

**COLLIERS INTERNATIONAL
GROUP INC.**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

First Quarter

March 31, 2018

COLLIERS INTERNATIONAL GROUP INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(in thousands of US dollars, except per share amounts)

	Three months ended March 31	
	2018	2017 (note 3)
Revenues	\$ 552,473	\$ 466,263
Cost of revenues (exclusive of depreciation and amortization shown below)	362,300	300,106
Selling, general and administrative expenses	156,317	137,082
Depreciation	7,270	5,977
Amortization of intangible assets	8,588	6,050
Acquisition-related items (note 5)	2,253	4,208
Operating earnings	15,745	12,840
Interest expense, net	2,915	2,942
Other income, net (note 6)	(427)	(1,229)
Earnings before income tax	13,257	11,127
Income tax expense (note 7)	4,716	4,327
Net earnings	8,541	6,800
Non-controlling interest share of earnings	670	2,202
Non-controlling interest redemption increment (note 11)	2,905	3,220
Net earnings attributable to Company	\$ 4,966	\$ 1,378
Net earnings per common share (note 12)		
Basic	\$ 0.13	\$ 0.04
Diluted	\$ 0.13	\$ 0.04

The accompanying notes are an integral part of these interim consolidated financial statements.

COLLIERS INTERNATIONAL GROUP INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(Unaudited)
(in thousands of US dollars)

	Three months ended March 31	
	2018	2017 (note 3)
Net earnings	\$ 8,541	\$ 6,800
Foreign currency translation gain	3,116	3,484
Unrealized gain on interest swaps, net of tax	1,064	-
Comprehensive earnings	12,721	10,284
Less: Comprehensive earnings attributable to non-controlling shareholders	2,789	4,328
Comprehensive earnings attributable to Company	\$ 9,932	\$ 5,956

The accompanying notes are an integral part of these interim consolidated financial statements.

COLLIERS INTERNATIONAL GROUP INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands of US dollars)

	March 31, 2018	December 31, 2017 (note 3)
Assets		
Current Assets		
Cash and cash equivalents	\$ 111,649	\$ 108,523
Accounts receivable, net of allowance of \$31,027 (December 31, 2017 - \$28,709)	345,922	382,542
Contract assets	93,810	104,737
Income tax recoverable	14,705	13,815
Prepaid expenses and other current assets	65,570	54,741
	631,656	664,358
Other receivables	10,032	10,136
Contract assets	7,386	7,104
Other assets	56,027	55,496
Fixed assets	84,275	83,899
Deferred income tax, net	45,560	48,401
Intangible assets	223,156	183,036
Goodwill	520,208	455,130
	946,644	843,202
	\$ 1,578,300	\$ 1,507,560
Liabilities and shareholders' equity		
Current Liabilities		
Accounts payable and accrued expenses	\$ 184,722	\$ 227,087
Accrued compensation	317,756	419,635
Income tax payable	15,437	21,414
Contract liabilities	34,332	35,423
Long-term debt - current (note 9)	3,262	2,426
Contingent acquisition consideration - current (note 10)	9,714	18,657
	565,223	724,642
Long-term debt - non-current (note 9)	433,261	247,467
Contingent acquisition consideration (note 10)	36,391	31,643
Deferred rent	26,318	24,469
Other liabilities	16,866	11,792
Deferred income tax, net	26,582	19,044
	539,418	334,415
Redeemable non-controlling interests (note 11)	153,125	145,489
Shareholders' equity		
Common shares	413,105	406,984
Contributed surplus	51,377	50,219
Deficit	(110,523)	(115,489)
Accumulated other comprehensive loss	(38,191)	(43,157)
Total Company shareholders' equity	315,768	298,557
Non-controlling interests	4,766	4,457
Total shareholders' equity	320,534	303,014
	\$ 1,578,300	\$ 1,507,560

The accompanying notes are an integral part of these interim consolidated financial statements.

COLLIERS INTERNATIONAL GROUP INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

(in thousands of US dollars, except share information)

	Common shares		Contributed surplus	Deficit	Accumulated other comprehensive loss	Non-controlling interests	Total shareholders' equity
	Issued and outstanding shares	Amount					
Balance, December 31, 2017 (note 3)	38,934,161	\$ 406,984	\$ 50,219	\$(115,489)	\$ (43,157)	\$ 4,457	\$ 303,014
Net earnings	-	-	-	8,541	-	-	8,541
Foreign currency translation gain	-	-	-	-	3,116	-	3,116
Unrealized gain on interest rate swaps, net of tax	-	-	-	-	1,064	-	1,064
Other comprehensive earnings attributable to NCI	-	-	-	-	786	284	1,070
NCI share of earnings	-	-	-	(670)	-	378	(292)
NCI redemption increment	-	-	-	(2,905)	-	-	(2,905)
Distributions to NCI	-	-	-	-	-	(133)	(133)
Acquisition of businesses, net	-	-	-	-	-	(220)	(220)
Subsidiaries' equity transactions	-	-	(23)	-	-	-	(23)
Subordinate Voting Shares:							
Stock option expense	-	-	2,214	-	-	-	2,214
Stock options exercised	209,500	6,121	(1,033)	-	-	-	5,088
Balance, March 31, 2018	39,143,661	\$ 413,105	\$ 51,377	\$(110,523)	\$ (38,191)	\$ 4,766	\$ 320,534

The accompanying notes are an integral part of these interim consolidated financial statements.

COLLIERS INTERNATIONAL GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands of US dollars)

Three months ended
March 31

2018
2017
(note 3)

Cash provided by (used in)

Operating activities

Net earnings	\$ 8,541	\$ 6,800
Items not affecting cash:		
Depreciation and amortization	15,858	12,027
Deferred income tax	(393)	1,847
Earnings from equity method investments	(327)	(362)
Stock option expense	2,214	1,443
Allowance for uncollectible accounts receivable	1,437	2,213
Amortization of advisor loans	3,881	2,998
Other	621	1,928
Net changes from operating assets / liabilities		
Accounts receivable	51,265	32,982
Contract assets	9,654	(14,252)
Prepaid expenses and other current assets	(4,798)	4,638
Accounts payable and accrued expenses	(44,563)	(26,442)
Accrued compensation	(119,986)	(110,205)
Contract liabilities	(1,284)	2,025
Other liabilities	546	1,123
Contingent acquisition consideration paid	(2,856)	(301)
Net cash used in operating activities	(80,190)	(81,538)

Investing activities

Acquisitions of businesses, net of cash acquired (note 4)	(79,732)	(29,643)
Purchases of fixed assets	(6,209)	(6,733)
Advisor loans issued	(2,793)	(7,495)
Other investing activities	(1,669)	(3,101)
Net cash used in investing activities	(90,403)	(46,972)

Financing activities

Increase in long-term debt	233,873	182,837
Repayment of long-term debt	(47,040)	(42,700)
Purchase of non-controlling interests, net	(73)	(24,282)
Contingent acquisition consideration paid	(7,606)	(1,643)
Proceeds received on exercise of options	5,087	3,245
Dividends paid to common shareholders	(1,947)	(1,932)
Distributions paid to non-controlling interests	(5,204)	(4,118)
Financing fees paid	-	(1,663)
Net cash provided by financing activities	177,090	109,744
Effect of exchange rate changes on cash	(3,371)	3,313
Increase (decrease) in cash and cash equivalents	3,126	(15,453)
Cash and cash equivalents, beginning of period	108,523	113,148
Cash and cash equivalents, end of period	\$ 111,649	\$ 97,695

The accompanying notes are an integral part of these interim consolidated financial statements.

COLLIERS INTERNATIONAL GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018
(Unaudited)
(in thousands of US dollars, except per share amounts)

1. **DESCRIPTION OF THE BUSINESS** – Colliers International Group Inc. (“Colliers” or the “Company”) provides commercial real estate services to corporate and institutional clients in 35 countries around the world (69 countries including affiliates and franchisees). Colliers’ primary services are outsourcing and advisory services, lease brokerage, and sales brokerage. Operationally, Colliers is organized into three geographic regions – Americas; Europe, Middle East and Africa (“EMEA”); and Asia Pacific.

2. **SUMMARY OF PRESENTATION** – These unaudited Interim Consolidated Financial Statements (the “Financial Statements”) have been prepared by the Company in accordance with disclosure requirements for the presentation of interim financial information. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America have been condensed or omitted in accordance with such disclosure requirements, although the Company believes that the disclosures are adequate to make the information not misleading. These Financial Statements should be read in conjunction with the audited consolidated financial statements of Colliers for the year ended December 31, 2017.

In the opinion of management, the Financial Statements contain all adjustments necessary to a fair statement of the financial position of the Company as at March 31, 2018 and the results of operations and its cash flows for the three month period ended March 31, 2018 and 2017. All such adjustments are of a normal recurring nature. The results of operations for the three month periods ended March 31, 2018 are not necessarily indicative of the results to be expected for the year ending December 31, 2018.

These Financial Statements follow the same accounting policies as the most recent audited consolidated financial statements of Colliers, except as noted in Note 3. The accounting policy for revenue from contracts with customers is shown below.

Revenue

The Company generates revenue from contracts with customers through its provision of commercial real estate services. These services consist of sales and leasing brokerage operations along with outsourcing and advisory services.

(a) Real estate brokerage operations

Brokerage revenue includes commissions from sales brokerage and leasing brokerage services. Sales brokerage services include purchases and sales, debt placement, equity capital raising, market value opinions, acquisition advisory and transaction management. The Company provides these services with respect to substantially all types of commercial real estate. Leasing brokerage includes landlord and tenant representation services. Landlord representation provides real estate owners with services to strategically position properties and to secure appropriate tenants. Tenant representation focuses on assisting businesses to assess their occupancy requirements and evaluating and negotiating leases and lease renewals.

(b) Outsourcing and advisory services and other revenue

Outsourcing and advisory services consist of project management, property management as well as valuation and advisory services. Project management services include design and construction management, move management and workplace solutions consulting. Project management engagements range from single project contracts with a duration of less than one year to multi-year contracts with multiple discrete projects. Property management provides real estate service solutions to real estate owners. In addition to providing on-site management and staffing, the Company provides support through centralized resources such as technical and environmental services, accounting, marketing and human resources. These various services may be provided through the Company’s employees or through contracts with third party providers. Consistent with industry custom, management contract terms typically range from one to three years, although most contracts are terminable at any time following a notice period, usually 30 to 120 days.

Valuation and advisory services consist of helping customers determine market values for various types of real estate properties. Such services may involve appraisals of single properties or portfolios of properties which may span multiple property types and geographic locations. These appraisals may be utilized for a variety of customer needs including acquisitions, dispositions, financing or for tax purposes. In addition to valuation services, the Company provides consulting services to assist customers with specialized real estate needs. Other revenue consists of license fees charged to non-owned Colliers branded offices for exclusive rights to operate using the Colliers marks and intellectual properties within defined geographic locations over a prescribed period of time.

Revenue recognition and unearned revenues

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. The Company enters into contracts that can include various combinations of services, which are capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

(a) Nature of services

The Company has determined that control of sales brokerage services rendered transfer to a customer when a sale and purchase agreement becomes unconditional and leasing brokerage services rendered transfer to a customer when a lease between the landlord and the tenant is executed. At these points in time the customer has received substantially all of the benefit of the services provided by the Company. The transaction price is typically associated with the underlying asset involved in the transaction, most commonly a percentage of the sales price or the aggregate rental payments over the term of the lease which are generally known when revenue is recognized.

Outsourcing and advisory services including those provided in relation to property management and project management transfer to the customer over time as the services are performed and revenue from providing these services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based upon the actual labor hours spent relative to the total expected labor hours or the project costs incurred relative to the total project costs. For some projects certain obligations that are representative of the work completed may be used as an alternative to recognize revenue. The use of labor hours or overall project costs is dependent upon the input that best represents the progress of the work completed in relation to the specific contract. If a contract includes an hourly fee, revenue is recognized in the amount to which the Company has a right to invoice.

For other advisory services, including valuation and appraisal review, the customer is unable to benefit from the services until the work is substantially complete, revenue is recognized upon delivery of materials to the customer because this faithfully represents when the service has been rendered. For most fixed fee consulting assignments, revenue is recognized based upon the actual service provided to the end of the reporting period as a proportion of the total services to be provided and customers are invoiced on a monthly basis and consideration is payable when invoiced.

Revenues related to license fees are recognized over the period that the licensee has use of these rights or the benefits of any associated services.

(b) Significant judgments

Our contracts with customers may include promises to transfer multiple products and services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Where a contract contains multiple performance obligations judgment is used to assess whether they are distinct and accounted for separately or not distinct and are accounted for and recognized together.

Brokerage commission arrangement may include elements that introduce variability to the revenues earned beyond the underlying value of the transaction, these may include rebates and/or contingencies. The Company estimates variable consideration or performs a constraint analysis for these contracts on the basis of historical information to estimate the amount the Company will ultimately be entitled to. Generally, revenue is constrained when it is probable that the Company may not be entitled to the full amount of the revenue as associated with the occurrence or non-occurrence of an event that is outside of the Company's control or where the facts and circumstances of the

arrangement limit the Company's ability to predict whether this event will occur. When revenue is constrained, this constrained revenue will be recognized if and when the uncertainty has been resolved.

Outsourcing and advisory arrangements may include incentives tied to achieving certain performance targets. The Company estimates variable consideration or performs a constraint analysis for these contracts on the basis of circumstances specific to the project and historical information in order to estimate the amount the Company will ultimately be entitled to. Estimates of revenue, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In providing project management or property management services, the Company may engage subcontractors to provide on-site staffing or to provide specialized technical services, materials and/or installation services. These arrangements are assessed and require judgment to determine whether the Company is a principal or an agent of the customer. When the Company acts as a principal, because it is primarily responsible for the delivery of the completed project and controls the services provided by the subcontractors, these amounts are accounted for as revenue on a gross basis. However, when the Company acts as an agent, because it does not control the services prior to delivery to the customer, these costs are accounted for on a net basis.

In some cases, the Company may facilitate collection from the customer and payments to subcontractors or may facilitate collection from tenants for payment to the landlord. In these instances, balances are recorded as accounts receivable and accounts payable until settled.

Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. The Company invoices the customer and records a receivable when it has a right to payment within customary payment terms or it recognizes a contract asset if revenue is recognized prior to when payment is due. Contract liabilities consist of payments received in advance of recognizing revenue. These liabilities consist primarily of payments received for outsourcing and advisory engagements where a component of the revenue may be paid by the customer prior to the benefits of the services transferring to the customer.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 90 days. With the exceptions of sales and leasing brokerage, the Company does not expect to have any contracts where the period between the transfer of services to the customer and the payment by the customer exceeds one year. With regard to sales and leasing brokerage, arrangements may exist where the service is transferred but payment is not received for a period greater than one year. However, arrangements of this nature do not contain a significant financing component because the amount and timing varies on the basis of the occurrence or non-occurrence of an event that is outside the control of the Company or the customer. As a consequence, the Company does not adjust the transaction prices for the time value of money.

3. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Recently adopted accounting guidance

Revenue from contracts with customers

Beginning in May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, as well as several related ASUs (collectively, the "Revenue Guidance"). The Revenue Guidance clarifies the principles for recognizing revenue and develops a common revenue standard for GAAP and International Financial Reporting Standards. The Revenue Guidance, codified as Accounting Standards Codification Topic No. 606 ("ASC 606") has been adopted retrospectively effective January 1, 2018 and accordingly, comparative information for the year ended December 31, 2017 has been restated.

The primary changes, as well as the impact on the financial position and results of operations for the comparative year ended December 31, 2017, are described below.

(a) Accounting for leasing brokerage revenues

Under previous GAAP, leasing brokerage revenues were deferred until the related contingency (e.g. tenant occupancy) was resolved. Under ASC 606, in certain cases revenue will be recognized earlier since the Company's performance obligation will typically be satisfied upon lease execution.

(b) Accounting for reimbursable expenses related to the Company's property management activities

Under previous GAAP, reimbursable expenses contemplated both performance and payment risk when evaluating whether a principal or agent relationship existed between the Company and its customers. Under ASC 606, principal versus agent indicators were revised with a focus on control over the services provided by third-party service providers. As a result, the revenues related to the Company's property management activities increased by \$146,269 and the related cost of revenues increased by \$146,269 with no net impact on earnings.

(c) Presentation of contract balances

The Company has revised the presentation of certain amounts in the balance sheet to reflect the adoption of ASC 606, with increases to contract balances and decreases to unbilled revenues and unearned revenues associated with the change in lease brokerage revenue recognition.

Adoption of the standard using the full retrospective method resulted in the restatement of certain previously reported results. These include the recognition of additional revenue and an increase in income tax expense, along with increasing contract balances and accrued expenses. The Company's previously reported results for the year ended December 31, 2017 were impacted as follows:

(in thousands of US dollars, except per share amounts)

	Year ended December 31, 2017			
	As previously reported	Lease brokerage revenue adjustment	Principal versus agent adjustment	Restated
Statements of earnings				
Revenues	\$ 2,275,36	\$ 13,569	\$ 146,269	\$ 2,435,200
Cost of revenues	1,427,28	12,315	146,269	1,585,865
Selling, general and administrative expenses	613,335	705	-	614,040
Income tax	63,300	(1,393)	-	61,907
Non-controlling interest share of earnings	20,236	83	-	20,319
Non-controlling interest redemption increment	22,583	(190)	-	22,393
Net earnings attributable to Company	49,313	2,049	-	51,362
<u>Diluted earnings per share</u>	<u>1.25</u>	<u>0.05</u>	<u>-</u>	<u>1.31</u>

(in thousands of US dollars,
except per share amounts)

	Three months ended March 31, 2017			
	As previously reported	Lease brokerage revenue adjustment	Principal versus agent adjustment	Restated
Statements of earnings				
Revenues	\$ 422,843	\$ 7,982	\$ 35,438	\$ 466,263
Cost of revenues	258,871	5,797	35,438	300,106
Selling, general and administrative expenses	136,860	222	-	137,082
Income tax	3,658	669	-	4,327
Non-controlling interest share of earnings	2,113	89	-	2,202
Non-controlling interest redemption increment	3,275	(55)	-	3,220
Net earnings attributable to Company	118	1,260	-	1,378
Diluted earnings per share	-	0.04	-	0.04

(in thousands of US dollars)

	As at December 31, 2017			
	As previously reported	Lease brokerage revenue adjustment	Principal versus agent adjustment	Restated
Balance sheet				
Accounts receivable, net of allowance	\$ 383,385	\$ (843)	\$ -	\$ 382,542
Contract assets, current	-	104,737	-	104,737
Unbilled revenues	41,370	(41,370)	-	-
Contract assets, non-current	-	7,104	-	7,104
Deferred income tax asset, net	52,394	(3,993)	-	48,401
Accounts payable and accrued expenses	252,904	(25,817)	-	227,087
Accrued compensation	365,709	53,926	-	419,635
Contract liabilities	-	35,423	-	35,423
Unearned revenues	11,919	(11,919)	-	-
Deferred income tax liability, net	18,579	465	-	19,044
Deficit	(128,411)	12,923	-	(115,488)
Accumulated other comprehensive loss	(43,354)	197	-	(43,157)
Non-controlling interests	4,019	438	-	4,457

Adoption of the standard related to revenue recognition had no impact to cash from or used in operating, financing, or investing on our consolidated statements of cash flows.

Recently issued accounting guidance, not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This ASU affects all aspects of lease accounting and has a significant impact to lessees as it requires the recognition of a right-of use asset and a lease liability for virtually all leases including operating leases. In addition to balance sheet recognition, additional quantitative and qualitative disclosures will be required. The Company has catalogued and abstracted key terms of its leases and has selected a software solution to assist with the additional accounting and disclosures required. The Company's assets and liabilities will be impacted by the recognition of a right-of-use asset and lease liability. Related balance sheet ratios will also be impacted. Covenant ratio calculations under the Company's revolving credit facility will however not be impacted, as they will continue to be based on the accounting standards in place as of December 31, 2017. The Company will adopt this ASU effective January 1, 2019, using the modified retrospective transition method.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other: Simplifying the Accounting for Goodwill Impairment* to remove Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Under this guidance, a goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The standard is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. The Company is currently assessing the impact of this ASU on its financial statements.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, which increases the scope of hedge accounting for both financial and nonfinancial strategies. The standard is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. The Company is currently assessing the impact of this ASU on its financial statements and does not anticipate a material impact as the Company's interest rate swaps are currently accounted for as cash flow hedges, are deemed to be effective as hedges and are already reported in other comprehensive income.

4. **ACQUISITIONS** – During the three months ended March 31, 2018, the Company acquired controlling interests in three businesses, two operating in EMEA (Finland; Spain) and one operating in Asia Pacific (China). The acquisition date fair value of consideration transferred was as follows:

	<u>Finland</u> <u>Acquisition</u>	<u>Other</u> <u>Acquisition</u>	<u>Aggregate</u> <u>Acquisition</u>
Cash consideration, net of cash acquired of \$12,990	\$ (57,207)	\$ (22,447)	\$ (79,654)
Acquisition date fair value of contingent consideration	-	(5,742)	(5,742)
Total purchase consideration	<u>\$ (57,207)</u>	<u>\$ (28,189)</u>	<u>\$ (85,396)</u>
Acquired intangible assets	<u>\$ 26,807</u>	<u>\$ 19,665</u>	<u>\$ 46,472</u>
Goodwill	<u>\$ 39,284</u>	<u>\$ 20,316</u>	<u>\$ 59,600</u>

The primary factors contributing to goodwill are assembled workforces, synergies with existing operations and future growth prospects. Acquired intangible assets consist of customer relationships, revenue backlog and property management contracts with estimated useful lives ranging from 3 months to 10 years. These acquisitions were accounted for by the acquisition method of accounting for business combinations.

During the three months ended March 31, 2017, the Company acquired controlling interests in four businesses for cash consideration of \$29,643 (net of cash acquired of \$37,874) and contingent consideration of \$14,194.

The Company typically structures its business acquisitions to include contingent consideration. Certain vendors, at the time of acquisition, are entitled to receive a contingent consideration payment if the acquired businesses achieve specified earnings levels during the one to five-year periods following the dates of acquisition. The ultimate amount

of payment is determined based on a formula, the key inputs to which are (i) a contractually agreed maximum payment; (ii) a contractually specified revenue or earnings level and (iii) the actual revenue or earnings for the contingency period. If the acquired business does not achieve the specified revenue or earnings level, the maximum payment is reduced for any shortfall, potentially to nil.

Unless it contains an element of compensation, contingent consideration is recorded at fair value on the acquisition date and is re-measured to fair value each subsequent reporting period. The fair value recorded on the consolidated balance sheet as at March 31, 2018 was \$46,105 (see note 10). The liability recorded on the balance sheet for the compensatory element of contingent consideration arrangements as of March 31, 2018 was \$9,133. The estimated range of outcomes (undiscounted) for all contingent consideration arrangements, including those with an element of compensation, is \$78,086 to a maximum of \$91,866. The contingencies will expire during the period extending to December 2021.

5. ACQUISITION-RELATED ITEMS - Acquisition-related expense is comprised of the following:

	Three months ended March 31	
	2018	2017
Transaction costs	\$ 1,714	\$ 1,591
Contingent consideration fair value adjustments	(948)	517
Contingent consideration compensation expense	1,487	2,100
	\$ 2,253	\$ 4,208

6. OTHER INCOME - Other (income) expense is comprised of the following:

	Three months ended March 31	
	2018	2017
Gain on investments	\$ (90)	\$ (901)
Equity earnings from non-consolidated investments	(327)	(362)
Other	(10)	34
	\$ (427)	\$ (1,229)

7. INCOME TAX – The provision for income tax for the three months ended March 31, 2018 reflected an effective tax rate of 35.6% (2017 - 38.9%) relative to the Ontario, Canada combined statutory rate of approximately 26.5% (2017 - 26.5%). The effective tax rate for current period reflects the lower income tax rate in the United States which became effective on January 1, 2018.

8. CONTRACT BALANCES

Revenue recognized in relation to contract liabilities

The following tables shows how much of the revenue recognized in the reporting period relates to carried-forward contract liabilities at the beginning of the period and how much relates to performance obligations that were satisfied in a prior period. These amounts consist of changes to estimates of variable consideration particularly associated with recognizing revenue which had been constrained in a prior period.

	Three months ended	
	March 31	
	<u>2018</u>	<u>2017</u>
Revenue recognized that was previously included in contract liabilities	\$ 12,158	\$ 7,476
Revenue recognized from performance obligations satisfied in prior periods	\$ 3,232	\$ 2,774

9. **LONG-TERM DEBT** – As of March 31, 2018, the Company had an amended and restated credit agreement with a syndicate of banks to provide a multi-currency revolving credit facility (the “Facility”) of \$700,000. The Facility has a 5-year term ending January 18, 2022 and bears interest at an applicable margin of 1.5% to 2.75% over floating reference rates, depending on certain leverage ratios. The weighted average interest rate at March 31, 2018 was 3.1% (2017 – 3.0%). The Facility had \$257,870 of available un-drawn credit as at March 31, 2018. As of March 31, 2018, letters of credit in the amount of \$7,938 were outstanding (\$9,920 as at March 31, 2017). The Facility requires a commitment fee of 0.30% to 0.55% of the unused portion, depending on certain leverage ratios.

The Company is required to maintain certain covenant ratios including financial leverage and interest coverage. The Company was in compliance with these covenants as of March 31, 2018. The Company is limited from undertaking certain mergers, acquisitions and dispositions without prior approval.

10. **FAIR VALUE MEASUREMENTS** – The following table provides the financial assets and liabilities carried at fair value measured on a recurring basis as of March 31, 2018:

	Carrying value at March 31, 2018	<u>Fair value measurements at March 31, 2018</u>		
		Level 1	Level 2	Level 3
Contingent consideration liability	\$ 46,105	\$ -	\$ -	\$ 46,105
Interest rate swap asset	2,198	-	2,198	-

The inputs to the measurement of the fair value of contingent consideration related to acquisitions are Level 3 inputs. The fair value measurements were made using a discounted cash flow model; significant model inputs were (i) expected future operating cash flows (determined with reference to each specific acquired business) and (ii) discount rates (which range from 3% to 10.5%, with a weighted average of 9.5%). The wide range of discount rates is attributable to level of risk related to economic growth factors combined with the length of the contingent payment periods; and the dispersion was driven by unique characteristics of the businesses acquired and the respective terms for these contingent payments. Within the range of discount rates, there is data point concentration at the 9.5% and 10.5% levels. A 2% increase in the weighted average discount rate would reduce the fair value of contingent consideration by \$2,200.

Changes in the fair value of the contingent consideration liability are comprised of the following:

	<u>2018</u>
Balance, January 1	\$ 50,300
Amounts recognized on acquisitions	5,742
Fair value adjustments	(948)
Resolved and settled in cash	(9,712)
Other	723
Balance, March 31	<u>\$ 46,105</u>
Less: Current portion	<u>9,714</u>
Non-current portion	<u>\$ 36,391</u>

11. **REDEEMABLE NON-CONTROLLING INTERESTS** – The minority equity positions in the Company’s subsidiaries are referred to as redeemable non-controlling interests (“RNCI”). The RNCI are considered to be redeemable securities. Accordingly, the RNCI is recorded at the greater of (i) the redemption amount or (ii) the amount initially recorded as RNCI at the date of inception of the minority equity position. This amount is recorded in the “mezzanine” section of the balance sheet, outside of shareholders’ equity. Changes in the RNCI amount are recognized immediately as they occur. The following table provides a reconciliation of the beginning and ending RNCI amounts:

	<u>2018</u>
Balance, January 1	\$ 145,489
RNCI share of earnings	292
RNCI redemption increment	2,905
Distributions paid to RNCI	(5,071)
Purchase of subsidiary shares from RNCI, net	169
RNCI recognized on business acquisitions	<u>9,341</u>
Balance, March 31	<u>\$ 153,125</u>

The Company has shareholders’ agreements in place at each of its non-wholly owned subsidiaries. These agreements allow the Company to “call” the non-controlling interest at a price determined with the use of a formula price, which is usually equal to a fixed multiple of average annual net earnings before extraordinary items, income taxes, interest, depreciation, and amortization. The agreements also have redemption features which allow the owners of the RNCI to “put” their equity to the Company at the same price subject to certain limitations. The formula price is referred to as the redemption amount and may be paid in cash or in Subordinate Voting Shares. The redemption amount as of March 31, 2018 was \$131,258 (March 31, 2017 - \$112,130). The redemption amount is lower than that recorded on the balance sheet as the formula prices of certain RNCI are lower than the amount initially recorded at the inception of the minority equity position. If all put or call options were settled with Subordinate Voting Shares as at March 31, 2018, approximately 1,900,000 such shares would be issued; this would be accretive to net earnings per common share.

Increases or decreases to the formula price of the underlying shares are recognized in the statement of earnings as the NCI redemption increment.

12. **NET EARNINGS PER COMMON SHARE** – Earnings per share calculations cannot be anti-dilutive, therefore diluted shares are not used in the denominator when the numerator is in a loss position. The following table reconciles the weighted average basic and diluted common shares outstanding:

(in thousands)	Three months ended	
	March 31	
	<u>2018</u>	<u>2017</u>
Basic shares	39,048	38,720
Assumed exercise of Company stock options	605	397
Diluted shares	<u>39,653</u>	<u>39,117</u>

13. **STOCK-BASED COMPENSATION** – The Company has a stock option plan for certain directors, officers and key full-time employees of the Company and its subsidiaries, other than its CEO. Options are granted at the market price for the underlying shares on the date of grant. Each option vests over a four-year term, expires five years from the date granted and allows for the purchase of one Subordinate Voting Share. All Subordinate Voting Shares issued are new shares. As at March 31, 2018, there were 102,000 options available for future grants.

Grants under the Company’s stock option plan are equity-classified awards.

There were 455,000 stock options granted during the three months ended March 31, 2018 (2017 - 380,000). Stock option activity for the three months ended March 31, 2018 was as follows:

	<u>Number of options</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Aggregate intrinsic value</u>
Shares issuable under options -				
Beginning of period	1,753,275	\$ 36.03		
Granted	455,000	67.30		
Exercised	(209,500)	24.28		
Forfeited	<u>(12,375)</u>	38.71		
Shares issuable under options -				
End of period	<u>1,986,400</u>	<u>\$ 44.42</u>	<u>3.22</u>	<u>\$ 49,722</u>
Options exercisable - End of period	<u>676,200</u>	<u>\$ 37.82</u>	<u>2.56</u>	<u>\$ 21,387</u>

The amount of compensation expense recorded in the statement of earnings for the three months ended March 31, 2018 was \$2,214 (2017 - \$1,443). As of March 31, 2018, there was \$10,917 of unrecognized compensation cost related to non-vested awards which is expected to be recognized over the next 4 years. During the three month period ended March 31, 2018, the fair value of options vested was \$2,687 (2017 - \$1,922).

14. CONTINGENCIES – In the normal course of operations, the Company is subject to routine claims and litigation incidental to its business. Litigation currently pending or threatened against the Company includes disputes with former employees and commercial liability claims related to services provided by the Company. The Company believes resolution of such proceedings, combined with amounts set aside, will not have a material impact on the Company’s financial condition or the results of operations.

Pursuant to an agreement approved in February 2004 and restated on June 1, 2015, the Company agreed that it will make payments to Jay S. Hennick, its Chief Executive Officer (“CEO”), that are contingent upon the arm’s length acquisition of control of the Company or upon a distribution of the Company’s assets to shareholders. The payment amounts will be determined with reference to the price per Subordinate Voting Share received by shareholders upon an arm’s length sale or upon a distribution of assets. The right to receive the payments may be transferred among members of the CEO’s family, their holding companies and trusts. The agreement provides for the CEO to receive each of the following two payments. The first payment is an amount equal to 5% of the product of: (i) the total number of Subordinate and Multiple Voting Shares outstanding on a fully diluted basis at the time of the sale and (ii) the per share consideration received by holders of Subordinate and Multiple Voting Shares minus a base price of C\$3.324. The second payment is an amount equal to 5% of the product of (i) the total number of shares outstanding on a fully diluted basis at the time of the sale and (ii) the per share consideration received by holders of Subordinate Voting Shares minus a base price of C\$6.472. Assuming an arm’s length acquisition of control of the Company took place on March 31, 2018, the amount required to be paid to the CEO, based on a market price of C\$89.44 per Subordinate Voting Share, would be US\$269,677.

15. SEGMENTED INFORMATION – Colliers has identified three reportable operating segments, which are grouped geographically and based on the manner in which the segments are managed. Management assesses each segment’s performance based on operating earnings or operating earnings before depreciation and amortization. Corporate includes the costs of global administrative functions and the corporate head office. Revenue for these segments are disaggregated into our three lines of business: Outsourcing & Advisory, Lease Brokerage and Sales Brokerage.

OPERATING SEGMENTS

	Americas	EMEA	Asia Pacific	Corporate	Consolidated
Three months ended March 31					
2018					
Sales brokerage	\$ 88,602	\$ 23,590	\$ 30,817	\$ -	\$ 143,009
Leasing brokerage	120,374	23,883	23,477	-	167,734
Outsourcing & Advisory	<u>119,526</u>	<u>68,244</u>	<u>53,541</u>	<u>419</u>	<u>241,730</u>
Revenues	\$ 328,502	\$ 115,717	\$ 107,835	\$ 419	\$ 552,473
Depreciation and amortization	7,023	6,655	1,557	623	15,858
Operating earnings (loss)	20,006	(9,571)	9,374	(4,064)	15,745
2017					
Sales brokerage	\$ 75,942	\$ 20,447	\$ 26,029	\$ -	\$ 122,418
Leasing brokerage	104,398	20,571	19,858	-	144,827
Outsourcing & Advisory	<u>103,482</u>	<u>49,753</u>	<u>45,313</u>	<u>470</u>	<u>199,018</u>
Revenues	\$ 283,822	\$ 90,771	\$ 91,200	\$ 470	\$ 466,263
Depreciation and amortization	6,743	3,585	1,290	409	12,027
Operating earnings (loss)	12,694	(975)	5,511	(4,390)	12,840

GEOGRAPHIC INFORMATION

	Three months ended March 31	
	<u>2018</u>	<u>2017</u>
United States		
Revenues	\$ 240,758	\$ 211,237
Total long-lived assets	278,858	252,834
Canada		
Revenues	\$ 74,681	\$ 60,526
Total long-lived assets	60,187	52,811
Euro currency countries		
Revenues	\$ 68,253	\$ 43,146
Total long-lived assets	299,018	175,873
Australia		
Revenues	\$ 45,828	\$ 43,350
Total long-lived assets	49,235	46,556
United Kingdom		
Revenues	\$ 31,428	\$ 30,463
Total long-lived assets	77,492	72,254
Other		
Revenues	\$ 91,525	\$ 77,541
Total long-lived assets	62,849	54,986
Consolidated		
Revenues	\$ 552,473	\$ 466,263
Total long-lived assets	827,639	655,314

16. SUBSEQUENT EVENTS – In April 2018, the Company acquired a controlling interest in a commercial real estate services firm headquartered in Salt Lake City, Utah. This business will be rebranded as Colliers International. Also in April 2018, the Company acquired its affiliate headquartered in Winnipeg, Manitoba. The initial cash consideration for these acquisitions was \$20,054. These acquisitions will be accounted for using the acquisition method of accounting for business combinations.

On April 10, 2018, the Company's shareholders approved an amendment to the stock option plan to increase the number of Subordinate Voting Shares reserved for issuance under the plan by 1,500,000.

On April 19, 2018, the Company amended and restated the credit agreement for its multi-currency revolving credit facility (the "Facility"). The Facility's maturity date was extended to April 30, 2023 (from January 18, 2022), total borrowing capacity was increased to \$1,000,000 (from \$700,000) and the applicable margin on borrowings was reduced by 0.25%. Other material terms and conditions were unchanged.