

**COLLIERS INTERNATIONAL
GROUP INC.**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

First Quarter

March 31, 2019

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

	Three months ended March 31	
	2019	2018
Revenues	\$ 635,123	\$ 552,473
Cost of revenues (exclusive of depreciation and amortization shown below)	421,349	362,300
Selling, general and administrative expenses	173,073	156,317
Depreciation	7,948	7,270
Amortization of intangible assets	14,720	8,588
Acquisition-related items (note 5)	4,635	2,253
Operating earnings	13,398	15,745
Interest expense, net	7,221	2,915
Other income, net (note 6)	(501)	(427)
Earnings before income tax	6,678	13,257
Income tax expense (note 7)	1,215	4,716
Net earnings	5,463	8,541
Non-controlling interest share of earnings	1,244	670
Non-controlling interest redemption increment (note 11)	2,757	2,905
Net earnings attributable to Company	\$ 1,462	\$ 4,966
Net earnings per common share (note 12)		
Basic	\$ 0.04	\$ 0.13
Diluted	\$ 0.04	\$ 0.13

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	
	2019	2018
Net earnings	\$ 5,463	\$ 8,541
Foreign currency translation gain	1,892	3,116
Unrealized gain (loss) on interest swaps, net of tax	(942)	1,064
Pension liability adjustments, net of tax	(25)	-
Comprehensive earnings	6,388	12,721
Less: Comprehensive earnings attributable to non-controlling shareholders	5,396	2,789
Comprehensive earnings attributable to Company	\$ 992	\$ 9,932

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, 2019	December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 117,347	\$ 127,032
Accounts receivable, net of allowance of \$31,250 (December 31, 2018 - \$30,789)	419,470	455,232
Contract assets	98,311	99,468
Income tax recoverable	10,460	13,090
Prepaid expenses and other current assets	76,645	65,491
	<u>722,233</u>	<u>760,313</u>
Other receivables	15,524	12,088
Contract assets	10,549	10,964
Other assets	60,072	60,713
Fixed assets	96,781	93,483
Operating lease right-of-use assets (note 8)	278,689	-
Deferred income tax, net	36,952	34,195
Intangible assets	490,966	497,930
Goodwill	895,100	887,894
	<u>1,884,633</u>	<u>1,597,267</u>
	<u>\$ 2,606,866</u>	<u>\$ 2,357,580</u>
Liabilities and shareholders' equity		
Current Liabilities		
Accounts payable and accrued expenses	\$ 211,141	\$ 251,375
Accrued compensation	338,842	469,563
Income tax payable	16,995	30,034
Contract liabilities	31,867	28,773
Long-term debt - current (note 9)	1,045	1,834
Contingent acquisition consideration - current (note 10)	27,419	17,122
Operating lease liabilities (note 8)	70,898	-
	<u>698,207</u>	<u>798,701</u>
Long-term debt - non-current (note 9)	802,453	670,289
Contingent acquisition consideration (note 10)	62,697	76,743
Deferred rent	-	27,137
Operating lease liabilities	245,961	-
Other liabilities	21,979	21,826
Deferred income tax, net	25,570	27,550
	<u>1,158,660</u>	<u>823,545</u>
Redeemable non-controlling interests (note 11)	345,453	343,361
Shareholders' equity		
Common shares	426,456	415,805
Contributed surplus	56,266	54,717
Deficit	(20,289)	(21,751)
Accumulated other comprehensive loss	(61,688)	(61,218)
Total Company shareholders' equity	400,745	387,553
Non-controlling interests	3,801	4,420
Total shareholders' equity	<u>404,546</u>	<u>391,973</u>
	<u>\$ 2,606,866</u>	<u>\$ 2,357,580</u>

Contingencies (note 14) and subsequent events (note 17)

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, 2018	39,213,136	\$ 415,805	\$ 54,717	\$ (21,751)	\$ (61,218)	\$ 4,420	\$ 391,973
Net earnings	-	-	-	5,463	-	-	5,463
Pension liability adjustment, net of tax	-	-	-	-	(25)	-	(25)
Foreign currency translation gain	-	-	-	-	1,892	-	1,892
Unrealized loss on interest rate swaps, net of tax	-	-	-	-	(942)	-	(942)
Other comprehensive earnings attributable to NCI	-	-	-	-	(1,395)	58	(1,337)
NCI share of earnings	-	-	-	(1,244)	-	478	(766)
NCI redemption increment	-	-	-	(2,757)	-	-	(2,757)
Distributions to NCI	-	-	-	-	-	(979)	(979)
Acquisition of businesses, net	-	-	-	-	-	(176)	(176)
Subsidiaries' equity transactions	-	-	390	-	-	-	390
Subordinate Voting Shares:							
Stock option expense	-	-	2,831	-	-	-	2,831
Stock options exercised	269,675	10,651	(1,672)	-	-	-	8,979
Balance, March 31, 2019	39,482,811	\$ 426,456	\$ 56,266	\$ (20,289)	\$ (61,688)	\$ 3,801	\$ 404,546

	Common shares		Contributed surplus	Deficit	Accumulated other comprehensive loss	Non-controlling interests	Total shareholders' equity
	Issued and outstanding shares	Amount					
Balance, December 31, 2017	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	
	2019	2018
Cash provided by (used in)		
Operating activities		
Net earnings	\$ 5,463	\$ 8,541
Items not affecting cash:		
Depreciation and amortization	22,668	15,858
Deferred income tax	(4,019)	(393)
Earnings from equity method investments	(366)	(327)
Stock option expense	2,831	2,214
Allowance for uncollectible accounts receivable	1,106	1,437
Amortization of advisor loans	5,032	3,881
Other	6,325	621
Net changes from operating assets / liabilities		
Accounts receivable	43,336	51,265
Contract assets	5,070	9,654
Prepaid expenses and other current assets	(8,258)	(4,798)
Accounts payable and accrued expenses	(43,982)	(51,841)
Accrued compensation	(137,590)	(112,708)
Contract liabilities	(8,146)	(1,284)
Other liabilities	4,447	546
Contingent acquisition consideration paid	(112)	(2,856)
Net cash used in operating activities	(106,195)	(80,190)
Investing activities		
Acquisitions of businesses, net of cash acquired (note 4)	(13,244)	(79,732)
Purchases of fixed assets	(10,379)	(6,209)
Advisor loans issued	(4,906)	(2,793)
Other investing activities	(4,293)	(1,669)
Net cash used in investing activities	(32,822)	(90,403)
Financing activities		
Increase in long-term debt	218,481	233,873
Repayment of long-term debt	(83,587)	(47,040)
Purchase of non-controlling interests, net	(2,704)	(73)
Contingent acquisition consideration paid	(4,015)	(7,606)
Proceeds received on exercise of options	8,979	5,087
Dividends paid to common shareholders	(1,961)	(1,947)
Distributions paid to non-controlling interests	(6,194)	(5,204)
Financing fees paid	(20)	-
Net cash provided by financing activities	128,979	177,090
Effect of exchange rate changes on cash	353	(3,371)
Increase (decrease) in cash and cash equivalents	(9,685)	3,126
Cash and cash equivalents, beginning of period	127,032	108,523
Cash and cash equivalents, end of period	\$ 117,347	\$ 111,649

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

COLLIERS INTERNATIONAL GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019
(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 (68 countries including affiliates and franchisees). Colliers’ primary services are outsourcing and advisory services, lease brokerage, sales brokerage and investment management. Operationally, Colliers is organized into four distinct segments: Americas; Europe, Middle East and Africa (“EMEA”); Asia and Australasia (“Asia Pacific”) and Investment Management.

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, 2018.

In the opinion of management, these Financial Statements contain all adjustments necessary for a fair statement of financial position of the Company as at March 31, 2019 and the results of operations and its cash flows for the three month periods ended March 31, 2019 and 2018. All such adjustments are of a normal recurring nature. The results of operations for the three month period ended March 31, 2019 are not necessarily indicative of the results to be expected for the year ending December 31, 2019

Prior year comparatives in relation to Accounts payable and accrued expenses, Accrued compensation and Contract liabilities on the consolidated balance sheets and consolidated statements of cash flows have been restated to better reflect the classification of certain liabilities and to improve comparability with 2019. The amounts have no net impact on current liabilities or operating cash flows.

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 leases is shown below.

Leases

The Company is (i) a lessee in relation to premises and equipment and (ii) acts as a lessor in relation to certain premises that it owns or leases from third parties.

(a) As a lessee

The Company recognizes an operating lease right-of-use (“ROU”) asset and a lease liability on the consolidated balance sheet at the lease commencement date. Operating lease ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term adjusted for lease pre-payments and lease incentives. As most of the Company’s leases do not provide an implicit rate, the incremental borrowing rate based on the information available at commencement date is used to determine the present value of lease payments. The Company uses the implicit rate when readily determinable. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Operating leases ROU assets are amortized to selling, general and administrative expenses (“SG&A”) straight-line over the lease term.

Finance leases are included in fixed assets and long-term debt on the consolidated balance sheet. Finance lease assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of lease term.

Variable lease payments and variable payments related to non-lease components are recorded to SG&A as incurred. Variable lease payments include amounts related to changes in payments associated with changes in an index or rate but which are not also associated with a remeasurement of the lease liability.

The Company has operating lease agreements with lease and non-lease components, and the Company has elected to apply the practical expedient to not separate lease and nonlease components and therefore the ROU assets and lease liabilities include payments related to services included in the lease agreement. Additionally, for certain leases the Company has elected to group leases that commence at the same time and where accounting does not materially differ from accounting for the leases individually as a portfolio of leases.

The Company has elected not to recognize ROU assets and lease liabilities for leases that have a term of twelve months or less. Similarly, the Company will be applying the practical expedient to not recognize assets or liabilities related to a business combination when the acquired lease has a remaining term of twelve months or less at the acquisition date. The payments associated with these leases are recorded to SG&A on a straight-line basis over the remaining lease term.

(b) As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. All of the Company's lessor arrangements are classified as operating leases.

When the Company is a sublessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lessor classification of a sublease with reference to the underlying asset rather than with reference to the right-of-use asset. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as other revenue.

3. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Recently adopted accounting guidance

Leases

The Financial Accounting Standards Board ("FASB") has issued two Accounting Standards Updates ("ASU") related to leases (collectively, "ASC 842"). 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 is required.

In July 2018, the FASB issued ASU No. 2018-11, *Codification Improvements to Topic 842, Leases*. This ASU affects narrow aspects of the guidance issued in ASU 2016-02 providing an additional (and optional) alternative transition method to adopt the new leases standard. Under this transition method, an entity initially applies ASC 842 at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

The Company has adopted ASC 842 effective January 1, 2019, with the election of the new optional transition method offered under ASU 2018-11 to apply the new lease standard at the adoption date without restating comparative figures. Therefore, the comparative information has not been restated and continues to be reported under previous GAAP. In transitioning to ASC 842, the Company has also elected to apply the practical expedient package which permits the Company to (i) not reassess whether expired or existing contracts are or contain leases, (ii) not reassess the lease classification between operating and finance leases for any expired or existing leases and (iii) not reassess initial direct costs for any existing leases.

The most significant impact is the increase in operating lease right-of-use assets and operating lease liabilities as presented in the March 31, 2019 consolidated balance sheet. A summary of the adjustments to the Company's consolidated balance sheet as at adoption on January 1, 2019 were as follows:

	December 31, 2018	ASC 842 adjustment	January 1, 2019
Balance sheet			
Accounts receivable, net of allowance	\$ 455,232	\$ 1,174	\$ 456,406
Prepaid expenses and other current assets	65,491	(1,662)	63,829
Operating lease right-of-use assets	-	278,668	278,668
Accounts payable and accrued expenses	251,375	(4,591)	246,784
Operating lease liabilities (current)		67,594	67,594
Deferred rent	27,137	(27,137)	-
Operating lease liabilities (non-current)	-	242,314	242,314

Related balance sheet ratios were also impacted; however, covenant ratio calculations under the Company's Revolving Credit Facility and Senior Notes were not impacted, as the underlying debt agreements contain provisions that nullify the impact of changes in accounting standards. See Notes 2 and 8 for further details on leases.

Hedging activities

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 Company adopted the new standard effective January 1, 2019 with no material impact on the Financial Statements. The Company's interest rate swaps are accounted for as cash flow hedges, are deemed to be effective as hedges and are reported in other comprehensive income.

Recently issued accounting guidance, not yet adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses*. This ASU creates a new framework to evaluate financial instruments, such as trade receivables, for expected credit losses. This new framework replaces the existing incurred loss approach and is expected to result in more timely recognition of credit losses. The standard is effective for annual and interim periods beginning after December 15, 2019. The Company is currently assessing the impact of this ASU on its consolidated financial statements.

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. The Company is currently assessing the impact of this ASU on its consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This ASU provides an option to reclassify stranded tax effects within accumulated other comprehensive income to retained earnings in each period in which the effect of the change in the US federal corporate income tax rate (or portion thereof) is recorded. The standard is effective for annual and interim periods beginning after December 15, 2019. The Company is currently assessing the impact of this ASU on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use software (Subtopic 350-40)*. This ASU aligns the capitalizing of implementation costs incurred in relation to a hosting arrangement with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. It also requires these capitalized costs to be expensed over the term of the hosting arrangement and to the same line as the hosting arrangement. The standard is effective for annual and interim periods beginning after December 15, 2019. The Company is currently assessing the impact of this ASU on its consolidated financial statements.

4. ACQUISITIONS – During the three months ended March 31, 2019, the Company acquired a controlling interest in one business, operating in the Americas (Virginia). The acquisition date fair value of consideration transferred consisted of \$12,746 in cash (net of cash acquired of \$3,158). The Company acquired \$1,722 of net assets, excluding cash, and recognized goodwill of \$8,914, intangible assets of \$8,914 and redeemable non-controlling interest of \$6,804 in its preliminary purchase price allocation.

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 15 years. The acquisition was accounted for by the acquisition method of accounting for business combinations.

During the three months ended March 31, 2018, the Company acquired controlling interests in three businesses for cash consideration of \$79,654 (net of cash acquired of \$12,990) and contingent consideration of \$5,742.

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, 2019 was \$90,117 (see note 10). The liability recorded on the balance sheet for the compensatory element of contingent consideration arrangements as of March 31, 2019 was \$18,255. The estimated range of outcomes (undiscounted) for all contingent consideration arrangements, including those with an element of compensation, is \$181,580 to a maximum of \$213,624. The contingencies will expire during the period extending to March 2023.

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

	Three months ended March 31	
	2019	2018
Transaction costs	\$ 1,123	\$ 1,714
Contingent consideration fair value adjustments	428	(948)
Contingent consideration compensation expense	3,084	1,487
	<u>\$ 4,635</u>	<u>\$ 2,253</u>

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

	Three months ended March 31	
	2019	2018
Gain on investments	\$ (176)	\$ (90)
Equity earnings from non-consolidated investments	(366)	(327)
Other	41	(10)
	\$ (501)	\$ (427)

7. INCOME TAX – The provision for income tax for the three months ended March 31, 2019 reflected an effective tax rate of 18.2% (2018 - 35.6%) relative to the combined statutory rate of approximately 26.5% (2018 - 26.5%), with the current year rate impacted by an increase in earnings before income tax in certain low tax rate jurisdictions.

8. LEASES – The Company enters into premise leases and equipment leases as a lessee.

a) Premise leases

The Company leases office space for terms ranging from less than one year to eleven years. Leases generally include an initial contract term but some leases include an option to renew the lease for additional period at the end of this initial term. These renewal periods range in length up to a period equivalent to the initial term of the lease. All of the Company's premise leases are classified as operating leases.

b) Equipment leases

The Company leases certain equipment in its operations, including furniture and equipment, computer equipment and vehicles. Equipment leases may consist of operating leases or finance leases based upon the assessment of the facts at the commencement date of the lease. Equipment leases have lease terms of one year to six years. Certain leases may have the option to extend the leases for a short period or to purchase the asset at the end of the lease term.

The components of lease expense were as follows:

	Three months ended March 31	
	2019	
Operating lease cost	\$	18,688
Finance lease cost		
Amortization of right-of-use assets		220
Interest on lease liabilities		16
Variable lease cost		7,693
Short term lease cost		1,033
		1,033
Total lease expense	\$	27,650
Sublease revenues		(555)
Total lease cost, net of sublease revenues	\$	27,095

Supplemental information related to leases was as follows:

	Three months ended March 31	
	2019	
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases recognized on transition to ASC 842		278,668

Operating leases commencing in 2019	15,990
Finance leases	9
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ (18,956)
Operating cash flows from finance leases	(16)
Financing cash flows from finance leases	(384)

Supplemental balance sheet information related to leases was as follows:

	Three months ended
	March 31
	<u>2019</u>
Operating leases	
Operating lease right-of-use assets	\$ 278,689
Operating lease liabilities - current	\$ (70,898)
Operating lease liabilities - non-current	(245,961)
Total operating lease liabilities	<u>\$ (316,859)</u>
Finance leases	
Fixed assets, gross	\$ 5,403
Accumulated depreciation	(4,510)
Fixed assets, net	<u>\$ 893</u>
Long-term debt - current	\$ (588)
Long-term debt - non-current	(382)
Total finance lease liabilities	<u>\$ (970)</u>

Maturities of lease liabilities were as follows:

	One year	Two years	Three years	Four years	Five years	Thereafter	Total
Operating leases	\$ 77,773	\$ 68,180	\$ 56,578	\$ 43,605	\$ 34,849	\$ 68,970	\$ 349,955
Present value of operating lease liabilities							\$ 316,859
Difference between undiscounted cash flows and discounted cash flows							\$ 33,096
Finance leases	\$ 646	\$ 318	\$ 23	\$ -	\$ -	\$ -	\$ 987
Present value of finance lease liabilities							\$ 970
Difference between undiscounted cash flows and discounted cash flows							\$ 17
							March 31
							<u>2019</u>

Weighted average remaining lease term

Operating leases	5.8 years
Finance leases	1.8 years

Weighted average discount rate

Operating leases	3.3 %
Finance leases	1.9 %

As of March 31, 2019, the Company has additional operating leases, primarily for premises, that have not yet commenced of \$8,187. These operating leases will commence within the next twelve months and have lease terms ranging from one to seven years.

9. LONG-TERM DEBT – The Company has an amended and restated credit agreement with a syndicate of banks to provide a multi-currency senior unsecured revolving credit facility (the “Revolving Credit Facility”) of \$1,000,000. The Revolving Credit Facility has a 5-year term ending April 30, 2023 and bears interest at an applicable margin of 1.25% to 2.50% over floating reference rates, depending on financial leverage ratios. The weighted average interest rate at March 31, 2019 was 3.7% (2018 - 3.1%). The Revolving Credit Facility had \$423,291 of available un-drawn credit as at March 31, 2019. As of March 31, 2019, letters of credit in the amount of \$7,689 were outstanding (\$7,624 as at December 31, 2018). The Revolving Credit Facility requires a commitment fee of 0.25% to 0.5% of the unused portion, depending on certain leverage ratios. At any time during the term, the Company has the right to increase the Revolving Credit Facility by up to \$250,000 on the same terms and conditions.

The Company has outstanding €210,000 of senior unsecured notes with a fixed interest rate of 2.23% (the “Senior Notes”), which are held by a group of institutional investors. The Senior Notes have a 10-year term ending May 30, 2028.

The Revolving Credit Facility and the Senior Notes rank equally in terms of seniority and have similar financial covenants. The Company is required to maintain financial covenants including leverage and interest coverage. The Company was in compliance with these covenants as of March 31, 2019. The Company is limited from undertaking certain mergers, acquisitions and dispositions without prior approval.

See Note 17 for subsequent events related to long-term debt.

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, 2019:

	Carrying value at March 31, 2019	Fair value measurements		
		Level 1	Level 2	Level 3
Assets				
Investments				
Equity securities	\$ 7,937	\$ 3,939	\$ 3,998	\$ -
Debt securities	\$ 150	\$ -	\$ -	\$ 150
Liabilities				
Contingent consideration liability	\$ 90,117	\$ -	\$ -	\$ 90,117
Interest rate swap liability	355	-	355	-

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 9.1%, with a weighted average of 6.3%). 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 3.8% and 8.7% levels. A 2% increase in the weighted average discount rate would reduce the fair value of contingent consideration by \$4,400.

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

	<u>2019</u>
Balance, January 1	\$ 93,865
Fair value adjustments	428
Resolved and settled in cash	(4,127)
Other	(51)
Balance, March 31	<u>\$ 90,116</u>
Less: Current portion	<u>27,419</u>
Non-current portion	<u>\$ 62,696</u>

The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair values due to the short maturity of these instruments, unless otherwise indicated. The inputs to the measurement of the fair value of the Senior Notes are Level 3 inputs. The fair value measurements were made using a net present value approach; significant model inputs were expected future cash outflows and discount rates.

	<u>March 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Other receivables	\$ 15,524	\$ 15,524	\$ 12,088	\$ 12,088
Advisor loans receivable (non-current)	45,513	45,513	46,661	46,661
Long-term debt, excluding Senior Notes (non-current)	567,207	567,207	430,712	430,712
Senior Notes	234,863	279,627	239,577	268,838

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>2019</u>
Balance, January 1	\$ 343,361
RNCI share of earnings	765
RNCI redemption increment	2,757
Distributions paid to RNCI	(5,215)
Purchase of interests from RNCI, net	(3,019)
RNCI recognized on business acquisitions	6,804
Balance, March 31	<u>\$ 345,453</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, 2019 was \$309,979 (March 31, 2018 - \$131,258). 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, 2019, approximately 4,600,000 such shares would be issued.

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	
	2019	2018
Basic shares	39,298	39,048
Assumed exercise of Company stock options	517	605
Diluted shares	39,815	39,653

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 Chairman & CEO who has a Long Term Arrangement as described in note 14. 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, 2019, there were 1,141,500 options available for future grants.

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

There were 490,000 stock options granted during the three months ended March 31, 2019 (2018 - 470,000). Stock option activity for the three months ended March 31, 2019 was as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Shares issuable under options -				
Beginning of period	1,897,425	\$ 45.08		
Granted	490,000	68.65		
Exercised	(269,675)	33.30		
Forfeited	<u>(10,000)</u>	67.98		
Shares issuable under options -				
End of period	<u>2,107,750</u>	\$ 51.96	3.04	\$ 32,369
Options exercisable - End of period	<u>724,500</u>	\$ 36.96	1.62	\$ 21,590

The amount of compensation expense recorded in the statement of earnings for the three months ended March 31, 2019 was \$2,831 (2018 - \$2,214). As of March 31, 2019, there was \$12,881 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, 2019, the fair value of options vested was \$4,541 (2018 - \$2,687).

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 Chairman & 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, 2019, the amount required to be paid to the Chairman & CEO, based on a market price of C\$89.27 per Subordinate Voting Share, would be US\$256,714.

15. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated revenue

Colliers has disaggregated its revenue from contracts with customers by type of service and region as presented in the following table.

OPERATING SEGMENT REVENUES

	Americas	EMEA	Asia Pacific	Investment Management	Corporate	Consolidated
Three months ended March 31						
2019						
Lease brokerage	\$ 139,788	\$ 21,704	\$ 20,291	\$ -	\$ -	\$ 181,783
Sales brokerage	86,603	32,225	33,037	-	-	151,865
Property management	63,796	19,149	35,005	-	-	117,950
Valuation and advisory	35,752	19,055	13,839	-	-	68,646
Project management	28,409	27,111	8,379	-	-	63,899
IM - Management Fees	-	-	-	31,430	-	31,430
IM - Incentive Fees	-	-	-	11,187	-	11,187
IM - Transaction and Other	-	-	-	474	-	474
Other	4,477	1,220	1,766	-	426	7,889
Total Revenue	\$ 358,825	\$ 120,464	\$ 112,317	\$ 43,091	\$ 426	\$ 635,123
2018						
Lease brokerage	\$ 120,374	\$ 23,840	\$ 23,477	\$ -	\$ -	\$ 167,691
Sales brokerage	88,603	22,857	30,817	-	-	142,277
Property management	55,291	23,075	32,674	-	-	111,040
Valuation and advisory	32,793	21,203	11,281	-	-	65,277
Project management	26,012	21,273	6,858	-	-	54,143
IM - Management Fees	-	-	-	1,877	-	1,877
IM - Transaction and Other	-	-	-	857	-	857
Other	5,429	735	2,728	-	419	9,311
Total Revenue	\$ 328,502	\$ 112,983	\$ 107,835	\$ 2,734	\$ 419	\$ 552,473

Contract balances

As at March 31, 2019, the Company had contract assets totaling \$108,860 of which \$98,311 was current (as at December 31, 2018 - \$111,432 of which \$99,468 was current). During the three months ended March 31, 2019, approximately 50% of the current contract assets were moved to accounts receivable.

As at March 31, 2019, the Company had contract liabilities (all current) totaling \$31,867 (As at December 31, 2018 - \$28,773). Revenue recognized for the three months ended March 31, 2019 totaled \$23,046 (2018 - \$12,158) that was included in the contract liability balance at the beginning of the year.

Certain constrained brokerage fees, outsourcing and advisory fees and investment management fees may arise from services that began in a prior reporting period. Consequently, a portion of the fees the Company recognizes in the current period may be partially related to the services performed in prior periods. In particular, generally less than 5% of brokerage revenue recognized in a period had previously been constrained and substantially all investment management incentive fees, including carried interest, recognized in the period were previously constrained.

16. **SEGMENTED INFORMATION** – Colliers has identified four reportable operating segments. Three segments are grouped geographically into Americas, Asia Pacific and EMEA. The Investment Management segment includes Harrison Street Real Estate Capital, LLC (“Harrison Street”) and the Company’s existing European investment management business which was reported in EMEA prior to the acquisition of Harrison Street in July 2018. The groupings are 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.

OPERATING SEGMENTS

	Americas	EMEA	Asia Pacific	Investment Management	Corporate	Consolidated
Three months ended March 31						
2019						
Revenues	\$ 358,825	\$ 120,464	\$ 112,317	\$ 43,091	\$ 426	\$ 635,123
Depreciation and amortization	8,260	5,582	1,458	6,610	758	22,668
Operating earnings (loss)	16,169	(10,146)	9,216	3,637	(5,478)	13,398
2018						
Revenues	\$ 328,502	\$ 112,983	\$ 107,835	\$ 2,734	\$ 419	\$ 552,473
Depreciation and amortization	7,023	6,642	1,557	12	624	15,858
Operating earnings (loss)	20,006	(9,146)	9,374	(425)	(4,064)	15,745

GEOGRAPHIC INFORMATION

	Three months ended March 31	
	2019	2018
United States		
Revenues	\$ 312,042	\$ 240,758
Total long-lived assets		
Long-lived assets excluding operating lease right-of-use assets	953,471	278,858
Operating lease right-of-use assets	133,295	-
Canada		
Revenues	\$ 74,148	\$ 74,681
Total long-lived assets		
Long-lived assets excluding operating lease right-of-use assets	65,943	60,187
Operating lease right-of-use assets	23,018	-
Euro currency countries		
Revenues	\$ 72,155	\$ 68,253
Total long-lived assets		
Long-lived assets excluding operating lease right-of-use assets	259,579	299,018

Operating lease right-of-use assets		40,286	-
Australia			
Revenues	\$	43,405	\$ 45,828
Total long-lived assets			
Long-lived assets excluding operating lease right-of-use assets		47,519	49,235
Operating lease right-of-use assets		37,341	-
United Kingdom			
Revenues	\$	31,521	\$ 31,428
Total long-lived assets			
Long-lived assets excluding operating lease right-of-use assets		70,020	77,492
Operating lease right-of-use assets		18,009	-
Other			
Revenues	\$	101,852	\$ 91,525
Total long-lived assets			
Long-lived assets excluding operating lease right-of-use assets		86,315	62,849
Operating lease right-of-use assets		26,740	-
Consolidated			
Revenues	\$	635,123	\$ 552,473
Total long-lived assets			
Long-lived assets excluding operating lease right-of-use assets		1,482,847	827,639
Operating lease right-of-use assets		278,689	-

17. SUBSEQUENT EVENTS – On April 4, 2019, the Company amended the credit agreement for its Revolving Credit Facility. The Revolving Credit Facility’s maturity date was extended to April 30, 2024 (from April 30, 2023) and certain amendments were made to increase the flexibility of the Company’s debt capital structure. Other material terms and conditions, including the Revolving Credit Facility’s capacity and pricing, were unchanged.

On April 4, 2019, the Company also amended the note purchase agreement for its Senior Notes to make certain amendments to increase the flexibility of the Company’s debt capital structure. These amendments were similar to the amendments made to the Revolving Credit Facility, which ranks equal in seniority to the Senior Notes.

On April 12, 2019, the Company completed a structured accounts receivable facility (the “AR Facility”) with a third-party financial institution. The AR Facility has committed availability of \$125,000 with an initial term of 364 days and includes selected US and Canadian trade accounts receivable. The Company acts as servicer under the AR Facility. Proceeds from the AR Facility in the amount of \$117,200 were used to repay outstanding indebtedness under the Revolving Credit Facility.