**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

# FORM 40-F

[ ] Registration Statement Pursuant to Section 12 of the Securities Exchange Act of 1934
or
[x] Annual Report Pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended **December 31, 2016**

Commission file number **001-36898**

# Colliers International Group Inc.

*(Exact name of Registrant as specified in its charter)*

**N/A**

*(Translation of Registrant's name into English (if applicable))*

**Ontario, Canada**

*(Province or other jurisdiction of incorporation or organization)*

**6500**

*(Primary Standard Industrial Classification Code Number (if applicable))*

**N/A**

*(I.R.S. Employer Identification Number (if applicable))*

**1140 Bay Street, Suite 4000**
**Toronto, Ontario, Canada M5S 2B4**
**416-960-9500**

*(Address and telephone number of Registrant's principal executive offices)*

**Mr. Santino Ferrante, Ferrante & Associates**
**126 Prospect Street, Cambridge, MA 02139**
**617-868-5000**

*(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)*

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| **Subordinate Voting Shares** | **NASDAQ Stock Market**<br>**Toronto Stock Exchange** |

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this Form:

[**x**] Annual information form [**x**] Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

**37,322,767 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

[**x**] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

[**x**] Yes [ ] No

## PRINCIPAL DOCUMENTS

The following documents have been filed as part of this Annual Report on Form 40-F:

**A. Annual Information Form**

For the Registrant's Annual Information Form for the year ended December 31, 2016, see Exhibit 1 of this Annual Report on Form 40-F.

**B. Audited Annual Financial Statements**

For the Registrant's audited consolidated financial statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, see Exhibit 2 of this Annual Report on Form 40-F.

**C. Management's Discussion and Analysis**

For the Registrant's management's discussion and analysis for the year ended December 31, 2016, see Exhibit 3 of this Annual Report on Form 40-F.

## DISCLOSURE CONTROLS AND PROCEDURES

The Registrant's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Registrant's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this annual report (the "Evaluation Date"). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, the Registrant's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Registrant in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC") and (ii) accumulated and communicated to the Registrant's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

## MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Registrant. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of its effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has excluded ten individually insignificant entities acquired by the Registrant during the last fiscal period from its assessment of internal control over financial reporting as at December 31, 2016. The total assets and total revenues of the ten majority-owned entities represent 2.2% and 3.8%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2016.

Management has assessed the effectiveness of the Registrant's internal control over financial reporting as at December 31, 2016, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at December 31, 2016, the Registrant's internal control over financial reporting was effective.

The effectiveness of the Registrant's internal control over financial reporting as at December 31, 2016 has been audited by PricewaterhouseCoopers LLP, the Registrant's independent registered public accounting firm, as stated in their report filed in Exhibit 2 of this Annual Report on Form 40-F.

**CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

During the year ended December 31, 2016, there were no changes in the Registrant's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

**NOTICES PURSUANT TO REGULATION BTR**

There were no notices required by Rule 104 of Regulation BTR that the Registrant sent during the year ended December 31, 2016 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

**AUDIT COMMITTEE FINANCIAL EXPERT**

The Registrant's board of directors (the "Board of Directors") has determined that it has at least one audit committee financial expert (as such term is defined in item 8(a) of General Instruction B to Form 40-F) serving on its audit & risk committee (the "Audit Committee"). Each of Messrs. Peter F. Cohen and L. Frederick Sutherland have been determined by the Board of Directors to be such audit committee financial expert and is independent (as such term is defined by the NASDAQ Stock Market's corporate governance standards applicable to the Registrant).

Mr. Cohen is a Chartered Professional Accountant and a former partner in an audit practice of a public accounting firm. Mr. Cohen is currently the Vice Chairman of the Board of the Registrant and President and Chief Executive Officer of the Dawsco Group, a private real estate and investment company owned by Mr. Cohen and his family. Mr. Cohen was a co-founder and Chair and Chief Executive Officer of Centrefund Realty Corporation, a publicly traded shopping center investment company until August 2000 when control of the company was sold. Mr. Cohen serves as the Treasurer and a Director of the Sinai Health System and is the Co-Chair of the Resources Committee and Building and Development Committee.

Mr. Sutherland was the Executive Vice President and Chief Financial Officer of Aramark Corporation, Philadelphia, PA, a provider of services, facilities management and uniform and career apparel, from 1997 through April 5, 2015 at which time he became the Senior Advisor to the Chief Executive Officer of Aramark prior to retiring from Aramark on December 31, 2015. Prior to joining Aramark in 1980, Mr. Sutherland was Vice President in the Corporate Banking Department of Chase Manhattan Bank, New York, NY. Mr. Sutherland is a director of Consolidated Edison, Inc. Mr. Sutherland is also Chairman of the Board of WHYY, a PBS affiliate, Board President of Episcopal Community Services, an anti-poverty agency, and a Trustee of People's Light and Theater. Mr. Sutherland holds an MBA Degree in Finance from the Katz School of the University of Pittsburgh and a Bachelors in Physics and Mathematics from Duke University.

The SEC has indicated that the designation of each of Messrs. Cohen and Sutherland as an audit committee financial expert does not make them an "expert" for any purpose, impose on them any duties, obligations or liability that are greater than the duties, obligations or liability imposed on them as a member of the Audit Committee and the Board of Directors in absence of such designation, or affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

## CODE OF ETHICS

The Registrant has adopted a Code of Ethics and Conduct that applies to all directors, officers and employees of the Registrant and its subsidiaries, and a Financial Management Code of Ethics, which applies to senior management and senior financial and accounting personnel of the Registrant and its subsidiaries. A copy of the Code of Ethics and Conduct and the Financial Management Code of Ethics can be obtained, free of charge, on the Registrant's website (www.colliers.com) or by contacting the Registrant at (416) 960-9500.

## PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets out the fees billed to the Registrant by PricewaterhouseCoopers LLP for professional services rendered in each of the fiscal periods ended December 31, 2016 and 2015. During these periods, PricewaterhouseCoopers LLP was the Registrant's only external auditor.

| (in thousands of C$) | Year ended December 31, 2016 | Year ended December 31, 2015 |
|---|---|---|
| Audit fees (note 1) | $ 1,844 | $ 1,831 |
| Audit-related fees (note 2) | 197 | 384 |
| Tax fees (note 3) | 535 | 788 |
| All other fees (note 4) | 51 | 5 |
| | $ 2,627 | $ 3,008 |

**Notes:**

1. Refers to the aggregate fees billed by the Registrant's external auditor for audit services relating to the audit of the Registrant and statutory audits required by subsidiaries.
2. Refers to the aggregate fees billed for assurance and related services by the Registrant's external auditor that are reasonably related to the performance of the audit or review of the Registrant's financial statements and are not reported under (1) above, including professional services rendered by the Registrant's external auditor for accounting consultations on proposed transactions and consultations related to accounting and reporting standards. Such fees included amounts incurred in respect of: due diligence and other work related to the disposition and acquisition of businesses, such work being unrelated to the audit of the Registrant's financial statements, as well as other audit-related services.
3. Refers to the aggregate fees billed for professional services rendered by the Registrant's external auditor for tax compliance, tax advice and tax planning.
4. Refers to fees for information technology consulting and subscriptions to accounting and tax research tools.

The Registrant's Audit Committee pre-approves all audit services and permitted non-audit services provided to the Registrant by PricewaterhouseCoopers LLP. The Audit Committee has delegated to the Chair of the Audit Committee, who is independent, the authority to act on behalf of the Audit Committee with respect to the pre-approval of all audit and permitted non-audit services provided by its external auditors from time to time. Any approvals by the Chair are reported to the full Audit Committee at its next meeting. All of the services described in footnotes 2, 3 and 4 under "Principal Accountant Fees and Services" above were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

## OFF-BALANCE SHEET ARRANGEMENTS

The Registrant does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Registrant's financial performance or financial condition other than the payments which may be required to be made under the sale of control arrangement contained in the restated management services agreement with the Registrant, Jayset Management CIG Inc. and Jay S. Hennick. A description of the sale of control arrangement is set out in Note 14 to the consolidated financial statements included as Exhibit 2 to this Annual Report on Form 40-F, and is incorporated herein by reference.

## TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The information provided in the table entitled "Contractual Obligations" under the section entitled "Liquidity and Capital Resources" in the management's discussion and analysis included as Exhibit 3 to this Annual Report on Form 40-F, is incorporated herein by reference.

## IDENTIFICATION OF THE AUDIT COMMITTEE

The Registrant has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Peter F. Cohen (Chair), John (Jack) P. Curtin, Jr., Katherine M. Lee and L. Frederick Sutherland.

## UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

### A. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the staff of the SEC, and to furnish promptly, when requested to do so by the SEC staff, information relating to the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an Annual Report on Form 40-F arises; or transactions in said securities.

### B. Consent to Service of Process

The Registrant has previously filed with the SEC an Appointment of Agent for Service of Process and Undertaking on Form F-X in connection with its Subordinate Voting Shares.

## SIGNATURE

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

**COLLIERS INTERNATIONAL GROUP INC.**

Date: February 23, 2017

By: */s/ John B. Friedrichsen*
Name: John B. Friedrichsen
Title: Chief Financial Officer

## EXHIBIT INDEX

| No. | Document |
|---|---|
| 1. | Annual Information Form of the Registrant for the year ended December 31, 2016. |
| 2. | Audited consolidated financial statements of the Registrant as at December 31, 2016 and 2015 and for years ended December 31, 2016, 2015 and 2014, in accordance with generally accepted accounting principles in the United States. |
| 3. | Management's discussion and analysis of the Registrant for the year ended December 31, 2016. |
| 23. | Consent of PricewaterhouseCoopers LLP. |
| 31. | Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13(a)-14(a) or 15(d)-14 of the Securities Exchange Act of 1934. |
| 32. | Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101. | Interactive Data File. |




# COLLIERS INTERNATIONAL GROUP INC.

## ANNUAL INFORMATION FORM

**For the year ended December 31, 2016**

**February 23, 2017**

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**FORWARD-LOOKING STATEMENTS**

This Annual Information Form contains, and incorporates by reference, “forward looking statements” which reflect the current expectations, estimates, forecasts and projections of management regarding our future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as “may,” “would,” “could,” “will,” “anticipate,” “believe,” “plan,” “expect,” “intend,” “estimate,” “aim,” “endeavour” and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the “Risk Factors” section of this Annual Information Form. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this Annual Information Form. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained, or incorporated by reference into, this Annual Information Form are based upon what management currently believes to be reasonable assumptions, we cannot assure readers that actual results, performance or achievements will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this Annual Information Form and we do not intend, and do not assume any obligation, to update or revise these forward-looking statements, except as otherwise required by law.

**COLLIERS INTERNATIONAL GROUP INC.**

**ANNUAL INFORMATION FORM**
**February 23, 2017**

*All amounts referred to in this Annual Information Form ("AIF") are in United States dollars unless otherwise indicated. All financial and statistical data in this AIF is presented as at December 31, 2016 unless otherwise indicated.*

**Corporate structure**

Colliers International Group Inc. was ("we," "us," "our," "Colliers," or the "Company") was formed under the *Business Corporations Act* (Ontario) by Articles of Arrangement dated June 1, 2015. The predecessor to the Company, FirstService Corporation ("Old FSV"), was formed by Articles of Incorporation dated February 25, 1988. Old FSV amalgamated with Coloma Resources Limited pursuant to Articles of Amalgamation dated July 31, 1988, and the amalgamated corporation continued as Old FSV.

By Articles of Amendment dated April 2, 1990, Old FSV: (i) consolidated each of its Class A Subordinate Voting Shares on a 30 to 1 basis and changed the designation of that class of shares to "Subordinate Voting Shares", each such share carrying one vote; and (ii) consolidated each of its Class B shares on a 30 to 1 basis and changed the designation of that class of shares to "Multiple Voting Shares", each such share carrying 20 votes.

By Certificate of Amendment dated June 27, 2007, the first series of Preference Shares of Old FSV were created and designated as 7% cumulative preference shares, series 1 (the "Preferred Shares"), with each Preferred Share having a stated value of US$25.00 and carrying a fixed cumulative annual dividend of US$1.75 payable quarterly. All outstanding Preferred Shares were eliminated on May 3, 2013 by way of a partial redemption for cash of $39.2 million immediately followed by a mandatory conversion of all then remaining Preferred Shares into Subordinate Voting Shares, which resulted in the issuance of 2.89 million new Subordinate Voting Shares.

On June 1, 2015, Old FSV completed a plan of arrangement (the "Spin-off") which separated Old FSV into two independent publicly traded companies – Colliers, a global leader in commercial real estate services and new FirstService Corporation ("FirstService"), the North American leader in residential property management and related services. The Spin-off was designed to enhance long-term value for shareholders by creating two independent and sustainable companies, each with the ability to pursue and achieve greater success by employing independent value creation strategies best suited to its core businesses and customers. Under the Spin-off, Old FSV shareholders received one Colliers share and one FirstService share of the same class as each Old FSV share previously held, Old FSV amalgamated with a wholly-owned subsidiary and changed its name to Colliers and FirstService adopted the name "*FirstService Corporation*".

Our Subordinate Voting Shares are publicly traded on both the Toronto Stock Exchange ("TSX") (symbol: CIGI) and The NASDAQ Stock Market ("NASDAQ") (symbol: CIGI). Our head and registered office is located at 1140 Bay Street, Suite 4000, Toronto, Ontario, M5S 2B4. Our fiscal year-end is December 31.

*Intercorporate Relationships*

We have the following principal subsidiaries which have total assets or revenues which exceed 10% of our total consolidated assets or revenues as at and for the year ended December 31, 2016:

| Name of Subsidiary | Percentage of Voting Securities Owned | Jurisdiction of Incorporation, Continuance, Formation or Organization |
|---|---|---|
| Colliers International EMEA Holdings Ltd. | 100% | England & Wales |
| Colliers International Finco (Canada) Inc. | 100% | Ontario |
| Colliers International Holdings (Australia) Ltd. | 100% | New South Wales, Australia |
| Colliers International Holdings (USA), Inc. | 100% | Delaware |
| Colliers International USA, LLC | 100% | Delaware |
| Colliers Macaulay Nicolls Inc. | 100% | Ontario |
| Colliers Macaulay Nicolls (Cyprus) Limited | 100% | Cyprus |
| Cooperatie CMN Netherlands Holdco U.A. | 100% | Netherlands |
| Globestar Ltd. | 100% | England & Wales |

The above table does not include all of the subsidiaries of Colliers.

**General development of the business**

Our origins date back to 1972 when Jay S. Hennick, the Chairman & CEO of the Company, started a Toronto commercial swimming pool and recreational facility management business, which became the foundation of Old FSV. In 1993, we completed our initial public offering on the TSX, raising C$20 million. In 1995, our shares were listed on NASDAQ. In 1997, a second stock offering was completed in Canada and the United States raising US$20 million. In December 2004, a stock dividend was declared effectively achieving a 2-for-1 stock split for all outstanding Subordinate Voting Shares and Multiple Voting Shares (together, the "Common Shares"). In 2009, Old FSV issued US$77 million of convertible unsecured subordinate debentures, which were subsequently converted into 2.7 million Subordinate Voting Shares in 2014.

From 1994 to present, we completed numerous acquisitions and selected divestitures, developing, growing and focusing on the real estate services provided by us today.

In 2004, we established a commercial real estate services division under the "Colliers International" brand with the acquisition of Colliers Macaulay Nicolls Inc. ("CMN"). Since that time, we have strengthened this business across markets and acquired numerous businesses within existing and new markets greatly expanding its geographic scope, services and talent. Today, Colliers is one of the world's largest commercial real estate services providers offering a full range of commercial real estate services in the United States, Canada, Australia, the United Kingdom, Germany, France and several other countries in Asia, Europe and Latin America.

In 2006, we disposed of Resolve Corporation, our Business Services division, through an initial public offering of trust units in Canada of a related income trust. In 2008, we disposed of our Integrated Security Services division, which included Intercon Security in Canada and SST in the United States, for gross cash proceeds of approximately $187.5 million. These disposals marked a significant milestone in the execution of our strategy of focusing on real estate services for future growth.

In 2013, we completed the sale of Field Asset Services, LLC, a property preservation and distressed asset management services provider, for gross cash proceeds of $55 million.

In 2015, we completed the Spin-off, creating two independent publicly traded companies: Colliers in commercial real estate services and FirstService in residential property management and related services. In connection with the Spin-off, Colliers entered into an Arrangement Agreement with, among others, FirstService dated March 11, 2015 (the "Arrangement Agreement") and a Transitional Services and Separation Agreement with, among others, FirstService dated June 1, 2015 (the "Transitional Services and Separation Agreement"). The Arrangement Agreement set out the terms and conditions to the arrangement, including the plan of arrangement, which effected the Spin-off. The Transitional Services and Separation Agreement set out the mechanics for the separation of the businesses, including the dividing of assets, assumption of liabilities and matters governing certain ongoing relationships between Colliers and FirstService, including reciprocal indemnities with respect to the assets and liabilities kept by Colliers or transferred to FirstService.

**Narrative description of Colliers**

***History***

CMN traces its roots back to 1898 when Macaulay Nicolls was founded in Vancouver, Canada as a property management and insurance agency. Colliers originated in 1976 in Australia through the merger of three commercial property services firms. In 1984, Colliers joined forces with Macaulay Nicolls to form CMN. Over the years, Colliers continued to grow globally as other market leading commercial real estate service providers joined the group. In 2004, Old FSV acquired a controlling interest in CMN. At the time of the acquisition by Old FSV, CMN was generating approximately $250 million in annual revenue.

With the financial and strategic support of Old FSV and a deep and experienced senior management team, CMN accelerated its growth by adding company-owned operations, expanding into complementary service areas and growing into other geographic regions. By 2010, Old FSV had unified all operations globally under the "*Colliers International*" brand name with one mission and standardized business practices delivered consistently throughout all operations. Over the past decade, Colliers has been the fastest growing major, global commercial real estate services business based on revenue growth. A summary of Colliers' history and growth initiatives to date is as follows:

| Year | Event |
|---|---|
| **1898** | Macaulay Nicolls founded in Vancouver, Canada |
| **1976** | Colliers International Property Consultants incorporated in Australia |
| **1984** | Colliers International launches global expansion into Canada and the US as CMN |
| **1986** | Colliers International merges operations in Australia and Asia establishing operations in 20 markets in Asia Pacific |
| **1990** | Colliers International expands into emerging markets including Central Europe and Latin America |
| **2004** | Old FSV acquires a controlling interest in CMN with a long-term strategy to consolidate operations and create one global organization, under one brand with consistent business practices applied globally |
| **2006** | Between 2006 and 2010, CMN begins to strengthen and grow its global platform by acquiring additional Colliers International branded operations. In total, 29 acquisitions are completed in 15 countries around the world |
| **2010** | The US operations of Colliers combine with CMN and re-brand under as " *Colliers International*" in all markets |
| | Original network structure is disbanded and newly re-branded Colliers International, controlled by Old FSV, becomes one of the largest and most recognized brands in commercial real estate globally |
| **2012** | Colliers acquires the Colliers International operations in the United Kingdom and Ireland and integrates them into its global platform |
| **2013** | Colliers acquires the German Colliers International operations and integrates them into its global platform |
| **2014** | Colliers International voted to the top five in Global Outsourcing 100 for the first time in its history |
| | Colliers expands to France and Belgium and strengthens operations in the Netherlands, Spain, Morocco, Switzerland with the acquisition of AOS Group |
| **2015** | Colliers International Group Inc. begins trading on the NASDAQ and TSX on June 2, 2015 |
| | Colliers names Jay S. Hennick as is Chairman & CEO with Dylan E. Taylor as President & Chief Operating Officer |

***Service offerings***

*Sales and Lease Brokerage*

Our largest business is transaction brokerage, which provides services in sales and leasing for commercial clients. Commercial real estate brokers advise buyers and sellers of real estate in connection with the acquisition or disposition of real estate; assist owners, occupiers and tenants with lease opportunities; and assist borrowers and lenders with the placement of debt capital on commercial real estate assets. Brokers typically perform their services on a commission basis calculated based on the value of a transaction. Our Sales and Lease Brokerage division has more than 3,700 brokers. This division executes transactions across a diverse client base, including corporations, financial institutions, governments and individuals. We generate approximately 48% of our revenues from office transactions, 22% from industrial transactions and 18% from retail and multi-family, with the balance coming from hotels, land and other property types.

We provide services for sales, leases, and mortgages in the following areas:

- *Landlord Representation:* Agency teams work on behalf of property owners to search for and sign tenants and other occupiers by positioning the property in the marketplace. Our teams look to secure the right tenants for their client's properties and otherwise support the landlord's ownership goals for their real estate assets.

- *Tenant Representation:* Leases are often landmarks in the lifetime of a business marking a significant investment of time and resources in a building's physical space which will have a long-term impact on the business of our clients. Our brokerage teams work on behalf of tenants to locate the right rental properties and to secure the right terms, helping to turn a lease, often the second-greatest expenditure for a business after payroll, from a cost center into a competitive advantage.

- *Capital Markets & Investment Services:* Colliers' Capital Markets & Investment Services teams are represented by professionals that work collaboratively to provide real estate expertise to our clients, acting in an advisory capacity to help each client maximize investment returns, whether as a buyer, seller or borrower.

    - The Capital Markets & Investment Services teams are organized around office, industrial, retail, multifamily and hotel assets in order to drive thought leadership for each major asset class. Many team members also represent subspecialties in areas such as Healthcare, Technology, Student Housing, Seniors Housing, Land, and Transit Oriented Development. These investment teams are also organized in subsets to meet the needs of both our institutional and private capital clients, recognizing that these client groupings have different needs. These investment teams understand the intricacies of single asset and portfolio executions and, with the assistance of Colliers' investment advisors in 140 offices and 27 countries, are globally connected with active market participants.

    - Integrally supporting these investment teams is a national group of debt & equity financing advisors that help both our institutional and private capital clients with all manner of senior and subordinated debt strategies and placements with a global network of capital providers. Many of our financing advisors have experience helping our clients with preferred and common equity strategies and placements, including partnership capitalizations and recapitalizations. Our financing professionals are in the market every day with these capital providers, which provides our clients with significant market intelligence and leverage when evaluating their financing needs.

    - The Capital Markets & Investment Services teams work closely with each service line, including property management, leasing, and valuations in order to serve the broader business needs of each client.

In our Sales and Lease Brokerage division, professionals work with all asset classes, including office, industrial, retail, multi-family, hotel and mixed-use properties. In 2016, our Sales and Lease Brokerage division completed 50,100 sale and lease transactions for a total transaction value of $78.7 billion. Our Sales and Lease Brokerage division represented 62% of our revenues for the year ended December 31, 2016 and provided opportunities for cross selling other real estate services.

*Outsourcing & Advisory Services*

Our Outsourcing & Advisory Services division provides corporate and workplace solutions, appraisal and valuation services, facility, property and asset management services, project management services and research for commercial real estate clients. The Outsourcing & Advisory Services division partners with large corporations in managing their overall real estate portfolios and transactions to reduce costs, improve execution across multiple markets and increase operational efficiency, thereby benefitting from the global trends around the outsourcing of commercial real estate advisory services. Professional staff combines proprietary technology with high level strategic planning, portfolio management, lease administration and facilities and project management. The Outsourcing & Advisory Services division has approximately 3,500 advisors globally.

Our Outsourcing & Advisory Services include:

- *Corporate Solutions:* We provide a comprehensive set of portfolio management, transaction management, project management, workplace solutions, strategic consulting, property and asset management as well as other corporate real estate services to clients with large, geographically-diverse real estate portfolios. Our corporate solutions clients are typically companies or public sector institutions with highly distributed real estate portfolios. We typically enter into long-term, contractual relationships with these clients with the goal of ensuring that their real estate strategies support their overall business needs. This service line offers clients a fully integrated suite of services under the leadership and accountability of an account leader or team who are responsible for overall performance around the world. Many of our contracts contain fees that are tied to performance against client objectives (such as cost and footprint reduction, cycle-time improvement and customer satisfaction) instead of fees based solely on transaction commissions. Our corporate solutions teams have a unified value proposition which is to deliver customized, accountable and innovative real estate solutions that result in the best service experience and alignment with our client's core business strategy. We have developed industry leading technology through Colliers 360 (which provides clients with customized, secure web portals to manage all real estate activity) which allows us to measure performance and help our clients make efficient, well-informed decisions regarding their real estate portfolio. Colliers 360 also includes leading edge business intelligence that populates data from various independent and client related sources. We also provide lease administration, transaction, project management and facilities management systems.

- *Valuation & Advisory Services:* Our advisors leverage best-in-class technology to offer clients both speed and accuracy while maintaining a dedicated project leader and senior management oversight to ensure quality and accountability. Services include valuation and appraisal review and management, portfolio or single asset valuation, arbitration and consulting, highest and best use studies, tax appeals and litigation support.

- *Property and Asset Management Services:* Property and Asset Management provides oversight and management of the daily operations of a single property or portfolio of properties and provides on-going strategic advice on ways in which clients can maximize the value of their properties. Services include property level accounting, tenant service/relations and bidding, awarding and administering subcontracts for management and maintenance, landscaping, security, parking, capital and tenant improvements. We ensure that we implement the owner's specific property value enhancement objectives through maximization of opportunities to help clients ensure excellent tenant relations while maximizing property level cash flows.

- *Project Management:* We provide project management services for a wide range of projects regardless of size. We have approximately 200 LEED© accredited professionals and green building associates and the highest accreditation ratios in the industry. These services include bid document review, construction monitoring and delivery management, contract administration and integrated cost control, facility and engineering functionality, milestone and performance monitoring, quality assurance, risk management and strategic project consulting.

- *Workplace Solutions:* We provide a full suite of visioning, change management and strategic consulting services to occupiers to allow them to maximize the effectiveness of their workplace. These consulting services are designed to help clients turn their real estate into a competitive advantage to recruit and retain talent through the analysis and design of optimal work environments.

- *Property Marketing:* We provide turnkey property marketing solutions for both commercial and high end residential projects. We have made a significant investment in our property marketing strategies, increasing volumes of leads and reducing time-on-market. The majority of the leads we generate for our clients now come from online sources. By transforming the typical industry marketing mix, we can both reduce costs and decrease lease-up time. Our property marketing platform is impactful with both domestic and sophisticated international buyers.

- *Research Services:* Our Research Services provide insights for owners and landlords into emerging trends and market activity, projections for projected lease rates, guidance on the impacts of subleasing, valuation estimations based on comparable transactions, competitive sets and mapping services. Research Services provide insights for occupiers and tenants into future lease rates, expansion potential, potential to sublease and mapping services.

Our Outsourcing & Advisory Services division focuses on the same client segments as our Sales and Lease Brokerage Division. Revenues are derived from fees which are typically contractual, both fixed and performance based, and contract terms are often multi-year providing recurring or repeat revenues.

Our Outsourcing & Advisory Services division represented approximately 38% of our revenues for the year ended December 31, 2016 and provided opportunities for cross selling other real estate services.

***Geographic locations***

We deliver services from 265 offices in 33 countries companywide (not including our affiliates). Operationally we have organized our business and report our results through three geographically organized segments: (1) the Americas; (2) Europe, Middle East and Africa ("EMEA"); and (3) Asia Pacific. For the year ended December 31, 2016:

1. Americas represented 54% of our global revenues (39% generated in the United States, 13% in Canada and 2% in Latin America);

2. EMEA represented 25% of our global revenues, comprising operations in 16 countries; and

3. Asia Pacific represented 21% of our revenues, comprising operations in 8 countries.

Below is a map reflecting the geographic location of our company-owned and affiliate offices:



***Operating segments***

This AIF presents the financial and operating results of Colliers on a continuing operations basis for all periods presented. The FirstService operations are a discontinued operation for all periods presented.

| **Revenues by operating segment** | **Year ended December 31** | | |
|---|---|---|---|
| **(in thousands of US$)** | **2016** | **2015** | **2014** |
| Americas | $ 1,021,317 | $ 889,738 | $ 823,146 |
| EMEA | 474,868 | 446,146 | 352,363 |
| Asia Pacific | 399,368 | 385,123 | 405,957 |
| Corporate | 1,171 | 979 | 805 |
| **Total** | $ 1,896,724 | $ 1,721,986 | $ 1,582,271 |

| **Adjusted EBITDA[1] by operating segment** | **Year ended December 31** | | | | | |
|---|---|---|---|---|---|---|
| **(in thousands of US$ and as a % of revenues)** | **2016** | | **2015** | | **2014** | |
| Americas | $106,659 | 10.4% | $ 88,740 | 10.0% | $ 73,765 | 9.0% |
| EMEA | 55,924 | 11.8% | 56,559 | 12.7% | 42,231 | 12.0% |
| Asia Pacific | 51,448 | 12.9% | 47,809 | 12.4% | 53,268 | 13.1% |
| Corporate | (10,969) | N/A | (11,774) | N/A | (22,492) | N/A |
| **Total** | $203,062 | 10.7% | $ 181,334 | 10.5% | $ 146,772 | 9.3% |

| **Operating earnings by operating segment** | **Year ended December 31** | | | | | |
|---|---|---|---|---|---|---|
| **(in thousands of US$ and as a % of revenues)** | **2016** | | **2015** | | **2014** | |
| Americas | $ 82,255 | 8.1% | $ 69,247 | 7.8% | $ 60,473 | 7.3% |
| EMEA | 34,275 | 7.2% | 38,777 | 8.7% | 22,009 | 6.2% |
| Asia Pacific | 45,614 | 11.4% | 41,092 | 10.7% | 47,392 | 11.7% |
| Corporate | (18,971) | N/A | (68,732) | N/A | (51,718) | N/A |
| **Total** | $146,173 | 7.7% | $ 80,384 | 4.7% | $ 78,156 | 4.9% |

***Seasonality***

The Company generates peak revenues and earnings in the month of December followed by a low in January and February as a result of the timing of closings on commercial real estate sales brokerage transactions. Revenues and earnings during the balance of the year are relatively even. These sales brokerage operations comprised 30% of our 2016 annual consolidated revenues. Variations can also be caused by business acquisitions or dispositions which alter the consolidated service mix.

***Trademarks***

Our trademarks are important for the advertising and brand awareness of our businesses. We take precautions to defend the value of our trademarks by maintaining legal registrations and by litigating against alleged infringements, if necessary.

In markets where Colliers does not operate company-owned operations, we operate through affiliates operating under the " *Colliers International*" brand and trademarks. To ensure brand unity and service quality, all affiliates are subject to brand and performance guidelines that are monitored and enforced by Colliers. We currently have affiliates in 39 countries around the world who together generated approximately $497 million in revenue in 2016.

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1 Adjusted EBITDA is a financial measure that is not calculated in accordance with GAAP. For a reconciliation of this and other non-GAAP financial measures, see "Reconciliation of non-GAAP financial measures" in this AIF.

***Employees***
We currently have approximately 11,000 employees worldwide as follows:

| Segment | Producer | Support & Admin | Total Employees |
|---|---|---|---|
| Americas | 3,303 | 2,557 | 5,860 |
| EMEA | 1,786 | 750 | 2,536 |
| Asia Pacific | 2,126 | 873 | 2,999 |
| **Total Operations** | **7,215** | **4,180** | **11,395** |

***Non-controlling interests***
We own a majority interest in substantially all of our operations, while operating management of each subsidiary owns the remaining shares. This structure was designed to maintain control at Colliers while providing significant risks and rewards of equity ownership to management at the operating businesses. In almost all cases, we have the right to "call" management's shares, usually payable at our option with any combination of Subordinate Voting Shares or cash. We may also be obligated to acquire certain of these non-controlling interests in the event of death, disability or cessation of employment or if the shares are "put" by the holder, subject to annual limitations on these puts imposed by the relevant shareholder agreements. These arrangements provide significant flexibility to us in connection with management succession planning and shareholder liquidity matters.

***Our growth strategy***
We maintain a leadership position in the industry by offering a full complement of services to our wide range of customers on a global basis. Our key point of differentiation is the level of expertise and collaboration our professionals demonstrate, leading to higher levels of service for our clients. We have an established track record of expanding our business internally and through acquisition. Our strategy will continue to focus on strengthening our market share in our core markets, expanding into complementary services and increasing our geographic footprint while continuing to pursue strategic acquisitions.

**Dividends and dividend policy**

*Dividend policy*
Following the completion of the Spin-off, our Board of Directors approved a revised dividend policy for the Company, which was a dividend of $0.08 per Common Share (being the Subordinate Voting Shares and Multiple Voting Shares) per annum, payable semi-annually. On May 31, 2016, the Board of Directors increased the semi-annual dividend from $0.04 to $0.05 per Common Share ($0.10 per annum). These dividends are paid in cash after the end of the second and fourth quarters. All dividend payments are subject to the discretion of our Board of Directors. Prior to the completion of the Spin-off, the prior dividend policy for Old FSV was dividend of $0.40 per Common Share per annum, payable quarterly. For the purposes of the *Income Tax Act* (Canada) and any similar provincial legislation, all dividends on the Common Shares will be eligible dividends unless indicated otherwise.

The terms of the Common Share dividend policy remain, among other things, at the discretion of our Board of Directors. Future dividends on the Common Shares, if any, will depend on the results of Colliers' operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other relevant factors. Under the terms of the Company's credit facility, the Company is not permitted to pay dividends, whether in cash or *in specie*, in the circumstances of an event of default thereunder occurring and continuing or an event of default occurring as a consequence thereof. See "Material contracts" below.

*Dividend history*
The aggregate cash dividends declared per Common Share in respect of the years ended December 31, 2016, 2015 and 2014 were $0.09, $0.14 and $0.40, respectively.

**Capital structure**

***Share capital***

The authorized capital of the Company consists of an unlimited number of preference shares (the "Preference Shares"), issuable in series, an unlimited number of Subordinate Voting Shares and an unlimited number of Multiple Voting Shares. As of February 23, 2017, there were 37,431,967 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares issued and outstanding.

*Common Shares*

The Common Shares rank junior to the Preference Shares or series thereof ranking in priority with respect to the payment of dividends, return of capital and distribution of assets in the event of liquidation, dissolution or any distribution of the assets of Colliers for the purpose of winding-up its affairs. The holders of outstanding Common Shares are entitled to receive dividends and other distributions on a share-for-share basis (or, in the discretion of the directors, in a greater amount per Subordinate Voting Share than per Multiple Voting Share) out of the assets legally available therefor at such times and in such amounts as our Board of Directors may determine, but without preference or distinction between the Multiple Voting Shares and the Subordinate Voting Shares. The Subordinate Voting Shares carry one vote per share and the Multiple Voting Shares carry 20 votes per share. The holders of Subordinate Voting Shares and the holders of Multiple Voting Shares are entitled to receive notice of any meeting of shareholders and to attend and vote thereat as a single class on all matters to be voted on by the shareholders, except at meetings where the holders of shares of one class or of a particular series of shares are entitled to vote separately.

The rights, privileges, conditions and restrictions attaching to the Subordinate Voting Shares and the Multiple Voting Shares may be respectively modified if the amendment is authorized by at least two-thirds of the votes cast at a meeting of the holders of Subordinate Voting Shares and the holders of Multiple Voting Shares duly held for that purpose. However, if the holders of Subordinate Voting Shares, as a class, or the holders of Multiple Voting Shares, as a class, are to be affected in a manner different from the other classes of shares, such amendment must, in addition, be authorized by at least two-thirds of the votes cast at a meeting of the holders of the class of shares which is affected differently.

Each outstanding Multiple Voting Share is convertible at any time, at the option of the holder, into one Subordinate Voting Share. The Subordinate Voting Shares are not convertible into any other class of shares. No subdivision, consolidation, reclassification or other change of the Multiple Voting Shares or the Subordinate Voting Shares may be made without, concurrently, having the Multiple Voting Shares or Subordinate Voting Shares, as the case may be, subdivided, consolidated, reclassified or other change made under the same conditions. The Common Shares are not redeemable nor retractable but are able to be purchased for cancelation by Colliers in the open market, by private contract or otherwise. Upon the liquidation, dissolution or any distribution of the assets of Colliers for the purpose of winding-up its affairs, the holders of Common Shares are entitled to participate equally, on a share-for-share basis, in the remaining property and assets of Colliers available for distribution to such holders.

*Preference Shares*

The Preference Shares are issuable, from time to time, in one or more series, as determined by our Board of Directors. Our Board of Directors will determine, before the issue of any series of Preference Shares, the designation, preferences, rights, restrictions, conditions, limitations, priorities as to payment of dividends and/or distribution on liquidation, dissolution or winding-up, or prohibitions attaching to such series. The Preference Shares, if issued, will rank prior to the Common Shares with respect to the payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of Colliers or any other distribution of assets of Colliers among its shareholders for the purpose of winding-up its affairs, and may also be given such other preferences over the Common Shares as may be determined with respect to the respective series authorized and issued. Except as required by law, the Preference Shares will not carry voting rights.

*Certain rights of holders of Subordinate Voting Shares*

A summary of the rights attaching to the Subordinate Voting Shares in the event that a take-over bid is made for Multiple Voting Shares is set out in the section entitled "Certain Rights of Holders of Subordinate Voting Shares" contained in our Management Information Circular to be filed in connection with our upcoming meeting of shareholders to be held on April 11, 2017 (the "2017 Circular"), which is incorporated by reference herein and will be available on SEDAR at www.sedar.com. Reference should be made to our articles for the full text of these provisions.

***Stock Option Plan***

Colliers has a stock option plan (the "Option Plan") pursuant to which options to acquire Subordinate Voting Shares may be granted to directors, officers and full-time employees of Colliers or its subsidiaries (other than Jay S. Hennick). A summary of the terms of the Option Plan is set out in the section entitled "Executive Compensation – Incentive Award Plans of Colliers – Colliers Stock Option Plan" contained in the 2017 Circular, which is incorporated by reference herein and will be available on SEDAR at www.sedar.com. The maximum number of Subordinate Voting Shares subject to grants of options under the Option Plan is limited to 5,600,000, of which: (i) options exercisable for 1,873,650 Subordinate Voting Shares have been granted and are outstanding as at the date hereof; and (ii) options which were exercisable for 3,125,600 Subordinate Voting Shares have been exercised or expired as at the date hereof, leaving options yet to be granted which would be exercisable for 600,750 Subordinate Voting Shares.

Under the Spin-off, each holder of Old FSV stock options exchanged such options for an equivalent number of Colliers stock options and FirstService stock options, and the exercise price of the Old FSV stock options exchanged was apportioned between the Colliers stock options (as to 58.6%) and FirstService stock options (as to 41.4%). The vesting schedule and expiration dates for these post-Spin-off stock options remained the same as the Old FSV stock options for which they were exchanged. The Colliers and FirstService stock options issued in connection with the Spin-off were deemed to be a continuation of the earlier granted Old FSV stock options for which they were exchanged, as opposed to a new grant of options. The Option Plan provides that a former holder of Old FSV stock options exchanged for Colliers stock options, but who is no longer a director, officer and/or full-time employee of Colliers or its subsidiaries, may remain a participant in the Option Plan and hold and exercise their Colliers stock options for so long as such holder remains a director, officer and/or full-time employee, as applicable, of FirstService or its subsidiaries.

**Market for securities**

The outstanding Subordinate Voting Shares are listed for trading on the TSX and NASDAQ under the symbol "CIGI". Prior to November 1, 2015, the trading symbol on the TSX was "CIG". The Multiple Voting Shares are not listed and do not trade on any public market or quotation system.

The following table sets forth the reported high and low trading prices and the aggregate volume of trading of the Subordinate Voting Shares on NASDAQ (in United States dollars) and on the TSX (in Canadian dollars) for each month in 2016.

| | NASDAQ | | | TSX | | |
|---|---|---|---|---|---|---|
| **Month** | **High Price (US$)** | **Low Price (US$)** | **Volume Traded** | **High Price (C$)** | **Low Price (C$)** | **Volume Traded** |
| January 2016 | 44.95 | 37.57 | 1,004,512 | 62.06 | 53.68 | 1,631,024 |
| February 2016 | 46.54 | 30.76 | 1,985,145 | 56.78 | 43.25 | 1,844,117 |
| March 2016 | 38.14 | 33.60 | 1,035,665 | 49.45 | 44.27 | 1,106,269 |
| April 2016 | 42.49 | 36.03 | 2,105,334 | 53.33 | 46.75 | 886,402 |
| May 2016 | 42.99 | 37.05 | 775,140 | 52.44 | 48.58 | 758,336 |
| June 2016 | 39.71 | 33.03 | 671,159 | 52.20 | 43.25 | 1,332,070 |
| July 2016 | 41.49 | 32.93 | 687,516 | 54.07 | 42.80 | 1,350,851 |
| August 2016 | 44.56 | 40.68 | 624,227 | 58.04 | 53.65 | 1,023,628 |
| September 2016 | 43.63 | 40.20 | 694,479 | 56.62 | 52.64 | 1,096,516 |
| October 2016 | 43.41 | 34.35 | 737,061 | 56.70 | 46.00 | 1,364,577 |
| November 2016 | 36.90 | 34.20 | 598,063 | 49.17 | 45.97 | 1,393,428 |
| December 2016 | 38.75 | 35.00 | 615,749 | 50.94 | 46.41 | 872,405 |

**Escrowed securities and securities subject to contractual restriction on transfer**

To the knowledge of Colliers, as of the date hereof, no securities of any class of securities of Colliers are held in escrow or subject to contractual restrictions on transfer or are anticipated to be held in escrow or subject to contractual restrictions on transfer other than as described below.

On June 1, 2015, in conjunction with the Spin-off, certain minority shareholders and option holders of the former Commercial Real Estate Services subsidiary of Old FSV exchanged their shares and options for 1,997,956 Subordinate Voting Shares of Colliers. As part of such exchange, the minority shareholders and option holders who received Subordinate Voting Shares contractually agreed to: (a) not to sell or otherwise dispose of a specified amount of such shares prior to, in the case of one-half of such shares, the first anniversary of the completion of the Spin-off, and, as to the balance of such shares, the second anniversary of the completion of the Spin-off, except in the limited circumstances of death, termination not "for cause" or a sale of Colliers (the shares subject to the foregoing, "Retention Shares"); and (b) to place a specified amount of such shares into escrow with Colliers, with all of such shares to be released from escrow on the third anniversary of the completion of the Spin-off (subject to earlier release in the limited circumstances of death or a sale of Colliers), provided that if an employee is terminated "for cause", breaches the foregoing disposition restriction or, for senior management only, quits and solicits Colliers employees or customers, then the shares of such employee in escrow will be forfeited and cancelled (the shares subject to the foregoing, "Escrowed Shares").

The following table sets out the breakdown of the number of Retention Shares and Escrowed Shares as at the date hereof:

| Designation | Number of Securities Held in Escrow or that are subject to a Contractual Restriction on Transfer | Percentage of Class |
|---|---|---|
| Retention Shares[(1)] | 198,575 | 0.5% |
| Escrowed Shares[(1)(2)] | 989,122 | 2.7% |
| *Total:* | *1,187,697* | *3.2%* |

Notes:
(1) The Retention Shares and the Escrowed Shares are all Subordinate Voting Shares.
(2) The holder of the Escrowed Shares retains the right to exercise all voting rights attached to, and to receive and retain all cash dividends paid on, the Escrowed Shares.

**Transfer agents and registrars**

The transfer agent and registrar for the Subordinate Voting Shares is TSX Trust Company, 200 University Ave., Suite 300, Toronto, Ontario, M5H 4H1. The transfer agent and registrar for the Multiple Voting Shares is the Company at 1140 Bay Street, Suite 4000, Toronto, Ontario, M5S 2B4.

**Directors and executive officers**

*Directors*

Our Board of Directors is currently comprised of eight members. Stephen J. Harper was appointed to the Board of Directors on September 15, 2016. The following information is provided with respect to the directors of the Company as at February 23, 2017:

| Name and municipality of residence | Age | Present position and tenure | Principal occupation during last five years |
|---|---|---|---|
| Jay S. Hennick<br>*Ontario, Canada* | 60 | Chief Executive Officer & Director since May 30, 1988[4]; Chairman since June 2015. | Mr. Hennick is the Chairman and CEO of Colliers. Pre-Spin-off, Mr. Hennick was the CEO of Old FSV from 1988 to 2015. In June 2015, Mr. Hennick became the Founder and Chairman of FirstService. In 1998, Mr. Hennick was awarded Canada's Entrepreneur of the Year, in 2001 he was named Canada's CEO of the Year by Canadian Business Magazine and in 2011, received an honorary Doctorate of Laws from York University and the University of Ottawa. Mr. Hennick currently serves as Chairman of the Board of Directors of the Sinai Health System, in Toronto and is the immediate past Chair of The Mount Sinai Hospital Board of Directors. In addition, Mr. Hennick has endowed the Jay S. Hennick JD-MBA Program at the Faculty of Law and School of Management at the University of Ottawa Law School, his alma mater, and The Hennick Centre for Business and Law, a joint program of the Osgoode Hall Law School and the Schulich School of Business at York University. Mr. Hennick holds a Bachelor of Arts degree from York University in Toronto and a Doctorate of Laws from the University of Ottawa. |
| David R. Beatty[3]<br>*Ontario, Canada* | 74 | Director since May 15, 2001[4] | Mr. Beatty is currently the Chairman and Chief Executive Officer of Beatinvest Limited (an investment company), Director of the Clarkson Centre for Business Ethics and Board Effectiveness and Adjunct Professor of Strategic Management at The Rotman School of Management, University of Toronto. Mr. Beatty was previously the founding Managing Director of the Canadian Coalition for Good Governance, founding Chairman of Orogen Minerals Limited, Chairman and Chief Executive Officer of Old Canada Investment Corporation Limited and President of Weston Foods. Mr. Beatty is Honorary Consul to Canada for the Government of Papua New Guinea and in 1993 was awarded the O.B.E. In 2013, he was awarded the Order of Canada for his work in corporate governance. A graduate in economics from the University of Toronto (Trinity College), he was a Nuffield Scholar at the University of Cambridge (Queens' College) where he obtained an M.A. in Economics. |
| Peter F. Cohen[1]<br>*Ontario, Canada* | 64 | Vice Chair of the board, Director since March 30, 1990[4]; Chairman of the Old FSV board from May 2005 to May 2015 | Mr. Cohen is a Chartered Professional Accountant and a former partner in an audit practice of a public accounting firm. Mr. Cohen is currently the Vice Chairman of the Board of Colliers and President and Chief Executive Officer of the Dawsco Group, a private real estate and investment company owned by Mr. Cohen and his family. Mr. Cohen was a co-founder and Chairman and Chief Executive Officer of Centrefund Realty Corporation, a publicly traded shopping center investment company until August 2000 when control of the company was sold. Mr. Cohen serves as the Treasurer and a Director of the Sinai Health System and is the Co-Chair of the Resources Committee and Building and Development Committee. |

| Name and municipality of residence | Age | Present position and tenure | Principal occupation during last five years |
|---|---|---|---|
| John (Jack) P. Curtin, Jr.[1,2]<br>*Ontario, Canada* | 66 | Director since February 10, 2015[4] | Mr. Curtin is an Advisory Director in the Investment Banking Division of Goldman, Sachs & Co. in Toronto and New York. From July 2010 to December 2014, Mr. Curtin served as Chairman and Chief Executive of Goldman Sachs Canada Inc. From 2003 to July 2010, Mr. Curtin was Chairman of Goldman Sachs Canada Inc. From 1999 to 2003, Mr. Curtin was an Advisory Director of Goldman, Sachs & Co. in New York. From 1995 to 1999, Mr. Curtin was Chief Executive of Goldman Sachs Canada Inc. in Toronto. Prior to this assignment, Mr. Curtin was co-head of Global Money Markets and Chairman of Goldman Sachs Money Markets LP. Mr. Curtin moved to Money Markets in 1987 after serving as head of Fixed Income Syndicate/New Issues. Mr. Curtin joined the firm in 1976 in the Corporate Finance Department and was named partner in 1988 and managing director in 1996. Mr. Curtin is also a member of the Board of Directors of Cadillac Fairview Corporation and the Art Gallery of Ontario Foundation. He serves as a Director of the Canada/United States Fulbright Foundation. Mr. Curtin is a former governor of the Toronto Stock Exchange, a former director of Brascan Corporation, Maxxcom Corporation and the Investment Dealers Association of Canada. Mr. Curtin served as a trustee of Lakefield College School as well as Royal St. George's College. Mr. Curtin received an MBA from Harvard in 1976 and his BA from Williams College in 1972. |
| Stephen J. Harper[3]<br>*Alberta, Canada* | 57 | Director since September 15, 2016 | Mr. Harper was elected the twenty-second Prime Minister of Canada in 2006 and served in such role until 2015, making him the longest serving Conservative Prime Minster since Sir John A. MacDonald, Canada's first Prime Minister. Mr. Harper is Chairman of Harper & Associates Consulting, which is affiliated with Dentons, a leading global law firm, and acts as a strategic consultant to clients around the world, providing advice on matters relating to market access, the management of global geopolitical and economic risk and the maximization of value in global markets. Mr. Harper has received a bachelor and master's degree in economics from the University of Calgary, and was awarded an honorary doctorate of philosophy from Tel Aviv University in 2014. In recognition of his government service, Mr. Harper has been awarded the Ukrainian Order of Liberty, the Woodrow Wilson Award for Public Service, the B'nai B'rith International Presidential Gold Medallion for Humanitarianism and was named as the World Statesman of the Year in 2012 by the Appeal of Conscience Foundation. |
| Michael D. Harris[2,3]<br>*Ontario, Canada* | 72 | Director since June 26, 2006[4] | Mr. Harris was elected the twenty-second Premier of the Province of Ontario on June 8, 1995 and then re-elected in 1999, at the time making him the first Ontario Premier in over 30 years to form a second consecutive majority government. After leaving office in April 2002, Mr. Harris joined the law firm of Goodmans LLP as a Consultant and Senior Business Advisor until February 28, 2010. On March 1, 2010, Mr. Harris joined Cassels Brock & Blackwell LP as Senior Business Advisor until September 15, 2014. On September 16, 2014, Mr. Harris joined Fasken Martineau DuMoulin LLP as Senior Business Advisor. Mr. Harris is President of his own consulting firm, Steane Consulting Ltd., and, in this capacity, acts as a consultant to various Canadian companies. Mr. Harris also serves as a director on several corporate public company boards listed below and the New Haven Learning Centre. Mr. Harris is the Honorary Chair of the North Bay District Hospital Capital Campaign and the Nipissing University and Canadore College Capital Campaign. Mr. Harris is also a Senior Fellow with the Fraser Institute, a leading Canadian economic, social research and education organization, and an Institute of Corporate Directors certified director (ICD.D). |

| Name and municipality of residence | Age | Present position and tenure | Principal occupation during last five years |
|---|---|---|---|
| Katherine M. Lee[1,2]<br>*Ontario, Canada* | 53 | Director since June 17, 2015 | Ms. Lee is a seasoned executive in financial services and served as President & CEO of GE Capital Canada, a leading global provider of financial and fleet management solutions to mid-market companies operating in a broad range of economic sectors. Prior to this role, Ms. Lee served as CEO of GE Capital Real Estate in Canada from 2002 to 2010 building it to a full debt and equity operating company. Ms. Lee joined GE in 1994 where she held a number of positions including Director, Mergers & Acquisitions for GE Capital's Pension Fund Advisory Services based in San Francisco, and Managing Director of GE Capital Real Estate Korea based in Seoul and Tokyo. Ms. Lee earned a Bachelor of Commerce from the University of Toronto. She is a Chartered Professional Accountant and Chartered Accountant. She is active in the community championing Women's networks and Asian-Pacific Forums. |
| L. Frederick Sutherland[1]<br>*Pennsylvania, USA* | 65 | Director since June 1, 2015 | Mr. Sutherland was the Executive Vice President and Chief Financial Officer of Aramark Corporation, Philadelphia, PA, a provider of services, facilities management and uniform and career apparel, from 1997 through April 5, 2015 at which time he became the Senior Advisor to the Chief Executive Officer of Aramark prior to retiring from Aramark on December 31, 2015. Prior to joining Aramark in 1980, Mr. Sutherland was Vice President in the Corporate Banking Department of Chase Manhattan Bank, New York, NY. Mr. Sutherland is a director of Consolidated Edison, Inc. Mr. Sutherland is also Chairman of the Board of WHYY, a PBS affiliate, Board President of Episcopal Community Services, an anti-poverty agency, and a Trustee of People's Light and Theater. Mr. Sutherland holds an MBA Degree in Finance from the Katz School of the University of Pittsburgh and a Bachelors in Physics and Mathematics from Duke University. |

Notes:
1. Member of Audit & Risk Committee
2. Member of Executive Compensation Committee
3. Member of Nominating and Corporate Governance Committee
4. Member of the Old FSV board prior to the Spin-off; post Spin-off continued as a Colliers director

Each director remains in office until the following annual shareholders' meeting of the Company or until the election or appointment of their successor, unless they resign, their office becomes vacant or they becomes disqualified to act as a director. All directors stand for election or re-election annually.

Further background information regarding the directors of the Company will be set out in the 2017 Circular, the relevant sections of which are incorporated by reference herein and which will be available on SEDAR at www.sedar.com.

*Executive officers*

The following information is provided with respect to the executive officers of the Company as at February 23, 2017:

| Name and municipality of residence | Age | Present position and tenure | Principal occupation during last five years |
|---|---|---|---|
| Jay S. Hennick<br>*Ontario, Canada* | 60 | Chairman since June 1, 2016 and Chief Executive Officer since 1988[(1)] | See description above under "Directors". |

| Name and municipality of residence | Age | Present position and tenure | Principal occupation during last five years |
|---|---|---|---|
| Dylan E. Taylor *Colorado, USA* | 46 | President and Chief Operating Officer since 2009 | Mr. Taylor is President and Chief Operating Officer for Colliers globally. Mr. Taylor joined Colliers in June 2009 as CEO of Colliers' Americas region until March 2015, when he assumed the role of Global Chief Operating Officer. Before joining Colliers, Mr. Taylor was President of Global Client Services for a competing real estate services firm for 4 years. Previous to this firm, Mr. Taylor spent more than five years as Senior Vice President of Corporate Solutions for another commercial real estate services company and seven years at SAIA Burgess, a global supplier of electronics based in Switzerland. |
| John B. Friedrichsen *Ontario, Canada* | 55 | Chief Financial Officer since 1998(1) | Prior to the Spin-off, Mr. Friedrichsen served as Senior Vice President and Chief Financial Officer of Old FSV since September 2002. Mr. Friedrichsen joined Old FSV as Vice President, Acquisitions in February 1998, a position that he held until May 2000 when he became Senior Vice President, Acquisitions. Prior to joining Old FSV, Mr. Friedrichsen was a Vice President with Ernst & Young Corporate Finance Inc. in Toronto, where he was responsible for advising companies on a range of corporate finance matters, including the raising of capital and acquisitions. Mr. Friedrichsen is a Chartered Professional Accountant and began his career with a predecessor of the accounting firm KPMG in Toronto. |
| Elias Mulamoottil *Ontario, Canada* | 47 | Global Head of Mergers and Acquisitions since 2007(1) | Prior to the Spin-off, Mr. Mulamoottil served as Senior Vice President Strategy & Corporate Development for Old FSV since March 2011. Mr. Mulamoottil joined Old FSV in June 2007 as Vice President Strategy & Corporate Development. Prior to joining Old FSV, Mr. Mulamoottil was a partner at a Toronto based financial advisory and asset management firm, where he was responsible for the sourcing and executing of merger, acquisition, divestiture and financing transactions. Previously, Mr. Mulamoottil worked with one of Europe's leading private equity firms, Terra Firma Capital Partners, in London, England executing and managing private equity investments. Mr. Mulamoottil is a Chartered Professional Accountant and began his career at the accounting firm Deloitte. |
| Robert D. Hemming *British Columbia, Canada* | 49 | Senior Vice President and Chief Accounting Officer since 2008 | Prior to the Spin-off, Mr. Hemming served as Chief Financial Officer-Global for Colliers where he was responsible for Collier's financial accounting, reporting, analysis and compliance functions. Prior to joining Colliers in August 2006, Mr. Hemming was the Corporate Controller–Western Canada for Bell Canada. Mr. Hemming is a Chartered Professional Accountant and a Certified General Accountant and outside of real estate, has spent his career working in the mining, forestry and telecom industries. |
| Christian Mayer *Ontario, Canada* | 44 | Vice President, Finance and Treasurer since 2010(1) | Prior to the Spin-off, Mr. Mayer served as Vice President, Finance for Old FSV. Mr. Mayer joined Old FSV in 1999. Mr. Mayer is a Chartered Professional Accountant and began his career with the accounting firms Grant Thornton and PwC, both in Toronto. |
| Christine Schultz *Washington, USA* | 49 | Chief Marketing Officer since 2014 | Ms. Schultz is Chief Marketing Officer for Colliers. Ms. Schultz joined Colliers in April 2010. Before joining Colliers, Ms. Schultz was the national marketing director at a competing real estate services firm. |
| Matthew Hawkins *Ontario, Canada* | 34 | Vice President, Legal Counsel and Corporate Secretary since 2016 | Mr. Hawkins joined Colliers in 2016. Prior to joining, Mr. Hawkins previously worked as the Vice President of Legal Affairs at a TSX-listed pharmaceuticals company, and previously worked in the corporate and securities group of a leading Canadian law firm. |

Note:
1. Prior to the Spin-off, an officer of Old FSV.

*Ownership*

As of February 23, 2017, the directors and executive officers of the Company, as a group, owned, or controlled or directed, directly or indirectly, 3,508,656 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares, which represent 9.4% of the total Subordinate Voting Shares and 100.0% of the total Multiple Voting Shares, in each case, outstanding on such date. The directors and executive officers, as a group, controlled 46.9% of the total voting rights as of such date when all Multiple Voting Shares and Subordinate Voting Shares are considered. Mr. Hennick controls all of the Multiple Voting Shares.

**Legal proceedings and regulatory actions**

There are no legal proceedings to which Colliers is a party to, or in respect of which, any of the property of Colliers is the subject of, which is or was material to Colliers during 2016, and Colliers is not aware of any such legal proceedings that are contemplated. In the normal course of operations, Colliers is subject to routine immaterial claims and litigation incidental to its business. Litigation currently pending or threatened against Colliers includes disputes with former employees and commercial liability claims related to services provided by Colliers. Colliers 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.

During 2016, there have not been any penalties or sanctions imposed against Colliers by a court relating to provincial and territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against Colliers, and Colliers has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

The Company disclosed on May 27, 2015 that management became aware that an independent contractor, working as a broker in its US operations, may have been involved in an improper payment to a third party (in the amount of $0.5 million) in connection with an unconsummated real estate sale transaction in a foreign jurisdiction. The Company's Board, through its Audit and Risk Committee, retained independent counsel to assist it in reviewing the matter. The Company informed, and is cooperating with, relevant authorities in the US and Canada.

The Audit and Risk Committee's review was completed on October 26, 2015. Based on that review, it appears that the broker orchestrated a payment, funded by a third party, that the broker believed was intended for an individual associated with a sovereign wealth fund in order to influence a transaction that did not materialize. It also appears that the broker falsified documents, fabricated aspects of the purported transaction and deliberately misled management. The purported transaction was the primary matter on which the broker worked during his brief tenure with the Company. The broker's conduct directly violated the Company's established policies, procedures and code of conduct, and he and two associates with whom he worked were immediately terminated. The revenue and related expenses in respect of this transaction recorded in the fourth quarter of 2014 were reversed during the second quarter of 2015, the impact of which was not material. In January 2017, certain of the individuals implicated in this matter (none of whom continue to be, or were ever, affiliated with Colliers, as applicable) were indicted by the United States attorney in connection with this matter, and Colliers continues to cooperate with all regulatory authorities in this regard.

**Properties**

The following chart provides a summary of the properties occupied by the Company and its subsidiaries as at December 31, 2016:

| (square feet) | **Leased** | **Owned** | **Total** |
|---|---|---|---|
| Americas | 1,225,000 | - | 1,225,000 |
| EMEA | 452,000 | - | 452,000 |
| Asia Pacific | 363,000 | - | 363,000 |
| Corporate | - | 20,000 | 20,000 |
| Total operations | 2,040,000 | 20,000 | 2,060,000 |

**Reconciliation of non-GAAP financial measures**

In this AIF, we make reference to "adjusted EBITDA" and "adjusted EPS," which are financial measures that are not calculated in accordance with GAAP.

Adjusted EBITDA is defined as net earnings from continuing operations, adjusted to exclude: (i) income tax; (ii) other expense (income); (iii) interest expense; (iv) depreciation and amortization; (v) acquisition-related items; (vi) costs allocated to Spin-off; (vii) restructuring costs and (viii) stock-based compensation expense. The Company uses adjusted EBITDA to evaluate its own operating performance and its ability to service debt, as well as an integral part of its planning and reporting systems. Additionally, this measure is used in conjunction with discounted cash flow models to determine the Company's overall enterprise valuation and to evaluate acquisition targets. Adjusted EBITDA is presented as a supplemental measure because the Company believes such measure is useful to investors as a reasonable indicator of operating performance because of the low capital intensity of its service operations. The Company believes this measure is a financial metric used by many investors to compare companies, especially in the services industry. This measure is not a recognized measure of financial performance under GAAP in the United States, and should not be considered as a substitute for operating earnings, net earnings from continuing operations or cash flow from operating activities, as determined in accordance with GAAP. The Company's method of calculating adjusted EBITDA may differ from other issuers and accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of net earnings from continuing operations to adjusted EBITDA appears below.

| (in thousands of US$) | Year ended December 31 | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| Net earnings from continuing operations | **$ 91,571** | $ 39,915 | $ 53,909 |
| Income tax | **47,829** | 32,552 | 18,205 |
| Other expense (income) | **(2,417)** | (1,122) | (1,262) |
| Interest expense, net | **9,190** | 9,039 | 7,304 |
| Operating earnings | **146,173** | 80,384 | 78,156 |
| Depreciation and amortization | **44,924** | 38,624 | 36,033 |
| Acquisition-related items | **3,559** | 6,599 | 11,103 |
| Spin-off stock-based compensation costs | **-** | 35,400 | - |
| Spin-off transaction costs | **-** | 14,065 | - |
| Corporate costs allocated to Spin-off | **-** | 2,010 | 8,397 |
| Restructuring costs | **5,127** | - | - |
| Stock-based compensation expense | **3,279** | 4,252 | 13,083 |
| Adjusted EBITDA | **$ 203,062** | $ 181,334 | $ 146,772 |

Adjusted EPS is defined as diluted net earnings (loss) per common share from continuing operations, adjusted for the effect, after income tax, of: (i) the non-controlling interest redemption increment; (ii) amortization of intangible assets recognized in connection with acquisitions; (iii) acquisition-related items; (iv) costs allocated to Spin-off; (v) restructuring costs and (vi) stock-based compensation expense. The Company believes this measure is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company and enhances the comparability of operating results from period to period. Adjusted EPS is not a recognized measure of financial performance under GAAP, and should not be considered as a substitute for diluted net earnings per common share from continuing operations, as determined in accordance with GAAP. The Company's method of calculating this non-GAAP measure may differ from other issuers and, accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of diluted net earnings (loss) per common share from continuing operations to adjusted EPS appears below.

| (in US$) | Year ended December 31 | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| Diluted net (loss) earnings per common share from continuing operations | **$ 1.75** | $ 0.59 | $ 0.54 |
| Non-controlling interest redemption increment | **0.09** | (0.10) | 0.26 |
| Amortization of intangible assets, net of tax | **0.35** | 0.29 | 0.29 |
| Acquisition-related items | **0.08** | 0.17 | 0.29 |
| Spin-off stock-based compensation costs | **-** | 0.94 | - |
| Spin-off transaction costs, net of tax | **-** | 0.26 | - |
| Corporate costs allocated to Spin-off, net of tax | **-** | 0.04 | 0.15 |
| Restructuring costs | **0.09** | - | - |
| Stock-based compensation expense, net of tax | **0.08** | 0.10 | 0.30 |
| Adjusted EPS | **$ 2.44** | $ 2.29 | $ 1.83 |

We believe that the presentation of adjusted EBITDA and adjusted EPS, which are non-GAAP financial measures, provides important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations. We use these non-GAAP financial measures when evaluating operating performance because we believe that the inclusion or exclusion of the items described above, for which the amounts are non-cash or non-recurring in nature, provides a supplemental measure of our operating results that facilitates comparability of our operating performance from period to period, against our business model objectives, and against other companies in our industry. We have chosen to provide this information to investors so they can analyze our operating results in the same way that management does and use this information in their assessment of our core business and the valuation of the Company. Adjusted EBITDA and adjusted EPS are not calculated in accordance with GAAP, and should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect all of the costs or benefits associated with the operations of our business as determined in accordance with GAAP. As a result, investors should not consider these measures in isolation or as a substitute for analysis of our results as reported under GAAP.

**Risk factors**

Readers should carefully consider the following risks, as well as the other information contained in this AIF and our management's discussion and analysis for the year ended December 31, 2016. If any of the following risks actually occurs, our business could be materially harmed. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, including those of which we are currently unaware or we currently deem immaterial, may also adversely affect our business.

***Risks relating to our business***

*Economic conditions, especially as they relate to credit conditions and business spending*

During periods of economic slowdown or contraction, our operations are impacted directly. Credit conditions affect commercial real estate transactions, which reduces the demand for our services. Business spending directly impacts our Outsourcing & Advisory operations businesses because as businesses spend less on services, our revenues decline. These factors could also negatively impact the timing or the ultimate collection of accounts receivable, which would negatively impact our operating revenues, profitability and cash flow.

*Commercial real estate property values, vacancy rates and general conditions of financial liquidity for real estate transactions*

Property values have a direct impact on the commissions earned on sales transactions. Vacancy rates affect market lease rates and the duration of lease commitments, which are the basis of leasing commissions earned. Both property values and vacancy rates can influence the number of sales transactions that occur.

*Economic deterioration impacts our ability to recover goodwill and other intangible assets*
Expectations of future earnings drive the recoverability of goodwill and other intangible assets, which are tested, at least, on an annual basis. During the year ended December 31, 2009, Old FSV recorded a $29.6 million impairment charge to CMN's goodwill. A future deterioration of operating performance may necessitate additional non-cash impairment charges.

*Ability to generate cash from our businesses to fund future acquisitions and meet our debt obligations*
We rely on our businesses to generate the necessary cash to service our financial obligations. As at December 31, 2016, we have $262.5 million of debt outstanding ($149.3 million net of cash) that will be required to be refinanced or repaid over the next five years. To date, we have been able to meet all of our debt obligations, however with a decline in performance in some of our businesses, surplus cash may not be available to be remitted which may result in the inability to meet a debt repayment.

An important component of our growth strategy is strategic and selective acquisitions, which we tend to complete with cash. Although we have a revolving credit facility available to us as noted elsewhere in this AIF, we also rely on surplus cash on hand to fund acquisitions. If cash on hand is not available and the credit facility is fully utilized, then future acquisitions may not be possible.

*The effects of changes in foreign exchange rates in relation to the U.S. dollar on our Canadian dollar, Australian dollar, UK pound sterling and Euro denominated revenues and expenses*
We generate approximately 61% of our revenues outside the United States. Consequently, our consolidated results are impacted directly by fluctuations in the relative strength of the U.S. dollar versus the Canadian dollar, Australian dollar, UK pound sterling and Euro currencies.

Political events, including elections, referenda and government positions on international trade, among other things, may impact foreign exchange rates in relation to the U.S. dollar. In addition, we expect to acquire additional international operations in the future. As a consequence, foreign currency exchange rate fluctuations may be material in the future.

*Competition in the markets served by the Company*
We operate in highly competitive markets. Changes in the source and intensity of competition in the markets served by us impact the demand for our services and may result in additional pricing pressures. The relatively low capital cost of entry to certain of our businesses has led to strong competitive markets, including regional and local owner-operated companies. Regional and local competitors operating in a limited geographic area may have lower labour, benefits and overhead costs. The principal methods of competition in our businesses include name recognition, quality and speed of service, pricing, customer satisfaction and reputation. No assurance can be given that we will be able to compete successfully against current or future competitors and that the competitive pressures that we face will not result in reduced market share or negatively impact our financial performance.

*Labour shortages or increases in wage and benefit costs*
As a services company, our primary asset is the human capital that comprises our workforce. In particular, we rely on property managers, real estate brokers and other skilled staff to generate revenues. A shortage, or increase in wage and benefit costs, of this human capital could reduce our revenues and profitability.

*The effects of changes in interest rates on our cost of borrowing*
As at December 31, 2016, we had $259.1 million of debt, representing 98% of our total indebtedness, at variable interest rates. As a result, changes in base rates such as LIBOR affect our interest expense as these base rates fluctuate.

*Continued compliance with the financial covenants under our debt agreements, or our ability to negotiate a waiver of certain covenants with our lenders*
Although we have always been in compliance with our financial covenants, a prolonged decline in our earnings performance could result in a non-compliance with one or more financial covenants. If the Company fails to meet its payment or other obligations under its amended and restated credit facility, the lenders will be entitled to demand immediate repayment of all amounts owing and thereafter, if unpaid, exercise their secured creditor rights.

*Unexpected increases in operating costs, such as insurance, workers' compensation, and health care*
As a services company, the costs of providing services to our customers can fluctuate. Certain operating costs, such as insurance, workers' compensation and health care are based on market rates which we cannot control and, absent an offsetting price increase in our services, have a direct impact on our operating margins.

*Changes in the frequency or severity of insurance incidents relative to our historical experience*
Adverse changes in claims experience could increase our insurance costs and/or increase the risk of being unable to renew insurance coverage at our operations. In each of our operating segments, we effectively self-insure certain risks, with a layer of third-party insurance for catastrophic claims. An increase in the frequency or severity of claims in these areas could materially affect our financial position and results of operations. There can be no assurance that we will be able to obtain insurance coverage on favourable economic terms in the future.

*Our ability to make acquisitions at reasonable prices and successfully integrate acquired operations*
As an acquisitive organization, we actively pursue acquisitions to expand our global footprint and services offerings as well as supplement existing businesses. Not only does our acquisition strategy depend on the continued availability of suitable targets, it also depends on the ability to negotiate favorable terms and conditions. Another risk with acquisitions is the ability to integrate the acquired business into an existing service line.

*Declaration of dividends on Common Shares*
Future dividends on the Common Shares will depend on the Company's results of operations, financial condition, capital requirements, general business conditions and other factors that the Company's Board of Directors may deem relevant. Additionally, under the Company's credit facility, the Company is not permitted to pay dividends, whether in cash or *in specie*, in the circumstances of an event of default thereunder occurring and continuing or an event of default occurring as a consequence thereof.

*Risks arising from any regulatory review and litigation*
The commencement of any formal regulatory reviews or investigations could result in the diversion of significant management attention and resources and, if securities or other regulators determine that a violation of securities or other laws may have occurred, or has occurred, the Company or its officers and directors may receive notices regarding potential enforcement action or prosecution and could be subject to civil or criminal penalties or other remedies. For example, the Company or its officers could be required to pay substantial damages, fines or other penalties, the regulators could seek an injunction against the Company or seek to ban an officer or director of the Company from acting as such, any of which actions would have a material adverse effect on the Company.

*Intellectual property and other proprietary rights that are material to our business*
Our ability to compete effectively depends in part on our rights to service marks, trademarks, trade names and other intellectual property rights we own or license (including "*Colliers International*"). We have not sought to register every one of our marks in every country in which they are used. Furthermore, because of the differences in foreign trademark, patent and other intellectual property or proprietary rights laws, we may not receive the same protection in other countries as we would in Canada or the United States. If we are unable to protect our proprietary information and brand names, we could suffer a material adverse effect on our business, financial condition or results of operations. Litigation may be necessary to enforce our intellectual property rights and protect our proprietary information, or to defend against claims by third parties that our products or services infringe their intellectual property rights. Any litigation or claims brought by or against us could result in substantial costs and diversion of our resources. A successful claim of trademark, patent or other intellectual property infringement against us, or any other successful challenge to the use of our intellectual property, could subject us to damages or prevent us from providing certain services under our recognized brand names, which could have a material adverse effect on our business, financial condition or results of operations.

*Disruptions or security failures in our information technology systems*
Our information technology systems facilitate our ability to monitor, operate and control our operations. While we have disaster recovery plans in place, any disruption in these plans or the failure of our information technology systems to operate as expected could, depending on the magnitude of the problem, adversely affect our operating results by limiting, among other things, our capacity to monitor, operate and control our operations effectively. In addition, because our systems contain information about individuals and businesses, our failure to maintain the security of the data we hold, whether the result of our own error or the malfeasance or errors of others, could harm our reputation or give rise to legal liabilities relating to violations of privacy laws or otherwise, which may lead to lower revenues, increased costs and other material adverse effects on our results of operations.

*Multiple Voting Shares and a change of control*
The existence of the Multiple Voting Shares results in various impediments on the ability or desire of a third party to acquire control of the Company. This may discourage, delay or prevent a change of control of the Company or an acquisition of the Company at a price that shareholders may find attractive. The existence of the Multiple Voting Shares also may discourage proxy contests and make it difficult or impossible for the Company's holders of Subordinate Voting Shares to elect directors and take other corporate actions.

*Blank cheque preference shares*
The Company has the right to issue so-called "blank cheque" preference shares which may affect the voting and liquidation rights of holders of Common Shares. The Company's Board of Directors is authorized, without any further shareholder approval, to issue one or more additional series of preference shares in an unlimited number and to set the rights, privileges, restrictions and conditions attached thereto.

*Political conditions or events, including elections, referenda, changes to international trade and immigration policies any outbreak or escalation of terrorism or hostilities and the impact thereof on our business*
Political events, uncertainties and situations can have an effect on our Company because of our global operations. Events could occur that may hamper our ability to manage operations, extract cash and implement Colliers' policies in certain regions, particularly in developing countries that have had a recent history of political and economic instability.

*Changes in government policies at the federal, state/provincial or local level that may adversely impact our businesses*
As a multinational company, changes in laws and regulation at the different jurisdictional levels can have a direct effect on our operations. It is difficult to predict the future impact of a change in legislative and regulatory requirements affecting our businesses. The laws and regulations applicable to our businesses will likely change in the future and affect our operations and financial performance. In addition, if we were to fail to comply with any applicable law or regulation, we could be subject to substantial fines or damages, be involved in litigation, suffer losses to our reputation and suffer the loss of licenses or penalties that may affect how our business is operated, which, in turn, would have a material adverse effect on our business, financial condition and results of operations.

***Risks relating to the Spin-off***

*Colliers has certain indemnification obligations to FirstService*
In relation to the Spin-off, Colliers and FirstService have each agreed to indemnify the other for certain liabilities and obligations associated with, among other things, in the case of Colliers' indemnity, the business and assets retained by Colliers, and in the case of FirstService's indemnity, the business and assets transferred to FirstService. Colliers cannot determine whether it will be required to indemnify FirstService for any substantial obligations. Colliers also cannot be assured that, if FirstService is required to indemnify Colliers and its affiliates for any substantial obligations, FirstService will be able to satisfy such obligations. Any indemnification claim against Colliers pursuant to the provisions of the Spin-off agreements could have a material adverse effect upon Colliers. See Material Contracts – Arrangement Agreement" and "Material Contracts – Transitional Services and Separation Agreement".

*Tax related risks*
Colliers could be exposed to substantial tax liabilities if certain requirements of the "butterfly" rules in section 55 of the *Income Tax Act* (Canada) are not complied with. Failure to comply with these requirements could also cause the Spin-off to be taxable to FirstService in circumstances where Colliers would be required to indemnify FirstService for the resulting tax. See "Material Contracts – Transitional Services and Separation Agreement".

*Potential conflicts of interest*
Certain conflicts of interest could arise as a result of the relationship between FirstService and Colliers. One of the directors of FirstService is a director and executive officer of Colliers. The directors of FirstService and Colliers have fiduciary duties to manage FirstService and Colliers, respectively, in a manner beneficial to FirstService and Colliers, respectively. The duties of the director who is on the board of directors of both FirstService and Colliers may come into conflict.

**Interest of management and others in material transactions**

Except as described below or elsewhere in this AIF, no director of Colliers, executive officer of Colliers, or person or company that beneficially owns, or controls or directs more than 10% of any class or series of voting securities of Colliers, or any associate or affiliate of any of the foregoing persons, has or has had any material interest in any transaction within the last three years, or during the current year, that has materially affected or is reasonably expected to materially affect Colliers or any of its subsidiaries.

Under the Spin-off, Old FSV was separated into two independent publicly traded companies – Colliers and FirstService. Pursuant to the Spin-off, Old FSV shareholders received one Colliers share and one FirstService share of the same class as each Old FSV share previously held. As a result, Jay S. Hennick received, directly or indirectly, 2,273,526 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares, representing on the date hereof 6.1% of the total outstanding number of Subordinate Voting Shares and 100.0% of the total outstanding number of Multiple Voting Shares (9.3% of total outstanding number of Common Shares; 45.0% of total votes of all Common Shares). Furthermore, as part of the Spin-off, each of the Transitional Services and Separation Agreement, the Standstill Agreement and the Colliers MSA (as such terms are defined in Old FSV's Management Information Circular dated March 16, 2016 (the "Spin-off Circular")) were entered into with, among others, Jay S. Hennick and/or entities controlled by Mr. Hennick. Further details of such agreements are described in (and incorporated by reference from) the Spin-off Circular under the headings "The Arrangement – Transitional Services and Separation Agreement", "The Arrangement – Standstill Agreement" and "Executive Compensation – Colliers MSA" of Appendix "H", respectively. Additional information concerning the Spin-off is set out in the Spin-off Circular, which is available on SEDAR at www.sedar.com.

**Material contracts**

The only contracts that can reasonably be regarded as material to us, other than contracts entered into in the ordinary course of business, are as follows:

(a) *Arrangement Agreement*: The Arrangement Agreement provided for the implementation of the Spin-off pursuant to Section 182 of the *Business Corporations Act* (Ontario) and, among other things, certain representations, warranties and covenants of the parties and certain indemnities among Colliers and FirstService. Further details of the Arrangement Agreement are described in (and incorporated by reference from) the Spin-off Circular under the heading "The Arrangement – Arrangement Agreement";

(b) *Transitional Services and Separation Agreement* : In connection with the Spin-off, we entered into the Transitional Services and Separation Agreement to, among other things, complete the transfer of the FirstService Residential and FirstService Brands businesses to FirstService. The Transitional Services and Separation Agreement also sets forth the agreement of the parties with respect to certain transitional arrangements governing the relationship between Colliers and FirstService, the responsibility and liability for outstanding legal actions, responsibility for taxes, access to books and records, confidentiality, insurance and dispute resolution. Under the terms of the Transitional Services and Separation Agreement, we have generally agreed to indemnify FirstService and its subsidiaries from and against any liabilities associated with, among other things, the FirstService Residential and FirstService Brands businesses and assets, whether relating to the period, or arising, prior to or after the Spin-off. The Transitional Services and Separation Agreement contains a reciprocal indemnity under which FirstService generally agrees to indemnify us and our subsidiaries from and against any liabilities relating to, among other things, the businesses and assets retained by Colliers. FirstService and Colliers will indemnify each other with respect to non-performance of our respective obligations under the Transitional Services and Separation Agreement. Further details of the Transitional Services and Separation Agreement are described in (and incorporated by reference from) the Spin-off Circular under the heading "The Arrangement – Transitional Services and Separation Agreement"; and

(c) *Credit Facility*: On June 1, 2016, the Company entered into a credit agreement with a syndicate of banks to provide a 5-year committed multi-currency revolving credit facility (the "Facility") of $525.0 million. The Facility was increased and extended on January 18, 2017 to $700.0 million with a 5-year term ending January 18, 2022. The Facility bears interest at 1.50% to 2.75% over floating reference rates, depending on certain leverage ratios. The Facility requires a commitment fee of 0.30% to 0.55% of the unused portion, depending on certain leverage ratios. At any time during the term, we have the right to increase the Facility by up to $150.0 million, on the same terms and conditions as the original Facility. The Facility is available to fund working capital requirements and other general corporate purposes; and

(d) *Management Services Agreement*: Colliers has entered into a restated management services agreement (the "Management Services Agreement") with Jayset Management CIG Inc. ("Jayset") and Jay S. Hennick. Mr. Hennick is a director, an officer and the sole indirect shareholder of Jayset. Under the terms of the Management Services Agreement, Mr. Hennick performs the services of Chairman and CEO of Colliers on behalf of Jayset. The particulars of the Management Services Agreement are set out in the section entitled "Executive Compensation – Management Contract" contained in the 2017 Circular, which section is incorporated herein by reference.

Copies of the above material contracts are available on SEDAR at www.sedar.com.

**Cease trade orders, bankruptcies, penalties or sanctions**
To the best of the knowledge of the Company:

(1) none of the directors or executive officers of the Company is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company) that: (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days (collectively, an "Order") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

(2) none of the directors or executive officers of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control the Company: (a) is, as at the date of this AIF, or has been, within 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;

except for Michael D. Harris who was a director of Grant Forest Products Inc., an Ontario corporation, which, among others, filed for and obtained protection under the *Companies' Creditors Arrangement Act* on June 25, 2009.

**Conflicts of interest**
Certain directors and officers of the Company are engaged in and will continue to engage in activities outside the Company, and as a result, certain directors and officers of the Company may become subject to conflicts of interest. The *Business Corporations Act* (Ontario) provides that in the event that a director or officer has an interest in a contract or proposed contract or agreement, the director or officer shall disclose his or her interest in such contract or agreement and, in the case of directors, shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the *Business Corporations Act* (Ontario). To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the *Business Corporations Act* (Ontario).

As at the date hereof, the Company is not aware of any existing or potential material conflicts of interest between the Company and a director or officer of the Company.

**Independent registered public accounting firm**

The Company's independent registered public accounting firm is PricewaterhouseCoopers LLP, who has issued an independent auditors' report dated February 23, 2017 in respect of the Company's consolidated financial statements as of December 31, 2016 and 2015 and for each of the years in the three year period ended December 31, 2016 and on the effectiveness of the Company's internal control over financial reporting as at December 31, 2016. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario and the rules of the U.S. Securities and Exchange Commission. PricewaterhouseCoopers LLP is registered with the Public Company Accounting Oversight Board.

**Audit & Risk Committee**

The Audit & Risk Committee (the "ARC") is comprised of four members who are each "independent" and "financially literate" as required by Multilateral Instrument 52-110 *Audit Committees* (the "Audit Committee Rule"). The ARC has the resources and the authority to discharge its responsibilities, including the authority to engage, at the expense of Colliers, outside consultants, independent legal counsel and other advisors as it determines necessary to carry out its duties, without seeking approval our Board of Directors or management. The ARC also has the authority to conduct any investigation necessary and appropriate to fulfilling its responsibilities, and has direct access and authority to communicate directly with the external auditors, legal counsel and officers and employees of Colliers. The ARC meets at least four times annually, or more frequently as circumstances dictate.

The ARC reviews the annual and interim financial statements intended for circulation among shareholders and reports upon these to the Board prior to their approval by our Board of Directors. The ARC is also responsible for reviewing the integrity of Colliers' financial reporting process, both internal and external, and any major issues as to the adequacy of the internal controls and any special audit procedures adopted in light of any material control deficiencies. The ARC communicates directly with Colliers' external auditors in order to discuss audit and related matters whenever appropriate. In addition, our Board of Directors may refer to the ARC such matters and questions relating to the financial position and operations of Colliers and its subsidiaries. All reports made to Colliers' ethics hotline are reviewed by the Chair of the ARC and then by the entire ARC at its next meeting. Our Board of Directors has adopted an ARC mandate, a copy of which is annexed as Exhibit "A" to this AIF.

The education and related experience of each of the members of the ARC that is relevant to the performance by such members of their responsibilities on such committee is described below.

**Peter F. Cohen** (Chair) – Mr. Cohen is a Chartered Professional Accountant and a former partner in an audit practice of a public accounting firm. Mr. Cohen is currently the Vice Chairman of the Board of Colliers and President and Chief Executive Officer of the Dawsco Group, a private real estate and investment company owned by Mr. Cohen and his family. Mr. Cohen was a co-founder and Chairman and Chief Executive Officer of Centrefund Realty Corporation, a publicly traded shopping center investment company until August 2000 when control of the company was sold. Mr. Cohen serves as the Treasurer and a Director of the Sinai Health System and is the Co-Chair of the Resources Committee and Building and Development Committee.

**John (Jack) P. Curtin, Jr.** – Mr. Curtin is an Advisory Director in the Investment Banking Division of Goldman, Sachs & Co. in Toronto and New York. From July 2010 to December 2014, Mr. Curtin served as Chairman and Chief Executive of Goldman Sachs Canada Inc. From 2003 to July 2010, Mr. Curtin was Chairman of Goldman Sachs Canada Inc. From 1999 to 2003, Mr. Curtin was an Advisory Director of Goldman, Sachs & Co. in New York. From 1995 to 1999, Mr. Curtin was Chief Executive of Goldman Sachs Canada Inc. in Toronto. Prior to this assignment, Mr. Curtin was co-head of Global Money Markets and Chairman of Goldman Sachs Money Markets LP. Mr. Curtin moved to Money Markets in 1987 after serving as head of Fixed Income Syndicate/New Issues. Mr. Curtin joined the firm in 1976 in the Corporate Finance Department and was named partner in 1988 and managing director in 1996. Mr. Curtin is also a member of the Board of Directors of Cadillac Fairview Corporation and the Art Gallery of Ontario Foundation. He serves as a Director of the Canada/United States Fulbright Foundation. Mr. Curtin is a former governor of the Toronto Stock Exchange, a former director of Brascan Corporation, Maxxcom Corporation and the Investment Dealers Association of Canada. Mr. Curtin served as a trustee of Lakefield College School as well as Royal St. George's College. Mr. Curtin received an MBA from Harvard in 1976 and his BA from Williams College in 1972.

**L. Frederick Sutherland** – Mr. Sutherland was the Executive Vice President and Chief Financial Officer of Aramark Corporation, Philadelphia, PA, a provider of services, facilities management and uniform and career apparel, from 1997 through April 5, 2015 at which time he became the Senior Advisor to the Chief Executive Officer of Aramark prior to retiring from Aramark on December 31, 2015. Prior to joining Aramark in 1980, Mr. Sutherland was Vice President in the Corporate Banking Department of Chase Manhattan Bank, New York, NY. Mr. Sutherland is a Director of Consolidated Edison, Inc. Mr. Sutherland is also Chairman of the Board of WHYY, a PBS affiliate, Board President of Episcopal Community Services, an anti-poverty agency, and a Trustee of People's Light and Theater. Mr. Sutherland holds an MBA Degree in Finance from the Katz School of the University of Pittsburgh and a Bachelors in Physics and Mathematics from Duke University.

**Katherine M. Lee** – Ms. Lee is a seasoned executive in financial services and served as President & CEO of GE Capital Canada, a leading global provider of financial and fleet management solutions to mid-market companies operating in a broad range of economic sectors. Prior to this role, Ms. Lee served as CEO of GE Capital Real Estate in Canada from 2002 to 2010 building it to a full debt and equity operating company. Ms. Lee joined GE in 1994 where she held a number of positions including Director, Mergers & Acquisitions for GE Capital's Pension Fund Advisory Services based in San Francisco, and Managing Director of GE Capital Real Estate Korea based in Seoul and Tokyo. Ms. Lee earned a Bachelor of Commerce from the University of Toronto. She is a Chartered Professional Accountant and Chartered Accountant. She is active in the community championing Women's networks and Asian-Pacific Forums.

The Audit Committee Rule requires the Company to disclose whether its ARC has adopted specific policies and procedures for the engagement of non-audit services and to prepare a summary of these policies and procedures. The mandate of the ARC provides that it is such committee's responsibility to: (a) approve the appointment and, when circumstances warrant, discharge of the external auditor and monitor its qualifications, performance and independence; (b) approve and oversee the disclosure of all audit services provided by the external auditor to the Company or any of its subsidiaries, determining which non-audit services the external auditor are prohibited from providing and, exceptionally, pre-approve and oversee the disclosure of permitted non-audit services to be performed by the external auditor, in accordance with applicable laws and regulations; and (c) approve the basis and amount of the external auditor's fees and other significant compensation. The ARC has adopted a pre-approval policy pursuant to which the Company may not engage the Company's external auditor to carry out certain non-audit services that are deemed inconsistent with the independence of auditors under U.S. and Canadian applicable laws. The ARC must pre-approve all audit services as well as permitted non-audit services. The ARC has delegated to the Chair of the Audit Committee, who is independent, the authority to act on behalf of the ARC with respect to the pre-approval of all audit and permitted non-audit services provided by its external auditors from time to time. Any approvals by the Chair are reported to the full ARC at its next meeting.

In addition to performing the audit of the Company's annual consolidated financial statements, PricewaterhouseCoopers LLP provided other services to the Company and they billed the Company the following fees for each of the Company's two most recently completed fiscal periods:

| (in thousands of C$) | Year ended December 31, 2016 | Year ended December 31, 2015 |
|---|---|---|
| Audit fees (note 1) | $ 1,844 | $ 1,831 |
| Audit-related fees (note 2) | 197 | 384 |
| Tax fees (note 3) | 535 | 788 |
| All other fees (note 4) | 51 | 5 |
| | $ 2,627 | $ 3,003 |

Notes:

1. Refers to the aggregate fees billed by the Company's external auditor for audit services relating to the audit of the Company and statutory audits required by subsidiaries.
2. Refers to the aggregate fees billed for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under (1) above, including professional services rendered by the Company's external auditor for accounting consultations on proposed transactions and consultations related to accounting and reporting standards. Such fees included amounts incurred in respect of: due diligence and other work related to the disposition and acquisition of businesses, such work being unrelated to the audit of the Company's financial statements, as well as other audit-related services.

3. Refers to the aggregate fees billed for professional services rendered by the Company's external auditor for tax compliance, tax advice and tax planning.
4. Refers to fees for information technology consulting and subscriptions to accounting and tax research tools.

**Additional information**

Additional information, including the directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase securities, where applicable, is contained in the 2017 Circular.

Copies of publicly filed documents of the Company, including those incorporated herein by reference, can be found on SEDAR at www.sedar.com and also on EDGAR at www.sec.gov. Additional financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2016.

**EXHIBIT "A"**

**AUDIT & RISK COMMITTEE MANDATE**

**Purpose**

The Audit & Risk Committee (the "**Committee**") is appointed by and shall assist the Board of Directors (the " **Board**") of Colliers International Group Inc. (the "**Company**") in fulfilling its oversight responsibilities in the following principal areas: (i) accounting policies and practices, (ii) the financial reporting process, (iii) financial statements provided by the Company to the public, (iv) risk identification, management and processes, including systems of internal accounting and financial controls, internal systems reviews and remediation and information technology and cyber-security risks and controls, (v) reviewing the Company's insurance policies and consideration of the extent of any uninsured exposure and the adequacy of coverage, (vi) appointing, overseeing and evaluating the work and independence of the external auditors and overseeing and evaluating the work of the Company's internal audit personnel, (vii) compliance with applicable legal and regulatory requirements (including the *Sarbanes-Oxley Act of 2002*), (viii) review of contractual arrangements involving related parties, conflicts of interest or material risks (other than employment related contracts), and (ix) overseeing and evaluating compliance with the Company's Code of Ethics and Conduct, Financial Management Code of Ethics and Conduct, Ethics Hotline Policy and other Company policies involving ethics and/or conflicts of interest. In addition to the responsibilities specifically enumerated in this Mandate, the Board may refer to the Committee such matters and questions relating to the financial position and operations of the Company and its subsidiaries as the Board may from time to time see fit.

**Membership**

The Committee shall consist of at least three directors appointed annually by the Board and shall be selected based upon the following, in accordance with applicable laws, rules and regulations:

*Independence*. Each member shall be independent in accordance with applicable legal and regulatory requirements, including, without limitation, the independence requirements set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the "**Act**") (subject to the exemptions provided in Rule 10A-3(c) under the Act) and National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators, and shall have no direct or indirect material relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

*Financially Literate*. Each member shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee. For these purposes, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

*Commitment*. In addition to being a member of the Committee, if a member is also on the audit committee or board of directors of other public companies or organizations, the Board shall determine that such simultaneous service does not impair the ability of such member to serve effectively on the Committee.

**Chair and Secretary**

The Chair of the Committee shall be selected by the Board. If the Chair is not present, the members of the Committee may designate a Chair for the meeting by majority vote of the members present. The Secretary of the Company shall be the Secretary of the Committee, provided that if the Secretary is not present, the Chair of the meeting may appoint a secretary for the meeting with the consent of the other Committee members who are present.

**Meetings**

The times and locations of meetings of the Committee and the calling of and procedures at such meetings, shall be determined from time to time by the Chair of the Committee, in consultation with management when necessary, provided that there shall be a minimum of four meetings per year. The Committee shall have sufficient notice in order to prepare for each meeting. Notice of each meeting shall also be given to the external auditors of the Company, and meetings shall be convened whenever requested by the external auditors or any member of the Committee in accordance with applicable law.

**Meeting Agendas**

Agendas for meetings of the Committee shall be developed by the Chair of the Committee in consultation with management and the corporate secretary, and shall be circulated to the Committee members prior to any meetings.

**Resources and Authority**

The Committee shall have the resources and the authority to discharge its responsibilities, including the authority to engage, at the expense of the Company, outside consultants, independent legal counsel and other advisors as it determines necessary to carry out its duties, without seeking approval of the Board or management. The Committee shall determine the appropriate funding required to compensate any advisor employed by the Committee and to pay ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee shall have the authority to conduct any investigation necessary and appropriate to fulfilling its responsibilities, and has direct access and authority to communicate directly with the external auditors, legal counsel and officers and employees of the Company.

The members of the Committee have the right, for the purpose of performing their duties, to inspect the books and records of the Company and to discuss such accounts and records and any matters relating to the financial position, risk management and internal controls of the Company with the officers and external auditors of the Company.

**Responsibilities**

The Company's management is responsible for preparing the Company's financial statements while the external auditors are responsible for auditing those financial statements. The Committee is responsible for overseeing the conduct of those activities by the Company's management and external auditors, and overseeing the activities of any internal audit initiatives. The Company's external auditors are accountable to the Committee as representatives of the Company's shareholders.

It is recognized that members of the Committee are not full-time employees of the Company and do not represent themselves to be accountants or auditors by profession or experts in the fields of accounting or auditing or the preparation of financial statements. It is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from whom it receives information, and (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary.

The specific responsibilities of the Committee are as follows:

- In consultation with the external auditors and management, review the integrity of the Company's financial reporting process, both internal and external, and any major issues as to the adequacy of the internal controls and any special audit procedures adopted in light of any material control deficiencies;
- Review all material transactions and contracts entered into by the Company with any insider or related party of the Company, other than director, officer or employee compensation which is approved by the Company's Compensation Committee;
- Review with management and the external auditors the Company's annual audited consolidated financial statements and discuss with the external auditors all matters required to be discussed by generally accepted auditing standards (GAAS) in Canada and the United States. This would include reviewing an annual audit & risk committee report prepared by the external auditors describing: (i) all critical accounting policies used by the Company, (ii) any material alternative accounting treatments within generally accepted accounting principles (GAAP) that have been discussed with management of the Company, including the ramifications of the use of such alternative treatments and disclosures, and (iii) any other material written communications between the external auditors and management;

- Following completion of the annual audit, review with management and the external auditors any significant issues, concerns or difficulties encountered and resolve any disagreements between management and the external auditors regarding financial reporting;
- Review and approve the interim quarterly financial statements and press releases, and review and recommend to the Board for approval the annual financial statements and press releases, in each case prior to the release of earnings information, including any non-GAAP measures and earnings guidance;
- Review and be satisfied that adequate procedures are in place for the review of the public disclosure of financial information by the Company extracted or derived from the Company's financial statements, and periodically assess the adequacy of those procedures;
- and Meet separately with management and with the external auditors, including at the time of the annual audit plan review with management and the external auditors.

**External Auditors**

The Committee shall:

- Require the external auditor to report directly to it and is responsible for the appointment, nomination, compensation, retention, termination and oversight of the work of the external auditors engaged for the purpose of issuing an auditor's report or performing other audit, review or attest services for the Company, and in such regard recommend to the Board the external auditors to be nominated for approval by the shareholders;
- Pre-approve all audit engagements and the provision by the external auditors of all non-audit services, including fees and terms for all audit and non-audit engagements, and in such regard the Committee may establish the types of non-audit services the external auditors shall be prohibited from providing and shall establish the types of audit, audit related and non-audit services for which the Committee will retain the external auditors. The Committee may delegate the responsibility to pre-approve non-audit services to one of its members and any such delegated pre-approvals shall be presented to the Committee at its next scheduled meeting;
- Review and approve the Company's policies for the hiring of partners and employees and former partners and employees of the external auditing firm;
- Consider, assess and report to the Board with regard to the independence and performance of the external auditors;
- Request and review annually a report by the external auditors regarding the auditing firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the past five years;
- and Request and review annually a formal written statement by the external auditor delineating all relationships between the external auditor and the Company, actively engaging in a dialogue with the external auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the full Board take, appropriate action to oversee the independence of the external auditor.

**Internal Controls and Risk Management**

The Committee shall:

- Oversee management's design, implementation and evaluation of the Company's internal controls over financial reporting, including compliance with the requirements of the *Sarbanes-Oxley Act of 2002*;
- Receive and review reports from management and the external auditors with regard to the reliability and effective operation of the Company's accounting systems and internal controls; Discuss with management the Company's approach to risk assessment and management, controls over fraud and assessment of the need for internal auditing (including assessing and managing the risks related to personal and sensitive data that is collected, transmitted or stored by the Company and the control environment in place to protect the privacy of such data);

- Establish policies and procedures for the confidential, anonymous submission by employees of the Company of any concerns regarding questionable accounting or other acts and for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters;
- Review of the principal risks of the Company's business and operations, and any other circumstances and events that could have a significant impact on the Company's assets and stakeholders;
- Discuss with management potential risks to the Company's business and operations, their likelihood and magnitude and the interrelationships and potential compounding effects of such risks;
- Assess the steps management has taken to minimize such risks in light of the Company's risk tolerance;
- Assess the Company's risk tolerance, the overall process for identifying the Company's principal business and operational risks and the implementation of appropriate measures to manage and disclose such risks;
- Review the controls and security governing the Company's information technology systems, including information technology infrastructure (e.g., disaster recovery) and business controls (e.g., data integrity, authorized access and process compliance);
- Review with senior management annually, the Company's insurance policies and considering the extent of any uninsured exposure and the adequacy of coverage;
- and Review disclosure respecting the oversight of management of the Company's principal business and operational risks.

**Legal and Regulatory Requirements**

Receive and review timely analysis by management of significant issues relating to public disclosure and reporting, including, prior to finalization, the Management's Discussion & Analysis and Annual Information Form; Prepare the report of the Committee required to be included with the Company's periodic filings; and Assist the Board in the oversight of compliance with legal and regulatory matters.

**Additional Responsibilities**

Report regularly to the Board, including on matters such as the quality and integrity of the Company's financial statements, compliance with legal and regulatory requirements, the results of any internal audit initiatives, including evaluation of internal controls over financial reporting for purposes of compliance with the *Sarbanes-Oxley Act of 2002*, and the performance and independence of the external auditors; and Review and reassess annually the adequacy of the Committee's Mandate and prepare and review with the Board an annual performance evaluation of the Committee.

**EXHIBIT 2**

# COLLIERS INTERNATIONAL GROUP INC.

**CONSOLIDATED FINANCIAL STATEMENTS**

**Year ended**

**December 31, 2016**

**COLLIERS INTERNATIONAL GROUP INC.**

## MANAGEMENT'S REPORT

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements and management discussion and analysis ("MD&A") of **Colliers International Group Inc.** ("Colliers" or the "Company") and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States of America using the best estimates and judgments of management, where appropriate. The most significant of these accounting principles are set out in Note 2 to the consolidated financial statements. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the consolidated financial statements.

The MD&A has been prepared in accordance with National Instrument 51-102 of the Canadian Securities Administrators, taking into consideration other relevant guidance, including Regulation S-K of the US Securities and Exchange Commission.

The Board of Directors of the Company has an Audit & Risk Committee consisting of four independent directors. The Audit & Risk Committee meets regularly to review with management and the independent auditors any significant accounting, internal control, auditing and financial reporting matters.

These consolidated financial statements have been audited by PricewaterhouseCoopers LLP, which have been appointed as the independent registered public accounting firm of the Company by the shareholders. Their report outlines the scope of their examination and opinion on the consolidated financial statements. As auditors, PricewaterhouseCoopers LLP have full and independent access to the Audit & Risk Committee to discuss their findings.

### MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of its effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has excluded ten individually insignificant entities acquired by the Company during the last fiscal period from its assessment of internal control over financial reporting as at December 31, 2016. The total assets and total revenues of the ten majority-owned entities represent 2.2% and 3.8%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2016.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2016, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at December 31, 2016, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as at December 31, 2016, has been audited by PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm as stated in their report which appears herein.

*/s/ Jay S. Hennick*
Chairman and Chief Executive Officer
February 23, 2017

*/s/ John B. Friedrichsen*
Chief Financial Officer

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Shareholders of Colliers International Group Inc.**

We have audited the accompanying consolidated balance sheets of **Colliers International Group Inc.** and its subsidiaries as of December 31, 2016 and December 31, 2015 and the related consolidated statements of earnings, consolidated statements of comprehensive earnings (loss), consolidated statements of shareholders' equity and consolidated statements of cash flows for each of the years in the three-year period ended December 31, 2016. We also have audited Colliers International Group Inc.'s and its subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our integrated audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded ten entities from its assessment of internal control over financial reporting as of December 31, 2016 because these entities were acquired by the Company in purchase business combinations during 2016. We have also excluded these entities acquired from our audit of internal control over financial reporting. Total assets and total revenues of these majority-owned entities represent 2.2% and 3.8%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2016.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Colliers International Group Inc. and its subsidiaries as of December 31, 2016 and December 31, 2015 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, Colliers International Group Inc. and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

*/s/ PricewaterhouseCoopers LLP*
Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 23, 2017

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

| **Years ended December 31** | | **2016** | | 2015 | | 2014 |
|---|---|---|---|---|---|---|
| Revenues | **$** | **1,896,724** | $ | 1,721,986 | $ | 1,582,271 |
| Cost of revenues (exclusive of depreciation and amortization shown below) | | **1,179,773** | | 1,044,434 | | 947,130 |
| Selling, general and administrative expenses | | **522,295** | | 502,480 | | 509,849 |
| Depreciation | | **23,631** | | 21,611 | | 20,484 |
| Amortization of intangible assets | | **21,293** | | 17,013 | | 15,549 |
| Acquisition-related items (note 5) | | **3,559** | | 6,599 | | 11,103 |
| Spin-off stock-based compensation costs (note 15) | | **-** | | 35,400 | | - |
| Spin-off transaction costs | | **-** | | 14,065 | | - |
| Operating earnings | | **146,173** | | 80,384 | | 78,156 |
| Interest expense, net | | **9,190** | | 9,039 | | 7,304 |
| Other income, net (note 6) | | **(2,417)** | | (1,122) | | (1,262) |
| Earnings before income tax | | **139,400** | | 72,467 | | 72,114 |
| Income tax (note 16) | | **47,829** | | 32,552 | | 18,205 |
| Net earnings from continuing operations | | **91,571** | | 39,915 | | 53,909 |
| Net earnings from discontinued operations, net of income tax (note 4) | | **-** | | 1,104 | | 23,807 |
| Net earnings | | **91,571** | | 41,019 | | 77,716 |
| Non-controlling interest share of earnings | | **20,085** | | 21,509 | | 25,096 |
| Non-controlling interest redemption increment (note 13) | | **3,521** | | (3,837) | | 9,304 |
| Net earnings attributable to Company | **$** | **67,965** | $ | 23,347 | $ | 43,316 |
| **Net earnings per common share (note 18)** | | | | | | |
| Basic | | | | | | |
| Continuing operations | **$** | **1.76** | $ | 0.60 | $ | 0.54 |
| Discontinued operations | | **-** | | 0.03 | | 0.66 |
| | **$** | **1.76** | $ | 0.63 | $ | 1.20 |
| Diluted | | | | | | |
| Continuing operations | **$** | **1.75** | $ | 0.59 | $ | 0.54 |
| Discontinued operations | | **-** | | 0.03 | | 0.65 |
| | **$** | **1.75** | $ | 0.62 | $ | 1.19 |

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

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

| **Years ended December 31** | **2016** | 2015 | 2014 |
|---|---|---|---|
| Net earnings | **$ 91,571** | $ 41,019 | $ 77,716 |
| Foreign currency translation loss | **(4,337)** | (39,495) | (51,648) |
| Pension liability adjustments, net of tax | **(1,690)** | - | - |
| Comprehensive earnings | **85,544** | 1,524 | 26,068 |
| Less: Comprehensive earnings attributable to non-controlling shareholders | 25,283 | 27,859 | 23,396 |
| Comprehensive earnings (loss) attributable to Company | **$ 60,261** | $ (26,335) | $ 2,672 |

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

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

| **As at December 31** | | **2016** | | 2015 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | **$** | **113,148** | $ | 116,150 |
| Accounts receivable, net of allowance of $23,431 (December 31, 2015 - $20,738) | | **311,020** | | 298,466 |
| Unbilled revenues | | **36,588** | | 19,907 |
| Income tax recoverable | | **8,482** | | 13,985 |
| Prepaid expenses and other current assets | | **37,084** | | 31,864 |
| Deferred income tax, net (note 16) | | **18,314** | | 15,607 |
| | | **524,636** | | 495,979 |
| Other receivables | | **10,203** | | 3,922 |
| Other assets (note 7) | | **38,657** | | 19,287 |
| Fixed assets (note 8) | | **65,274** | | 62,553 |
| Deferred income tax, net (note 16) | | **68,446** | | 84,038 |
| Intangible assets (note 9) | | **139,557** | | 120,962 |
| Goodwill (note 10) | | **348,006** | | 305,680 |
| | | **670,143** | | 596,442 |
| | **$** | **1,194,779** | $ | 1,092,421 |
| **Liabilities and shareholders' equity** | | | | |
| **Current liabilities** | | | | |
| Accounts payable | **$** | **83,617** | $ | 77,464 |
| Accrued liabilities (note 11) | | **399,759** | | 377,779 |
| Income tax payable | | **15,940** | | 14,388 |
| Unearned revenues | | **4,066** | | 4,607 |
| Long-term debt - current (note 12) | | **1,961** | | 3,200 |
| Contingent acquisition consideration - current (note 20) | | **4,884** | | 1,552 |
| Deferred income tax, net (note 16) | | **376** | | 151 |
| | | **510,603** | | 479,141 |
| Long-term debt - non-current (note 12) | | **260,537** | | 257,747 |
| Contingent acquisition consideration (note 20) | | **27,382** | | 27,567 |
| Deferred rent | | **21,241** | | 17,244 |
| Other liabilities | | **8,986** | | 3,223 |
| Deferred income tax, net (note 16) | | **18,714** | | 18,414 |
| | | **336,860** | | 324,195 |
| Redeemable non-controlling interests (note 13) | | **134,803** | | 139,592 |
| **Shareholders' equity** | | | | |
| Common shares (note 14) | | **399,774** | | 396,066 |
| Contributed surplus | | **51,540** | | 47,603 |
| Deficit | | **(174,311)** | | (238,411) |
| Accumulated other comprehensive loss | | **(71,273)** | | (63,569) |
| Total Company shareholders' equity | | **205,730** | | 141,689 |
| Non-controlling interests | | **6,783** | | 7,804 |
| Total shareholders' equity | | **212,513** | | 149,493 |
| | **$** | **1,194,779** | $ | 1,092,421 |

Commitments and contingencies (notes 14, 21 and 25)

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

**On behalf of the Board of Directors,**

*/s/Peter F. Cohen*
Director

*/s/Jay S. Hennick*
Director

**COLLIERS INTERNATIONAL GROUP INC.**
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands of US dollars, except share information)

| | Common shares | | | | Accumulated other comprehensive | | |
|---|---|---|---|---|---|---|---|
| | Issued and outstanding shares | Amount | Contributed surplus | Deficit | earnings (loss) | Non-controlling interests | Total shareholders' equity |
| Balance, December 31, 2013 | 35,801,732 | $300,765 | $ 37,510 | $(123,111) | $ 26,757 | $ 7,128 | $ 249,049 |
| Net earnings | - | - | - | 77,716 | - | - | 77,716 |
| Other comprehensive loss | - | - | - | - | (51,648) | - | (51,648) |
| Other comprehensive earnings attributable to NCI | - | - | - | - | 11,004 | (749) | 10,255 |
| NCI share of earnings | - | - | - | (25,096) | - | 5,661 | (19,435) |
| NCI redemption increment | - | - | - | (9,304) | - | - | (9,304) |
| Distributions to NCI | - | - | - | - | - | (4,535) | (4,535) |
| Acquisitions of businesses, net | - | - | - | - | - | 507 | 507 |
| Subsidiaries' equity transactions | - | - | 4,448 | - | - | - | 4,448 |
| Subordinate Voting Shares: | | | | | | | |
| Stock option expense | - | - | 4,077 | - | - | - | 4,077 |
| Stock options exercised | 558,150 | 14,419 | (3,701) | - | - | - | 10,718 |
| Tax benefit on options exercised | - | - | 4,597 | - | - | - | 4,597 |
| Dividends | - | - | - | (14,362) | - | - | (14,362) |
| Purchased for cancellation | (552,927) | (4,783) | - | (24,085) | - | - | (28,868) |
| Balance, December 31, 2014 | 35,806,955 | 310,401 | 46,931 | (118,242) | (13,887) | 8,012 | 233,215 |
| Net earnings | - | - | - | 41,019 | - | - | 41,019 |
| Other comprehensive loss | - | - | - | - | (39,495) | - | (39,495) |
| Other comprehensive loss attributable to NCI | - | - | - | - | (10,187) | (1,077) | (11,264) |
| NCI share of earnings | - | - | - | (21,509) | - | 4,128 | (17,381) |
| NCI redemption increment | - | - | - | 3,837 | - | - | 3,837 |
| Distributions to NCI | - | - | - | - | - | (3,292) | (3,292) |
| Acquisitions of businesses, net | - | - | - | - | - | 33 | 33 |
| Spin-off distribution (note 4) | - | - | - | (138,396) | - | - | (138,396) |
| Subsidiaries' equity transactions | - | - | 863 | - | - | - | 863 |
| Subordinate Voting Shares: | | | | | | | |
| Issued on exchange for NCI (note 15) | 1,997,956 | 66,692 | - | - | - | - | 66,692 |
| Stock option expense | - | - | 4,253 | - | - | - | 4,253 |
| Stock options exercised | 699,400 | 18,973 | (4,444) | - | - | - | 14,529 |
| Dividends | - | - | - | (5,120) | - | - | (5,120) |
| Balance, December 31, 2015 | 38,504,311 | $396,066 | $ 47,603 | $(238,411) | $ (63,569) | $ 7,804 | $ 149,493 |

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

**COLLIERS INTERNATIONAL GROUP INC.**
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands of US dollars, except share information)

| | Common shares | | | | Accumulated other comprehensive earnings (loss) | Non-controlling interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| | Issued and outstanding shares | Amount | Contributed surplus | Deficit | | | |
| Balance, December 31, 2015 | 38,504,311 | $396,066 | $ 47,603 | $(238,411) | $ (63,569) | $ 7,804 | $ 149,493 |
| Net earnings | - | - | - | 91,571 | - | - | 91,571 |
| Pension liability adjustment, net of tax | - | - | - | - | (1,690) | - | (1,690) |
| Foreign currency translation loss | - | - | - | - | (4,337) | - | (4,337) |
| Other comprehensive loss attributable to NCI | - | - | - | - | (1,677) | (331) | (2,008) |
| NCI share of earnings | - | - | - | (20,085) | - | 4,142 | (15,943) |
| NCI redemption increment | - | - | - | (3,521) | - | - | (3,521) |
| Distributions to NCI | - | - | - | - | - | (4,643) | (4,643) |
| Acquisition of businesses, net | - | - | - | - | - | (189) | (189) |
| Subsidiaries' equity transactions | - | - | 1,507 | - | - | - | 1,507 |
| Subordinate Voting Shares: | | | | | | | |
| Stock option expense | - | - | 3,279 | - | - | - | 3,279 |
| Stock options exercised | 144,150 | 3,708 | (849) | - | - | - | 2,859 |
| Dividends | - | - | - | (3,865) | - | - | (3,865) |
| **Balance, December 31, 2016** | **38,648,461** | **$399,774** | **$ 51,540** | **$(174,311)** | **$ (71,273)** | **$ 6,783** | **$ 212,513** |

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

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

| **Years ended December 31** | **2016** | 2015 | 2014 |
|---|---|---|---|
| **Cash provided by (used in)** | | | |
| **Operating activities** | | | |
| Net earnings from continuing operations | **$ 91,571** | $ 39,915 | $ 53,909 |
| Items not affecting cash: | | | |
| Depreciation and amortization | **44,924** | 38,624 | 36,033 |
| Spin-off stock-based compensation | **-** | 35,400 | - |
| Deferred income tax | **9,998** | 2,752 | 1,488 |
| Earnings from equity method investments | **(894)** | (729) | (589) |
| Stock option expense | **3,279** | 4,253 | 2,358 |
| Other | **12,495** | 2,983 | (1,226) |
| Incremental tax benefit on stock options exercised | **-** | - | (4,597) |
| Net changes from operating assets / liabilities | | | |
| Accounts receivable | **(16,737)** | (5,574) | (25,285) |
| Unbilled revenues | **(16,479)** | (12,738) | (3,487) |
| Prepaid expenses and other current assets | **3,010** | (5,880) | (1,377) |
| Accounts payable | **6,228** | (7,868) | 19,539 |
| Accrued liabilities | **16,508** | 41,376 | 48,512 |
| Income tax payable | **419** | 4,785 | (4,095) |
| Unearned revenues | **(945)** | (2,570) | 2,884 |
| Other liabilities | **3,476** | (6,634) | (1,557) |
| Contingent acquisition consideration paid | **(591)** | (1,421) | (19,785) |
| Discontinued operations | **-** | 30,564 | 56,343 |
| Net cash provided by operating activities | **156,262** | 157,238 | 159,068 |
| **Investing activities** | | | |
| Acquisitions of businesses, net of cash acquired (note 3) | **(82,073)** | (44,108) | (91,559) |
| Disposal of business, net of cash disposed (note 4) | **-** | - | 8,373 |
| Purchases of fixed assets | **(25,046)** | (22,515) | (30,067) |
| Advisor loans issued | **(26,059)** | (7,239) | (8,239) |
| Other investing activities | **(511)** | (680) | 5,221 |
| Discontinued operations | **-** | (10,871) | (39,906) |
| Net cash used in investing activities | **(133,689)** | (85,413) | (156,177) |
| **Financing activities** | | | |
| Increase in long-term debt | **218,056** | 644,963 | 307,715 |
| Repayment of long-term debt | **(201,103)** | (707,284) | (193,033) |
| Purchases of subsidiary shares from NCI | **(14,074)** | (9,039) | (36,025) |
| Sale of interests in subsidiaries to non-controlling interests | **800** | 2,134 | 424 |
| Contingent acquisition consideration | **(1,427)** | (4,662) | (5,750) |
| Proceeds received on exercise of stock options | **2,859** | 14,529 | 10,718 |
| Incremental tax benefit on stock options exercised | **-** | - | 4,597 |
| Dividends paid to common shareholders | **(3,471)** | (7,178) | (14,361) |
| Distributions paid to non-controlling interests | **(16,495)** | (19,065) | (25,956) |
| Repurchases of Subordinate Voting Shares | **-** | - | (28,868) |
| Financing fees paid | **-** | (3,029) | (358) |
| Net cash (used in) provided by financing activities | **(14,855)** | (88,631) | 19,103 |
| Effect of exchange rate changes on cash | **(10,720)** | (23,837) | (7,905) |
| (Decrease) increase in cash and cash equivalents | **(3,002)** | (40,643) | 14,089 |
| Cash and cash equivalents, beginning of year | **116,150** | 156,793 | 142,704 |
| Cash and cash equivalents, end of year | **$ 113,148** | $ 116,150 | $ 156,793 |

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

## 1. Description of the business

Colliers International Group Inc. ("Colliers" or the "Company") provides commercial real estate services to corporate and institutional clients in 32 countries around the world (66 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.

On June 1, 2015, "old" FirstService Corporation ("Old FSV") completed a plan of arrangement (the "Spin-off) which separated Old FSV into two independent public companies – Colliers and "new" FirstService Corporation ("FirstService"). Under the Spin-off, Old FSV shareholders received one Colliers share and one FirstService share of the same class as each Old FSV share previously held.

The historical operations of FirstService have been reclassified as discontinued operations (see note 4).

## 2. Summary of significant accounting policies

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates are related to the recoverability of deferred income tax assets, timing of revenue recognition, recoverability of goodwill and intangible assets, determination of fair values of assets acquired and liabilities assumed in business combinations, estimated fair value of contingent consideration related to acquisitions, quantification of uncertain tax positions and the collectability of accounts receivable. Actual results could be materially different from these estimates.

During the quarter ended June 30, 2015, a revenue transaction initially recorded in the fourth quarter of 2014 was reversed as it was determined through subsequent events in 2015 that the revenue was not realized. The impact of this immaterial out of period adjustment was a reduction in revenue of $5,040, a reduction in net earnings of $635 and a reduction in diluted earnings per share from continuing operations of $0.02.

Significant accounting policies are summarized as follows:

**Basis of consolidation**
The consolidated financial statements include the accounts of the Company, its majority-owned subsidiaries and those variable interest entities where the Company is the primary beneficiary. Where the Company does not have a controlling interest but has the ability to exert significant influence, the equity method is used. Inter-company transactions and accounts are eliminated on consolidation.

**Cash and cash equivalents**
Cash equivalents consist of short-term interest-bearing securities, which are readily convertible into cash and have original maturities at the date of purchase of three months or less.

**Unbilled revenues**
Unbilled revenues relate to real estate project management and workplace solutions engagements in process and are accounted for using the percentage of completion method.

**Fixed assets**
Fixed assets are carried at cost less accumulated depreciation. The costs of additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. Fixed assets are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset group may not be recoverable. An impairment loss is recorded to the extent the carrying amount exceeds the estimated fair value of an asset group. Fixed assets are depreciated over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 20 to 40 years straight-line |
| Vehicles | 3 to 5 years straight-line |
| Furniture and equipment | 3 to 10 years straight-line |
| Computer equipment and software | 3 to 5 years straight-line |
| Leasehold improvements | term of the lease to a maximum of 10 years |

**Investments in securities**
The Company classifies investments in securities under the caption “other assets”. Investments in equity securities are accounted for using the equity method or cost method. The equity method is utilized where the Company has the ability to exercise significant influence on the investee. Realized gains or losses and equity earnings or losses are recorded in other (income) expense. Equity securities, including marketable equity securities as well as those accounted for under the equity method and cost method, are regularly reviewed for impairment based on both quantitative and qualitative criteria that include the extent to which cost exceeds fair value and the duration of the market decline, the Company’s intent and ability to hold until forecasted recovery, and the financial health and near term prospects for the issuer. Other-than-temporary impairment losses on equity securities are recorded in earnings.

**Financial instruments and derivatives**
Derivative financial instruments are recorded on the consolidated balance sheets as other assets or other liabilities and carried at fair value. From time to time, the Company may use interest rate swaps to hedge a portion of its interest rate exposure on long-term debt. Hedge accounting is applied and swaps are carried at fair value on the consolidated balance sheets, with gains or losses recognized in interest expense. The carrying value of the hedged item is adjusted for changes in fair value attributable to the hedged interest rate risk; the associated gain or loss is recognized currently in earnings. If swaps are terminated and the underlying item is not, the resulting gain or loss is deferred and recognized over the remaining life of the underlying item using the effective interest method.

**Fair value**
The Company uses the fair value measurements framework for financial assets and liabilities and for non-financial assets and liabilities that are recognized or disclosed at fair value on a non-recurring basis. The framework defines fair value, gives guidance for measurement and disclosure, and establishes a three-level hierarchy for observable and unobservable inputs used to measure fair value. An asset or liability’s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – Observable market-based inputs other than quoted prices in active markets for identical assets or liabilities
Level 3 – Unobservable inputs for which there is little or no market data, which requires the Company to develop its own assumptions

**Financing fees**
Financing fees related to the revolving credit facility are deferred and amortized to interest expense using the effective interest method.

**Goodwill and intangible assets**
Goodwill represents the excess of purchase price over the fair value of assets acquired and liabilities assumed in a business combination and is not subject to amortization.

Intangible assets are recorded at fair value on the date they are acquired. Indefinite life intangible assets are not subject to amortization. Where lives are finite, they are amortized over their estimated useful lives as follows:

| | |
|---|---|
| Customer lists and relationships | straight-line over 4 to 20 years |
| Trademarks and trade names | straight-line over 2 to 10 years |
| Management contracts and other | straight-line over life of contract ranging from 2 to 10 years |
| Brokerage backlog | as underlying brokerage transactions are completed |

The Company reviews the carrying value of finite life intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable from the estimated future cash flows expected to result from their use and eventual disposition. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the asset group, an impairment loss is recognized. Measurement of the impairment loss is based on the excess of the carrying amount of the asset group over the fair value calculated using discounted expected future cash flows.

Goodwill and indefinite life intangible assets are tested for impairment annually, on August 1, or more frequently if events or changes in circumstances indicate the asset might be impaired, in which case the carrying amount of the asset is written down to fair value.

Impairment of goodwill is tested at the reporting unit level. The Company has three reporting units determined with reference to geography. Impairment is tested by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Where it is determined to be more likely than not that its fair value is greater than its carrying amount, then no further testing is required. Where the qualitative analysis is not sufficient to support that the fair value exceeds the carrying amount then a two-step goodwill impairment test is performed. In the first step, the reporting unit's carrying amount, including goodwill, is compared to the estimated fair value of the reporting unit. The fair values of the reporting units are estimated using a discounted cash flow approach. The fair value measurement is classified within Level 3 of the fair value hierarchy. If the carrying amount of the reporting unit exceeds its fair value, then a second step is performed to measure the amount of impairment loss, if any. Certain assumptions are used to determine the fair value of the reporting units, the most sensitive of which are estimated future cash flows and the discount rate applied to future cash flows. Changes in these assumptions could result in a materially different fair value.

Impairment of indefinite life intangible assets is tested by comparing the carrying amount to the estimated fair value on an individual intangible asset basis.

**Redeemable non-controlling interests**

Redeemable non-controlling interests ("RNCI") are 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.

**Revenue recognition and unearned revenues**

*(a) Real estate brokerage operations*

Commission revenues from real estate leasing transactions are recognized once performance obligations under the commission arrangement are satisfied. Terms and conditions of a commission arrangement may include execution of the lease agreement and satisfaction of future contingencies such as tenant occupancy. In most cases, a portion of the commission is earned upon execution of the lease agreement, with the remaining portion contingent on a future event, typically tenant occupancy; revenue recognition for the remaining portion is deferred until all contingencies are satisfied.

Commission revenues from sales brokerage transactions are recognized at the time the service has been provided and the commission becomes legally due, except when future contingencies exist. In most cases, close of escrow or transfer of title is a future contingency, and accordingly, revenue recognition is deferred until this contingency is satisfied.

*(b) Service operations other than real estate brokerage operations*

Revenues are recognized at the time the service is rendered. Certain services including but not limited to real estate project management and workplace solutions engagements in process, are recognized on the percentage of completion method, in the ratio of actual costs to total estimated contract costs. In cases where anticipated costs to complete a project exceed the revenue to be recognized, a provision for the additional estimated losses is recorded in the period when the loss becomes apparent. Amounts received from customers in advance of services being provided are recorded as unearned revenues when received.

**Stock-based compensation**
For equity classified awards, compensation cost is measured at the grant date based on the estimated fair value of the award. The related stock option compensation expense is allocated using the graded attribution method.

**Foreign currency translation**
Assets, liabilities and operations of foreign subsidiaries are recorded based on the functional currency of each entity. For certain foreign operations, the functional currency is the local currency, in which case the assets, liabilities and operations are translated at current exchange rates from the local currency to the reporting currency, the US dollar. The resulting unrealized gains or losses are reported as a component of accumulated other comprehensive earnings. Realized and unrealized foreign currency gains or losses related to any foreign dollar denominated monetary assets and liabilities are included in net earnings.

**Income tax**
Income tax has been provided using the asset and liability method whereby deferred income tax assets and liabilities are recognized for the expected future income tax consequences of events that have been recognized in the consolidated financial statements or income tax returns. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to reverse, be recovered or settled. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in earnings in the period in which the change occurs. A valuation allowance is recorded unless it is more likely than not that realization of a deferred income tax asset will occur based on available evidence.

The Company recognizes uncertainty in tax positions taken or expected to be taken in a tax return by recording a liability for unrecognized tax benefits on its balance sheet. Uncertainties are quantified by applying a prescribed recognition threshold and measurement attribute.

The Company classifies interest and penalties associated with income tax positions in income tax expense.

**Business combinations**
All business combinations are accounted for using the purchase method of accounting. Transaction costs are expensed as incurred.

The fair value of the contingent consideration is classified as a financial liability and is recorded on the balance sheet at the acquisition date and is re-measured at fair value at the end of each period until the end of the contingency period, with fair value adjustments recognized in earnings. However, if the contingent consideration includes an element of compensation to the vendors (i.e. it is tied to continuing employment or it is not linked to the business valuation), then the portion of contingent consideration related to such element is treated as compensation expense over the expected employment period.

## 3. Acquisitions

*2016 acquisitions:*
The Company acquired controlling interests in ten businesses, six operating in the Americas (Central Florida, Northeast Florida, New York, Quebec, Western Michigan and Long Island (New York)) and four operating in EMEA (United Kingdom, Netherlands and France). These acquisitions were accounted for by the purchase method of accounting for business combinations and accordingly, the consolidated statements of earnings do not include any revenues or expenses related to these acquisitions prior to their closing dates.

Details of these acquisitions are as follows:

| | Aggregate Acquisitions |
|---|---|
| Current assets | **$ 16,643** |
| Non-current assets | **3,719** |
| Current liabilities | **(18,556)** |
| Long-term liabilities | **(4,207)** |
| Non-controlling interests | **(25)** |
| | **$ (2,427)** |
| | |
| Cash consideration, net of cash acquired of $10,067 | **(82,073)** |
| Acquisition date fair value of contingent consideration | **(12,056)** |
| Total purchase consideration | **$ (94,129)** |
| | |
| Acquired intangible assets | **$ 43,602** |
| Goodwill | **$ 52,954** |

*2015 acquisitions:*
The Company acquired controlling interests in nine businesses. Acquisitions included controlling interests in regional firms in the US, Belgium, and Morocco expanding Colliers' geographic presence in these markets.

Details of these acquisitions are as follows:

| | Aggregate Acquisitions |
|---|---|
| Current assets | $ 10,649 |
| Non-current assets | 2,407 |
| Current liabilities | (13,264) |
| Long-term liabilities | (1,605) |
| Redeemable non-controlling interest | (13,284) |
| | $ (15,097) |
| | |
| Cash consideration, net of cash acquired of $5,873 | (44,108) |
| Acquisition date fair value of contingent consideration | (14,566) |
| Total purchase consideration | $ (58,674) |
| | |
| Acquired intangible assets | $ 30,398 |
| Goodwill | $ 43,373 |

*2014 acquisitions:*
The Company acquired controlling interests in nine businesses. Acquisitions included controlling interests in regional firms in the UK, Canada, New Zealand, and Australia expanding Colliers' geographic presence in these markets. The Company also acquired a controlling interest in AOS Group, which was rebranded immediately as Colliers International, establishing a base of operations in France and Belgium.

Details of these acquisitions are as follows:

| | Aggregate Acquisitions |
|---|---|
| Current assets | $ 35,003 |
| Non-current assets | 6,705 |
| Current liabilities | (44,880) |
| Long-term liabilities | (9,734) |
| Redeemable non-controlling interest | (17,700) |
| Non-controlling interests | (255) |
| | $ (30,861) |
| | |
| Note consideration | $ (3,171) |
| Cash consideration, net of cash acquired of $11,427 | (91,559) |
| Acquisition date fair value of contingent consideration | (13,339) |
| Total purchase consideration | $ (108,069) |
| | |
| Acquired intangible assets | $ 39,369 |
| Goodwill | $ 99,561 |

Acquisition-related transaction costs for the year ended December 31, 2016 totaled $2,794 (2015 - $5,301; 2014 - $9,103) and were recorded as expense under the caption “acquisition-related items”.

In all years presented, the fair values of non-controlling interests were determined using an income approach with reference to a discounted cash flow model using the same assumptions implied in determining the purchase consideration.

The purchase price allocations of acquisitions resulted in the recognition of goodwill. The primary factors contributing to goodwill are assembled workforces, synergies with existing operations and future growth prospects. For acquisitions completed during the year ended December 31, 2016, goodwill in the amount of $18,837 is deductible for income tax purposes (2015 - $25,745; 2014 - $712).

The Company typically structures its business acquisitions to include contingent consideration. 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 four-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 earnings level and (iii) the actual earnings for the contingency period. If the acquired business does not achieve the specified earnings level, the maximum payment is reduced for any shortfall, potentially to nil.

Unless it contains an element of compensation, under purchase accounting contingent consideration is recorded at fair value each reporting period. The fair value recorded on the consolidated balance sheet as at December 31, 2016 was $32,266 (see note 20). The liability recorded on the balance sheet for the compensatory element of contingent consideration arrangements as at December 31, 2016 was $5,335. The estimated range of outcomes (undiscounted) for these contingent consideration arrangements is determined based on the formula price and the likelihood of achieving specified earnings levels over the contingency period, and ranges from $65,519 to a maximum of $72,798. These contingencies will expire during the period extending to December 2020. During the year ended December 31, 2016, $2,018 was paid with reference to such contingent consideration (2015 - $6,083; 2014 - $25,535).

The consideration for the acquisitions during the year ended December 31, 2016 was financed from borrowings on the Company’s revolving credit facility and cash on hand.

The amounts of revenues and earnings contributed from the dates of acquisition and included in the Company’s consolidated results for the year ended December 31, 2016, and the supplemental pro forma revenues and earnings of the combined entity had the acquisition dates been January 1, 2015, are as follows:

| | Revenues | Net earnings from continuing operations |
|---|---|---|
| Actual from acquired entities for 2016 | $ 72,702 | $ 1,939 |
| Supplemental pro forma for 2016 (unaudited) | 1,926,462 | 94,152 |
| Supplemental pro forma for 2015 (unaudited) | 1,902,724 | 52,762 |

Supplemental pro forma results were adjusted for non-recurring items.

## 4. Discontinued operations

There were no discontinued operations during the year ended December 31, 2016. Discontinued operations of prior years include three businesses: (i) FirstService (which comprises Old FSV's Residential Real Estate Services and Property Services segments); (ii) a residential real estate rental operation (previously reported in Old FSV's Residential Real Estate Services segment); and (iii) a US-based commercial real estate consulting operation (previously reported in Old FSV's Commercial Real Estate Services segment).

The Spin-off of FirstService was completed on June 1, 2015, resulting in the distribution of one FirstService share of the same class as each Old FSV share previously held to all shareholders. The Spin-off distribution was accounted for at the carrying amount, without gain or loss, and resulted in a reduction of shareholders' equity of $138,396. Colliers and FirstService were separated into two independent public companies to enable each company to intensify its focus on its distinct brand, customers and industry dynamics and also have the flexibility to pursue independent value creation strategies while optimizing its capital structure and financial resources.

In April 2014, the Company completed the sale of its REO rental operation for cash consideration of $1,500. The pre-tax loss on disposal was $1,601, before income tax recovery of $773 resulting in a net loss of $828. In July 2014, the Company completed the sale of a US-based commercial real estate consulting operation for cash consideration of $12,100. The pre-tax gain on disposal was $6,607, before income tax expense of $3,023 resulting in a net gain of $3,584.

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| Revenues | **$ -** | $ 479,636 | $ 1,132,002 |
| Cost of revenues | **-** | 340,941 | 800,046 |
| Selling, general and administrative expenses | **-** | 106,894 | 249,481 |
| Depreciation | **-** | 7,566 | 17,634 |
| Amortization of intangible assets | **-** | 4,253 | 8,744 |
| Acquisition-related items | **-** | 214 | 723 |
| Operating earnings | **-** | 19,768 | 55,374 |
| Interest expense, net | **-** | 993 | 6,932 |
| Other expense | **-** | 147 | 255 |
| Earnings before income tax | **-** | 18,628 | 48,187 |
| Income tax expense | **-** | 9,216 | 13,593 |
| Net operating earnings from discontinued operations | **-** | 9,412 | 34,594 |
| Net gain on disposal | **-** | - | 2,756 |
| Net earnings from discontinued operations | **$ -** | $ 9,412 | $ 37,350 |
| Non-controlling interest share of earnings | **-** | 4,566 | 3,426 |
| Non-controlling interest redemption increment | **-** | 3,742 | 10,117 |
| Net earnings from discontinued operations attributable to Company | $ - | $ 1,104 | $ 23,807 |
| Net earnings per share from discontinued operations | | | |
| Basic | **$ -** | $ 0.03 | $ 0.66 |
| Diluted | **-** | 0.03 | 0.65 |

## 5. Acquisition-related items

Acquisition-related expense (income) comprises the following:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Transaction costs | **$ 2,794** | $ 5,301 | $ 9,103 |
| Contingent consideration fair value adjustments | **(4,591)** | 383 | 1,774 |
| Contingent consideration compensation expense | **5,356** | 915 | 226 |
| | **$ 3,559** | $ 6,599 | $ 11,103 |

Contingent consideration compensation expense and contingent consideration fair value adjustments relate to acquisitions made in the current year as well as the preceding four years.

## 6. Other income

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Disposal (gain) loss, net | **$ (1,084)** | $ (11) | $ 100 |
| Unusual gain | **(439)** | (382) | (773) |
| Equity earnings | **(894)** | (729) | (589) |
| | **$ (2,417)** | $ (1,122) | $ (1,262) |

## 7. Other assets

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Advisor loans receivable | **$ 28,477** | $ 10,115 |
| Equity and cost method investments | **7,028** | 5,897 |
| Financing fees, net of accumulated amortization of $947 (December 31, 2015 - $353) | **2,044** | 2,676 |
| Other | **1,108** | 599 |
| | **$ 38,657** | $ 19,287 |

## 8. Fixed assets

| **December 31, 2016** | Cost | Accumulated depreciation | **Net** |
|---|---|---|---|
| Buildings | $ 1,483 | $ 805 | **$ 678** |
| Vehicles | 1,500 | 886 | **614** |
| Furniture and equipment | 42,753 | 29,659 | **13,094** |
| Computer equipment and software | 86,333 | 62,878 | **23,455** |
| Leasehold improvements | 57,696 | 30,263 | **27,433** |
| | $ 189,765 | $ 124,491 | **$ 65,274** |

| December 31, 2015 | Cost | Accumulated depreciation | Net |
|---|---|---|---|
| Buildings | $ 1,365 | $ 771 | $ 594 |
| Vehicles | 1,556 | 884 | 672 |
| Furniture and equipment | 41,535 | 28,565 | 12,970 |
| Computer equipment and software | 82,576 | 59,215 | 23,361 |
| Leasehold improvements | 52,916 | 27,960 | 24,956 |
| | $ 179,948 | $ 117,395 | $ 62,553 |

Included in fixed assets are vehicles, office and computer equipment under capital lease at a cost of $4,739 (2015 - $4,649) and net book value of $1,827 (2015 - $2,276).

## 9. Intangible assets

| **December 31, 2016** | Gross carrying amount | Accumulated amortization | **Net** |
|---|---|---|---|
| Customer lists and relationships | $ 168,998 | $ 64,397 | **$ 104,601** |
| Franchise rights | 5,301 | 3,478 | **1,823** |
| Trademarks and trade names: | | | |
| Indefinite life | 23,604 | - | **23,604** |
| Finite life | 2,993 | 1,484 | **1,509** |
| Management contracts and other | 13,586 | 5,566 | **8,020** |
| | $ 214,482 | $ 74,925 | **$ 139,557** |

| December 31, 2015 | Gross carrying amount | Accumulated amortization | Net |
|---|---|---|---|
| Customer lists and relationships | $ 134,112 | $ 50,029 | $ 84,083 |
| Franchise rights | 5,444 | 3,222 | 2,222 |
| Trademarks and trade names: | | | |
| Indefinite life | 23,639 | - | 23,639 |
| Finite life | 2,312 | 1,220 | 1,092 |
| Management contracts and other | 13,690 | 4,213 | 9,477 |
| Brokerage backlog | 3,588 | 3,139 | 449 |
| | $ 182,785 | $ 61,823 | $ 120,962 |

During the year ended December 31, 2016, the Company acquired the following intangible assets:

| | Amount | Estimated weighted average amortization period (years) |
|---|---|---|
| Customer lists and relationships | $ 39,457 | 12.9 |
| Trademarks and trade names - finite life | 1,634 | 2.0 |
| Brokerage backlog | 2,299 | 0.3 |
| Other | 212 | 6.3 |
| | $ 43,602 | 11.8 |

The following is the estimated annual amortization expense for recorded intangible assets for each of the next five years ending December 31:

| | |
|---|---|
| 2017 | $ 18,169 |
| 2018 | 16,329 |
| 2019 | 14,802 |
| 2020 | 13,361 |
| 2021 | 12,049 |

## 10. Goodwill

| | Americas | EMEA | Asia Pacific | Consolidated |
|---|---|---|---|---|
| Balance, December 31, 2014 | $ 69,820 | 167,304 | 48,997 | 286,121 |
| Goodwill acquired during the year | 39,627 | 3,322 | 424 | 43,373 |
| Goodwill disposed during the year | - | (111) | - | (111) |
| Foreign exchange | (2,650) | (16,159) | (4,894) | (23,703) |
| Balance, December 31, 2015 | 106,797 | 154,356 | 44,527 | 305,680 |
| Goodwill acquired during the year | 19,665 | 33,289 | - | 52,954 |
| Other items | (603) | (266) | - | (869) |
| Foreign exchange | 558 | (10,236) | (81) | (9,759) |
| **Balance, December 31, 2016** | **126,417** | **177,143** | **44,446** | **348,006** |
| Goodwill | 152,688 | 180,455 | 44,446 | 377,589 |
| Accumulated impairment loss | (26,271) | (3,312) | - | (29,583) |
| | **$ 126,417** | **$ 177,143** | **$ 44,446** | **$ 348,006** |

A test for goodwill impairment is required to be completed annually, in the Company's case as of August 1, or more frequently if events or changes in circumstances indicate the asset might be impaired. No goodwill impairments were identified in 2016, 2015 or 2014. The accumulated impairment loss reflects a goodwill impairment incurred in 2009.

## 11. Accrued liabilities

| | **December 31, 2016** | December 31, 2015 |
|---|---|---|
| Accrued payroll, commission and benefits | **$ 267,715** | $ 247,476 |
| Accrued project management costs | **41,499** | 41,155 |
| Value added tax payable | **24,605** | 29,956 |
| Customer advances | **10,432** | 6,930 |
| Accrued contract costs (overbillings) | **16,713** | 8,875 |
| Other | **38,795** | 43,387 |
| | | |
| | **$ 399,759** | $ 377,779 |

## 12. Long-term debt

| | **December 31, 2016** | December 31, 2015 |
|---|---|---|
| Revolving credit facility | **$ 259,081** | $ 255,165 |
| Capital leases maturing at various dates through 2019 | **1,868** | 1,870 |
| Other long-term debt maturing at various dates up to 2020 | **1,549** | 3,912 |
| | **262,498** | 260,947 |
| Less: current portion | **1,961** | 3,200 |
| Long-term debt - non-current | **$ 260,537** | $ 257,747 |

On June 1, 2015, the Company entered into a credit agreement with a syndicate of banks to provide a $525,000 committed revolving credit facility (the "Facility"). The Facility has a five-year term ending June 1, 2020 and bears interest at 1.5% to 2.75% over floating reference rates, depending on certain leverage ratios. The weighted average interest rate for 2016 was 2.4% (2015 - 2.3%). The Facility had $253,696 of available un-drawn credit as at December 31, 2016. As of December 31, 2016, letters of credit in the amount of $12,073 were outstanding ($17,232 as at December 31, 2015). The Facility requires a commitment fee of 0.30% to 0.55% of the unused portion, depending on certain leverage ratios. At any time during the term, the Company has the right to increase the Facility by up to $150,000 on the same terms and conditions as the original Facility.

The Company granted the banks collateral including an interest in the Company's shares of its subsidiaries, an assignment of material contracts, and an assignment of the Company's "call" rights with respect to shares of the subsidiaries held by minority interests. The credit agreement covenants require the Company to maintain certain ratios including financial leverage, interest coverage and net worth. The Company is limited from undertaking certain mergers, acquisitions and dispositions without prior approval.

On January 18, 2017, the credit agreement for the Facility was amended and restated (see note 25).

The effective interest rate on the Company's long-term debt for the year ended December 31, 2016 was 2.8% (2015 - 3.1%). The estimated aggregate amount of principal repayments on long-term debt required in each of the next five years ending December 31 and thereafter to meet the retirement provisions are as follows:

| | |
|---|---|
| 2017 | $ 1,961 |
| 2018 | 1,102 |
| 2019 | 350 |
| 2020 | 4 |
| 2021 and thereafter | 259,081 |

## 13. Redeemable non-controlling interests

The minority equity positions in the Company's subsidiaries are referred to as redeemable non-controlling interests ("RNCI"). The following table provides a reconciliation of the beginning and ending RNCI amounts:

| | **2016** | 2015 |
|---|---|---|
| Balance, January 1 | **$ 139,592** | $ 150,066 |
| RNCI share of earnings | **15,943** | 17,381 |
| RNCI redemption increment | **3,521** | (3,837) |
| Distributions paid to RNCI | **(14,428)** | (15,774) |
| Purchases of interests from RNCI, net | **(9,825)** | (6,785) |
| RNCI exchanged for Subordinate Voting Shares | **-** | (14,670) |
| RNCI recognized on business acquisitions | **-** | 13,284 |
| Other | **-** | (73) |
| Balance, December 31 | **$ 134,803** | $ 139,592 |

The Company has shareholders' agreements in place at each of its non-wholly owned subsidiaries. These agreements allow the Company to "call" the RNCI 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 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 December 31, 2016 was $126,007 (2015 - $137,357). The redemption amount is lower than that recorded on the balance sheet as the formula price 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 December 31, 2016, approximately 3,400,000 such shares would be issued. The pro forma annual impact of such a settlement would be an increase of approximately $0.32 to diluted earnings per share from continuing operations.

## 14. Capital stock

The authorized capital stock of the Company is as follows:

An unlimited number of Preferred Shares, issuable in series;
An unlimited number of Subordinate Voting Shares having one vote per share; and
An unlimited number of Multiple Voting Shares having 20 votes per share, convertible at any time into Subordinate Voting Shares at a rate of one Subordinate Voting Share for each Multiple Voting Share outstanding.

The following table provides a summary of total capital stock issued and outstanding:

| | *Subordinate Voting Shares* | | *Multiple Voting Shares* | | *Total Common Shares* | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| Balance, December 31, 2015 | 37,178,617 | $ 395,693 | 1,325,694 | $ 373 | 38,504,311 | $396,066 |
| Balance, December 31, 2016 | 37,322,767 | 399,401 | 1,325,694 | 373 | 38,648,461 | 399,774 |

On June 1, 2015, the Company completed the Spin-off. Under the Spin-off, shareholders received one Company share and one FirstService share of the same class as each Old FSV share previously held. The Spin-off distribution was accounted for at the carrying amount, without gain or loss, and resulted in a reduction of shareholders' equity of $138,396.

During the year ended December 31, 2016, the Company declared dividends on its Common Shares of $0.10 per share (2015 - $0.14; 2014 - $0.40).

Pursuant to an agreement approved in February 2004 and restated on June 1, 2015 to reflect the impact of the Spin-off, 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 sale 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. The two base prices shown above have been restated to 58.57% of their original values to reflect the Spin-off on June 1, 2015. Assuming an arm's length sale of control of the Company took place on December 31, 2016, the amount required to be paid to the CEO, based on a market price of C$49.49 per Subordinate Voting Share, would be US$132,562.

## 15. Stock-based compensation

*Company stock option plan*
The Company has a stock option plan for certain 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 December 31, 2016, there were 980,750 options available for future grants.

Grants under the Company's stock option plan are equity-classified awards. Stock option activity for the years ended December 31, 2016, 2015 and 2014 was as follows:

| | Number of options | Weighted average exercise price | Weighted average remaining contractual life (years) | Aggregate intrinsic value |
|---|---|---|---|---|
| Shares issuable under options - December 31, 2013 | 1,687,050 | $ 26.25 | | |
| Granted | 343,000 | 49.57 | | |
| Exercised | (558,150) | 19.26 | | |
| Forfeited | (8,000) | 31.28 | | |
| Shares issuable under options - December 31, 2014 | 1,463,900 | $ 34.35 | | |
| Granted | 698,500 | 36.61 | | |
| Exercised | (699,400) | 20.09 | | |
| Forfeited | (22,500) | 38.71 | | |
| Shares issuable under options - December 31, 2015 | 1,440,500 | $ 28.65 | | |
| Granted | 395,000 | 32.94 | | |
| Exercised | (144,150) | 19.83 | | |
| Forfeited | (88,500) | 32.14 | | |
| Shares issuable under options - December 31, 2016 | 1,602,850 | $ 30.31 | 2.8 | $ 11,305 |
| Options exercisable - End of year | 510,975 | $ 25.88 | 1.9 | $ 5,777 |

The Company incurred stock-based compensation expense related to these awards of $3,279 during the year ended December 31, 2016 (2015 - $4,253; 2014 - $4,077).

As at December 31, 2016, the range of option exercise prices was $15.57 to $43.57 per share. Also as at December 31, 2016, the aggregate intrinsic value and weighted average remaining contractual life for in-the-money options vested and expected to vest were $11,305 and 2.6 years, respectively.

The following table summarizes information about option exercises during the years ended December 31, 2016, 2015 and 2014:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Number of options exercised | **144,150** | 699,400 | 558,150 |
| Aggregate fair value | **$ 5,222** | $ 35,516 | $ 27,973 |
| Intrinsic value | **2,364** | 21,463 | 17,223 |
| Amount of cash received | **2,858** | 14,053 | 10,750 |
| Tax benefit recognized | **$ -** | $ 91 | $ 5,856 |

As at December 31, 2016, there was $3,845 of unrecognized compensation cost related to non-vested awards which is expected to be recognized over the next four years. During the year ended December 31, 2016, the fair value of options vested was $2,998 (2015 - $2,589; 2014 - $3,750).

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model, utilizing the following weighted average assumptions:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Risk-free rate | **1.1%** | 1.0% | 0.9% |
| Expected life in years | **4.75** | 4.75 | 4.75 |
| Expected volatility | **33.0%** | 28.6% | 25.5% |
| Dividend yield | **0.3%** | 0.2% | 0.8% |
| Weighted average fair value per option granted | **$ 9.64** | $ 11.91 | $ 10.52 |

The risk-free interest rate is based on the implied yield of a zero-coupon US Treasury bond with a term equal to the option's expected term. The expected life in years represents the estimated period of time until exercise and is based on historical experience. The expected volatility is based on the historical prices of the Company's shares over the previous four years.

*Subsidiary stock option plan*
Prior to June 1, 2015, Old FSV had a stock option plan at its Commercial Real Estate Services subsidiary. In conjunction with the Spin-off, the Company exchanged the redeemable non-controlling interests and stock options at this subsidiary for 1,997,956 Subordinate Voting Shares of the Company. Upon the exchange, the Company reclassified $16,622 of stock-based compensation liability and $14,670 of redeemable non-controlling interests to shareholders' equity and also recognized $35,400 of stock-based compensation expense. Of the 1,997,956 Subordinate Voting Shares issued, 1,187,697 remain subject to contractual retention and escrow periods extending to June 1, 2018.

## 16. Income tax

The following is a reconciliation stated as a percentage of pre-tax earnings of the Ontario, Canada combined statutory corporate income tax rate to the Company's effective tax rate:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Combined statutory rate | **26.5%** | 26.5% | 26.5% |
| Nondeductible expenses | **2.4** | 5.8 | 6.4 |
| Tax effect of flow-through entities | **(1.1)** | (2.5) | (2.9) |
| Impact of changes in foreign exchange rates | **-** | (2.1) | (0.8) |
| Adjustments to tax liabilities for prior periods | **(0.4)** | (1.4) | (2.5) |
| Effects of changes in enacted tax rates | **-** | (0.5) | 0.1 |
| Changes in liability for unrecognized tax benefits | **(0.6)** | (0.6) | (1.9) |
| Stock-based compensation | **0.5** | 13.9 | 4.1 |
| Foreign, state, and provincial tax rate differential | **4.4** | 1.1 | (6.2) |
| Other taxes | **1.4** | 2.4 | 2.4 |
| Change in valuation allowance | **0.3** | 0.6 | (1.7) |
| Outside basis difference in investments | **0.5** | 1.4 | 1.4 |
| Other | **0.4** | 0.3 | 0.3 |
| Effective income tax rate | **34.3%** | 44.9% | 25.2% |

Earnings before income tax by jurisdiction comprise the following:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Canada | **$ 23,309** | $ (31,818) | $ (11,751) |
| United States | **40,435** | 27,301 | 14,242 |
| Foreign | **75,656** | 76,984 | 69,623 |
| Total | **$ 139,400** | $ 72,467 | $ 72,114 |

The Canadian earnings before income tax for the year ended December 31, 2015 includes stock-based compensation and transaction costs of $49,465 related to the Spin-off.

Income tax expense (recovery) comprises the following:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Current | | | |
| Canada | **$ 5,091** | $ (770) | $ (6,343) |
| United States | **2,090** | 1,555 | (3,474) |
| Foreign | **30,650** | 29,014 | 28,901 |
| | **37,831** | 29,799 | 19,084 |
| Deferred | | | |
| Canada | **2,278** | (875) | (336) |
| United States | **12,753** | 5,980 | 2,728 |
| Foreign | **(5,033)** | (2,352) | (3,271) |
| | **9,998** | 2,753 | (879) |
| Total | **$ 47,829** | $ 32,552 | $ 18,205 |

The significant components of deferred income tax are as follows:

| | 2016 | 2015 |
|---|---|---|
| Loss carry-forwards and other credits | **$ 56,822** | $ 70,952 |
| Expenses not currently deductible | **22,525** | 22,018 |
| Stock-based compensation | **474** | 210 |
| Investments | **17,303** | 15,470 |
| Provision for doubtful accounts | **4,990** | 3,601 |
| Financing fees | **376** | 267 |
| Net unrealized foreign exchange | **(399)** | 3,097 |
| Depreciation and amortization | **(21,713)** | (18,932) |
| Less: valuation allowance | **(12,707)** | (15,603) |
| Net deferred income tax asset | **$ 67,671** | $ 81,080 |

As at December 31, 2016, the Company believes that it is more likely than not that the net deferred tax assets of $67,671 will be realized based upon future earnings, consideration of net operating loss ("NOL") limitations, earnings trends and tax planning strategies. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future earnings are reduced.

The Company has gross NOL carry-forward balances as follows:

| | Gross loss carry forward | | Gross losses not recognized | | Net | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| Canada | **$37,428** | $ 49,924 | **$ 153** | $ 141 | **$37,275** | $ 49,783 |
| United States | **85,550** | 118,224 | **4,100** | 4,100 | **81,450** | 114,124 |
| Foreign | **45,988** | 41,333 | **31,543** | 31,902 | **14,445** | 9,431 |

The Company has gross capital loss carry-forwards as follows:

| | Gross loss carry forward | | Gross losses not recognized | | Net | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| Canada | **$ 183** | $ 369 | **$ 108** | $ 369 | **$ 75** | $ - |
| United States | **54** | - | **-** | - | **54** | - |
| Foreign | **6,521** | 6,489 | **6,521** | 6,489 | **-** | - |

These amounts above are available to reduce future federal, state, and provincial income taxes in their respective jurisdictions. NOL carry-forward balances attributable to Canada begin to expire in 2030. NOL carry-forward balances attributable to the United States begin to expire in 2030. Foreign NOL carry-forward balances begin to expire in 2018. The utilization of NOLs may be subject to certain limitations under federal, provincial, state or foreign tax laws.

Cumulative unremitted foreign earnings of the US subsidiaries is nil (2015 - nil). Cumulative unremitted foreign earnings of international subsidiaries of the Company approximated $21,886 as at December 31, 2016 (2015 - $21,642). The Company has not provided a deferred tax liability on the unremitted foreign earnings as it is management's intent to permanently reinvest such earnings outside of Canada. In addition, any repatriation of such earnings would not be subject to significant Canadian or foreign taxes.

A reconciliation of the beginning and ending amounts of the liability for unrecognized tax benefits is as follows:

| | **2016** | 2015 |
|---|---|---|
| Balance, January 1 | **$ 2,519** | $ 3,624 |
| Gross increases for tax positions of current period | **111** | 174 |
| Gross increases for tax positions of prior periods | **41** | 365 |
| Amount recognized on acquisitions | **613** | - |
| Reduction for settlements with taxing authorities | **-** | (335) |
| Reduction for lapses in applicable statutes of limitations | **(1,031)** | (967) |
| Foreign currency translation | **39** | (342) |
| Balance, December 31 | **$ 2,292** | $ 2,519 |

Of the $2,292 (2015 - $2,519) in gross unrecognized tax benefits, $2,292 (2015 - $2,519) would affect the Company's effective tax rate if recognized. For the year ended December 31, 2016, additional interest and penalties of $234 related to uncertain tax positions were accrued (2015 - $174; 2014 - 106). The Company reversed $58 of accrued interest and penalties related to settled positions in 2016 (2015 - $106; 2014 - nil). As at December 31, 2016, the Company had accrued $350 (2015 - $174) for potential income tax related interest and penalties.

Within the next twelve months, the Company believes it is reasonably possible that $581 of unrecognized tax benefits associated with uncertain tax positions may be reduced due to lapses in statutes of limitations.

The Company files tax returns in Canada, the United States and multiple foreign jurisdictions. The number of years with open tax audits varies depending on the tax jurisdiction. Generally, income tax returns filed with the Canada Revenue Agency and related provinces are open for four to seven years and income tax returns filed with the United States Internal Revenue Service and related states are open for three to five years. Tax returns in the significant foreign jurisdictions that the Company conducts business in are generally open for four years.

The Company does not currently expect any other material impact on earnings to result from the resolution of matters related to open taxation years, other than noted above. Actual settlements may differ from the amounts accrued. The Company has, as part of its analysis, made its current estimates based on facts and circumstances known to date and cannot predict changes in facts and circumstances that may affect its current estimates.

## 17. Pension plan

The Company has one defined benefit pension plan (the "Plan"), which was assumed in connection with a business acquired during 2016. The Plan covers eligible employees in the Netherlands and provides old age, survivor, orphan and disability benefits. Effective December 31, 2016, enrollment in the Plan was frozen and no additional employees are entitled to join the Plan. The Plan is covered by an insurance contract which limits the Company's exposure to returns below a fixed discount rate.

The following table details the net periodic pension cost of the Plan:

| | | 2016 |
|---|---|---|
| Gross employer service cost | $ | 1,378 |
| Plan participant contributions | | (336) |
| Interest cost on service cost | | 34 |
| Employer's service cost | | 1,076 |
| Interest cost | | 794 |
| Expected net return on plan assets | | (787) |
| Other costs | | 168 |
| Total employer's pension expense | **$** | **1,251** |

The following tables provide reconciliations of projected benefit obligations and plan assets (the net of which represents the Company's funded status), as well as the funded status, of the Plan.

| **Change in benefit obligation:** | | **2016** |
|---|---|---|
| Projected benefit obligation - January 1, 2016 | $ | 31,421 |
| Current service cost | | 1,076 |
| Plan participant / third party contributions | | 336 |
| Interest cost | | 794 |
| Benefits paid | | (438) |
| Foreign exchange | | (969) |
| Expected projected benefit obligation, December 31, 2016 | | 32,220 |
| Actuarial loss, net of foreign exchange | | 4,438 |
| Projected benefit obligation - December 31, 2016 | **$** | **36,659** |

| **Change in plan assets:** | | **2016** |
|---|---|---|
| Fair value of plan assets - January 1, 2016 | $ | 30,627 |
| Expected net return on plan assets | | 787 |
| Contributions | | |
| Employer | | 603 |
| Plan participants | | 336 |
| Benefits paid | | (438) |
| Other costs | | (168) |
| Foreign exchange | | (916) |
| Expected fair value of plan assets - December 31, 2016 | | 30,830 |
| Actuarial gain, net of foreign exchange | | 2,185 |
| Fair value of plan assets - December 31, 2016 | **$** | **33,016** |

Defined benefit pension plan amounts recorded in the consolidated balance sheet are shown in the table below:

| | | **December 31, 2016** |
|---|---|---|
| Present value of accumulated benefit obligation | $ | (34,934) |
| Effect of future compensation increases | | (1,724) |
| Present value of projected benefit obligation | | (36,659) |
| Fair value of plan assets | | 33,016 |
| Net liability for pension benefits | **$** | **(3,643)** |

The following table details the amount recognized in other comprehensive income:

| | | 2016 |
|---|---|---|
| Actuarial loss on remeasurement of projected benefit obligation | $ | 4,654 |
| Actuarial gain on remeasurement of fair value of assets | | (2,292) |
| Total loss recognized in other comprehensive income | **$** | **2,362** |

The assumptions used in developing the projected benefit obligation as of December 31, 2016 are as follows:

| | |
|---|---|
| Discount rate used in determining present values | 1.8% |
| Annual increase in future compensation levels | 2.0% |

The assumptions used in determining net periodic cost for the period ended December 31, 2016 are as follows:

| | |
|---|---|
| Discount rate used in determining present values | 1.8% |
| Annual increase in future compensation levels | 2.0% |
| Expected long-term rate of return on assets | 1.8% |

The discount rate assumption used for the Plan was derived from the expected yield of Euro-denominated “AA”-rated corporate bonds with durations consistent with the liabilities of the Plan.

The expected long-term rate of return on assets is based on the current level of return expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. The expected return for each asset class is weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

For the period ended December 31, 2016 the actual return on assets was $3,079 composed of an expected return on assets of $787 and an actuarial gain of $2,292.

Plan assets measured at fair value and cash are presented in the following table with the overall allocation of assets.

| | **December 31, 2016** | Fair value measurements Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Equity type investments | $ 2,693 | $ 2,693 | $ - | $ - |
| Fixed interest type investments Government bonds | 30,117 | 30,117 | - | |
| Cash | 83 | 83 | - | - |
| Other | 122 | - | - | 122 |
| Total | **$ 33,016** | $ 32,894 | $ - | $ 122 |

The Plan’s assets are invested with a third party insurance company in the Netherlands that insures the performance of Plan assets. The valuation of the insurance assets is included in the “Other” category in the tables above.

The Company expects the following pension benefit payments over the next 10 years:

| Year ending December 31 | |
|---|---|
| 2017 | $ 464 |
| 2018 | 546 |
| 2019 | 617 |
| 2020 | 644 |
| 2021 | 687 |
| 2022 - 2026 | 4,375 |

## 18. Net earnings (loss) 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 denominator used to calculate earnings per common share:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Shares issued and outstanding at beginning of year | **38,504,311** | 35,806,955 | 35,801,732 |
| Weighted average number of shares: | | | |
| Issued during the year | **91,754** | 1,389,361 | 335,253 |
| Repurchased during the year | **-** | - | (220,333) |
| Weighted average number of shares used in computing basic earnings per share | **38,596,065** | 37,196,316 | 35,916,652 |
| Assumed exercise of stock options acquired under the treasury stock method | **271,771** | 389,937 | 392,326 |
| Number of shares used in computing diluted earnings per share | **38,867,836** | 37,586,253 | 36,308,978 |

## 19. Other supplemental information

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Cash payments made during the year** | | | |
| Income taxes, net of refunds | **$ 36,349** | $ 35,679 | $ 34,904 |
| Interest | **7,980** | 8,057 | 9,002 |
| | | | |
| **Non-cash financing activities** | | | |
| Increases in capital lease obligations | **$ 988** | $ 1,021 | $ 2,581 |
| Dividends declared but not paid | **1,932** | 1,540 | 3,581 |
| | | | |
| **Other expenses** | | | |
| Rent expense | **$ 57,850** | $ 52,561 | $ 53,873 |

## 20. Financial instruments

*Concentration of credit risk*
The Company is subject to credit risk with respect to its cash and cash equivalents, accounts receivable, unbilled revenues and other receivables. Concentrations of credit risk with respect to cash and cash equivalents are limited by the use of multiple large and reputable banks. Concentrations of credit risk with respect to the receivables are limited due to the large number of entities comprising the Company's customer base and their dispersion across different service lines in various countries.

*Foreign currency risk*
Foreign currency risk is related to the portion of the Company's business transactions denominated in currencies other than US dollars. A significant portion of revenue is generated by the Company's Canadian, Australian, UK and European operations. The Company's head office expenses are incurred primarily in Canadian dollars which are hedged by Canadian dollar denominated revenue.

Fluctuations in foreign currencies impact the amount of total assets and liabilities that are reported for foreign subsidiaries upon the translation of these amounts into US dollars. In particular, the amount of cash, working capital, goodwill and intangibles held by these subsidiaries is subject to translation variance caused by changes in foreign currency exchange rates as of the end of each respective reporting period (the offset to which is recorded to accumulated other comprehensive income on the consolidated balance sheets).

*Interest rate risk*
The Company utilizes an interest rate risk management strategy that may use interest rate hedging contracts from time to time. The Company's specific goals are to: (i) manage interest rate sensitivity by modifying the characteristics of its debt and (ii) lower the long-term cost of its borrowed funds. As of December 31, 2016, the Company did not have any hedging contracts.

*Fair values of financial instruments*
The following table provides the financial assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2016:

| | **Carrying value at December 31, 2016** | Fair value measurements Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Contingent consideration liability | **$ 32,266** | $ - | $ - | $ 32,266 |

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 expected future operating cash flows (determined with reference to each specific acquired business) and discount rates (which range from 4% to 10.1%, with a weighted average of 9.3%). 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 9.4% and 10.1% levels. A 2% increase in the weighted average discount rate would reduce the fair value of contingent consideration by $1,000. Changes in the fair value of the contingent consideration liability comprise the following:

| | |
|---|---|
| Balance, December 31, 2015 | $ 29,119 |
| Amounts recognized on acquisitions | 12,056 |
| Fair value adjustments (note 5) | (4,591) |
| Resolved and settled in cash | (1,434) |
| Other | (2,884) |
| Balance, December 31, 2016 | 32,266 |
| | |
| Less: current portion | 4,884 |
| Non-current portion | $ 27,382 |

The carrying amounts for cash and cash equivalents, accounts receivable, marketable securities, 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 other receivables and long-term debt are Level 3 inputs.

The following are estimates of the fair values for other financial instruments:

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| Other receivables | **$ 10,203** | **$ 10,203** | $ 3,922 | $ 3,922 |
| Long-term debt | **262,498** | **262,498** | 260,947 | 260,947 |

Other receivables include notes receivable from non-controlling shareholders, accounts receivable from customers with terms of greater than one year and non-current income tax recoverable.

## 21. Commitments and contingencies

*(a) Lease commitments*
Minimum operating lease payments are as follows:

| Year ending December 31 | |
|---|---|
| 2017 | $ 63,378 |
| 2018 | 53,367 |
| 2019 | 43,620 |
| 2020 | 38,600 |
| 2021 | 33,068 |
| Thereafter | 61,959 |
| | $ 293,992 |

*(b) Purchase commitments*
Minimum contractual purchase commitments are as follows:

| Year ending December 31 | |
|---|---|
| 2017 | $ 5,016 |
| 2018 | 3,412 |
| | $ 8,428 |

*(c) 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.

## 22. Related party transactions

The Company has entered into office space rental arrangements and property management contracts with minority shareholders of certain subsidiaries. The business purpose of the transactions is to rent office space for the Company and to generate property management revenues for the Company. The recorded amount of the rent expense for the year ended December 31, 2016 was $643 (2015 - $478; 2014 - $1,080). The recorded amount of the property management revenues for year ended December 31, 2016 was $715 (2015 - $372; 2014 - $154). These amounts are settled monthly in cash, and are priced at market rates. The rental arrangements have fixed terms of up to 10 years. The property management contracts have terms of one to three years.

As at December 31, 2016, the Company had $4,897 of loans receivable from non-controlling shareholders (2015 - $728) and no loans payable to minority shareholders (2015 - $43). The business purpose of the loans receivable is to finance the sale of non-controlling interests in subsidiaries to senior managers. The business purpose of the loans payable is to finance purchases of non-controlling interests. The loan amounts are measured based on the formula price of the underlying non-controlling interests, and interest rates are determined based on the Company's cost of borrowing plus a spread. The loans have terms of one to ten years, but are open for repayment without penalty at any time.

After the completion of the June 1, 2015 Spin-off, FirstService entered into a lease agreement with the Company for head office space. The amount of rent income earned from FirstService during the year ended December 31, 2016 was $344 (2015 - $265). Loans receivable from FirstService as of December 31, 2016 are nil (2015 - $307).

## 23. Segmented information

*Operating segments*
Upon completion of the Spin-off of FirstService on June 1, 2015, the Residential Real Estate Services and Property Services operating segments of Old FSV were distributed to shareholders. The Commercial Real Estate Services segment was retained and comprises the business of Colliers.

Colliers has identified three reportable operating segments, which are grouped geographically and based on the manner in which the segments are managed by the chief operating decision maker, which is identified as both the CEO and Chief Operating Officer of the Company. 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 corporate head office.

Included in segment total assets at December 31, 2016 are investments in subsidiaries accounted for under the equity method or cost method: Americas $4,753 (2015 - 4,215); EMEA $2,610 (2015 - $2,023) and Asia Pacific $7 (2015 - nil). The reportable segment information excludes intersegment transactions.

| **2016** | Americas | EMEA | Asia Pacific | Corporate | Consolidated |
|---|---|---|---|---|---|
| Revenues | $ 1,021,317 | $ 474,868 | $ 399,368 | $ 1,171 | $ 1,896,724 |
| Depreciation and amortization | 21,612 | 15,121 | 5,479 | 2,712 | 44,924 |
| Operating earnings (loss) | 85,255 | 34,275 | 45,614 | (18,971) | 146,173 |
| Other income, net | | | | | 2,417 |
| Interest expense, net | | | | | (9,190) |
| Income tax expense | | | | | (47,829) |
| Net earnings from continuing operations | | | | | $ 91,571 |
| Net earnings from discontinued operations | | | | | $ - |
| Net earnings | | | | | $ 91,571 |
| Total assets | $ 559,295 | $ 443,945 | $ 181,425 | $ 10,114 | $ 1,194,779 |
| Total additions to long-lived assets | 50,948 | 67,325 | 4,654 | 1,141 | 124,068 |

| 2015 | Americas | EMEA | Asia Pacific | Corporate | Consolidated |
|---|---|---|---|---|---|
| Revenues | $ 889,738 | $ 446,146 | $ 385,123 | $ 979 | $ 1,721,986 |
| Depreciation and amortization | 18,100 | 12,429 | 5,263 | 2,832 | 38,624 |
| Operating earnings (loss) | 69,247 | 38,777 | 41,092 | (68,732) | 80,384 |
| Other income, net | | | | | 1,122 |
| Interest expense, net | | | | | (9,039) |
| Income tax expense | | | | | (32,552) |
| Net earnings from continuing operations | | | | | $ 39,915 |
| Net earnings from discontinued operations | | | | | $ 1,104 |
| Net earnings | | | | | $ 41,019 |
| Total assets | $ 488,228 | $ 396,789 | $ 176,521 | $ 30,883 | $ 1,092,421 |
| Total additions to long-lived assets | 78,124 | 12,997 | 4,402 | 1,677 | 97,200 |

| 2014 | Americas | EMEA | Asia Pacific | Corporate | Consolidated |
|---|---|---|---|---|---|
| Revenues | $ 823,146 | $ 352,363 | $ 405,957 | $ 805 | $ 1,582,271 |
| Depreciation and amortization | 14,959 | 12,371 | 5,651 | 3,052 | 36,033 |
| Operating earnings (loss) | 60,473 | 22,009 | 47,392 | (51,718) | 78,156 |
| Other income, net | | | | | 1,262 |
| Interest expense, net | | | | | (7,304) |
| Income tax expense | | | | | (18,205) |
| Net earnings from continuing operations | | | | | $ 53,909 |
| Net earnings from discontinued operations | | | | | $ 23,807 |
| Net earnings | | | | | $ 77,716 |
| Total assets | $ 421,423 | $ 425,461 | $ 183,436 | $ (6,437) | $ 1,023,883 |
| Total additions to long-lived assets | 23,988 | 134,587 | 15,763 | 1,980 | 176,318 |

*Geographic information*
Revenues in each geographic region are reported by customer locations.

| | **2016** | 2015 | 2014 |
|---|---|---|---|
| **United States** | | | |
| Revenues | **$ 734,488** | $ 628,954 | $ 522,641 |
| Total long-lived assets | **178,908** | 152,326 | 90,276 |
| **Canada** | | | |
| Revenues | **$ 253,529** | $ 229,551 | $ 263,215 |
| Total long-lived assets | **52,547** | 51,473 | 53,241 |
| **Euro currency countries** | | | |
| Revenues | **$ 261,626** | $ 207,495 | $ 135,482 |
| Total long-lived assets | **174,932** | 152,833 | 169,963 |
| **Australia** | | | |
| Revenues | **$ 219,406** | $ 206,254 | $ 231,029 |
| Total long-lived assets | **43,808** | 44,936 | 51,083 |
| **United Kingdom** | | | |
| Revenues | **$ 137,216** | $ 164,204 | $ 150,933 |
| Total long-lived assets | **69,565** | 56,076 | 60,046 |
| **Other** | | | |
| Revenues | **$ 290,459** | $ 285,528 | $ 278,971 |
| Total long-lived assets | **33,077** | 31,551 | 41,514 |
| **Consolidated** | | | |
| Revenues | **$ 1,896,724** | $ 1,721,986 | $ 1,582,271 |
| Total long-lived assets | **552,837** | 489,195 | 466,124 |

**24. Impact of recently issued accounting standards**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. This ASU clarifies the principles for recognizing revenue and develops a common revenue standard for US GAAP and International Financial Reporting Standards ("IFRS"). This ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2017, with early adoption permitted. The Company has assessed each of its revenue streams for the possible impact of this standard and does not anticipate any material impacts on its financial statements. However, the assessment is not yet finalized. The Company will adopt this ASU effective January 1, 2018 using the retrospective transition method.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*. This ASU simplifies the presentation of all tax assets and liabilities by no longer requiring an allocation between current and non-current. All deferred tax assets and liabilities, along with any related valuation allowance are to be classified as non-current on the balance sheet. This ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2016, with early adoption permitted. This change will reduce the Company's net current assets (expressed as current assets minus current liabilities). The Company will adopt this ASU effective January 1, 2017.

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 ASU will be effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. The Company has catalogued and abstracted key terms of its leases and is in the final stages of selecting a software solution to assist with the additional 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 September 30, 2016. The Company will adopt this ASU with an effective date of January 1, 2019, using the modified retrospective transition method.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting*. This ASU simplifies how share-based payments are accounted for and presented. Income tax expense is expected to be impacted as entities are required to record all of the tax effects related to share-based payments at settlement through the income statement. This standard removes the requirement to delay recognition of a windfall tax benefit until it reduces taxes payable and instead records the benefit when it arises. The standard also permits entities to make an accounting policy election for the impact of forfeitures by allowing them to be estimated, as required today, or recognized when they occur. This ASU is effective for annual and interim periods beginning after December 31, 2016, with early adoption permitted. The Company will adopt this ASU effective January 1, 2017, using the prospective transition method, with the forfeiture rate continuing to be estimated, and does not expect the changes to have a material impact on its financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments*. This ASU reduces diversity in how certain transactions are classified in the statement of cash flows. Under this guidance contingent consideration payments made soon after an acquisition's close date should be classified as cash outflows for investing activities. Payments made thereafter should be classified as cash outflows for financing activities up to the amount of the original contingent consideration liability. Payments in excess of the amount of the original contingent consideration liability should be classified as outflows for operating activities. This standard is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. The Company is currently assessing the impact of this standard on its financial statements. The Company will adopt this ASU effective January 1, 2018, using the retrospective transition method.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations – Clarifying the Definition of a Business* which clarifies and simplifies the definition of a business. Under this guidance, when substantially all of the fair value of gross assets acquired is concentrated in a single asset (or group of similar assets), the assets acquired would not represent a business. This will likely result in more acquisitions being accounted for as asset purchases which impacts many areas of accounting such as acquisitions, disposals, goodwill impairment and consolidation. This standard is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. The Company is currently assessing the impact of this ASU on its 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, with early adoption permitted. The Company is currently assessing the impact of this ASU on its financial statements.

## 25. Subsequent events

In January 2017, the Company acquired controlling interests in three commercial real estate services businesses, one operating in Northern California and Nevada in the Americas region and two operating in Denmark and the United Kingdom in the EMEA region. The total initial cash consideration for these acquisitions was $66,400. These acquisitions will be accounted for by the purchase method of accounting for business combinations and accordingly, the results from these operations will be included in the Company's consolidated financial statements from their respective dates of acquisition.

On January 18, 2017, 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 January 18, 2022 (from June 1, 2020) and total borrowing capacity was increased to $700,000 (from $525,000). In addition, certain collateral requirements and financial covenants were removed. Other material terms and conditions were unchanged.

**COLLIERS INTERNATIONAL GROUP INC.**
Management's discussion and analysis for the year ended December 31, 2016
(in US dollars)
February 23, 2017

*The following management's discussion and analysis ("MD&A") should be read together with the audited consolidated financial statements and the accompanying notes (the "Consolidated Financial Statements") of Colliers International Group Inc. ("we," "us," "our," the "Company" or "Colliers") for the year ended December 31, 2016. The Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). All financial information herein is presented in United States dollars.*

*The Company has prepared this MD&A with reference to National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators (the "CSA"). Under the U.S./Canada Multijurisdictional Disclosure System, the Company is permitted to prepare this MD&A in accordance with the disclosure requirements of Canada, which requirements are different from those of the United States. This MD&A provides information for the year ended December 31, 2016 and up to and including February 23, 2017.*

*Additional information about the Company, including the Company's current Annual Information Form, which is included in the Company's Annual Report on Form 40-F, can be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.*

*This MD&A includes references to "adjusted EBITDA" and "adjusted EPS", which are financial measures that are not calculated in accordance with GAAP. For a reconciliation of these non-GAAP measures to the most directly comparable GAAP financial measures, see "Reconciliation of non-GAAP financial measures."*

**Consolidated review**
Our consolidated revenues for the year ended December 31, 2016 were $1.90 billion, an increase of 13% over the prior year measured in local currencies (10% measured in the reporting currency), attributable to a combination of recent acquisitions and internal growth in each of our three operating segments.

Our diluted net earnings per share from continuing operations were $1.75 for 2016 versus $0.59 in the prior year, with the comparison significantly impacted by Spin-off related charges in 2015 (see "Background on Colliers' business" below). Our adjusted EPS (see "Reconciliation of non-GAAP financial measures" below) was $2.44 for the year, up 7% from $2.29 in the prior year. Our 2016 earnings were driven by (i) solid organic revenue growth, particularly in the Asia Pacific region, (ii) the incremental earnings from recently acquired businesses, particularly in the Americas region, offset by (iii) the appreciation of the US dollar relative to the major currencies in which we operate, in particular the UK pound.

We acquired controlling interests in ten businesses during 2016. The aggregate initial cash purchase price for these acquisitions was $92.1 million ($82.1 million net of cash acquired) and was comprised of six commercial real estate services firms operating in the Americas region, in Florida, Michigan and New York as well as four firms in the EMEA region, with operations in the United Kingdom, the Netherlands and France. We also acquired net non-controlling interests valued at $13.3 million. These investments were funded with cash on hand and borrowings under our revolving credit facility.

In January 2017, we acquired controlling interests in three businesses, one operating in the Americas (Colliers Parrish International Inc.) and two operating in EMEA (Colliers International Denmark and Vision Hospitality Management Co.). The total initial cash consideration for these acquisitions was $64.4 million.

On January 18, 2017, we amended and restated the credit agreement for our multi-currency revolving credit facility (the "Facility"). The Facility's maturity date was extended to January 18, 2022 (from June 1, 2020) and total borrowing capacity was increased to $700 million (from $525 million). In addition, the new Facility is unsecured (previously secured) and certain financial covenants were removed. Other key terms and conditions were unchanged.

We report our financial performance in three separate and distinct operating segments: Americas; Europe Middle East and Africa ("EMEA"); and Asia and Australasia ("Asia Pacific"). We split our service offerings into three lines of business: Outsourcing & Advisory, Lease Brokerage and Sales Brokerage.

For the year ended December 31, 2016, revenue growth was led by our Outsourcing & Advisory service line, with a significant number of new project management assignments as well as contribution from recent acquisitions.

| (in thousands of US$)<br>(LC = local currency) | Twelve months ended December 31 | | | Growth in LC %<br>2016 vs. 2015 | Growth in LC %<br>2015 vs. 2014 |
|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | | |
| Outsourcing & Advisory | **$ 717,857** | $ 634,596 | $ 535,116 | 16% | 32% |
| Lease Brokerage | **604,339** | 564,280 | 520,055 | 9% | 17% |
| Sales Brokerage | **574,528** | 523,110 | 527,100 | 12% | 10% |
| Total revenues | **$ 1,896,724** | $ 1,721,986 | $ 1,582,271 | 13% | 20% |

**Background on Colliers' business**

On June 1, 2015, the predecessor to our Company, FirstService Corporation ("Old FSV"), completed a plan of arrangement (the "Spin-off") which separated Old FSV into two independent publicly traded companies – Colliers International Group Inc., a global leader in commercial real estate services and new FirstService Corporation ("FirstService"), the North American leader in residential property management and related services. Under the Spin-off, Old FSV shareholders received one Colliers share and one FirstService share of the same class as each Old FSV share previously held.

In conjunction with the Spin-off, the Residential Real Estate Services and Property Services segments of Old FSV were transferred to FirstService. Colliers, as the successor to Old FSV, retained Commercial Real Estate Services segment of Old FSV. This MD&A presents the financial and operating results of Colliers on a continuing operations basis for all periods presented. The FirstService operations are classified as discontinued operations.

**Results of operations – 2016 relative to 2015**

Our revenues were $1.90 billion for the year ended December 31, 2016, up 10% relative to 2015 (13% measured in local currencies). The positive impact of acquisitions was 9% and internally generated revenue growth measured in local currencies was 4%.

The Americas operations generated significant increases in profitability in 2016 through a combination of operating leverage from revenue growth and the favourable impact of recent business acquisitions. Operating earnings increased 82% to $146.2 million in 2016, with the 2015 result negatively impacted by Spin-off related costs of $49.5 million. Adjusted EBITDA (which is calculated without reference to Spin-off related costs) (see "Reconciliation of non-GAAP financial measures" below) rose 12% to $203.1 million.

Depreciation expense was $23.6 million relative to $21.6 million in the prior year. The increase was primarily attributable to increased investments in office leaseholds in major markets during the past two years, as well as the impact of recent acquisitions.

Amortization expense was $21.3 million in 2016, relative to $17.0 million in 2015, with the increase attributable to accelerated amortization of brokerage backlog related to businesses acquired in 2016.

Net interest expense increased to $9.2 million in 2016 from $9.0 million in the prior year, as a result of increased average borrowings attributable to acquisitions completed in 2016. Our weighted average interest rate was 2.8% in 2016 relative to 3.1% in the prior year. Effective from the Spin-off date, substantially all of our debt was on the Facility bearing interest at floating reference rates plus a margin, relative to the higher interest rate fixed and floating rate debt structure of Old FSV in place prior to June 1, 2015.

Other income for 2016 was $2.4 million, and was primarily comprised of income from investments accounted for under the equity method in Americas segment, similar to 2015.

Our consolidated income tax rate for 2016 was 34% versus 45% in 2015. Our 2015 tax rate was impacted by non-tax deductible Spin-off related stock-based compensation costs of $35.4 million; excluding this charge, the tax rate was 30%. The increase in tax rate for 2016, after considering this charge, was primarily attributable to a higher proportion of taxable earnings from higher tax rate jurisdictions.

Net earnings from continuing operations were $91.6 million in 2016, compared to $39.9 million in the prior year. The 2015 result was impacted by Spin-off related stock-based compensation costs of $35.4 million as well as Spin-off transaction costs of $14.1 million. Excluding these two items, net earnings increased due to growth in revenues attributable to internal sources as well as business acquisitions completed during 2016.

Discontinued operations was comprised of FirstService, which was distributed in the Spin-off on June 1, 2015. Net earnings from discontinued operations for 2015 were $9.4 million. The Spin-off distribution was accounted for at the carrying amount, without gain or loss. Revenues from discontinued operations, which have been removed from the statements of earnings and segment results for all periods presented, were $479.6 million for 2015.

The Americas region's revenues totalled $1.02 billion for the full year compared to $889.7 million in the prior year, which equated to a 16% increase on a local currency basis (15% in the reporting currency). Revenue growth was comprised of 13% from acquired businesses and 3% internal growth. Internal growth for the year was driven by strong Outsourcing & Advisory activity. Adjusted EBITDA was $106.7 million, up 20% from the prior year as a result of operating leverage and the favourable impact of acquisitions. Operating earnings were $85.3 million, up 23% versus $69.2 million in 2015.

EMEA region revenues totalled $474.9 million for the year compared to $446.1 million in the prior year, which equated to an 11% increase on a local currency basis (6% in the reporting currency). Revenue growth was comprised of 8% from acquisitions and 3% internal growth. Internal growth was driven by solid growth in Outsourcing & Advisory services and Lease Brokerage. Adjusted EBITDA was $55.9 million, versus $56.6 million in the prior year, and was impacted by a decline in higher-margin Sales Brokerage revenues in the UK in the second half of the year in the wake of the June 2016 "Brexit" referendum. Operating earnings were $34.3 million, relative to $38.8 million in 2015 with the decline attributable to incremental depreciation and amortization expense related to recent business acquisitions.

Asia Pacific region revenues totalled $399.4 million for the year compared to $385.1 million in the prior year, which equated to a 5% increase on a local currency basis (4% in the reporting currency), entirely from internal growth, with solid contributions from all three service lines. Adjusted EBITDA was $51.4 million, up from $47.8 million in the prior year, an increase of 8%. Operating earnings were $45.6 million, up 11% from $41.1 million in the prior year.

Global corporate costs as presented in adjusted EBITDA were $11.0 million in the year, down from $11.8 million in the prior year, and were impacted by lower executive compensation accruals relative to the prior year. The operating loss for the year was $19.0 million versus $68.7 million in 2015, with the 2015 result impacted by $49.5 million of Spin-off related costs.

**Results of operations – 2015 relative to 2014**

Our revenues were $1.72 billion for the year ended December 31, 2015, up 18% relative to 2014 measured in local currencies. The increase was comprised of internal revenue growth 11% and the positive impact of acquisitions of 7%.

The Americas and EMEA operations generated significant increases in profitability in 2015 through a combination of operating leverage from revenue growth and the favourable impact of recent business acquisitions. Operating earnings increased 3% to $80.4 million in 2015, and was negatively impacted by Spin-off related costs of $49.5 million incurred during 2015. Adjusted EBITDA (which is calculated without reference to Spin-off related costs) (see “Reconciliation of non-GAAP financial measures” below) rose 24% to $181.3 million.

Depreciation expense was $21.6 million relative to $20.5 million in the prior year. The increase was primarily attributable to increased investments in office leaseholds in major markets, as well as the impact of acquisitions.

Amortization expense was $17.0 million in 2015, relative to $15.5 million in 2014, with the increase attributable to accelerated amortization of brokerage backlog related to businesses acquired in 2015.

Net interest expense increased to $9.0 million in 2015 from $7.3 million in the prior year, as a result of increased borrowings attributable to acquisitions completed in late 2014 as well as during 2015. Our weighted average interest rate was 3.1% in 2015 relative to 3.3% in the prior year. Effective from the Spin-off date, substantially all of our debt was on the Facility bearing interest at floating reference rates plus a margin, which margin averaged 165 basis points from the Spin-off date to December 31, 2015.

Other income for 2015 was $1.1 million, and was primarily comprised of income from investments accounted for under the equity method in Americas segment, similar to 2014.

Our consolidated income tax rate for 2015 was 45% versus 25% in 2014. Our 2015 tax rate was impacted by non-tax deductible Spin-off related stock-based compensation costs of $35.4 million; excluding this charge, the tax rate was 30%. The 2014 tax rate was favorably impacted by foreign rate differential and discrete items that did not recur in 2015.

Net earnings from continuing operations were $39.9 million in 2015, compared to $53.9 million in the prior year. The 2015 result was impacted by Spin-off related stock-based compensation costs of $35.4 million as well as Spin-off transaction costs of $14.1 million. Excluding these two items, net earnings increased due to growth in revenues attributable to internal sources as well as business acquisitions completed during the past two years.

Discontinued operations included four businesses: (i) FirstService, which was distributed in the Spin-off on June 1, 2015; (ii) an REO rental operation (previously reported in Old FSV’s Residential Real Estate Services segment) sold in April 2014; (iii) a U.S.-based commercial real estate consulting operation (previously reported in Old FSV’s Commercial Real Estate Services segment) sold in July 2014; and (iv) Field Asset Services (previously reported in Old FSV’s Property Services segment) sold in September 2013. Net earnings from discontinued operations for 2015 were $9.4 million. The Spin-off distribution on June 1, 2015 was accounted for at the carrying amount, without gain or loss. Revenues from discontinued operations, which have been removed from the statements of earnings and segment results for all periods presented, were $479.6 million for 2015.

The Americas region reported revenues of $889.7 million during 2015, an increase of 13% measured in local currencies (8% measured in the reporting currency). Internal growth measured in local currencies was 8% and recent acquisitions contributed 5% revenue growth. Adjusted EBITDA for 2015 was $88.7 million, up from $73.8 million in the prior year. The margin was 10.0%, relative to 9.0% in the prior year, and was favorably impacted by operating leverage and acquisitions. Operating earnings were $69.2 million, up 15% from $60.5 million in the prior year.

The EMEA region reported revenues of $446.1 million during 2015, an increase of 41% measured in local currencies (27% measured in the reporting currency). Internal growth measured in local currencies was 21% and was driven by strong Lease Brokerage activity in the UK as well as new project management assignments in Outsourcing & Advisory services. Recent acquisitions contributed 20% revenue growth. Adjusted EBITDA for 2015 was $56.6 million, up from $42.2 million in the prior year. The margin was 12.7%, relative to 12.0% in the prior year. The current year’s results were favorably impacted by operating leverage. Operating earnings were $38.8 million, up 76% from $22.0 million in the prior year.

The Asia Pacific region reported revenues of $385.1 million during 2015, an increase of 7% measured in local currencies (decrease of 5% measured in the reporting currency). Internal growth measured in local currencies was 7% and was driven by Lease and Sales Brokerage activity in Australia and New Zealand. Adjusted EBITDA for 2015 was $47.8 million, versus $53.3 million in the prior year. The margin was 12.4%, relative to 13.1% in the prior year due to revenue mix and recruiting costs for executive hires in several Asian markets. Operating earnings were $41.1 million, down 13% from $47.4 million in the prior year.

Global corporate costs as presented in adjusted EBITDA for 2015 were $11.8 million, relative to $22.5 million in the prior year, and were impacted by lower performance-based incentive compensation, foreign currency translation and lower compensation costs due to reduced headcount. The operating loss for the year was $$68.7 million, versus $51.7 million in the prior year, with the 2015 result impacted by $49.5 million of Spin-off related costs and the 2014 result impacted by elevated acquisition-related costs, stock-based compensation expense and performance-based incentive compensation costs.

**Selected annual information - last five years**
**(in thousands of US$, except share and per share amounts)**

| | Year ended December 31 | | | | |
|---|---|---|---|---|---|
| | **2016** | **2015** | **2014** | **2013** | **2012** |
| **Operations** | | | | | |
| Revenues | $ 1,896,724 | $ 1,721,986 | $ 1,582,271 | $ 1,306,538 | $ 1,159,166 |
| Operating earnings | 146,173 | 80,384 | 78,156 | 42,384 | 18,033 |
| Net earnings from continuing operations | 91,571 | 39,915 | 53,909 | 22,881 | 8,147 |
| Net earnings from discontinued operations | - | 1,104 | 23,807 | 3,280 | 20,052 |
| Net earnings | 91,571 | 41,019 | 77,716 | 26,161 | 28,199 |
| **Financial position** | | | | | |
| Total assets | $ 1,194,779 | $ 1,092,421 | $ 1,639,427 | $ 1,443,511 | $ 1,317,910 |
| Long-term debt | 262,498 | 260,947 | 493,348 | 372,794 | 377,205 |
| Convertible debentures | - | - | - | - | 77,000 |
| Redeemable non-controlling interests | 134,803 | 139,592 | 230,992 | 222,073 | 147,751 |
| Shareholders' equity | 212,513 | 149,493 | 233,215 | 249,049 | 244,153 |
| **Common share data** | | | | | |
| Net earnings (loss) per common share: | | | | | |
| Basic | | | | | |
| Continuing operations | $ 1.76 | $ 0.60 | $ 0.54 | $ (0.74) | $ (0.79) |
| Discontinued operations | - | 0.03 | 0.66 | 0.10 | 0.67 |
| | 1.76 | 0.63 | 1.20 | (0.64) | (0.12) |
| Diluted | | | | | |
| Continuing operations | 1.75 | 0.59 | 0.54 | (0.74) | (0.79) |
| Discontinued operations | - | 0.03 | 0.65 | 0.10 | 0.67 |
| | 1.75 | 0.62 | 1.19 | (0.64) | (0.12) |
| Weighted average common shares outstanding (thousands) | | | | | |
| Basic | 38,596 | 37,196 | 35,917 | 32,928 | 30,026 |
| Diluted | 38,868 | 37,586 | 36,309 | 33,262 | 30,376 |
| Cash dividends per common share | $ 0.09 | $ 0.20 | $ 0.40 | $ 0.20 | $ - |
| **Preferred share data** | | | | | |
| Number outstanding (thousands) | - | - | - | - | 5,231 |
| Cash dividends per preferred share | $ - | $ - | $ - | $ 0.4375 | $ 1.75 |
| **Other data** | | | | | |
| Adjusted EBITDA | $ 203,062 | $ 181,334 | $ 146,772 | $ 104,988 | $ 80,158 |
| Adjusted EPS | 2.44 | 2.29 | 1.83 | 1.10 | 0.61 |

**Results of operations – fourth quarter ended December 31, 2016**

Consolidated operating results for the fourth quarter ended December 31, 2016 were up significantly relative to the comparable prior year quarter. Revenues were $576.0 million, up 4% (5% in local currency) with all three regions contributing to growth. Operating earnings for the fourth quarter ended December 31, 2016 were $76.1 million, up 17% and adjusted EBITDA was $90.4 million, up 14%, as a primarily as a result of (i) revenue mix favouring higher margin Sales and Lease Brokerage activity in continental European markets within the EMEA region and (ii) operating leverage from higher revenues in the Asia Pacific region.

**Consolidation of global leadership in Toronto**

During the second quarter of 2016, and coinciding with Colliers' first anniversary as an independent public company, the Company implemented a plan to consolidate global leadership in Toronto, with Seattle and Vancouver continuing as shared services centres, to improve operating effectiveness for the future. The plan resulted in the downsizing of the Seattle office and a modest headcount reduction. Restructuring costs incurred during the year ended December 31, 2016 totalled $5.1 million. These restructuring costs are reflected as reconciling items in the computation of adjusted EBITDA and adjusted EPS.

**Summary of quarterly results - years ended December 31, 2016 and 2015**
**(in thousands of US$, except per share amounts)**

| | Q1 | Q2 | Q3 | Q4 | Year |
|---|---|---|---|---|---|
| **Year ended December 31, 2016** | | | | | |
| Revenues | $ 376,108 | $ 482,536 | $ 462,052 | $ 576,028 | $ 1,896,724 |
| Operating earnings | 8,867 | 37,624 | 23,627 | 76,055 | 146,173 |
| Net earnings from continuing operations | 4,032 | 23,756 | 13,463 | 50,320 | 91,571 |
| Net earnings (loss) | 4,032 | 23,756 | 13,463 | 50,320 | 91,571 |
| Diluted net earnings (loss) per common share: | | | | | |
| Continuing operations | (0.19) | 0.55 | 0.24 | 1.14 | 1.75 |
| | (0.19) | 0.55 | 0.24 | 1.14 | 1.75 |
| **Year ended December 31, 2015** | | | | | |
| Revenues | $ 335,762 | $ 409,832 | $ 420,278 | $ 556,114 | $ 1,721,986 |
| Operating earnings (loss) | 2,345 | (16,748) | 29,810 | 64,977 | 80,384 |
| Net earnings (loss) from continuing operations | 40 | (21,359) | 18,414 | 42,820 | 39,915 |
| Net earnings (loss) from discontinued operations | (1,937) | 3,041 | - | - | 1,104 |
| Net earnings (loss) | (1,897) | (18,318) | 18,414 | 42,820 | 41,019 |
| Diluted net earnings (loss) per common share: | | | | | |
| Continuing operations | 0.22 | (0.79) | 0.20 | 0.92 | 0.59 |
| Discontinued operations | (0.05) | 0.08 | - | - | 0.03 |
| | 0.17 | (0.71) | 0.20 | 0.92 | 0.62 |
| **Other data** | | | | | |
| Adjusted EBITDA - 2016 | $ 22,184 | $ 52,795 | $ 37,643 | $ 90,440 | $ 203,062 |
| Adjusted EBITDA - 2015 | 14,583 | $ 44,565 | $ 43,043 | $ 79,143 | $ 181,334 |
| Adjusted EPS - 2016 | 0.19 | 0.63 | 0.40 | 1.22 | 2.44 |
| Adjusted EPS - 2015 | 0.10 | 0.58 | 0.52 | 1.06 | 2.29 |

**Operating outlook**

The purpose of this operating outlook is to outline management's growth strategy as well as expectations for 2017, based on information available as of the date of this MD&A. Readers are cautioned that the information contained in this operating outlook may not be appropriate for other purposes and should refer to the "Forward-looking statements and risks" section of this MD&A for the material risk factors that could cause actual results to differ materially.

We are committed to a long-term growth strategy that includes average internal revenue growth in the 5-7% range, combined with acquisitions to build each of our service platforms, resulting in targeted average annual growth in revenues, adjusted EBITDA and adjusted EPS of 15%. Economic conditions will negatively or positively impact these percentage growth rates in any given year.

Our expectations for 2017 are for high single digit to low double digit year-over-year local currency revenue gains across most regions derived from (i) improved revenue productivity per employee; (ii) market share gains from recruitment of incremental revenue producing employees; and (iii) contribution to revenue from completed acquisitions, including those completed in January 2017. The appreciation of the US dollar relative to the Canadian dollar, Australian dollar, UK pound and Euro is expected to dampen growth on a reporting currency basis. Approximately 39% of revenues and expenses are generated in currencies other than the US dollar. Earnings are expected to benefit from a modest ongoing increase in operating margins as a result of operating leverage, offset by the negative impact of foreign currency movements.

**Seasonality and quarterly fluctuations**
The Company generates peak revenues and earnings in the month of December followed by a low in January and February as a result of the timing of closings on sales brokerage transactions. Revenues and earnings during the balance of the year are relatively even. These sales brokerage operations comprised approximately 30% of 2016 consolidated revenues (2015 - 30%). Variations can also be caused by business acquisitions or dispositions which alter the consolidated service mix.

**Liquidity and capital resources**
The Company generated cash flow from operating activities of $156.3 million for the year ended December 31, 2016, relative to $157.2 million ($126.7 million excluding discontinued operations) in the prior year. Operating cash flow excluding discontinued operations, which grew by 23%, was favourably impacted by the strong operating results for the year ended December 31, 2016 despite significant foreign currency headwinds. We believe that cash from operations and other existing resources, including our revolving credit facility described below, will continue to be adequate to satisfy the ongoing working capital needs of the Company.

Net indebtedness as at December 31, 2016 was $149.4 million, versus $144.8 million at December 31, 2015. Net indebtedness is calculated as the current and non-current portion of long-term debt less cash and cash equivalents. We are in compliance with the covenants contained in our agreement relating to our revolving credit facility as at December 31, 2016 and, based on our outlook for 2017, we expect to remain in compliance with these covenants. We had $253.7 million of available unused credit under our revolving credit facility as of December 31, 2016.

On January 18, 2017, the Company entered into an amended and restated credit agreement with a syndicate of banks to provide a committed unsecured multi-currency revolving credit facility (the “Facility”) of $700.0 million, replacing the prior secured credit facility of $525.0 million. The Facility has a 5-year term ending January 18, 2022. The Facility bears interest at 1.50% to 2.75% over floating reference rates depending on certain leverage ratios, and requires a commitment fee of 0.30% to 0.55% of the unused portion depending on certain leverage ratios, with all pricing unchanged from the prior credit facility. At any time during the term, we have the right to increase the Facility by up to $150.0 million, on the same terms and conditions as the original Facility.

On May 31, 2016, the Company’s Board of Directors declared a semi-annual dividend of $0.05 per common share (being the Subordinate Voting Shares together with the Multiple Voting Shares), which was in increase from the prior semi-annual amount of $0.04 per common share. These dividends are paid in cash after the end of the second and fourth quarters to shareholders of record on the last business day of the quarter. The Company’s policy is to pay dividends on its common shares in the future, subject to the discretion of our Board of Directors. An additional dividend of $0.05 per share was declared on December 8, 2016 to shareholders of record on December 30, 2016 and was paid in January 11, 2017. Total common share dividends paid by the Company during 2016 were $3.5 million.

During 2016, we invested cash in acquisitions as follows: an aggregate of $82.1 million (net of cash acquired) in 10 new business acquisitions, $2.0 million in contingent consideration payments related to previously completed acquisitions, and $13.3 million in acquisitions of redeemable non-controlling interests.

In relation to acquisitions completed during the past three years, we have outstanding contingent consideration, assuming all contingencies are satisfied and payment is due in full, totalling $72.8 million as at December 31, 2016 (December 31, 2015 - $48.7 million). The contingent consideration liability is recognized at fair value upon acquisition and is updated to fair value each quarter, unless it contains an element of compensation, in which case such element is treated as compensation expense over the contingency period. The contingent consideration is based on achieving specified earnings levels, and is paid or payable after the end of the contingency period, which extends to December 2020. We estimate that, approximately 90% of the contingent consideration outstanding as of December 31, 2016 will ultimately be paid.

Capital expenditures for 2016 were $25.0 million (2015 - $22.5 million), which consisted primarily of investments in office leasehold improvements and information technology systems.

During 2016, we distributed $16.5 million (2015 - $19.1 million) to non-controlling shareholders of subsidiaries, in part to facilitate the payment of income taxes on account of those subsidiaries organized as flow-through entities.

The following table summarizes our contractual obligations as at December 31, 2016:

| **Contractual obligations** (in thousands of US$) | **Payments due by period** | | | | |
|---|---|---|---|---|---|
| | **Total** | **Less than 1 year** | **1-3 years** | **4-5 years** | **After 5 years** |
| Long-term debt | $ 260,630 | $ 1,123 | $ 422 | $ 4 | $ 259,081 |
| Interest on long term debt | 31,836 | 6,333 | 12,602 | 12,591 | 310 |
| Capital lease obligations | 1,868 | 838 | 1,030 | - | - |
| Contingent acquisition consideration | 32,266 | 4,884 | 26,187 | 1,195 | - |
| Operating leases | 293,961 | 63,347 | 96,987 | 71,668 | 61,959 |
| Purchase commitments | 8,428 | 5,016 | 3,412 | - | - |
| Total contractual obligations | $ 628,989 | $ 81,541 | $ 140,640 | $ 85,458 | $ 321,350 |

At December 31, 2016, we had commercial commitments totaling $12.1 million comprised of letters of credit outstanding due to expire within one year.

In order to effectively manage our corporate risk and support our global insurance program, we supplement our commercial insurance placements with the use of a wholly-owned captive insurance company to provide deductible buy down policies for our global professional indemnity and US workers' compensation programs. The level or risk retained by our captive insurance company with respect to professional indemnity claims is up to $0.5 million per claim, inclusive of commercial market self-insured retentions. Professional indemnity insurance claims can be complex and take a number of years to resolve. Within our captive insurance company, we estimate the ultimate cost of these claims by way of specific claim accruals developed through periodic reviews of the circumstances of individual claims, validated annually by a third party actuary. As of December 31, 2016, there were claims which would result in reported loss reserve amounts and claims settlements of $1.0 million. We have a third party "stop loss" insurance policy in place for professional indemnity coverages insured through the captive insurance company. Historically our workforce has experienced fewer workers' compensation claims than is expected for our industry. Beginning on January 1, 2015, our captive insurance company began to retain the first $0.1 million in US-based workers' compensation claims. As of December 31, 2016, reported loss reserves for this policy were $0.1 million.

**Redeemable non-controlling interests**
In most operations where managers or employees are also non-controlling owners, the Company is party to shareholders' agreements. These agreements allow us to "call" the redeemable non-controlling interests ("RNCI") at a value determined with the use of a formula price, which is in most cases equal to a multiple of trailing two-year average earnings, less debt. Non-controlling owners may also "put" their interest to the Company at the same price, with certain limitations including (i) the inability to "put" more than 50% of their holdings in any twelve-month period and (ii) the inability to "put" any holdings for at least one year after the date of our initial acquisition of the business or the date the non-controlling shareholder acquired their interest, as the case may be.

The total value of the RNCI (the "redemption amount"), as calculated in accordance with shareholders' agreements, was $126.0 million as of December 31, 2016. The amount recorded on our balance sheet under the caption "redeemable non-controlling interests" is the greater of (i) the redemption amount (as above) or (ii) the amount initially recorded as RNCI at the date of inception of the minority equity position. As at December 31, 2016, the RNCI recorded on the balance sheet was $134.8 million. The purchase prices of the RNCI may be paid in cash or in Subordinate Voting Shares of Colliers. If all RNCI were redeemed in cash, the pro forma estimated accretion to diluted net earnings per share from continuing operations for 2016 would be $0.51, and the accretion to adjusted EPS would be $0.42.

On June 1, 2015, in conjunction with the Spin-off, certain minority shareholders and option holders of the former Commercial Real Estate Services subsidiary exchanged their shares and options for 1,997,956 Subordinate Voting Shares of Colliers. As a result of the exchange, the Company reclassified $16.9 million of stock-based compensation liability and $14.7 million of RNCI to shareholders' equity and also recognized $35.4 million in non-cash stock-based compensation expense. Of the 1,997,956 Subordinate Voting Shares issued, 1,187,697 remain subject to contractual retention and escrow periods extending to June 1, 2018.

**Critical accounting estimates**
Critical accounting estimates are those that we deem to be most important to the portrayal of our financial condition and results of operations, and that require management's most difficult, subjective or complex judgments due to the need to make estimates about the effects of matters that are inherently uncertain. We have identified seven critical accounting estimates, which are discussed below.

1. *Deferred income tax assets.* Deferred income tax assets arise primarily from the recognition of the benefit of certain net operating loss carry-forwards. We must weigh the positive and negative evidence surrounding the future realization of the deferred income tax assets to determine whether a valuation allowance is required, or whether an existing valuation allowance should remain in place. These determinations, which involve projections of future taxable income, require significant management judgment. Changes in judgments, in particular of future taxable earnings, could result in the recognition or de-recognition of a valuation allowance which could impact income tax expense materially.

2. *Revenue recognition.* We earn revenues from brokerage transaction commissions, advisory fees, property management fees and project management fees. Some of the contractual terms related to the process of earning revenue from these sources, including potentially contingent events, can be complex and may require us to make judgments about the timing of when we should recognize revenue. Changes in judgments could result in a change in the period in which revenues are reported.

3. *Goodwill.* Goodwill impairment testing involves assessing whether events have occurred that would indicate potential impairment and making estimates concerning the fair values of reporting units and then comparing the fair value to the carrying amount of each unit. The determination of what constitutes a reporting unit requires significant management judgment. We have three reporting units determined with reference to geography. Goodwill is attributed to the reporting units at the time of acquisition. Estimates of fair value can be impacted by sudden changes in the business environment, prolonged economic downturns or declines in the market value of the Company's own shares and therefore require significant management judgment in their determination. When events have occurred that which would suggest a potential decrease in fair value, the determination of fair value is done with reference to a discounted cash flow model which requires management to make certain estimates. The most sensitive estimates are estimated future cash flows and the discount rate applied to future cash flows. Changes in these assumptions could result in a materially different fair value.

4. *Business combinations.* The determination of fair values of assets acquired and liabilities assumed in business combinations requires the use of estimates and management judgment, particularly in determining fair values of intangible assets acquired. For example, if different assumptions were used regarding the profitability and expected attrition rates of acquired customer relationships, different amounts of intangible assets and related amortization could be reported.

5. *Contingent acquisition consideration.* Contingent consideration is required to be measured at fair value at the acquisition date and at each balance sheet date until the contingency expires or is settled. The fair value at the acquisition date is a component of the purchase price; subsequent changes in fair value are reflected in earnings. Most acquisitions made by us have a contingent consideration feature, which is usually based on the acquired entity's profitability (measured in terms of adjusted EBITDA) during a one to four year period after the acquisition date. Significant estimates are required to measure the fair value of contingent consideration, including forecasting profits for the contingency period and the selection of an appropriate discount rate.

6. *Uncertain tax positions.* In the ordinary course of business, there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination by tax authorities based upon an evaluation of the facts and circumstances at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a tax authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.

7. *Allowance for uncollectible accounts receivable.* Accounts receivable allowances are determined using a combination of historical experience, current information, and management judgment. Actual collections may differ from our estimates. A 10% increase in the accounts receivable allowance as of December 31, 2016 would increase bad debt expense by $2.3 million.

**Reconciliation of non-GAAP financial measures**

In this MD&A, we make reference to "adjusted EBITDA" and "adjusted EPS," which are financial measures that are not calculated in accordance with GAAP.

Adjusted EBITDA is defined as net earnings from continuing operations, adjusted to exclude: (i) income tax; (ii) other expense (income); (iii) interest expense; (iv) depreciation and amortization; (v) acquisition-related items; (vi) Spin-off related costs; (vii) restructuring costs and (viii) stock-based compensation expense. We use adjusted EBITDA to evaluate our own operating performance and our ability to service debt, as well as an integral part of our planning and reporting systems. Additionally, we use this measure in conjunction with discounted cash flow models to determine the Company's overall enterprise valuation and to evaluate acquisition targets. We present adjusted EBITDA as a supplemental measure because we believe such measure is useful to investors as a reasonable indicator of operating performance because of the low capital intensity of the Company's service operations. We believe this measure is a financial metric used by many investors to compare companies, especially in the services industry. This measure is not a recognized measure of financial performance under GAAP in the United States, and should not be considered as a substitute for operating earnings, net earnings from continuing operations or cash flow from operating activities, as determined in accordance with GAAP. Our method of calculating adjusted EBITDA may differ from other issuers and accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of net earnings (loss) from continuing operations to adjusted EBITDA appears below.

| (in thousands of US$) | Year ended December 31 | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| Net earnings from continuing operations | **$ 91,571** | $ 39,915 | $ 53,909 |
| Income tax | **47,829** | 32,552 | 18,205 |
| Other expense (income) | **(2,417)** | (1,122) | (1,262) |
| Interest expense, net | **9,190** | 9,039 | 7,304 |
| Operating earnings | **146,173** | 80,384 | 78,156 |
| Depreciation and amortization | **44,924** | 38,624 | 36,033 |
| Acquisition-related items | **3,559** | 6,599 | 11,103 |
| Spin-off stock-based compensation costs | **-** | 35,400 | - |
| Spin-off transaction costs | **-** | 14,065 | - |
| Corporate costs allocated to Spin-off | **-** | 2,010 | 8,397 |
| Restructuring costs | **5,127** | - | - |
| Stock-based compensation expense | **3,279** | 4,252 | 13,083 |
| Adjusted EBITDA | **$ 203,062** | $ 181,334 | $ 146,772 |

Adjusted EPS is defined as diluted net earnings (loss) per share from continuing operations, adjusted for the effect, after income tax, of: (i) the non-controlling interest redemption increment; (ii) amortization expense related to intangible assets recognized in connection with acquisitions; (iii) acquisition-related items; (iv) Spin-off related costs; (v) restructuring costs and (vi) stock-based compensation expense. We believe this measure is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company and enhances the comparability of operating results from period to period. Adjusted EPS is not a recognized measure of financial performance under GAAP, and should not be considered as a substitute for diluted net earnings per share from continuing operations, as determined in accordance with GAAP. Our method of calculating this non-GAAP measure may differ from other issuers and, accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of net earnings (loss) from continuing operations to adjusted net earnings and of diluted net earnings (loss) per share from continuing operations to adjusted EPS appears below.

| (in US$) | Year ended December 31 | | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| Diluted net (loss) earnings per common share from continuing operations | **$ 1.75** | $ 0.59 | $ 0.54 |
| Non-controlling interest redemption increment | **0.09** | (0.10) | 0.26 |
| Amortization of intangible assets, net of tax | **0.35** | 0.29 | 0.29 |
| Acquisition-related items | **0.08** | 0.17 | 0.29 |
| Spin-off stock-based compensation costs | **-** | 0.94 | - |
| Spin-off transaction costs, net of tax | **-** | 0.26 | - |
| Corporate costs allocated to Spin-off, net of tax | **-** | 0.04 | 0.15 |
| Restructuring costs | **0.09** | - | - |
| Stock-based compensation expense, net of tax | **0.08** | 0.10 | 0.30 |
| Adjusted EPS | **$ 2.44** | $ 2.29 | $ 1.83 |

We believe that the presentation of adjusted EBITDA and adjusted EPS, which are non-GAAP financial measures, provides important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations. We use these non-GAAP financial measures when evaluating operating performance because we believe that the inclusion or exclusion of the items described above, for which the amounts are non-cash or non-recurring in nature, provides a supplemental measure of our operating results that facilitates comparability of our operating performance from period to period, against our business model objectives, and against other companies in our industry. We have chosen to provide this information to investors so they can analyze our operating results in the same way that management does and use this information in their assessment of our core business and the valuation of the Company. Adjusted EBITDA and adjusted EPS are not calculated in accordance with GAAP, and should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect all of the costs or benefits associated with the operations of our business as determined in accordance with GAAP. As a result, investors should not consider these measures in isolation or as a substitute for analysis of our results as reported under GAAP.

Percentage revenue variances presented on a local currency basis are calculated by translating the current period results of our non-US dollar denominated operations to US dollars using the foreign currency exchange rates from the periods against which the current period results are being compared. Percentage revenue variances presented on an internal growth basis are calculated assuming acquired entities were owned for the entire current period as well as the entire prior period. Revenue from acquired entities is estimated based on the operating performance of each acquired entity for the year prior to the acquisition date. We believe that these revenue growth rate methodologies provide a framework for assessing the Company's performance and operations excluding the effects of foreign currency exchange rate fluctuations and acquisitions. Since these revenue growth rate measures are not calculated under GAAP, they may not be comparable to similar measures used by other issuers.

**Impact of recently issued accounting standards**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. This ASU clarifies the principles for recognizing revenue and develops a common revenue standard for US GAAP and International Financial Reporting Standards ("IFRS"). This ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2017, with early adoption permitted. The Company has assessed each of its revenue streams for the possible impact of this standard and does not anticipate any material impacts on its financial statements. However, the assessment is not yet finalized. The Company will adopt this ASU effective January 1, 2018 using the retrospective transition method.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*. This ASU simplifies the presentation of all tax assets and liabilities by no longer requiring an allocation between current and non-current. All deferred tax assets and liabilities, along with any related valuation allowance are to be classified as non-current on the balance sheet. This ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2016, with early adoption permitted. This change will reduce the Company's net current assets (expressed as current assets minus current liabilities). The Company will adopt this ASU effective January 1, 2017.

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 ASU will be effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. The Company has catalogued and abstracted key terms of its leases and is in the final stages of selecting a software solution to assist with the additional 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 September 30, 2016. The Company will adopt this ASU with an effective date of January 1, 2019, using the modified retrospective transition method.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting*. This ASU simplifies how share-based payments are accounted for and presented. Income tax expense is expected to be impacted as entities are required to record all of the tax effects related to share-based payments at settlement through the income statement. This standard removes the requirement to delay recognition of a windfall tax benefit until it reduces taxes payable and instead records the benefit when it arises. The standard also permits entities to make an accounting policy election for the impact of forfeitures by allowing them to be estimated, as required today, or recognized when they occur. This ASU is effective for annual and interim periods beginning after December 31, 2016, with early adoption permitted. The Company will adopt this ASU effective January 1, 2017, using the prospective transition method, with the forfeiture rate continuing to be estimated, and does not expect the changes to have a material impact on its financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments* . This ASU reduces diversity in how certain transactions are classified in the statement of cash flows. Under this guidance contingent consideration payments made soon after an acquisition's close date should be classified as cash outflows for investing activities. Payments made thereafter should be classified as cash outflows for financing activities up to the amount of the original contingent consideration liability. Payments in excess of the amount of the original contingent consideration liability should be classified as outflows for operating activities. This standard is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. The Company is currently assessing the impact of this standard on its financial statements. The Company will adopt this ASU effective January 1, 2018, using the retrospective transition method.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations – Clarifying the Definition of a Business* which clarifies and simplifies the definition of a business. Under this guidance, when substantially all of the fair value of gross assets acquired is concentrated in a single asset (or group of similar assets), the assets acquired would not represent a business. This will likely result in more acquisitions being accounted for as asset purchases which impacts many areas of accounting such as acquisitions, disposals, goodwill impairment and consolidation. This standard is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. The Company is currently assessing the impact of this ASU on its 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, with early adoption permitted. The Company is currently assessing the impact of this ASU on its financial statements.

**Impact of IFRS**

On January 1, 2011, many Canadian companies were required to adopt IFRS. In 2004, in accordance the rules of the CSA, Old FSV elected to report exclusively using US GAAP and further elected not to adopt IFRS on January 1, 2011. Under the rules of the CSA, the Company is permitted to continue preparing financial statements in accordance with US GAAP going forward.

**Financial instruments**

Periodically we use financial instruments as part of our strategy to manage the risk associated with interest rates and currency exchange rates. We do not use financial instruments for trading or speculative purposes. As at the date of this MD&A, the Company had no such financial instruments in force. Financial instruments involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements. If we have financial instruments outstanding and such events occur, our results of operations and financial position may be adversely affected.

**Off-balance sheet arrangements**

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial performance or financial condition other than the payments which may be required to be made under the sale of control arrangement contained in the restated management services agreement with Colliers, Jayset Management CIG Inc. and Jay S. Hennick, a description of which is set out in Note 14 to the Consolidated Financial Statements (which is incorporated herein by reference).

**Transactions with related parties**

The Company has entered into office space rental arrangements and property management contracts with minority shareholders of certain subsidiaries. The business purpose of the transactions is to rent office space for the Company and to generate property management revenues for the Company. The recorded amount of the rent expense for the year ended December 31, 2016 was $0.6 million (2015 - $0.5 million; 2014 - $1.1 million). The recorded amount of the property management revenues for year ended December 31, 2016 was $0.7 million (2015 - $0.4 million; 2014 - $0.2 million). These amounts are settled monthly in cash, and are priced at market rates. The rental arrangements have fixed terms of up to 10 years. The property management contracts have terms of one to three years.

As at December 31, 2016, the Company had $4.9 million of loans receivable from non-controlling shareholders (2015 - $0.7 million) and no loans payable to minority shareholders (2015 - $0.1 million). The business purpose of the loans receivable is to finance the sale of non-controlling interests in subsidiaries to senior managers. The business purpose of the loans payable is to finance purchases of non-controlling interests. The loan amounts are measured based on the formula price of the underlying non-controlling interests, and interest rates are determined based on the Company's cost of borrowing plus a spread. The loans have terms of one to ten years, but are open for repayment without penalty at any time.

After the completion of the June 1, 2015 Spin-off, FirstService entered into a lease agreement with the Company for head office space. The amount of rent income earned from FirstService during the year ended December 31, 2016 was $0.3 million (2015 - $0.3 million).

**Outstanding share data**

The authorized capital of the Company consists of an unlimited number of preference shares, issuable in series, an unlimited number of Subordinate Voting Shares and an unlimited number of Multiple Voting Shares. The holders of Subordinate Voting Shares are entitled to one vote in respect of each Subordinate Voting Share held at all meetings of the shareholders of the Company. The holders of Multiple Voting Shares are entitled to twenty votes in respect of each Multiple Voting Share held at all meetings of the shareholders of the Company. Each Multiple Voting Share is convertible into one Subordinate Voting Share at any time at the election of the holders thereof.

As of the date hereof, the Company has outstanding 37,431,967 Subordinate Voting Shares and 1,325,694 Multiple Voting Shares. In addition, as at the date hereof 1,873,650 Subordinate Voting Shares are issuable upon exercise of options granted under the Company's stock option plan.

On June 1, 2015, the Company issued 1,997,956 Subordinate Voting Shares in exchange for shares and options of the former Commercial Real Estate Services subsidiary of Old FSV (see "Redeemable non-controlling interests" above).

On July 14, 2016, the Company announced a Normal Course Issuer Bid ("NCIB") effective from July 18, 2016 to July 17, 2017. The Company is entitled to repurchase up to 3,200,000 Subordinate Voting Shares on the open market pursuant to the NCIB. Any shares purchased under the NCIB will be cancelled.

**Canadian tax treatment of common share dividends**

For the purposes of the enhanced dividend tax credit rules contained in the *Income Tax Act (Canada)* and any corresponding provincial and territorial tax legislation, all dividends (and deemed dividends) paid by us to Canadian residents on our Subordinate Voting Shares and Multiple Voting Shares are designated as "eligible dividends". Unless stated otherwise, all dividends (and deemed dividends) paid by us hereafter are designated as "eligible dividends" for the purposes of such rules.

**Disclosure controls and procedures**

Our Chief Executive Officer and Chief Financial Officer, with the assistance and participation of other Company management, have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Canada by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings and in the United States by Rules 13a-15(e) and 15d-15(e) of the United States Securities and Exchange Act of 1934, as amended (the "Exchange Act")) as of December 31, 2016 (the "Evaluation Date"). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective to give reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under Canadian securities legislation and the Exchange Act is: (i) recorded, processed, summarized and reported within the time periods specified therein; and (ii) accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

**Management's report on internal control over financial reporting**
Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have excluded ten individually insignificant entities acquired by the Company during the last fiscal period from our assessment of internal control over financial reporting as at December 31, 2016. The total assets and total revenues of the ten majority-owned entities represent 2.2% and 3.8%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2016.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2016, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at December 31, 2016, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as at December 31, 2016, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report dated February 23, 2017 which accompanies the Company's audited consolidated financial statements for the year ended December 31, 2016.

**Changes in internal control over financial reporting**
During the year ended December 31, 2016, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Legal proceedings**
Colliers is involved in various legal claims associated with the normal course of operations and believes it has made adequate provision for such legal claims.

The Company disclosed on May 27, 2015 that management became aware that an independent contractor, working as a broker in its US operations, may have been involved in an improper payment to a third party (in the amount of $0.5 million) in connection with an unconsummated real estate sale transaction in a foreign jurisdiction. The Company's Board, through its Audit and Risk Committee, retained independent counsel to assist it in reviewing the matter. The Company informed, and is cooperating with, relevant authorities in the US and Canada.

The Audit and Risk Committee's review was completed on October 26, 2015. Based on that review, it appears that the broker orchestrated a payment, funded by a third party, that the broker believed was intended for an individual associated with a sovereign wealth fund in order to influence a transaction that did not materialize. It also appears that the broker falsified documents, fabricated aspects of the purported transaction and deliberately misled management. The purported transaction was the primary matter on which the broker worked during his brief tenure with the Company. The broker's conduct directly violated the Company's established policies, procedures and code of conduct, and he and two associates with whom he worked were immediately terminated. The revenue and related expenses in respect of this transaction recorded in the fourth quarter of 2014 were reversed during the second quarter of 2015, the impact of which was not material. In January 2017, certain of the individuals implicated in this matter (none of whom continue to be, or were ever, affiliated with Colliers, as applicable) were indicted by the United States attorney in connection with this matter, and Colliers continues to cooperate with all regulatory authorities in this regard.

**Spin-off risk**

Although the Spin-off is complete, the transaction exposes Colliers to certain ongoing risks. The Spin-off was structured to comply with all the requirements of the public company "*butterfly rules*" in the *Income Tax Act* (Canada). However, there are certain requirements of these rules that depend on events occurring after the Spin-off is completed or that may not be within the control of Colliers and/or FirstService. If these requirements are not met, Colliers could be exposed to significant tax liabilities which could have a material effect on the financial position of Colliers. In addition, Colliers has agreed to indemnify FirstService for certain liabilities and obligations related to its business at the time of the Spin-off. These indemnification obligations could be significant. These risks are more fully described in the Management Information Circular of Old FSV dated March 16, 2015, which is available under Colliers' SEDAR profile at www.sedar.com and on EDGAR at www.sec.gov.

**Forward-looking statements and risks**

This MD&A contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "believe," "anticipate," "estimate," "plan," "expect," "intend," "may," "project," "will," "would," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risk and uncertainties. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Factors which may cause such differences include, but are not limited to those set out below, those set out above under "Spin-off risk" and those set out in detail in the "Risk Factors" section of the Company's Annual Information Form:

- Economic conditions, especially as they relate to commercial and consumer credit conditions and business spending, particularly in regions where our operations may be concentrated.
- Commercial real estate property values, vacancy rates and general conditions of financial liquidity for real estate transactions.
- Trends in pricing and risk assumption for commercial real estate services.
- The effect of significant movements in average cap rates across different property types.
- A reduction by companies in their reliance on outsourcing for their commercial real estate needs, which would affect our revenues and operating performance.
- Competition in the markets served by the Company.
- The ability to attract new clients and to retain major clients and renew related contracts.
- The ability to retain and incentivize producers.
- Increases in wage and benefit costs.
- The effects of changes in interest rates on our cost of borrowing.
- Unexpected increases in operating costs, such as insurance, workers' compensation and health care.
- Changes in the frequency or severity of insurance incidents relative to our historical experience.
- The effects of changes in foreign exchange rates in relation to the US dollar on the Company's Canadian dollar, Australian dollar, UK pound and Euro denominated revenues and expenses.
- Our ability to identify and make acquisitions at reasonable prices and successfully integrate acquired operations.
- The ability to execute on, and adapt to, information technology strategies and trends.
- The ability to comply with laws and regulations related to our global operations, including real estate licensure, labour and employment laws and regulations, as well as the anti-corruption laws and trade sanctions.
- Political conditions, including political instability, elections, referenda, trade policy changes, immigration policy changes and any outbreak or escalation of hostilities or terrorism and the impact thereof on our business.
- Changes in government laws and policies at the federal, state/provincial or local level that may adversely impact our businesses.

We caution that the foregoing list is not exhaustive of all possible factors, as other factors could adversely affect our results, performance or achievements. The reader is cautioned against undue reliance on these forward-looking statements. Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in such forward-looking statements will be realized. The inclusion of such forward-looking statements should not be regarded as a representation by the Company or any other person that the future events, plans or expectations contemplated by the Company will be achieved. We note that past performance in operations and share price are not necessarily predictive of future performance. We disclaim any intention and assume no obligation to update or revise any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

**Additional information**

Additional information about Colliers, including our Annual Information Form for the year ended December 31, 2016, is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. Further information about us can also be obtained at www.colliers.com.

**EXHIBIT 23**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in this Annual Report on Form 40-F for the year ended December 31, 2016 of Colliers International Group Inc. of our report dated February 23, 2017, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting which appears in Exhibit 2 incorporated by reference in this Annual Report.

*/s/ PricewaterhouseCoopers LLP*
Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
February 23, 2017

**EXHIBIT 31**

**CERTIFICATION**
**PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Jay S. Hennick, certify that:

1. I have reviewed this annual report on Form 40-F of Colliers International Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

February 23, 2017

*/s/ Jay S. Hennick*
Jay S. Hennick
Chairman and Chief Executive Officer

**CERTIFICATION**
**PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934**

I, John B. Friedrichsen, certify that:

1. I have reviewed this annual report on Form 40-F of Colliers International Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

February 23, 2017

*/s/ John B. Friedrichsen*
John B. Friedrichsen
Chief Financial Officer

**EXHIBIT 32**

**CERTIFICATION**
**PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT**
**TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 40-F of Colliers International Group Inc. (the "Company") for the year ended December 31, 2016 (the "Report") filed with the United States Securities and Exchange Commission on the date hereof, I, Jay S. Hennick, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 23, 2017

*/s/ Jay S. Hennick*
Jay S. Hennick
Chairman and Chief Executive Officer

**CERTIFICATION**
**PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT**
**TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 40-F of Colliers International Group Inc. (the "Company") for the year ended December 31, 2016 (the "Report") filed with the United States Securities and Exchange Commission on the date hereof, I, John B. Friedrichsen, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 23, 2017

*/s/ John B. Friedrichsen*
John B. Friedrichsen
Chief Financial Officer