



IBI Group 2016 Third-Quarter Management Discussion and Analysis

THREE MONTHS ENDED
SEPTEMBER 30, 2016

IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

FORWARD-LOOKING STATEMENTS.....	3
FORWARD LOOKING STATEMENTS AND RISK FACTORS	3
COMPANY PROFILE.....	4
OUTLOOK.....	5
FINANCIAL HIGHLIGHTS	6
OVERVIEW.....	6
KEY EVENTS	6
STATEMENT OF INCOME AND COMPREHENSIVE INCOME	7
RESULTS OF OPERATIONS.....	8
DESCRIPTION OF VARIANCES IN OPERATING RESULTS	9
ADJUSTED EBITDA FROM CONTINUING OPERATIONS.....	13
ADJUSTED EBITDA FROM CONTINUING OPERATIONS FOR THE PREVIOUS EIGHT QUARTERS .	14
IMPACT OF TRENDS ON QUARTERLY RESULTS.....	15
LIQUIDITY AND CAPITAL RESOURCES.....	15
WORKING CAPITAL.....	15
WORKING CAPITAL MEASURED IN NUMBER OF DAYS OF GROSS BILLINGS.....	16
CASH FLOWS	18
OPERATING ACTIVITIES.....	18
FINANCING ACTIVITIES	19
INVESTING ACTIVITIES.....	19
CREDIT FACILITY AND BID BOND GUARANTEE FACILITY	19
SECURITY INTEREST OF SENIOR LENDERS	20
NOTES PAYABLE	21
CONVERTIBLE DEBENTURES	21
FINANCIAL RISK MANAGEMENT	21
MARKET RISK	22
CREDIT RISK.....	22
LIQUIDITY RISK.....	22
CONTRACTUAL OBLIGATIONS.....	23
CAPITAL MANAGEMENT	23
FUTURE CASH GENERATION.....	24
SHARE CAPITAL	25
TRANSACTIONS WITH RELATED PARTIES	25
CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS.....	26
ACCOUNTING DEVELOPMENTS	26

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING 29

DEFINITION OF NON-IFRS MEASURES 29

The following Management Discussion and Analysis (“MD&A”) of operating results and financial position of IBI Group Inc. and its subsidiaries (the “Company”) for the three and nine months ended September 30, 2016 should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements (“interim financial statements”) for the three and nine months ended September 30, 2016, including the notes thereto, as well as the audited consolidated financial statements for the year ended December 31, 2015 and related notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2015 is available on SEDAR at www.sedar.com.

The financial information and tables presented herein have been prepared on the basis of International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), for financial statements and are expressed in thousands of Canadian dollars except for per share amounts. Certain information in this MD&A are based on non-IFRS measures, which have been defined on page 29 of this MD&A.

FORWARD-LOOKING STATEMENTS

This report includes certain forward-looking statements that are based on the available information and management’s judgments as at the date of this report. The forward-looking statements are subject to risks and uncertainties that may cause the actual results to differ materially from those anticipated in the discussion. See “Forward Looking Statements and Risk Factors” below for more information.

FORWARD LOOKING STATEMENTS AND RISK FACTORS

Certain statements in this MD&A may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary entities, including IBI Group Partnership (“IBI Group”) or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as “may”, “will”, “expect”, “believe”, “plan” and other similar terminology. These statements reflect management’s current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (i) the Company’s ability to maintain profitability and manage its growth; (ii) the Company’s reliance on its key professionals; (iii) competition in the industry in which the Company operates; (iv) timely completion by the Company of projects and performance by the Company of its obligations; (v) fixed-price contracts; (vi) the general state of the economy; (vii) risk of future legal proceedings against the Company; (viii) the international operations of the Company; (ix) reduction in the Company’s backlog; (x) fluctuations in interest rates; (xi) fluctuations in currency exchange rates; (xii) upfront risk of time invested in participating in consortia bidding on large projects and projects being contracted through private finance initiatives; (xiii) limits under the Company’s insurance policies; (xiv) the Company’s reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in their performance; (xv) unpredictability and volatility in the price of Shares (defined below); (xvi) the degree to which the Company is leveraged and the effect of the restrictive and financial covenants in the Company’s credit facilities; (xvii) the possibility that the Company may issue additional Common Shares (defined below) diluting existing Shareholders’ interests; (xviii) income tax matters. These risk factors are discussed in detail under the heading “Risk Factors” in the Company’s Annual Information Form for the year ended December 31, 2015. New risk factors may arise from time to time and it is not possible

for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of November 10, 2016.

The factors used to develop revenue forecast in this MD&A include the total amount of work the Company has signed an agreement with its clients to complete, the timeline in which that work will be completed based on the current pace of work the Company achieved over the last 12 months and expects to achieve over the next 12 months. The Company updates these assumptions at each reporting period and adjusts its forward looking information as necessary.

COMPANY PROFILE

The business of the Company is conducted through IBI Group, a global architecture, engineering, planning and technology entity, which operates 63 offices in 11 countries across the world.

IBI Group has one operating segment, consulting services, which is concentrated in three practice areas:

- Intelligence
- Buildings
- Infrastructure

IBI Group's professionals have a broad range of professional backgrounds and experience in urban design and planning, architecture, civil engineering, transportation engineering, traffic engineering, systems engineering, urban geography, real estate analysis, landscape architecture, communications engineering, software development, and many other areas of expertise, all contributing to the three areas in which IBI Group practices.

The firm's clients include national, provincial, state, and local government agencies and public institutions, as well as leading companies in the real estate building, land and infrastructure development, transportation and communication industries, and in other business areas.

OUTLOOK

The following represents forward looking information and users are cautioned that actual results may vary. Management is forecasting approximately \$350 million in total revenue for the year ended December 31, 2016. The Company currently has approximately \$415 million of work that is committed and under contract for the three years 2016 through 2018. This committed workload is a material factor and assumption used to develop revenue forecasts. The Company continues to see an increase in committed work to be delivered in 2016. The Company has approximately 8.8 months of backlog (calculated on the basis of the current pace of work that the Company has achieved during the 12 months ended September 30, 2016).

The Company bases its view of industry performance on:

1. Annual survey completed by The Environmental Financial Consulting Group, Inc (“EFCG”) which focuses on architecture and engineering industries.
2. The reported performance of the Company’s direct competitors.
3. The reports published by market analysts covering firms in the Company’s business sectors.

The Company has returned to Adjusted EBITDA¹ margins in line with industry averages. Based on the most recent review of this information, EBITDA margins in the industry average 8-12%.

Ongoing efforts are underway to improve the monitoring of financial results, identify synergies and implement cost management initiatives, as well as strengthen the billings and collections process. The Company continues to seek out opportunities to enhance profitability.

¹ See “Definition of Non-IFRS Measures, defined on page 29 of this MD&A”.

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars except for per share amounts or otherwise indicated)

	THREE MONTHS ENDED SEPTEMBER 30, 2016 (unaudited)	THREE MONTHS ENDED SEPTEMBER 30, 2015 (unaudited)	NINE MONTHS ENDED SEPTEMBER 30, 2016 (unaudited)	NINE MONTHS ENDED SEPTEMBER 30, 2015 (unaudited)
Number of working days	63	63	189	188
Revenue	\$ 88,211	\$ 83,819	\$ 267,299	\$ 242,179
Net income / (Loss)	\$ (4,728)	\$ 4,815	\$ (4,101)	\$ 8,934
Cash flows provided by operating activities	\$ 13,895	\$ 11,626	\$ 13,601	\$ 16,580
Basic and diluted earnings per share	\$ (0.15)	\$ 0.21	\$ (0.13)	\$ 0.39
Adjusted EBITDA ¹	\$ 10,220	\$ 9,456	\$ 31,767	\$ 26,108
Adjusted EBITDA ¹ as a percentage of revenue	11.6%	11.3%	11.9%	10.8%

¹ - See "Definition of Non-IFRS Measures," defined on page 29 of this MD&A.

OVERVIEW

KEY EVENTS

- Revenue increased to \$88.2 million for the three months ended September 30, 2016 compared to \$83.8 million for the same period in 2015, which reflects an increase of \$4.4 million or 5.2%, and \$267.3 million for the nine months ended September 30, 2016 compared to \$242.2 million for the same period in 2015, which reflects an increase of \$25.1 million or 10.4%.
- Adjusted EBITDA¹ increased to \$10.2 million for the three months ended September 30, 2016 compared to \$9.4 million for the same period in 2015, which reflects an increase of \$0.8 million or 8.5%, and \$31.8 million for the nine months ended September 30, 2016 compared to \$26.1 million for the same period in 2015, which reflects an increase of \$5.7 million or 21.8%.
- The Company issued 5.5% convertible unsecured subordinated debentures (principal \$46 million, maturing on December 31, 2021). Subsequent to the quarter-end, net proceeds of \$43.8 million upon issuance were used to fund the partial redemption of the June 30, 2018 6% convertible debentures.
- The Company gave notice to June 30, 2019 7% debenture holders, with a conversion price of \$5, that it will redeem the principal amount of \$31.25 million by issuing 6,220,076 common shares.
- The Company made the required deposit toward the Sinking Fund for \$3.25 million during the three months ended September 30, 2016. The total balance available for future debt payments is \$11.75 million.

¹ See "Definition of Non-IFRS Measures," defined on page 29 of this MD&A.

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

Revenue for the three months ended September 30, 2016 was \$88.2 million, compared with \$83.8 million for the same period in 2015, an increase of 5.2%. Revenue for the nine months ended September 30, 2016 was \$267.3 million compared to \$242.2 million for the same period in 2015, an increase of 10.4%. The increase in revenue is due to growth across all geographical segments, including continuing work on significant transit projects.

For the three months ended September 30, 2016, the Company had a net loss of \$4.7 million compared to net income \$4.8 million for the same period in 2015. The net loss for the three months ended September 30, 2016 is inclusive of accretion expense of \$11.7 million, compared to \$1.5 million accretion expense which was included in net income for same period in 2015. This increased accretion expense is the result of the Company's decision to partially redeem \$43.8 million of the 6% convertible debentures and \$31.2 million of the 7% convertible debentures. At the original issuance of the convertible debentures, the debt component was recorded at the fair value of the debt instrument with the residual recorded as the value of the conversion option in equity. As a result of redeeming these convertible debentures prior to maturity, the Company recorded accelerated accretion expense, which represents the difference between the carrying value in the financial statements and the face value of the convertible debentures.

For the nine months ended September 30, 2016, the Company had a net loss of \$4.1 million compared to net income of \$8.9 million for the same period in 2015. In addition to the accelerated accretion expense recorded in the third quarter, net income for the nine months ended September 30, 2016 is inclusive of a foreign exchange loss of \$8.6 million, compared to a foreign exchange gain of \$6.9 million which was included in net income for the same period in 2015. The Company recorded a foreign exchange gain of \$8.7 million and \$2.1 million during the years ended December 31, 2015 and December 31, 2014, respectively, as the Canadian dollar weakened against the U.S dollar and British pound. The foreign exchange loss during the three and nine months ended September 30, 2016 reflects the reversal of that trend in global currency markets.

Basic and diluted loss per share was \$0.15 for the three months ended September 30, 2016, compared to earnings per share of \$0.21 for the same period in 2015. The increased accretion expense on the convertible debentures resulted in a reduction in earnings per share of \$0.33 in the third quarter. Basic and diluted loss per share was \$0.13 for the nine months ended September 30, 2016 compared to earnings per share of \$0.39 for the same period in 2015. In addition to the \$0.33 per share loss arising from the accelerated accretion, the impact of the movement in foreign exchange for the nine months ended September 30, 2016 is a loss of \$0.50 per share.

RESULTS OF OPERATIONS

The results of operations presented below should be read in conjunction with the applicable annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	September 30, 2016 (unaudited)	September 30, 2015 (unaudited)	September 30, 2016 (unaudited)	September 30, 2015 (unaudited)
<i>(thousands of Canadian dollars, except per share amounts)</i>				
Revenue	\$ 88,211	\$ 83,819	\$ 267,299	\$ 242,179
Expenses				
Salaries, fees and employee benefits	62,241	59,029	186,955	170,726
Rent	5,364	5,892	16,793	17,609
Other operating expenses	10,403	8,880	31,279	26,816
Foreign exchange loss (gain)	(392)	(3,908)	8,578	(6,887)
Amortization of intangible assets	316	200	709	579
Amortization of property and equipment	1,029	1,046	3,155	2,830
Impairment of financial assets	15	177	1,095	453
	78,976	71,316	248,564	212,126
OPERATING INCOME	\$ 9,235	\$ 12,503	\$ 18,735	\$ 30,053
Interest expense, net	14,384	5,286	22,489	16,141
Other finance costs	452	70	1,228	519
FINANCE COSTS	14,836	5,356	\$ 23,717	\$ 16,660
Share of loss of equity-accounted investee, net of tax	-	226	32	635
NET (LOSS) INCOME BEFORE TAX	\$ (5,601)	\$ 6,921	\$ (5,014)	\$ 12,758
Current tax expense	546	253	1,760	1,322
Deferred tax expense (recovery)	(1,419)	442	(2,673)	1,091
INCOME TAXES	\$ (873)	\$ 695	\$ (913)	\$ 2,413
Net (loss) income from continuing operations	\$ (4,728)	\$ 6,226	\$ (4,101)	\$ 10,345
Net (loss) income from discontinued operations	-	(1,411)	-	(1,411)
NET (LOSS) INCOME	\$ (4,728)	\$ 4,815	\$ (4,101)	\$ 8,934
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that are or may be reclassified to profit or loss				
Gain (loss) on translating financial statements of foreign operations from continuing operations, net of tax	\$ 304	\$ (955)	\$ 1,160	\$ (216)
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX	304	(955)	1,160	(216)
TOTAL COMPREHENSIVE (LOSS) INCOME	\$ (4,424)	\$ 3,860	\$ (2,941)	\$ 8,718
NET INCOME ATTRIBUTABLE TO:				
Common shareholders	\$ (3,777)	\$ 3,755	\$ (3,276)	\$ 6,968
Non-controlling interests	(951)	1,060	(825)	1,966
NET (LOSS) INCOME	\$ (4,728)	\$ 4,815	\$ (4,101)	\$ 8,934
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:				
Common shareholders	\$ (3,535)	\$ 3,010	\$ (2,350)	\$ 6,799
Non-controlling interests	(889)	850	(591)	1,919
TOTAL COMPREHENSIVE (LOSS) INCOME	\$ (4,424)	\$ 3,860	\$ (2,941)	\$ 8,718
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS				
Basic and diluted earnings per share	\$ (0.15)	\$ 0.21	\$ (0.13)	\$ 0.39
Basic and diluted earnings per share from continuing operations	\$ (0.15)	\$ 0.27	\$ (0.13)	\$ 0.45
Basic and diluted earnings per share from discontinued operations	\$ -	\$ (0.06)	\$ -	\$ (0.06)

DESCRIPTION OF VARIANCES IN OPERATING RESULTS

i) REVENUE

The Company reports revenue net of direct recoverable costs, as these costs can vary significantly from contract to contract and are not indicative of its professional services business.

Revenue for the three months ended September 30, 2016 increased by \$4.4 million or 5.2% compared to the same period in 2015. The increase in revenue is due to growth in the United States and International geographical segments, including continuing work on significant transit projects. This has been offset by reduced revenues from the UK caused by the decrease in the value of the British pound.

Revenue for the nine months ended September 30, 2016 increased by \$25.1 million or 10.4% compared to the same period in 2015. The increase in revenue is due to growth in the United States and International geographical segments, including continuing work on significant transit projects. This has been offset by reduced revenues from the UK caused by the decrease in the value of the British pound.

The impact of foreign exchange on revenue for the nine months ended September 30, 2016 was an additional \$1.9 million of revenue compared to the same period in 2015.

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended September 30, 2016 were \$62.2 million compared with \$59.0 million in the same period in 2015. As a percentage of revenues, salaries, fees and employee benefits for the three months ended September 30, 2016 was 70.5% compared to 70.4% for the same period in 2015, which is consistent with the budgeted compensation target of 70% of revenue.

Salaries, fees, and employee benefits for the nine months ended September 30, 2016 were \$187.0 million compared with \$170.7 million in the same period in 2015. As a percentage of revenues, salaries, fees and employee benefits for the nine months ended September 30, 2016 was 69.9% compared to 70.5% for the same period in 2015, which is consistent with the budgeted compensation target of 70% of revenue.

The impact of foreign exchange on salaries, fees and employee benefits for the three months ended September 30, 2016 was \$0.3 million less expense compared to the same period in 2015. The impact of foreign exchange on salaries, fees and employee benefits for the nine months ended September 30, 2016 was an additional \$1.3 million of expense compared to the same period in 2015.

iii) RENT

Rent for the three months ended September 30, 2016 was \$5.4 million compared to \$5.9 million in the same period in 2015. Rent for the nine months ended September 30, 2016 was \$16.8 million compared to \$17.6 million in the same period in 2015.

iv) OTHER OPERATING EXPENSES

Other operating expenses for the three months ended September 30, 2016 were \$10.4 million compared to \$8.9 million in the same period in 2015. As a percentage of revenues, operating expenses for the three months ended September 30, 2016 were 11.8% compared to 10.6% for the same period in 2015. Included in other operating expenses for the three months ended September 30, 2016 is an expense of \$0.4 million related to the change in fair value of the deferred shares compared to a gain of \$0.1 million for the same period in 2015, due to market appreciation in the share price.

Other operating expenses for the nine months ended September 30, 2016 were \$31.3 million compared to \$26.8 million in the same period in 2015. As a percentage of revenues, operating expenses for the nine months ended September 30, 2016 were 11.7% compared to 11.1% for the same period in 2015. Included in other operating expenses for the nine months ended September 30, 2016 is an expense of \$1.3 million related to the change in fair value of the deferred shares compared to an expense of \$0.1 million for the same period in 2015, due to market appreciation in the share price.

The impact of foreign exchange on other operating expenses for the three months ended September 30, 2016 was nominally less expense compared to the same period in 2015. The impact of foreign exchange on other operating expenses for the nine months ended September 30, 2016 was an additional \$0.3 million of expense compared to the same period in 2015.

v) FOREIGN EXCHANGE LOSS (GAIN)

Foreign exchange gain for the three months ended September 30, 2016 was \$0.4 million compared to a gain of \$3.9 million in the same period in 2015. Foreign exchange loss for the nine months ended September 30, 2016 was \$8.6 million compared to a gain of \$6.9 million in the same period in 2015. The foreign exchange loss for the nine months ended September 30, 2016, relates to the reversal of the foreign exchange gains on the U.S dollar and British pound recognized in 2015 and 2014 of \$8.7 million and \$2.1 million, respectively.

The foreign exchange loss (gain) is primarily attributable to foreign exchange rate movements between the Canadian dollar, U.S dollar and British pound as functional currencies of the Company's subsidiaries and other local currencies of international subsidiaries, intercompany loans made by the Canadian parent company in the functional currencies of foreign subsidiaries that is not considered part of the permanent investment in the foreign subsidiaries, offset by the foreign exchange impact of its U.S dollar drawings on its credit facilities.

Although the Company strives to minimize its exposure to foreign exchange fluctuations on the translation of foreign-denominated intercompany loans held in the Company's Canadian operations by matching U.S dollar liabilities when possible, the Company's primary objective is to ensure it has sufficient cash flow to meet its short and long-term obligations. As such, the Company closely monitors its availability in its credit facilities based on foreign exchange rate fluctuations between the Canadian and U.S dollar, as well as ensures that tax efficiencies continue to exist in order to meet its short and long-term cash obligations.

vi) AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets was \$0.3 million and \$0.7 million for the three and nine months ended September 30, 2016, respectively, which is consistent with the respective comparative periods in 2015.

vii) AMORTIZATION OF PROPERTY AND EQUIPMENT

Amortization of property and equipment for the three months ended September 30, 2016 was \$1.0 million compared to \$1.0 million for the same period in 2015. Amortization of property and equipment for the nine months ended September 30, 2016 was \$3.2 million compared to \$2.8 million for the same period in 2015.

viii) IMPAIRMENT (RECOVERY) OF FINANCIAL ASSETS

Impairment of financial assets resulted in a nominal expense for the three months ended September 30, 2016 compared to a nominal expense for the same period in 2015. Impairment of financial assets for the nine months ended September 30, 2016 was \$1.1 million compared to \$0.5 million for the same period in 2015. The impairment of financial assets during the three and nine months ended September 30, 2015 included recoveries of amounts that were previously written off in 2013.

ix) INTEREST EXPENSE

Interest expense for the three months ended September 30, 2016 was \$14.4 million compared to \$5.3 million for the same period in 2015. The interest expense increased by \$9.1 million due to accelerated accretion expense of convertible debentures redeemed in October 2016. See discussion in the liquidity risk section of this MD&A for further details. The interest on the convertible debentures decreased by \$0.1 million due to redemption of the 5.75% convertible debentures on December 18, 2015. Other interest decreased by \$0.2 million as a result of a decrease in interest on the indebtedness owing to the Management Partnership, which was repaid in December 2015 and the repayment of the vendor notes on June 30, 2016.

Interest expense for the nine months ended September 30, 2016 was \$22.5 million compared to \$16.1 million for the same period in 2015. The interest on the credit facilities decreased by \$2.0 million due to lower interest rates under the new credit facilities refinanced on October 5, 2015. The increase in interest expense is the result of the accelerated accretion described above. See discussion in the liquidity risk section of this MD&A for further details. The interest on the convertible debentures decreased by \$0.8 million due to redemption of the 5.75% convertible debentures on December 18, 2015. Other interest decreased by \$1.0 million as a result of a decrease in interest on the indebtedness owing to the Management Partnership, which was repaid on December 2015 and the repayment of the vendor notes on June 30, 2016.

x) OTHER FINANCE COSTS

Other finance costs for the three months ended September 30, 2016 were \$0.5 million compared to \$0.1 million in the same period in 2015. Other finance costs for the nine months ended September 30, 2016 were \$1.2 million compared to \$0.5 million in the same period in 2015. Other finance costs is inclusive of amortization of deferred financing costs related to renegotiation of the credit facilities of \$0.3 million and \$0.8 million for the three and nine months ended September 30, 2016, respectively, which were nil in comparative periods in 2015.

xi) INCOME TAXES

Income taxes for the three months ended September 30, 2016 was a recovery of \$0.9 million with an effective income tax rate of (15.5)% compared to an expense of \$0.7 million with an effective income tax rate of 10.0% for the same period in 2015. Income taxes for the nine months ended September 30, 2016 was a recovery of \$0.9 million with an effective income tax rate of (18.2)% compared to an expense of \$2.4 million with an effective income tax rate of 18.9% for the same period in 2015. The movement in the effective income tax rates for both comparative periods is primarily due to the results of operations.

xii) NET INCOME

Net loss for the three months ended September 30, 2016 was \$4.7 million compared to net income of \$4.8 million for the same period in 2015. Net loss for the nine months ended September 30, 2016 was \$4.1 million compared to net income of \$8.9 million for the same period in 2015. The factors impacting net income are set out in the description of individual line items above.

Adjusted EBITDA¹ for the three months ended September 30, 2016 has increased by \$0.8 million compared to the same period in 2015 (see table for adjusted EBITDA¹ from continuing operating for the previous eight quarters in this MD&A) as a result of stronger operating performance from a decrease in operating expenses and an increase in revenue generated from all geographical segments. Adjusted EBITDA¹ for the nine months ended September 30, 2016 has increased by \$5.7 million as a result of stronger operating performance from all geographical segments.

Following is a summary of finance costs for the three and nine months ended September 30, 2016 and September 30, 2015:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
<i>(unaudited) (in thousands of Canadian dollars)</i>				
Interest on credit facilities	760	1,455	2,340	4,360
Interest on convertible debentures	1,764	1,955	5,099	5,865
Interest on consent fee notes payable	63	63	186	186
Non-cash accretion of 7% convertible debentures	9,993	1,083	12,194	3,192
Non-cash accretion of 6% convertible debentures	1,543	211	1,987	621
Non-cash accretion of 5.75% convertible debentures	-	110	-	323
Non-cash accretion of 5.5% convertible debentures	66	-	66	-
Non-cash accretion of consent fee notes payable	121	111	355	323
Other	74	298	262	1,271
INTEREST EXPENSE, NET	14,384	5,286	22,489	16,141
Financing costs	-	2	-	281
Amortization of deferred financing costs	262	-	780	-
Other	190	68	448	238
OTHER FINANCE COSTS	452	70	1,228	519
FINANCE COSTS	14,836	5,356	23,717	16,660

¹ See "Definition of Non-IFRS Measures, defined on page 29 of this MD&A".

The following is a summary of the foreign exchange impact on revenue and total expenses for the three and nine months ended September 30, 2016 and September 30, 2015:

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	THREE MONTHS ENDED SEPT 30, 2016	THREE MONTHS ENDED SEPT 30, 2015	CHANGE	FOREIGN EXCHANGE (LOSS) GAIN	OPERATING CHANGE
Revenue	88,211	83,819	4,392	314	4,706
Total operating expenses, net of foreign exchange gain (loss)	78,976	71,316	7,660	393	8,053

<i>(unaudited)</i> <i>(in thousands of Canadian dollars)</i>	NINE MONTHS ENDED SEPT 30, 2016	NINE MONTHS ENDED SEPT 30, 2015	CHANGE	FOREIGN EXCHANGE (LOSS) GAIN	OPERATING CHANGE
Revenue	267,299	242,179	25,120	(1,925)	23,195
Total operating expenses, net of foreign exchange gain (loss)	248,564	212,126	36,438	(1,549)	34,889

ADJUSTED EBITDA¹ FROM CONTINUING OPERATIONS

All of the factors outlined above have been adjusted for the discussion in the non-IFRS measure, Adjusted EBITDA¹. The following summary of quarterly results outlines all the items which comprise the difference between net income (loss) from continuing operations in each of the following quarters.

¹ See "Definition of Non-IFRS Measures, defined on page 29 of this MD&A".

ADJUSTED EBITDA¹ FROM CONTINUING OPERATIONS FOR THE PREVIOUS EIGHT QUARTERS

The following table provides quarterly historical financial data for the Company for each of the eight most recently completed quarters. This information is derived from and should be read in conjunction with the applicable interim unaudited and annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

<i>(unaudited)</i> <i>(in thousands of Canadian dollars except for per share amounts)</i>	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Revenue	88,211	90,443	88,645	84,913	83,819	80,879	77,481	75,030
Net Income (Loss)	(4,728)	4,464	(3,837)	528	4,815	1,594	2,526	(6,974)
Net Income (Loss) from continuing operations	(4,728)	4,464	(3,837)	990	6,226	1,594	2,526	(4,125)
Add:								
Interest expense, net	14,384	4,054	4,051	5,651	5,286	5,741	5,114	5,197
Current and deferred tax expense (recovery)	(873)	234	(274)	1,762	695	966	751	414
Amortization	1,345	1,243	1,277	1,399	1,247	1,168	994	1,216
	14,856	5,531	5,054	8,812	7,228	7,875	6,859	6,827
EBITDA	10,128	9,995	1,217	9,802	13,454	9,469	9,385	2,702
EBITDA as a percentage of revenue	11.5%	11.1%	1.4%	11.5%	16.1%	11.7%	12.1%	3.6%
Items excluded in calculation of Adjusted EBITDA ¹								
Foreign exchange loss (gain)	(392)	1,723	7,247	(1,812)	(3,908)	303	(3,282)	(783)
Stock based compensation	132	109	79	-	-	-	-	-
Change in fair value of DSP	365	349	620	63	(82)	231	(100)	(111)
Deferred financing charges	262	259	259	298	2	87	192	3,073
Restructuring costs	-	-	-	-	-	-	-	-
Gain on extinguishment of 7% convertible debentures	-	-	-	-	-	-	-	-
Loss on consent fee notes	-	-	-	-	-	-	-	-
Deferred costs expensed on extinguishment of 7% convertible debentures	-	-	-	-	-	-	-	-
Impairment of PP&E	-	-	-	-	-	-	-	-
Onerous lease provision	(275)	(119)	(223)	(222)	(236)	(196)	154	(391)
Share of loss of equity-accounted investee, net of tax	-	-	32	150	226	212	197	-
	92	2,321	8,014	(1,523)	(3,998)	637	(2,839)	1,788
Adjusted EBITDA¹	10,220	12,316	9,231	8,279	9,456	10,106	6,546	4,490
Adjusted EBITDA¹ as a percentage of revenue	11.6%	13.6%	10.4%	9.7%	11.3%	12.5%	8.4%	6.0%
Earnings per share attributed to common shareholders	(0.15)	0.14	(0.12)	0.02	0.21	0.07	0.11	(0.30)
Earnings per share attributed to common shareholders from continuing operations	(0.15)	0.14	(0.12)	0.04	0.27	0.07	0.11	(0.18)
Weighted average share outstanding	24,966,744	24,966,744	24,966,744	24,966,744	17,808,484	17,808,484	17,808,484	17,808,484

¹ See "Definition of Non-IFRS Measures, defined on page 29 of this MD&A".

IMPACT OF TRENDS ON QUARTERLY RESULTS

i) REVENUE

Consolidated quarterly revenue is impacted by the available chargeable hours which are typically lowest in the third quarter following the summer as a result of staff taking vacations during the summer. Revenue was positively impacted in the third quarter of 2015 through the third quarter of 2016 as a result of continuing work on significant transit projects.

In addition, revenue is impacted by foreign exchange rates.

ii) NET INCOME (LOSS) FROM CONTINUING OPERATIONS

Net income (loss) from continuing operations was negatively impacted in the first and second quarters of 2016 as a result of a foreign exchange loss of \$7.2 million and \$1.7 million, respectively. Net income from continuing operations was positively impacted in the first, third and fourth quarters of 2015 as a result of foreign exchange gains of \$3.2 million, \$3.9 million and \$1.8 million, respectively.

The net loss in the third quarter of 2016 was negatively impacted by the accelerated accretion of \$10.3 million resulting from the announced redemption of 6% and 7% convertible debentures. Net income from continuing operations was positively impacted in the third quarter of 2014 as a result of the net gain on extinguishment of the 7% convertible debentures of \$18.7 million.

Net loss from continuing operations was negatively impacted in the fourth quarter of 2014 as a result of the write off of the deferred financing costs related to the extinguishment of the credit facilities of \$2.5 million.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the working capital information:

<i>(unaudited) (in thousands of Canadian dollars)</i>	SEPTEMBER 30, 2016	DECEMBER 31, 2015	CHANGE
<i>Current assets</i>	\$ 221,995	\$ 217,220	\$ 4,775
<i>Current liabilities</i>	(180,349)	(103,116)	(77,233)
WORKING CAPITAL	41,646	114,104	(72,458)

Current assets increased by \$4.8 million as at September 30, 2016 when compared with December 31, 2015. This was due to a \$0.5 million decrease in cash, a decrease of \$3.2 million in the current portion of restricted cash, a \$5.8 million decrease in accounts receivable, a \$0.6 million decrease in income taxes recoverable, offset by a \$12.9 million increase in work in process ("WIP") and a \$2.1 million increase in prepaid expenses and other current assets. The Company repaid the vendor notes payable for \$4.2 million upon maturity on June 30, 2016, and made the required deposits to the Sinking Fund for \$9.75 million during the nine months ended September 30, 2016. The current portion of restricted cash as at December 31, 2015 was related to the amount the Company has pledged as security for letters of credit issued by a

foreign financial institution on behalf of a foreign subsidiary of the Company. These letters of credit are no longer expected to be released within the next twelve months (as the project has been extended) and have therefore been classified as long term as at September 30, 2016. Consistent with the continued increase in revenue, on a combined basis accounts receivable and WIP has increased by \$7.1 million offset by an increase in deferred revenue. The increase in prepaid expenses and other current assets is primarily due to renewal of corporate insurance.

There was a decrease in current assets due to foreign exchange as at September 30, 2016 of \$7.9 million.

Current liabilities increased by \$77.2 million as at September 30, 2016 when compared with December 31, 2015. This was primarily due to the presentation of \$75.0 million of convertible debentures as a current liability given the notices of redemption were issued in September 2016. Deferred revenue has increased by \$7.6 million due to accelerated billing. The decrease in accounts payable and accrued liabilities of \$1.6 million is due to payment of bonuses accrued as at year end and a decrease in HST payable. The decrease in vendor notes payable of \$4.2 million is due to repayment of the vendor notes during the second quarter of 2016.

There was a decrease in current liabilities due to foreign exchange as at September 30, 2016 of \$3.5 million.

WORKING CAPITAL MEASURED IN NUMBER OF DAYS OF GROSS BILLINGS¹

Included in working capital of the Company are amounts reflecting project costs and sub-consultant expenses. The Company only reports its net fee volume as revenue, which would not include the billings for the recovery of these incurred costs. Therefore, to measure number of days outstanding of working capital, the gross billings, which include the billings for recovery of project expenses, would result in a more consistent calculation.

The table below calculates working days on a trailing twelve month basis, measured as days outstanding on gross billings, which is estimated to be approximately 34% greater than net fee volume.

WORKING DAYS OF GROSS BILLINGS OUTSTANDING	September 30, 2016 (unaudited)	June 30, 2016 (unaudited)	March 31, 2015 (unaudited)	December 31, 2015 (unaudited)	September 30, 2015 (unaudited)
<i>Accounts receivable</i>	57	55	58	62	65
<i>WIP</i>	50	49	48	45	52
<i>Deferred revenue</i>	(25)	(21)	(24)	(22)	(23)
	82	83	82	85	94

The days sales outstanding as at September 30, 2016 has decreased by 12 days compared to September 30, 2015. The Company continues to carry out regular comprehensive reviews of its WIP and accounts receivable and has achieved significant improvements in the results of the billings and collections process. Improving the days outstanding in WIP and accounts receivable is a significant area of focus for the Company. There are ongoing programs and initiatives to accelerate billings and to reduce days outstanding.

¹ See "Definition of Non-IFRS Measures, defined on page 29 of this MD&A".

COMPONENTS OF WORKING CAPITAL

(in millions of Canadian dollars)	September 30, 2016 (unaudited)	June 30, 2016 (unaudited)	March 31, 2016 (unaudited)	December 31, 2015	September 30, 2015 (unaudited)
Accounts receivable	106	102.5	104.2	111.8	109.7
WIP	93.5	90.4	86.5	80.6	88.7
Deferred revenue	(46.3)	(39.3)	(42.1)	(38.7)	(38.5)
	153.2	153.6	148.6	153.7	159.9

i) Accounts Receivable

The table below demonstrates the aging of receivables:

Accounts receivable aging (net of allowance) (in thousands of Canadian dollars)	September 30, 2016 (unaudited)	%	June 30, 2016 (unaudited)	%	March 31, 2016 (unaudited)	%	December 31, 2015	%	September 30, 2015 (unaudited)	%
Current	43,196	41	38,580	38	40,145	38	44,283	40	36,313	33
30 to 90 days	32,340	30	34,350	33	30,847	30	30,614	27	39,962	36
Over 90 days	30,470	29	29,524	29	33,228	32	36,874	33	33,418	31
TOTAL	106,006	100	102,454	100	104,220	100	111,771	100	109,693	100

Accounts receivable has decreased by \$5.8 million since December 31, 2015 and decreased by \$3.7 million since September 30, 2015. There was a decrease in accounts receivable due to foreign exchange during nine months ending September 30, 2016 of \$4.6 million compared to an increase due to foreign exchange of \$10.3 million during twelve months ending December 31, 2015. As a result of continued progress on implementing the Enterprise Resource Planning (“ERP”) system and the ramp up of significant transit projects, the Company experienced an increase in WIP and a decrease in accounts receivable. The Company focused on ensuring that the overall days sales outstanding during the three and nine month periods maintained stability to minimize the risk to the working capital of the firm. It is a major initiative of senior management to improve the timeliness of billings so that outstanding invoices can be collected sooner.

ii) Work In Process

WIP has increased by \$12.9 million since December 31, 2015 and \$4.8 million since September 30, 2015. There was a decrease in WIP due to foreign exchange during nine months ending September 30, 2016 of \$2.8 million compared to an increase due to foreign exchange of \$5.7 million during twelve months ending December 31, 2015. As a result of continued progress on implementing the ERP system and the ramp up of significant transit projects, the Company experienced an increase in WIP and a decrease in accounts receivable. The Company focused on ensuring that the overall days sales outstanding during the three and nine month periods maintained stability to minimize the risk to the working capital of the firm. The Company

monitors WIP to ensure that any accounts where billing may be an issue are being dealt with in a timely manner.

iii) *Deferred Revenue*

Deferred revenue has increased by \$7.6 million since December 31, 2015 and \$7.8 million since September 30, 2015. There was a decrease in deferred revenue due to foreign exchange as at September 30, 2016 of \$0.8 million compared to an increase due to foreign exchange of \$1.8 million as at December 31, 2015. This increase is a result of the Company's continued efforts to improve the timeliness of billings as described above. The balance is monitored on a regular basis to ensure that amounts are recognized in fee revenue appropriately.

CASH FLOWS

Cash flows from operating, financing, and investing activities, as reflected in the Consolidated Statement of Cash Flows, are summarized in the following tables:

(in thousands of Canadian dollars) (unaudited)	THREE MONTHS ENDED SEPTEMBER 30, 2016	THREE MONTHS ENDED SEPTEMBER 30, 2015	CHANGE
<i>Cash flows provided by operating activities</i>	\$ 13,895	\$ 11,626	\$ 2,269
<i>Cash flows used in financing activities</i>	(4,584)	(13,090)	8,506
<i>Cash flows used in investing activities</i>	(4,538)	(1,502)	(3,036)

(in thousands of Canadian dollars) (unaudited)	NINE MONTHS ENDED SEPTEMBER 30, 2016	NINE MONTHS ENDED SEPTEMBER 30, 2015	CHANGE
<i>Cash flows provided by operating activities</i>	\$ 13,601	\$ 16,580	\$ (2,979)
<i>Cash flows provided by (used in) financing activities</i>	1,204	(18,032)	19,236
<i>Cash flows used in investing activities</i>	(14,389)	(7,604)	(6,785)

OPERATING ACTIVITIES

Cash flows generated by operating activities for the three months ended September 30, 2016 were \$13.9 million increased by \$2.3 million compared to cash flows provided by operating activities of \$11.6 million for the same period last year. The increase in operating cash flows is primarily the result of an increase in Adjusted EBITDA¹ of \$0.8 million, a reduction in interest paid of \$1.3 million and an increase in taxes paid of \$0.3 million.

Cash flows generated by operating activities for the nine months ended September 30, 2016 were \$13.6 million decreased by \$3.0 million compared to cash flows provided by operating activities of \$16.6 million for the same period last year. The decrease in operating cash flows is primarily due to an increase in non-cash operating working capital of \$13.2 million, offset by an increase in Adjusted EBITDA¹ of \$5.7 million, a decrease in interest paid of \$3.7 million and a decrease in taxes paid of \$0.3 million.

¹ See "Definition of Non-IFRS Measures, defined on page 29 of this MD&A".

FINANCING ACTIVITIES

Cash flows used in financing activities for the three months ended September 30, 2016 were \$4.6 million compared with \$13.1 million for the same period last year. During the three months ended September 30, 2016, the Company repaid advances of \$48.0 million more from its credit facilities, offset by \$43.4 million net proceeds from issuing convertible debentures. During the same period in 2015, the Company repaid advances on its credit facilities by \$14.0 million.

Cash flows provided by financing activities for the nine months ended September 30, 2016 were \$1.2 million compared with \$18.0 million used for the same period last year. During the nine months ended September 30, 2016, the Company repaid vendor notes of \$4.1 million, repaid advances of \$38.0 million on its credit facilities, and issued convertible debentures for net proceeds of \$43.4 million. During the same nine month period in 2015, the Company repaid advances on its credit facilities by \$17.6 million and repaid vendor notes of \$1.2 million.

INVESTING ACTIVITIES

Cash flows used in investing activities for the three months ended September 30, 2016 were \$4.5 million compared to \$1.5 million for the same period last year. During the three months ended September 30, 2016, \$0.7 million was used for capital expenditures related to property and equipment, \$0.5 million was used for expenditures related to capitalized costs incurred in the continued progress on the Company's new ERP system and \$3.3 million was used for sinking fund contributions required by the credit facility and presented as restricted cash. During the three months ended September 30, 2015, \$1.0 million was used for capital expenditures related to property and equipment, \$0.5 million was used for expenditures related to capitalized costs incurred in the continued progress on the Company's new ERP system.

Cash flows used in investing activities for the nine months ended September 30, 2016 were \$14.4 million compared to \$7.6 million for the same period last year. During the nine months ended September 30, 2016, \$2.9 million was used for capital expenditures related to property and equipment, \$1.7 million was used for expenditures related to capitalized costs incurred in the continued progress on the Company's new ERP system and \$9.8 million was used for sinking fund contributions required by the credit facility and presented as restricted cash. During the nine months ended September 30, 2015, \$3.9 million was used for capital expenditures related to property and equipment and \$0.9 million was used for expenditures related to capitalized costs incurred in the continued progress on the Company's new ERP system and \$2.8 million was used to fund restricted cash for the amount pledged as security for the letters of credit issued for a foreign subsidiary of the Company.

CREDIT FACILITY

On October 5, 2015, IBI Group secured an agreement to refinance its credit facilities under the existing banking agreement with its senior lenders. The arrangement consists of a \$90.0 million revolver facility, of which a maximum of \$10.0 million is available under a swing line facility and will mature on June 30, 2018. The commitment under the swing line facility will reduce availability under the revolver facility on a dollar-for-dollar basis. As at September 30, 2016, the interest rate on Canadian dollar borrowings was 4.95% (September 30, 2015 – 7.1%) and 6.25% on U.S dollar borrowings (September 30, 2015 – 7.5%).

The additional deposits in the Sinking Fund are pledged to repay the credit facilities or convertible debentures, and as security in the event of default. IBI Group made the required deposits to the Sinking Fund of \$3.25 million for the quarter September 30, 2016, bringing the total recognized in restricted cash

to \$11.75 million in the interim condensed consolidated statement of financial position (“interim statement of financial position”). IBI Group will earn interest on the deposits in the Sinking Fund based on the Canadian dollar prime rate less an applicable margin. Deposits to the Sinking Fund have been recognized inclusive of interest earned as an investing activity in the interim condensed consolidated statement of cash flows.

As at September 30, 2016, IBI Group has borrowings of \$37.7 million (December 31, 2015 - \$74.9 million) under the credit facilities, which has been recognized net of deferred financing costs of \$1.8 million (December 31, 2015 - \$2.6 million). As at September 30, 2016, IBI Group has letters of credit outstanding of \$6.0 million (December 31, 2015 - \$5.3 million), of which \$3.8 million (December 31, 2015 - \$3.1 million) is issued under a \$7.5 million facility which matures on June 30, 2017 and supports letters of credit backstopped by Export Development Canada. Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate, LIBOR or Banker’s Acceptance rates plus, in each case, an applicable margin. At September 30, 2016, \$32.0 million was outstanding under Bankers’ Acceptance with the remainder borrowed as prime rate debt (December 31, 2015 - \$30.0 million).

This facility is subject to compliance with certain financial, reporting and other covenants. The financial covenants under the agreement include a leverage ratio, interest coverage ratio, minimum Adjusted EBITDA¹ threshold, and restrictions on distributions, if certain conditions are not met. IBI Group was in compliance with its credit facility covenants as at September 30, 2016.

Continued compliance with the covenants under the amended credit facilities is dependent on IBI Group achieving revenue forecasts, profitability, reducing costs and the continued improvement of working capital. Market conditions are difficult to predict and there is no assurance that IBI Group will achieve its forecasts. In the event of non-compliance, IBI Group’s lenders have the right to demand repayment of the amounts outstanding under the lending agreements or pursue other remedies if IBI Group cannot reach an agreement with its lenders to amend or waive the financial covenants. As in the past, IBI Group will carefully monitor its compliance with the covenants and will seek waivers, subject to lender approval, as may become necessary from time to time.

SECURITY INTEREST OF SENIOR LENDERS

Guarantees from certain subsidiaries of IBI Group as well as IBI Group Architects (Ontario), and a first ranking security interest in all of the assets of IBI Group and the guarantors, subject to certain permitted encumbrances, have been pledged as security for the indebtedness and obligations of IBI Group under the credit facilities. The indebtedness secured by these security interests will rank senior to all other security over the assets of IBI Group and the guarantors, subject to certain permitted encumbrances.

¹ As defined in the credit facilities agreement, references to “Adjusted EBITDA” is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; and interest income. Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and the Company’s method of calculating Adjusted EBITDA may differ from the methods used by other similar entities.

NOTES PAYABLE

The movement in the vendor notes payable for the nine months ended September 30, 2016 is as follows:

Balance, January 1, 2016	\$	4,238
Repayment		(4,076)
Foreign exchange		(162)
BALANCE, SEPTEMBER 30, 2016	\$	-

The movement in the consent fee notes payable for the nine months ended September 30, 2016 is as follows:

		TOTAL
Balance, January 1, 2016	\$	3,067
Accretion		355
BALANCE, SEPTEMBER 30, 2016	\$	3,422

The vendor notes payable were repaid upon maturity on June 30, 2016. The consent fee notes payable mature on December 31, 2016.

CONVERTIBLE DEBENTURES

The Company has three series of convertible debentures outstanding as at September 30, 2016. The carrying value of the convertible debentures as at September 30, 2016 is as follows:

	Carrying value
6% convertible debentures (\$57,500 principal, matures on June 30, 2018)	57,089
7% convertible debentures (\$46,000 principal, matures on June 30, 2019)	41,812
5.5% convertible debentures (\$46,000 principal, matures on December 31, 2021)	32,564
Total	\$ 131,465

As at October 31, 2016, the holders of \$29,988 million principal of the 7% convertible debentures had exercised the \$5 share conversion option and received 5,997,600 shares. For the balance of \$1,257 million principal of the 7% convertible debentures, the Company issued 222,476 shares on October 31, 2016.

FINANCIAL RISK MANAGEMENT

The Company has exposure to market, credit and liquidity risk. The Company's primary risk management objective is to protect the Company's consolidated statement of financial position, income and comprehensive income and cash flow in support of sustainable growth and earnings. The Company's

financial risk management activities are governed by financial policies that cover risk identification, tolerance, measurement, authorization levels, and reporting.

MARKET RISK

INTEREST RATE RISK

The Company's credit facilities have floating-rate debt, which subjects it to interest rate cash flow risk. Advances under these credit facilities bear interest at a rate based on the Canadian dollar or U.S dollar prime rate, LIBOR or banker's acceptance rates, plus, in each case, an applicable margin.

If the interest rate on the Company's variable rate loan balance as at September 30, 2016, had been 50 basis points higher or lower, with all other variables held constant, net income for the nine months ended September 30, 2016 would have decreased or increased by approximately \$124.

CURRENCY RISK

The Company's foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company's policy has been to economically hedge foreign exchange exposures rather than purchasing currency swaps and forward foreign exchange contracts.

Foreign exchange gains or losses in the Company's net income arise on the translation of foreign-denominated intercompany loans held in the Company's Canadian operations and financial assets and liabilities held in the Company's foreign operations. The Company minimizes its exposure to foreign exchange fluctuations on these items by matching U.S dollar liabilities when possible.

If the exchange rates had been 100 basis points higher or lower as at September 30, 2016, with all other variables held constant, total comprehensive income would have increased or decreased by \$67 for the nine months ended September 30, 2016. If the exchange rates had been 100 basis points higher or lower during the nine months ended September 30, 2016, with all other variables held constant, net income would have increased or decreased by \$99 for the nine months ended September 30, 2016.

CREDIT RISK

Financial instruments that subject the Company to credit risk consist primarily of accounts receivable. The Company maintains an allowance for estimated credit losses on accounts receivable. The estimate is based on the best assessment of the ultimate collection of the related accounts receivable balance based, in part, on the age of the outstanding accounts receivable and on its historical impairment loss experience.

A significant portion of the accounts receivable are due from government and public institutions. Receivables that are neither past due nor impaired are considered by management to have no significant collection risk. The liquidity of customers and their ability to pay receivables are considered by management to have no significant collection risk. The liquidity of customers and their ability to pay receivables are considered in assessing the impairment of such assets. No collateral is held in respect of impaired assets or assets that are past due but not impaired.

LIQUIDITY RISK

The Company strives to maintain sufficient financial liquidity to withstand sudden adverse changes in economic circumstances. Management forecasts cash flows for its current and subsequent fiscal years to

identify financing requirements. These requirements are then addressed through a combination of committed credit facilities and access to capital markets.

On October 5, 2015, IBI Group signed an amendment to refinance its credit facilities with its senior lenders. See liquidity and capital resources section of this MD&A for more details.

As at September 30, 2016, a foreign subsidiary of the Company had issued letters of credit in the amount of U.S \$2.3 million. The Company has pledged U.S \$2.3 million (December 31, 2015 – U.S \$2.3 million) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

CONTRACTUAL OBLIGATIONS

As part of continuing operations, the Company enters into contractual obligations from time to time. The table below summarizes the contractual obligations on financial liabilities as of September 30, 2016 with material changes since December 31, 2015:

<i>Contractual Obligations</i>					
(unaudited) (in millions of Canadian dollars)	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS
Account payable and accrued liabilities	52.9	52.9	-	-	-
Credit facilities ¹	37.7	-	37.7	-	-
Interest on credit facilities ^{1,2}	7.1	4.1	3.0	-	-
Convertible debentures	149.5	75.1	28.4	-	46.0
Interest on convertible debentures ³	11.2	4.7	3.4	2.5	0.6
Operating leases	127.1	18.6	29.1	21.3	58.1

¹ See liquidity risk section of this MD&A.

² Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate or U.S dollar base rate, LIBOR or Banker's Acceptance rates plus, in each case, an applicable margin.

³ Includes the amount of cash interest due on the convertible debentures and does not include non-cash accretion.

CAPITAL MANAGEMENT

The Company's objective in managing capital is to maintain a capital base that will maintain investor, creditor, and market confidence and to sustain future growth within the business. The Company defines its capital as the aggregate of credit facilities, convertible debentures, and equity.

The Company has reviewed its anticipated revenues and costs over future years and has determined that the business has the ability to generate sufficient cash resources to fund its activities. A downturn in the economy or other unfavourable events may cause this situation to change. In conjunction with this analysis, the Company's financing strategy is to access capital markets to raise debt and equity financing and utilize the banking market to provide committed term and operating credit facilities to support its short-term and long-term cash flow needs.

FUTURE CASH GENERATION

Specific items of consideration in future cash generation are as follows:

1. ABILITY TO GENERATE SUFFICIENT CASH

The Company's existing business plan indicates that future earnings and cash flow generated will be sufficient to pay down and re-finance existing amounts outstanding within current thresholds acceptable to lenders. Reference should be made to commentary on forward looking statements in this document.

2. CIRCUMSTANCES THAT COULD AFFECT FUNDING

In the event that capital markets deteriorate or the Company does not execute on its business plan this will affect the ability to attract and / or generate sufficient funds.

3. WORKING CAPITAL REQUIREMENTS

In the short term the business has sufficient financing to fund its working capital requirements. Management is implementing procedures and systems that are expected to assist management with their objective to reduce the level of working capital on the balance sheet. If achieved, this will reduce existing borrowing amounts.

4. SITUATIONS INVOLVING EXTENDED PAYMENT

There are situations where arrangements with clients result in extended payment arrangements on projects. Management is implementing procedures and systems to improve cash flow forecasting before contracts are signed with clients to continue to ensure that sufficient cash flow is generated from each project.

5. CIRCUMSTANCES THAT IMPACT ESSENTIAL TRANSACTIONS

Certain larger projects in the architecture and engineering marketplace require capital investment to participate in the business opportunity. While the Company will continue to participate in these activities it will continue to do so only where probability of sufficient cash flow generation is determined at the beginning of the project.

6. SOURCES OF FUNDS TO MEET CAPITAL EXPENDITURE REQUIREMENTS

With the exception of 2014, where new leases were signed on two major offices, the Company does not have significant capital needs in relation to its cash generating ability. In the event that capital markets deteriorate or the Company does not execute on its business plan this situation may change. Reference should be made to commentary on forward looking statements in this document.

7. CREDIT FACILITY

On October 5, 2015, IBI Group secured an agreement to refinance its Credit Facilities under the existing banking arrangement with its senior lenders. See liquidity risk section of this MD&A.

8. CONVERTIBLE DEBENTURES

As outlined above, the Company has three series of debentures that provide a basis of capital which requires repayment or refinancing over the period from June 2018 to December 2021.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As at September 30, 2016, the Company's common share capital consisted of 24,966,744 shares issued and outstanding.

Each share entitles the holder to one vote at all meetings of shareholders.

The 6,282,222 Class B partnership units of IBI Group are indirectly exchangeable for common shares of the Company on the basis of one share of the Company for each Class B partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on September 30, 2016, the units issued on such exchange would have represented a 20.1% interest in the Company.

Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders. The Class B partnership units have been recorded as a non-controlling interest in the interim financial statements as at September 30, 2016.

SHARE ISSUANCES

There were no share issuances during the three and nine months ended September 30, 2016.

During the quarter the company announced its intention to redeem \$31.2 million of 7% convertible debentures which mature June 30, 2019 by issuing common shares. On October 31, 2016 the company completed this transaction by issuing 6,220,076 common shares.

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

During the three months ended September 30, 2016, the Company incurred a gain of \$0.3 million related to the translation of financial statements of foreign operations of which 79.9% is attributable to common shareholders.

During the nine months ended September 30, 2016, the Company incurred a gain of \$1.2 million related to the translation of financial statements of foreign operations, of which 79.9% is attributable to common shareholders.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to the Administration Agreement, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the partners of the Management Partnership. The amount paid for such services during the three months ended September 30, 2016 was \$5.9 million (three months ended September 30, 2015 - \$6.1 million) and \$17.7 million for the nine months ended September 30, 2016 (nine months ended September 30, 2015 - \$18.2 million). As at September 30, 2016, the Company advanced \$0.5 million to the Management Partnership for payment of future compensation for the services of the partners (December 31, 2015 – \$1.0 million). As at September 30, 2016, there were 88 partners (December 31, 2015 – 91 partners).

IBI Group from time to time makes a monthly distribution to each Class B partnership unit holder equal to the dividend per share (on a pre-tax basis) declared to each shareholder. All of the Class B partnership units are held by the Management Partnership. As at September 30, 2016 and December 31, 2015, the amount of distributions payable to the Management Partnership were \$nil.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the interim financial statements in accordance with IFRS requires management to exercise judgment and make estimates and assumptions that affect the application of accounting policies on reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the interim statement of financial position, and the reported amounts of revenue and expenses for the period covered by the interim statement of income and comprehensive income. Actual amounts may differ from these estimates.

ACCOUNTING DEVELOPMENTS

Annual Improvements to IFRS (2012 - 2014) Cycles

In September 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process.

The Company adopted these amendments in its interim financial statements for the annual period beginning on January 1, 2016. The adoption of these amendments did not have a material impact on the interim financial statements.

IAS 1 Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, to provide guidance on the application of judgment in the preparation of financial statements and disclosures.

The Company adopted these amendments in its interim financial statements for the annual period beginning on January 1, 2016. The adoption of these amendments did not have a material impact on the interim financial statements.

IFRS 11 Joint Arrangements

In May 2014, IFRS 11 *Joint Arrangements* ("IFRS 11") was amended to require an acquisition of a joint operation that constitutes a business to be accounted for using the principles of business combinations in IFRS 3 *Business Combinations*. This amendment applies to both initial and additional interest acquired in the joint operation.

The Company adopted the amendments to IFRS 11 in its interim financial statements for the annual period beginning on January 1, 2016. The adoption of these amendments did not have a material impact on the interim financial statements.

a) FUTURE ACCOUNTING POLICY CHANGES

Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued Disclosure Initiative (*Amendments to IAS 7*). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The adoption of the amendments is not expected to have a material impact on the Company's financial statements.

Amendments to IAS 12 *Income Taxes*

In January 2016, the IASB issued Amendments to IAS 12 *Income Taxes* to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The adoption of the amendments is not expected to have a material impact on the Company's financial statements.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). The new standard is effective for annual periods beginning on or after January 1, 2018 and is available for early adoption.

IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

The new standard contains a single model that applies to contracts with customers and two approaches for recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of individual transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

In April, 2016, the IASB issued *Clarifications to IFRS 12*, which is effective at the same time as IFRS 15.

The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the standard to licenses of intellectual property.

The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* (“IFRS 9”), with a mandatory effective date for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The new standard brings together the classification and measurements, impairment and hedge accounting phases of the IASB’s project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model.

The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 *Leases* (“IFRS 16”). The new standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has been adopted.

IFRS 16 will replace IAS 17 *Leases*. The new standard requires all leases to be reported on the balance sheet unless certain criteria for exclusion are met. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

Amendments to IFRS 2 *Classification and Measurement of Share-Based Payment Transactions*

In June 2016, the IASB issued Amendments to IFRS 2 *Share-Based Payments* (“IFRS 2”), clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively or retrospectively, with early application permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of the standard has not yet been determined.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

As required by National Instrument 52-109 of the Canadian Securities Administrators, the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") will be making certifications related to the information contained in the Company's quarterly filings. As part of certification, the CEO and CFO must certify as to the design of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR").

DC&P are designed to provide reasonable assurance that information required to be disclosed by the Company is processed and reported on a timely basis to the Company's management, including the CEO and CFO, as appropriate, to allow timely decisions with respect to required disclosure. The Company has adopted or formalized such controls as it believes are necessary and consistent with its business and internal management and supervisory practices. ICFR is a process designed to provide reasonable assurances regarding the reliability of the Company's financial reporting and of the preparation of financial statements for external purposes in compliance with generally accepted accounting principles. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of the financial reporting and of the preparation of the financial statements.

The Company's CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's ICFR and disclosure controls and DC&P as at September 30, 2016, and have concluded that such controls and procedures are effective. There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on July 1, 2016, and ended on September 30, 2016, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

DEFINITION OF NON-IFRS MEASURES

Non-IFRS measures do not have a standardized meaning within IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. In commentary and tables within this document, IFRS measures are presented along with non-IFRS measures. Where non-IFRS measures are used, there is a reconciliation to IFRS amounts provided. Any changes in the definition of non-IFRS are disclosed and quantified.

1. ADJUSTED EBITDA

The Company believes that Adjusted EBITDA, defined below, is an important measure for investors to understand the Company's ability to generate cash to honour its obligations. Management of the Company believes that in addition to net income (loss), Adjusted EBITDA is a useful supplemental measure as it provides readers with an indication of cash available for debt service, capital expenditures, income taxes and dividends. Readers should be cautioned, however, that EBITDA should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of the Company's performance or to cash flows from operating activities as a measure of liquidity and cash flows.

The Company defines Adjusted EBITDA in accordance with what is required in its lending agreements with its senior lenders.

References in this MD&A to Adjusted EBITDA are based on EBITDA adjusted for the following items:

- Gain/loss arising from extraordinary, unusual or non-recurring items, such as debt extinguishments

- Acquisition costs and deferred consideration revenue (i.e. restructuring costs, integration costs, compensation expenses, transaction fees and expenses)
- Non-cash expenses (i.e. grant of stock options, restricted share units or Capital stock to employees as compensation)
- Gain/Loss realized upon the disposal of capital property
- Gain/loss on foreign exchange translation
- Gain/loss on purchase or redemption of securities issued by that person or any subsidiary
- Gain/loss on fair valuation of financial instruments
- Amounts attributable to minority equity investments
- Interest income

Adjusted EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and the Company's method of calculating Adjusted EBITDA may differ from the methods used by other similar entities. Accordingly, Adjusted EBITDA may not be comparable to similar measures used by such entities. Reconciliations of net income (loss) to adjusted EBITDA have been provided under the heading "Results of Operations".

2. WORKING CAPITAL MEASURED IN NUMBER OF DAYS OF GROSS BILLINGS

Included in working capital of the Company are amounts reflecting project costs and sub-consultant expenses. The Company only reports its net fee volume as revenue, which would not include the billings for the recovery of these incurred costs. Therefore to measure number of days outstanding of working capital, the gross billings, which include the billings for recovery of project expenses, would result in a more consistent calculation.

The information included is calculated based on working days on a twelve month trailing basis, measured as days outstanding on gross billings, which is estimated to be approximately 34% greater than net fee volume.

The Company believes that informing investors of its progress in managing its accounts receivable, work-in-process and deferred revenue is important for investors to anticipate cash flows from the business and to compare the Company with other businesses that operate in the same industry.