MANAGEMENT'S DISCUSSION AND ANALYSIS

Recent Events

On March 21, 2013, IBI Group Inc. (the "Company") announced a number of steps it was taking as part of its Recovery Program to restructure, realign and re-envision the Company in the context of the business conditions we are operating in. In addition to steps taken to enhance the balance sheet that included the elimination of the dividend, Scott Stewart and David Thom were appointed as Co-Presidents and Co-Chief Operating Officers of the Company (the "Co-Presidents"). The Co-Presidents have a mandate to drive development and implementation of the Recovery Program.

In order to address the Recovery Program's objectives in a systematic and expedient manner, seven working groups were established in June 2013 to address and advance the key components of the Recovery Program. Each of the working group leaders is led by a partner of IBI Group Partnership ("IBI Group") and reports on a regular basis to the Senior Directors and the Co-Presidents.

To further assist in planning and implementing critical aspects of the Recovery Program, the Company has retained independent financial advisors, and compensation and governance advisors to assist senior management and the working groups in developing recommendations for an action plan, assisting board oversight of the Recovery Program and communicating this plan to our investors.

The Recovery Program working groups encompass the following areas:

- Compensation: A full examination of compensation levels and structure for all levels of staff and directors, particularly in light of the elimination of the dividend;

- Information and Support Systems: Integrating and organizing the Company's systems, to improve access, efficiency and reduce costs;

- Acquisitions and Integration: Furthering integration across all acquired firms to better harness and allocate the extraordinary talent and expertise that exists within the firm;

- Growth of Professional Practice: Developing a unified approach to career and succession planning within the firm, branding, and collaboration;

- Communications and Marketing: Streamlining and consolidating external and internal communications efforts,;

- Staff Development: A renewed focus on staff development including career development initiatives, lowering voluntary turnover and attrition, aligning employee initiatives with IBI Group's guiding principles.

- Governance: Documenting existing organizational structure, examining alternate systems of governance, defining and recommending a new model of management, reporting and governance.

The recommendations arising from these working groups are part of a detailed action plan that will be implemented over the balance of this year, such that IBI Group will start 2014, its 40th Anniversary year, with a renewed purpose, rejuvenated and re-positioned to face ever-changing and increasingly competitive market conditions. The IBI Group Management Partnership is unanimously committed to this renewal plan; details of which will be released prior to the end of this year.

Key Priorities for the Third Quarter & Fourth Quarter

- 7.0% Convertible Debentures: The elimination of the Company's dividend and savings in compensation costs have provided the basis of improved cash flow. This in turn strengthens the Company's ability 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 on options available.

- Cash Flow/Liquidity: Senior management acknowledge that further and continued improvements must be made to reduce accounts receivable and un-billed work in process. Steps to reduce both metrics are being taken to make material improvements with a target that is more in line with industry norms.

- Operational Efficiency: We have demonstrated that the integration of the many acquired firms and offices can improve operational efficiency, expand the range of services that we can offer to our clients and reduce overhead costs resulting in increased profits. This will be a priority initiative of the management team.

- Human Resources and Compensation: To date in 2013, the Company reduced approximately 240 full time positions in market areas and sectors where there was excess capacity. In other areas where there was a short fall of resources, 200 staff and seasonal employees were hired. The misallocation of resources was costly in terms of severance and missed opportunities, and exposed a need to better integrate and share resources across the Company. The Company expects to make further re-alignments focused on integration and resource sharing. Similarly, the Company's compensation advisors are reviewing compensation relative to market levels and expected to make recommendations. It is noteworthy the full benefit of the salary reductions were not apparent in the second quarter due to timing and the associated friction costs of staff terminations such as severance costs. The benefit will be more significant in the third and fourth quarter of 2013 with estimated savings expected to be approximately $2.0 million and $3.0 million, the ongoing quarterly savings from the Recovery Program are expected to save $3.0 million per quarter.

- Growth: The priority is organic growth over growth through acquisitions. Senior management believes that the integration, consolidation, and reallocation of the Company's talent and expertise will help drive efficient organic growth in our business segments. There will also be a greater emphasis on strategic hires to lead the firm into new markets.

- Improving Adaptability and Resiliency: The governance and organizational restructuring initiatives underway are aimed at improving the decision making processes within the Company. Senior management is of the view that better information sharing and collaboration will improve the ability of the Company to more quickly react to changing macro-economic and market specific developments, and to capitalize on emerging business development opportunities.

Operating Highlights

The Company reported:

- Revenue for the three months ended June 30, 2013 of $86.7 million and revenue for the six months ended June 30, 2013 of $171.3 million.

- EBITDA[1] for the three months ended June 30, 2013 of $7.3 million and EBITDA[1] for the six months ended June 30, 2013 of $14.6 million.

- Net loss for the three months ended June 30, 2013 of $76.0 million and net loss for the six months ended June 30, 2013 of $75.4 million.

Results for the second quarter 2013 were impacted by a $79.6 million impairment charge. The decline in the Company's share price in 2013 was considered an indicator of impairment in the carrying value of the Company's assets. As a result, the Company tested the goodwill and other long lived assets related to its businesses for impairment. The impairment test has been completed based on the fair value less the cost to sell each Cash Generating Unit ("CGU") compared to the carrying value of the CGU, resulting in a total goodwill and intangible impairment charge. The impairment to goodwill and intangible assets is attributable to the decline in the company's market capitalization vs. the purchase price and performance of the acquired businesses and the carrying value of goodwill and intangible assets in IBI Group. The impairment is a non-cash charge that does not impact the Company's day-to-day liquidity or cash flow.

- Excluding the impairment charge the adjusted net earnings[1] achieved for the three months ended June 30, 2013, were $2.4 million and $3.1 for the six months ended June 30, 2013.

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

The highlights are presented in the table below and include the adjusted net earnings[1] before the goodwill and intangible asset impairments.

	Three months ended June 30, 2013 *(unaudited)*	Three months ended June 30, 2012 *(unaudited)*	Variance	Six months ended June 30, 2013 *(unaudited)*	Six months ended June 30, 2012 *(unaudited)*	Variance
Number of workings days	64	63	1	125	126	(1)
Revenue	$ 86,745	$ 88,558	$ (1,813)	$ 171,344	$ 175,454	$ (4,110)
Net income (loss)	$ (76,039)	$ 5,680	$ (81,719)	$ (75,383)	$ 9,413	$ (84,796)
Basic and diluted earnings per share ("EPS")[1]	$ (3.4193)	$ 0.2799	$ (3.6992)	$ (3.4128)	$ 0.4864	$ (3.8992)
Goodwill and Intangible Asset Impairment	$ 79,601	-	$ 79,601	$ 79,601	-	$ 79,601
Adjusted net earnings[1]	$ 2,414	$ 5,680	$ (3,266)	$ 3,070	$ 9,413	$ (6,343)
Basic and diluted adjusted earnings per share ("Adjusted EPS")[1]	$ 0.1087	$ 0.2799	$ (0.1712)	$ 0.1390	$ 0.4864	$ (0.3474)
EBITDA[1]	$ 7,257	$ 12,028	$ (4,771)	$ 14,557	$ 23,431	$ (8,874)
EBITDA[1] as a percentage of revenue	8.4%	13.6%	(5.2%)	8.5%	13.4%	(4.9%)
Distributable cash[1]	$ 3,737	$ 6,647	$ (2,910)	$ 6,610	$ 12,953	$ (6,343)
Payout ratio[1]	17.9%	88.6%	(70.7%)	45.2%	88.8%	(43.6%)
Cash used in operations	$ (3,077)	$ (818)	$ (2,259)	$ (6,785)	$ (10,940)	$ 4,155

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

Revenue for the three months ended June 30, 2013 was below expectations. Revenue was impacted by delays and negotiations on major projects, significant marketing efforts in selected areas, lower margins in some areas and management/staff effort with respect to the Company's Recovery Program.

EBITDA[1] in the quarter ended June 30, 2013 was impacted by the lower revenue and the delay in operational savings from the benefits of the company recovery. The benefits of aligning staff with level of work though terminations and furlough programs was muted in the second quarter of 2013 due to notice periods and severance costs. The benefit of compensation savings are expected to increase in the third and fourth quarter of 2013 with compensation savings of approximately $2.0 million and $3.0 million, respectively. The ongoing quarterly savings from the Recovery Program are expected to total $3.0 million per quarter.

Free Cash Flow[1] also improved $3.5 million and $12.9 million in the three and six month of 2013 compared to the three and six months of 2012. The improvement in Free Cash Flow[1] is a direct result of the Recovery Program's suspension of the dividend and the partial saving realized from staff reductions.

The Company reports the working capital tied up (accounts receivable, work in process and deferred revenue) in terms of gross billings per day. The current level of the working capital tied up measured in gross billings is 147 days at June 30, 2013. The total increase of four days compared to March 31, 2013 is comprised of a two day increase in accounts receivable ($3.5 million increase), a three day increase in unbilled work in process ($4.4 million increase) and a

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

partially offset by a one day increase in deferred revenue ($1.5 million increase). The two day increase in unbilled work in process net of deferred revenue is primarily due to the contract timing for billing of work in process on milestone based projects.

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, being 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 consulting 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

Currently the Company’s committed contractual work for 2013 is approximately $337.0 million which represent over 97% of the company revenue forecast of $346.0 million. This update reflects the lower level of revenue generated in the first half of 2013. Although, a portion of this is subject to normal risks and project delays, this leaves under $10.0 million of additional contractual work to be secured in 2013, which is equivalent to 1.5 weeks of work. The Company has the capacity to achieve its forecast revenue and when the benefits of the Recovery Program actions on compensation costs are achieved profitability is expected to improve.

The Company has nine months of committed fee volume for the ensuing twelve months. (This is calculated on the basis of the current pace of work that the Company has achieved during the last twelve months ended June 30, 2013.) Backlog for government and public institutional clients now represents approximately 65% of total backlog.

- The Company’s practice in Canada continues to show strength and is growing geographically. The Company is also strengthening skills in certain functional areas such as transportation engineering where we see opportunities for growth. While the market indicators are saying there is a slowdown in real estate and other physical development activity, so far this has not been the case for the Company in Montreal, Toronto, Edmonton, Calgary and Vancouver.

- The Company’s practice in the United States is experiencing some encouraging growth in private sector real estate development and in intelligent systems work. However, projects for state and local governments often lack funding and are subject to greater competitive interest. While signs of improvement of the economy in the Unites States are encouraging, we continue to face challenges in the current environment. There is an increasing interest in P3’s as a delivery model for infrastructure projects. To date, the pipeline is modest, but is slowly increasing, as more states pass enabling legislation. The Company is taking steps for P3 projects (an area in which it has experience) in different sectors across the U.S.

- The Company’s practice in the UK had slowed as a result of consecutive quarters of contraction of national economic activity. There are encouraging signs of growth in the UK economy in the areas of transportation and social infrastructure.

- The Company’s activity in other international markets is increasing and provides encouraging prospects for future organic growth.

Selected Consolidated Financial Information

in thousands of dollars except for per share amounts	Three months ended June 30, 2013 (unaudited)	Three months ended June 30, 2012 (unaudited)	Six months ended June 30, 2013 (unaudited)	Six months ended June 30, 2012 (unaudited)
Revenue	$ 86,745	$ 88,558	$ 171,344	$ 175,454
Expenses				
Salaries, fees and employee benefits	62,601	61,089	124,106	121,640
Other operating costs (other than interest)[1]	17,018	15,418	32,866	30,465
Other finance costs	122	55	273	158
Fair value of deferred share plan	305	-	305	-
Acquisition-related costs included in other operating costs	(558)	(32)	(763)	(240)
	79,488	76,530	156,787	152,023
Earnings before income taxes, interest and amortization (EBITDA)[1]	7,257	12,028	14,557	23,431
Interest	3,477	3,310	6,859	6,913
Change in fair value of financial instruments and other finance costs[1]	78	41	147	100
Income taxes – current	178	1,047	1,291	2,137
Income taxes – deferred	(1,898)	(445)	(2,242)	(583)
Amortization of property, equipment and intangible assets	1,780	2,505	4,134	5,064
Impairment of goodwill and intangible assets	79,601	-	79,601	-
Foreign exchange (gain)/loss	(173)	(142)	(308)	147
Fair value of deferred share plan	(305)	-	(305)	-
Acquisition-related costs	558	32	763	240
Net income (loss)	(76,039)	5,680	(75,383)	9,413
Non-controlling interest	(17,356)	1,376	(17,205)	2,413
Net income (loss) attributable to the owners	(58,683)	4,304	(58,178)	7,000
Basic and diluted net earnings per share[1]	$ (3.4193)	$ 0.2799	$ (3.4128)	$ 0.4864
Total assets	$ 403,491	$ 488,143	$ 403,491	$ 488,143

Reconciliation of Adjusted Net Earnings[1]:

Net income (loss)	$ (76,039)	$ 5,680	$ (75,383)	$ 9,413
Impairment of goodwill	75,269	-	75,269	-
Impairment of intangible assets	4,332	-	4,332	-
Tax effect of impairments	(1,148)	-	(1,148)	-
Adjusted net earnings[1]	2,414	5,680	3,070	9,413
Non-controlling interest	548	1,376	701	2,413
Adjusted net earnings[1] attributable to the owners	1,866	4,304	2,369	7,000
Basic and diluted adjusted net earnings per share[1]	$ 0.1087	$ 0.2799	$ 0.1390	$ 0.4864

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

Results of Operations

The professional services provided by the Company, focused on the four main areas of the physical development of cities, comprise the core business of the Company.

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 June 30, 2013, revenue was down $1.9 million (2.2%) to $86.7 million compared to $88.6 million for the three months ended June 30, 2012. For the six months ended June 30, 2013, revenue was down $4.2 million (2.4%) to $171.3 million compared to $175.5 million for the six months ended June 30, 2012.

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

	Three months ended June 30 2012 vs. 2013 (unaudited)		Six months ended June 30 2012 vs. 2013 (unaudited)	
	$ million	%	$ million	%
Revenue June 30, 2012	88.6		175.5	
Strategic growth	4.2	4.7	8.4	4.8
Organic growth	(6.7)	(7.6)	(13.5)	(7.7)
Total growth before foreign exchange	(2.5)	(2.9)	(5.1)	(2.9)
Impact of foreign exchange	0.6	0.7	0.9	0.5
Revenue June 30, 2013	86.7	(2.2)	171.3	(2.4)

Revenue from strategic growth through acquisitions/mergers was approximately $4.2 million (4.7%) for the three months ended June 30, 2013 and approximately $8.4 million (4.8%) for the six months ended June 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 June 30, 2013 was down $6.7 million (7.6%) compared to the three months ended June 30, 2012 and for the six months ended June 30, 2013 was down $13.5 million (7.7%) compared to the six months ended June 30, 2012. The organic growth decline in Canada, the United States and International segments was 2.9% (24% of the total), 18.5% (59% of the total) and 11.5% (17% 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.

Expenses

Salaries, fees and employee benefits for the three months ended June 30, 2013 were up $1.5 million (2.5%) to $62.6 million compared to $61.1 million for the three months ended June 30, 2012. Salaries, fees and employee benefits for the six months ended June 30, 2013 were up $2.5 million (2.0%) to $124.1 million compared to $121.6 million for the six months ended June 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 the absorption of friction costs related to staff terminations. Salaries, fees and employee benefits as a percentage of revenue for the three months ended June 30, 2013 were 72.2% compared to 69.0% for the three months ended June 30, 2012. Salaries, fees and employee benefits as a percentage of revenue for the six months ended June 30, 2013 were 72.4% compared to 69.3% for the six months ended June 30, 2012. The benefits of the Recovery Program's actions will occur in the third and further in the fourth quarter by which time compensation costs as a percentage of revenue will be in the order of 67%. The Company will strive to improve this percentage with increased productivity to seek to achieve the target range of 64% to 65%.

Other operating costs (other than interest)[1] for the three months ended June 30, 2013 were up $1.6 million (10.4%) at $17.0 million compared to $15.4 million for the three months ended June 30, 2012. Other operating costs (other than interest)[1] for the six months ended June 30, 2013 were up $2.4 million (7.9%) at $32.9 million compared to $30.5 million for the six months ended June 30, 2012. This increase was the result of the acquisitions made in the latter half of 2012. As a percentage of revenues, other operating costs (other than interest)[1] for the three months ended June 30, 2013 were 19.6% compared with 17.4% for the three months ended June 30, 2012. As a percentage of revenues, other operating costs (other than interest)[1] for the six months ended June 30, 2013 were 19.2% compared with 17.4% for the six months ended June 30, 2012. Other operating expenses have been stable and the current higher percentages are due to the lower revenue in the current period.

Total interest expense for the three months ended June 30, 2013 was up $0.2 million (5.0%) at $3.5 million compared to $3.3 million for the three months ended June 30, 2012. Total interest expense for the six months ended June 30, 2013 was $6.9 million, equal to the six months ended June 30, 2012. Included in total interest expense for the three months ended June 30, 2013 was non-cash imputed interest expense of $0.5 million, consistent with $0.5 million for the three months ended June 30, 2012. Included in total interest expense for the six months ended June 30, 2013 was non-cash imputed interest expense of $1.0 million, consistent with $1.0 million for the six months ended June 30, 2012. The non-cash imputed interest expense relates to the accretion of the convertible debenture liability.

Foreign exchange for the three months ended June 30, 2013 was a gain of $0.2 million compared to a gain of $0.1 million for the three months ended June 30, 2012. Foreign exchange for the six months ended June 30, 2013 was a gain of $0.3 million compared to a loss of $0.1 million for the three months ended June 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 June 30, 2013 was down $0.7 million to $1.8 million compared to $2.5 million for the three months ended June 30, 2012. Amortization for the six months ended June 30, 2013 was down $0.9 million to $4.2 million compared to $5.1 million for the six months ended June 30, 2012. Amortization for the three months ended June 30, 2013 on client relationships, contracts, non-competition provisions and development costs was $1.0 million compared to $1.7 million for the three months ended June 30, 2012. Amortization for the

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

six months ended June 30, 2013 on client relationships, contracts, non-competition provisions and development costs was $2.7 million compared to $3.5 million for the six months ended June 30, 2012.

Income taxes of the Company for the three months ended June 30, 2013 were a recovery of $1.7 million; a decrease of $2.3 million compared a $0.6 million expense for the three months ended June 30, 2012. Income taxes of the Company for the six months ended June 30, 2013 were a recovery of $1.0 million, a decrease of $2.5 million compared to a $1.5 million expense for the six months ended June 30, 2012. Current tax expense for the three months ended June 30, 2013 was $0.2 million compared to $1.0 million for the three months ended June 30, 2012. For the three months ended June 30, 2013, deferred tax recovery was $1.9 million as compared to a deferred tax recovery of $0.4 million over the three month period ended June 30, 2012. Current tax expense for the six months ended June 30, 2013 was $1.3 million compared to $2.1 million for the six months ended June 30, 2012. For the six months ended June 30, 2013, deferred tax recovery was $2.2 million as compared to a deferred tax recovery of $0.6 million over the six month period ended June 30, 2012.

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

Net income of the Company for the three months ended June 30, 2013 decreased $81.7 million to a loss of $76.0 million compared to income of $5.7 million for the three months ended June 30, 2012. Net income of the Company for the six months ended June 30, 2013 decreased $84.8 million to a loss of $75.4 million compared to income of $9.4 million for the six months ended June 30, 2012.

Net income attributable to owners of the Company for the three months ended June 30, 2013 was a loss of $58.7 million or basic and diluted EPS[1] of $(3.4193) compared to income of $4.3 million or $0.2799 per share for the three months ended June 30, 2012. Net income attributable to owners of the Company for the six months ended June 30, 2013 was a loss of $58.2 million or basic and diluted EPS[1] of $(3.4128) compared to income of $7.0 million or $0.4864 per share for the six months ended June 30, 2012.

Adjusted net earnings[1] of the Company for the three months ended June 30, 2013 decreased $3.3 million to $2.4 million compared to $5.7 million for the three months ended June 30, 2012. Adjusted net earnings[1] of the Company for the six months ended June 30, 2013 decreased $6.3 million to $3.1 million compared to $9.4 million for the six months ended June 30, 2012.

Adjusted net earnings[1] attributable to owners of the Company for the three months ended June 30, 2013 was $1.9 million or adjusted basic and diluted EPS[1] of $0.1087 compared to income of $4.3 million or $0.2799 per share for the three months ended June 30, 2012. Adjusted net earnings[1] attributable to owners of the Company for the six months ended June 30, 2013 was $2.4 million or adjusted basic and diluted EPS[1] of $0.1390 compared to income of $7.0 million or $0.4864 per share for the six months ended June 30, 2012.

EBITDA[1] for the three months ended June 30, 2013 was $7.3 million, down $4.7 million from $12.0 million for the three months ended June 30, 2012. EBITDA[1] for the six months

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

ended June 30, 2013 was $14.6 million, down $8.8 million from $23.4 million for the six months ended June 30, 2012. As a percentage of revenue, EBITDA[1] for the three months ended June 30, 2013, was 8.4%, a decrease of 5.2% from the three months ended June 30, 2012 of 13.6%. As a percentage of revenue, EBITDA[1] for the six months ended June 30, 2013, was 8.5%, a decrease of 4.9% from the six months ended June 30, 2012 of 13.4%.

Distributable Cash[1]

in thousands of dollars	Three months ended June 30, 2013 (unaudited)	Three months ended June 30, 2012 (unaudited)	Six months ended June 30, 2013 (unaudited)	Six months ended June 30, 2012 (unaudited)
EBITDA[1]	$ 7,257	$ 12,028	$ 14,557	$ 23,431
(Deduct):				
Capital expenditures	(581)	(749)	(1,037)	(1,619)
Interest paid	(2,947)	(2,822)	(5,809)	(5,950)
Income taxes paid	8	(1,810)	(1,101)	(2,909)
Distributable cash[1]	$ 3,737	$ 6,647	$ 6,610	$ 12,953

Reconciliation of Distributable Cash[1] and Free Cash Flow[1]

in thousands of dollars except for per share amounts and ratios	Three months ended June 30, 2013 (unaudited)	Three months ended June 30, 2012 (unaudited)	Six months ended June 30, 2013 (unaudited)	Six months ended June 30, 2012 (unaudited)
Cash flow (used in) operating activities	$ (3,077)	$ (818)	$ (6,785)	$ (10,940)
Less: Capital expenditures	(581)	(749)	(1,037)	(1,619)
Standardized distributable cash[1]	$ (3,658)	$ (1,567)	$ (7,822)	$ (12,559)
Add (deduct):				
Change in non-cash operating working capital	6,832	7,277	12,686	22,988
Acquisition-related costs	558	32	763	240
Current income tax expense	178	1,047	1,291	2,137
Foreign exchange (gain)/loss	(173)	(142)	(308)	147
Distributable cash[1]	$ 3,737	$ 6,647	$ 6,610	$ 12,953
Weighted average basic and diluted distributable cash per share[2]	$ 0.1690	$ 0.3184	$ 0.3002	$ 0.6671
Aggregate of dividends and Class B partnership distributions	$ 670	$ 5,889	$ 2,986	$ 11,504
Aggregate of dividends and Class B partnership distributions per share	$ 0.0303	$ 0.2820	$ 0.1356	$ 0.5925
Payout ratio[1]	17.9%	88.6%	45.2%	88.8%
Standardized distributable cash[1]	$ (3,658)	$ (1,567)	$ (7,822)	$ (12,559)
Deduct:				
Dividends paid to shareholders	-	(4,230)	(2,316)	(7,829)
Distributions paid to non-controlling interest	(2,010)	(3,350)	(2,010)	(4,690)
Free cash flow[1]	$ (5,668)	$ (9,147)	$ (12,148)	$ (25,078)

(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 June 30, 2013, the Company declared no dividends (each of the three months ended June 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 six months ended of $2,316 (for six months ended June 30, 2012 - $8,155). In addition to the above noted dividends to Shareholders, IBI Group Partnership makes a quarterly distribution to the Class B partnership unitholders 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 June 30, 2013 compared to December 31, 2012:

in thousands of dollars	June 30, 2013 *(unaudited)*	December 31, 2012	Change
Current assets	282,232	$ 266,293	15,939
Current liabilities	(79,744)	$ (77,502)	(2,242)
Working capital	202,488	$ 188,791	13,697

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

Current assets have increased by $15.9 million as at June 30, 2013 as compared with December 31, 2012. This is the result of an increase in accounts receivable of $0.3 million, an increase in work in process of $16.9 million, a decrease in prepaid expenses and other assets of $1.2 million and a decrease in income tax recoverable of $0.2 million. Current liabilities have increased by $2.2 million as at June 30, 2013 as compared with December 31, 2012. The increase in current liabilities was comprised of a increase in bank indebtedness of $1.0 million, a decrease in accounts payable and accrued liabilities of $5.5 million, an increase in income tax payable of $0.2 million, a decrease in notes payable related to acquisitions of $5.7 million, an increase in deferred revenues of $3.7 million, a decrease in distributions payable of $1.3 and the reclassification of due to related parties from non-current to current liabilities of $10.0 million, 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, work in process and deferred revenue is discussed under “Operating Highlights”.

Included in working capital of the Company are amounts reflecting the projects 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	June 30, 2012 (unaudited)	September 30, 2012 (unaudited)	December 31, 2012	March 31, 2013 (unaudited)	June 30, 2013 (unaudited)
Accounts receivable	82	77	80	78	80
Work in process	71	75	65	72	75
Deferred revenue	(6)	(5)	(6)	(7)	(8)
Total	147	147	139	143	147

Working days of gross billings outstanding in accounts receivable as at June 30, 2013 has increased by 2 days as compared to March 31, 2013. Work in process outstanding at June 30, 2013 has increased 3 days compared to March 31, 2013, arising from increases in the number of projects and growth of fee volume in design-build and Design, Build and Finance ("P3") projects, with extended time frames for billing and payment.

Accounts receivable aging *in thousands of dollars*	June 30, 2012 (unaudited)	%	September 30, 2012 (unaudited)	%	December 31, 2012	%	March 31, 2013 (unaudited)	%	June 30, 2013 (unaudited)	%
Current	40,549	28	44,577	33	46,707	33	36,851	26	39,989	28
30 to 90 days	35,827	25	30,917	22	36,929	26	37,327	27	36,430	25
Over 90 days (net of allowance)	67,442	47	60,944	45	58,532	41	64,887	47	66,103	47
Total	143,818	100	136,438	100	142,168	100	139,065	100	142,522	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 June 30, 2013	Three months ended June 30, 2012	$ Change
Cash flows (used in) operating activities	(3,077)	(818)	(2,259)
Cash flows from financing activities	973	2,031	(1,058)
Cash flows (used in) investing activities	(581)	(749)	168

in thousands of dollars	Six months ended June 30, 2013	Six months ended June 30, 2012	$ Change
Cash flows (used in) operating activities	(6,785)	(10,940)	4,155
Cash flows from financing activities	8,253	10,897	(2,644)
Cash flows (used in) investing activities	(1,037)	(1,619)	582

Cash flows used in operations for the three months ended June 30, 2013 were $3.1 million compared to cash flows used in operations of $0.8 million for the three months ended June 30, 2012; for a net change of $2.3 million. Cash flows used in operations for the six months ended June 30, 2013 were $6.8 million compared to cash flows used in operations of $10.9 million for the six months ended June 30, 2012; for a net change of $4.1 million. Cash used in operations is due to changes in net working capital resulting from the increase of accounts receivable and work in process. These increases result from significant increases in the number of projects, the fee volume of projects and the increase in the number of projects that are P3. Working capital also increased as a result of a decrease in accounts payable.

Cash flows from financing activities for the three months ended June 30, 2013 were $1.0 million compared with $2.0 million from financing activities for the three months ended June 30, 2012. Cash flows from financing activities for the six months ended June 30, 2013 were $8.3 million compared with $10.9 million from financing activities for the six months ended June 30, 2012. Cash saved from the suspension of the dividend and distribution, total $5.6 million and $8.2 million in the three and six months of 2013 compared to 2012.

Cash flows used in investing activities for the three months ended June 30, 2013 were $0.6 million as compared to cash used in investing activities of $0.7 million for the three months ended June 30, 2012. Cash flows used in investing activities for the six months ended June 30, 2013 were $1.0 million as compared to cash used in investing activities of $1.6 million for the six months ended June 30, 2012. Capital expenditures during the three months ended June 30, 2013 were $0.6 million compared with expenditures of $0.7 million for the same period in 2012. Capital expenditures during the six months ended June 30, 2013 were $1.0 million compared with expenditures of $1.6 million for the same period in 2012.

The Company has a revolving term credit facility ("Revolver Facility") with a syndicate of financial institutions to be used by the Company (a) for working capital purposes, (b) to normalize distributions to holders of Class A Units and Class B Units, (c) to finance the payment of amounts owing on acquisitions, (d) to finance permitted acquisitions (which for certainty, shall not include any hostile take-over bid) and (e) to finance the redemption of the convertible debentures issued by the Company. As at June 30, 2013, the Company had borrowings of $89.5 million under the Revolver Facility, compared with $73.9 million as at December 31, 2012. The company had $25.5 million of unutilized credit available under the Revolver Facility, compared with $42.2 million as at December 31, 2012. This unutilized credit is determined in reference to a financial covenant under the Revolving Facility of three times trailing twelve months adjusted EBITDA[1].

In addition, the Company has an Accordion Credit Facility ("the Accordion Facility") with a syndicate of financial institutions to be used by IBI Group for the same purposes as the Revolver Facility, as at June 30, 2013 IBI Group had no borrowings under the Accordion Facility.

Each of the Revolver Facility and Accordion Facility mature 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 June 30, 2013, the Company had issued bid bonds in the amount of $3.4 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

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

and obligations of IBI Group under the Revolver Facility, the Swing Line 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 and shareholders' equity.

The Company seeks to maintain a sufficient balance of available bank credit to allow it to take advantage of acquisition opportunities on a timely basis without being required to access the public capital markets. The Company has historically operated on the basis of using bank debt for acquisitions and as the bank debt increases, the Company will then raise equity through a public offering, using the proceeds to reduce the bank debt. The Company is subject to compliance with certain financial and other covenants related to its credit facilities. These covenants include but are not limited to, debt to EBITDA[1] ratio, fixed charge coverage ratio and payout ratio[1]. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of the Revolver Facility. The Revolver Facility contains a debt covenant stating that at the end of each quarter the Company's fixed charge coverage ratio (in the covenant defined as the Company's earnings before interest, tax and depreciation plus rent less capital expenditures less income taxes paid less distributions divided by rent plus cash interest) cannot be less than 1.1. For the period ending December 31, 2012 the banking syndicate agreed to an adjustment of $16 million to EBITDA[1] for the purpose of the fixed charge covenant calculation.

Management expects to be in compliance with its covenants for the foreseeable future. Continued compliance with the covenants, however, is dependent on the Company achieving certain forecasts and the overall improvement of working capital. While management is confident in its plans, market conditions have been difficult to predict and there is no assurance that the Company will achieve its forecasts. 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.

Non-current Liabilities

Total non-current liabilities were $212.7 million as at June 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 due on credit facilities, convertible debentures, operating lease commitments, notes payable and amounts due to related parties as of June 30, 2013:

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

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	$ 89.5	$ -	$ -	$ 89.5	$ -
Interest on credit facility	11.4	3.6	7.2	0.6	-
Convertible debentures	123.5	-	46.0	20.0	57.5
Interest on convertible debentures	29.7	7.8	11.6	8.6	1.7
Operating leases	96.5	21.5	36.7	25.4	12.9
Notes payable	10.8	8.3	2.5	-	-
Due to related party	10.0	-	10.0	-	-
Total Contractual Obligations	$ 371.4	$ 41.2	$ 114.0	$ 144.1	$ 72.1

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)	2nd Qtr 2013	1st Qtr 2013	4th Qtr 2012	3rd Qtr 2012	2nd Qtr 2012	1st Qtr 2012	4th Qtr 2011	3rd Qtr 2011
Revenue	$ 86,745	$ 84,599	$ 75,464	$ 86,809	$ 88,558	$ 86,896	$ 87,956	$ 84,265
Adjustment items	-	-	12,600	-	-	-	-	-
Adjusted revenue	$ 86,745	$ 84,599	$ 88,064	$ 86,809	$ 88,558	$ 86,896	$ 87,956	$ 84,265
Net earnings	(76,039)	656	(26,528)	2,704	5,680	3,733	4,165	4,242
Changes in fair value and other finance costs	(227)	69	(236)	17	41	59	313	357
Interest expense, net[4]	3,477	3,382	3,328	3,337	3,310	3,603	3,867	4,002
Income tax expense (recovery)	(1,720)	769	(3,082)	34	602	952	3	1,006
Amortization of property, equipment and intangible assets	1,780	2,354	5,896	2,519	2,505	2,559	3,467	2,664
Acquisition-related costs	558	205	406	434	32	208	416	534
Foreign exchange loss (gain)	(173)	(135)	221	357	(142)	289	(15)	77
Impairment of goodwill and intangible assets	79,601	-	14,483	-	-	-	-	-
Adjustment items	-	-	16,000	-	-	-	-	-
Adjusted earnings before income taxes, interest and amortization (Adjusted EBITDA[1])	7,257	7,300	10,488	9,402	12,028	11,403	12,216	12,882
Adjusted EBITDA[1] as a percentage of revenue	8.4%	8.6%	11.9%	10.8%	13.6%	13.1%	13.9%	15.3%
Distributable cash reconciliation								
Cash flow from (used in) operating activities	(3,077)	(3,708)	1,456	6,000	(818)	(10,122)	7,431	2,045
Less capital expenditures	(581)	(456)	(721)	(536)	(749)	(870)	(1,065)	(775)
Standardized distributable cash[1]	(3,658)	(4,164)	735	5,464	(1,567)	(10,992)	6,366	1,270
Add (deduct):								
Change in non-cash operating working capital	6,832	5,854	(12,770)	(1,900)	7,277	15,711	(691)	4,776
Acquisition-related costs	558	205	406	435	32	208	416	534
Current income tax expense (recovery)	178	1,113	535	512	1,047	1,090	427	1,503
Foreign exchange gain (loss)	(173)	(135)	221	357	(142)	289	(15)	77
Adjustment items	-	-	16,000	-	-	-	-	-
Distributable cash	3,737	2,873	5,127	4,868	6,647	6,306	6,503	8,160
Basic and diluted adjusted distributable cash per share and partnership unit[2]	0.1690	0.1312	0.2346	0.2252	0.3184	0.3487	0.3608	0.4530
Basic and diluted aggregate dividends per share	0.0303	0.1057	0.1969	0.2127	0.2820	0.3105	0.3230	0.3229
Payout ratio[1]	17.9%	80.6%	83.9%	94.5%	88.6%	89.0%	89.5%	71.3%
Basic adjusted net earnings per share[3,4]	0.1087	0.0298	0.0118	0.1250	0.2799	0.2065	0.2311	0.2355
Personnel – average	2,805	2,833	2,873	2,944	2,925	2,900	2,899	2,806
Personnel – quarter end	2,823	2,814	2,852	2,926	2,950	2,899	2,901	2,843

(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 $7.4 million for the three months ended June 30, 2013 (three months ended June 30, 2012 - $6.2 million) and $14.3 million for the six months ended June 30, 2013 (six month ended June 30, 2012 - $12.3 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 June 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 June 30, 2013 (three months ended June 30, 2012 - $0.1 million) and $0.2 million for the six months ended June 30, 2013 (six months ended June 30, 2012 - $0.2 million). Subsequent to June 30, 2013, the Management Partnership agreed to extend the maturity date of the loan until 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 six months ended June 30, 2013.

This MD&A is dated as of August 8, 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 excluding 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) is 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 work in process.

Adjusted net earnings 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 work in process 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.