IBI Group 2013
Third-Quarter Management Discussion and Analysis

THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Results

The Company reported:

- Revenue for the three months ended September 30, 2013 of $38.8 million and revenue for the nine months ended September 30, 2013 of $210.1 million.

- EBITDA[1] for the three months ended September 30, 2013 of $(49.6) million and EBITDA[1] for the nine months ended September 30, 2013 of $(35.0) million.

- Net loss for the three months ended September 30, 2013 of $47.2 million and net loss for the nine months ended September 30, 2013 of $122.6 million.

Results for the third quarter of 2013 were impacted by the following Adjustment Items:

- Write down of unbilled work in process (WIP) of $35.0 million.

- Write down of accounts receivable of $12.9 million.

During the quarter, the Company undertook a comprehensive review of WIP and accounts receivable balances. Changes to the factors that management used to assess its project balances included age, client, geographic location, time since last activity, and status of negotiation. Estimates related to the recoverability of the projects were reassessed under new management, and unbilled WIP and accounts receivable were identified as unlikely to be billed and collected. As result of that review, the Company provided for $35.0 million of unbilled WIP and $12.9 million of accounts receivable to recognize the uncertainty of converting these balances to cash. The Company will continue to pursue amounts for collection. Management is committed to reviewing estimates on an ongoing basis to assess the carrying value of WIP and accounts receivable.

Excluding the $35.0 million unbilled WIP and the $12.9 million accounts receivable Adjustment Items, the Company reported:

- Adjusted revenue[1] for the three months ended September 30, 2013 of $73.8 million and adjusted revenue[1] for the nine months ended September 30, 2013 of $245.1 million.

- Adjusted EBITDA[1] for the three months ended September 30, 2013 of $(1.7) million and adjusted EBITDA[1] for the nine months ended September 30, 2013 of $12.9 million.

[1] See "Definition of Non-IFRS Measures"

- Adjusted net loss[1] for the three months ended September 30, 2013 of $7.6 million and adjusted net loss[1] for the nine months ended September 30, 2013 of $4.6 million.

The results are summarized in the table below:

in thousands of dollars except for per share amounts	Three months ended September 30, 2013 *(unaudited)*	Three months ended September 30, 2012 *(unaudited)*	Variance	Nine months ended September 30, 2013 *(unaudited)*	Nine months ended September 30, 2012 *(unaudited)*	Variance
Number of workings days	63	62	1	188	188	-
Revenue	$ 38,792	$ 86,809	$ (48,017)	$ 210,136	$ 262,263	$ (52,127)
Net income (loss)	$ (47,177)	$ 2,704	$ (49,881)	$ (122,560)	$ 12,116	$ (134,676)
Basic and diluted earnings per share ("EPS")[1]	$ (2.1218)	$ 0.1250	$ (2.2468)	$ (5.5369)	$ 0.5999	$ (6.1368)
Write down of WIP and accounts receivable	$ 47,858	-	$ 47,858	$ 47,858	-	$ 47,858
Goodwill and intangible asset impairment	-	-	-	$ 79,601	-	$ 79,601
Adjusted revenue[1]	$ 73,795	$ 86,809	$ (13,014)	$ 245,139	$ 262,263	$ (17,124)
Adjusted net earnings (loss)[1]	$ (7,622)	$ 2,704	$ (10,326)	$ (4,552)	$ 12,116	$ (16,668)
Basic and diluted adjusted earnings per share ("Adjusted EPS")[1]	$ (0.3429)	$ 0.1250	$ (0.4679)	$ (0.2056)	$ 0.5999	$ (0.8055)
Adjusted EBITDA[1]	$ (1,703)	$ 9,402	$ (11,105)	$ 12,854	$ 32,833	$ (19,979)
Adjusted EBITDA[1] as a percentage of adjusted revenue[1]	(2.3%)	10.8%	(13.1%)	5.2%	12.5%	(7.3%)
Adjusted distributable cash[1]	$ (5,859)	$ 4,868	$ (10,727)	$ 751	$ 17,821	$ (17,070)
Adjusted payout ratio[1]	0%	94.5%	(94.5%)	307.6%	89.6%	218%
Cash from (used in) operations	$ 1,213	$ 6,000	$ (4,787)	$ (5,572)	$ (4,940)	$ (632)
Free cash flow[1]	$ 1,025	$ 893	$ 132	$ (11,123)	$ (24,185)	$ (13,062)

(1) See "Definition of Non-IFRS Measures"

Revenue for the three months ended September 30, 2013 of $38.8 million was impacted by the $35.0 million unbilled WIP adjustment. Adjusted revenue[1] of $73.8 million for the three months was impacted by the expense of unbilled WIP recognized in 2013. Revenue and adjusted revenue[1] were impacted by the expense of project overruns which the Company has determined it is unlikely to recover. Estimates related to the recoverability of the projects were reassessed based on new updated information, recent negotiations, and expected collections, and unbilled WIP and accounts receivable were identified as unlikely to be billed and collected.

Adjusted EBITDA[1] in the quarter ended September 30, 2013 was impacted by the lower revenue and offset by operational savings from the benefits of the Company's Recovery Program. Compensation expense in the third quarter of 2013 was $3.0 million below the

[1] See "Definition of Non-IFRS Measures"

second quarter of 2013, recognizing the benefits of aligning staff with levels of work through terminations and furlough programs.

Free cash flow[1] was positive $1.0 million and $11.1 million for the three and nine months ended September 30, 2013, respectively. Free cash flow[1] improved $0.1 million and $13.1 million in the three and nine months of 2013 compared to the three and nine months of 2012. The improvement in cash from operations and free cash flow[1] is a direct result of the Recovery Program's suspension of the dividend, improved collections, savings realized from staff reductions, and other cost-saving initiatives.

Management has redoubled efforts to collect outstanding receivables and improve cash flow. Cash collections for the month of September hit a year high of $40.2 million, while cash outflows hit a year low of $32.0 million. Cash collections for the month of October rose more sharply to $48.0 million, while outflows were $36.0 million. This has resulted in a collective improvement in cash/net debt position of approximately $20.2 million for the two month period of September and October 2013.

The Company reports the working capital tied up (accounts receivable, WIP and deferred revenue) in terms of gross billings per day. The current level of the working capital tied up measured in gross billings is 120 days at September 30, 2013. This is a decrease of 27 days compared to June 30, 2013 and is primarily a result provision of $35.0 million of unbilled WIP and $12.9 million of accounts receivable.

In connection with the write downs of accounts receivable and unbilled WIP, the Company sought and received a waiver and amendment of certain terms under its third amended and restated credit agreement.

Key Priorities for the Fourth Quarter

The Company has undertaken a variety of initiatives as part of its previously announced Recovery Program. The key priorities for the fourth quarter are:

- Balance Sheet/Liquidity: The elimination of the Company's dividend, operational efficiencies, and lower compensation costs has improved cash flow. The Company continues to evaluate several options to address refinancing of the Company's 7.0% convertible debentures due December 31, 2014.

  The Company's independent financial advisors are working with senior management to develop additional options to strengthen the Company's balance sheet and improve overall liquidity.

- Human Resources and Compensation: As of at September 30, 2013, the Company reduced approximately 178 positions since December 31, 2012. Compensation costs in the third quarter of 2013 were $3.0 million less than the second quarter of 2013, in line with management's expectations.

[1] See "Definition of Non-IFRS Measures"

- Operational Efficiency: The management team continues to integrate information systems, resulting in cost savings and better quality information. Senior management has worked to improve the level of coordination and integration among the Company's offices, improving productivity while maintaining overall quality. Senior management has led a wide-ranging program to reduce overhead and administrative expenses throughout the Company.

- Growth: The Company will continue to prioritize organic growth over acquisitions. The Company is leveraging strategic hires to lead the firm into new markets.

Business

The business of the Company is conducted through IBI Group Partnership ("IBI Group"), a leading international, multi-disciplinary provider of a broad range of professional services focused on the physical development of cities. IBI Group's business is concentrated in four main areas of development: urban land, building facilities, transportation infrastructure, and intelligent systems. The professional services provided by IBI Group include planning, design, implementation, analysis of operations, and other professional services related to these four main areas of development.

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 four 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.

The Company provides these services through local offices to clients in Canada, the United States, the United Kingdom, Europe, the Middle East, Africa, and Central America.

Outlook

The following represents forward looking information and users are cautioned that actual results may vary. In light of the recent write downs, management is forecasting total adjusted revenue[1] for the year ended December 31, 2013 of approximately $327 million on an annual basis, based on revenues for the year to date and the backlog of work.

[1] See "Definition of Non-IFRS Measures"

The Company has approximately eight and a half months of backlog. (This is calculated on the basis of the current pace of work that the Company has achieved during the last 12 months ended September 30, 2013.)

This guidance should be read in conjunction with the Forward Looking Statements and Risk Factors below and is subject to the risks and uncertainties summarized in that section, which are more fully described in the Company's public disclosure documents.

Selected Consolidated Financial Information - Reconciliation of Current Period Actual to Adjusted Figures

in thousands of dollars except for per share amounts	Three months ended September 30, 2013 (unaudited)	Adjustment Items (unaudited)	Adjusted Three months ended September 30, 2013 (unaudited)	Nine months ended September 30, 2013 (unaudited)	Adjustment Items (unaudited)	Adjusted Nine months ended September 30, 2013 (unaudited)
Revenue	$ 38,792	$ 35,003	$ 73,795	$ 210,136	$ 35,003	$ 245,139
Expenses						
Salaries, fees and employee benefits	59,593		59,593	183,699		183,699
Other operating costs (other than interest)[1]	28,194	(12,855)	15,339	61,060	(12,855)	48,205
Other finance costs	126		126	399		399
Fair value of deferred share plan	-		-	305		305
Acquisition-related costs included in other operating costs	440		440	(323)		(323)
	88,353	(12,855)	75,498	245,140	(12,855)	232,285
Earnings before income taxes, interest and amortization (EBITDA)[1]	(49,561)	47,858	(1,703)	(35,004)	47,858	12,854
Interest	3,780		3,780	10,639		10,639
Change in fair value of financial instruments and other finance costs[1]	78		78	225		225
Income taxes – current	(313)	1,044	731	978	1,044	2,022
Income taxes – deferred	(8,417)	7,259	(1,158)	(10,659)	8,407	(2,252)
Amortization of property, equipment and intangible assets	2,703		2,703	6,837		6,837
Impairment of goodwill and intangible assets	-		-	79,601	(79,601)	-
Foreign exchange (gain)/loss	225		225	(83)		(83)
Fair value of deferred share plan	-		-	(305)		(305)
Acquisition-related costs	(440)		(440)	323		323
Net income (loss)	$ (47,177)	$ 39,555	$ (7,622)	$ (122,560)	$ 118,008	$ (4,552)
Non-controlling interest	(10,707)	8,979	(1,728)	(27,912)	26,875	(1,037)
Net income (loss) attributable to the owners	$ (36,470)	$ 30,576	$ (5,894)	$ (94,648)	$ 91,133	$ (3,515)
Basic and diluted net earnings per share[1]	$ (2.1218)	$ 1.7789	$ (0.3429)	$ (5.5369)	$ 5.3313	$ (0.2056)
Total assets	$ 353,083		$ 353,083	$ 353,083		$ 353,083

(1) See "Definition of Non-IFRS Measures"

Selected Consolidated Financial Information - Current Period Adjusted and Prior Period Actual Figures

in thousands of dollars except for per share amounts	Adjusted Three months ended September 30, 2013 (Unaudited)	Three months ended September 30, 2012 (Unaudited)	Adjusted Nine Months ended September 30, 2013 (Unaudited)	Nine Months ended September 30, 2012 (Unaudited)
Adjusted revenue[1]	$ 73,795	$ 86,809	$ 245,139	$ 262,263
Expenses				
Salaries, fees and employee benefits	59,593	62,135	183,699	183,775
Other operating costs (other than interest)[1]	15,339	15,653	48,205	46,118
Other finance costs[1]	126	54	399	212
Fair value of deferred share plan	-	-	305	-
Acquisition-related costs[1] included in other operating costs	440	(435)	(323)	(675)
	75,498	77,407	232,285	229,430
Adjusted earnings before income taxes, interest and amortization (EBITDA[1])	(1,703)	9,402	12,854	32,833
Interest	3,780	3,337	10,639	10,250
Change in fair value of financial instruments and other finance costs[1]	78	17	225	117
Income taxes – current	731	512	2,022	2,649
Income taxes – deferred	(1,158)	(478)	(2,252)	(1,061)
Amortization of property and equipment and intangible assets	2,703	2,519	6,837	7,583
Foreign exchange loss	225	357	(83)	504
Fair value of deferred share plan	-	-	(305)	-
Acquisition-related costs[1]	(440)	434	323	675
Adjusted net earnings/(loss)[1]	$ (7,622)	$ 2,704	$ (4,552)	$ 12,116
Non-controlling interest	(1,728)	630	(1,037)	3,034
Adjusted net earnings/(loss)[1] attributable to the owners	$ (5,894)	$ 2,074	$ (3,515)	$ 9,073
Basic and diluted adjusted net earnings/(loss) per share[1]	$ (0.3429)	$ 0.1250	$ (0.2056)	$ 0.5999
Total assets	$ 353,083	$ 487,145	$ 353,083	$ 487,145

(1) See “Definition of Non-IFRS Measures”

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 our professional services business.

For the three months ended September 30, 2013, revenue was $38.8 million. For the nine months ended September 30, 2013, revenue was $210.1 million.

For the three months ended September 30, 2013, adjusted revenue[1] was down $13.0 million (15.0%) to $73.8 million compared to $86.8 million for the three months ended September 30, 2012. For the nine months ended September 30, 2013, adjusted revenue[1] was down $17.1 million (6.5%) to $245.1 million compared to $262.3 million for the nine months ended September 30, 2012.

The following table summarizes the impact of the strategic growth through acquisition and the organic growth for the three and nine months ended September 30, 2013.

	Three months ended September 30 2012 vs. 2013 (unaudited)		Nine months ended September 30 2012 vs. 2013 (unaudited)	
	$ million	%	$ million	%
Revenue September 30, 2012	86.8		262.3	
Strategic growth	2.5	2.9	10.9	4.2
Organic growth	(16.8)	(19.4)	(30.3)	(11.6)
Total growth before foreign exchange	(14.3)	(16.5)	(19.4)	(7.4)
Impact of foreign exchange	1.3	1.5	2.2	0.8
Total decrease in adjusted revenue[1]	(13.0)	(15.0)	(17.2)	(6.6)
Adjusted revenue[1] September 30, 2013	73.8		245.1	
Adjustment Items	(35.0)	(40.3)	(35.0)	(13.3)
Revenue September 30, 2013	38.8		210.1	

Revenue from strategic growth through acquisitions/mergers was up approximately $2.5 million (2.9%) for the three months ended September 30, 2013 and up approximately $10.9 million (4.2%) for the nine months ended September 30, 2013. This strategic growth was generated through additional revenues resulting from the acquisition/merger of Taylor Young in the third quarter of 2012 and M•E Companies Inc. in the fourth quarter of 2012. Organic growth for the three months ended September 30, 2013 was down $16.8 million (19.4%) compared to the three months ended September 30, 2012 and for the nine months ended September 30, 2013 was down $30.3 million (11.6%) compared to the nine months ended September 30, 2012. The organic growth decline in Canada, the United States, and International segments was 9.5% (52% of the total), 17.4% (35% of the total) and 11.7% (13% of the total) respectively. The foreign exchange impact on revenue is accompanied by a proportionally similar impact on costs that largely offset the impact on revenue and therefore do not impact net profitability.

[1] See “Definition of Non-IFRS Measures”

Expenses

Salaries, fees, and employee benefits for the three months ended September 30, 2013 decreased $2.5 million (4.1%) to $59.6 million compared to $62.1 million for the three months ended September 30, 2012. Salaries, fees, and employee benefits for the nine months ended September 30, 2013 were down $0.1 million (0.1%) to $183.7 million compared to $183.8 million for the nine months ended September 30, 2012. This increase was the result of the growth in staff levels due to the acquisitions made in the latter half of 2012, the addition of staff in higher performing offices, cost of living compensation increases, and severance costs related to staff terminations. Salaries, fees, and employee benefits as a percentage of adjusted revenue[1] for the three months ended September 30, 2013 were 80.8% compared to 71.6% for the three months ended September 30, 2012. Salaries, fees, and employee benefits as a percentage of adjusted revenue[1] for the nine months ended September 30, 2013 were 74.9% compared to 70.1% for the nine months ended September 30, 2012. The benefits of the Recovery Program's actions will continue to improve into the 4th quarter.

Other operating costs (other than interest)[1] for the three months ended September 30, 2013 were down $0.3 million (2.0%) at $15.3 million compared to $15.7 million for the three months ended September 30, 2012. Other operating costs (other than interest)[1] for the nine months ended September 30, 2013 were up $2.1 million (4.5%) at $48.2 million compared to $46.1 million for the nine months ended September 30, 2012. This increase was the result of the acquisitions made in the latter half of 2012. As a percentage of adjusted revenues[1], other operating costs (other than interest)[1] for the three months ended September 30, 2013 were 20.8% compared with 18.0% for the three months ended September 30, 2012. As a percentage of adjusted revenues[1], other operating costs (other than interest)[1] for the nine months ended September 30, 2013 were 19.7% compared with 17.6% for the nine months ended September 30, 2012. Other operating expenses have been stable and the current higher percentages are due to the lower revenue in the current period. This will be an area of focus going forward as we look to improve overall efficiency and reduce these costs as a percentage of revenue.

Total interest expense for the three months ended September 30, 2013 was up $0.4 million (13.3%) at $3.8 million compared to $3.3 million for the three months ended September 30, 2012. Total interest expense for the nine months ended September 30, 2013 was up $0.3 million (3.8%) at $10.6 million compared to $10.3 million for the nine months ended September 30, 2012. Included in total interest expense for the three months ended September 30, 2013 was non-cash imputed interest expense of $0.5 million, consistent with $0.5 million for the three months ended September 30, 2012. Included in total interest expense for the nine months ended September 30, 2013 was non-cash imputed interest expense of $1.5 million, consistent with $1.5 million for the nine months ended September 30, 2012. The non-cash imputed interest expense relates to the accretion of the convertible debenture liability.

[1] See "Definition of Non-IFRS Measures"

Foreign exchange for the three months ended September 30, 2013 was a loss of $0.2 million compared to a loss of $0.4 million for the three months ended September 30, 2012. Foreign exchange for the nine months ended September 30, 2013 was a gain of $0.1 million compared to a loss of $0.5 million for the nine months ended September 30, 2012. These foreign exchange gains and losses arose on the translation of certain foreign-denominated assets and liabilities held in the Company's Canadian subsidiaries. The Company works to minimize its exposure to foreign exchange fluctuations by matching US-dollar assets with US-dollar liabilities.

Amortization for the three months ended September 30, 2013 was up $0.2 million to $2.7 million compared to $2.5 million for the three months ended September 30, 2012. Amortization for the nine months ended September 30, 2013 was down $0.8 million to $6.8 million compared to $7.6 million for the nine months ended September 30, 2012. Amortization for the three months ended September 30, 2013 on client relationships, contracts, non-competition provisions, and development costs was $1.8 million compared to $1.7 million for the three months ended September 30, 2012. Amortization for the nine months ended September 30, 2013 on client relationships, contracts, non-competition provisions and development costs was $4.5 million compared to $5.1 million for the nine months ended September 30, 2012.

Income taxes of the Company for the three months ended September 30, 2013 were a recovery of $8.7 million; a decrease of $8.7 million compared to no income tax expense for the three months ended September 30, 2012. Income taxes of the Company for the nine months ended September 30, 2013 were a recovery of $9.7 million, a decrease of $11.3 million compared to a $1.6 million expense for the nine months ended September 30, 2012. Current tax recovery for the three months ended September 30, 2013 was $0.3 million compared to $0.5 million expense for the three months ended September 30, 2012. For the three months ended September 30, 2013, deferred tax recovery was $8.4 million as compared to a deferred tax recovery of $0.5 million over the three-month period ended September 30, 2012. Current tax expense for the nine months ended September 30, 2013 was $1.0 million compared to an expense of $2.6 million for the nine months ended September 30, 2012. For the nine months ended September 30, 2013, deferred tax recovery was $10.7 million as compared to a deferred tax recovery of $1.1 million over the nine-month period ended September 30, 2012.

Net Loss, Net Loss Attributable to the Owners and EBITDA[1]

Net loss of the Company for the three months ended September 30, 2013 decreased $49.9 million to a loss of $47.2 million, compared to income of $2.7 million for the three months ended September 30, 2012. Net loss of the Company for the nine months ended September 30, 2013 decreased $127.7 million to a loss of $122.6 million compared to income of $12.1 million for the nine months ended September 30, 2012.

Net loss attributable to owners of the Company for the three months ended September 30, 2013 was a loss of $36.5 million or basic and diluted EPS[1] of $(2.1218) compared to income of $2.1 million or $0.1250 per share for the three months ended September 30, 2012. Net loss attributable to owners of the Company for the nine

[1] See "Definition of Non-IFRS Measures"

months ended September 30, 2013 was a loss of $94.6 million or basic and diluted EPS[1] of $(5.5369) compared to income of $9.1 million or $0.5999 per share for the nine months ended September 30, 2012.

Adjusted net loss[1] of the Company for the three months ended September 30, 2013 decreased $10.3 million to $7.6 million compared to earnings of $2.7 million for the three months ended September 30, 2012. Adjusted net loss[1] of the Company for the nine months ended September 30, 2013 decreased $16.7 million to $4.6 million compared to earnings of $12.1 million for the nine months ended September 30, 2012.

Adjusted net loss[1] attributable to owners of the Company for the three months ended September 30, 2013 was $5.9 million or adjusted basic and diluted EPS[1] of $(0.3429) compared to income of $2.1 million or $0.1250 per share for the three months ended September 30, 2012. Adjusted net loss[1] attributable to owners of the Company for the nine months ended September 30, 2013 was $3.5 million or adjusted basic and diluted EPS[1] of $(0.2056) compared to income of $9.1 million or $0.5999 per share for the nine months ended September 30, 2012.

Adjusted EBITDA[1] for the three months ended September 30, 2013 was $(1.7) million, down $11.1 million from $9.4 million for the three months ended September 30, 2012. Adjusted EBITDA[1] for the nine months ended September 30, 2013 was $12.9 million, down $19.9 million from $32.8 million for the nine months ended September 30, 2012. As a percentage of adjusted revenue[1], adjusted EBITDA[1] for the three months ended September 30, 2013, was (2.3)%, a decrease of 13.1% from the three months ended September 30, 2012 of 10.8%. As a percentage of adjusted revenue[1], adjusted EBITDA[1] for the nine months ended September 30, 2013, was 5.2%, a decrease of 7.3% from the nine months ended September 30, 2012 of 12.5%.

Distributable Cash[1] – Current Period Actual to Adjusted Figures

in thousands of dollars	Three months ended September 30, 2013 (unaudited)	Adjustment Items	Adjusted Three months ended September 30, 2013 (unaudited)	Nine months ended September 30, 2013 (unaudited)	Adjustment Items	Adjusted Nine months ended September 30, 2013 (unaudited)
EBITDA[1]	$ (49,561)	$ 47,858	$ (1,703)	$ (35,004)	$ 47,858	$ 12,854
(Deduct):						
Capital expenditures	(188)		(188)	(1,225)		(1,225)
Interest paid	(3,238)		(3,238)	(9,047)		(9,047)
Income taxes paid	(730)		(730)	(1,831)		(1,831)
Distributable cash[1]	$ (53,717)	$ 47,858	$ (5,859)	$ (47,107)	$ 47,858	$ 751

Reconciliation of Distributable Cash[1] and Free Cash Flow[1] – Current Period Actual to Adjusted Figures

in thousands of dollars except for per share amounts and ratios	Three months ended September 30, 2013 (unaudited)	Adjustment Items	Adjusted Three months ended September 30, 2013 (unaudited)	Nine months ended September 30, 2013 (unaudited)	Adjustment Items	Adjusted Nine months ended September 30, 2013 (unaudited)
Cash flow (used in) operating activities	$ 1,213		$ 1,213	$ (5,572)		$ (5,572)
Less: Capital expenditures	(188)		(188)	(1,225)		(1,225)
Standardized distributable cash[1]	$ 1,025		$ 1,025	$ (6,797)		$ (6,797)
Add (deduct):						
Change in non-cash operating working capital	(54,214)	46,814	(7,400)	(41,528)	46,814	5,286
Acquisition-related costs	(440)		(440)	323		323
Current income tax expense	(313)	1,044	731	978	1,044	2,022
Foreign exchange (gain)/loss	225		225	(83)		(83)
Distributable cash[1]	$ (53,717)	47,858	$ (5,859)	$ (47,107)	47,858	$ 751
Weighted average basic and diluted distributable cash per share[2]	$ (2.4239)	2.1595	$ (0.2644)	$ (2.1237)	2.1676	$ 0.0439
Aggregate of dividends and Class B partnership distributions	$ -		$ -	$ 2,986		$ 2,986
Aggregate of dividends and Class B partnership distributions per share	$ -		$ -	$ 0.1353		$ 0.1353
Payout ratio[1]	0%		0%	(6.3)%	403.9%	397.6%
Standardized distributable cash[1]	$ 1,025		$ 1,025	$ (6,797)		$ (6,797)
Deduct:						
Dividends paid to shareholders	-		-	(2,316)		(2,316)
Distributions paid to non-controlling interest	-		-	(2,010)		(2,010)
Free cash flow[1]	$ 1,025		$ 1,025	$ (11,123)		$ (11,123)

(1) See "Definition of Non-IFRS Measures"

(2) Distributable cash per share amounts is calculated by including both the common shares of the Company and the Class B partnership units in the denominator which is a non-IFRS measure.

Distributable Cash[1] – Current Period Adjusted and Prior Period Actual Figures

in thousands of dollars	Adjusted Three months ended September 30, 2013 (unaudited)	Three months ended September 30, 2012 (unaudited)	Adjusted Nine months ended September 30, 2013 (unaudited)	Nine months ended September 30, 2012 (unaudited)
EBITDA[1]	$ (1,703)	$ 9,402	$ 12,854	$ 32,833
(Deduct):				
Capital expenditures	(188)	(536)	(1,225)	(2,155)
Interest paid	(3,238)	(2,841)	(9,047)	(8,791)
Income taxes paid	(730)	(1,157)	(1,831)	(4,066)
Distributable cash[1]	$ (5,859)	$ 4,868	$ 751	$ 17,821

Reconciliation of Distributable Cash[1] and Free Cash Flow[1] – Current Period Adjusted and Prior Period Actual Figures

in thousands of dollars except for per share amounts and ratios	Adjusted Three months ended September 30, 2013 (unaudited)	Three months ended September 30, 2012 (unaudited)	Adjusted Nine months ended September 30, 2013 (unaudited)	Nine months ended September 30, 2012 (unaudited)
Cash flow (used in) operating activities	$ 1,213	$ 6,000	$ (5,572)	$ (4,940)
Less: Capital expenditures	(188)	(536)	(1,225)	(2,155)
Standardized distributable cash[1]	$ 1,025	$ 5,464	$ (6,797)	$ (7,095)
Add (deduct):				
Change in non-cash operating working capital	(7,400)	(1,900)	5,286	21,088
Acquisition-related costs	(440)	435	323	675
Current income tax expense	731	512	2,022	2,649
Foreign exchange (gain)/loss	225	357	(83)	504
Distributable cash[1]	$ (5,859)	$ 4,868	$ 751	$ 17,821
Weighted average basic and diluted distributable cash per share[2]	$ (0.2644)	$ 0.2252	$ 0.0439	$ 0.8923
Aggregate of dividends and Class B partnership distributions	$ -	$ 6,608	$ 2,986	$ 18,112
Aggregate of dividends and Class B partnership distributions per share	$ -	$ 0.2127	$ 0.1353	$ 0.7991
Payout ratio[1]	0%	94.5%	397.6%	89.6%
Standardized distributable cash[1]	$ 1,025	$ 5,464	$ (6,797)	$ (7,095)
Deduct:				
Dividends paid to shareholders	-	(4,571)	(2,316)	(12,400)
Distributions paid to non-controlling interest	-	-	(2,010)	(4,690)
Free cash flow[1]	$ 1,025	$ 893	$ (11,123)	$ (24,185)

(1) See "Definition of Non-IFRS Measures"

(2) Distributable cash per share amounts is calculated by including both the common shares of the Company and the Class B partnership units in the denominator which is a non-IFRS measure.

For each of the three months ended September 30, 2013, the Company declared no dividends (each of the three months ended September 30, 2012 - $0.092 per share per month). In February 2013, the Company declared monthly quarterly dividend of $0.1375 per qualifying ordinary share for total dividends declared during the nine months ended of $2,316 (for nine months ended September 30, 2012 - $12,400). In addition to the above noted dividends to Shareholders, IBI Group Partnership makes a quarterly distribution to the Class B partnership unit holders equal to the dividend per share (on a pre-tax basis) declared to each Shareholder. IBI Group has previously deferred distributions on Class B partnership units held by the IBI Group Management Partnership. IBI Group deferred $0.7 million Class B distributions in 2012 and deferred $1.0 million of Class B distributions for the three month period ending February 2013. IBI Group declared the $0.7 million distribution relating to November 2012 distributions during the second quarter of 2013 and has elected to continue to defer the $1.0 million distribution relating to the three months ending February 2013.

Liquidity and Capital Resources

The following table represents the working capital information as at September 30, 2013 compared to December 31, 2012:

in thousands of dollars	September 30, 2013 *(unaudited)*	December 31, 2012	Change
Current assets	226,893	266,293	(39,400)
Current liabilities	(156,189)	(77,502)	(78,687)
Working capital	70,704	188,791	(118,087)

Note: Working capital is calculated by subtracting current liabilities from current assets.

Current assets have decreased by $39.4 million as at September 30, 2013 as compared with December 31, 2012. This is the result of an increase in cash and cash equivalents of $4.9 million, a decrease in accounts receivable of $21.2 million, a decrease in WIP of $20.8 million, a decrease in prepaid expenses and other assets of $1.5 million and a decrease in income tax recoverable of $0.8 million. Current liabilities have decreased by $13.2 million as at September 30, 2013 as compared with December 31, 2012. The decrease in current liabilities was comprised of a decrease in bank indebtedness of $0.6 million, a decrease in accounts payable and accrued liabilities of $6.9 million, a decrease in income tax payable of $1.3 million, a decrease in notes payable related to acquisitions of $6.1 million, an increase in deferred revenues of $2.9 million, a decrease in distributions payable of $1.3 million and a reclassification of the credit facility of $91.9 million to current from non-current as at September 30, 2013 as compared to December 31, 2012.

Working Capital measured in number of days of Gross Fee Revenue

The amount of working capital tied up in accounts receivable, WIP, and deferred revenue is discussed under “Operating Highlights”.

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 measured as days outstanding on gross billings, which over the last two years has been approximately 25% greater than net fee volume.

Working days of gross billings outstanding	September 30, 2012 (unaudited)	December 31, 2012	March 31, 2013 (unaudited)	June 30, 2013 (unaudited)	September 30, 2013 (unaudited)
Accounts receivable	77	80	78	80	73
WIP	75	65	72	75	55
Deferred revenue	(5)	(6)	(7)	(8)	(8)
Total	147	139	143	147	120

The total decrease of 27 days compared to June 30, 2013 is comprised primarily as a result of the Adjustment Items of $35.0 million WIP and $12.9 million of accounts receivable.

Accounts receivable aging *in thousands of dollars*	September 30, 2012 (unaudited)	%	December 31, 2012	%	March 31, 2013 (unaudited)	%	June 30, 2013 (unaudited)	%	September 30, 2013 (unaudited)	%
Current	44,577	33	46,707	33	36,851	26	39,989	26	37,953	31
30 to 90 days	30,917	22	36,929	26	37,327	27	36,430	27	33,384	28
Over 90 days (net of allowance)	60,944	45	58,532	41	64,887	47	66,103	47	49,627	41
Total	136,438	100	142,168	100	139,065	100	142,522	100	120,964	100

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

in thousands of dollars	Three months ended September 30, 2013	Three months ended September 30, 2012	$ Change
Cash flows from operating activities	1,213	6,000	(4,787)
Cash flows from (used in) financing activities	3,500	(3,332)	6,832
Cash flows (used in) investing activities	(188)	(1,793)	1,605

in thousands of dollars	Nine months ended September 30, 2013	Nine months ended September 30, 2012	$ Change
Cash flows (used in) operating activities	(5,572)	(4,940)	632
Cash flows from financing activities	11,753	7,565	4,188
Cash flows (used in) investing activities	(1,225)	(3,412)	2,187

Cash flows from operations for the three months ended September 30, 2013 were $1.2 million compared to cash flows from operations of $6.0 million for the three months ended September 30, 2012; for a net decrease of $4.8 million. Cash flows used in operations for the nine months ended September 30, 2013 were $5.6 million, representing an increase in cash flows used in operations of $0.6 million from $4.9 million for the nine months ended September 30, 2012.

Cash flows from financing activities for the three months ended September 30, 2013 were $3.5 million compared with cash flows used in financing activities of $3.3 million for the three months ended September 30, 2012. Cash flows from financing activities for the nine months ended September 30, 2013 were $11.8 million compared with $7.6 million from financing activities for the nine months ended September 30, 2012. Cash saved from the suspension of the dividend and distribution, total $4.6 million and $17.1 million in the three and nine months of 2013 compared to 2012.

Cash flows used in investing activities for the three months ended September 30, 2013 were $0.2 million as compared to cash used in investing activities of $1.8 million for the three months ended September 30, 2012. Cash flows used in investing activities for the nine months ended September 30, 2013 were $1.2 million as compared to cash used in investing activities of $3.4 million for the nine months ended September 30, 2012. Capital expenditures during the three months ended September 30, 2013 were $0.2 million compared with expenditures of $0.5 million for the same period in 2012. Capital expenditures during the nine months ended September 30, 2013 were $1.2 million compared with expenditures of $2.2 million for the same period in 2012.

The Company has a revolving term credit facility with a syndicate of financial institutions. As at September 30, 2013, the Company had borrowings of $92.8 million under the credit facility, compared with $73.9 million as at December 31, 2012. The company had $9.0 million of unutilized credit available under the credit facility, compared with $42.2 million as at December 31, 2012.

The credit facility contains financial covenants including funded debt to EBITDA[1] ratio, fixed charge coverage ratio and restrictions on distributions. For the quarter ended September 30, 2013, the Company's funded debt to EBITDA[1] ratio and fixed charge coverage ratio each exceeded the covenants. Failure to meet the terms of one or more of these covenants would constitute a default, potentially resulting in accelerating the repayment of the debt obligations. Subsequent to the reporting period, the creditors agreed to waive or amend the financial covenants under the credit facility for each quarterly reporting date from September 30, 2013 to December 31, 2014. Under the terms of the amended agreement, the credit available under the facility will be reduced to $70.0 million by September 30, 2014. In addition to waiving and amending the financial covenants, the amendment also requires performance of certain non-financial covenants, compliance with restrictive covenants, and agreements by the Company to provide the lenders with a recapitalization plan by January 15, 2014 and amend and restate the credit facility by January 31, 2014.

Continued compliance with the covenants is dependent on the Company achieving revenue forecasts, reducing costs and the overall improvement of working capital and an appropriate recapitalization plan. Market conditions have been difficult to predict and there is no assurance that the Company will achieve its forecasts. In the event of non-

[1] See "Definition of Non-IFRS Measures"

compliance, the Company's lenders have the right to demand repayment of the amounts outstanding under the lending agreements or pursue other remedies if the Company cannot reach an agreement with its lenders to amend or waive the financial covenants. As in the past, the Company will carefully monitor its compliance with the covenants and will seek variances as may become necessary from time to time.

Subsequent to the reporting period, the Company agreed to amendments requested by the lenders of the credit facility. IFRS requires classification of the credit facility as a current liability at September 30, 2013 since the amendment was received subsequent to period end. The credit facility matures July, 29, 2016.

In addition, a bid bond guarantee facility (the "Bid Bond Facility") of up to USD $20.0 million continues to be made available to the Company to be used to meet certain project requirements calling for the issuance of bid bonds to international customers. As at September 30, 2013, the Company had issued bid bonds in the amount of $3.2 million (December 31, 2012 – $3.9 million) under the Bid Bond Facility.

Guarantees from certain subsidiaries of the Company 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 facility and the Bid Bond Facility. 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.

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

The Company has used the credit facility to fund working capital. The credit facility contains financial covenants including funded debt to EBITDA[1] ratio, fixed charge coverage ratio, and restrictions on distributions.

The Company has a convertible debenture with a face value of $46,000 maturing December 31, 2014 which will need to be refinanced. The Company is currently evaluating refinancing options.

Non-current Liabilities

Total non-current liabilities were $132.5 million as at September 30, 2013 compared to $206.4 million as at December 31, 2012.

Contractual Obligations

As part of continuing operations, the Company enters into long-term contractual obligations from time to time. The table below summarizes the contractual obligations

[1] See "Definition of Non-IFRS Measures"

due on credit facilities, convertible debentures, operating lease commitments, notes payable, and amounts due to related parties as of September 30, 2013:

Contractual Obligations	Payment Due by Period				
in millions of dollars	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Credit facility	$ 92.8	$ -	$ -	$ 92.8	$ -
Interest on credit facility	13.9	3.7	7.4	2.8	-
Convertible debentures	123.5	-	46.0	20.0	57.5
Interest on convertible debentures	25.9	7.8	10.0	8.1	-
Operating leases	82.1	20.9	34.9	19.1	7.2
Notes payable	9.7	8.0	1.7	-	-
Due to related party	10.0	-	10.0	-	-
Total Contractual Obligations	$ 357.9	$ 40.4	$ 110.0	$ 142.8	$ 64.7

For further information regarding the nature and repayment terms of the credit facility and convertible debentures, refer to Note 6 of the audited consolidated financial statements for the year ended December 31, 2012.

Summary of Quarterly Results

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

in thousands of dollars except for per unit and per share amounts and ratios (unaudited)	3rd Qtr 2013	2nd Qtr 2013	1st Qtr 2013	4th Qtr 2012	3rd Qtr 2012	2nd Qtr 2012	1st Qtr 2012	4th Qtr 2011
Revenue	$ 38,792	$ 86,745	$ 84,599	$ 75,464	$ 86,809	$ 88,558	$ 86,896	$ 87,956
Adjustment Items	35,003	-	-	12,600	-	-	-	-
Adjusted revenue[1]	$ 73,795	$ 86,745	$ 84,599	$ 88,064	$ 86,809	$ 88,558	$ 86,896	$ 87,956
Net earnings	(47,177)	(76,039)	656	(26,528)	2,704	5,680	3,733	4,165
Changes in fair value and other finance costs	78	(227)	69	(236)	17	41	59	313
Interest expense, net[4]	3,780	3,477	3,382	3,328	3,337	3,310	3,603	3,867
Income tax expense (recovery)	(8,730)	(1,720)	769	(3,082)	34	602	952	3
Amortization of property, equipment and intangible assets	2,703	1,780	2,354	5,896	2,519	2,505	2,559	3,467
Acquisition-related costs	(440)	558	205	406	434	32	208	416
Foreign exchange loss (gain)	225	(173)	(135)	221	357	(142)	289	(15)
Impairment of goodwill and intangible assets	-	79,601	-	14,483	-	-	-	-
Adjustment Items	47,858	-	-	16,000	-	-	-	-
Adjusted earnings before income taxes, interest and amortization (Adjusted EBITDA[1])	(1,703)	7,257	7,300	10,488	9,402	12,028	11,403	12,216
Adjusted EBITDA[1] as a percentage of revenue	(2.3)%	8.4%	8.6%	11.9%	10.8%	13.6%	13.1%	13.9%
Distributable cash reconciliation								
Cash flow from (used in) operating activities	1,213	(3,077)	(3,708)	1,456	6,000	(818)	(10,122)	7,431
Less capital expenditures	(188)	(581)	(456)	(721)	(536)	(749)	(870)	(1,065)
Standardized distributable cash[1]	1,025	(3,658)	(4,164)	735	5,464	(1,567)	(10,992)	6,366
Add (deduct):								
Change in non-cash operating working capital	(54,214)	6,832	5,854	(12,770)	(1,900)	7,277	15,711	(691)
Acquisition-related costs	(440)	558	205	406	435	32	208	416
Current income tax expense (recovery)	(313)	178	1,113	535	512	1,047	1,090	427
Foreign exchange gain (loss)	225	(173)	(135)	221	357	(142)	289	(15)
Adjustment Items	47,858	-	-	16,000	-	-	-	-
Distributable cash[1]	(5,859)	3,737	2,873	5,127	4,868	6,647	6,306	6,503
Basic and diluted adjusted distributable cash per share and partnership unit[2]	(0.2644)	0.1690	0.1312	0.2346	0.2252	0.3184	0.3487	0.3608
Basic and diluted aggregate dividends per share	-	0.0303	0.1057	0.1969	0.2127	0.2820	0.3105	0.3230
Payout ratio[1]	0%	17.9%	80.6%	83.9%	94.5%	88.6%	89.0%	89.5%
Basic adjusted net earnings (loss) per share[3,4]	(0.3429)	0.1087	0.0298	0.0118	0.1250	0.2799	0.2065	0.2311
Personnel – average	2,752	2,805	2,833	2,873	2,944	2,925	2,900	2,899
Personnel – quarter end	2,674	2,823	2,814	2,852	2,926	2,950	2,899	2,901

(1) See "Definition of Non-IFRS Measures"

(2) Distributable cash per share amounts are calculated by including both the common shares of the Company and the Class B partnership units in the denominator, which is a non-IFRS measure.

(3) Basic adjusted net earnings per share are calculated by including common shares of the Company which is a non-IFRS measure.

(4) The Company corrected an amount for its 2011 quarterly reporting related to non-cash imputed interest.

Transactions with Related Parties

- Pursuant to the Administration Agreement entered into in connection with the closing of the initial public offering of the Company's predecessor, IBI Income Fund, IBI Group, and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation (management compensation) for the services of the 113 partners of the Management Partnership. This amount was $7.3 million for the three months ended September 30, 2013 (three months ended September 30, 2012 - $6.2 million) and $21.6 million for the nine months ended September 30, 2013 (nine month ended September 30, 2012 - $18.5 million).

- IBI Group makes a quarterly distribution on Class B partnership units equal to the dividend per share (on a pre-tax basis) declared to each common shareholder. All of the Class B partnership units are held by the Management Partnership. For the quarter ended September 30, 2013, no distributions to the Management Partnership were declared (as at December 31, 2012 - $1.3 million distributions declared).

- During the first quarter of 2010, the Management Partnership advanced $26.0 million to the Company. The loan bears interest at the same rate as the operating line of credit that the Company has with its bank lender, less any commitment fees payable to its bank lender. The loan is subordinated to the Company's indebtedness to its bank lender and is unsecured. In February 2011, the Company repaid $6.0 million of the advance. During the second quarter of 2012 the Company repaid $10.0 million of the advance with the issuance of 667,000 common shares of the Company. Interest expense on this advance was $0.1 million for the three months ended September 30, 2013 (three months ended September 30, 2012 - $0.1 million) and $0.3 million for the nine months ended September 30, 2013 (nine months ended September 30, 2012 - $0.4 million). The loan matures April 1, 2015.

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 CEO and CFO of the Company, together with management of the Company have evaluated the design of the Company's DC&P and ICFR, with the exception of controls which were not evaluated related to Taylor Young and M•E Companies, Inc., acquired during 2012 (collectively the "2012 acquisitions"). These acquisitions are consolidated within the results of the Company as of December 31, 2012. The 2012 acquisitions represent consolidated net assets of $0.3 million and net income before taxes of $0.5 million. The CEO and CFO of the Company, together with management, are collectively satisfied that, with the exception of controls related to the 2012 acquisitions which were not evaluated, the Company's DC&P and ICFR were appropriately designed.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make certain estimates and assumptions. The estimates and assumptions are based on the Company's experience combined with management's understanding of current facts and circumstances. These estimates may differ from actual results, and certain estimates are considered critical, as they are both important to reflect the Company's financial position and results of operations, and require significant or complex judgement on the part of management using accounting policies derived therein consistent with the Company's 2012 audited December 31, 2012 consolidated financial statements.

This management's discussion and analysis ("MD&A") should be read in conjunction with the consolidated financial statements and accompanying notes ("financial statements") of IBI Group Inc. for the three and nine months ended September 30, 2013.

This MD&A is dated as of November 14, 2013. Additional information that has been filed concerning the Company, including the Company's annual information form for the year ended December 31, 2012, is or will be available on SEDAR at *www.sedar.com*.

The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS") for financial statements and is expressed in Canadian dollars.

Accounting Developments

In May 2011, the IASB issued the following new standards:

- IFRS 10, Consolidated Financial Statements, which will replace SIC-12, Consolidation − Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements;

- IFRS 11, Joint Arrangements which will replace IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities − Non-monetary Contributions by Venturers; and

- IFRS 12, Disclosure of Interests in Other Entities.

These new standards provide more guidance on the identification of entities and joint arrangements that should be included in the consolidated statements of a parent company, and also require additional disclosure of all forms of interest that an entity holds. The standards became effective for the Company on January 1, 2013 and the Company will include any additional disclosures required by IFRS 12 for the first time in the annual financial statements for the year ending December 31, 2013.

In May 2011, the IASB also issued IFRS 13, Fair Value Measurement (IFRS 13), which provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for when fair value measurement is required or permitted under IFRS. IFRS 13 became effective for the Company on January 1, 2013 and did not have any impact on its financial statements.

Recently issued but not yet adopted accounting pronouncements:

In December 2011 the IASB published amendments to International Accounting Standard ("IAS") 32 Financial Instruments: Presentation and issued new disclosure requirements in IFRS 7 Financial Instruments: Disclosures. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is annual periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively. The Company is currently reviewing these standards and any impact is not yet determinable.

The amendments to IAS 32 clarify when an entity has a legally enforceable right to off-set as well as clarify, when a settlement mechanism provides for net settlement, or gross settlement that is equivalent to net settlement. The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar arrangements. The Company intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The Company will include the additional disclosures required by the amendments to IFRS 7 in its

2013 financial statements. The extent of the impact of adoption of amendments to IAS 32 has not yet been determined.

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 (collectively, the "Company"), 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) reliance on fixed-price contracts; (vi) the general state of the economy; (vii) acquisitions by the Company; (viii) risk of future legal proceedings against the Company; (ix) the international operations of the Company; (x) reduction in the Company's backlog; (xi) fluctuations in interest rates; (xii) fluctuations in currency exchange rates; (xiii) potential undisclosed liabilities associated with acquisitions; (xiv) upfront risk of time invested in participating in consortia bidding on large projects; (xv) limits under the Company's insurance policies; (xvi) the Company's reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in the performance of the Company's subsidiary entities; (xvii) unpredictability and volatility of the price of Common Shares; (xviii) the degree to which the Company is leveraged may affect its operations; (xix) dividends are not guaranteed and will fluctuate with the Company's performance; (xx) the possibility that the Company may issue additional Common Shares diluting existing Shareholders' interests; and (xxi) 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, 2012. 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 the date of this MD&A, and the Company assumes no obligations to update or revise them to reflect new events or circumstances.

Definition of Non-IFRS Measures

References in this MD&A to EBITDA are to earnings before interest, income taxes, depreciation and amortization, acquisition-related costs, foreign exchange gains and losses, dividends treated as an expense, fair value adjustment on financial liabilities and restructuring and special charges. Management of the Company believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides readers with an indication of cash available for dividends prior to debt service, capital expenditures and income taxes. Readers should be cautioned, however, that EBITDA should not be construed as an alternative to net earnings 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. 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 EBITDA may differ from the methods used by other similar entities. Accordingly, EBITDA may not be comparable to similar measures used by such entities. Reconciliations of net earnings to EBITDA have been provided under the headings "Selected Consolidated Financial Information" and "Summary of Quarterly Results".

References to adjusted EBITDA are to EBITDA less any Adjustment Items.

The Company defines distributable cash as cash flow from operating activities before change in non-cash operating working capital, interest paid, income tax expense, acquisition-related costs, foreign exchange losses and after capital expenditures, foreign exchange gains, interest recovered, and income tax recovery, where applicable. Reconciliations of distributable cash to cash flow from operating activities have been provided under the headings "Distributable Cash" and "Summary of Quarterly Results". The Company's method of calculating distributable cash may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to distributable cash as reported by such entities. Management of the Company believes that distributable cash is a useful supplemental measure that may assist readers in assessing the return on an investment in Common Shares.

Adjusted distributable cash is defined by the Company as distributable cash excluding any Adjustment Items.

Free cash flow is defined as defined by the Company as net cash from (used in) operating activities less dividends and distribution and capital expenditures.

Payout ratio is defined by the Company as dividends declared plus Class B partnership distributions less shares issued under the DRIP in the period divided by distributable cash.

Other operating costs (other than interest) are defined by the Company as the sum of rent, other operating expenses and impairment of financial assets.

Other finance costs is defined by the Company for the purposes of the MD&A as other finance costs as recorded in the consolidated financial statements of the Company less deferred transaction costs and change in the fair value of interest rate swap.

Adjusted revenue is equal to revenue plus the impact of any adjustments to unbilled WIP.

Adjusted net earnings or loss are equal to the net income for the period plus the after tax impact of any impairments to goodwill and intangible assets as well as any adjustments to unbilled WIP and uncollectible accounts receivable.

Adjusted basic and diluted adjusted net earnings per share is equal to the adjusted net earnings attributable to the owners for the period divided by the weighted average number of common shares outstanding during the period.

Standardized distributable cash is defined by the Company as net cash from (used in) operating activities less capital expenditures.