategy. We remain focused on the continued development of an integrated platform. Our multi-year roadmap includes modernization of existing products, new functionality and new product and service additions targeting adjacent market segments. The successful implementation of this roadmap should help drive strong organic growth and long-term recurring revenue streams from these initiatives.

Enhance the value of our Expert Services businesses
We enjoy a long legacy of being a leading expert services provider in the fields in which we operate, including Property Tax, Valuation and Cost Advisory and Geomatics services. To sustain our market leadership, we will continue to grow and invest in these businesses and pursue market share gains both organically and through acquisitions. Additionally, we plan to modernize our Expert Services with technology and drive operational improvements to improve profitability, enhance productivity, and deliver greater value to our customers.

Our Property Tax practice in particular continues to represent an attractive growth area for our Company. In addition to our organic growth investments, there is an opportunity to grow by consolidating fragmented markets in the U.S. and the U.K. where our penetration is modest relative to the size of the opportunity. We also plan to enhance Property Tax with a new global tax platform that will leverage our proprietary database, improve internal efficiencies and drive client value.

Build and scale our data offerings
Our leading Expert Services and Altus Analytics businesses collect valuable and detailed CRE industry data. This provides us with a unique long-term opportunity to re-purpose and eventually monetize this data to drive differentiation, launch new products and strengthen our recurring revenue streams. We are starting to lay the groundwork for this opportunity by developing technology that will capture and organize the data that we collect across each of our businesses and through partnerships. In the long term, this infrastructure will enable us to better integrate our current products, to pursue more data-sharing partnerships, and to leverage the data to develop new applications and data-driven products. Our goal is to use this infrastructure and capabilities to ultimately launch new products globally.
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Operating and Financial Highlights

<table>
<thead>
<tr>
<th>Selected Financial Information</th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>$442,891</td>
</tr>
<tr>
<td>Canada</td>
<td>46%</td>
</tr>
<tr>
<td>U.S.</td>
<td>38%</td>
</tr>
<tr>
<td>Europe</td>
<td>11%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>$74,088</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA margin</strong></td>
<td>16.7%</td>
</tr>
<tr>
<td><strong>Profit (loss)</strong></td>
<td>$14,268</td>
</tr>
<tr>
<td><strong>Earnings (loss) per share</strong></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$0.39</td>
</tr>
<tr>
<td>Diluted</td>
<td>$0.38</td>
</tr>
<tr>
<td>Adjusted</td>
<td>$1.15</td>
</tr>
<tr>
<td><strong>Dividends declared per share</strong></td>
<td>$0.60</td>
</tr>
</tbody>
</table>

Operating Highlights

During the year, we executed on numerous initiatives across our business to further our long-term strategy. Our results reflect the execution of our strategy and the value of the investments we have pursued to position the business for sustainable long-term growth. On a consolidated basis, our year-over-year revenues increased by 6.4% in 2016 to $442.9 million. Additionally, our efforts at expanding globally and increasing market share yielded positive results as 54% of our revenues were derived from outside of Canada, compared to 47% in 2015.

A key undertaking during the year was the formation and integration of our Altus Analytics business unit, which combined all of our technology, software and data assets into a single operating structure. A critical objective of this initiative was to enhance our ability to innovate and integrate our current solutions faster and more effectively for our global enterprise clients. As a result, we strengthened the coordination of our sales, marketing, customer support, software development and services teams leading to a more compelling value proposition for clients in the CRE market.

During the year, we also successfully launched two upgraded versions of AE, an enhanced version of ARGUS Developer, and introduced AOD, a new hosted product. Our expanded offerings helped increase sales and drive strong customer growth as we surpassed 2,200 clients for AE, including 240 on AOD, and over 1,000 clients for ARGUS Developer.

We continue to strengthen all of our business units through organic investments, acquisitions and strategic partnerships. In addition, in our U.S. Property Tax operations we took measures to reorganize our teams in order to provide an integrated national delivery practice. We also continued to invest in a global tax platform that will leverage our extensive and proprietary Property Tax database, improve workflow practices and enhance client value.
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In Geomatics, as a result of the impact of low oil prices on market conditions, we reduced operating and overhead costs to address lower activity levels. We are now better positioned to take advantage of improving market conditions and improve profitability.

As always, we remained focused on prudent financial management. At the end of the year, our balance sheet remained strong, with significant flexibility to support our growth strategy. Our bank debt stood at $117.0 million, with a funded debt to EBITDA leverage ratio of 1.53 times, compared to 1.92 times at the end of 2015. Our ongoing focus on working capital management contributed to a decline in DSO (as defined on page 19) to 74 days, from 82 days at the end of 2015.

Altus Analytics
On March 1, 2016, we announced the formation of a new business unit, Altus Analytics, which combined ARGUS Software with Research, Valuation & Advisory’s U.S. and European appraisal management and Voyanta operations, as well as our Canadian market data products. The combination of our data, software and analytics offerings into one business unit enhances our ability to innovate and integrate our current solutions faster and more effectively for our clients. This strengthens the coordination of our sales, marketing, customer support, product development and services teams leading to a more compelling value proposition for clients. In line with the formation of Altus Analytics, restructuring activities were undertaken to consolidate the organizational leadership roles and increase operational alignment.

Altus Analytics new product launches and upgrades
During the year, we expanded our core offerings with new and upgrade product releases.

In February, we launched a new product, AOD, a hosted subscription-based online service that provides access to AE and ARGUS Developer. This solution reduces the total cost of ownership and facilitates easy collaboration, rapid deployment and flexible user management for brokers, appraisers, developers and those involved with asset and investment management.

During the year, we released two upgrades to our ARGUS Enterprise platform. AE 11.0, launched in January, added new portfolio management functionality unique to Europe and Asia Pacific and new functionality that reduces transactional cycle times for investment brokers, lenders and appraisers. AE 11.5, released in October, delivered more robust debt and risk management functionality along with enhanced ease of use capabilities.

In June, we launched ARGUS Developer 7.5, an upgrade to improve the management of the entire development life cycle.

Restructuring activities
During the year, we undertook restructuring activities as part of the formation of Altus Analytics and a reorganization within the Property Tax practice in the U.S. In connection with these restructuring activities, a total of $4.1 million in restructuring costs were recorded for the year ended December 31, 2016. These charges relate primarily to employee severance costs.
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Technology Integration Partnership with Hightower Inc.
In June of 2016, we entered into a partnership with Hightower Inc. (“Hightower”) to integrate their leasing management platform with AE. We expect this will result in a seamless flow of data between Hightower’s leasing management platform and AE. A connection between client leasing management and asset management platforms solves a significant workflow challenge for customers and delivers better insight into the impact of leasing decisions. (On November 29, 2016, Hightower was merged with VTS and is now operating under the VTS brand.)

Acquisition of R2G Limited
On August 1, 2016, we acquired all the issued and outstanding shares of R2G Limited (“R2G”) and its subsidiaries for $6.1 million in cash, common shares and contingent consideration, subject to working capital adjustments. Based in Hertfordshire, U.K., but operating nationally since 2002, R2G specializes in tax representation for all types of commercial real estate. The addition of R2G expands our market share and adds regional scale in the U.K. market while strategically positioning us for the 2017 revaluation cycle in support of our current growth initiatives.

Dilution of our Investment in Real Matters Inc.
On April 1, 2016, our investment in Real Matters Inc. (“Real Matters”) was diluted due to a private placement and issuance of common shares in connection with an acquisition completed by Real Matters. These transactions reduced our equity interest from 16.4% to 13.9%. The partial deemed disposition of our investment resulted in a gain of $9.9 million with a corresponding increase to the carrying value of our investment in Real Matters. In January 2017, Real Matters issued 1,500,000 common shares, which further diluted our investment to 13.8%. We continue to have significant influence through both our shareholding and our nominated director’s active participation on the Board of Directors of Real Matters.

Redemption of Altus UK LLP Class B and Class D Limited Liability Partnership Units
During the year, 78,227 Class B limited liability partnership units and 24,593 Class D limited liability partnership units of Altus UK LLP were redeemed at an average value of $20.05 per unit. As a result, the equity derivative which was set to expire on November 16, 2016 was settled on April 1, 2016.

Geomatics Severance and Impairment
The market conditions in Western Canada for Geomatics services continued to be adversely impacted by low oil prices and reduced drilling and pipeline activities. Although we experienced performance improvement on a sequential basis due to seasonal patterns, the level of improvement did not meet expectations. As a result, we further reduced staff positions in order to better align to market conditions. Included in Adjusted EBITDA for the year are employee severance costs of $1.6 million. In addition, we recorded a goodwill impairment charge of $12.5 million reflecting a challenging environment.
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Financial Highlights

- **Revenues** were $442.9 million for the year ended December 31, 2016, up 6.4% or $26.5 million from $416.4 million in 2015. Acquisitions contributed 1.7% to revenues while organic growth contributed 4.7%. Excluding Geomatics, organic growth was 11.9%. Exchange rate movements against the Canadian dollar benefitted revenues by 0.2%. Revenue growth stemmed from strong performance in Altus Analytics and Property Tax in our CRE Consulting segment. Altus Analytics grew by 20.2%, boosted by recurring revenues, which increased by 23.4%. Property Tax revenues increased by 12.9%, due to strong performance from the U.S. operations and robust organic growth in Canada. Valuation and Cost Advisory also experienced modest growth. The Geomatics business continued to be adversely impacted by challenging market conditions, leading to a 32.9% decline in revenues, significantly impacting our consolidated growth rate.

- **Adjusted EBITDA** was $74.1 million for the year ended December 31, 2016, up 16.9% or $10.7 million from $63.4 million in 2015. Acquisitions contributed 3.6% to Adjusted EBITDA and exchange rate movements against the Canadian dollar benefitted Adjusted EBITDA by 1.1%. Our earnings were significantly impacted by Geomatics, where Adjusted EBITDA declined by $11.0 million or 108.6%. Altus Analytics provided robust earnings growth as Adjusted EBITDA increased by 35.3%. CRE Consulting earnings also improved by 36.2% as a result of strong performance from Property Tax.

- **Profit (loss)** for the year ended December 31, 2016 was $14.3 million, up 54.3% or $5.1 million from $9.2 million in 2015. In addition to the impacts on Adjusted EBITDA as discussed above, we also benefitted from lower intangibles amortization, finance costs (income), net and a gain on the partial deemed disposition of our investment in Real Matters, partially offset by an impairment charge of $12.5 million taken on our Geomatics business and higher income tax expense. Our finance costs (income), net decreased as a result of the early conversion of the 2012 convertible debentures (as defined below) in 2015, lower effective interest rate and lower average balance of bank borrowings in addition to a gain in the fair value of interest rate swaps compared to the same period in 2015. The higher income tax expense was primarily due to improved operating profit.

- For the year ended December 31, 2016, earnings (loss) per share was $0.39, basic and $0.38, diluted, as compared to $0.28, basic and $0.27, diluted, in 2015.

- For the year ended December 31, 2016, Adjusted EPS was $1.15, up 17.3% from $0.98 in 2015.

- We returned $22.3 million to shareholders in 2016 through dividends of $0.15 per common share each quarter, or $0.60 per share for the year.

- As at December 31, 2016, our bank debt was $117.0 million, representing a funded debt to EBITDA leverage ratio of 1.53 times (compared to 1.92 times as at December 31, 2015).
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Discussion of Operations

Year and Quarter Ended December 31, 2016

<table>
<thead>
<tr>
<th>In thousands of dollars, except for per share amounts</th>
<th>Year ended December 31,</th>
<th>Quarter ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Revenues</td>
<td>$ 442,891</td>
<td>$ 416,413</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
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<tr>
<td>Employee compensation</td>
<td>274,195</td>
<td>260,345</td>
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<tr>
<td>Occupancy</td>
<td>19,959</td>
<td>18,551</td>
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<td>Office and other operating</td>
<td>79,817</td>
<td>76,058</td>
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<td>Depreciation and amortization</td>
<td>33,430</td>
<td>40,057</td>
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<tr>
<td>Acquisition related expenses (income)</td>
<td>621</td>
<td>(429)</td>
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<tr>
<td>Share of (profit) loss of associates</td>
<td>2,617</td>
<td>1,270</td>
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<tr>
<td>Restructuring costs</td>
<td>4,059</td>
<td>2,694</td>
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<tr>
<td>(Gain) loss on sale of certain business assets</td>
<td>(9,935)</td>
<td>(3,483)</td>
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<tr>
<td>Impairment charge</td>
<td>12,500</td>
<td>-</td>
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<tr>
<td>Operating profit (loss)</td>
<td>25,628</td>
<td>21,350</td>
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<tr>
<td>Finance costs (income), net</td>
<td>4,549</td>
<td>11,253</td>
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<tr>
<td>Profit (loss) before income taxes</td>
<td>21,079</td>
<td>10,097</td>
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<tr>
<td>Income tax expense (recovery)</td>
<td>6,811</td>
<td>848</td>
</tr>
<tr>
<td>Profit (loss) for the period</td>
<td>$ 14,268</td>
<td>$ 9,249</td>
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</tbody>
</table>

Revenues
Revenues were $442.9 million for the year ended December 31, 2016, up 6.4% or $26.5 million from $416.4 million in 2015. Exchange rate movements against the Canadian dollar impacted revenues by 0.2%.

The growth in revenues resulted from continued strength in our Altus Analytics business (including sustained strong growth in recurring revenues) and a strong performance from Property Tax in our CRE Consulting segment, offset by the decline in Geomatics revenues. For the year ended December 31, 2016, exchange rate movements impacted Altus Analytics revenues by 1.1%.

For the quarter ended December 31, 2016, revenues were $115.3 million, up 3.9% or $4.3 million from $111.0 million in the same period in 2015. Revenues increased primarily due to Altus Analytics and a robust performance from two of our CRE Consulting areas, namely U.K. Property Tax and Asia Pacific Cost. Revenues from Geomatics declined by 24.9% in the quarter.

Employee Compensation
Employee compensation was $274.2 million for the year ended December 31, 2016, up 5.3% or $13.9 million from $260.3 million in 2015. For the quarter ended December 31, 2016, employee compensation was $68.5 million, up 4.7% or $3.1 million from $65.4 million in the same period in 2015. For the year and quarter ended December 31, 2016, the increase in compensation was due to acquisitions, headcount additions to support growth in Altus Analytics and Property Tax and higher variable compensation, partially offset by a reduction in Geomatics compensation. For the year and quarter ended December 31,
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2016, employee compensation as a percentage of revenues was 61.9% and 59.4%, as compared to 62.5% and 59.0% in the corresponding periods in 2015, respectively.

Occupancy
Occupancy was $20.0 million for the year ended December 31, 2016, up 7.6% or $1.4 million from $18.6 million in 2015. For the quarter ended December 31, 2016, occupancy was $4.9 million, down 5.6% or $0.3 million from $5.2 million in the same period in 2015. For the year ended December 31, 2016, higher occupancy costs were due to the opening of new offices in the U.S. and Europe, as well as occupancy costs associated with acquisitions. For the quarter ended December 31, 2016, occupancy was slightly lower, as we incurred certain lease termination charges in the prior year. For the year and quarter ended December 31, 2016, occupancy as a percentage of revenues was 4.5% and 4.3%, as compared to 4.5% and 4.7% in the corresponding periods in 2015, respectively.

Office and Other Operating Costs
Office and other operating costs were $79.8 million for the year ended December 31, 2016, up 4.9% or $3.7 million from $76.1 million in 2015. For the quarter ended December 31, 2016, office and other operating costs were $20.6 million, down 2.7% or $0.6 million from $21.2 million in the same period in 2015. For the year ended December 31, 2016, the increase was due to acquisitions and higher software subscription costs which mainly pertain to our global tax platform and cybersecurity measures, partially offset by lower expenditures in Geomatics on reduced activity levels. For the quarter ended December 31, 2016, the decrease was primarily due to lower expenditures in Geomatics resulting from reduced activity levels. For the year and quarter ended December 31, 2016, office and other operating costs as a percentage of revenues was 18.0% and 17.9%, as compared to 18.3% and 19.1% in the corresponding periods in 2015, respectively.

Depreciation and Amortization
Depreciation and amortization was $33.4 million for the year ended December 31, 2016, as compared to $40.1 million in 2015. For the quarter ended December 31, 2016, depreciation and amortization was $8.3 million, as compared to $9.5 million in the same period in 2015. For the year and quarter ended December 31, 2016, the decrease in depreciation and amortization was due to intangibles which have become fully amortized, offset by amortization of newly acquired intangibles.

Acquisition Related Expenses (Income)
Acquisition related expenses (income) was $0.6 million for the year ended December 31, 2016, as compared to $(0.4) million in 2015. For the quarter ended December 31, 2016, acquisition related expenses (income) was $0.7 million, as compared to $(1.0) million in the same period in 2015. Expenses were primarily related to the acquisitions of Bay Partnership Pty Ltd. (“Bay Partnership”) and R2G and an adjustment of $0.5 million for an increase of the contingent consideration payable in relation to the Maxwell Brown Surveyors Group Limited acquisition, offset by an adjustment of $0.3 million for a net recovery of working capital in relation to the acquisition of SC&H Group Inc.’s State and Local Tax consulting practice (“SC&H SALT”).

Share of (Profit) Loss of Associates and (Gain) Loss on Sale of Certain Business Assets
Share of (profit) loss of associates was $2.6 million for the year ended December 31, 2016, as compared to $1.3 million in 2015. For the quarter ended December 31, 2016, share of (profit) loss of associates was $1.0, as compared to $0.03 million in the same period in 2015. These amounts represent our proportionate
Management’s Discussion & Analysis
December 31, 2016

share in the loss as well as an amortization charge on acquired intangibles for Real Matters. The dilution of our investment in Real Matters resulted in a gain of $9.9 million, as compared to $3.5 million in 2015. As at December 31, 2016, we held a 13.9% equity interest in Real Matters.

Restructuring Costs
Restructuring costs primarily relating to employee severance costs were $4.1 million for the year ended December 31, 2016, as compared to $2.7 million in 2015. For the quarter ended December 31, 2016, restructuring costs primarily relating to employee severance costs were $Nil, as compared to $0.8 million in the same period in 2015. For the year ended December 31, 2016, restructuring activities were undertaken in connection with the formation of Altus Analytics and reorganization of the U.S. Property Tax practice.

Impairment Charge
Impairment charge related to Geomatics was $12.5 million for the year ended December 31, 2016, as compared to $Nil in 2015. The market conditions in Western Canada for Geomatics services continued to be adversely impacted by low oil prices and reduced drilling and pipeline activities. Although we experienced performance improvement on a sequential basis due to seasonal patterns, the level of improvement did not meet expectations.

For the quarter ended December 31, 2016, and the same period in 2015, impairment charge was $Nil.

Finance Costs (Income), Net

<table>
<thead>
<tr>
<th>In thousands of dollars</th>
<th>Year ended December 31, 2016</th>
<th>2015</th>
<th>% Change</th>
<th>Quarter ended December 31, 2016</th>
<th>2015</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on borrowings</td>
<td>$ 4,859</td>
<td>$ 9,744</td>
<td>(50.1%)</td>
<td>$ 1,173</td>
<td>$ 1,271</td>
<td>(7.7%)</td>
</tr>
<tr>
<td>Unwinding of discount</td>
<td>212</td>
<td>268</td>
<td>(20.9%)</td>
<td>37</td>
<td>163</td>
<td>(77.3%)</td>
</tr>
<tr>
<td>Distributions related to amounts payable to U.K. unitholders</td>
<td>32</td>
<td>98</td>
<td>(67.3%)</td>
<td>-</td>
<td>21</td>
<td>(100.0%)</td>
</tr>
<tr>
<td>Change in fair value of amounts payable to U.K. unitholders, net of change in fair value of related equity derivatives</td>
<td>210</td>
<td>13</td>
<td>1,515.4%</td>
<td>47</td>
<td>8</td>
<td>487.5%</td>
</tr>
<tr>
<td>Change in fair value of interest rate swaps (not designated as cash flow hedges)</td>
<td>(740)</td>
<td>1,241</td>
<td>(159.6%)</td>
<td>(898)</td>
<td>7</td>
<td>(12,928.6%)</td>
</tr>
<tr>
<td>Other</td>
<td>(24)</td>
<td>(111)</td>
<td>(78.4%)</td>
<td>(3)</td>
<td>(61)</td>
<td>(95.1%)</td>
</tr>
<tr>
<td><strong>Finance costs (income), net</strong></td>
<td><strong>$ 4,549</strong></td>
<td><strong>$ 11,253</strong></td>
<td>(59.6%)</td>
<td><strong>$ 356</strong></td>
<td><strong>$ 1,409</strong></td>
<td>(74.7%)</td>
</tr>
</tbody>
</table>

Finance costs (income), net for the year ended December 31, 2016 was $4.5 million, down 59.6% or $6.8 million from $11.3 million in 2015. Interest on borrowings decreased as a result of the early conversion of the 2012 convertible debentures in 2015, lower effective interest rate and lower average balance of bank borrowings in addition to a gain in the fair value of interest rate swaps.

For the quarter ended December 31, 2016, finance costs (income), net was $0.4 million, down 74.7% or $1.0 million from $1.4 million in the same period in 2015. Finance costs (income), net decreased as a result of a gain in the fair value of interest rate swaps of $0.9 million.
Management’s Discussion & Analysis
December 31, 2016

*Income Tax Expense (Recovery)*
Income tax expense (recovery) for the year ended December 31, 2016 was an expense of $6.8 million, as compared to an expense of $0.8 million in 2015. The higher income tax expense was primarily due to improved operating profit.

For the quarter ended December 31, 2016, income tax expense (recovery) was an expense of $2.1 million, as compared to an expense of $1.9 million in the same period in 2015. The higher income tax expense was primarily due to improved operating profit.

*Profit (Loss)*
Profit (loss) for the year ended December 31, 2016 was $14.3 million and $0.39 per share, basic and $0.38 per share, diluted, as compared to $9.2 million and $0.28 per share, basic and $0.27 per share, diluted, in 2015.

For the quarter ended December 31, 2016, profit (loss) was $8.9 million and $0.24 per share, basic and $0.23 per share, diluted, as compared to $6.5 million and $0.18 per share, basic and diluted, in the same period in 2015.
Management’s Discussion & Analysis
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Revenues and Adjusted EBITDA by Business Unit

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Year ended December 31,</th>
<th>Quarter ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>In thousands of dollars</td>
<td>2016</td>
<td>2015 % Change</td>
</tr>
<tr>
<td>Altus Analytics</td>
<td>$151,480</td>
<td>$125,971</td>
</tr>
<tr>
<td>Expert Services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Real Estate Consulting</td>
<td>247,264</td>
<td>224,173</td>
</tr>
<tr>
<td>Geomatics</td>
<td>45,082</td>
<td>67,199</td>
</tr>
<tr>
<td>Intercompany eliminations</td>
<td>(935)</td>
<td>(930)</td>
</tr>
<tr>
<td>Total</td>
<td>$442,891</td>
<td>$416,413</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjusted EBITDA</th>
<th>Year ended December 31,</th>
<th>Quarter ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>In thousands of dollars</td>
<td>2016</td>
<td>2015 % Change</td>
</tr>
<tr>
<td>Altus Analytics</td>
<td>$40,987</td>
<td>$30,294</td>
</tr>
<tr>
<td>Expert Services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Real Estate Consulting</td>
<td>52,150</td>
<td>38,300</td>
</tr>
<tr>
<td>Geomatics</td>
<td>(868)</td>
<td>10,062</td>
</tr>
<tr>
<td>Corporate</td>
<td>(18,181)</td>
<td>(15,274)</td>
</tr>
<tr>
<td>Total</td>
<td>$74,088</td>
<td>$63,382</td>
</tr>
</tbody>
</table>

Revenue Contribution:
Management’s Discussion & Analysis
December 31, 2016

Altus Analytics

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
<th>Quarter ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recurring - Data &amp; Software Subscriptions, Maintenance</td>
<td>$111,928</td>
<td>$90,735</td>
</tr>
<tr>
<td>Non-recurring - Licenses and Services</td>
<td>39,552</td>
<td>35,236</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>$151,480</td>
<td>$125,971</td>
</tr>
<tr>
<td>Adjusted EBITDA (1)</td>
<td>$40,987</td>
<td>$30,294</td>
</tr>
<tr>
<td>Adjusted EBITDA Margin (1)</td>
<td>27.1%</td>
<td>24.0%</td>
</tr>
</tbody>
</table>

(1) Q4 margin includes bonuses which were accrued in quarterly corporate costs in the previous three quarters.

**Year End Discussion**

Revenues were $151.5 million for the year ended December 31, 2016, up 20.2% or $25.5 million from $126.0 million in 2015. Altus Analytics recurring revenues grew by 23.4% driven by increased subscriptions for AE, Voyanta and data products, revenues from appraisal management and maintenance revenues from customers with perpetual licenses. Non-recurring revenues grew 12.2% on strong license sales and services. Changes in the exchange rate against the Canadian dollar impacted revenues by 1.1%.

Adjusted EBITDA was $41.0 million for the year ended December 31, 2016, up 35.3% or $10.7 million from $30.3 million in 2015. Adjusted EBITDA increased as a result of solid revenue growth and cost savings from restructuring activities. Changes in foreign exchange impacted Adjusted EBITDA by 2.5%.

**Quarterly Discussion**

Revenues were $42.2 million for the quarter ended December 31, 2016, up 15.1% or $5.5 million from $36.7 million in the same period in 2015. Recurring revenues grew by 11.2% as a result of increased subscriptions for AE and revenues from appraisal management and maintenance. The growth in non-recurring revenues of 25.1% was driven by increased license sales and implementation services. Movements in the exchange rate against the Canadian dollar impacted revenues by (2.6%).

Adjusted EBITDA was $11.8 million for the quarter ended December 31, 2016, up 40.0% or $3.4 million from $8.4 million in the same period in 2015. Adjusted EBITDA increased as a result of revenue growth and cost savings from restructuring activities during the year. Changes in foreign exchange impacted Adjusted EBITDA by 0.8%.

**Outlook**

We expect to continue to benefit from growing demand and favourable trends in the CRE marketplace. Our product offerings stand to serve the growing needs from professional asset managers for data, analytic tools and software solutions that help them make more timely and informed decisions. In 2017, AE growth is expected to be driven primarily by existing software customers as they upgrade to AE, add incremental licenses, or add new modules. In addition, European growth will also be an important factor in 2017. We anticipate greater perpetual license sales vis-à-vis subscription sales in 2017 as 2016 saw greater subscription sales to large brokerage firms that preferred such a pricing model. AOD is expected to grow and add new customers as we continue to penetrate the transactional market, adding to recurring revenue streams. We also believe implementation and training services will continue to
perform well into 2017. We continue to target new clients in appraisal management and see opportunity ahead although these engagements generally have a longer sales cycle due to the size of the transactions and implementation efforts. In mid-2017, support for our legacy ARGUS DCF product in North America will come to completion signaling a transition to new application selling and expansion of AE usage into emerging products. We have initiated a similar transition of ValCap in the U.K. market and expect a ramp-up of upgrades in future quarters. Overall, our sales pipeline continues to look strong and we remain confident in the long-term global opportunities. Given the strong U.S. and U.K. currencies at the start of 2016, we may see foreign exchange headwinds in the first half of 2017.

**Commercial Real Estate Consulting**

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
<th>Quarter ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Tax</td>
<td>$151,155</td>
<td>$133,890</td>
</tr>
<tr>
<td>Valuation and Cost Advisory</td>
<td>96,109</td>
<td>90,283</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$247,264</td>
<td>$224,173</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Tax</td>
<td>$40,091</td>
<td>$27,868</td>
</tr>
<tr>
<td>Valuation and Cost Advisory</td>
<td>12,059</td>
<td>10,432</td>
</tr>
<tr>
<td><strong>Total Adjusted EBITDA</strong></td>
<td>$52,150</td>
<td>$38,300</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA Margin</strong></td>
<td>21.1%</td>
<td>17.1%</td>
</tr>
</tbody>
</table>

(1) Q1 margin includes bonuses which were accrued in quarterly corporate costs in the previous three quarters.

**Year End Discussion**

Revenues were $247.3 million for the year ended December 31, 2016, up 10.3% or $23.1 million from $224.2 million in 2015. CRE Consulting generated robust growth led by Property Tax which was up 12.9%, while Valuation and Cost Advisory revenues increased 6.5%. The double-digit growth in Property Tax revenues was driven by strong organic and acquisitive growth in the U.S. and healthy organic growth in Canada. Our Valuation and Cost Advisory practices have also performed well with diversification strategies in their key geographical markets. Changes in exchange rates impacted revenues by (0.2%).

Adjusted EBITDA was $52.2 million for the year ended December 31, 2016, up 36.2% or $13.9 million from $38.3 million in 2015. The increase in Adjusted EBITDA benefitted from strong revenue growth in Property Tax and improvements in our Valuation and Cost Advisory practices. Changes in exchange rates impacted Adjusted EBITDA by (0.1%).

**Quarterly Discussion**

Revenues were $61.8 million for the quarter ended December 31, 2016, up 4.4% or $2.6 million from $59.2 million in the same period in 2015. We experienced modest growth in CRE Consulting in the quarter. Property Tax revenues, which were higher by 3.4%, experienced stronger performance in the U.K., but lower in Canada due to timing of case settlements and large one-time contingency settlements in 2015. Valuation and Cost Advisory revenues increased by 5.8% on stronger performance from our Asia Pacific Cost practice. Changes in exchange rates impacted revenues by (2.1%).
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Adjusted EBITDA was $6.5 million for the quarter ended December 31, 2016, down 10.6% or $0.7 million from $7.2 million in the same period in 2015, largely driven by a 15.0% decline to $4.3 million in Property Tax. The decline in Property Tax in the fourth quarter reflects the allocation of higher variable compensation in the quarter as a result of the much stronger annual performance. Changes in exchange rates impacted Adjusted EBITDA by 1.3%.

**Outlook**

Property Tax continues to represent an attractive growth area for our business, both in the U.S. and the U.K. Our North American platform with our existing network of offices in Canada and the U.S. provides us with enhanced capabilities geographically to service large clients anywhere across North America. In 2017, we continue to see strong opportunity although we may experience normal variability at the front end of the new assessment cycles in two key markets, namely in the U.K. and in Ontario. The opportunities to grow market share remain vibrant in this segment through both accretive acquisitions and strategic hires in both the U.S. and U.K. Given the strong U.S. and U.K. currencies at the start of 2016, we may see foreign exchange headwinds in the first half of 2017 related to operations in these markets.

Our Valuation and Cost Advisory practices enjoy significant market share in Canada and as a result continue to grow modestly. We expect flat to moderate growth in the near to medium term. Our Valuation practice, predominately operating in Canada, continues to benefit from strong client retention. Our Cost practice in North America continues to diversify its client and industry focus and in Asia Pacific, we continue to leverage our global relationships to drive opportunities.

**Geomatics**

<table>
<thead>
<tr>
<th>In thousands of dollars</th>
<th>Year ended December 31,</th>
<th>Quarter ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015 % Change</td>
</tr>
<tr>
<td>Revenues</td>
<td>$45,082</td>
<td>$67,199 (32.9%)</td>
</tr>
<tr>
<td>Adjusted EBITDA (1)</td>
<td>$(868)</td>
<td>$10,062 (108.6%)</td>
</tr>
<tr>
<td>Adjusted EBITDA Margin (1)</td>
<td>1.9%</td>
<td>15.0%</td>
</tr>
</tbody>
</table>

(1) Q4 margin includes bonuses which were accrued in quarterly corporate costs in the previous three quarters.

**Year End Discussion**

Revenues were $45.1 million for the year ended December 31, 2016, down 32.9% or $22.1 million from $67.2 million in 2015. Revenues were impacted by the reduced activity in the oil and gas sector and rate reductions, in addition to forest fires in Northern Alberta in the first half of the year.

Adjusted EBITDA was $(0.9) million for the year ended December 31, 2016, down 108.6% or $11.0 million from $10.1 million in 2015. The decline in earnings resulted from reduced revenues and employee severance costs of $1.6 million as we adjusted our operating capacity to match market conditions. In addition, excluded from Adjusted EBITDA is a goodwill impairment charge of $12.5 million reflecting the challenging environment.

**Quarterly Discussion**

Revenues were $11.5 million for the quarter ended December 31, 2016, down 24.9% or $3.9 million from $15.4 million in the same period in 2015. Revenues continued to be impacted by the reduced activity in the oil and gas sector and rate reductions.
Management’s Discussion & Analysis
December 31, 2016

Adjusted EBITDA was $0.2 million for the quarter ended December 31, 2016, down 84.0% or $1.0 million from $1.2 million in the same period in 2015. The decline in earnings resulted from reduced revenues as well as employee severance costs of $0.5 million incurred in the quarter.

Outlook
Following challenging market conditions in 2016, we maintain a cautious outlook for our Geomatics business in 2017. As approximately 55% of our Geomatics business is derived directly from oil and gas clients based in Western Canada, any significant oil price variation may cause significant fluctuations in our activity levels. However, recent trends suggest some stabilization in oil prices and as a result some modest improvements are anticipated for 2017. We expect that our cost-cutting initiatives and workforce reductions undertaken in 2016 should result in improved profitability in 2017. We will continue to closely monitor market conditions and adjust accordingly. As part of our ongoing efforts to enhance all of our businesses, we will explore options on how to best maximize the value of our Geomatics business.

Corporate Costs

Year End Discussion
Corporate costs (recovery) were $18.2 million for the year ended December 31, 2016, as compared to $15.3 million in 2015. The increase in corporate costs was mainly due to increased headcount in support of strategic initiatives in information technology and talent management and higher variable compensation. As a percentage of revenues, corporate costs remained steady at approximately 4%.

Quarterly Discussion
Corporate costs (recovery) were $(3.6) million for the quarter ended December 31, 2016, as compared to $(2.6) million in the same period in 2015. In the first nine months of the year, bonuses were recorded in the Corporate segment, subject to the overall finalization of bonuses at year end. In the fourth quarter, bonuses were allocated to the business units and resulted in the positive balance.

Liquidity and Capital Resources

<table>
<thead>
<tr>
<th>Cash Flow</th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td><em>In thousands of dollars</em></td>
<td></td>
</tr>
<tr>
<td>Net cash related to operating activities</td>
<td>$67,236</td>
</tr>
<tr>
<td>Net cash related to financing activities</td>
<td>(34,018)</td>
</tr>
<tr>
<td>Net cash related to investing activities</td>
<td>(8,061)</td>
</tr>
<tr>
<td>Effect of foreign currency translation</td>
<td>(1,088)</td>
</tr>
<tr>
<td>Change in cash position during the year</td>
<td>$24,069</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>$18,548</td>
</tr>
</tbody>
</table>

We expect to fund operations with cash derived from operating activities. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis with bank indebtedness or on a permanent basis with offerings of securities. Significant erosion in the general state of the economy could affect our liquidity by reducing cash generated from operating activities or by limiting access to short-term financing as a result of tightening credit markets.
Management’s Discussion & Analysis
December 31, 2016

Cash from Operating Activities

<table>
<thead>
<tr>
<th>Working Capital</th>
<th>December 31, 2016</th>
<th>December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>In thousands of dollars</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>$186,223</td>
<td>$154,932</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>104,523</td>
<td>84,426</td>
</tr>
<tr>
<td>Working capital</td>
<td>$81,700</td>
<td>$70,506</td>
</tr>
</tbody>
</table>

Current assets are composed primarily of cash and cash equivalents, trade receivables and other and income taxes recoverable. Current liabilities are composed primarily of trade payables and other, income taxes payable and borrowings.

As at December 31, 2016, trade receivables, net and unbilled revenue on customer contracts net of deferred revenue and customer deposits was $93.8 million, down 2.0% or $1.9 million from $95.7 million as at December 31, 2015. As a percentage of the trailing 12-month revenues, trade receivables and unbilled revenue on customer contracts net of deferred revenue and customer deposits, was 21.1% as at December 31, 2016, as compared to 22.5% as at December 31, 2015.

Our Days Sales Outstanding (“DSO”) was 74 days as at December 31, 2016, as compared to 82 days as at December 31, 2015. We calculate DSO by taking the five-quarter average balance of trade receivables, net and unbilled revenue on customer contracts net of deferred revenue and customer deposits and the result is then divided by the trailing 12-month revenues plus any pre-acquisition revenue, as applicable, and multiplied by 365 days. Our method of calculating DSO may differ from the methods used by other issuers and, accordingly, may not be comparable to similar measures used by other issuers. We believe this measure is useful to investors as it demonstrates our ability to convert trade receivables and unbilled revenue into cash.

Current and long-term liabilities include amounts owing to the vendors of acquired businesses on account of excess working capital, deferred purchase price payments and other closing adjustments. As at December 31, 2016, the amounts owing to the vendors of acquired businesses were $2.7 million, as compared to $3.8 million as at December 31, 2015. We intend to satisfy the payments with the revolving term facility (as described below) or cash on hand.

We are able to satisfy the balance of our current liabilities through the realization of our current assets.

Cash from Financing Activities

Our revolving term facility is a senior secured revolving term facility used for general corporate purposes that will mature on April 28, 2020. The maximum amount of this facility is $200.0 million. Certain provisions allow us to increase the limit further to $250.0 million.

As at December 31, 2016, our total borrowings on our revolving term facility amounted to $117.0 million, a decrease of $9.0 million from December 31, 2015.

We also have outstanding letters of credit under our bank credit facilities in the total amount of $0.5 million to secure a credit facility for operating leases (2015 - $0.4 million).
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The cost of our bank credit facilities is tied to the Canadian Prime rates, Canadian Bankers’ Acceptance rate, U.S. Base rates or LIBOR rates. As at December 31, 2016, $65.0 million was subject to interest rate swap agreements to fix the interest rate. We are obligated to pay the counterparty to the swap agreement an amount based upon a fixed interest rate of 1.48% per annum and the counterparty is obligated to pay us an amount equal to the Canadian Bankers’ Acceptance rate. These agreements expire on May 15, 2020. These interest rate swaps are not designated as cash flow hedges for accounting purposes. The effective annual rate of interest for the year ended December 31, 2016 on our bank credit facilities was 2.93%, as compared to 3.69% in 2015.

As at December 31, 2016, we were in compliance with the financial covenants of our bank credit facilities, which are summarized below:

<table>
<thead>
<tr>
<th>Contractual Obligations</th>
<th>December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded debt to EBITDA (maximum of 3.00:1)</td>
<td>1.53:1</td>
</tr>
<tr>
<td>Fixed charge coverage (minimum of 1.20:1)</td>
<td>10.74:1</td>
</tr>
<tr>
<td>Funded debt to capitalization (maximum of 55%)</td>
<td>23%</td>
</tr>
</tbody>
</table>

Other than long-term debt and letters of credit, we are subject to other contractual obligations such as operating leases for offices and equipment, finance leases for equipment, as well as amounts owing to the vendors of acquired businesses as discussed above.

<table>
<thead>
<tr>
<th>Contractual Obligations</th>
<th>Payments Due by Period (undiscounted)</th>
<th>Less than</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>1 year</td>
</tr>
<tr>
<td>In thousands of dollars</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank credit facilities</td>
<td>$117,000</td>
<td>$</td>
</tr>
<tr>
<td>Leasehold improvement loans</td>
<td>780</td>
<td>134</td>
</tr>
<tr>
<td>Operating lease obligations</td>
<td>89,916</td>
<td>15,602</td>
</tr>
<tr>
<td>Finance lease obligations</td>
<td>1,690</td>
<td>907</td>
</tr>
<tr>
<td>Contingent consideration payable</td>
<td>2,303</td>
<td>1,150</td>
</tr>
<tr>
<td>Convertible debentures (1)</td>
<td>6,105</td>
<td>6,105</td>
</tr>
<tr>
<td>Amounts payable to unitholders</td>
<td>851</td>
<td>851</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>65,520</td>
<td>57,591</td>
</tr>
<tr>
<td>Total contractual obligations</td>
<td>$284,165</td>
<td>$82,340</td>
</tr>
</tbody>
</table>

(1) Refers to the $48.0 million of 6.75% convertible unsecured subordinated debentures issued by us on April 19, 2012 (the “2012 convertible debentures”). The terms of the 2012 convertible debentures are described in detail in Note 18 of the 2016 annual consolidated financial statements.

Cash from Investing Activities

We invest in property, plant and equipment and intangible assets to support the activities of the business. Capital expenditures for accounting purposes include property, plant and equipment in substance and in form, including assets under finance leases and intangible assets.
Management’s Discussion & Analysis
December 31, 2016

Capital expenditures are reconciled as follows:

<table>
<thead>
<tr>
<th>Capital Expenditures</th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>In thousands of dollars</td>
<td>2016</td>
</tr>
<tr>
<td>Property, plant and equipment additions</td>
<td>$ 4,230</td>
</tr>
<tr>
<td>Intangibles additions</td>
<td>2,597</td>
</tr>
<tr>
<td>Proceeds from disposal of property, plant and equipment</td>
<td>(481)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$ 6,346</td>
</tr>
</tbody>
</table>
Management’s Discussion & Analysis
December 31, 2016

Reconciliation of Adjusted EBITDA to Profit (Loss)

The following table provides a reconciliation between Adjusted EBITDA and profit (loss) for the fourth quarter and year:

<table>
<thead>
<tr>
<th>In thousands of dollars</th>
<th>Year ended December 31, 2016</th>
<th>Quarter ended December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>$ 74,088</td>
<td>$ 63,382</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>(33,430)</td>
<td>(40,057)</td>
</tr>
<tr>
<td>Acquisition related (expenses) income</td>
<td>(621)</td>
<td>429</td>
</tr>
<tr>
<td>Share of profit (loss) of associates</td>
<td>(2,617)</td>
<td>(1,270)</td>
</tr>
<tr>
<td>Unrealized foreign exchange gain (loss) (1)</td>
<td>(1,793)</td>
<td>1,678</td>
</tr>
<tr>
<td>Gain (loss) on disposal of property, plant and equipment (1)</td>
<td>(118)</td>
<td>420</td>
</tr>
<tr>
<td>Non-cash Executive Compensation Plan costs (2)</td>
<td>(3,997)</td>
<td>(3,769)</td>
</tr>
<tr>
<td>Gain (loss) on equity derivatives net of market-to-market adjustments on related RSUs and DSUs being hedged (2)</td>
<td>1,277</td>
<td>76</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(4,059)</td>
<td>(2,694)</td>
</tr>
<tr>
<td>Gain (loss) on sale of certain business assets (3)</td>
<td>9,935</td>
<td>3,483</td>
</tr>
<tr>
<td>Impairment charge</td>
<td>(12,500)</td>
<td>-</td>
</tr>
<tr>
<td>Other non-operating and/or non-recurring income (costs) (4)</td>
<td>(537)</td>
<td>512</td>
</tr>
<tr>
<td><strong>Operating profit (loss)</strong></td>
<td>25,628</td>
<td>21,350</td>
</tr>
<tr>
<td>Finance (costs) income, net</td>
<td>(4,549)</td>
<td>(11,253)</td>
</tr>
<tr>
<td><strong>Profit (loss) before income taxes</strong></td>
<td>21,079</td>
<td>10,097</td>
</tr>
<tr>
<td>Income tax recovery (expense)</td>
<td>(6,811)</td>
<td>(848)</td>
</tr>
<tr>
<td><strong>Profit (loss) for the period</strong></td>
<td>$ 14,268</td>
<td>$ 9,249</td>
</tr>
</tbody>
</table>

(1) Included in office and other operating expenses in the consolidated statements of comprehensive income (loss).
(2) Included in employee compensation expenses in the consolidated statements of comprehensive income (loss).
(3) Gain (loss) on sale of certain business assets relates to a gain on the partial deemed disposition of our investment in Real Matters.
(4) Other non-operating and/or non-recurring income (costs) for the year ended December 31, 2016 relate to the following: realized losses on settlement of acquisition-related loans with wholly-owned international subsidiaries; and transactional costs for the restructuring of legal entities within the group. Other non-operating and/or non-recurring income (costs) for the year ended December 31, 2015 relate to the following: a recovery of commodity taxes previously paid; adjustments to non-recurring settlements of legal and related costs; and a reversal of amounts owed to former owners of Altus Québec. These are included in office and other operating expenses in the consolidated statements of comprehensive income (loss).
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Adjusted Earnings (Loss) Per Share

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
<th>Quarter ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Profit (loss) for the period</td>
<td>$ 14,268</td>
<td>$ 9,249</td>
</tr>
<tr>
<td>Amortization of intangibles of acquired businesses</td>
<td>23,561</td>
<td>31,252</td>
</tr>
<tr>
<td>Non-cash finance costs (income) related to amounts payable to U.K. unitholders, net of changes in fair value of related equity derivatives</td>
<td>210</td>
<td>13</td>
</tr>
<tr>
<td>Share of loss (profit) of associates</td>
<td>2,617</td>
<td>1,270</td>
</tr>
<tr>
<td>Unrealized foreign exchange loss (gain)</td>
<td>1,793</td>
<td>(1,678)</td>
</tr>
<tr>
<td>Loss (gain) on disposal of property, plant and equipment</td>
<td>118</td>
<td>420</td>
</tr>
<tr>
<td>Distributions related to amounts payable to U.K. unitholders</td>
<td>32</td>
<td>98</td>
</tr>
<tr>
<td>Non-cash Executive Compensation Plan costs</td>
<td>3,997</td>
<td>3,769</td>
</tr>
<tr>
<td>Loss (gain) on equity derivatives net of mark-to-market adjustments on related RSUs and DSUs being hedged</td>
<td>(1,277)</td>
<td>(76)</td>
</tr>
<tr>
<td>Interest accretion on contingent consideration payables</td>
<td>202</td>
<td>246</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>4,059</td>
<td>2,694</td>
</tr>
<tr>
<td>Loss (gain) on hedging transactions, including interest expense (income) on swaps not designated as cash flow hedges</td>
<td>(740)</td>
<td>1,241</td>
</tr>
<tr>
<td>Acquisition related expenses (income)</td>
<td>621</td>
<td>(429)</td>
</tr>
<tr>
<td>Loss (gain) on sale of certain business assets</td>
<td>(9,935)</td>
<td>(3,483)</td>
</tr>
<tr>
<td>Impairment charge</td>
<td>12,500</td>
<td>-</td>
</tr>
<tr>
<td>Other non-operating and/or non-recurring (income) costs</td>
<td>537</td>
<td>(512)</td>
</tr>
<tr>
<td>Tax impact on above</td>
<td>(9,828)</td>
<td>(11,078)</td>
</tr>
<tr>
<td>Adjusted earnings (loss) for the period</td>
<td>$ 42,735</td>
<td>$ 32,996</td>
</tr>
<tr>
<td>Weighted average number of shares - basic</td>
<td>36,809,816</td>
<td>33,348,326</td>
</tr>
<tr>
<td>Weighted average number of restricted shares</td>
<td>307,300</td>
<td>416,225</td>
</tr>
<tr>
<td>Weighted average number of shares - adjusted</td>
<td>37,117,116</td>
<td>33,764,551</td>
</tr>
<tr>
<td>Adjusted earnings (loss) per share</td>
<td>$1.15</td>
<td>$0.98</td>
</tr>
</tbody>
</table>
Management’s Discussion & Analysis  
December 31, 2016

Summary of Quarterly Results

<table>
<thead>
<tr>
<th>Results of Operations</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fiscal</td>
<td>Dec 31</td>
</tr>
<tr>
<td></td>
<td>Sep 30</td>
<td>Jun 30</td>
</tr>
<tr>
<td>Revenues</td>
<td>$442,891</td>
<td>$115,334</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$74,088</td>
<td>$22,120</td>
</tr>
<tr>
<td>Adjusted EBITDA margin</td>
<td>16.7%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Profit (loss) for the period</td>
<td>$14,268</td>
<td>$8,892</td>
</tr>
<tr>
<td>Earnings (loss) per share:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$0.39</td>
<td>$0.24</td>
</tr>
<tr>
<td>Diluted</td>
<td>$0.38</td>
<td>$0.23</td>
</tr>
<tr>
<td>Adjusted</td>
<td>$1.15</td>
<td>$0.38</td>
</tr>
<tr>
<td>Weighted average number shares (‘000s):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>36,810</td>
<td>37,059</td>
</tr>
<tr>
<td>Diluted</td>
<td>37,484</td>
<td>38,337</td>
</tr>
</tbody>
</table>

Certain segments of our operations are subject to seasonal variations which may impact overall quarterly results. For instance:

- Geomatics’ projects tend to be on remote undeveloped land in Western Canada which is most accessible in the winter and summer months and least accessible in the spring months when ground conditions are soft and wet. Revenues for Geomatics tend to peak in the third and fourth quarters of the year in line with higher activity levels during these periods.

- Our global Property Tax practice can experience significant fluctuations on a quarterly basis as a result of the timing of contingency settlements and other factors.

- Our Altus Analytics business experiences some seasonality. ARGUS software products sold as perpetual licenses tend to have a stronger fourth quarter in revenues, a trend that is common in many other software companies. Also, appraisal management could experience some seasonal patterns around the second and fourth quarters, associated with some clients’ practices of bi-annual and annual appraisals.
Selected Annual Information

<table>
<thead>
<tr>
<th>Selected Financial Information</th>
<th>For the year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td><strong>Operations</strong></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>$ 442,891</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$ 74,088</td>
</tr>
<tr>
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<td>16.7%</td>
</tr>
<tr>
<td>Profit (loss)</td>
<td>$ 14,268</td>
</tr>
<tr>
<td>Earnings (loss) per share:</td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$0.39</td>
</tr>
<tr>
<td>Diluted</td>
<td>$0.38</td>
</tr>
<tr>
<td>Adjusted</td>
<td>$1.15</td>
</tr>
<tr>
<td>Dividends declared per share</td>
<td>$0.60</td>
</tr>
</tbody>
</table>

**Balance Sheet**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$ 590,851</td>
<td>$ 597,724</td>
<td>$ 549,726</td>
</tr>
<tr>
<td>Long-term liabilities (excluding deferred income taxes)</td>
<td>136,360</td>
<td>152,117</td>
<td>56,290</td>
</tr>
</tbody>
</table>

Revenues were $442.9 million for the year ended December 31, 2016, up 6.4% from 2015, of which approximately 1.7% was from acquisitions. Adjusted EBITDA was $74.1 million for the year, a margin of 16.7%, up 16.9% from 2015, and profit for the year was $14.3 million.

Revenues were $416.4 million for the year ended December 31, 2015, up 12.5% from 2014, of which approximately 9.8% was from acquisitions. Adjusted EBITDA was $63.4 million for the year, a margin of 15.2%, down 5.5% from 2014, and profit for the year was $9.2 million.

Revenues were $370.2 million for the year ended December 31, 2014, up 14.1% from 2013, of which approximately 6.8% was from acquisitions. Adjusted EBITDA was $67.1 million for the year, a margin of 18.1%, up 16.9% from 2013, and profit for the year was $13.2 million.

In each of the past three years we have declared and paid quarterly dividends totaling $0.60 annually, per common share to the shareholders.

Selected Highlights for 2015

**Acquisition of Hoffer Wilkinson & Associates Ltd.**

On April 1, 2015, we acquired all of the issued and outstanding shares of Hoffer Wilkinson & Associates Ltd. (“HWA”) for $0.7 million. Founded in 1986, HWA is an independent Canadian provider of real estate appraisal services and information serving the Manitoba and Northwestern Ontario markets.
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Acquisition of MPC Intelligence Inc.
On June 1, 2015, we acquired the operating business assets of MPC Intelligence Inc. (“MPC”) for $0.5 million in cash. MPC is a provider of residential market information in the Greater Vancouver area (the second largest new home market in Canada).

Acquisition of Maxwell Brown Surveyors Group Limited
On June 1, 2015, we acquired all the issued and outstanding shares of Maxwell Brown Surveyors Group Limited (“Maxwell Brown”) and its subsidiaries for $5.9 million (net of cash acquired), subject to working capital adjustments. Based in London, U.K., Maxwell Brown is an independent provider of commercial real estate advisory services throughout the U.K., offering a comprehensive suite of advisory services related to property tax (occupied rates and empty rates services), property acquisition and disposal, lease renewals and other corporate real estate requirements.

Acquisition of Integris Real Estate Counsellors
On July 1, 2015, we acquired certain operating assets of Integris Real Estate Counsellors (“Integris”) for $5.6 million, subject to working capital adjustments. Founded in 2000, Integris is an independent firm with a focus on real estate litigation and dispute resolution serving the Canadian market.

Acquisition of ATATAX, LLC
On October 1, 2015, we acquired certain operating assets of ATATAX, LLC (“ATA”) for $4.5 million, subject to working capital adjustments. Operating in Dallas since 2001, ATA is Texas’ leading tax consultant of industrial distribution warehouses, in addition to tax representation for all types of income producing commercial properties, including office and retail properties, and multi-family residential properties.

Acquisition of Integrated Real Estate Resources, Inc.
On December 1, 2015, we acquired certain operating assets of Integrated Real Estate Resources, Inc. (“INTRER”) for $5.3 million, subject to working capital adjustments. Founded in 2003 and operating in the Greater Los Angeles area, the Greater Philadelphia area and Boston, INTRER is a full service consulting firm providing multi-dimensional services and expertise to the real estate industry. INTRER combines a broad range of real estate knowledge and technical expertise, specializing in ARGUS Enterprise consulting, implementation, integration and custom reporting.

Acquisition of Lambournes Holdings Limited
On November 20, 2015, we acquired all of the issued and outstanding shares of Lambournes Holdings Limited (“Lambournes”) for $1.0 million, subject to certain adjustments. Operating in Southern U.K., Lambournes is a real estate tax consulting service specializing in the leisure and hospitality industry.

Amendment to bank credit facilities and interest rate hedging
Effective April 28, 2015, we renegotiated our bank credit facilities, further strengthening our financial flexibility. The amended agreement extended the term by five years expiring on April 28, 2020. It combined our existing revolving operating facility and revolving term facility into one revolving term facility and increased our borrowing capacity to $200.0 million from $159.7 million, with certain provisions that allow us to further increase the limit to $250.0 million. Other noted advantages include an increase in the maximum funded debt to EBITDA ratio from 2.75:1 to 3.00:1, lower bank margins and additional borrowing flexibility.
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We entered into interest rate swap agreements for a total notional amount of $65.0 million at a fixed rate of 1.48% per annum. These agreements expire on May 15, 2020.

Selected Highlights for 2014

Acquisition of Maltais Geomatics Inc.
On April 1, 2014, we acquired the operating business assets of Maltais Geomatics Inc. (“MGI”) for $15.8 million, subject to adjustments. Based in Alberta, MGI provides geomatics services for a wide range of client sectors, with particular strength in the electrical power, industrial, and commercial construction, as well as the oil and gas and pipeline sectors.

Acquisition of RealNet Canada Inc.
On July 23, 2014, we acquired all of the issued and outstanding shares of RealNet Canada Inc. (“RealNet”) for $20.0 million in cash. Based in Toronto, Canada, RealNet provides information services to both the commercial real estate investment and residential development sectors in Canada and offers a comprehensive suite of services including independent property market research and real time interactive analytical tools.

Acquisition of Voyanta Limited
On October 1, 2014, we acquired the remaining 70.3% interest in Voyanta that we did not already own for $7.3 million. Based in London, U.K., and founded in 2012, Voyanta is a global provider of real estate data management and analytics software. Voyanta’s cloud-based management platform enables its users to aggregate, validate and analyze commercial real estate information in a streamlined and standardized manner.

Acquisition of SC&H Group Inc.’s State and Local Tax consulting practice
On December 1, 2014, we acquired the operating business assets of SC&H SALT for $43.3 million, subject to adjustments. Based in Baltimore, U.S., SC&H SALT is a leading provider of specialized state and local tax and advisory services in the U.S.

Redemption of 2010 convertible debentures
On July 28, 2014, we redeemed all of our outstanding 5.75% convertible unsecured subordinated debentures issued on December 1, 2010 (the “2010 convertible debentures”) in accordance with the terms of the convertible debenture indenture. Prior to redemption, a total principal amount of $48.2 million was converted into 2,589,295 common shares at the conversion price of $18.60 per common share. The remaining principal amount of $1.8 million of 2010 convertible debentures was redeemed using available cash on hand.

Expanded into Europe
In the summer of 2014, we expanded our outsourced appraisal management offering into Europe by opening an office in Luxembourg in response to an attractive market opportunity created by regulatory and governance changes in that market. Under the new legislation, the Alternative Investment Fund Manager Directive (“AIFMD”), fund managers must now follow a very extensive set of measures and technical rules that will ultimately require increasing independence and transparency around their valuation, risk and portfolio management. Our independent model is well positioned to address the needs of European clients and help ensure AIFMD-compliance.
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Initiated strategic partnership with NCREIF
In November of 2014, we announced a partnership with the National Council of Real Estate Investment Fiduciaries (“NCREIF”) through which we will collaborate to develop a new data platform to better analyze historical and real-time commercial real estate information collected exclusively by our U.S. group and NCREIF.

Enhanced global functionality of ARGUS Enterprise
In 2014, we made significant enhancements to AE’s global functionality. In April 2014, we launched version 10.0, which added traditional valuation, a standard used throughout Europe and other countries. Subsequently in October 2014, we launched version 10.5, which added Australian valuation. AE 10.5 was the most advanced version of AE that incorporates the world’s most widely-used standard valuation methodologies.

Share Data
As at February 20, 2017, 37,179,389 common shares were outstanding and are net of 296,144 restricted shares. These restricted shares are shares held by Altus Group, which are subject to restrictive covenants and may or may not vest for employees. Accordingly, these shares are not included in the total number of common shares outstanding for financial reporting purposes and are not included in basic earnings per share calculations.

As at December 31, 2016, there were 757,942 share options outstanding (2015 - 732,743 share options outstanding) at a weighted average exercise price of $19.56 per share (2015 - $16.95 per share) and 294,312 options were exercisable (2015 - 135,496). All share options are exercisable into common shares on a one-for-one basis.

In 2013, we implemented a Dividend Reinvestment Plan (“DRIP”) for our shareholders who are resident in Canada. Under the DRIP, participants may elect to automatically reinvest quarterly dividends in additional Altus Group common shares.

Pursuant to the DRIP, and in the case where common shares are issued from treasury, cash dividends will be reinvested in additional Altus Group common shares at the weighted average market price of our common shares for the five trading days immediately preceding the relevant dividend payment date, less a discount, currently set at 4%. In the case where common shares will be purchased on the open market, cash dividends will be reinvested in additional Altus Group common shares at the relevant average market price paid in respect of satisfying this reinvestment plan.

For the year ended December 31, 2016, 174,262 common shares (2015 - 191,028 common shares) were issued under the DRIP.

For the year ended December 31, 2016, 213,600 common shares (2015 - 3,565,700 common shares) were issued on the early conversion of the 2012 convertible debentures. As at December 31, 2016, there was a total principal amount of $6.1 million (2015 - $8.2 million) of 2012 convertible debentures outstanding. These are exchangeable into common shares at the option of the holder at a conversion price of $10.00 per common share, equivalent to a maximum of 610,500 common shares (2015 - 824,100 common shares).
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Financial Instruments and Other Instruments

Financial instruments held in the normal course of business included in our consolidated balance sheet as at December 31, 2016 consist of cash and cash equivalents, trade receivables and other (excluding prepayments), trade payables and other (excluding lease inducements and deferred revenue), borrowings, derivative financial instruments and amounts payable to unitholders. We do not enter into financial instrument arrangements for speculative purposes.

The fair values of the short-term financial instruments approximate their carrying values. The fair values of borrowings are not significantly different than their carrying values, as these instruments bear interest at rates comparable to current market rates. The fair values of other long-term liabilities and contingent consideration payable are estimated by discounting the future contractual cash flows at the cost of borrowing to us, which approximate their carrying values.

The fair value of the 2012 convertible debentures as at December 31, 2016 was approximately $18.3 million, based on the published trading price on the TSX. Under IFRS accounting, these convertible debentures are recorded at amortized cost.

The fair value of the liabilities for cash-settled plans and amounts payable to U.K. unitholders as at December 31, 2016 was approximately $9.5 million, based on the published trading price on the TSX for our common shares.

We are exposed to interest rate risk in the event of fluctuations in the Canadian Prime rates, Canadian Bankers’ Acceptance rates, U.S. Base rates or LIBOR rates as the interest rates on the bank credit facilities fluctuate with changes in these rates.

To mitigate our exposure to interest rate fluctuations, we have entered into interest rate swap agreements in connection with our bank credit facilities.

In 2015, we entered into interest rate swap agreements for a total notional amount of $65.0 million and a fixed interest rate of 1.48% per annum. This agreement expires on May 15, 2020. As at December 31, 2016, we have a total notional amount of $65.0 million outstanding and the fair value of this swap was $0.5 million in favor of the counterparty.

We are exposed to price risk as the liabilities for cash-settled plans and amounts payable to U.K. unitholders are classified as fair value through profit or loss, and linked to the price of our own common shares.

Since 2014, we entered into equity derivatives to manage our exposure to changes in the fair value of RSUs and DSUs, issued under their respective plans, due to changes in the fair value of our common shares. Changes in the fair value of these derivatives are recorded as employee compensation expense and offset the impact of mark-to-market adjustments on the RSUs and DSUs that have been accrued.

As at December 31, 2016, we have equity derivatives relating to RSUs and DSUs outstanding with a notional amount of $7.2 million. The fair value of these derivatives is $4.0 million in our favor.
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In order to limit our exposure, we entered into an equity derivative associated with the amounts payable to U.K. unitholders in 2014. Changes in the fair value of the equity derivative were recorded as finance costs (income), net and offset against the impact of mark-to-market adjustments on the amounts payable to unitholders that had been accrued. The equity derivative was settled on April 1, 2016.

We are exposed to credit risk with respect to our cash and cash equivalents, trade receivables and other, more specifically our trade receivables, and derivative financial instruments. Credit risk is not concentrated with any particular customer. In certain parts of Asia, it is often common business practice to pay invoices over an extended period of time and/or at the completion of the project. This practice increases the risk and likelihood of future bad debts. In addition, the risk of non-collection of trade receivables is greater in Asia Pacific compared to North American or European countries. Trade receivables are monitored on an ongoing basis with respect to their collectability and, where appropriate, a specific reserve is recorded.

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage liquidity risk through the management of our capital structure and financial leverage. We also manage liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of our revenues and receipts and maturity profile of financial assets and liabilities. Our Board of Directors review and approve our operating and capital budgets, as well as any material transactions outside the ordinary course of business, including proposals on mergers, acquisitions or other major investments.

Related Party Transactions

We provide appraisal services to Real Matters, an entity in which we hold a 13.9% equity interest as at December 31, 2016. For the year ended December 31, 2016, we recorded nominal revenues for appraisal services provided to Real Matters (2015 - $0.032 million).

As part of ongoing transactions with Real Matters, there was a nominal amount included in trade receivables and other as at December 31, 2016 and as at December 31, 2015.

On April 1, 2016, our investment in Real Matters was diluted due to a private placement and issuance of common shares in connection with an acquisition completed by Real Matters. These transactions reduced our equity interest from 16.4% to 13.9%. The partial deemed disposition of our investment resulted in a gain of $9.9 million with a corresponding increase to the carrying value of our investment in Real Matters. In January 2017, Real Matters issued 1,500,000 common shares, which further diluted our investment to 13.8%. We continue to have significant influence through both our shareholding and our nominated director’s active participation on the Board of Directors of Real Matters.

All related party transactions were in the normal course of business and measured at the exchange amount.

Contingencies

From time to time, we or our 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 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 our financial position or results of operations, and have been adequately provided for in the consolidated financial statements.

In the ordinary course of business, we are 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 we made in our tax filings, which could lead to assessments and reassessments. These assessments and reassessments may have a material adverse effect on our financial position or results of operations.

Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions concerning the future. It also requires management to exercise its judgment in applying our accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The following discussion sets forth management’s most significant estimates and assumptions in determining the value of assets and liabilities and the most significant judgments in applying accounting policies.

Revenue recognition and valuation of unbilled revenue on customer contracts
We review our unbilled revenue for each project on a monthly basis to determine whether the amount is a true reflection of the amount that will be invoiced in respect of the project. Where the review determines that the value of unbilled revenue exceeds the amount that will be invoiced, adjustments are made to the unbilled revenue. The valuation of the unbilled revenue involves estimates of the amount of work required to complete the project. Changes in estimates could lead to the under or overvaluation of unbilled revenue. Significant erosion in the general state of the economy could result in increased provisions to unbilled revenue.

Revenue recognition and multiple element arrangements
We assess the criteria for the recognition of revenue for arrangements that have multiple elements. These assessments require judgment by management to determine if there are separately identifiable components and how the total price of the arrangement is to be allocated among the components. Deliverables are accounted for as separately identifiable components if the product or service has stand-alone value to the customer and the fair value associated with the product or service can be measured reliably. In determining whether components are separately identifiable, management considers, among other factors, whether we sell the product or service separately in the normal course of business or whether the customer could purchase the product or service separately. With respect to the allocation of the total price among the components, management uses its judgment to assign a fair value to each component or the undelivered component, as applicable. Fair value is determined based on such items as the price for the component when sold separately and renewal rates for specific components. Changes in these assessments and judgments could lead to an increase or decrease in the amount of revenue recognized in a particular period.

Allowance for doubtful accounts
Estimates are used in determining the allowance for doubtful accounts related to trade receivables. The estimates are based on management’s best assessment of the collectability of the related receivable
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balance based, in part, on the age of the specific receivable balance. An allowance is established when the likelihood of collecting the account has significantly diminished. Future collections of receivables that differ from management’s current estimates would affect trade receivables and office and other operating expenses. Significant erosion in the general state of the economy could result in increased allowances for doubtful accounts.

Estimated impairment of goodwill
We test at least annually whether goodwill is subject to any impairment. Goodwill impairment is evaluated between annual tests upon the occurrence of events or changes in circumstances. Goodwill is allocated to cash-generating units (“CGUs”) for the purpose of impairment testing. The allocation is made to those CGUs or group of CGUs that are expected to benefit from synergies of the business combination in which the goodwill arose. Goodwill is tested for impairment in the groups of CGUs for which it is monitored by management. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount for any CGU is determined based on the higher of fair value less costs to sell and value in use. Both of the valuation approaches require the use of estimates. Significant erosion in the general state of the economy could result in increased impairment losses. For the year ended December 31, 2016, there was a goodwill impairment charge in the amount of $12.5 million (2015 - $Nil). If the discount rate (after-tax) were to increase by 100 basis points for Canada Research, Valuation & Advisory (“RVA”), a goodwill impairment charge of $2.4 million would result. If the perpetual growth rate were to decrease by 100 basis points for Canada RVA, a goodwill impairment charge of $0.5 million would result. For the remaining CGUs, no reasonably possible change in key assumptions would result in an impairment.

Intangibles
Intangibles are acquired assets that lack physical substance and that meet the specified criteria for recognition separately from goodwill. Intangibles with a finite life, as summarized in the consolidated financial statements, are recorded at cost and are amortized over the period of expected future benefit using the straight-line method or the diminishing balance method. Intangibles with an indefinite life, which include the Altus Group and ARGUS brands, are recorded at cost. On an annual basis, management reviews the carrying amount of intangibles that have an indefinite life for possible impairment by evaluating the recoverable amount, which is the higher of an asset’s fair value less costs to sell and value in use. Intangibles are written down to their recoverable amount when a decline is identified. The determination of the recoverable amount requires the use of management’s best assessment of the related inputs into the valuation models, such as future cash flows and discount rates. Significant erosion in the general state of the economy could result in increased impairment losses. For the year ended December 31, 2016, there was no intangible impairment charge (2015 - $Nil).

Determination of purchase price allocations and contingent consideration
Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Further, estimates are made in determining the value of contingent consideration payments that should be recorded as part of the consideration on the date of acquisition and changes in contingent consideration payable in subsequent reporting periods. Contingent consideration payments are generally based on acquired companies achieving certain performance targets. The estimates are based on management’s best assessment of the related inputs used in the valuation models, such as future cash flows and discount rates. Future performance results that differ from management’s estimates could result in changes to liabilities
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recorded, which are recorded as they arise through profit or loss. Significant erosion in the general state of the economy could negatively impact future performance of acquired companies.

Income taxes
We are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Changes in Accounting Policies Including Initial Adoption of New Accounting Pronouncements

Future Accounting Pronouncements

International Financial Reporting Standard 16, Leases
IFRS 16, which was issued in January 2016, will replace current lease accounting standards. It proposes to record all leases on the balance sheet with certain limited exceptions. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Limited earlier adoption is permitted. We are in the process of evaluating the impact of this standard on our consolidated financial statements.

International Financial Reporting Standard 9, Financial Instruments
The final version of IFRS 9, as issued in July 2014 as a complete standard, introduces a model for the classification and measurement of financial instruments, a single, forward-looking expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed approach for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that is caused by changes in an entity’s own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. We are in the process of evaluating the impact of this standard on our consolidated financial statements.

International Financial Reporting Standard 15, Revenue from Contracts with Customers
IFRS 15, which was issued in May 2014, will replace all current revenue recognition requirements under IFRS. IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 is required for annual periods beginning on or after January 1, 2018, using either a full or modified retrospective application. Earlier adoption is permitted. We have engaged an advisor to assist with the analysis of the revenue streams. We are in the process of finalizing the accounting policy for each revenue stream. We intend to apply this standard on a full retrospective basis. An assessment of the impact on opening balances is under way.

International Financial Reporting Standard 2, Share-based Payment
The IASB issued amendments to IFRS 2, Share-based Payment, that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax
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obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. We are in the process of assessing the potential effect of these amendments on our consolidated financial statements.

International Accounting Standard 12, Income Taxes
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after January 1, 2017 with early application permitted. These amendments are not expected to have a significant impact on our consolidated financial statements.

International Accounting Standard 7, Statement of Cash Flows
The IASB amended IAS 7, Statement of Cash Flows, to include a new section on disclosure initiatives. The updated guidance requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The mandatory effective date of these amendments is January 1, 2017. We are in the process of evaluating the impact of these amendments on our consolidated financial statements.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal controls over financial reporting (“ICFR”), as those terms are defined in National Instrument 52-109 - Certification of Disclosure in Issuers’ Annual and Interim Filings (“NI 52-109”).

Management has caused such DC&P to be designed under its supervision to provide reasonable assurance that our material information, including material information of our consolidated subsidiaries, is made known to our Chief Executive Officer and our Chief Financial Officer for the period in which the annual and interim filings are prepared. Further, such DC&P are designed to provide reasonable assurance that information we are required to disclose in our annual filings, interim filings or other reports we have filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.
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Management has caused such ICFR to be designed under its supervision using the framework established in Internal Control - Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

Section 3.3(1)(b) of NI 52-109 allows an issuer to limit its design of DC&P and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not exceeding 365 days from the date of acquisition.

Management has limited the scope of the design of DC&P and ICFR, consistent with previous practice, to exclude controls, policies and procedures of Bay Partnership acquired on April 1, 2016 and R2G acquired on August 1, 2016.

Financial information of the businesses acquired is summarized below.

Income Statement data for Bay Partnership:

<table>
<thead>
<tr>
<th>In thousands of dollars</th>
<th>Year ended December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$668</td>
</tr>
<tr>
<td>Expenses</td>
<td>680</td>
</tr>
<tr>
<td>Profit (loss)</td>
<td>(12)</td>
</tr>
</tbody>
</table>

Income Statement data for R2G:

<table>
<thead>
<tr>
<th>In thousands of dollars</th>
<th>Year ended December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$479</td>
</tr>
<tr>
<td>Expenses</td>
<td>901</td>
</tr>
<tr>
<td>Profit (loss)</td>
<td>(422)</td>
</tr>
</tbody>
</table>

Management has caused to be evaluated under its supervision the effectiveness of its DC&P as of December 31, 2016, and has concluded that the design and effectiveness of these controls and procedures provide reasonable assurance that material information relating to Altus Group, including our consolidated subsidiaries, was made known to management on a timely basis to ensure adequate disclosure.

Management has caused to be evaluated under its supervision the effectiveness of its ICFR as of December 31, 2016 using the COSO framework. Management has concluded that the overall design and effectiveness of these controls provide reasonable assurance of the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

There have been no changes in our internal controls over financial reporting that occurred for the quarter ended December 31, 2016, the most recently completed interim period, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.
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The audit committee and our Board of Directors have reviewed and approved this MD&A and the consolidated financial statements for the year ended December 31, 2016.

Key Factors Affecting the Business

The risks and uncertainties that could significantly affect our financial condition and future results of operations are summarized below:

General state of the economy
The businesses operated by us are affected by general economic conditions, including international, national, regional and local economic conditions, all of which are outside of our control. Economic slowdowns or downturns, adverse economic conditions, cyclical trends, increases in interest rates, variations in currency exchange rates, reduced client spending and other factors could have a material adverse effect on our business, financial condition and results of operations. Although our operations are functionally and geographically diversified, significant erosion in levels of activity in any segment in which we operate could have a negative impact on our business, financial condition and results of operations.

Currency risk
Our reporting currency is the Canadian dollar.

We have operations in Canada, the U.S., the U.K., Australia and various countries throughout Asia. Our exposure to foreign currency risk is primarily in the following areas:

- Profit (loss) generated by operations in foreign countries, which are translated into Canadian dollars using the average exchange rate;
- Net assets of foreign subsidiaries, which are translated into Canadian dollars using the period end exchange rate with any gains or losses recorded under accumulated other comprehensive income (loss) within shareholders’ equity; and
- Non-Canadian dollar denominated monetary assets and liabilities, which are translated into Canadian dollars using the period end exchange rate with any gains or losses recorded through profit (loss).

The exchange rate between the Canadian dollar and the U.S. dollar ranged from $1.3869 at December 31, 2015 to $1.3437 at December 31, 2016. The exchange rate between the Canadian dollar and the British pound ranged from $2.0529 at December 31, 2015 to $1.6576 at December 31, 2016. The exchange rate between the Canadian dollar and the Australian dollar ranged from $1.0122 at December 31, 2015 to $0.9671 at December 31, 2016.

Oil and gas sector
The land survey practice of Geomatics has significant client exposure in the oil and gas industry in Western Canada and is impacted by the associated capital spending from that sector. The risks to the outlook for the land survey practice in Western Canada arise from world markets for oil and gas and the associated impact on capital spending. Historically, the prices for oil and gas have been volatile and subject to wide fluctuations in response to changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond our control. We cannot predict future oil and gas
price movements. If oil and gas prices experience a prolonged decline, there could be a material adverse effect on our business, financial condition, liquidity and operating results.

**Ability to maintain profitability and manage growth**
Our ability to achieve revenue growth and sustain profitability in future periods depends on our ability to execute our strategic plan and effectively manage our growth. A failure to do so could have a material adverse effect on our business, financial condition and results of operations.

**Commercial real estate market**
The businesses we operate are affected by the state of commercial real estate as an investment asset class. Economic slowdowns triggered by credit liquidity, interest rates, regulatory policy, tax policy, etc., could negatively impact the market and result in fewer appraisals, cost assignments and license and subscription sales. This could have a material adverse effect on our business, financial condition, liquidity and results of operations.

**Competition in the industry**
We face competition from other service, software and data analytics providers. Competition for our professional services includes a broad mix of competitors, ranging from smaller, locally-based professional service firms to national, multi-regional professional service providers and to large engineering, accounting and law firms. Software providers also compete with us in respect of real estate asset management, valuation, budgeting, forecasting, reporting and lease management solutions. There are also new companies entering the market with competitive data analytics solutions. These competitive forces could result in a material adverse effect on our business, financial condition and results of operations by reducing our relative share in the markets we serve.

**Ability to attract and retain professionals**
Our success and ability to grow are dependent on the expertise, experience and efforts of our professionals. Competition for employees with the qualifications we desire, particularly with commercial real estate technology experience, is intense and puts upward pressure on compensation costs. We expect that competition for qualified professionals will continue to increase, thereby causing compensation costs to escalate. Should we be unable to attract and retain professionals that meet the desired level of skills and ability, our business may be jeopardized.

**Information from multiple sources**
The quality of our databases supporting certain of our products depends substantially on information provided by a number of sources, including commercial real estate brokers, agents and property owners, trade associations, tax assessors, deed recorders, municipal planners, corporate web sites, the business and trade press, and selected third party vendors of business information. Our inability to collect information from a significant number of these sources may negatively affect certain of our products and may potentially result in subscriber cancellations and failure to acquire new subscribers.

**Reliance on larger enterprise transactions with longer and less predictable sales cycles**
The ability to meet revenue targets is becoming more dependent on larger transactions which have longer sales cycles. The presence or absence of one or more of these transactions may have a material positive or negative effect on anticipated revenue in any given period.
Success of new product introductions
As new products are developed and introduced to the marketplace, client adoption may not achieve anticipated levels. As a result, revenue expectations may not be achieved. If cash flows from new products do not reach sufficient levels, asset impairments may need to be taken on any capitalized costs related to the development of the products.

Ability to respond to technological change and develop products on a timely basis
Our ability to generate future revenues from software is dependent upon meeting the changing needs of the market and evolving industry standards through new product introductions and product enhancements. In order to maintain or enhance product market share over the long-term, it is imperative to anticipate and develop products that meet client and industry needs. In the short to medium term, the ability to complete product developments on a timely basis is important to achieving revenue and cost targets.

Protection of intellectual property or defending against claims of intellectual property rights of others
We rely on protecting our intellectual property rights including copyrights, trademarks, trade secrets, databases and methodologies, which have been important factors in maintaining our competitive position. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to obtain and use information that we regard as proprietary. There can be no assurance that we will be successful in protecting our proprietary rights and, if we are not, our business, financial condition, liquidity and results of operations could be materially adversely affected. Additionally, we may be subject to claims by third parties regarding technology infringement. Responding to such claims could result in substantial expense and may result in damages or injunctive relief. We may also be required to indemnify customers pursuant to our indemnification obligations, enter into licensing agreements on unfavourable terms or redesign or stop selling affected products, which could materially disrupt the conduct of our business.

Ability to implement technology strategy and ensure workforce adoption
Our business relies on the use of information technology systems to deliver expert services, data and software solutions to our clients. If we are unable to effectively implement our information technology strategies or adopt new technologies and technology-enabled processes relevant to our offerings in a timely or cost-effective manner, or if our employees fail to adopt in an effective and timely manner new technologies or technology-enabled processes, then our ability to deliver services and solutions that meet client needs or our ability to remain competitive in the market may be materially impaired.

Information technology governance and security, including cyber security
In the ordinary course of our business, we collect, store, process and/or transmit sensitive data belonging to clients, partners, vendors, employees and contractors as well as our own proprietary business information and intellectual property. The secure processing, maintenance and transmission of this information is critical to our workflow operations and delivery of products and services to our clients. We have implemented a secure operating framework which includes policies and governance, prevention and detection technologies, back-up and recovery processes and other procedures and technology in the protection of our data, software and infrastructure assets from loss, theft, unauthorized access, vandalism, cyber attacks, or events such as power outages or surges, floods, fires or other natural disasters. We have also implemented a major incidence process whereby breaches or unauthorized access to our systems are assessed and reported based on established communication protocols. Despite our security measures, our data, systems and infrastructure may be vulnerable to cyber attacks or breached
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due to employee error, malfeance or other disruptions. These security breaches could materially compromise our information, disrupt our business operations or cause us to breach our client obligations thereby exposing us to liability, reputational harm and/or significant remediation costs. A theft, loss, corruption, exposure, fraudulent use or misuse of client information whether by third parties or as a result of employee malfeance could result in significant remediation and other costs, fines, litigation or regulatory actions against us, as well as cause reputational harm, negatively impact our competitive position and affect our financial results. We are increasingly relying on third-party data storage providers, including cloud storage solution providers, resulting in less direct control over our data and system processing. Such third parties may also be vulnerable to security breaches for which we may not be indemnified and which could cause materially adverse harm to our reputation and competitive position and affect our financial results.

**Acquisitions**
We intend to make acquisitions from time to time as part of our strategy to grow our business. Acquisitions may increase the size of our operations, as well as increase the amount of indebtedness that we may have to service. There is no assurance that we will be able to acquire operations on satisfactory terms. The successful integration and management of acquired businesses involve numerous risks and there is no assurance that we will be able to successfully integrate our acquisitions. Such failure could adversely affect our business, financial condition and results of operations.

**Fixed-price and contingency engagements**
A portion of our revenues comes from fixed-price engagements. A fixed-price engagement requires us to either perform all or a specified part of work under the engagement for a specified lump sum payment. Fixed-price engagements expose us to a number of risks not inherent in cost-plus engagements, including underestimation of costs, ambiguities in specifications, unforeseen or changed costs or difficulties, problems with new technologies, delays beyond our control, failures of subcontractors to perform and economic or other changes that may occur during the term of engagement. Increasing reliance on fixed-price engagements and/or increases in the size of such engagements would increase the exposure to this risk. Economic loss under fixed-price engagements could have a material adverse effect on our business.

We are also engaged to provide services on a contingency basis, meaning that we receive our fees only if certain results are achieved. We may experience adverse financial effects from having devoted professional and other resources to a project, which, due to a failure to meet the contingency goals, are not recouped through fees.

**Appraisal and appraisal management mandates**
Some clients rotate their appraisal and appraisal management mandates to different service providers. As a result, we may be rotated out of an appraisal engagement.

**Canadian multi-residential market**
A significant part of the Canadian Cost practice area’s annual revenues are derived from the rental apartment and condominium sectors of the multi-residential development market. Any significant decline in the multi-unit residential development market could have a material adverse effect on our Cost practice’s operating results.
Weather
The level of activity in the oilfield services industry and natural resources industry are influenced by seasonal weather patterns and natural or other disasters, such as floods and forest fires. Spring break-up often experienced during the second quarter leaves many secondary roads temporarily incapable of supporting the weight of field equipment, which results in severe restrictions in the provision of field work for Geomatics’ survey services and land-use consulting. The timing and duration of spring break-up are dependent on regional weather patterns but generally occur in April and May.

The demand for survey services and forestry and land-use services may also be affected by the severity of Canadian winters, and excessively rainy periods or forest fires, thereby adversely affecting operations. The uncertainty of weather and temperature can therefore create unpredictability in activity and utilization rates.

Legislative and regulatory changes
Changes to any of the laws, rules, regulations or policies affecting our business would have an impact on our business. Certain elements of our business are influenced by the regulatory environment of our clients, such as the requirement for pension fund managers to obtain property valuations on an annual basis. In addition, elements of our business, such as our Property Tax practice area, are significantly influenced by the regulatory regime and any changes thereto. Any change to laws, rules, regulations or policies may significantly and adversely affect our operations and financial performance.

Customer concentration and loss of material clients
Although we are not dependent on one or a small number of clients, certain of our business segments have significant clients. Loss of any significant client that contributes a substantial portion to that business segments’ revenues could have a negative impact on our revenues and could impact our ability to attract and retain other clients.

Interest rate risk
We are exposed to fluctuations in interest rates under our borrowings. Increases in interest rates may have an adverse effect on our earnings.

Credit risk
We may be materially and adversely affected if the collectability of our trade receivables is impaired for any reason. In certain parts of Asia, it is often common business practice to pay invoices over an extended period of time and/or at the completion of the project. This practice increases the risk and likelihood of future bad debts. In addition, the risk of non-collection of trade receivables is greater in Asia Pacific compared to North American or European countries.

Income tax matters
In the ordinary course of business, we may be subject to audits by tax authorities. While management anticipates that our tax filing positions will be appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, taxable income and taxes payable, may be reviewed and challenged by the authorities. If such challenge were to succeed, it could have a material adverse effect on our tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the
administrative policies and assessing practices of tax authorities, could materially adversely affect our tax position.

Revenue and cash flow volatility
Our revenue, cash flow, operating results and profitability may experience fluctuations from quarter to quarter, based on project terms and conditions for billing and rendering of services.

Health and safety hazards
Our employees are sometimes required to attend client worksites, including construction worksites in the case of both Cost and Geomatics and remote, wilderness areas in the case of Geomatics. The activities at these worksites may involve certain operating hazards that can result in personal injury and loss of life. We have implemented health and safety policies and procedures as well as provide required employee health and safety training programs. Despite these programs, there can be no assurance that our insurance will be sufficient or effective under all circumstances or against all claims or hazards to which we may be subject or that we will be able to continue to obtain adequate insurance protection. A successful claim for damage resulting from a hazard for which it is not fully insured could adversely affect our results of operations.

Performance of contractual obligations and client satisfaction
Our success depends largely on our ability to fulfill our contractual obligations and ensure client satisfaction. If we fail to properly define the scope of our work, communicate the boundaries or use of the advice and reports we provide, define the limits of our liability, satisfactorily perform our obligations, or make professional errors in the advice or services that we provide, clients could terminate projects, refuse payment for our services or take legal action for the loss or harm they suffer, thereby exposing us to legal liability, loss of professional reputation, enhanced risk of loss and/or reduced profits.

Risk of legal proceedings
We are threatened from time to time with, or are named as a defendant in, or may become subject to various legal proceedings in the ordinary course of conducting our business, including lawsuits based upon professional errors and omissions. A significant judgment against us, or the imposition of a significant fine or penalty as a result of a finding that we have failed to comply with laws, regulations, contractual obligations or other arrangements or professional standards, could have a significant adverse impact on our financial performance. Should any indemnities made in our favor in respect of certain assignments fail to be respected or enforced, we may suffer material adverse financial effects.

Insurance limits
Management believes that our professional errors and omissions insurance coverage and directors’ and officer’s liability insurance coverage address all material insurable risks, provide coverage that is similar to that which would be maintained by a prudent operator of a similar business and are subject to deductibles, limits and exclusions, which are customary or reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that such insurance will continue to be offered on an economically affordable basis, that all events that could give rise to a loss or liability are insurable or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving our assets or operations.
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Ability to meet solvency requirements to pay dividends
Our ability to pay dividends is dependent on our operations and assets, and is subject to various factors including our financial performance, our obligations under applicable bank credit facilities, fluctuations in our working capital, the sustainability of our margins and our capital expenditure requirements.

Leverage and restrictive covenants
Our ability to pay dividends or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness owed by us or our subsidiaries (including the bank credit facilities). The degree to which we are leveraged could have important consequences to our shareholders. For example, our ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; a significant portion of our cash flow from operations may be dedicated to the payment of principal and interest on our indebtedness, thereby reducing funds available for future operations; certain of our borrowings will be subject to variable rates of interests, which exposes us to the risk of increased interest rates; and we may be more vulnerable to economic downturns and be limited in our ability to withstand competitor pressures.

The bank credit facilities contain numerous restrictive covenants that limit the discretion of our management with respect to certain business matters. These covenants place significant restrictions on, among other things, our ability to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the bank credit facilities contain a number of financial covenants that require us to meet certain financial ratios and financial condition tests. Failure to comply with the obligations provided in the bank credit facilities could result in a default which, if not cured or waived, could result in the termination of dividends paid by us and accelerate the repayment of the relevant indebtedness. If repayments of indebtedness under the bank credit facilities were to be accelerated, there can be no assurance that our assets would be sufficient to repay the relevant indebtedness in full. There can be no assurance that future borrowings or equity financing will be available to us or available on acceptable terms, in an amount sufficient to fund our needs. If we are unable to obtain financing on the expiration of the bank credit facilities or are unable to obtain financing on favourable terms, our ability to pay dividends may be adversely affected.

Unpredictability and volatility of common share price
Our common shares do not necessarily trade at prices determined by reference to the underlying value of our business and cannot be predicted. The market price of the common shares may be subject to significant fluctuations in response to variations in quarterly operating results and other factors. In addition, securities markets have experienced significant price and volume fluctuations from time to time in recent years that are often unrelated or disproportionately related to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of our common shares.

Capital investment
The timing and amount of capital expenditures made by us or any of our subsidiaries indirectly affects the amount of cash available for investments, debt payments or dividend payments. Dividends may be reduced, or even eliminated, at times when we deem it necessary to make significant capital or other expenditures.
Management’s Discussion & Analysis
December 31, 2016

Issuance of additional common shares diluting existing shareholders’ interests
We are authorized to issue an unlimited number of common shares for such consideration and on such terms and conditions as shall be determined by the Board of Directors without shareholder approval, except as required by the TSX.

Additional Information

Additional information relating to Altus Group Limited, including our Annual Information Form, is available on SEDAR at www.sedar.com and on our corporate website at www.altusgroup.com under the Investors tab.

Our common shares trade on the Toronto Stock Exchange under the symbol “AIF” and the 2012 convertible debentures trade under the symbol “AIF.DB.A”.
LISTINGS
Toronto Stock Exchange
Stock trading symbol: AIF
Convertible debenture trading symbol: AIF:DB.A

AUDITORS
ERNST & YOUNG LLP

TRANSFER AGENT
CST TRUST COMPANY
P.O. Box 700
Station B
Montreal, Quebec, Canada H3B 3K3
Toronto: (416) 682-3860
Toll-free throughout North America: 1 (800) 387-0825
Facsimile: 1 (888) 249-6189
Website: www.canstockta.com
Email: inquiries@canstockta.com

HEADQUARTERS
33 Yonge Street, Suite 500
Toronto, Ontario, Canada M5E 1G4
Telephone: (416) 641-9500
Toll-free Telephone: 1 (877) 953-9948
Facsimile: (416) 641-9501
Website: www.altusgroup.com
Email: info@altusgroup.com