



IBI Group 2022 Second-Quarter Management Discussion and Analysis

THREE AND SIX MONTHS ENDED
JUNE 30, 2022

IBI GROUP INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

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The following Management Discussion and Analysis (“MD&A”) of operating results and financial position of IBI Group Inc. and its subsidiaries (the “Company”) for the six months ended June 30, 2022 should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2021, including the notes thereto. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2021 is available on SEDAR at www.sedar.com.

The financial information and tables presented herein have been prepared on the basis of International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), for financial statements and are expressed in thousands of Canadian dollars except for per share amounts. Certain information in this MD&A are based on non-IFRS measures, which have been defined on page 47 of this MD&A.

FORWARD-LOOKING STATEMENTS

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

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

Certain statements in this MD&A may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary entities, including IBI Group Partnership (“IBI Group”) or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such statements use words such as “may”, “will”, “expect”, “believe”, “plan” and other similar terminology. These statements reflect management’s current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (i) the Company’s ability to maintain profitability and manage its growth; (ii) the Company’s reliance on its key professionals; (iii) competition in the industry in which the Company operates; (iv) timely completion by the Company of projects and performance by the Company of its obligations; (v) fixed-price contracts; (vi) the general state of the economy; (vii) risk of future legal proceedings against the Company; (viii) the international operations of the Company; (ix) reduction in the Company’s backlog; (x) fluctuations in interest rates; (xi) fluctuations in currency exchange rates; (xii) upfront risk of time invested in participating in consortia bidding on large projects and projects being contracted through private finance initiatives; (xiii) limits under the Company’s insurance policies; (xiv) the Company’s reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in their performance; (xv) unpredictability and volatility in the price of Common Shares (defined below); (xvi) the degree to which the Company is leveraged and the effect of the restrictive and financial covenants in the Company’s credit facilities; (xvii) the possibility that the Company may issue additional Common Shares (defined below) diluting existing Shareholders’ interests; (xviii) income tax matters. These risk factors are discussed in detail under the heading “Risk Factors” in the Company’s Annual Information Form for the year ended December 31, 2021. 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 August 3, 2022.

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

COMPANY PROFILE

The business of the Company is conducted through IBI Group, a technology-driven design firm providing clients globally with architecture, engineering, planning, systems and technology services operating out of over 60 offices in urban centres across the globe.

IBI’s Consulting business is concentrated in three practice areas:

INTELLIGENCE	BUILDINGS	INFRASTRUCTURE
<ul style="list-style-type: none"> • Software • Systems design • Systems integration • Operations • End-user services 	<ul style="list-style-type: none"> • Architecture • Interior design • Mechanical, Structural & Electrical engineering 	<ul style="list-style-type: none"> • Civil engineering • Landscape architecture • Planning • Transportation • Urban design

By integrating productivity tools, processes and technology innovations developed through IBI’s Intelligence practice, the Company has been able to drive incremental growth in its traditional Buildings and Infrastructures practices, while generating more efficient results for IBI clients. IBI’s track record of delivering premium, technology-driven results is a key firm differentiator and when combined with rising urbanization, is expected to contribute to the Company’s continued growth across all three practice areas.

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

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

CORE BUSINESS OVERVIEW

IBI markets its services and technologies through the three practice areas outlined above and manages business operations both by geographic region, in Canada and international locations, and by sector in the United States and the United Kingdom.

Intelligence

The skills and solutions within IBI's Intelligence practice are key elements that support IBI's position as a technology-driven design firm. The consulting practice includes advisory services, the design of systems, strategic advice on systems operation, deployment and assistance through to the implementation of industry solutions. IBI provides complete systems solutions in tolling, traffic and transit management, airport groundside management and lighting. Work to deliver new solutions that can be introduced to clients is underway in the areas of smart cities, asset management (including the InForm by IBI Group solution), traveller information systems (including TravellQ), parking and curbside management (Curb IQ), workplace management solution (NSpace) and data analytics.

Buildings

The Company's expertise in architecture, interior design and mechanical, structural & electrical engineering support IBI's Buildings sector, which includes projects across a variety of building types, including social infrastructure in health care, design for education, including schools, colleges, and universities; high density, high rise residential and mixed-use developments, low-rise buildings; industrial facilities, high-rise office buildings, retail space, institutional buildings, recreation, hotel and resort facilities. While the IBI Buildings practice covers a wide range of projects, the majority of the Company's practice is focused on four building types: mixed-use and residential development, healthcare, education and transportation facilities. Continued urbanization in global centres is expected to provide a growing portfolio of potential projects.

Infrastructure

The Company's expertise in civil engineering, landscape architecture, planning, transportation and urban design support IBI's Infrastructure practice. Services provided within the Infrastructure practice support transportation development, deployment and management - within and between urban areas - including all modes of private and public transportation for passengers (bus, light rail transit, heavy commuter rail, subway, heavy rail, high-speed rail, airports, marine transportation, and highway and road systems) and for freight transportation (trucks, rail, air, and marine). While the Infrastructure business is quite diverse, the majority of the Company's practice is focused on three core areas: land engineering covering all municipal utilities (sewer, power, water, and roads); placemaking services related to brownfield redevelopment in major metropolitan areas; and transportation planning and engineering.

OUTLOOK

The following represents forward-looking information and users are cautioned that actual results may vary.

Management is forecasting approximately \$478 million in total net revenue for the year ended December 31, 2022. The Company currently has \$685 million of work that is committed and under contract for the next five years, and at the same date has 17.5 months of backlog (calculated on the basis of the current pace of work that the Company has achieved during the 12 months ended June 30, 2021). The Company is also in a strong position to meet its current and future working capital needs with its current cash reserves and available credit facility borrowings.

The Company bases its view of industry performance on their results in relation to their direct competitors and by reports published by market analysts.

Ongoing efforts to improve the monitoring of financial results, identify synergies and implement cost management initiatives, as well as strengthen the billings and collections process continue to be an area of focus as the Company continues to seek out opportunities to enhance profitability. In addition, the Company remains committed to strengthening its balance sheet by directing free cash flow to ongoing debt reduction, with the ultimate goal of increasing capital allocation flexibility.

FINANCIAL HIGHLIGHTS

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

	THREE MONTHS ENDED			SIX MONTHS ENDED		
	<i>(Unaudited)</i>			<i>(Unaudited)</i>		
	JUNE 30,	JUNE 30,	% Change	JUNE 30,	JUNE 30,	% Change
	2022	2021		2022	2021	
Number of working days	62	63		124	125	
Gross revenue	\$161,311	\$141,356	14%	\$301,765	\$274,288	10%
Less: Subconsultants and direct costs	\$34,981	\$28,147	24%	\$54,679	\$52,177	5%
Net revenue	\$126,330	\$113,209	12%	\$247,086	\$222,111	11%
Net income	\$9,165	\$8,301	10%	\$17,131	\$12,598	36%
Basic earnings per share	\$ 0.24	\$ 0.22	9%	\$ 0.46	\$ 0.34	35%
Diluted earnings per share	\$ 0.24	\$ 0.22	9%	\$ 0.44	\$ 0.33	33%
Cash flows provided by operating activities	\$9,539	\$14,873	-36%	\$9,277	\$26,881	-65%
Recurring Billings ¹	\$5,914	\$5,100	16%	\$11,934	\$10,400	15%
Days Sales Outstanding ¹	57	58	-2%	57	58	-2%
Backlog (\$ millions)	\$685	\$604	13%	\$685	\$604	13%
Backlog (months)	17.5	17	3%	17.5	17	3%
Net Debt ¹	\$47,260	\$44,154	7%	\$47,260	\$44,154	7%
Net Debt ¹ / Adj. EBITDA Ratio	0.8	0.9	-11%	0.8	0.9	-11%
Net Revenue						
Intelligence	\$21,404	\$19,198	11%	\$42,372	\$39,089	8%
Buildings	\$64,847	\$56,521	15%	\$126,806	\$109,814	15%
Infrastructure	\$39,605	\$37,199	6%	\$76,970	\$72,442	6%
Corporate	\$474	\$291	63%	\$938	\$766	22%
Total	\$126,330	\$113,209	12%	\$247,086	222,111	11%
Adjusted EBITDA¹						
Intelligence	\$3,861	\$4,247	-9%	\$8,090	\$8,711	-7%
Buildings	\$14,170	\$12,285	15%	\$28,355	\$23,133	23%
Infrastructure	\$5,684	\$7,184	-21%	\$10,864	\$12,475	-13%
Corporate	\$(3,962)	\$(5,715)	-31%	\$(8,671)	\$(9,949)	-13%
Total	\$19,753	\$18,001	10%	\$38,638	\$34,370	12%
Adjusted EBITDA¹ as a % of Net Revenue						
Intelligence	18.0%	22.1%	-19%	19.1%	22.3%	-14%
Buildings	21.9%	21.7%	1%	22.4%	21.1%	6%
Infrastructure	14.4%	19.3%	-26%	14.1%	17.2%	-18%
Corporate	0%	0%	-	0%	0%	-
Total	15.6%	15.9%	-1.7%	15.6%	15.5%	-1.1%

¹ See "Definition of Non-IFRS Measures".

OVERVIEW

KEY EVENTS

- Net revenue increased to \$126.3 million for the three months ended June 30, 2022 compared to \$113.2 million for the same period in 2021, which reflects an increase of \$13.1 million or 11.6%. Net revenue increased to \$247.1 million for the six months ended June 30, 2022 compared to \$222.1 million for the same period in 2021, which reflects an increase of \$25.0 million or 11.3%.
- Net revenue increased by \$13.1 million in the three months ended June 30, 2022 compared to the same period in 2021, of which \$10.8 million was organic growth, representing an increase of 9.6%. Revenue increased by \$25.0 million for the six months ended June 30, 2022 compared to the same period in 2021, of which \$22.2 million was organic growth, representing an increase of 10.0%.
- Adjusted EBITDA¹ increased to \$19.8 million (or 15.6% of revenue) for the three months ended June 30, 2022 compared to \$18.0 million (or 15.9% of revenue) for the same period in 2021, which reflects an increase of \$1.8 million or 10%. Adjusted EBITDA¹ increased to \$38.6 million (or 15.6% of revenue) for the six months ended June 30, 2022 compared to \$34.4 million (or 15.5% of revenue) for the same period in 2021, which reflects an increase of \$4.2 million or 12.2%. The following tables represent the revenue and Adjusted EBITDA¹ impacts by sector for the three and six months ended June 30, 2022 and 2021:

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	THREE MONTHS ENDED JUNE 30, 2022				
	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	\$ 29,530	\$ 82,923	\$ 48,378	\$ 480	\$ 161,311
Less: subconsultants and direct expenses	8,126	18,076	8,773	6	34,981
Net revenue	\$ 21,404	\$ 64,847	\$ 39,605	\$ 474	\$ 126,330
Percentage of total revenue	16.9%	51.3%	31.4%	0.4%	100.0%
Adjusted EBITDA ¹	\$ 3,861	\$ 14,170	\$ 5,684	\$ (3,962)	\$ 19,753
Adjusted EBITDA ¹ as a percentage of revenue	18.0%	21.9%	14.4%		15.6%

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	THREE MONTHS ENDED JUNE 30, 2021				
	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	\$ 25,001	\$ 70,965	\$ 45,104	\$ 286	\$ 141,356
Less: subconsultants and direct expenses	5,803	14,444	7,905	(5)	28,147
Net revenue	\$ 19,198	\$ 56,521	\$ 37,199	\$ 291	\$ 113,209
Percentage of total revenue	17.0%	49.9%	32.9%	0.3%	100.0%
Adjusted EBITDA ¹	\$ 4,247	\$ 12,285	\$ 7,184	\$ (5,715)	\$ 18,001
Adjusted EBITDA ¹ as a percentage of revenue	22.1%	21.7%	19.3%		15.9%

¹ See "Definition of Non-IFRS Measures".

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	SIX MONTHS ENDED JUNE 30, 2022					
	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL	
Gross revenues	\$ 55,178	\$ 154,153	\$ 91,483	\$ 951	\$ 301,765	
Less: subconsultants and direct expenses	12,806	27,347	14,513	13	54,679	
Net revenue	\$ 42,372	\$ 126,806	\$ 76,970	\$ 938	\$ 247,086	
Percentage of total revenue	17.1%	51.3%	31.2%	0.4%	100.0%	
Adjusted EBITDA ¹	\$ 8,090	\$ 28,355	\$ 10,864	\$ (8,671)	\$ 38,638	
Adjusted EBITDA ¹ as a percentage of revenue	19.1%	22.4%	14.1%		15.6%	

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	SIX MONTHS ENDED JUNE 30, 2021					
	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL	
Gross revenues	\$ 48,652	\$ 138,682	\$ 86,124	\$ 830	\$ 274,288	
Less: subconsultants and direct expenses	9,563	28,868	13,682	64	52,176	
Net revenue	\$ 39,089	\$ 109,814	\$ 72,442	\$ 766	\$ 222,111	
Percentage of total revenue	17.6%	49.4%	32.6%	0.4%	100.0%	
Adjusted EBITDA ¹	\$ 8,711	\$ 23,133	\$ 12,475	\$ (9,949)	\$ 34,370	
Adjusted EBITDA ¹ as a percentage of revenue	22.3%	21.1%	17.2%		15.5%	

- Net income for the three months ended June 30, 2022 was \$9.2 million, an increase of \$0.9 million compared to the same period in 2021. Net income for the six months ended June 30, 2022 was \$17.1 million, an increase of \$4.5 million compared to the same period in 2021.
- For the three months and six months ended June 30, 2022, net revenue in the Intelligence sector was \$21.4 million and \$42.4 million.
- As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to June 30, 2021 of 13% across the firm. Backlog at June 30, 2022 was \$685 million or 17.5 months.

¹ See "Definition of Non-IFRS Measures".

- On May 31, 2022, the Company acquired 100% of the issued and outstanding shares of Hotspot. \$2.7 million consideration was paid in cash on closing and an estimated \$3.0 million to be paid through a deferred payment over the next three year period. There is an additional estimated \$1.5 million which is linked to the continued employment of certain of the vendor's staff.
- On March 31, 2022, the Company acquired 100% of the issued and outstanding shares of RLC Architects (RLC). The consideration paid was \$9.5 million with \$6.2 million paid in cash on closing and an estimated \$3.3 million to be paid through a deferred payment structure in the form of vendor notes payable over the next two years after transaction.
- For the three months ended June 30, 2022 the Company billed \$5.9 million to clients relating to recurring software support and maintenance¹. For the same period in 2021, the Company billed \$5.1 million. For the six months ended June 30, 2022 and 2021, the Company billed \$11.9 million and \$10.4 million, respectively to clients relating to recurring software support and maintenance.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Net revenue for the three months ended June 30, 2022 was \$126.3 million, compared with \$113.2 million in the same period in 2021, an increase of \$13.1 million or 11.6%. The increase in revenue for the three months ended June 30, 2022 is a result of improved performance across all business units.

Net revenue for the six months ended June 30, 2022 was \$247.1 million, compared with \$222.1 million in the same period in 2021, an increase of \$25.0 million or 11.3%. The increase in revenue for the six months ended June 30, 2022 compared to the same period in 2021 is a result of improved performance across all business units.

As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to June 30, 2021 of 13% across the firm.

Basic and diluted earnings per share is \$0.46 and \$0.44 respectively, for the six months ended June 30, 2022, compared to \$0.34 and \$0.33 per share for the same period in 2021. Basic and diluted earnings per share increased primarily due to an increase in net income of \$4.5 million and a slight increase in the weighted average number of common shares outstanding which totaled 31,230,103 as at June 30, 2022 compared to 31,282,007 for the same period in 2021.

¹ See "Definition of Non-IFRS Measures".

RESULTS OF OPERATIONS

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2022	2021	2022	2021
<i>(thousands of Canadian dollars, except per share amounts)</i>				
Revenue				
Gross Revenue	\$ 161,311	\$ 141,356	\$ 301,765	\$ 274,288
Less: Subconsultants and direct costs	34,981	28,147	54,679	52,177
NET REVENUE	\$ 126,330	\$ 113,209	\$ 247,086	\$ 222,111
Expenses				
Salaries, fees and employee benefits	89,363	80,729	176,350	159,837
Variable lease expense	2,200	2,007	4,452	4,781
Other operating expenses	13,737	11,067	25,705	21,482
Foreign exchange loss	1,126	190	1,306	684
Amortization of intangible assets	1,555	1,063	2,769	1,932
Depreciation of property, equipment, and other assets	1,286	1,437	2,608	2,835
Depreciation of right of use assets	3,092	2,951	6,080	5,978
Change in fair value of other financial liabilities	-	-	-	908
Impairment of financial assets	2,673	973	3,374	1,792
	115,032	100,417	222,644	200,229
OPERATING INCOME	\$ 11,298	\$ 12,792	\$ 24,442	\$ 21,882
Interest expense, net	1,776	2,042	3,505	4,025
Other finance costs	270	230	495	465
FINANCE COSTS	\$ 2,046	\$ 2,272	\$ 4,000	\$ 4,490
Gain on sale of investment	-	(866)	-	(866)
Interest income	(3,325)	-	(3,325)	-
NET INCOME BEFORE TAX	\$ 12,577	\$ 11,386	\$ 23,767	\$ 18,258
Current tax expense	3,084	3,009	6,017	4,237
Deferred tax expense	328	76	619	1,423
INCOME TAX EXPENSE	\$ 3,412	\$ 3,085	\$ 6,636	\$ 5,660
NET INCOME	\$ 9,165	\$ 8,301	\$ 17,131	\$ 12,598
OTHER COMPREHENSIVE INCOME				
Items that are or may be reclassified to profit or loss				
Gain (Loss) on translating financial statements of foreign operations, from continuing operations, net of tax	1,915	(1,321)	430	(2,305)
OTHER COMPREHENSIVE INCOME	1,915	(1,321)	430	(2,305)
TOTAL COMPREHENSIVE INCOME	\$ 11,080	\$ 6,980	\$ 17,561	\$ 10,293
NET INCOME ATTRIBUTABLE TO:				
Common shareholders	7,630	6,915	14,263	10,493
Non-controlling interests	1,535	1,387	2,868	2,105
NET INCOME	\$ 9,165	\$ 8,301	\$ 17,131	\$ 12,598
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Common shareholders	9,224	5,814	14,621	8,573
Non-controlling interests	1,856	1,166	2,940	1,720
TOTAL COMPREHENSIVE INCOME	\$ 11,080	\$ 6,980	\$ 17,561	\$ 10,293
EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS				
Basic earnings per share	\$ 0.24	\$ 0.22	\$ 0.46	\$ 0.34
Diluted earnings per share	\$ 0.24	\$ 0.22	\$ 0.44	\$ 0.33

DESCRIPTION OF VARIANCES IN OPERATING RESULTS

i) REVENUE

The Company presents revenue on a gross basis as it represents the contract values earned during the period.

Net revenue for the three months ended June 30, 2022 was \$126.3 million, compared with \$113.2 million in the same period in 2021, an increase of \$13.1 million or 11.6%. The increase in revenue for the three months ended June 30, 2022 compared to the same period in 2021 is a result of improved performance across all business units compared to the same period in 2021. Intelligence increased by \$2.2 million (11.5%), Buildings increased by \$8.3 million (14.7%), Infrastructure increased by \$2.4 million (6.5%) and Corporate increased by \$0.2 million (62.9%).

Net revenue for the six months ended June 30, 2022 was \$247.1 million, compared with \$222.1 million in the same period in 2021, an increase of \$25.0 million or 11.3%. The increase in revenue for the six months ended June 30, 2022 compared to the same period in 2021 is a result of improved performance across all business units when compared to the same period in 2021. Intelligence increased by \$3.3 million (8.4%), Buildings increased by \$17.0 million (15.5%), Infrastructure increased by \$4.5 million (6.3%) and Corporate increased by \$0.2 million (22.5%).

As a result of an improved pace of securing future work, the Company has an increase in backlog to be completed relative to December 31, 2021 of 13% across the firm.

The following table provides quarterly historical financial working days for the Company for each of the eight most recently completed quarters:

	JUNE 30	MARCH 31	DECEMBER 31,	SEPTEMBER 30,	JUNE 30,	MARCH 31,	DECEMBER 31,	SEPTEMBER 30,
<i>(unaudited)</i>	2022	2022	2021	2021	2021	2021	2020	2020
Number of working days	63	62	63	63	63	62	63	63

ii) SALARIES, FEES, AND EMPLOYEE BENEFITS

Salaries, fees, and employee benefits for the three months ended June 30, 2022 was \$89.4 million compared to \$80.7 million in the same period in 2021. As a percentage of net revenues, salaries, fees and employee benefits for the three months ended June 30, 2022 was 70.8% compared to 71.3% for the same period.

The impact of foreign exchange on salaries, fees and employee benefits for the three months ended June 30, 2022 was a decrease in expense of \$0.9 million compared to the same period in 2021.

Salaries, fees, and employee benefits for the six months ended June 30, 2022 was \$176.4 million compared to \$159.8 million in the same period in 2021. As a percentage of net revenues, salaries, fees and employee benefits for the six months ended June 30, 2022 was 71.4% compared to 72.0% for the same period.

The impact of foreign exchange on salaries, fees and employee benefits for the six months ended June 30, 2022 was a decrease in expense of \$5.5 million compared to the same period in 2021.

The following table is a summary of salaries, fees and employee benefits for the three and six months ended June 30, 2022:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 2022	2021	JUNE 30, 2022	2021
Salaries and wages	78,480	71,851	155,606	141,736
Benefits	10,401	8,533	19,736	16,687
Performance share units	117	110	229	216
Change in fair value of deferred share units	107	8	245	816
Stock options expense	258	227	534	382
TOTAL SALARIES, FEES AND EMPLOYEE BENEFITS	\$ 89,363	\$ 80,729	\$ 176,350	\$ 159,837

iii) VARIABLE LEASE EXPENSE

Variable lease expenses for the three months ended June 30, 2022 was \$2.2 million compared to \$2.0 million in the same period in 2021. Variable lease expenses for the six months ended June 30, 2022 was \$4.5 million compared to \$4.8 million in the same period in 2021. Variable lease expenses include items such as utilities, property taxes, and other common area maintenance costs on real estate contracts, as well as any real estate contracts where the practical expedient was applied under IFRS 16 (short-term leases or low-dollar value leases). The Company is implementing a plan to reduce its office footprint as part of its adoption of a hybrid working model. This resulted in lower rental rates for the six months ended June 30, 2022.

iv) OTHER OPERATING EXPENSES

Other operating expenses for the three months ended June 30, 2022 totaled \$13.7 million compared with \$11.1 million in the same period in 2021, an increase of \$2.6 million or 23.4%. As a percentage of net

revenues, operating expenses for the three months ended June 30, 2022 were 10.8% compared to 9.8% for the same period in 2021. For the three and six months ended June 30, 2022, there were significant increases in computer costs due to vendor increased rates.

The impact of foreign exchange on other operating expenses for the three months ended June 30, 2022 was a decrease in expenses of \$0.04 million compared to the same period in 2021.

Other operating expenses for the six months ended June 30, 2022 totaled \$25.7 million compared with \$21.5 million in the same period in 2021, an increase of \$4.2 million or 19.5%. As a percentage of net revenues, operating expenses for the six months ended June 30, 2022 were 10.4% compared to 9.7% for the same period in 2021. For the three and six months ended June 30, 2022, there were significant increases in computer costs due to vendor increased rates.

The impact of foreign exchange on other operating expenses for the six months ended June 30, 2022 was an decrease in expense of \$0.08 million compared to the same period in 2021.

v) FOREIGN EXCHANGE GAIN & LOSS

Foreign exchange loss for the three months ended June 30, 2022 was \$1.1 million compared to a loss of \$0.2 million for the same period in 2021. Foreign exchange loss for the six months ended June 30, 2022 was \$1.3 million compared to \$0.7 million for the same period in 2021.

The foreign exchange loss is primarily attributable to foreign exchange rate movements between the Canadian dollar, U.S dollar and British pound as functional currencies of the Company's subsidiaries and other local currencies of international subsidiaries, intercompany loans made by the Canadian parent company in the functional currencies of foreign subsidiaries that are not considered part of the permanent investment in those foreign subsidiaries.

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

vi) CHANGE IN FAIR VALUE OF OTHER FINANCIAL LIABILITIES

The change in fair value of other financial liabilities for the six months ended June 30, 2022 was \$nil compared to a loss of \$0.9 million for the same period in 2021. The movement is related to the revaluation of the derivative liability, which was set up in September 2016 as a result of the issuance of the 5.5% Debentures. These Debentures were redeemed on January 15, 2021.

vii) AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets for the three months ended June 30, 2022 was \$1.6 million compared to \$1.1 million for the same period in 2021. Amortization of intangible assets for the six months ended June 30, 2022 was \$2.8 million compared to \$1.9 million for the same period in 2021. The increase in amortization

of intangible assets for the three months and six months ended June 30, 2022 is due to and bringing new processes and assets into use subsequent to the prior period and additions from acquisitions.

DEPRECIATION OF PROPERTY AND EQUIPMENT

Depreciation of property and equipment for the three months ended June 30, 2022 was \$1.3 million compared to \$1.4 million for the same period in 2021. Depreciation of property and equipment for the six months ended June 30, 2022 was \$2.6 million compared to \$2.8 million for the same period in 2021.

viii) IMPAIRMENT OF FINANCIAL ASSETS

Impairment of financial assets for the three months ended June 30, 2022 was \$2.7 million compared to \$1.0 million for the same period in 2021. Impairment of financial assets for the six months ended June 30, 2022 was \$3.4 million compared to \$1.8 million for the same period in 2021. For the three and six months ended June 30, 2022, an amount of \$2.1 million was recorded to write off of sales tax receivables. This write off was offset by the recognition of \$3.3 million interest proceeds. The remainder of the balance is based on the Company's historical collection and loss experience and incorporates forward looking factors, where appropriate.

ix) DEPRECIATION OF RIGHT-OF-USE ASSET

Depreciation of right-of-use assets for the three months ended June 30, 2022 was \$3.1 million compared to \$3.0 million for the same period in 2021. Depreciation of right-of-use assets for the six months ended June 30, 2022 was \$6.1 million compared to \$6.0 million for the same period in 2021.

x) INTEREST EXPENSE & OTHER FINANCE COSTS

Interest expense for the three months ended June 30, 2022 was \$1.8 million compared to \$2.0 million for the same period in 2021. Interest expense for the six months ended June 30, 2022 was \$3.5 million compared to \$4.0 million for the same period in 2021.

Other finance costs for the three and six months ended June 30, 2022 were \$0.3 million and \$0.5 million, respectively, compared to \$0.2 million and \$0.5 million for the same periods in 2021.

Following is a summary of finance costs for the three months and six months ended June 30, 2022 and 2021:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30,		JUNE 30,	
	2022	2021	2022	2021
Interest on credit facilities	\$ 108	\$ 235	\$ 187	\$ 320
Interest on debentures	\$ 745	\$ 745	\$ 1,483	\$ 1,625
Non-cash accretion of debentures	\$ 128	\$ 118	\$ 253	\$ 233
Interest on lease liability	\$ 641	\$ 830	\$ 1,360	\$ 1,712
Interest on lease receivable	\$ (32)	\$ (50)	\$ (69)	\$ (110)
Other	\$ 186	\$ 164	\$ 291	\$ 245
INTEREST EXPENSE	\$ 1,776	\$ 2,042	\$ 3,505	\$ 4,025
Amortization of deferred financing costs	\$ 70	\$ 132	\$ 186	\$ 261
Other	200	98	309	204
OTHER FINANCE COSTS	\$ 270	\$ 230	\$ 495	\$ 465
FINANCE COSTS	\$ 2,046	\$ 2,272	\$ 4,000	\$ 4,490

xi) INTEREST INCOME

For the three and six months ended June 30, 2022, \$3.3 million was recorded to reflect interest income related to sales taxes in prior periods. As noted above, there is a related write off of taxes receivables of \$2.1 million in impairment of financial assets.

xii) INCOME TAXES

Income taxes for the three and six months ended June 30, 2022 was \$3,412 and \$6,636, respectively. (three and six months ended June 30, 2021 - \$3,085 and \$5,660, respectively). The effective income tax rate for the three and six months ended June 30, 2022 was 27.1% and 27.9%, respectively. (three and six months ended June 30, 2021 – 27.1% and 31.0%). The change in the effective income tax rate was primarily due to the redemption of the 5.5% debentures in January 2021 where the cash premium paid on settlement was non-deductible. This was a one-time occurrence in 2021 and is not applicable in 2022. Another factor is a higher amount of non-deductible deferred share plan expense in 2021 in comparison to 2022.

xiii) NET INCOME

Net income for the three and six months ended June 30, 2022 was \$9.2 million and \$17.1 million, respectively, compared to \$8.3 million and \$12.6 million, respectively, for the same periods in 2021. The factors impacting this have been set out in the description of individual line items above.

SUMMARY OF FOREIGN EXCHANGE IMPACT

The following is a summary of the foreign exchange impact on revenue and total expenses for the three and six months ended June 30, 2022 and 2021:

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	THREE MONTHS ENDED			FOREIGN	
	JUNE 30			EXCHANGE OPERATING	
	2022	2021	CHANGE	IMPACT	CHANGE
Gross revenue	161,311	141,356	19,955	1,100	18,855
Less: Subconsultants and direct costs	34,981	28,147	6,834	(305)	7,139
Net revenue	126,330	113,209	13,121	1,405	11,716
Total operating expenses, net of foreign exchange gain & loss	113,906	100,227	13,679	525	13,154

<i>(in thousands of Canadian dollars)</i>	SIX MONTHS ENDED			FOREIGN	
	JUNE 30			EXCHANGE OPERATING	
	2022	2021	CHANGE	IMPACT	CHANGE
Gross revenue	301,765	274,288	27,477	739	26,738
Less: Subconsultants and direct costs	54,679	52,177	2,502	(229)	2,731
Net revenue	247,086	222,111	24,975	968	24,007
Total operating expenses, net of foreign exchange gain & loss	221,338	199,545	21,793	232	21,561

RECONCILIATION OF NON-IFRS MEASURES

ADJUSTED EBITDA¹ FOR BANK COVENANT PURPOSES

All of the factors outlined above have been adjusted for the discussion in the non-IFRS measure, Adjusted EBITDA¹ for bank covenant purposes. The following tables provide revenue and Adjusted EBITDA¹ for bank covenant purposes by Business unit for the three months and six months ended June 30, 2022 and 2021

¹ See "Definition of Non-IFRS Measures".

<i>(in thousands of Canadian dollars)</i>	THREE MONTHS ENDED JUNE 30, 2022									
	<i>(unaudited)</i>	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL				
Gross revenues	\$	29,530	\$	82,923	\$	48,378	\$	480	\$	161,311
Less: subconsultants and direct expenses		8,126		18,076		8,773		6		34,981
Net revenue	\$	21,404	\$	64,847	\$	39,605	\$	474	\$	126,330
Adjusted EBITDA ¹	\$	3,203	\$	12,220	\$	4,705	\$	(3,968)	\$	16,160
Items excluded in calculation of Adjusted EBITDA ¹ :										
Interest expense, net		136		415		243		982		1,776
Amortization and depreciation		1,647		2,798		1,482		6		5,933
Foreign exchange (gain) loss		226		(333)		28		1,205		1,126
Change in fair value of deferred share units		-		-		-		107		107
Payment of DSP		-		-		-		(380)		(380)
Stock based compensation		24		33		60		141		258
Performance share units		-		-		-		117		117
Payment of performance share units		-		-		-		(599)		(599)
Deferred financing charges		-		-		-		70		70
Interest Income, net		-		-		-		(1,233)		(1,233)
IFRS 16 lease accounting adjustment		(658)		(1,950)		(979)		(6)		(3,593)
Net income before tax	\$	1,828	\$	11,257	\$	3,871	\$	(4,379)	\$	12,577

<i>(in thousands of Canadian dollars)</i>	THREE MONTHS ENDED JUNE 30, 2021									
	<i>(unaudited)</i>	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL				
Gross revenues	\$	25,001	\$	70,965	\$	45,104	\$	286	\$	141,356
Less: subconsultants and direct expenses		5,803		14,444		7,905		(5)		28,147
Net revenue	\$	19,198	\$	56,521	\$	37,199	\$	291	\$	113,209
Adjusted EBITDA ¹	\$	3,623	\$	10,281	\$	5,837	\$	(5,343)	\$	14,398
Items excluded in calculation of Adjusted EBITDA ¹ :										
Interest expense, net		146		487		361		1,048		2,042
Amortization and depreciation		1,065		2,567		2,057		(238)		5,451
Foreign exchange (gain) loss		75		309		80		(274)		190
Gain on sale of investment		-		-		-		(866)		(866)
Change in fair value of deferred share units		-		-		-		8		8
Payment of DSP		-		-		-		(380)		(380)
Stock based compensation		30		40		61		96		227
Performance share units		-		-		-		110		110
Payment of performance share units		-		-		-		(299)		(299)
Deferred financing charges		-		-		-		132		132
IFRS 16 lease accounting adjustment		(624)		(2,004)		(1,347)		372		(3,603)
Net income before tax	\$	2,931	\$	8,882	\$	4,625	\$	(5,052)	\$	11,386

¹ See "Definition of Non-IFRS Measures".

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	SIX MONTHS ENDED JUNE 30, 2022				
	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	\$ 55,178	154,153	91,483	951	\$ 301,765
Less: subconsultants and direct expenses	12,806	27,347	14,513	13	54,679
Net revenue	\$ 42,372	\$ 126,806	\$ 76,970	\$ 938	\$ 247,086
Adjusted EBITDA ¹	\$ 6,772	\$ 24,450	\$ 8,578	\$ (8,686)	\$ 31,114
Items excluded in calculation of Adjusted EBITDA ¹ :					
Interest expense, net	261	802	519	1,923	3,505
Amortization and depreciation	3,163	5,106	3,175	13	11,457
Foreign exchange (gain) loss	391	358	(115)	672	1,306
Change in fair value of deferred share units	-	-	-	245	245
Payment of DSP	-	-	-	(760)	(760)
Stock based compensation	60	83	143	248	534
Performance share units	-	-	-	229	229
Payment of performance share units	-	-	-	(599)	(599)
Deferred financing charges	-	-	-	186	186
Interest Income, net	-	-	-	(1,233)	(1,233)
IFRS 16 lease accounting adjustment	(1,318)	(3,905)	(2,286)	(15)	(7,524)
Net income before tax	\$ 4,215	\$ 22,006	\$ 7,142	\$ (9,596)	\$ 23,767

<i>(in thousands of Canadian dollars)</i> <i>(unaudited)</i>	SIX MONTHS ENDED JUNE 30, 2021				
	INTELLIGENCE	BUILDINGS	INFRASTRUCTURE	CORPORATE	TOTAL
Gross revenues	\$ 48,652	\$ 138,682	\$ 86,124	\$ 830	\$ 274,288
Less: subconsultants and direct expenses	9,563	28,868	13,682	64	52,177
Net revenue	\$ 39,089	\$ 109,814	\$ 72,442	\$ 766	\$ 222,111
Adjusted EBITDA ¹	\$ 7,533	\$ 19,474	\$ 10,076	\$ (9,800)	\$ 27,283
Items excluded in calculation of Adjusted EBITDA ¹ :					
Interest expense, net	277	899	667	2,182	4,025
Amortization and depreciation	2,079	4,899	3,755	12	10,745
Foreign exchange (gain) loss	16	990	281	(603)	684
Gain on sale of investment	-	-	-	(866)	(866)
Change in fair value of other financial liabilities	-	-	-	908	908
Change in fair value of deferred share units	-	-	-	816	816
Payment of DSP	-	-	-	(760)	(760)
Stock based compensation	49	62	82	189	382
Performance share units	-	-	-	216	216
Payment of performance share units	-	-	-	(299)	(299)
Deferred financing charges	-	-	-	261	261
IFRS 16 lease accounting adjustment	(1,178)	(3,659)	(2,399)	149	(7,087)
Net income before tax	\$ 6,290	\$ 16,283	\$ 7,690	\$ (12,005)	\$ 18,258

¹ See "Definition of Non-IFRS Measures".

ADJUSTED EBITDA¹ AND ADJUSTED EBITDA¹ FOR BANK COVENANT PURPOSES FOR THE LAST EIGHT QUARTERS

The following table summarizes the impact of the IFRS 16 adjustment on Adjusted EBITDA¹ and as a percentage of net revenue for the last eight quarters.

<i>(in thousands of Canadian dollars)</i>	JUNE	MARCH	DECEMBER	SEPTEMBER	JUNE	MARCH	DECEMBER	SEPTEMBER
<i>(unaudited)</i>	30, 2022	31, 2022	31, 2021	30, 2021	30, 2021	31, 2021	31, 2020	30, 2020
Adjusted EBITDA ¹ for bank covenant purposes	16,160	14,954	10,988	14,607	14,398	12,885	10,640	12,727
Adjusted EBITDA ¹ for bank covenant purposes as a percentage of revenue	12.8%	12.4%	9.7%	13.3%	12.7%	11.8%	10.8%	13.0%
IFRS 16 lease accounting adjustment	3,593	3,931	3,916	4,115	3,603	3,484	3,039	3,492
Adjusted EBITDA ¹	19,753	18,885	14,904	18,722	18,001	16,369	13,679	16,219
Adjusted EBITDA ¹ as a percentage of revenue	15.6%	15.6%	13.2%	17.1%	15.9%	15.0%	13.9%	16.5%

¹ See "Definition of Non-IFRS Measures".

The following table summarizes quarterly historical financial results for the Company for each of the eight most recently completed quarters and outlines the items which comprise the difference between net income (loss) and Adjusted EBITDA¹ for bank covenant purposes. This information should be read in conjunction with the applicable unaudited and annual audited consolidated financial statements and related notes thereto, prepared in accordance with IFRS.

¹ See “*Definition of Non-IFRS Measures*”.

(in thousands of Canadian dollars
except for per share amounts)
(unaudited)

	JUNE 30, 2022	MARCH 31, 2022	DECEMBER 31, 2021	SEPTEMBER 30, 2021	JUNE 30, 2021	MARCH 31, 2021	DECEMBER 31, 2020	SEPTEMBER 30, 2020
Gross revenue	161,311	140,454	145,872	136,350	141,356	132,932	135,641	124,355
Less: Subconsultants and direct costs	34,981	19,698	33,096	26,748	28,147	24,030	37,058	26,307
Net revenue	126,330	120,756	112,776	109,602	113,209	108,902	98,583	98,048
Net Income	9,165	7,966	4,473	8,176	8,301	4,297	(929)	6,270
Add:								
Interest expense, net	1,776	1,729	2,066	1,932	2,042	1,983	6,986	2,512
Current and deferred tax expense (recovery)	3,412	3,224	2,009	3,038	3,085	2,575	776	1,639
Amortization and Depreciation	5,933	5,524	5,611	5,461	5,451	5,294	5,322	5,348
	11,121	10,477	9,686	10,431	10,578	9,852	13,084	9,499
EBITDA	20,286	18,443	14,159	18,607	18,879	14,149	12,155	15,769
EBITDA as a percentage of revenue	16.1%	15.3%	12.6%	17.0%	16.7%	13.0%	12.3%	16.1%
Items excluded in calculation of Adjusted EBITDA ¹ for bank covenant purposes								
Foreign exchange loss	1,126	180	227	(188)	190	494	(77)	367
Gain on sale of investment	-	-	-	-	(866)	-	-	-
Change in fair value of other financial liabilities	-	-	-	-	-	908	465	(999)
Change in fair value of deferred share units	107	138	461	153	8	808	803	897
Stock based compensation expenses	258	276	237	294	227	155	161	157
Performance share units expenses	117	112	104	104	110	106	97	98
Payment of deferred share units expenses	(380)	(380)	(380)	(380)	(380)	(380)	-	(184)
Payment of performance share units expenses	(599)	-	-	-	(299)	-	-	-
Deferred financing charges	70	116	96	132	132	129	75	114
Interest income, net	(1,233)	-	-	-	-	-	-	-
IFRS 16 lease accounting adjustment	(3,593)	(3,931)	(3,916)	(4,115)	(3,603)	(3,484)	(3,039)	(3,492)
	(4,127)	(3,489)	(3,171)	(4,000)	(4,481)	(1,264)	(1,515)	(3,042)
Adjusted EBITDA¹ for bank covenant purposes	16,160	14,954	10,988	14,607	14,398	12,885	10,640	12,727
Adjusted EBITDA¹ for bank covenant purposes as a percentage of revenue	12.8%	12.4%	9.7%	13.3%	12.7%	11.8%	10.8%	13.0%
Adjusted EBITDA¹	19,753	18,885	14,904	18,722	18,001	16,369	13,679	16,219
Adjusted EBITDA¹ as a percentage of revenue	15.6%	15.6%	13.2%	17.1%	15.9%	15.0%	13.9%	16.5%
Basic and diluted earnings per share attributed to common shareholders	0.24	0.21	0.12	0.22	0.22	0.11	(0.02)	0.17
Diluted earnings per share attributed to common shareholders	0.24	0.21	0.12	0.21	0.22	0.11	(0.02)	0.17
Weighted average share outstanding	31,230,103	31,279,574	31,298,038	31,295,588	31,298,280	31,265,733	31,257,544	31,246,674

¹ See "Definition of Non-IFRS Measures".

IMPACT OF TRENDS ON QUARTERLY RESULTS

i) REVENUE

Consolidated quarterly revenue is impacted by the available chargeable hours which are typically lowest in the third quarter due to staff taking vacation during the summer months. Chargeable hours are also impacted by the number of working days in the quarter (see historical working days table in the Description of Variances in Operating Results section of this MD&A). The number of working days remained consistent for the three months and six months ended June 30, 2022 and 2021.

Net revenue is also impacted by the movement in foreign exchange rates. For the eight most recently completed quarters, the following table provides the impact foreign exchange on net revenue when compared to the same period in the previous year:

(in thousands of Canadian dollars)	JUNE	MARCH	DECEMBER	SEPTEMBER	JUNE	MARCH	DECEMBER	SEPTEMBER
(unaudited)	30, 2022	31, 2022	31, 2021	30, 2021	30, 2021	31, 2021	31, 2020	30, 2020
Gain (loss) of foreign exchange on gross revenue	739	(361)	(1,636)	(2,583)	(5,413)	(2,421)	(379)	2,807
Loss (gain) of foreign exchange on subconsultants and direct costs	(229)	77	449	812	1,647	789	82	(766)
Gain (loss) of foreign exchange on net revenue	968	(438)	(2,085)	(3,395)	(7,060)	(3,210)	(461)	3,573

ii) NET INCOME (LOSS)

Net income (loss) is impacted by the fluctuations of foreign exchange and the fair value in other financial liabilities. The impact of these gains (losses) is noted in the adjusted EBITDA¹ for bank covenant purposes table.

iii) ADJUSTED EBITDA¹

Adjusted EBITDA¹ was \$19.8 million for the three months ended June 30, 2022 compared to \$18.0 million for the same period in 2021.

Adjusted EBITDA¹ was \$38.6 million for the six months ended June 30, 2022 compared to \$34.4 million for the same period in 2021. Refer to the adjusted EBITDA¹ for bank covenant purposes table above for the changes in the factors which affect the balance period over period.

¹ See "Definition of Non-IFRS Measures".

SEGMENTED ADJUSTED EBITDA¹ FOR BANK COVENANT PURPOSES

The following tables provide financial data for the three months ended June 30, 2022 and 2021 for the following geographic segments of the Company: Canada, U.S., U.K., and Other International.

¹ See “*Definition of Non-IFRS Measures*”.

	THREE MONTHS ENDED JUNE 30, 2022					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS ¹	TOTAL
Gross revenues	\$ 91,854	\$ 49,319	\$ 8,615	\$ 11,523	\$ -	\$ 161,311
Less: subconsultants and direct expenses	12,379	14,746	1,697	6,159	-	34,981
Net revenue	\$ 79,475	\$ 34,573	\$ 6,918	\$ 5,364	\$ -	\$ 126,330
Adjusted EBITDA ²	\$ 9,044	\$ 6,747	\$ (9)	\$ 378	\$ -	\$ 16,160
Items excluded in calculation of Adjusted EBITDA ² :						
Interest expense, net	574	176	32	14	980	1,776
Amortization and depreciation	3,450	1,884	342	257	-	5,933
Foreign exchange (gain) loss	807	(3)	321	1	-	1,126
Change in fair value of deferred share units	-	-	-	-	107	107
Payment of DSP	-	-	-	-	(380)	(380)
Stock based compensation	247	3	3	5	-	258
Performance share units	117	-	-	-	-	117
Payment of performance share units	(599)	-	-	-	-	(599)
Deferred financing charges	-	-	-	-	70	70
Interest income, net	(1,233)	-	-	-	-	(1,233)
IFRS 16 lease accounting adjustment	(1,739)	(1,497)	(240)	(117)	-	(3,593)
Net income (loss) before tax	\$ 7,419	\$ 6,184	\$ (467)	\$ 218	\$ (777)	\$ 12,577

	THREE MONTHS ENDED JUNE 30, 2021					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS ¹	TOTAL
Gross revenues	\$ 81,411	\$ 42,209	\$ 11,240	\$ 6,496	\$ -	\$ 141,356
Less: subconsultants and direct expenses	9,747	12,906	3,712	1,782	-	28,147
Net revenue	\$ 71,664	\$ 29,303	\$ 7,528	\$ 4,714	\$ -	\$ 113,209
Adjusted EBITDA ²	\$ 8,189	\$ 5,218	\$ 1,000	\$ (9)	\$ -	\$ 14,398
Items excluded in calculation of Adjusted EBITDA ² :						
Interest expense, net	688	214	26	16	1,098	2,042
Amortization and depreciation	3,136	1,615	396	304	-	5,451
Foreign exchange (gain) loss	82	(63)	25	146	-	190
Gain on sale of investment	(866)	-	-	-	-	(866)
Change in fair value of deferred share units	-	-	-	-	8	8
Payment of DSP	-	-	-	-	(380)	(380)
Stock based compensation	201	14	6	6	-	227
Performance share units	110	-	-	-	-	110
Payment of performance share units	(299)	-	-	-	-	(299)
Deferred financing charges	-	-	-	-	132	132
IFRS 16 lease accounting adjustment	(1,791)	(1,362)	(311)	(139)	-	(3,603)
Net income (loss) before tax	\$ 6,928	\$ 4,800	\$ 858	\$ (342)	\$ (858)	\$ 11,386

¹ Unallocated corporate costs represent costs not associated with a particular operating segment and are borne by IBI Group as a whole. These costs include interest on credit facility, interest and accretion on convertible debentures, the change in fair value on other financial liabilities, the change in fair value in deferred share units, and the amortization of deferred financing costs associated with the credit facilities.

² As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; IFRS lease accounting adjustments; and interest income.

	SIX MONTHS ENDED JUNE 30, 2022					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS ¹	TOTAL
Gross Revenues	\$ 177,757	\$ 87,946	\$ 17,499	\$ 18,563	\$ -	\$ 301,765
Less: subconsultants and direct expenses	20,545	22,561	3,415	8,158	-	54,679
Net revenue	\$ 157,212	\$ 65,385	\$ 14,084	\$ 10,405	\$ -	\$ 247,086
Adjusted EBITDA ²	\$ 20,044	\$ 10,730	\$ 307	\$ 33	\$ -	\$ 31,114
Items excluded in calculation of Adjusted EBITDA ² :						
Interest expense, net	1,145	348	66	26	1,920	3,505
Amortization and depreciation	6,799	3,432	692	534	-	11,457
Foreign exchange (gain) loss	631	8	521	146	-	1,306
Change in fair value of deferred share units	-	-	-	-	245	245
Payment of DSP	-	-	-	-	(760)	(760)
Stock based compensation	491	20	12	11	-	534
Performance share units	229	-	-	-	-	229
Payment of performance share units	(599)	-	-	-	-	(599)
Deferred financing charges	-	-	-	-	186	186
Interest income, net	(1,233)	-	-	-	-	(1,233)
IFRS 16 lease accounting adjustment	(3,935)	(2,880)	(473)	(236)	-	(7,524)
Net income (loss) before tax	\$ 16,515	\$ 9,802	\$ (511)	\$ (448)	\$ (1,591)	\$ 23,767

	SIX MONTHS ENDED JUNE 30, 2021					
	CANADA	UNITED STATES	UNITED KINGDOM	OTHER INTERNATIONAL	UNALLOCATED CORPORATE COSTS ¹	TOTAL
Gross revenues	\$ 157,798	\$ 83,217	\$ 20,191	\$ 13,082	\$ -	\$ 274,288
Less: subconsultants and direct expenses	17,732	25,686	5,075	3,684	-	52,177
Net revenue	\$ 140,066	\$ 57,531	\$ 15,116	\$ 9,398	\$ -	\$ 222,111
Adjusted EBITDA ²	\$ 16,652	\$ 8,855	\$ 1,638	\$ 138	\$ -	\$ 27,283
Items excluded in calculation of Adjusted EBITDA ² :						
Interest expense, net	1,322	438	54	33	2,178	4,025
Amortization and depreciation	6,080	3,267	787	611	-	10,745
Gain on sale of investment	(866)	-	-	-	-	(866)
Foreign exchange (gain) loss	468	(124)	1	339	-	684
Change in fair value of other financial liabilities	-	-	-	-	908	908
Change in fair value of deferred share units	-	-	-	-	816	816
Payment of DSP	-	-	-	-	(760)	(760)
Stock based compensation	340	21	9	12	-	382
Performance share units	216	-	-	-	-	216
Payment of performance share units	(299)	-	-	-	-	(299)
Deferred financing charges	-	-	-	-	261	261
IFRS 16 lease accounting adjustment	(3,428)	(2,750)	(627)	(282)	-	(7,087)
Net income (loss) before tax	\$ 12,819	\$ 8,003	\$ 1,414	\$ (575)	\$ (3,403)	\$ 18,258

¹ Unallocated corporate costs represent costs not associated with a particular operating segment and are borne by IBI Group as a whole. These costs include interest on credit facility, interest and accretion on convertible debentures, the change in fair value on other financial liabilities, the change in fair value in deferred share units, and the amortization of deferred financing costs associated with the credit facilities.

² As defined in the credit facilities agreement, references to "Adjusted EBITDA" is to earnings before interest, income taxes, depreciation and amortization; adjusted for gain/loss arising from extraordinary, unusual or non-recurring items; acquisition costs and deferred consideration revenue; non-cash expenses; gain/loss realized upon the disposal of capital property; gain/loss on foreign exchange translation; gain/loss on purchase or redemption of securities issued; gain/loss on fair valuation of financial instruments; amounts attributable to minority equity investments; IFRS lease accounting adjustments; and interest income.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The following table represents the working capital information:

<i>(in thousands of Canadian dollars)</i>	JUNE 30,		DECEMBER 31,		CHANGE
		2022		2021	
Current assets	\$	260,416	\$	244,998	\$ 15,418
Current liabilities		(145,179)		(145,779)	600
WORKING CAPITAL	\$	115,237	\$	99,219	\$ 16,018

Current assets increased by \$15.4 million as at June 30, 2022 when compared with December 31, 2021. This was due to an increase in contract assets of \$4.3 million, an increase in account receivables of \$10.3 million and an increase in prepaid expenses and other current assets of \$4.7 million. This is offset by a decrease in cash of \$4.0 million.

There was a decrease in current assets due to foreign exchange as at June 30, 2022 of \$0.8 million.

Current liabilities decreased by \$0.6 million as at June 30, 2022 when compared with December 31, 2021. This was due to a decrease in accounts payable and accrued liabilities of \$5.1 million, a decrease in income taxes payable of \$2.6 million. This is offset by an increase of \$1.1 million in contract liabilities, an increase in bank indebtedness of \$4.7 million and an increase in deferred consideration of \$1.4 million.

There was a decrease in current liabilities due to foreign exchange as at June 30, 2022 of \$1.7 million.

¹ See "Definition of Non-IFRS Measures".

WORKING CAPITAL MEASURED IN NUMBER OF DAYS OF GROSS BILLINGS¹

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

The table below calculates working days on a trailing twelve-month basis, measured as days outstanding on gross billings.

WORKING DAYS OF GROSS BILLINGS OUTSTANDING ¹	JUNE 30, 2022	MARCH 31, 2022	DECEMBER 31, 2021	SEPTEMBER 30, 2021	JUNE 30, 2021
(unaudited)					
<i>Accounts receivable</i>	59	60	58	57	55
<i>Contract assets</i>	26	26	25	29	31
<i>Contract liabilities</i>	(28)	(29)	(29)	(29)	(28)
	57	57	54	57	58

The days sales outstanding as at June 30, 2022 has decreased by one day compared to June 30, 2021. The Company continues to carry out regular comprehensive reviews of its contract assets and accounts receivable. Improving the days outstanding in contract assets and accounts receivable is a significant area of focus for the Company. There are ongoing programs and initiatives to accelerate billings and to reduce days outstanding.

COMPONENTS OF WORKING CAPITAL

(in millions of Canadian dollars)	JUNE 30, 2022	MARCH 31, 2022	DECEMBER 31, 2021	SEPTEMBER 30, 2021	JUNE 30, 2021
	(unaudited)	(unaudited)		(unaudited)	(unaudited)
<i>Accounts receivable</i>	150.4	150.6	140.1	132.7	124.7
<i>Contract assets</i>	64.5	62.0	60.3	66.6	69.6
<i>Contract liabilities</i>	(70.8)	(71.0)	(69.7)	(67.3)	(63.1)
	144.1	141.6	130.7	132.0	131.2

¹ See "Definition of Non-IFRS Measures".

i) *Accounts Receivable*

The table below demonstrates the aging of receivables:

<i>Accounts receivable aging (net of allowance)</i>	<i>JUNE</i>		<i>MARCH</i>		<i>DECEMBER</i>		<i>SEPTEMBER</i>		<i>JUNE</i>	
	<i>30, 2022</i>	<i>%</i>	<i>31, 2022</i>	<i>%</i>	<i>31, 2021</i>	<i>%</i>	<i>30, 2021</i>	<i>%</i>	<i>30, 2021</i>	<i>%</i>
<i>(in thousands of Canadian dollars)</i>	<i>(unaudited)</i>		<i>(unaudited)</i>				<i>(unaudited)</i>		<i>(unaudited)</i>	
Current	62,652	40	54,103	35	57,571	40	55,812	40	50,964	39
30 to 90 days	39,249	25	42,211	27	36,368	25	33,726	25	32,746	25
Over 90 days	54,074	35	59,245	38	50,759	35	47,475	35	48,408	36
Gross Accounts Receivable	155,975	100	155,559	100	144,698	100	137,013	100	132,118	100
Allowance for impairment losses	(5,596)		(5,006)		(4,634)		(4,279)		(7,420)	
TOTAL	150,379		150,553		140,064		132,734		124,698	

The table below demonstrates the impact of foreign exchange on the change in gross receivables from December 31, 2021 to June 30, 2022.

<i>(in thousands of Canadian dollars)</i>	<i>CURRENT</i>	<i>30 TO 90 DAYS</i>	<i>OVER 90 DAYS</i>	<i>TOTAL</i>
June 30, 2022 gross accounts receivable	62,652	39,249	54,074	155,975
December 31, 2021 gross accounts receivable	57,571	36,368	50,759	144,698
Change in gross accounts receivable in period	5,081	2,881	3,315	11,277
June 30, 2022 impact of foreign exchange	(201)	(70)	(96)	(367)
December 31, 2021 impact of foreign exchange	(571)	(216)	(325)	(1,112)
Increase (decrease) due to foreign exchange in period	370	146	229	745
Increase (decrease) due to operations in period	4,711	2,735	3,086	10,532

Gross accounts receivable has increased by \$11.3 million since December 31, 2021. There was a decrease in accounts receivable due to foreign exchange as at June 30, 2022 of \$0.4 million compared to a decrease due to foreign exchange of \$1.1 million as at December 31, 2021. As at June 30, 2022, the Company had \$43.1 million in accounts receivable outstanding on large transit projects which are expected to be collected in the normal course of business, \$19.5 million were in the over 90 days gross receivable bucket. The

accounts receivable outstanding on the same projects as at December 31, 2021 was \$36.4 million, of which \$20.2 million in 2021 were in the over 90 days gross receivable bucket.

i) Contract Assets

Contract assets decreased by \$4.3 million since December 31, 2021. There was a decrease of \$0.3 million in contract assets due to foreign exchange as at June 30, 2022 compared to an increase due to foreign exchange of \$0.2 million as at December 31, 2021. As at June 30, 2022 the Company had \$12.7 million in contract assets outstanding on large transit projects which are expected to be billed and collected in the normal course of business. The contract assets outstanding on the same projects as at December 31, 2021 totaled \$11.5 million.

ii) Contract Liabilities

Contract liabilities has increased by \$1.1 million since December 31, 2021. There was a decrease in contract liabilities due to foreign exchange as at June 30, 2022 of \$0.4 million compared to a decrease due to foreign exchange of \$0.9 million as at December 31, 2021. The balance is monitored on a regular basis to ensure that amounts are appropriately recognized in fee revenue.

TOTAL ASSETS AND LIABILITIES

TOTAL ASSETS

Total assets have increased by \$32.5 million since December 31, 2021. This is primarily due to a increase in current assets of \$15.4 million which is described above in working capital, an increase in intangible assets and goodwill of \$10.5 million and \$6.5 respectively, relating to the acquisitions made in 2022, an increase in property, plant and equipment of \$2.7 million, offset by a decrease in right of use assets of \$2.3 million.

TOTAL LIABILITIES

Total liabilities have increased by \$16.2 million since December 31, 2021. This is primarily due to the increase in credit facilities of \$13.8 million, an increase in deferred consideration of \$4.4 million related to the acquisitions and an increase in deferred tax liabilities of \$1.2 million. This is offset by a decrease in current liabilities of \$0.6 million which is described above in working capital and a decrease in lease liabilities of \$2.9 million.

CASH FLOWS

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 Canadian dollars) (unaudited)	THREE MONTHS ENDED		
	JUNE 30		
	2022	2021	CHANGE
<i>Cash flows provided by operating activities</i>	9,539	14,873	(5,334)
<i>Cash flows used in financing activities</i>	7,241	(2,727)	9,968
<i>Cash flows used in investing activities</i>	(8,062)	(31)	(8,031)

(in thousands of Canadian dollars)	SIX MONTHS ENDED		
	JUNE 30		
	2022	2021	CHANGE
<i>Cash flows provided by (used in) provided by operating activities</i>	9,277	26,881	(17,604)
<i>Cash flows provided by (used in) financing activities</i>	11,964	(18,111)	30,075
<i>Cash flows used in investing activities</i>	(17,530)	(2,614)	(14,916)

OPERATING ACTIVITIES

Cash flows provided by operating activities for the three months ended June 30, 2022 were \$9.5 million, a decrease of \$5.3 million compared to cash flows provided by operating activities of \$14.9 million for the same period in 2021. The decrease in operating cash flows provided is mainly attributable to a decrease in non-cash operating working capital of \$8.8 million, an increase in taxes paid of \$1.5 million, offset by an increase in underlying cash operating performance.

Cash flows provided by operating activities for the six months ended June 30, 2022 were \$9.3 million, a decrease of \$17.6 million compared to cash flows provided by operating activities of \$26.9 million for the same period in 2021. The decrease in operating cash flows provided by is mainly attributable to a decrease in non-cash operating working capital of \$18.6 million, an increase in taxes paid of \$6.6 million, offset by an increase in the cash operating performance.

FINANCING ACTIVITIES

Cash flows provided by financing activities for the three months ended June 30, 2022 were \$7.2 million, an increase of \$9.9 million compared with cash flows used in financing activities of \$2.7 million for the same period in 2021. The increase in cash flows provided by financing activities is mainly attributable to the increase in draws of credit facilities of \$15.2 million, offset by an increase on the payments of bank indebtedness of \$3.6 million and an increase in the purchase and cancellation of shares under NCIB of \$1.2 million.

Cash flows provided by financing activities for the six months ended June 30, 2022 were \$12.0 million, an increase of \$30.1 million compared with cash flows used in financing activities of \$18.1 million for the same period in 2021. The increase in cash flows provided by financing activities is mainly attributable to the redemption of the 5.5% debentures in January 2021 of \$47.6 million and a reduction on the draws on credit facilities of \$19.8 million. This is offset by the increase in draws of bank indebtedness of \$4.7 million and an increase in the purchase and cancellation of shares under NCIB of \$1.6 million.

INVESTING ACTIVITIES

Cash flows used in investing activities for the three months ended June 30, 2022 were \$8.1 million, an increase of \$8.0 million compared to cash flows used in investing activities \$0.0 million for the same period in 2021. The increase in cash flows used in investing activities is mainly attributable to an increase in capital expenditure of property and equipment of \$2.8 million, an increase in capital expenditure of intangible assets of \$0.8 million, an increase in investments and acquisitions of \$1.3 million and \$1.1 million respectively.

Cash flows used in investing activities for the six months ended June 30, 2022 were \$17.5 million, an increase of \$14.9 million compared to cash flows used in investing activities \$2.6 million for the same period in 2021. The increase in cash flows used in investing activities is mainly attributable to an increase in capital expenditure of property and equipment of \$3.4 million, an increase in capital expenditure of intangible assets of \$1.1 million, an increase in investments and acquisitions of \$1.5 million and \$7.6 million respectively.

CREDIT FACILITY

On September 29, 2021, IBI Group entered into an amended agreement on its credit facilities extending the maturity date to September 29, 2025 maintaining the maximum amount available on the swing line facility to \$20 million. The total revolver facility remains unchanged at \$130 million. As at June 30, 2022, the interest on Canadian borrowings was 2.70% (June 30, 2021 – 2.45%).

The definitions and financial covenants under the new facility are substantially the same.

Facility interest margins:

Level	R is the Leverage Ratio	Applicable Margin		
		for Floating Rate Loans is	for Libor Loans, Acceptances and Standby Instruments is	for the Commitment Fee is
I	$R \leq 1.00:1$	0%	+1.45%	+0.29%
II	$1.00:1 < R \leq 1.50:1$	+0.75%	+1.70%	+0.34%
III	$1.50:1 < R \leq 2.00:1$	+1.00%	+2.00%	+0.45%
IV	$2.00:1 < R \leq 2.50:1$	+1.25%	+2.25%	+0.50625%
V	$R > 2.50:1$	+1.50%	+2.50%	+0.5625%

As at June 30, 2022, IBI Group has borrowings of \$15.2 million (December 31, 2021 - \$nil) under the credit facilities, which has been recognized net of deferred financing costs of \$1.4 million (December 31, 2021 - \$nil).

As at June 30, 2022, IBI Group has bank indebtedness of \$7.1 million (December 31, 2021 - \$2.3 million).

As at June 30, 2022, IBI Group has letters of credit outstanding of \$9.4 million (December 31, 2021 - \$9.0 million), of which \$8.6 million (December 31, 2021 - \$8.1 million) are issued under a \$20 million facility which matured on June 30, 2022 and supports letters of credit backstopped by Export Development Canada. Advances under the revolver facility bear interest at a rate based on the Canadian dollar prime rate, US dollar base rate, CDOR, SOFR or Banker's Acceptance rates plus, in each case, an applicable margin. At June 30, 2022 \$nil million was outstanding under Bankers' Acceptance (December 31, 2021 - \$nil).

As at June 30, 2022, IBI Group has surety bonds outstanding of \$4.6 million (December 31, 2021 - \$4.6 million), with Liberty Mutual Insurance. These bonds are security agreements necessary to backstop certain Intelligence projects in the U.S segment.

This facility is subject to compliance with certain financial, reporting and other covenants. The financial covenants under the agreement include a leverage ratio, interest coverage ratio, and restrictions on distributions, if certain conditions are not met. IBI Group was in compliance with its credit facility covenants as at June 30, 2022.

Continued compliance with the covenants under the amended credit facilities is dependent on IBI Group achieving revenue forecasts, profitability, reducing costs and continued improvements in working capital. Market conditions are difficult to predict and there is no assurance that IBI Group will achieve its forecasts. In the event of non-compliance, IBI Group's lenders have the right to demand repayment of the amounts outstanding under the lending agreements or pursue other remedies if IBI Group cannot reach an agreement with its lenders to amend or waive the financial covenants. As in the past, the Company will carefully monitor its compliance with the covenants and will seek waivers, subject to lender approval, as may become necessary from time to time. During the three and six months ended June 30, 2022, no waivers were sought.

SECURITY INTEREST OF SENIOR LENDERS

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

DEBENTURES

The carrying value of the convertible debentures as at June 30, 2022 is as follows:

	LIABILITY COMPONENT	TOTAL
6.5% Debentures (matures on December 31, 2025)		
Balance at December 31, 2021	\$ 43,663	\$ 43,663
Accretion of 6.5% Debentures	253	253
BALANCE, JUNE 30, 2022	\$ 43,916	\$ 43,916

6.5% DEBENTURES (\$46.0 MILLION PRINCIPAL, MATURES ON DECEMBER 31, 2025)

On October 02, 2020, the Company issued 6.5% senior, unsecured Debentures of \$46.0 million with a maturity date of December 31, 2025. The Debentures bear interest at the rate of 6.5% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2020. The use of the net proceeds was to repay the 5.5% Debentures.

On or after December 31, 2023, but prior to December 31, 2024, the 6.5% Debentures are redeemable, in whole or in part from time to time at the option of the Company at a price equal to 103.25% of the principal amount of the Debentures redeemed plus accrued and unpaid interest. On or after December 31, 2024 but prior to the maturity date of December 31, 2025, the Debentures are redeemable at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity on December 31, 2025, the Company has the option to repay the debentures in either cash or freely tradable voting shares of the Company obtained by dividing \$1 by 95% of the current market price of the share on the date fixed for redemption or the maturity date.

In the event of a change in control, as defined in the indenture, on or after December 31, 2023 but before December 31, 2024, the Company will be required to make an offer to the holders of the debentures to repurchase the debentures at a price equal to 103.25% of the principal amount plus accrued and unpaid interest. On or after December 31, 2024 the price is equal to the principal plus accrued and unpaid interest.

Each embedded feature was evaluated separately, and it was determined that the economic and risk characteristics are not closely related to the host contract. It has been assessed that the identified embedded derivative as at the date of issuance and June 30, 2022 had nominal value and therefore were not accounted for as separate financial instruments.

The 6.5% Debentures were therefore recorded as a financial instrument. The debt was recorded at carrying value of \$46.0 million net of deferred financing costs of \$2.9 million on the date of issuance.

The 6.5% Debentures are measured subsequently at amortized cost using the effective interest method over the life of the debenture.

FINANCIAL RISK MANAGEMENT

The Company has exposure to market, credit and liquidity risk. The Company's primary risk management objective is to protect the Company's audited consolidated statement of financial position, comprehensive income (loss) and cash flow in support of sustainable growth and earnings. The Company's financial risk management activities are governed by financial policies that cover risk identification, tolerance, measurement, authorization levels, and reporting.

MARKET RISK

In December 2019, a novel coronavirus disease ("COVID-19") was reported and in January 2020, the World Health Organization ("WHO") declared it as a Public Health Emergency of International Concern. On February 28, 2020 the WHO raised its assessment of the COVID-19 threat from high to very high at a global

level due to the continued increase in the number of cases and affected countries, on March 11, 2020, the WHO characterized COVID-19 as a pandemic.

To date, the Company has been able to operate under normal business conditions, however the broader implications of COVID-19 on the results of operations and overall financial performance remain uncertain. The COVID-19 pandemic and its adverse effects have become more prevalent in the locations where the Company, our customers, suppliers, and third party business partners conduct business. The Company may experience curtailed customer demand that could have a material adverse impact the business, results of operations, and overall financial performance of future periods, specifically the Company may experience impacts from customers delaying consulting services and reduced market spending.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions, and the impact of these and other factors on our employees, customers, partners, and vendors.

INTEREST RATE RISK

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

In response to the COVID-19 pandemic the Canadian dollar and US dollar prime rates were drastically decreased by the respective governing bodies.

If the interest rate on the Company's variable rate loan balance as at June 30, 2022, had been 50 basis points higher or lower, with all other variables held constant, net income for the six months ended June 30, 2022 would have decreased or increased by a nominal amount.

CURRENCY RISK

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

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

If the exchange rates had been 100 basis points higher or lower as at June 30, 2022, with all other variables held constant, total comprehensive income would have increased or decreased by \$0.1 million for the six months ended June 30, 2022. If the exchange rates had been 100 basis points higher or lower as at June 30, 2022, with all other variables held constant, net income would also have increased or decreased by \$1.0 million for the six months ended June 30, 2022.

CREDIT RISK

Financial instruments that subject the Company to credit risk consist primarily of accounts receivable. The Company maintains an allowance for estimated credit losses on accounts receivable. The estimate is based

on the best assessment of the ultimate collection of the related accounts receivable balance based, in part, on the age of the outstanding accounts receivable and on its historical impairment loss experience.

The Company provides services to diverse clients in various industries and sectors of the economy, and its credit risk is not concentrated in any particular client, industry, economic or geographic sector. In addition, management reviews accounts receivable past due on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds (at an early stage). The Company monitors accounts receivable with an internal target of working days of revenue in accounts receivable (a non-IFRS measure). At June 30, 2022 there were 63 working days of revenue in accounts receivable, which remained unchanged from December 31, 2021. The maximum exposure to credit risk, at the date of the consolidated statement of financial position to recognized financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position.

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

As a result of the COVID-19 pandemic the Company is closely monitoring its outstanding receivables and unbilled effort and working with our customers to assess whether additional impairments and reserves are required. The Company has not identified any increased risk in collections at this time.

The Company, upon entering in a contract as the lessor assesses the credit risk of the lease receivable balance at the inception of the contract. The impact of the credit risk is included as part of the discount rate upon recording the asset on the statement of financial position. The Company assesses the asset for changes in the credit risk at each reporting period, with the impact of any gains and losses recognized on the statement of financial position. For the three and six months ended June 30, 2022, no changes in credit risk were identified.

LIQUIDITY RISK

The Company strives to maintain sufficient financial liquidity to withstand sudden adverse changes in economic circumstances. Management forecasts cash flows for its current and subsequent fiscal years to identify financing requirements. These requirements are then addressed through a combination of committed credit facilities (as described in the condensed consolidated interim financial statements Note 4 – Financial Instruments) and access to capital markets.

As a result of COVID-19 the Company's existing cash and cash equivalents may fluctuate as a result of increased collection risk and the risk of a slowdown in work to be completed and billed. However, based on the Company's current business plan and revenue prospects, the Company believes that the existing cash and cash equivalents, anticipated cash flows from operations, and available credit facility will be sufficient to meet the working capital and operating resource expenditure requirements.

On September 29, 2021, IBI Group signed an amendment to refinance its credit facilities with its senior lenders. (refer to the condensed consolidated interim financial statements Note 4 – Financial Instruments).

As at June 30, 2022, a foreign subsidiary of the Company had issued letters of credit in the amount of U.S \$2.3 million, which is equal to CAD \$3.0 million (December 31, 2021 – CAD \$2.9 million). The Company has pledged U.S \$2.3 million (December 31, 2021 – U.S \$2.3 million) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

As at June 30, 2022, a foreign subsidiary of the Company issued letters of credit in the amount of INR 0.7 million INR, which is equal to a nominal CAD amount (December 31, 2021 – nominal CAD amount). The Company has pledged INR 0.7 million (December 31, 2021 – INR 0.7 million) of cash as security for these letters of credit issued by a foreign financial institution on behalf of the foreign subsidiary.

As at June 30, 2022, the Company has letters of credit outstanding of \$9.4 million (December 31, 2021 - \$9.0 million), of which \$0.9 million (December 31, 2021 - \$0.8 million) are outstanding to foreign institutions with the remaining \$8.6 million (December 31, 2021 – \$8.1 million) being issued under a \$20.0 million facility which matured on June 30, 2022 and supports letters of credit backed by Export Development Canada.

As at June 30, 2022, IBI Group has surety bonds outstanding of \$4.6 million (December 31, 2021 - \$4.6 million), with Liberty Mutual Insurance. These bonds are security agreements necessary to backstop certain Intelligence projects in the U.S segment.

CONTRACTUAL OBLIGATIONS

As part of continuing operations, the Company enters into contractual obligations from time to time. The table below summarizes the material changes to the contractual obligations due on financial liabilities and commitments as of June 30, 2022:

<i>Contractual Obligations</i>	<i>Payment Due by Period</i>				
<i>(in millions of Canadian dollars) (unaudited)</i>	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS
<i>Accounts payable and accrued liabilities</i>	\$ 48.6	\$ 48.6	-	\$ -	-
<i>Credit facilities¹</i>	20.9	7.1	13.8	-	-
<i>Interest on credit facilities^{1,2}</i>	1.7	0.7	0.9	0.1	-
<i>Senior unsecured debentures</i>	46.0	-	-	46.0	-
<i>Interest on senior unsecured debentures³</i>	10.5	3.0	6.0	1.5	-
<i>Lease liabilities</i>	78.2	17.8	25.3	20.9	14.2
<i>IFRS 16 exempt obligations</i>	4.2	2.2	1.9	0.1	-
TOTAL CONTRACTUAL OBLIGATIONS	\$ 210.1	\$ 79.4	47.9	\$ 68.6	14.2

¹ See liquidity risk section of this MD&A.

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

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

CAPITAL MANAGEMENT

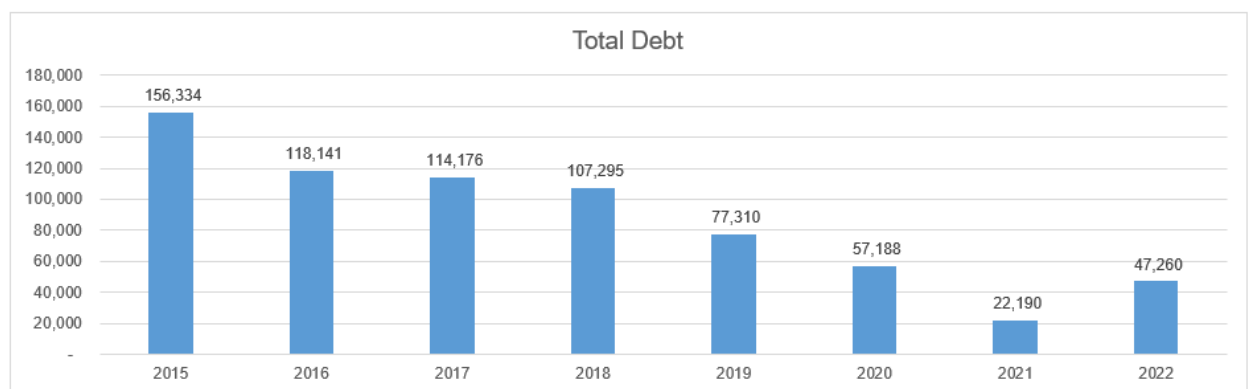
The Company's objective in managing capital is to maintain a capital base that will maintain investor, creditor, and market confidence and to sustain future growth within the business. The Company defines its capital as the aggregate of credit facilities, convertible debentures, and equity.

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

The Company continues to improve their processes and procedures to maximize liquidity and minimize operational debt. The following table presents the Company's debt as a ratio of the trailing twelve months Adjusted EBITDA¹ for bank covenant purposes in each of the last eight quarters which demonstrates the improvements made to maximize value and returns to stakeholders while minimizing debt held.

	JUNE	MARCH	DECEMBER	SEPTEMBER	JUNE	MARCH	DECEMBER	SEPTEMBER
<i>(in thousands of Canadian dollars)</i>	30, 2022	31, 2022	31, 2021	30, 2021	30, 2021	31, 2021	31, 2020	30, 2020
Credit facilities	13,792	-	-	33,836	34,342	34,210	-	28,206
Bank indebtedness	7,058							
Debentures	43,916	43,788	43,663	43,540	43,419	43,301	89,186	41,915
Other financial liabilities	-	-	-	-	-	-	730	265
Less: unrestricted cash	(17,506)	(12,820)	(21,473)	(44,168)	(33,607)	(24,906)	(32,728)	(9,343)
Net debt	47,260	30,968	22,190	33,208	44,154	52,605	57,188	61,043
Adjusted EBITDA ¹ for bank covenant purposes (Trailing 12 months)	56,710	54,948	52,879	52,530	50,650	49,400	45,734	41,903
Net debt as a multiple of adjusted EBITDA ¹ for bank covenant purposes	0.8	0.6	0.4	0.6	0.9	1.1	1.3	1.5

The following graph represents the Company's debt at the end of each of the last seven complete annual fiscal periods and six months ended June 30, 2022



	2015	2016	2017	2018	2019	2020	2021	2022
Debt as a multiple of Adjusted EBITDA ¹ for bank covenant purposes (trailing 12 months)	4.5	3.0	2.8	2.9	1.8	1.3	0.4	0.8

¹ See "Definition of Non-IFRS Measures".

FUTURE CASH GENERATION

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

1. ABILITY TO GENERATE SUFFICIENT CASH

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

2. CIRCUMSTANCES THAT COULD AFFECT FUNDING

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

3. WORKING CAPITAL REQUIREMENTS

In the short term the business has sufficient financing to fund its working capital requirements. Procedures and systems are being implemented that are expected to assist management in achieving their objective to reduce the level of working capital on the balance sheet. If achieved, this will reduce existing borrowing amounts.

4. SITUATIONS INVOLVING EXTENDED PAYMENT

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

5. CIRCUMSTANCES THAT IMPACT ESSENTIAL TRANSACTIONS

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

6. SOURCES OF FUNDS TO MEET CAPITAL EXPENDITURE REQUIREMENTS

The Company does not have significant capital needs in relation to its cash generating ability. In the event that capital markets deteriorate or the Company does not execute on its business plan this situation may change. Reference should be made to commentary on forward looking statements in this document.

7. CREDIT FACILITY

On September 29, 2021, IBI Group entered into an amended agreement to its Credit Facilities under the existing banking arrangement with its senior lenders. See liquidity risk section of this MD&A.

8. DEBENTURES

As outlined above, the Company has one series of debentures as at June 30, 2022 that provides a basis of capital which requires repayment or refinancing on December 2025.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As at August 3, 2022, the Company's common share capital consisted of 31,214,690 shares issued and outstanding.

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

The 6,282,222 Class B partnership units of IBI Group are indirectly exchangeable for common shares of the Company on the basis of one share of the Company for each Class B partnership unit. If all such Class B partnership units of IBI Group had been exchanged for shares on June 30, 2022 the units issued on such exchange would have represented a 16.74% interest in the Company.

Class B partnership units do not entitle the holder to voting rights at the meetings of shareholders. The Class B partnership units have been recorded as a non-controlling interest in these consolidated financial statements as at June 30, 2022.

On June 14, 2021 The Company received approval from the TSX for a normal course issuer bid (NCIB) to purchase up to 750,000 of its issued and outstanding shares during the period of June 21, 2021 to June 20, 2022. During the three and six months ended months June 30, 2022, the Company repurchased 97,204 and 132,125 common shares at a cost of \$1.2 million and \$1.6 million, of which all were cancelled pursuant to the NCIB.

SHARE ISSUANCES

During the three months and six months ended June 30, 2022, 5,366 and 58,166 shares, respectively, were issued as a result of exercises of stock options.

ACCUMULATED OTHER COMPREHENSIVE LOSS

During the three months and six months ended June 30, 2022, the Company incurred a \$1.9 million and \$0.4 million gain, respectively, related to the translation of financial statements of foreign operations, of which 83.26% is attributable to common shareholders.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to the Administration Agreement, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services of the partners of the Management Partnership. The amount paid for such services during the three and six months ended June 30, 2022 was \$3.2 million and \$6.3 million, respectively (three and six months ended June 30, 2021 - \$3.3 million and \$6.6 million respectively). As at June 30, 2022, there were 35 partners (June 30, 2021 – 41 partners). As at June 30, 2022, the amount payable to the Management Partnership was \$0.1 million (December 31, 2021 - \$nil).

IBI Group from time to time makes a monthly distribution to each Class B partnership unit holder equal to the dividend per share (on a pre-tax basis) declared to each shareholder. All of the Class B partnership units are held by the Management Partnership.

SUBSEQUENT EVENTS

On July 18, 2022, the Company announced they have entered into an agreement for Arcadis, a full service global design, engineering and consultancy firm based in Amsterdam to acquire all issued and outstanding shares of the Company for \$19.50 per share. The transaction is unanimously supported by the Board of Directors and IBI Group Management Partnership, which has entered into a voting support agreement to support and vote in favor of the transaction. The transaction is expected to be completed in the second half of 2022 subject to certain customary closing conditions.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

ACCOUNTING DEVELOPMENTS

FUTURE ACCOUNTING POLICY CHANGES

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, to clarify the classification of liabilities as current or non-current. The amendments are effective for annual periods on or after January 1, 2024 with early adoption permitted. The extent of the impact of the change has not yet been determined.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measure uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The extent of the impact of the change has not yet been determined.

Disclosure initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued Disclosure Initiative-Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements).

The amendments help companies provide useful accounting policy disclosures. The key amendments include:

requiring companies to disclose their material accounting policies rather than their significant accounting policies;

clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The extent of the impact of the change has not yet been determined.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

On May 7, 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted. The extent of the impact of the change has not yet been determined.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Company's CEO and CFO have designed, or caused to have designed under their supervision, the Company's ICFR and disclosure controls and DC&P as at June 30, 2022 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external

purposes in accordance with IFRS. There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2022, and ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

DEFINITION OF NON-IFRS MEASURES

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

1. ADJUSTED EBITDA FOR BANK COVENANT PURPOSES

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

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

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

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

Adjusted EBITDA for bank covenant purposes is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS, and the Company's method of calculating Adjusted EBITDA

for bank covenant purposes may differ from the methods used by other similar entities. Accordingly, Adjusted EBITDA for bank covenant purposes may not be comparable to similar measures used by such entities. Reconciliations of net income (loss) to adjusted EBITDA for bank covenant purposes have been provided under the heading “Reconciliation of Non-IFRS measures”.

2. ADJUSTED EBITDA

The Company defines Adjusted EBITDA as Adjusted EBITDA for bank covenant purposes (as defined above) net of IFRS 16 adjustments. Adjusted EBITDA is a non-IFRS measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. Adjusted EBITDA is quantified under “Reconciliation of Non-IFRS measures”.

3. NET DEBT

Net debt is a non-IFRS measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company calculates net debt as the balance of the credit facilities, debentures and other financial liabilities less the company's unrestricted cash.

Net debt as a multiple of adjusted EBITDA is determined as net debt as defined divided by adjusted EBITDA (as defined in point 1 above). There is no directly comparable measures for Net debt as a multiple of adjusted EBITDA. Net debt as a multiple of adjusted EBITDA is quantified under the heading “Capital Management”

3. WORKING CAPITAL

Working Capital is a non-IFRS measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company use working capital as a measure of assessing overall liquidity and is calculated by subtracting current liabilities from current assets. There is no directly comparable IFRS measure for working capital. Working capital is quantified under the heading “Liquidity and Capital resources”.

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

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

The information included is calculated based on working days on a twelve-month trailing basis, measured as days outstanding on gross billings, which is estimated to be approximately 30% greater than net fee volume.

The Company believes that informing investors of its progress in managing its accounts receivable, contract assets and contract liabilities is important for investors to anticipate cash flows from the business and to compare the Company with other businesses that operate in the same industry. There is no directly

comparable IFRS measure. Working capital measured in number of Days of Gross Billings is quantified under the heading “Liquidity and Capital resources”.

5. BILLING FROM RECURRING SOFTWARE SUPPORT AND MAINTENANCE

The amount of recurring software support and maintenance gross billings represents the annualized invoice amount the Company is able to charge clients and is recognized to revenue in accordance with the Company’s accounting policy through the movement in the accounts receivable and contract assets balances in the statement of financial position. There is no directly comparable IFRS measure.