GENIVAR Inc.

2011 Year-End
Financial Report

Management's Discussion & Analysis
TABLE OF CONTENTS

MANAGEMENT’S DISCUSSION AND ANALYSIS ................................................................. 3
FORWARD-LOOKING STATEMENTS ............................................................................... 3
NON-IFRS MEASURES .................................................................................................. 4
OVERVIEW OF THE INDUSTRY AND GENIVAR ...................................................... 4
HIGHLIGHTS .................................................................................................................. 7
RESULTS OF OPERATIONS ......................................................................................... 13
DIVIDENDS .................................................................................................................... 22
FUNDS FROM OPERATIONS AND FREE CASH FLOW ............................................. 22
BACKLOG ....................................................................................................................... 23
LIQUIDITY ..................................................................................................................... 24
SUMMARY OF QUARTERLY RESULTS ....................................................................... 28
ANALYSIS OF SELECTED ANNUAL INFORMATION .................................................. 30
GOVERNANCE ............................................................................................................... 31
TRANSITION TO IFRS ................................................................................................. 32
CRITICAL ACCOUNTING POLICIES ......................................................................... 33
FUTURE ACCOUNTING STANDARDS .......................................................................... 36
FINANCIAL INSTRUMENTS ......................................................................................... 38
RELATED PARTY TRANSACTIONS ............................................................................. 41
OFF-BALANCE SHEET AGREEMENTS ...................................................................... 42
CONTRACTUAL OBLIGATIONS ....................................................................................... 42
SUBSEQUENT EVENTS ................................................................................................. 43
RISK FACTORS ............................................................................................................ 43
ADDITIONAL INFORMATION ....................................................................................... 53
GLOSSARY .................................................................................................................... 53
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management’s discussion and analysis (“MD&A”) of financial condition and results of operations dated March 23, 2012, is intended to assist readers in understanding GENIVAR Inc. (the “Company” or “GENIVAR”) and its business environment, strategies, performance and risk factors. In this MD&A, the “Company,” “we,” “us” and “our” mean GENIVAR Inc. This MD&A should be read together with the audited consolidated financial statements and accompanying notes of the Company for the year ended December 31, 2011.

This MD&A focuses on the Company's fourth-quarter results, being from October 2, 2011, to December 31, 2011. The Company’s quarters usually include 13 weeks except the last one, which has to end on December 31 of each year and the first quarter that follows. All amounts shown in this MD&A are expressed in Canadian dollars, unless otherwise indicated.

The Company’s consolidated financial statements for the year ended December 31, 2011, have been prepared in compliance with Canadian generally accepted accounting principles that were revised to incorporate International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Company has adopted IFRS as its basis of financial reporting at the beginning of 2011, using January 1, 2010, as the transition date. All comparative figures have been restated using IFRS unless otherwise noted. The transition to IFRS had material impacts on the Company’s consolidated statements of earnings, cash flows and financial position for the year 2010. The note 31 of the consolidated financial statements for the year ended December 31, 2011, and the “Transition to IFRS” section of this MD&A presents detailed explanations about the significant impacts on the statements of earnings, cash flows for the year ended December 31, 2010, and statement of financial position as at December 31, 2010, and January 1, 2010.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements. These statements relate to future events or future performance and reflect the expectations of management (“Management”) regarding the growth, results of operations, performance and business prospects and opportunities of GENIVAR or of the Engineering Services industry. Such forward-looking statements reflect current beliefs of Management and are based on information currently available. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue” or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, investors should specifically consider various factors, including the risks outlined under the heading “Risk Factors” of this MD&A, which may cause actual events or results to differ materially from the results discussed in any forward-looking statement. Although the forward-looking statements contained in this MD&A are based upon what Management believes
to be reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

NON-IFRS MEASURES
GENIVAR uses non-IFRS measures that are considered by Canadian companies as indicators of financial performance measures which are not recognized under IFRS and may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable. GENIVAR believes these measures are useful supplemental information that may assist investors in assessing an investment in the Company’s shares.

Non-IFRS measures used by GENIVAR are net revenues, EBITDA, EBITDA per share/unit, income tax expenses per share/unit, adjusted net earnings, adjusted net earnings per share/unit, funds from operations, funds from operations per share/unit, free cash flow, and free cash flow per share/unit. These measures are defined at the end of this MD&A in the “Glossary” section.

OVERVIEW OF THE INDUSTRY AND GENIVAR
The industry
The Canadian Engineering Services industry encompasses professional consulting activities in engineering, management, environmental and other technical services related to the development and implementation of infrastructure and other projects in the public and private sectors. Services provided for a particular project may include any or all of the following: feasibility studies, strategic planning, detailed engineering design, project and program management, site inspection, commissioning, plant operation and other related services. Engineering services are a vital part of the Canadian economy, GENIVAR’s services being required on most of the infrastructure needs of the society.

Contracts in the Engineering Services industry are awarded through public calls for tenders, through invitation or by private agreement. They are generally remunerated through fee-for-service agreements based on hourly rates, a fixed-price negotiating fee or as a percentage of a project cost. Work is mostly obtained through requests for qualifications and requests for proposals where an offer of services is prepared detailing firm experience and qualifications, personnel, methodology and approach.

GENIVAR
GENIVAR is a leading Canadian professional services firm providing private- and public-sector clients with a broad diversity of services in planning, engineering, surveying, environmental sciences, and project and construction management, as well as architecture through strategic alliances. GENIVAR offers a variety of project services throughout all project execution phases, from the initial development and planning studies through to the design, construction, commissioning and maintenance phases. GENIVAR has developed a
multidisciplinary team approach whereby employees work closely with clients to develop optimized solutions on time and on budget. GENIVAR operates in five different industries: Building, Municipal Infrastructure, Industrial and Energy, Transportation, and Environment.

- **Building**: GENIVAR provides integrated architecture and engineering, asset management and project management services to a wide range of clients and projects in the healthcare, education, institutional, commercial, residential, cultural, recreational and sport facilities, hospitality and tourism, security and defence, manufacturing and industrial sectors. GENIVAR's broad range of services encompasses mechanical, electrical and structural engineering, planning and architectural design, building sciences, energy efficiency, food services, telecommunication solutions as well as other project services. GENIVAR works on existing facilities as well as on new construction projects.

- **Municipal Infrastructure**: Cities, municipalities, townships and real estate developers are among the major clients of this market segment. GENIVAR's assignments relate to municipal rehabilitation and development, water distribution and treatment, wastewater collection and treatment, public utilities, storm water management, land development, municipal road networks, lighting and various municipal facilities.

- **Industrial & Energy**: GENIVAR provides planning, engineering and project management services to private businesses of various industries such as mining and mineral processing (underground and open pit), oil and gas, metallurgy, chemical and petrochemicals, pulp and paper, wood products, pharmaceuticals and biotechnology, food and beverage, power generation and general manufacturing. Power generation projects include hydroelectric, wind, solar and thermal power generation, nuclear safety, cogeneration and related distribution and transmission systems. GENIVAR's clients in energy include public suppliers of electricity and private developers.

- **Transportation**: Through public transport authorities, government departments, cities, airport and port authorities, railroad companies and real estate developers, the Company offers transportation solutions by providing planning, modeling, engineering, project management and contract administration services. Typical projects include roads, bridges and other civil engineering structures, harbor, railways and airport facilities, mass and urban transit facilities, traffic systems and other transportation-related projects.

- **Environment**: GENIVAR's services include impact studies and environmental assessments, ecosystem studies, monitoring surveys and characterizations, management systems, permitting, compliance audits, geomatics and mapping, as well as economic and risk management. Clients in this market segment include organizations from all of the other market segments, and typical projects include restoration of contaminated sites, waste management, habitat restoration and site rehabilitation. GENIVAR has developed an integrated approach to projects where the Company's environmental
scientists are involved in the start-up and completion of most projects where environmental considerations are important.

GENIVAR’s business model is centered on maintaining a leadership position in each of its industries and regions in which it operates. To do so, GENIVAR establishes a strong commitment to and recognizes the needs of surrounding local communities and clients, whether local or national. GENIVAR's business model translates into regional offices with an established market share and a full-service offering throughout every project execution phase. GENIVAR has permanent offices in all of the Canadian provinces, in France, in Colombia and in the Caribbean. GENIVAR also currently works on projects in many different countries. Functionally, market segment leaders work together with regional leaders to develop and coordinate services, combining local knowledge and relationships with nationally recognized expertise.

Since its initial public offering of May 2006, GENIVAR has achieved its goal to develop a national firm with a leading presence in all major regions of Canada and a leadership position in each of its five industries. GENIVAR wants to be recognized as one of the leading multidisciplinary professional services firm in Canada in terms of employees and notoriety and evaluates that to enhance its position as a leading firm throughout Canada, and to achieve leadership in its market segments, it must continue its growth plan. GENIVAR will continue to concentrate its efforts on recruiting and retaining a talented workforce by providing a dynamic and vibrant work environment and by continuing the acquisition strategy of attracting successful and complementary businesses to the GENIVAR family.

On the international front, GENIVAR will continue to support its clients in their global development and remain focused on international project opportunities as well as establishing operations in selected emerging markets. GENIVAR focuses on countries with resource-based revenues, infrastructure needs and a stable political environment with sound commercial practices.

GENIVAR endeavours to expand globally with an objective that by the end of 2014, 50% of its revenues will be achieved outside of Canada. This expansion will be focused on countries offering a similar engineering services industry such as, but not limited to, the United States, a number of industrialized Commonwealth countries and selected European countries.

As of January 1, 2011, the Company is the successor of the Fund, following the completion at that date of the approved plan of arrangement (the “Arrangement”) providing for the reorganization of the Fund’s income trust structure into a new publicly-traded company, GENIVAR, and the simultaneous combination of the financial interests of the Fund’s former non-controlling unitholder, GENIVAR Inc. (“Old GENIVAR”).

The Arrangement was voted upon by the unitholders on May 27, 2010, and approved by the Superior Court of Quebec on June 14, 2010. The Company now directly owns and operates the business, which was previously owned and
operated by the Fund and its subsidiaries and also owns the assets and liabilities previously owned by Old GENIVAR.

GENIVAR is one of the largest Canadian professional consulting services firms in terms of employees, with, as at March 23, 2012, approximately 5,500 managers, professionals, technicians, technologists and support staff in over 100 locations in Canada and abroad.

**HIGHLIGHTS**

The fourth quarter was very active for GENIVAR with the closing of a private placement with Canada’s top two institutional investors, the acquisition of three Canadian firms and the negotiation of our Colombian acquisition which was closed shortly after year-end.

GENIVAR is pleased with its performance for the fourth quarter of and the year 2011. During this quarter, the productivity was robust, and net revenues and EBITDA stood at $132.7 million and $21.5 million, which represent increases of 11.9% and 11.0% respectively. For the year 2011, net revenues reached $529.0 million and the EBITDA was $89.7 million, representing a margin of 17.0% as a percentage of net revenues.

In 2011, the Company’s total growth on net revenues at 11.9% and Canadian organic growth at 2.3% finished within our target range of 10-15% and 0-5% respectively. The strong cash flows generated from operating activities in the fourth quarter of 2011 and the solid improvement in days sales outstanding ratio (“DSO”) was supported by the operational initiatives that we put in place during the year.

During the quarter, the firm raised $159.7 million with the Canada Pension Plan Investment Board and the Caisse de dépôt et placements du Québec. In a very fast-paced, consolidating industry and a volatile world economy, it is the Management’s belief that the support of these two strong Canadian institutions will allow GENIVAR to execute its plan and to ensure the sustainability of the firm in the long run. Furthermore, despite a short term dilution of our existing investor base, including shares owned by Management and employees, we consider the target acquisition pipeline, both in Canada and abroad, to be very healthy and we are confident we can generate and produce quality earnings growth for our shareholders in the medium and long term.

Proceeds from the private placement have been partially used to repay bank advances in December 2011. The remaining $50.0 million of bank advances was reimbursed in January since its maturity date was after year-end. At the end of December, GENIVAR had $144.0 million in cash and available credit facilities of $175.0 million to pursue its growth plan and take advantage of market opportunities.

The Company completed ten acquisitions in 2011 and added approximately 355 employees to its work force. During the quarter, GENIVAR further diversified
its professional services offering by welcoming the entities collectively referred to as “Giroux.” Giroux is a group of leading surveying companies in land and construction as well as sea-bottom surveying. The Company acquired ISACtion Inc., an industrial automation firm also specializing in instrumentation control and automation systems, which will allow the Company to meet clients’ growing needs in the aluminum and mining sectors. Finally, a special purpose entity controlled by GENIVAR acquired AE Consultants Ltd., a professional service firm in architecture and engineering based in Newfoundland and Labrador. Through this acquisition, the Company is delivering its growth strategy of expanding across Canada as the Company is now established in all ten Canadian provinces.

**Financial Highlights**

<table>
<thead>
<tr>
<th></th>
<th>Fourth quarter</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>Revenues</td>
<td>$171,980</td>
<td>$154,706</td>
</tr>
<tr>
<td>Net revenues**</td>
<td>$132,681</td>
<td>$118,603</td>
</tr>
<tr>
<td>EBITDA**</td>
<td>$21,464</td>
<td>$19,333</td>
</tr>
<tr>
<td>EBITDA per share/unit**</td>
<td>$0.80</td>
<td>$0.71</td>
</tr>
<tr>
<td>Net earnings</td>
<td>$9,915</td>
<td>$2,696</td>
</tr>
<tr>
<td>Net earnings per share/unit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$0.37</td>
<td>$0.15</td>
</tr>
<tr>
<td>Diluted</td>
<td>$0.37</td>
<td>$0.15</td>
</tr>
<tr>
<td>Adjusted net earnings**</td>
<td>$9,915</td>
<td>$2,696</td>
</tr>
<tr>
<td>Funds from operations**</td>
<td>$16,451</td>
<td>$17,745</td>
</tr>
<tr>
<td>Funds from operations per share/unit**</td>
<td>$0.61</td>
<td>$0.65</td>
</tr>
<tr>
<td>Free cash flow**</td>
<td>$47,464</td>
<td>$32,579</td>
</tr>
<tr>
<td>Free cash flow per share/unit</td>
<td>$1.82</td>
<td>$1.20</td>
</tr>
</tbody>
</table>

* Except for non-IFRS measures.
** Non-IFRS measures are described in the “Glossary” section.

Revenues for the fourth quarter ended December 31, 2011, rose to $172.0 million in 2011 compared to $154.7 million in 2010, representing an increase of 11.2%. For the same period, net revenues stood at $132.7 million, representing an increase of 11.9%. Revenues for the year 2011 were up to $651.9 million compared to $580.4 million in 2010. Net revenues reached $529.0 million in 2011 compared to $469.5 million in 2010.

Aggregate organic growth for the quarter ended December 31, 2011, was 2.1% of net revenues, the remaining growth of 9.8% being generated through acquisitions.
The tables below present the breakdown of revenues and net revenues generated in Canada and abroad as well as the acquisition and organic year-over-year contributions.

**REVENUES**

<table>
<thead>
<tr>
<th>Fourth Quarter</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Canada</td>
</tr>
<tr>
<td>2011</td>
<td>$170,355</td>
</tr>
<tr>
<td>2010</td>
<td>$152,009</td>
</tr>
<tr>
<td>Acquisition growth (%)</td>
<td>9.4%</td>
</tr>
<tr>
<td>Organic growth (%)</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

**NET REVENUES**

<table>
<thead>
<tr>
<th>Fourth Quarter</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Canada</td>
</tr>
<tr>
<td>2011</td>
<td>$131,455</td>
</tr>
<tr>
<td>2010</td>
<td>$116,622</td>
</tr>
<tr>
<td>Acquisition growth (%)</td>
<td>10.0%</td>
</tr>
<tr>
<td>Organic growth (%)</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

Canadian organic growth on net revenues for the year-to-date period of 2011 reached 2.3%.

**2011 GROWTH ON NET REVENUES BY GEOGRAPHY**

<table>
<thead>
<tr>
<th>Fourth Quarter</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Organic growth</td>
</tr>
<tr>
<td>Quebec</td>
<td>11.4%</td>
</tr>
<tr>
<td>Ontario</td>
<td>(10.3%)</td>
</tr>
<tr>
<td>Western Canada</td>
<td>(2.1%)</td>
</tr>
<tr>
<td>Atlantic Canada</td>
<td>59.5%</td>
</tr>
<tr>
<td>International</td>
<td>(38.1%)</td>
</tr>
<tr>
<td>Total</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

More specifically, the Western and Atlantic Canada regions experienced the strongest total regional growth as a percentage of net revenues. Despite a more challenging environment, Quebec posted the biggest organic growth for the year at 4.2% after Atlantic Canada. For the year 2011, our international operations posted the worst results while the Ontario and Western Canada operations posted flat or slightly negative organic growth.
## 2011 Annual Growth on Net Revenues by Market Segment

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Organic Growth</th>
<th>Acquisition Growth</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>(2.6%)</td>
<td>7.9%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Municipal Infrastructure</td>
<td>0.6%</td>
<td>19.1%</td>
<td>19.7%</td>
</tr>
<tr>
<td>Industrial &amp; Energy</td>
<td>11.2%</td>
<td>28.7%</td>
<td>39.9%</td>
</tr>
<tr>
<td>Transportation</td>
<td>(1.4%)</td>
<td>0.1%</td>
<td>(1.3%)</td>
</tr>
<tr>
<td>Environment</td>
<td>10.2%</td>
<td>6.1%</td>
<td>16.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1.6%</td>
<td>11.1%</td>
<td>12.7%</td>
</tr>
</tbody>
</table>

As a percentage of net revenues, in 2011, our biggest growth through acquisitions emerged from our Industrial and Energy, Municipal Infrastructure as well as Building market segments. Environment and Industrial and Energy posted double digits organic growth while Building was the worst performer. The performance of the Building segment was certainly disappointing but on the positive side, the outcome is not the result of a change in the supply and demand dynamic of this market, but rather due to inefficient execution on certain Canadian projects.

On the international front, the slowdown of the Trinidad and Tobago operations continued to negatively impact our year-to-date organic growth. In Colombia and France, where GENIVAR established offices during 2011, we are very pleased with the developments of our teams and new mandates. At the end of 2011, the Company had full-time employees in each office.

During the fourth quarter of 2011, EBITDA totalled $21.5 million or $0.80 per share, compared to $19.3 million or $0.71 per unit recorded for the same period in 2010. Net earnings for 2011 were $9.9 million compared to $2.7 million in 2010. For the year 2011, EBITDA reached $89.7 million or $3.42 per share compared to $83.5 million or $3.07 per unit for the same period of 2010. Adjusted net earnings were $50.1 million for 2011 compared to $47.1 million a year before.

Fourth quarter results included $1.0 million in financial expenses, $2.4 million in depreciation of property, plant and equipment, $4.5 million in amortization of intangible assets as well as income tax expenses of $3.7 million.

For the fourth quarter, gross margin on projects was slightly below the first and the second quarters of 2011, but above the third quarter of 2011 at 48.5% of net revenues.

During the fourth quarter of 2011, GENIVAR generated funds from operations of $16.5 million compared to $17.7 million in 2010, the difference being explained by the income tax expenses recorded during the quarter of 2011. Free cash flow stood at $47.5 million or $1.82 per share compared to $32.6 million or $1.20 per unit for the same period in 2010. GENIVAR continues to generate sufficient cash flows from operating activities to sustain its future activities, projects and dividend policy.
## STATEMENTS OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AS AT DECEMBER 31 (AUDITED)</td>
<td>AS AT DECEMBER 31 (AUDITED)</td>
<td>$</td>
</tr>
<tr>
<td>Total assets</td>
<td>$726,049</td>
<td>$591,827</td>
<td>$134,222</td>
</tr>
<tr>
<td>Long-term financial liabilities (1)</td>
<td>$74,293</td>
<td>$74,892</td>
<td>($599)</td>
</tr>
<tr>
<td>Less: Cash and cash equivalents (1)</td>
<td>($144,031)</td>
<td>($26,961)</td>
<td>($117,070)</td>
</tr>
<tr>
<td>Net debt</td>
<td>($69,738)</td>
<td>$47,931</td>
<td>($117,669)</td>
</tr>
</tbody>
</table>

(1) Long-term financial liabilities consist of notes payable, balances payable to former shareholders, loan payable, including current portions and bank advances.

As at December 31, 2011, GENIVAR had a net cash position of $94.0 million and long-term financial liabilities, excluding bank advances, of $24.3 million. As at December 31, 2011, the Company has drawn down $50.0 million of its existing credit facilities and has $144.0 million in cash. The ratio of net debt to EBITDA on a trailing-twelve-month basis was easily reached as shown above with a negative net debt.

Proposal activity in the fourth quarter was dynamic across all Canadian regions in both the public and private sectors and in all market segments. Backlog stood at $409.6 million as at December 31, 2011, down from $419.3 million at the end of the third quarter of 2011 and represents 7.5 months of work. The number of months is based on our trailing twelve-month revenues, which were adjusted to reflect the full contribution of the acquisitions completed during the period. In addition, GENIVAR had significant offers and master service agreements signed with clients of more than $100.0 million for which expected revenues are not included in the backlog since the value of the work to be carried is not specified.

The following list, which represents a sample of projects awarded to GENIVAR during the fourth quarter, includes, but is not limited to:

- Detailed engineering design review services for the Ministry of Environment of Ontario for Young’s Creek on-site and off-site remediation areas at the Deloro mine site.

- A study detailing the potential implications associated with alternative energy development, including wind, tidal and solar energy for the Victoria County area in Nova Scotia.

- An assistance mandate as multidisciplinary project management experts for the multi-purpose amphitheatre in Quebec City.

- Professional engineering services specific to the Department of National Defence requirements under a Defence Construction Canada Source List mandate for facilities across New Brunswick and Prince Edward Island.
contract consists of new roads and road upgrade designs, parking lot designs, stream crossing designs and municipal utility designs.

• Professional planning and engineering services to the Greater Moncton International Airport related to the extension of Runway 06-24.

• A mandate by Public Works and Government Services Canada in connection with a Standing Offer for the provision of specialized industrial hygiene services in all regions of Quebec.

• Consulting services for the redevelopment program at the Iqaluit International Airport in Nunavut. This project will see the construction of a new Air Terminal Building, new Combined Services Building and an extensive airside rehabilitation and expansion program.

• Structural and civil engineering services for phase 2 of the rehabilitation of the Quebec City Hôtel-Dieu Hospital.

• An environmental contract for the hydraulic planning of the Meuse River in France.

• Project management for the construction of Oak Ridges Community Centre in Richmond Hill, Ontario.

• Engineering services to prepare plans and specifications outlining repairs, as well as to provide project management services during construction of the Lennox Island Bridge in Prince Edward Island.

• Industrial, mechanical, structural and electrical services for Nevada Copper Corporation’s mining Pumpkin Hollow Project.

• A survey, design, tendering and construction administration project for the rehabilitation of existing municipal infrastructure in the city of Wetaskiwin, Alberta.

• A geotechnical investigation, preliminary alignment, detailed engineering, tendering and construction administration project for the regional Waterline from Cleardale to Worlsey, in Alberta.
## RESULTS OF OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>Fourth quarter</th>
<th>Year</th>
<th>Variation</th>
<th>Year</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
<td>2011</td>
<td>2010</td>
<td>%</td>
</tr>
<tr>
<td><strong>IN THOUSANDS OF DOLLARS EXCEPT NUMBER OF SHARES/UNITS, PER SHARE/UNIT DATA AND PERCENTAGES</strong></td>
<td>FOR THE PERIOD FROM OCTOBER 2 TO DECEMBER 31 (UNAUDITED)</td>
<td>FOR THE PERIOD FROM OCTOBER 3 TO DECEMBER 31 (UNAUDITED)</td>
<td>%</td>
<td>FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31 (AUDITED)</td>
<td>FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31 (AUDITED)</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>$171,980</td>
<td>$154,706</td>
<td>11.2%</td>
<td>$651,885</td>
<td>$580,431</td>
</tr>
<tr>
<td>Less: Subconsultants and other direct expenses</td>
<td>$39,299</td>
<td>$36,103</td>
<td>8.9%</td>
<td>$122,883</td>
<td>$110,932</td>
</tr>
<tr>
<td><strong>Net revenues</strong></td>
<td>$132,681</td>
<td>$118,603</td>
<td>11.9%</td>
<td>$529,002</td>
<td>$469,499</td>
</tr>
<tr>
<td>Direct project costs</td>
<td>$68,371</td>
<td>$61,597</td>
<td>11.0%</td>
<td>$272,412</td>
<td>$238,537</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>$64,310</td>
<td>$57,006</td>
<td>12.8%</td>
<td>$256,590</td>
<td>$230,962</td>
</tr>
<tr>
<td>Marketing, general and administrative expenses (1)</td>
<td>$42,846</td>
<td>$37,673</td>
<td>13.7%</td>
<td>$166,901</td>
<td>$147,480</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>$21,464</td>
<td>$19,333</td>
<td>11.0%</td>
<td>$89,689</td>
<td>$83,482</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>$4,479</td>
<td>$4,864</td>
<td>(7.9%)</td>
<td>$17,311</td>
<td>$16,859</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>$2,389</td>
<td>$1,789</td>
<td>33.5%</td>
<td>$7,971</td>
<td>$6,312</td>
</tr>
<tr>
<td>Financial expenses (2)</td>
<td>$1,003</td>
<td>$671</td>
<td>49.5%</td>
<td>$4,406</td>
<td>($2,367)</td>
</tr>
<tr>
<td><strong>Earnings before income taxes</strong></td>
<td>$13,593</td>
<td>$12,009</td>
<td>13.2%</td>
<td>$60,001</td>
<td>$62,678</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>$3,678</td>
<td>$9,313</td>
<td>(60.5%)</td>
<td>$9,945</td>
<td>$11,728</td>
</tr>
<tr>
<td><strong>Net earnings</strong></td>
<td>$9,915</td>
<td>$2,696</td>
<td>267.8%</td>
<td>$50,056</td>
<td>$50,950</td>
</tr>
<tr>
<td><strong>Adjusted net earnings</strong></td>
<td>$9,915</td>
<td>($1,154)</td>
<td>958.8%</td>
<td>$50,052</td>
<td>$39,219</td>
</tr>
<tr>
<td><strong>Adjusted net earnings per share/unit</strong></td>
<td>$0.37</td>
<td>$0.15</td>
<td>146.7%</td>
<td>$1.91</td>
<td>$2.81</td>
</tr>
<tr>
<td><strong>Adjusted net earnings per share/unit</strong></td>
<td>$0.37</td>
<td>$0.15</td>
<td>146.7%</td>
<td>$1.91</td>
<td>$2.81</td>
</tr>
<tr>
<td><strong>Adjusted net earnings per share/unit</strong></td>
<td>$0.37</td>
<td>$0.10</td>
<td>270.0%</td>
<td>$1.91</td>
<td>$1.73</td>
</tr>
<tr>
<td>Weighted average number of shares/units</td>
<td>26,841,888</td>
<td>18,103,589</td>
<td>48.0%</td>
<td>26,233,234</td>
<td>18,103,589</td>
</tr>
<tr>
<td>Diluted weighted average number of shares/units</td>
<td>26,841,888</td>
<td>18,103,589</td>
<td>48.0%</td>
<td>26,233,234</td>
<td>21,752,567</td>
</tr>
<tr>
<td>Adjusted weighted average number of shares/units (3)</td>
<td>26,841,888</td>
<td>27,163,976</td>
<td>9.5%</td>
<td>26,233,234</td>
<td>27,163,976</td>
</tr>
</tbody>
</table>

* Except for non-IFRS measures.

** Non-IFRS measures are described in the “Glossary” section.

(1) The marketing, general and administrative expenses include the exchange loss or gain and the interest revenues.

(2) In 2011, the financial expenses only included the interest expenses. The 2010 financial expenses included the unrealized gain arising from changes in fair value of financial liability related to LP Units of $9,513, less the distributions on this financial liability of $5,663 and the interest expenses.

(3) Adjusted weighted average number of shares/units represents the weighted average number of shares/units receiving dividends/distributions.
Revenues
The Company aggregates its operating segments into one reporting segment, which is commonly referred to as consulting services. The Company’s financial performance and results should be measured and analyzed in relation to the fee-based revenues, or net revenues, since direct recoverable costs can vary significantly from contract to contract and are not indicative of the engineering and architecture services business. Net revenues are defined as revenues less subconsultants and other expenses that are recoverable directly from the clients.

Revenues for the fourth quarter ended December 31, 2011, increased by $17.3 million (or 11.2%), from $154.7 million in 2010 to $172.0 million in 2011. Revenues for the year increased by $71.5 million from $580.4 million in 2010 to $651.9 million in 2011.

Net revenues amounted to $132.7 million for the fourth quarter ended December 31, 2011, and to $118.6 million for the corresponding period in 2010, representing an increase of $14.1 million (11.9%). Net revenues increased from $469.5 million for the year 2010 to $529.0 million for the same period in 2011, representing an increase of $59.5 million or 12.7%.

The Company’s annual increases in revenues and net revenues are mainly attributable to the numerous acquisitions completed in 2011 and 2010 that were partially offset by the slowdown of international operations.

Excluding the transaction with Old GENIVAR that occurred as a part of the reorganization on January 1, 2011, the Company pursued its growth strategy with ten business combinations during the year, same as in 2010. For these acquisitions, GENIVAR had to pay a total consideration of $27.8 million as compared to $71.5 million in 2010. In 2011, the Company completed the following business combinations:

- On February 1, the Company acquired all the outstanding shares of Delcom Engineering Ltd. ("Delcom"), which added 15 employees to GENIVAR. Delcom is a Prince Edward Island-based engineering consulting and land surveying firm and has over 25 years of experience in delivering practical and effective solutions to clients. Through this acquisition, the Company reinforces its approach of being a global player with a strong local presence in Atlantic Canada.

- On February 28, GENIVAR acquired all the outstanding shares of Decibel Consultants Inc. ("Decibel"), which added 15 employees to the Company’s workforce. Decibel is a Quebec-based engineering consulting firm specializing for over 25 years in architectural acoustics and industrial environmental noise measurement and control, which are additional specializations to the Company’s range of expertise.

- On May 28, a special purpose entity controlled by GENIVAR acquired all the outstanding shares of WHW Architects Incorporated ("WHW"), which added 70 employees to the Company. This Atlantic-based architectural consulting
firm enables GENIVAR to increase the array of services actually offered and positions the Company as an integrated global consulting firm. In addition to accelerating GENIVAR’s growth in Atlantic Canada, WHW brings an exceptional practice of architecture serving both public and private sector clients.

- On July 1, the Company acquired all the outstanding shares of Groupe OptiVert inc. (“OptiVert”), which added 40 permanent employees to the GENIVAR family, a number that can increase during the high season. This Quebec-based engineering consulting firm specialized in forest management consulting services adds to the Company’s current array of expertise in environment and enables us to strategically position GENIVAR in anticipation of large-scale environmental projects such as Plan Nord. OptiVert provides a range of services to both industrial and government clients and has always been up to the latest standards in terms of approach and advanced computerized solutions.

- On July 1, the Company acquired all the outstanding shares of JMH Environmental Solutions Ltd. (“JMH”), which added 3 employees to GENIVAR. JMH is an Alberta-based engineering consulting firm specialized in oil and gas environment consulting within the energy sectors of Alberta and Saskatchewan. This acquisition is well-aligned with our growth objective and also provides the capabilities to increase our services to current clients.

- On July 15, the Company acquired all the outstanding shares of Dakins Engineering Group Ltd. (“Dakins”), which added approximately 14 employees to GENIVAR’s workforce. Dakins is an Ontario-based engineering firm specialized in water and wastewater management. This acquisition allows the Company to better serve the Municipal Infrastructure market segment, as well as leverage its expertise into Industrial and Energy market segment. Dakins is well aligned with GENIVAR’s growth strategy of continuing to offer comprehensive leading-edge services to clients.

- On August 28, a special-purpose entity controlled by the Company acquired all the outstanding shares of Arcop Design Inc. (“Arcop”) while it established a strong alliance with Le Groupe Arcop S.E.N.C., a Quebec-based architectural consulting firm which added 60 employees to GENIVAR. This alliance allows the Company to expand its global presence, while offering integrated design and engineering services. Arcop also enables GENIVAR to undertake the planning and design of more projects at every scale and in every building category, both in Canada and internationally and to give to the Company’s client the access to top level professional services required for their projects. Recently, the firm has collaborated on numerous design mandates including the expansion of the Pierre-Elliott-Trudeau International Airport in Dorval, the Montreal World Trade Center, as well as hospitality projects both locally and in India, Afghanistan and the Caribbean.

- On October 2, GENIVAR acquired all the outstanding shares of ISACtion Inc. (“ISAC”), which added 40 people to the Company’s workforce. This Quebec-
based firm specialized in industrial automation integration should help GENIVAR to meet clients’ growing needs in the aluminum and mining sectors all across Canada. Since it was founded, ISAC has contributed to the successful completion of a large number of automation and optimization projects in an extremely wide variety of sectors, enabling it to acquire in-depth knowledge of a broad array of applications.

- On October 2, the Company also acquired an interest in a Quebec-based geomatics group and surveying firm (“Giroux”) by acquiring all the preferred shares and 49.0% of the common shares of Groupe Giroux Inc. and Groupe Giroux arpenteurs-géomètres Inc. and all the shares of Giroux équipement d’arpentage Inc. and Entreprise Normand Juneau Inc. This acquisition added 85 employees to GENIVAR’s team. Giroux enables the Company to build a solid platform in Quebec in the fields of both land and construction surveying, as well as in sea-bottom surveying, and thereby, reinforces GENIVAR’s range of client services.

- On December 1, a special purpose entity controlled by the Company acquired all the outstanding shares of AE Consultants Ltd. (“AE Consultants”), which added 13 employees to GENIVAR. AE Consultants is a professional service firm in architecture and engineering based in Newfoundland and Labrador. Through this acquisition, the Company is delivering its growth strategy of expanding across Canada as GENIVAR is now established in all ten provinces. AE Consultants has received in the past some distinctions such as an honorable mention at the “City of Mount Pearl Urban Design Awards” for their design of the Eastern Edge Credit Union building (2010).

Subsequent to the year-end, the Company completed the following acquisitions:

- On January 1, 2012, the Company acquired all the outstanding shares of Consultores Regionales Asociados - CRA S.A.S. (“CRA”), which added 340 employees to GENIVAR’s workforce. CRA, a top tier Colombian firm in terms of size and reputation, is an engineering firm specialized in civil engineering, energy and telecommunications based in Bogotá, Columbia, with additional offices in Medellin and Barranquilla. This acquisition is part of the international growth strategy of the Company and represents an ideal platform in this region to build and grow the Company’s activities in all market segments. CRA is expected to contribute approximately $10.0 million to GENIVAR’s net revenues in 2012, and the Company’s objective is to develop a long-term local presence in Colombia and expand in the neighboring countries with good growth potential.

- On February 26, 2012, GENIVAR also acquired all the outstanding shares of Les Investissements R.J. Inc., which added 10 staff members to the Company. This firm is based in Quebec and is specialized in the field of mechanical and electrical engineering. The new expertise enables GENIVAR to meet the growing client demand in the building sector.
• On February 29, 2012, the Company acquired all the outstanding shares of GRB Engineering Ltd. (“GRB”), which added 80 employees to GENIVAR. GRB is a Calgary-based firm specialized in engineering services and project management for the oil and gas industry. This acquisition fits the Company’s development strategy very well and strengthens GENIVAR’s leadership both in Alberta and in the oil and gas industry.

• On March 14, 2012, the Company and a special purpose entity controlled by the Company acquired all the outstanding shares of Smith Carter Architects and Engineers Inc. and of Smith Carter (USA) LLC (collectively “Smith Carter”), which added 190 employees to GENIVAR’s workforce. Smith Carter is an international leader in the areas of integrated architectural design and engineering. This firm’s headquarter is located in Winnipeg with offices in Calgary, Ottawa, Atlanta and Washington, D.C. Smith Carter has designed some of the world’s most complex buildings in some of its most challenging environments. With this transaction, GENIVAR achieved two expansion objectives, which were to strengthen the Company’s presence in Western Canada and enter the U.S. market, where there are many other opportunities for growth.

The following tables summarize the impact of business acquisitions and organic growth on both revenues and net revenues:

### Revenues

<table>
<thead>
<tr>
<th></th>
<th>Fourth quarter</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Variation 2011</td>
<td>Variation 2011</td>
</tr>
<tr>
<td></td>
<td>vs. 2010</td>
<td>vs. 2010</td>
</tr>
<tr>
<td>Acquisition growth (1)</td>
<td>$14,219</td>
<td>$63,866</td>
</tr>
<tr>
<td></td>
<td>9.2%</td>
<td>11.0%</td>
</tr>
<tr>
<td>Organic growth (1)</td>
<td>$3,055</td>
<td>$7,588</td>
</tr>
<tr>
<td></td>
<td>2.0%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Total increase</td>
<td>$17,274</td>
<td>$71,454</td>
</tr>
<tr>
<td></td>
<td>11.2%</td>
<td>12.3%</td>
</tr>
</tbody>
</table>

### Net Revenues

<table>
<thead>
<tr>
<th></th>
<th>Fourth quarter</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Variation 2011</td>
<td>Variation 2011</td>
</tr>
<tr>
<td></td>
<td>vs. 2010</td>
<td>vs. 2010</td>
</tr>
<tr>
<td>Acquisition growth (1)</td>
<td>$11,660</td>
<td>$52,179</td>
</tr>
<tr>
<td></td>
<td>9.8%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Organic growth (1)</td>
<td>$2,418</td>
<td>$7,324</td>
</tr>
<tr>
<td></td>
<td>2.1%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Total increase</td>
<td>$14,078</td>
<td>$59,503</td>
</tr>
<tr>
<td></td>
<td>11.9%</td>
<td>12.7%</td>
</tr>
</tbody>
</table>

(1) Acquisition growth is calculated from the average per quarter revenues of the acquired business at the acquisition date. The total growth of the Company that exceeds the acquisition growth is presented as organic growth.

On an annual basis, the Canadian organic growth on net revenues is slightly under the expected rate for the year 2011. Furthermore, the 2011 organic growth continued to be negatively impacted by the slowdown of the Trinidad and Tobago operations. In 2010 and 2011, the Company completed numerous business acquisitions in different regions and fields of expertise, all of which were realized in Canada.
Expenses
Expenses consist of two major components: 1) direct project costs, and 2) marketing, general and administrative expenses ("MG&A"). Direct project costs include payroll costs relating to the delivery of consulting services and projects. MG&A include payroll costs of administrative staff, such as finance, tax, accounting, communications, information technology, quality, health and safety, purchasing and human resources, as well as other fixed costs such as, but not limited to, occupancy costs, non-recoverable client services costs, technology costs, office costs, professional services costs, insurance and exchange gain or loss on foreign currencies. MG&A include non-billable costs of chargeable individuals as well.

GENIVAR also incurs expenses such as depreciation of property, plant and equipment, amortization of intangible assets and financial expenses.

Gross margin and MG&A, expressed as a percentage of net revenues, are some of the Company’s key performance indicators analyzed by Management.

The following table summarizes our operating results expressed as a percentage of net revenues for the fourth quarters and the years 2011 and 2010.

<table>
<thead>
<tr>
<th>PERCENTAGE OF NET REVENUES</th>
<th>Fourth quarter</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td>FOR THE PERIOD FROM OCTOBER 2 TO DECEMBER 31 (UNAUDITED)</td>
<td>FOR THE PERIOD FROM OCTOBER 3 TO DECEMBER 31 (UNAUDITED)</td>
</tr>
<tr>
<td>Net revenues*</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Gross margin</td>
<td>48.5%</td>
<td>48.1%</td>
</tr>
<tr>
<td>Marketing, general and administrative expenses</td>
<td>32.3%</td>
<td>31.8%</td>
</tr>
<tr>
<td>EBITDA*</td>
<td>16.2%</td>
<td>16.3%</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>3.4%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>1.8%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>0.7%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>2.8%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Net earnings</td>
<td>7.5%</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

* Non-IFRS measures are described in the "Glossary" section.

Gross margin
For the fourth quarter ended December 31, 2011, the gross margin represented 48.5% of net revenues, compared to 48.1% for the same period in 2010. As noted in the previous quarters of 2011, the gross margin generated on specific projects depends on a variety of factors such as, but not limited to: project mix, pricing environment, project executions, inflation and cost increases. These
factors will have from time to time an impact on the Company’s gross margins but to a different degree. Management is pleased with the actual project mix across the organization.

The gross margin stood at $256.6 million for the year 2011, representing an increase of 11.1% from $231.0 million for the same period of 2010. All business acquisitions realized following the fourth quarter of 2010 had a positive impact on the gross margin amount realized by the Company. The year 2011 gross margin as a percentage of net revenues represented 48.5% compared to 49.2% for the same period in 2010. The comments included in the previous paragraph explain the year-over-year decrease as well.

**MG&A**

As a percentage of net revenues, MG&A represented 32.3% for the fourth quarter of 2011, compared to 31.8% for the same period in 2010. While the Company’s employees recorded a higher productivity, the MG&A expenses were higher during the fourth quarter of 2011 than the previous quarter and year. The MG&A as a percentage of net revenues increase is directly related to the pricing pressure and the inefficient execution of some projects. The variation of the exchange gain and loss on foreign currencies between the fourth quarter of 2010 and 2011 also explains a part of the variation of the MG&A as a percentage of net revenues. Without the preceding effects, the MG&A would have slightly decreased from the fourth quarter of 2010.

The increase in occupancy costs, professional fees and non-billable costs of chargeable individuals is strongly correlated to the business combinations completed. The 13.2% increase in costs for the year 2010 to 2011 can be mainly explained by all of the business combinations realized. As a percentage of net revenues, MG&A represented 31.5% for the year 2011 and 31.4% for the same period of 2010.

MG&A are not directly correlated with net revenues and therefore may fluctuate from quarter to quarter.

**EBITDA**

The EBITDA increased by 11.0% during the fourth quarter of 2011 compared to the same period in 2010. As a percentage of net revenues, the aggregate EBITDA margin stood at 16.2% for the fourth quarter of 2011 compared to 16.3% for the same quarter of 2010. The pricing pressure in some market segments and a few difficult projects in the Building group explained the decrease of the EBITDA margin as a percentage of net revenues.

For the year ended December 31, 2011, the EBITDA margin decreased to 17.0% from 17.8% for the same period of 2010. The decrease of the EBITDA margin expressed as a percentage of net revenues is attributable to the decrease of the gross margin realized in certain market segments as Municipal Infrastructure, Building and Transportation.
Amortization
Amortization of intangible assets for the fourth quarter ended December 31, 2011, was $4.5 million compared to $4.9 million for the same period in 2010. For the year 2011, amortization of intangible assets increased by $0.4 million from $16.9 million in 2010 to $17.3 million in 2011. For each business combination realized, new intangible assets such as, but not limited to, customer relationships and contract backlogs are recorded. These new assets generate amortization for a certain period of time. Because of GENIVAR’s growth strategy, generally the amortization level increases from quarter to quarter, but as a percentage of net revenues, amortization expenses remains stable. For the fourth quarter of 2011, the intangible assets acquired did not compensate for the decrease in amortization expense related to the intangible assets completely amortized for past acquisitions during the quarter.

Financial expenses
GENIVAR must finance its growth strategy and its current activities and as such, the credit facilities of $225.0 million negotiated at the end of 2010 enable the Company to reach some of its objectives. These credit facilities can be used to acquire new entities and to manage the working capital of the Company. During the fourth quarter of 2011, the Company reimbursed $53.9 million of its drawn facilities following the completion of an equity private placement. In January 2012, the bank advances were entirely reimbursed. The credit facilities used have a direct impact on the Company’s financial expenses.

Financial expenses for the year 2010 included interest expenses of $1.3 million, distributions of $5.7 million on financial liability related to LP Units less the unrealized gain arising from changes in fair value of $9.5 million recorded following the transition to IFRS. Without the amounts related to the financial liability, the financial expenses would have been $1.3 million in 2010 compared to $4.4 million for the year 2011. While the use of the credit facilities increased, the interest expenses increased as well. In 2011, the Company used its credit facilities to meet its cash flow requirements. The private placement realized allowed the Company to repay part of its credit facilities before the end of 2011 and repay the balance in January 2012.

Income taxes
For the fourth quarter ended December 31, 2011, the Company expensed an amount of $3.7 million in income tax, compared to $9.3 million for the same period in 2010. For the year 2011, the Company recognized an amount of $9.9 million as income tax expenses, compared to $11.7 million in 2010.

Following the reorganization on January 1, 2011, the Company became taxable. Therefore, the deferred income tax assets and liabilities have been recalculated at the tax rate of a company, approximately 30%, compared to a previous tax rate of 48.2% on undistributed profits as an income trust. These adjustments were recognized in the consolidated statement of earnings of the first quarter except for those related to transactions that were previously accounted for in the
equity. Consequently, a deferred income tax recovery of $7.2 million or $0.28 per share was recognized in the consolidated statement of earnings in the first quarter of 2011. The income tax recovery had an effect on the cumulative effective tax rate of the Company in 2011.

Without the effect of the tax rate adjustment used to calculate deferred income tax assets and liabilities in the first quarter of 2011, the income tax expenses would have been $17.1 million or $0.65 per share for the year 2011 with an effective tax rate of 28.5%.

In 2010, GENIVAR, as an income trust, benefited from a tax treatment for specified investment flow-through entities ("SIFT"). As a result, the Fund could deduct the amounts distributed to its unitholders in order to reduce its taxable income. Historically, GENIVAR distributed all of its taxable income. For the year 2010, the Fund recognized an amount of $9.3 million for the last quarter and $11.7 million for the year as income tax expenses. Income tax expenses included deferred income tax expenses on short-term items of the Fund’s statement of financial position amounting to $10.2 million or $0.47 per unit for both the quarter and the year 2010. The short-term items included, without being limited to, costs and anticipated profits in excess of billings, holdbacks and deductible provision upon settlement.

**Net earnings and net earnings per share/unit**

The Company’s net earnings for the fourth quarter ended December 31, 2011, were $9.9 million or $0.37 per share on a basic and diluted basis compared to $2.7 million or $0.15 per unit on a basic and diluted basis for the same period in 2010. The earnings per share ("EPS") increase is mainly related to the deferred income tax expenses accounted for in the last quarter of 2010 on the short-term items presented in the Fund’s statement of financial position. The Company’s net earnings for the year 2011 were $50.1 million or $1.91 per share on a basic and diluted basis compared to $51.0 million or $2.81 per unit on a basic basis and $2.26 per unit on a diluted basis for the same period in 2010. On a yearly basis, the EPS decrease is mainly attributable to the income tax regime change and the effects of the reclassification of Old GENIVAR’s investment as a financial liability in 2010.

Although EPS is a commonly used metric to measure company performances, Management believes that in the context of high-acquisition companies or consolidating industries such as the E&C space, EBITDA, funds from operations and free cash flow per share are more effective measures to assess the performance of a firm.

**Adjusted net earnings and adjusted net earnings per share/unit**

Management has decided to present adjusted net earnings that eliminate the effects of the reclassification of the Old GENIVAR’s investment in LP Units as a financial liability. The adjusted net earnings present more comparable figures. From the net earnings, Management eliminated the financial income related to
the investment in LP Units of $3.9 million for the year 2010. Adjusted net earnings and adjusted net earnings per share/unit for the fourth quarter ended December 31, 2011, were $9.9 million or $0.37 per share compared to $2.7 million or $0.15 per unit in 2010. Excluding the income tax expenses, the earnings before income taxes are very similar. For the year 2011, adjusted net earnings and adjusted net earnings per share/unit were $50.1 million or $1.91 per share compared to $47.1 million or $1.73 per unit for the same period in 2010. Without the income tax recovery accounted for in the first quarter of 2011, the adjusted net earnings would have been $1.63 per share in 2011. The income tax expenses related to the Company’s new tax regime, the pricing pressure and the slowdown in the Municipal Infrastructure market segment explain the decrease in the adjusted net earnings.

DIVIDENDS

Since the beginning of 2011, the Company declared four quarterly dividends of $0.375 per common share. The fourth one was declared in November 2011 and paid in January 2012.

From July 2008 to the end of December 2010, the Fund declared a monthly distribution of $0.125 per unit or $1.50 per unit on an annualized basis. In December 2010, the Fund declared a special distribution of $0.55 per unit to unitholders of record at the close of business on December 31, 2010.

Funds FROM OPERATIONS AND FREE CASH FLOW

<table>
<thead>
<tr>
<th></th>
<th>Fourth quarter</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td>$ 53,278</td>
<td>$ 35,750</td>
</tr>
<tr>
<td>Change in non-cash working capital items</td>
<td>($ 36,827)</td>
<td>($ 18,005)</td>
</tr>
<tr>
<td>Funds from operations**</td>
<td>$ 16,451</td>
<td>$ 17,745</td>
</tr>
<tr>
<td>Funds from operations per share/unit**</td>
<td>$ 0.61</td>
<td>$ 0.65</td>
</tr>
<tr>
<td>Less: Change in non-cash working capital items</td>
<td>$ 36,827</td>
<td>$ 18,005</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>($ 5,814)</td>
<td>($ 3,171)</td>
</tr>
<tr>
<td>Free cash flow**</td>
<td>$ 47,464</td>
<td>$ 32,579</td>
</tr>
<tr>
<td>Free cash flow per share/unit**</td>
<td>$ 1.82</td>
<td>$ 1.20</td>
</tr>
</tbody>
</table>

* Except non-IFRS measures.

** Non-IFRS measures are described in the “Glossary” section.
 Funds from operations

Funds from operations is a measure used by the Company to provide Management and investors with a proxy of cash generated from operating activities before changes in non-working capital items.

For the fourth quarter of 2011, the Company generated funds from operations of $16.5 million or $0.61 per share compared to $17.7 million or $0.65 per unit in 2010. The decrease of the funds from operations ratio for the quarter and year 2011 as compared to the same periods in 2010 can be explained by the income tax expenses paid by the Company following the Arrangement and the migration from an income fund structure to a corporate structure at the beginning of the year 2011. Funds from operations for the year 2011 totalled $67.7 million or $2.58 per share compared to $79.8 million or $2.94 per unit for the same period in 2010. The funds from operations generated for the fourth quarter and the year 2011 were sufficient to declare $0.375 per common share for the quarter and $1.50 per share on an annual basis. After payment of dividends and distributions, the Company had enough cash to pay its creditors.

Free cash flow

Free cash flow represents an indication of the Company’s continuing capacity to generate discretionary cash from operations, and is defined as cash flows from operating activities less total capital expenditures that are recurrent cash outflows quarter-over-quarter. It represents cash flows of the period available for the suppliers of capital, which are creditors and shareholders.

For the fourth quarter of 2011, the Company’s free cash flow was $47.5 million or $1.82 per share compared to $32.6 million or $1.20 per unit for the same period in 2010. The free cash flow for the year 2011 was $60.3 million or $2.30 per share compared to $49.1 million or $1.81 per unit for the same period in 2010. In 2011, cash flows generated from operating activities were higher than in the previous year as a result of the better management of the non-cash working capital items and the considerable improvement of the DSO for the fourth quarter and the year 2011 as compared to the same 2010 periods. The free cash flows generated for the fourth quarter and the year 2011 were sufficient to pay dividends of $0.375 per share and $1.50 per share for these periods respectively. At the end of 2011, net of the $1.50 dividend payment, the Company had $0.80 per share in order to repay debt. The Company generated enough cash to continue its operations and pay the creditors and shareholders. One of GENIVAR’s 2012 objectives is to reduce the DSO under 100 days. Management is confident that this objective is achievable.

BACKLOG

As at December 31, 2011, the backlog, which represents future revenues that stem from existing signed contracts to be completed, stood at $409.6 million. As at December 31, 2010, the backlog was $420.0 million. On a comparative basis, this represents a decrease of $10.4 million (2.5%). The fourth quarter 2011
backlog decreased from $419.3 million at the end of the third quarter of 2011. The backlog represented approximately 7.5 months of upcoming work for the fourth quarter of 2011 comparatively to 8.0 months in 2010. As at December 31, 2011, the Company had expected revenues over $100.0 million not included in the backlog since many standing offers and master service agreements were signed with clients for which the value of work to be carried is not specified.

GENIVAR’s pipeline and proposal activities remain strong but the pricing continues to be aggressive and has a direct impact on the Company’s total amount of backlog.

LIQUIDITY

<table>
<thead>
<tr>
<th></th>
<th>Fourth quarter</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td>FOR THE PERIOD</td>
<td>FOR THE PERIOD</td>
</tr>
<tr>
<td></td>
<td>FROM OCTOBER 2</td>
<td>FROM OCTOBER 3</td>
</tr>
<tr>
<td></td>
<td>TO DECEMBER 31</td>
<td>TO DECEMBER 31</td>
</tr>
<tr>
<td></td>
<td>(UNAUDITED)</td>
<td>(UNAUDITED)</td>
</tr>
<tr>
<td>Cash flows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flows generated from operating activities</td>
<td>$ 53,278</td>
<td>$ 35,750</td>
</tr>
<tr>
<td>Cash flows generated from (used in) financing activities</td>
<td>$ 84,375</td>
<td>($ 11,447)</td>
</tr>
<tr>
<td>Cash flows used in investing activities</td>
<td>($ 14,044)</td>
<td>($ 18,252)</td>
</tr>
<tr>
<td>Effect of exchange rate change on cash and cash equivalents</td>
<td>($ 86)</td>
<td>($ 31)</td>
</tr>
<tr>
<td>Net change in cash position</td>
<td>$ 123,523</td>
<td>$ 6,020</td>
</tr>
<tr>
<td>Dividends/distributions paid</td>
<td>$ 9,775</td>
<td>$ 10,187</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$ 5,814</td>
<td>$ 3,171</td>
</tr>
</tbody>
</table>

Cash flows generated from operating activities
For the fourth quarter ended December 31, 2011, operating activities generated $53.3 million of cash flows compared to $35.8 million for the same period in 2010. The net earnings generated during the fourth quarter of 2011 was higher by $7.2 million compared to the same period of 2010 as a result of the change of the tax regime completed during 2011 from an income trust structure to a corporate structure. In the fourth quarter of 2011, the EBITDA totalled $21.5 million as compared to $19.3 million, which represents a cash increase of $2.2 million. As a corporate structure, the Company paid $5.1 million of income taxes in the last quarter of 2011 compared to $1.5 million for the same period of 2010, a decrease in cash of $3.6 million. During the fourth quarter of 2011, the non-cash working capital items had a positive impact of $36.8 million on cash as compared to $18.0 million for the same period of 2010, representing an improvement of $18.8 million in cash available for the Company.

GENIVAR Annual Report 2011 | 24
On an annual basis, cash flows from operating activities increased by $10.7 million from $61.8 million in 2010 to $72.5 million in 2011, while the net earnings were stable. Management worked very hard during the last quarter to reduce the DSO and to control its liquidity.

Accounts receivable and costs and anticipated profits in excess of billings represent approximately 112 days of annual sales, which are lower than the previous quarter by 14 days and by 3 days when compared to the fourth quarter of 2010. The DSO for the Canadian operations was 105 days at the end of 2011, which is close to GENIVAR’s objective. The DSO for the international is very high due to the accounts receivables from a Trinidad and Tobago government agency. Management is pleased with the significant decrease of the DSO achieved during the last quarter but will concentrate its effort to continue to reduce this ratio under 100 days in 2012.

Cash flows generated from (used in) financing activities
For the fourth quarter ended December 31, 2011, financing activities generated $84.4 million in cash compared to $11.4 million used for the same period in 2010. During the fourth quarter of 2011, GENIVAR reimbursed part of its credit facilities, representing a decrease in cash of $53.9 million compared to an increase of $5.9 million for the same quarter of 2010. During the fourth quarter of 2011, the Company also repaid $5.6 million of notes payable, loan payable and balances payable to former shareholders compared to $6.6 million in 2010. As noted before, in December 2011, GENIVAR issued 6,500,000 common shares to two Canadian institutional investors by way of a private placement for a net proceeds of $154.6 million, increasing the Company cash available for future projects. During the quarter, GENIVAR also paid dividends to shareholders for an aggregate amount of $9.8 million compared to $10.2 million in 2010. All of these items explain the cash generated from financing activities.

On a yearly basis, the cash flows generated from financing activities were $73.9 million compared to $12.7 million used in 2010. In 2011, the Company used $4.3 million of cash to reimburse bank advances while in 2010, $53.4 million was borrowed from the credit facilities. GENIVAR also used $31.3 million for the repayment of notes payable, promissory notes, loan payable and balances payable to former shareholders. The proceeds received following all the issuance of common shares generated $155.3 million in cash. The items listed below explain an important part of the cash flows generated from financing activities in 2011. That year, the Company paid a total of $41.5 million in dividends to its shareholders.

Cash flows used in investing activities
For the fourth quarter ended December 31, 2011, investing activities used $14.0 million compared to $18.8 million in 2010. The decrease of the cash flows used in investing activities during the quarter is mainly attributable to the cash flows used in business combinations. In the fourth quarter of 2011, the Company invested $8.1 million compared to $10.5 million for the same period in 2010 in
business acquisitions. The Company also advanced to the non-controlling unitholder $5.3 million in 2010 where no advances were made in 2011. During the last quarter of 2011, the Company acquired $5.8 million of intangible assets and property, plant and equipment compared to $3.2 million for the same period in 2010.

On a yearly basis, the cash flows used in investing activities were $29.4 million in 2011 compared to $73.9 million in 2010. GENIVAR used $20.1 million in cash for the 2011 business combinations compared to $51.6 million in 2010. The Company advanced $10.0 million in 2010 to the non-controlling unitholder. GENIVAR invested $12.2 million of cash in property, plant and equipment and intangible assets in 2011 compared to $12.7 million in 2010 in order to facilitate the work of its employees. On January 1, 2011, GENIVAR also received $3.2 million of cash from the non-controlling unitholder following the Arrangement.

Net cash position
As at December 31, 2011, the net cash position of GENIVAR amounted to $94.0 million as detailed hereafter:

<table>
<thead>
<tr>
<th>IN THOUSANDS OF DOLLARS</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$144,031</td>
<td>$26,961</td>
</tr>
<tr>
<td>Bank advances</td>
<td>($50,000)</td>
<td>($54,334)</td>
</tr>
<tr>
<td><strong>Net cash position</strong></td>
<td><strong>$94,031</strong></td>
<td><strong>($27,373)</strong></td>
</tr>
</tbody>
</table>

The net cash position of $94.0 million at the end of December 2011 was the result of the cash received following the issuance of common shares to two Canadian institutional investors after a partial payment of the bank advances. As at December 31, 2011, the Company had $50.0 million of restricted cash in the financial statements to pay the $50.0 million bank advances in January 2012, at the maturity date. The cash available will allow GENIVAR to continue its growth strategy in order to meet its objectives.

Credit facilities
As at December 31, 2011, GENIVAR had credit facilities with a syndication of financial institutions totalling $225.0 million. The credit facilities are available for future business acquisitions, working capital, general corporate purposes and payments of dividends to shareholders.

Under the credit facilities, GENIVAR may issue irrevocable letters of credit up to $20.0 million, decreasing such available credit facilities.

The credit facilities have a three-year term and mature in November 2013. The term can be extended each year for an additional one-year period subject to the approval of the lenders. The Company has the right to increase the maximum
principal amount available by up to $50.0 million at any time after the approval of the lenders.

The credit facilities are secured by a first ranking hypothec over the universality of the movable assets of GENIVAR. The credit facilities bear interest at Canadian prime rate, US-based rate and LIBOR plus an applicable margin up to 1.75% that will vary depending on the type of advances and GENIVAR’s ratios, as defined in the agreement. The Company shall pay a commitment fee on the available credit facilities.

Under these credit facilities, GENIVAR is required, among other conditions, to respect certain covenants on a consolidated basis. The main covenants are in regard to its funded debt to consolidated EBITDA, the fixed charge coverage and the consolidated funded debt to capitalization ratios. Management reviews compliance with these covenants on a quarterly basis in conjunction with filing requirements under its credit facilities. All covenants have been met as at December 31, 2011.

As at December 31, 2011, the Company has available credit facilities coming from acquisitions amounting to $3.1 million. These credit lines were unused at year-end.

The Company issued, in the normal course of business, irrevocable letters of credit totalling less than $0.1 million as at December 31, 2011, for its own commitments, thus decreasing such available credit facilities.

As at December 31, 2011, the Company has unused credit facilities of $175.0 million. Following the payment in January 2012 of all the bank advances, the credit facilities available increased to $225.0 million. As at December 31, 2011, GENIVAR presents a strong statement of financial position, with minimal debts and a significant amount of cash available. With the credit facilities, the cash available and the cash generated from the operations, GENIVAR has the ability to pursue its growth strategy through business combinations and organic growth.

The Company has granted security interest for the credit facilities made available to Windmill Green Fund II LP (“Windmill”), a jointly controlled entity, for the construction of an office building. Its liabilities is limited to a maximum amount of $4.0 million.
The GENIVAR growth strategy through business acquisitions had a direct impact on the revenues and net revenues from one quarter to the other. In 2011, the Company acquired six Canadian entities in different market segments such as Building, Environment, and Municipal Infrastructure. These acquisitions were also realized in many Canadian provinces, namely Prince Edward Island, Quebec, Ontario and Alberta. Furthermore, a special purpose entity controlled by the Company acquired three other companies specialized in architecture. GENIVAR also acquired an interest in a Quebec-based geomatics group and surveying firm in order to develop this field of expertise. In 2010, the Company also completed ten other business acquisitions through the Fund or one of its subsidiaries. In addition to the business combinations completed, the Company realized an organic growth in revenues and net revenues between 1% to 2% for the last two years. As shown in the previous table, revenues and net revenues for the first quarters are lower than the other quarters. The most active quarters for GENIVAR in terms of revenues are the second and the third quarters of each year.
The gross margin for the last eight quarters represented between 47.7% to 50.8% of net revenues. The Company’s project nature and project mix have a direct impact on the gross margin level reached quarterly. In 2011, the pricing pressure had a negative impact on the gross margin level as a percentage of net revenues. Management is satisfied with the actual project mix across the Company. The EBITDA margin for the last eight quarters varied between 15.8% and 19.4% of net revenues. Each quarter, the EBITDA margin is impacted by the exchange gain or loss. In 2011, the pricing pressure and the difficult execution of some projects had a negative impact on the EBITDA margin. The employees’ productivity directly impacts GENIVAR’s EBITDA margin. As a result, the EBITDA margin can vary from one quarter to another.

The Company’s net earnings were impacted in the first and the second quarters of 2010 by the financial expenses related to the LP Units. The net earnings of 2011 are lower than in 2010 except for the last quarter since the Company changed its legal structure and became a taxable entity. In the last quarter of 2010, the Company recorded deferred income taxes on short-term items presented in the statement of financial position for the first time.

As a fund, a monthly distribution of $0.125 per unit was declared to the unitholders plus a special distribution of $0.55 per unit in December 2010. Following the Arrangement on January 1, 2011, the Company continued to declare and pay a quarterly dividend of $0.375 per common share. Each quarterly dividend declared in 2011 is lower than its 2010 corresponding quarter, since the number of outstanding common shares decreased following the completion of the Arrangement to reflect the negative net book value of Old GENIVAR. In the fourth quarter of 2011, the total amount of dividend declared is higher than in the previous quarters of the same year following the equity private placement realized in December, which increased the number of common shares outstanding.
ANALYSIS OF SELECTED ANNUAL INFORMATION

Set out is selected information for each of the last three years ended on December 31.

<table>
<thead>
<tr>
<th></th>
<th>IFRS</th>
<th>Canadian GAAP***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td>FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31 (AUDITED*)</td>
<td>FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31 (AUDITED*)</td>
</tr>
<tr>
<td>Revenues</td>
<td>$ 651,885</td>
<td>$ 580,431</td>
</tr>
<tr>
<td>Net revenues**</td>
<td>$ 529,002</td>
<td>$ 469,499</td>
</tr>
<tr>
<td>Net earnings</td>
<td>$ 50,056</td>
<td>$ 50,950</td>
</tr>
<tr>
<td>Net earnings per share/unit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$ 1.91</td>
<td>$ 2.81</td>
</tr>
<tr>
<td>Diluted</td>
<td>$ 1.91</td>
<td>$ 2.26</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 726,049</td>
<td>$ 591,827</td>
</tr>
<tr>
<td>Long-term financial liabilities (1)</td>
<td>$ 74,293</td>
<td>$ 74,892</td>
</tr>
<tr>
<td>Dividends/distributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends declared to shareholders</td>
<td>$ 41,536</td>
<td>-</td>
</tr>
<tr>
<td>Fund’s units distribution</td>
<td>-</td>
<td>$ 37,112</td>
</tr>
<tr>
<td>Exchangeable LP Units distributions</td>
<td>-</td>
<td>$ 18,574</td>
</tr>
</tbody>
</table>

* Except for Non-GAAP/Non-IFRS measures.

** Non-IFRS measures are described in the "Glossary" section.

*** As previously reported under Canadian GAAP, the 2009 results and statement of financial position have not been restated under IFRS.

(1) Long-term financial liabilities consist of notes payable, balances payable to former shareholders and loan payable, including current portions and bank advances.

In the last three years, revenues and net revenues increased through organic growth and business combinations completed in 2011, 2010 and 2009. All business combinations had a direct impact not only on revenues but also on net earnings, net earnings per share/unit and total assets since assets acquired, intangible assets and goodwill are recorded after each business combination. In 2011, ten business combinations have been completed for a total consideration of $27.8 million compared to ten combinations totalling $71.5 million in 2010 and thirteen combinations totalling $35.0 million in 2009. In 2010, the international activities of the Fund decreased considerably, impacting negatively EBITDA, net earnings and net earnings per share/unit.
The different income tax regimes followed by the company explained some significant changes in income tax expenses year-over-year. In 2009 and 2010, the Fund accounted income taxes over the income trust taxation rules. At the end of 2010, the Fund recognized a deferred income tax expenses over the short-term items of the consolidated statement of financial position. Following the Arrangement on January 1, 2011, the Company recognized a deferred income tax recovery of $7.2 million as previously discussed. At the same date, the Company became taxable and deferred income tax assets and liabilities have been recalculated at the rate applicable to a Company, which is around 30%. In 2011, the Company did not benefit from special tax treatment for a specified investment flow through entities. Consequently, the Company recorded income taxes in 2011 on its consolidated earnings. The net earnings and net earnings per share/unit fluctuated during the last three years to reflect the income tax expenses variation.

In 2010 and 2011, the Company used its credit facilities to finance operations and business combinations. At the end of 2011, the bank advances were partially reimbursed following the issuance of common shares to two Canadian institutional investors for a cash consideration. In January 2012, the Company reimbursed the remaining bank advances. In 2010 and 2009, the Fund declared a distribution of $2.05 and $1.95 per unit, respectively, to unitholders. In 2011, the Company declared dividends of $1.50 per common share to the shareholders, which explained the decrease of dividends declared from 2010 to 2011.

GOVERNANCE
Internal control over financial reporting
GENIVAR’s Chief Executive Office (“CEO”) and Chief Financial Officer (“CFO”) are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal controls over financial reporting (“ICFR”). Management proceeded to an evaluation of the effectiveness of the Company’s DC&P as at December 31, 2011 as defined in Canada by National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim Filings. Based on this evaluation, CEO and CFO concluded that the design and operation of GENIVAR’s DC&P were effective.

GENIVAR’s CEO and CFO have designed DC&P or have caused them to be designed under their supervision to provide reasonable assurance that:

- Material information related to the Company is made known to them by others, particularly during the period in which the annual filing were being prepared; and

- Information required to be disclosed by the Company’s annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.
The CEO and CFO have also designated ICFR or have caused them to be designed under their supervision, to provide reasonable assurance, not absolute, regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. According to this, Management does not expect that ICFR will prevent or detect all errors or fraud. Management has used the Internal Control – Integrated Framework to evaluate the effectiveness of ICFR, which is a recognized and suitable framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

Management has evaluated the design and operations of the Company’s ICFR, as at December 31, 2011, and has concluded that such ICFR are effective. There are no weaknesses that have been identified by Management in this regard.

There has been no change in the Company’s ICFR that occurred during the year 2011 that has materially affected, or is reasonably likely to materially affect, the Company’s ICFR. Controls will periodically remain to be analyzed in order to sustain a continuous improvement.

Responsibilities of the Board of Directors
The Board of Directors has oversight responsibilities for reported information. Accordingly, the Audit Committee and the Board of Directors of GENIVAR have reviewed and approved the consolidated financial statements for the years ended December 31, 2011, and 2010, and this MD&A before their publication. They also approved the statement of financial position as at January 1, 2010.

TRANSITION TO IFRS
On January 1, 2011, the Company adopted IFRS as required by the Canadian Accounting Standard Board (“AcSB”). The December 31, 2011, consolidated financial statements are the first annual financial statements that comply with IFRS and are prepared as described in note 2, including the application of IFRS 1, “First-time Adoption of IFRS.”

In 2006, the AcSB published a new strategic plan that has significantly impacted financial reporting requirements for Canadian companies. The AcSB’s strategic plan outlined the convergence of Canadian GAAP and IFRS over an expected five-year transition period. In February 2008, the AcSB announced that 2011 was the transition date for publicly listed companies to migrate onto IFRS, replacing Canadian GAAP. On January 1, 2011, the Company adopted IFRS as required by the AcSB.

IFRS standards and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations are required to be applied for annual periods beginning on or after January 1, 2011, which were issued and effective as of the date of approval by the Company’s Board of Directors of the 2011 consolidated financial statements.
The principal IFRS accounting policies are set out in note 2 of GENIVAR’s consolidated financial statements as at December 31, 2011, and have been consistently applied to all the periods presented in these financial statements, except where IFRS 1 either requires or permits an exemption. The note 31 of the 2011 audited consolidated financial statements presents a description of the significant differences between the previous Canadian GAAP accounting policies and the current IFRS accounting policies applied by the Company. This note presents detailed information on significant adjustment to equity, earnings and comprehensive income, financial position and cash flows following the transition to IFRS. The significant exemptions that Management applied are also discussed in that note and are related to business combinations, fair value or revaluation as deemed cost and cumulative translation differences. The transition to IFRS had limited impacts on GENIVAR’s current activities. The significant differences were related to the income trust structure and to the non-controlling interest of the Fund, which mainly impacted the comparative figures of the Company’s consolidated financial statements.

All comparative information presented in the consolidated financial statements has been adjusted from previously reported amounts under Canadian GAAP. As required by IFRS 1, the reconciliations of the comparative information from Canadian GAAP to IFRS for equity, earnings and comprehensive income, financial positions and cash flows are presented in the note 31 of the audited consolidated financial statements. The Company’s first-time adoption of IFRS did not have material impacts on the total operating, investing or financing cash flows.

CRITICAL ACCOUNTING POLICIES
Critical accounting estimates and judgments
The preparation of consolidated financial statements requires Management to make estimates and judgments about the future.

Estimates and judgments are continually evaluated and are based on historical trends and other factors, including expectation of future events that are likely to materialize under reasonable circumstances. Accounting estimates will, by definition, seldom equal the actual results. The following discussion sets forth Management’s:

• Most critical estimates and assumptions in determining the value of assets and liabilities; and

• Most critical judgments in applying accounting policies.

Allowance for doubtful accounts
The Company must make an assessment of whether accounts receivable are recoverable from customers. Accordingly, Management establishes an allowance for estimated losses arising from non-payment, taking into consideration customer creditworthiness, current economic trends and past experience. If
future collections differ from estimates, future earnings would be adjusted accordingly. As at December 31, 2011, the allowance was $5.3 million of the gross trade accounts receivable balance of $187.3 million. An increase to the reserve based on 1.0% of accounts receivable would decrease earnings by approximately $1.9 million for the year ended December 31, 2011.

Furthermore, trades receivable from one government agency that represent a net amount of $13.3 million are outstanding for more than 180 days. In assessing the value of these accounts, Management has used different assumptions about when those amounts will be collected and the percentage that can be recovered. Management believes, taking into account all actions that are undertaken, that the net carrying amount can be recovered during the next fiscal year. Further information is available in the “Financial instruments” section of this MD&A.

**Other identifiable intangible assets and goodwill**

Identifiable intangible assets and goodwill, excluding software and non-competition agreements, represented $263.4 million of total assets on the consolidated statement of financial position as at December 31, 2011. These assets arise out of business combinations. The Company had a total consideration transferred of $27.8 million for the 2011 business acquisitions and applied the acquisition method of accounting to these transactions. In measuring the fair value of the assets acquired and the liabilities assumed and estimating their useful lives, Management used significant estimates and assumptions regarding cash flow projections, economic risk and weighted cost of capital.

These estimates and assumptions determine the amount allocated to other identifiable intangible assets and goodwill, as well as the amortization period for identifiable intangible assets with finite lives. If results differ from estimates, the Company will record an increase in amortization or impairment charges.

**Cost and anticipated profits in excess of billings**

The Company values its costs and anticipated profits in excess of billings based on the time and materials charged into each project. The costs and anticipated profits in excess of billings for each project are reviewed on a monthly basis to determine whether the amount is a true reflection of the amount that will be invoiced on the project. Where the review determines that the value of costs and anticipated profits in excess of billings exceed the amount that can be invoiced, adjustments are made to the costs and anticipated profits in excess of billings. The valuation of the costs and anticipated profits in excess of billings involves estimates of the volume of work required to complete the project. Errors in the estimation of work required to complete the projects could lead to the undervaluation or overvaluation of costs and anticipated profits in excess of billings.

**Intangible assets**

Software, customer relationships, contract backlogs and non-competition agreements are considered intangible assets with finite useful lives. If the Company’s estimated useful lives of these assets were incorrect, the Company could experience increased or reduced charges of amortization of intangible
assets with finite useful lives in the future. Based on the strength, long history and expected future use, the trade name is an indefinite-lived intangible asset and accordingly is not subject to amortization.

**Impairment of long-lived assets**

Long-lived assets that have a finite useful life are reviewed for impairment when events or circumstances indicate that the carrying amount may not be recoverable. Indefinite-lived assets are not subject to amortization but are tested for impairment on an annual basis, or more frequently if events or circumstances indicate that the carrying value may not be recoverable. Impairment exists when the recoverable amount of an asset is less than its carrying value. The recoverable amount is the higher of the asset’s fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or “CGU”). The amount of impairment loss, if any, is the excess of the carrying value over its recoverable amount. Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. As at December 31, 2011, no impairment exists.

**Goodwill**

Goodwill represents the excess of the consideration transferred for the acquired businesses over the estimated fair value at the acquisition date of net identifiable assets acquired. Goodwill is not subject to amortization and is carried at cost less accumulated impairment loss but is tested for impairment on an annual basis or more frequently if events or circumstances indicate that it might be impaired.

For the purpose of impairment testing, goodwill is allocated to each CGU expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually in December. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill cannot be reversed in a subsequent period.

The Company performed its annual impairment test for goodwill in December 2011. The recoverable value of each CGU exceeded their carrying values. As a result, no goodwill impairment was recorded.

The recoverable value of each significant CGU was based on fair value less costs to sell. The following methodology and assumptions were applied to determine the fair value less costs to sell of all CGUs.

The fair value less cost to sell is calculated using the last twelve months adjusted EBITDA realized by the CGU. For the purpose of the impairment test, the EBITDA is defined as earnings before financial expenses, taxes, depreciation and amortization. The adjusted EBITDA is based on the EBITDA realized by the CGU, adjusted to include the participation of the current year acquisition as if
these acquisitions had occurred on January 1 and adjusted for the non-recurring or representative items. The Company considered past experience, economic trend as well as industry and market trends in assessing if the level of EBITDA can be maintained in the future. Cost to sell is calculated based on 1% to 2% of the total fair value so determined, which is in line with the transaction costs incurred in past acquisitions.

With regard to the assessment of the fair value less cost to sell, Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of a CGU to materially exceed its recoverable amount.

**Income taxes**

The Company follows the liability method when accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement values and the tax values of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse. However, the deferred income tax is not accounted for when arising from initial recognition of an asset or liability in a transaction other than a business combination, that affects at the time of the transaction neither accounting nor taxable profit or loss.

Deferred tax liabilities are generally recognized for all taxable temporary differences and for taxable temporary differences arising on investments in subsidiaries and joint ventures, except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. However, deferred tax is not recognized if it arises from the initial recognition of goodwill.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used.

**FUTURE ACCOUNTING STANDARDS**

IFRS 9, “Financial Instruments,” was issued in November 2009 and is mandatory for accounting periods beginning after January 1, 2015. This standard will replace IAS 39, “Financial Instruments: Recognition and Measurement.” This standard presents two measurement categories: amortized cost and fair value. The standard specifies which kind of financial instruments are measured at amortized cost or at fair value. Guidance on financial liabilities and derecognition of financial instruments is also included. The Company does not anticipate that this change will have a material impact on its results of operations or financial position.

In 2011, the IASB issued standards that will be effective starting January 1, 2013. Early adoption is permitted.
• IFRS 10, “Consolidated Financial Statements,” builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard replaces SIC-12, “Consolidation – Special Purpose Entities” and parts of IAS 27, “Consolidated and Separate Financial Statements.”

• IFRS 11, “Joint Arrangements,” provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This standard replaces IAS 31, “Interest in Joint Ventures” and SIC-13, “Jointly Controlled Entities – Non-Monetary Contributions by Venturers.”

• IFRS 12, “Disclosure of Interests in Other Entities,” is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

• IFRS 13, “Fair Value Measurement,” sets out a framework for fair value measurement and specifies disclosures related to fair value measurement.

• IAS 19, “Employee Benefits,” has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. A number of amendments have been made to recognition, measurement and classification including redefining short-term and other long-term benefits, guidance on the treatment of taxes related to benefit plans, guidance on risk or cost sharing features, and expanded disclosures.

• In addition, there have been amendments to existing standards, including IAS 28, “Investment in Associates and Joint Ventures.” This standard has been modified to include joint ventures in its scope and to address the changes brought to other standards.

IAS 1, “Presentation of Financial Statements,” has been amended to require entities to separate items presented in other comprehensive income into two groups, based on whether or not items may be recycled in the future. Entities that choose to present other comprehensive income before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012.

The Company has not yet determined the impact of the adoption of these standards on its consolidated financial statements.
FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities are initially recognized at fair value, and their subsequent measurements are dependent on their classification, as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company’s designation of such instruments. As at December 31, 2011, the Company value and record the financial instruments as follows:

Loans and receivables
Cash and cash equivalents, accounts receivable, costs and anticipated profits in excess of billings and advances to the non-controlling unitholder are classified as loans and receivables. Financial assets classified as loans and receivables are accounted for at amortized cost using the effective interest rate method less any impairment loss.

Available for sale financial assets
Investments in securities are usually classified as available for sale. They are accounted for at fair value with unrealized gains or losses recognized in other comprehensive income until the investment is derecognized.

Other liabilities
Accounts payable and accrued liabilities, dividends/distributions payable to the shareholders/unitholders, loan payable, notes payable, balances payable to former shareholders, promissory notes, and bank advances are classified as other liabilities and are recorded at amortized cost using the effective interest rate method.

Financial liabilities at fair value through profit and loss (FVTP&L)
Financial liability related to LP Units is classified as FVTP&L and is measured at the current value of the redemption amount, which approximates fair value at the date of the statement of financial position. Unrealized gains and losses from change in fair value are recorded in the consolidated statement of earnings.

Determination of fair value
The fair value of a financial instrument is the amount of consideration that would be agreed on in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market data.

The Company is exposed to credit risk, foreign currency risk, interest rate risk and liquidity risk. The following analyses provide a measurement of these risks for the Company as at December 31, 2011.
Credit risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss.

Financial instruments which potentially subject the Company to significant credit risk consist principally of cash and cash equivalents, accounts receivable, and costs and anticipated profits in excess of billings. The Company’s maximum amount of credit risk exposure is limited to the carrying amount of these financial instruments, which is $401.7 million as at December 31, 2011.

The Company’s cash and cash equivalents are held with or issued by high-credit quality financial institutions. Therefore, the Company considers the risk of non-performance on these instruments to be remote.

The Company’s credit risk is principally attributable to its trade receivables. The amounts presented in the balance sheet are net of an allowance for doubtful accounts; estimated by the Company’s Management and based, in part, on the age of the specific receivable balance and the current and expected collection trends. Generally, the Company does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Company performs ongoing credit reviews of all its customers and establishes an allowance for doubtful accounts when the likelihood of collecting the account has significantly diminished. The Company believes that the credit risk of accounts receivable is limited. During the year ended December 31, 2011, bad debts accounted for were not significant.

The Company mitigates its credit risk by providing services to diverse clients in various industries and sectors of the economy.

Specific credit risk

As at December 31, 2011, the Company has accounts receivable from a government agency of Trinidad and Tobago which have remained unpaid for over 24 months. The payments were delayed by a change of government in the country and the removal of the board of directors. On May 24, 2010, a new government was elected and on January 26, 2011, a new board of directors was nominated. Furthermore, a new CEO and CFO were hired mid-year and are working, under the supervision of the Board, to resolve the payments due to GENIVAR and to other service providers in the country. Discussions with the agency are ongoing. Some payments were received throughout the year 2011, as the agency progressed in its work and received funding from the government. To date, the agency has not refuted any amounts claimed by the Company.

Some of these accounts were acquired as part of a business combination for which a purchase adjustment agreement exists with the seller. Accordingly, the exposure to financial loss non-recoverable is partially offset by a note payable to the seller in the event that some of the receivables are not collected.
The gross contractual amount associated with those receivables are $16.3 million and have a recorded carrying value of $13.3 million net of an allowance of $3.0 million. Therefore, Management believes the maximum exposure to financial loss in relation to this client is $10.0 million, taking into account the receivables of $3.3 million that are included in a purchase adjustment agreement. Management intends to take every necessary action to collect these accounts in the next year.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risks due to its operating activities as transactions with customers outside Canada are predominantly denominated in US dollars, TT dollars and Euros and to its net asset in foreign operations. These risks are partially offset by purchases and operating expenses incurred in these currencies. As at December 31, 2011, the Company had an equivalent of $35.3 million of current assets and $13.1 million of current liabilities denominated in foreign currencies.

Investments made in self-sustaining foreign operations are not hedged against foreign currency fluctuations. The exchange gains or losses on the net equity investment of these operations are reflected in the accumulated other comprehensive income account in the shareholders’ equity, as part of the currency translation adjustment.

Taking into account the amounts denominated in foreign currencies and presuming that all of the other variables remain unchanged, a fluctuation in exchange rates would have an impact on the Company’s net earnings. Management believes that a 10% change in exchange rates would be reasonably possible and that the impact on net earnings would be approximately $1.9 million. The total effect of changes in exchange rates is not significant for the Company. Following the business acquisition of CRA in January 2012, a Colombian entity, GENIVAR made a new assessment of its exchange risk and decided, for the moment, not to hedge the foreign operations of this foreign entity.

**Interest rate risk**

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s exposure to the risk of changes in market interest rates relates primarily to its bank advances and the balances payable to former shareholders with floating interest rates. This risk is partially offset by cash held at variable rates. In January 2012, the Company reimbursed the bank advances balance of $50.0 million as at December 31, 2011 and for the moment is not exposed to interest rate risk on bank advances.

A fluctuation in interest rates would have an impact on the Company’s net earnings. Management believes that a 0.5% change in interest rate would be possible and that the impact on net earnings, with all other variables held constant, would be approximately $0.3 million. This risk is not a significant risk for
the Company since the indebtedness of the Company is very low at the moment. Following a change in interest rates, the Company will be able to continue its operations with little impact on its net earnings.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulties in meeting its obligations as they fall due.

A centralized treasury function ensures that the Company maintains funding flexibility by assessing future cash flow expectations and by maintaining sufficient headroom on its committed borrowing facilities. Borrowing limits, cash restrictions and compliance with debt covenants are also taken into account.

The Company watches for liquidity risks arising from financial instruments on an ongoing basis. Management monitors the liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times. GENIVAR has access to committed lines of credit with banks.

The Company had limited long-term contractual obligations as at December 31, 2011, including notes payable, balances payable to former shareholders, loan payable and bank advances. All the long-term contractual obligations represent future cash flows of $69.6 million for the next year. As at December 31, 2011, the Company had unused credit facilities of $175.0 million and cash and cash equivalents of $144.0 million. Cash flows generated from operating activities will be sufficient to respect the Company’s contractual obligations.

**RELATED PARTY TRANSACTIONS**

The Company has control over its subsidiaries and these are consolidated in the audited consolidated financial statements. Some agreements are in place with special purpose entities; these entities provide different services mainly in the architecture industry. These management agreements provide us with control over the management and operation of these entities. GENIVAR also receive a management fee generally equal to the net income of the entities and have an obligation regarding their liabilities and losses. Based on these facts and circumstances, Management has concluded that these entities are controlled by GENIVAR and, therefore, consolidated them in the consolidated financial statements.

Transactions among subsidiaries and special purpose entities are entered into in the normal course of business and on an arm’s length basis. Using the consolidated method of accounting, all intercompany balances are completely eliminated.

The Company conducts certain activities in joint ventures with other parties qualify as jointly controlled operations except one. Joint ventures, except Windmill, are accounted for using the proportionate consolidation method, which results in the Company recording its pro rata share of the assets, liabilities,
revenues, costs and cash flows of each entity. The Company realized revenues of $62.1 million and costs of $40.9 million with joint ventures during the year 2011.

Transactions with subsidiaries, special purpose entities and joint ventures are further described in the 2011 audited consolidated financial statements.

Key management personnel has authority and responsibility for planning, directing, and controlling the activities of the Company and includes the President and Chief Executive Officer, the Chief Financial Officer and the members of the National Committee. Total compensation to key management personnel and directors recognized as an expense during 2011 was $5.4 million.

As part of the Arrangement, key management and employees that were shareholders of Old GENIVAR received common shares of GENIVAR in exchange of their shares. The promissory notes assumed in this transaction represent an aggregate amount of $15.0 million, of which $3.0 million are still payable to the Company’s actual shareholders as at December 31, 2011.

OFF-BALANCE SHEET AGREEMENTS
There were no off-balance sheet agreements as at December 31, 2011.

CONTRACTUAL OBLIGATIONS
The following tables provide a summary of the Company’s long-term contractual obligations:

<table>
<thead>
<tr>
<th>IN THOUSANDS OF DOLLARS</th>
<th>Less than a year</th>
<th>Between 1 and 2 years</th>
<th>Between 2 and 3 years</th>
<th>Between 3 and 4 years</th>
<th>Between 4 and 5 years</th>
<th>After 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank advances</td>
<td>$ 50,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ 50,000</td>
</tr>
<tr>
<td>Notes payable*</td>
<td>$ 8,757</td>
<td>$ 3,636</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ 12,393</td>
</tr>
<tr>
<td>Balances payable to former shareholders*</td>
<td>$ 5,351</td>
<td>$ 2,507</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ 7,858</td>
</tr>
<tr>
<td>Loan payable</td>
<td>$ 5,458</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ 5,458</td>
</tr>
</tbody>
</table>

* Including current portion.

<table>
<thead>
<tr>
<th>IN THOUSANDS OF DOLLARS</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Thereafter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease commitnts</td>
<td>$ 21,142</td>
<td>$ 17,008</td>
<td>$ 15,255</td>
<td>$ 12,079</td>
<td>$ 8,672</td>
<td>$ 22,441</td>
<td>$ 96,597</td>
</tr>
</tbody>
</table>

GENIVAR Annual Report 2011 | 42
The Company generated cash flows from its operations and have credit facilities available to respect all of its long-term contractual obligations in the future.

SUBSEQUENT EVENTS
As previously noted, GENIVAR or a special purpose entity controlled by the Company acquired all the outstanding shares of CRA, Investissements R.J., GRB and Smith Carter in the first months of 2012. These engineering firms are based in Colombia, Quebec, Alberta, Manitoba, Ontario and the United States. These business combinations contribute to the Company’s growth strategy. For more details regarding these business combinations, see the “Results of operations” section.

At the moment of the approval of these consolidated financial statements, the initial accounting of these business combinations is incomplete; therefore, the Company could not provide reliable information pertaining to the allocation of the consideration transferred, major class of assets acquired and liabilities assumed.

RISK FACTORS
The risks and uncertainties below are not the only ones that GENIVAR faces. Additional risks and uncertainties not presently known to GENIVAR or that GENIVAR currently considers immaterial may also impair GENIVAR’s business operations.

RISKS RELATED TO THE BUSINESS
Ability to maintain profitability and manage growth
There can be no assurance that the Company's business and strategy will enable the Company to sustain profitability in future periods. The Company's future operating results will depend on a number of factors.

The Company's growth strategy depends, in part, on its ability to:

- offer a full range of engineering services;
- successfully cross-sell additional services to existing clients and attract new clients;
- consolidate its position in Canada and internationally, and identify and acquire suitable acquisition candidates in order to continue its expansion; and
- successfully integrate acquired businesses with existing operations.

There can be no assurance that the Company will be successful in achieving its strategic plan or that its strategic plan will enable the Company to maintain its historical revenue growth rates or to sustain profitability. Due to the current economic conditions, the Company may be unable to obtain the necessary
capital to finance its strategic plan. Failure to successfully execute any material part of its strategic plan could have a material adverse effect on its business, prospect financial condition and results of operations.

Reputational risk

The Company depends to a large extent on its relationships with its clients and its reputation for high-quality engineering services. As a result, if a client is not satisfied with its services, it may be more damaging in its business than in other businesses. Moreover, its success depends in large part on whether the Company fulfills its contractual obligations with clients and keeps its clients satisfied. If the Company fails to satisfactorily perform its contractual obligations or address performance issues, or makes professional errors in the services that it provides, then clients could terminate projects, exposing the Company to legal liability, loss of its professional reputation and risk of loss or reduced profits or, in some cases, a loss on that project.

Negative opinion may impact long-term results and can arise from a number of factors including questions concerning business ethics and integrity, corporate governance as well as the accuracy and quality of financial reporting and public disclosure. The Company depends on its reputation as an engineering services firm that abides to the highest ethical standards and has therefore implemented various procedures and policies to help mitigate this risk including the adoption of a comprehensive code of conduct which all employees are expected to review and abide by. However, the Company cannot assure that its control will protect it from reckless or criminal acts committed by its employees or agents. Any breach of the Company's ethical standards could have a negative impact on the Company's public image which could then have a material adverse effect on the Company's business, prospect financial condition and results of operations.

In addition, the Company’s failure to comply with applicable laws or regulations or acts of misconduct could subject the Company to fines and penalties and suspension from contracting, which could weaken its ability to win contracts and result in reduced revenues and profits and could have a material adverse impact on its business, prospect financial condition and results of operations. Fraud may also occur and remain undetected, resulting in a loss of assets or misstatement in the Company's financial statements and related public disclosures.

Reliance on key professionals

The Company's operations are dependent on the abilities, experience and efforts of its professionals, many of whom have significant reputations and contacts in the industry in which the Company operates. Should any members of its professional staff be unable or unwilling to continue their relationship with the Company, its business, prospect financial condition and results of operations could be materially adversely impacted.
Shortage of engineers

The Company's success depends in part on its continued ability to attract and retain qualified and skilled engineers. Over the years, a significant shortage of engineers has developed and resulted in continued upward pressure on engineer compensation packages. There can be no assurance that the Company will be able to attract, hire and retain a sufficient number of engineers necessary to continue to maintain and grow its business. The inability to attract, hire and retain a sufficient number of engineers could limit its ability to sustain and increase revenues.

Possible acquisitions and integrations

The Company intends to continue making acquisitions from time to time as part of its strategy to grow its business. Acquisitions, if they occur, will increase the size of its operations and may increase the amount of indebtedness that the Company has to service. There is no assurance that the Company will be able to acquire operations on satisfactory terms, or at all. The successful integration and management of acquired businesses involve numerous risks that could adversely affect the Company's growth and profitability, including: (i) the risk that the Company may not be able to obtain the necessary capital to finance by way of debt financing (ii) the risk that the Company may not be able to successfully manage the acquired operations and the integration may place significant demands on the Company's Management, diverting their attention from existing operations; (iii) the risk that its operational, financial and management systems may be incompatible with or inadequate to effectively integrate and manage acquired systems; (iv) the risk that acquisitions may require substantial financial resources that otherwise could be used in the development of other aspects of the Company's business; (v) the risk that major clients of the acquired firms may not be retained following the acquisition of such firms; and (vi) the risk that acquisitions may result in liabilities and contingencies, which could be significant to the Company's operations. The successful integration of an acquired business is also subject to the risk that personnel and professionals from the acquired business and the Company's existing business may not be able to work together successfully, which could affect its operations. In particular, the Company may seek to require as a condition of its acquisitions that key personnel and professionals enter into employment agreements for specified post-acquisition periods or non-competition undertakings; however, there are risks that such commitments will not be fulfilled or that the personnel and professionals subject to same or other personnel and professionals will not be successfully integrated as productive contributors to the Company's business. There is no assurance that the Company will be able to successfully integrate its acquisitions and the Company's failure to do so could have a material adverse effect on its business, prospect financial condition and results of operations.

Reduction of backlog

The Company cannot guarantee that the revenues projected in its backlog will be realized or, if realized, will result in profits. Projects may remain in the Company's backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur, from time to time, with respect to contracts reflected in
its backlog, especially during economic downturn. Backlog reductions adversely affect the revenues that the Company actually receives from contracts reflected in its backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of its backlog and the revenues that it actually receives. Most contracts for services with its clients are terminable by the clients on short notice. If a reduction in its backlog occurs, it could incur costs resulting from reductions in staff that would have the effect of reducing its net earnings.

**Geographic concentration**

The business of the Company is largely conducted in the province of Quebec, where it derived 47.1% of its net revenues for the year ended December 31, 2011. Accordingly, the Company is highly dependent on the general economic conditions of this region. If at any given time, a significant portion of the Company's revenues is derived from a specific geographic region, industry, or sector and the Company is unable to adjust its workforce or service mix to a downturn in a geographic region, business may be impacted by a number of factors, which may include the following:

- Changes in employment levels;
- The impact of present or future environmental, zoning, or other laws and regulations;
- Changes in real estate tax rates and assessments and other operating expenses;
- Required compliance with a variety of laws and regulations of jurisdictions outside Canada, including labour and tax laws;
- Customers outside Canada may have longer payment cycles; and
- Natural or human-made disasters and other factors that are beyond the Company's control.

**International operations**

In addition to its operations in Canada, the Company (i) has operations in Trinidad and Tobago, France and Colombia; (ii) pursues contracts for clients in Trinidad and Tobago, France, Colombia as well as other countries; and (iii) derives some of its revenues from such operations. Although its international operations have represented approximately 1.8% of its net revenues for the year ended December 31, 2011, and its overall international operations were mostly conducted for Canadian-based clients, completed from resources of its Canadian offices and paid in Canadian dollars, the Company's international operations could increase in the future given the Company's recent international expansion and its long-term international growth strategy.

International business is subject to a variety of special risks, including (a) greater risk of uncollectible accounts and longer collection cycles; (b) logistical and communications challenges; (c) potential adverse changes in laws and regulatory practices; (d) changes in labour conditions; (e) general economic and political conditions in the foreign markets; (f) international hostilities; (g) risks related to
complying with a wide variety of local, national, and international laws; (h) the difficulties and costs of staffing and managing international operations; (i) changes in exchange rates; (j) multiple and possibly overlapping tax structures; and (k) political and economic instability.

In addition, the Company may face competition in other countries from companies that may have more experience with operations in such countries or with international operations generally. The Company is also exposed to currency risks as a result of potential exchange rate fluctuations. These and other risks associated with international operations could have a material adverse effect on its business, prospect financial condition and results of operations.

**Dependence on economic conditions**

Economic slowdowns or downturns, adverse economic conditions, cyclical trends, increases in interest rates, variations in currency exchange rates, availability, cost and terms of financing, reduced client spending and other factors could have a material adverse effect on its business, prospect financial condition and results of operations. Although its operations are functionally diversified, significant erosion in levels of activity in any market segment in which the Company operates could have a negative impact on its business, prospect financial condition and results of operations.

The Company's business success depends in part on its ability to anticipate and effectively manage these economic risks. The Company cannot provide assurances that it will manage those risks. A failure of the Company to successfully do so could have a negative impact on its business, prospect financial condition and results of operations.

**Revenues from contracts with government agencies**

The demand for the Company's services is related to the level of government funding that is allocated for rebuilding, improving, and expanding infrastructure systems. The Company derives a significant amount of its revenues from government or government-funded projects and expects to continue to do so in the future. Significant changes in the level of government funding (whether from traditional funding constraints), the long-term impacts of the recent economic crisis (including future budgetary constraints and concerns regarding deficits), changing political priorities, change in government or delays in projects caused by the election process, may adversely affect on its business, prospect financial condition and results of operations.

The success and further development of the Company's business depends, in part, on the continued funding of these government programs and on the Company's ability to participate in these programs. However, governments may not have available resources to fund these programs or may not fund these programs even if they have available financial resources. Some of these government contracts are subject to renewal or extensions annually, so the Company cannot be assured of its continued work under these contracts in the future. In addition, government agencies can terminate these contracts at their convenience. The Company may incur costs in connection with the termination of
these contracts and suffer a loss of business. Contracts with government agencies are sometimes subject to substantial regulation and audit of the actual costs incurred. Consequently, there may be a downward adjustment to the Company’s revenues if accrued recoverable costs exceed actual recoverable costs.

**Fixed-price negotiated fee contracts**

A portion of the Company’s revenues comes from fixed-price negotiated fee contracts. Under fixed-price negotiated fee contracts, the Company agrees to perform either all or a specified portion of work under the contract for a fixed amount of fees. Fixed-price negotiated fee contracts expose the Company to a number of risks not inherent in hourly basis contracts, including underestimation of fees, ambiguities in specifications, unforeseen difficulties, problems with new technologies, delays beyond its control and economic or other changes that may occur during the contract period. Increasing use of fixed-price negotiated fee contracts or increasing size of such contracts would increase its exposure to these risks. Losses under fixed-price negotiated fee contracts could have a material adverse effect on its business, prospect financial condition and results of operations.

**Dependence on clients**

Engineering services, as provided by the Company, is subject to fluctuations resulting from different factors, including economic conditions. Furthermore, as most contracts for services with its clients are terminable by the clients on short notice, there can be no assurance that the Company will be able to retain its relationships with its largest clients. The Company’s largest clients usually comprise many decision-making units, each of which is responsible for awarding a portion of such client’s contracts. This situation reduces the Company’s dependence on such clients. However, there can be no assurance that any or all decision-making units of its largest clients will continue to use its services in the future. Any negative change involving any of its largest clients, including but not limited to a client’s prospect financial condition, or desire of such clients or of a significant number of decision-making units of such clients to continue using its services, could result in a significant reduction in business which could have a material adverse effect on its business, prospect financial condition and results of operations.

**Reliance on suppliers and subcontractors**

The Company relies on third party suppliers and subcontractors. The profitable completion of some contracts depends to a large degree on the satisfactory performance of the subcontractors that complete different elements of work. If these subcontractors do not perform to accepted standards, the Company may be required to hire different subcontractors to complete the tasks, which may add additional costs to a contract, may impact profitability on a specific job and in certain circumstances lead to significant losses. The failure of such third party suppliers and subcontractors to execute or effectively manage their own business plans and deliver on their contractual commitments could have a material
adverse effect on its business, prospect financial condition and results of operations.

**Increased assumption of risk by the company**

In order to adapt to the current trends affecting the manner in which projects are performed in the areas in which the Company operates, it may participate in upfront qualification work, for example in the context of a request for qualifications, in order to participate in consortia formed to bid on large projects. The qualification work the Company performs is usually performed on a cost basis. The time invested in participating in consortia for large projects and the related qualification work may ultimately not result in the Company obtaining contracts on which it can generate profit margins.

**Risk of future legal proceedings**

The Company is threatened from time to time with, or named as a defendant in, or may become subject to various legal proceedings in the ordinary course of conducting its business, including lawsuits based upon professional errors and omissions and lawsuits related to the general contracting business historically carried on by Old GENIVAR. Defending lawsuits of this nature or arising out of any of the services provided by the Company could require substantial amounts of its Management's attention away from normal business operations, necessitate financial resources to the defense of such claims or result in significant attorney fees and damage awards for which the Company may not be fully insured and which could harm its reputation, thereby affecting its prospect financial condition. A significant judgment against the Company or the imposition of a significant fine or penalty as a result of a finding that the Company has failed to comply with laws or regulations could have a material adverse effect on its business, prospect financial condition and results of operations.

**Insurance limits**

The Company believes that its professional errors and omissions insurance and director and officer liability insurance coverage addresses all material insurable risks, provides coverage that is similar to that which would be maintained by a prudent operator of a similar business and is subject to deductibles, limits and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that such insurance will continue to be offered on economically feasible terms, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the Company's assets or operations.

**Environmental, health, and safety risks and hazards in the workplace**

The Company's Health, Safety & Environment program is aimed at reducing risks to people, the environment, and its business; however, employees are subject to environmental, health, and safety risks in the course of their employment. A number of these risks could result in personal injury, loss of life, or environmental and other damage to the Company's property or the property of others. Alternatively, the Company could be exposed to civil or statutory liability to
employees arising from injuries or deaths because of inadequate health and safety policies and practices. The Company cannot fully protect against all these risks, nor are all these risks insurable. The Company may become liable for damages arising from these events against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. Furthermore, the Company risks incurring additional costs on projects that have sustained environmental, health, and safety hazards because they may require additional time to complete or because employee time may be lost due to injury.

**Interruption to systems and network infrastructure**

The Company heavily relies on computer information, communications technology, and related systems in order to operate properly. If the Company is unable to continually add software and hardware, effectively upgrade its systems and network infrastructure, maintain key information technology personnel, and take other steps to improve the efficiency of and protect its systems, the Company’s operation systems could be interrupted or delayed. In addition, the Company’s computer and communications systems and operations could be damaged or interrupted by natural disasters, telecommunications failures, acts of war or terrorism, computer viruses, physical or electronic security breaches, or similar events or disruptions. Any of these or other events could cause system interruptions, delays, and loss of critical data; could delay or prevent operations; and may adversely affect on its business, prospect financial condition and results of operations.

**Accounts receivable**

As is common in the engineering services industry, the Company carries a high level of accounts receivable on its balance sheet. This value is spread amongst numerous contracts and clients. While the Company performs regular reviews of accounts receivable to identify clients with overdue payments and resolve issues causing any delays, there can be no assurance that outstanding accounts receivable will be paid on a timely basis or at all.

**RISKS RELATED TO THE INDUSTRY**

**Competition in the industry**

The Company operates in highly competitive markets and have numerous competitors for all of the services it offers. Size and characteristics of competitors vary widely with the type of service it provides. On large capital infrastructure industrial and facilities projects, competitors are usually other full-service engineering services firms. However, the Company also competes with small and medium sized multidisciplinary regional firms or niche players who offer specific services. Some of its competitors have longer operating histories, greater name recognition, larger customer bases and have achieved substantially more market penetration in certain of the areas in which it competes. In addition, some of its competitors, including important U.S. and international competitors that have expanded their operations to Canada through acquisitions of Canadian-based firms, have substantially more financial resources or financial flexibility and marketing resources than the Company. These competitive forces could have a material adverse effect on the Company's business, its financial condition and
results of operations by reducing its current market share in the market segments in which the Company operates.

**Reduction in the scope of environmental regulations**

A portion of the Company's engineering services business is generated directly or indirectly as a result of laws and regulations regarding environmental protection. Changes in environmental regulations could affect the Company's business more significantly than they would affect other engineering services firms. Accordingly, a reduction in the number or scope of these laws and regulations could significantly reduce the size of its market environment segment and have a material adverse effect on its business, prospect financial condition and results of operations.

**Increased awareness of environmental factors**

As part of increasing awareness of global climate change, some experts have suggested that companies involved in industries that impact the environment may be subject to litigation from governments, shareholders, or environmental activists. The cancellation of major projects for the Company due to environmental concerns or significant environmental litigation impacting key clients could materially affect the Company's financial results.

**RISKS RELATED TO INDEBTEDNESS**

**Additional capital required to fund acquisition strategy**

In order to fund future acquisitions, the Company will need access to substantial amounts of capital. However, the Company may be unable to obtain the necessary capital to finance a successful acquisition program while meeting its other cash needs. If the Company is unable to obtain additional capital on acceptable terms, the Company may be required to reduce the scope of its anticipated expansion, which may negatively affect its future competitiveness and results of operations. Using internally generated cash or taking on debt to complete acquisitions could substantially limit the Company's operational and financial flexibility. The extent to which the Company will be able or willing to use its shares for acquisitions will depend on the market value of its shares from time to time and the willingness of potential sellers to accept its shares as full or partial payment.

**Potential dilution**

The Company's business strategy is to expand into new markets and enhance its position in existing markets through internal growth and through the acquisition of complementary businesses. In order to successfully complete targeted acquisitions or to fund our other activities, the Company may issue additional equity securities that could dilute share ownership. The Company's articles also permit the issuance of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. The Company may also incur additional debt if it acquires another company, and this could increase its debt repayment obligations which could have a negative impact on future liquidity and profitability.
Additional capital requirements
The Company believes that its operating income will be sufficient to fund operations and planned capital expenditures in the near term. However, the Company may be required to raise additional capital in the future. The availability of future financing will depend on prevailing market conditions and the acceptability of financing terms offered. There can be no assurance that future financing will be available, or available on acceptable terms, in an amount sufficient to fund its needs, especially during economic downturns.

RISKS RELATED TO THE ARRANGEMENT
Indemnity in connection with the Arrangement
As part of the Arrangement, Old GENIVAR combined with the Fund and, as a result, all the assets and liabilities of Old GENIVAR have been distributed and assumed by the Company, as the successor entity. Accordingly, the Fund and its subsidiaries have completed, prior to the completion of the Arrangement, a due diligence investigation of the assets and liabilities of Old GENIVAR.

There may be liabilities that the Fund and its subsidiaries failed to or were unable to discover in their due diligence and the Company may not be indemnified for some or all of these liabilities. In particular, Old GENIVAR may have liabilities related to its former activities as part of the general contracting business historically carried on it following the initial public offering. Consequently, the Company may be legally and financially responsible for these liabilities.

Although the Arrangement Agreement includes an indemnification mechanism in favour of the Company, the Company's right to indemnification is subject to a maximum amount of $3.0 million (the "Maximum Amount") and certain other limitations. No additional indemnification rights are available to the Company with respect to the Arrangement, including any general indemnification rights pursuant to the Civil Code of Quebec or Common Law. The discovery of any material liabilities which would be in excess of the Maximum Amount could have a material adverse effect on the business, prospect financial condition and results of operations of the Company.

RISKS RELATED TO THE COMMON SHARES
Payment of dividends
Any decisions to pay dividends on the shares is, subject to the discretion of the Board of Directors, based on, among other things, the Company's earnings, financial requirements for the Company's operations, the satisfaction of applicable solvency tests for the declaration and payment of dividends and other conditions existing from time to time, including the completion of a material acquisition by the Company. As a result, no assurance can be given as to whether the Company will pay dividends, or the frequency or amount of any such dividend.
ADDITIONAL INFORMATION
Additional information regarding the Company is available on the Website at www.genivar.com and on SEDAR at www.sedar.com. The Annual Information Form for the year ended December 31, 2011, will be available on these Websites by the end of March 2012.

The common shares of the Company are traded on the Toronto Stock Exchange under the symbol “GNV.” As at December 31, 2011, and March 23, 2012, the Company had 32,637,916 common shares and 32,712,623 common shares outstanding, respectively. The Company has no other shares outstanding.

GLOSSARY

Net revenues
Net revenues are defined as revenues from consulting services less direct costs for subconsultants and other direct expenses that are recoverable directly from the clients. Net revenues is not an IFRS measure and does not have a standardized definition within IFRS. Therefore, net revenues may not be comparable to similar measures presented by other issuers. Investors are warned that net revenues should not be construed as an alternative to revenues for the year (as determined in accordance with IFRS) as an indicator of GENIVAR’s performance.

EBITDA and EBITDA per share/unit
EBITDA is defined as earnings before financial expenses, income tax expenses, depreciation and amortization. EBITDA is not an IFRS measure and does not have a standardized definition within IFRS. Investors are cautioned that EBITDA should not be considered an alternative to net earnings for the year (as determined in accordance with IFRS) as an indicator of GENIVAR’s performance, or an alternative to cash flows from operating, financing and investing activities as a measure of GENIVAR's liquidity and cash flows. GENIVAR’s method of calculating EBITDA may differ from the methods used by other issuers and, accordingly, GENIVAR’s EBITDA may not be comparable to similar measures used by other issuers.

EBITDA per share/unit is calculated using the weighted average number of shares/units receiving dividends/distributions.

Income tax expenses per share/unit
Income tax expenses per share/unit is defined as the income tax expenses on the diluted weighted average number of shares/units.

Adjusted net earnings and adjusted net earnings per share/unit
Adjusted net earnings is not an IFRS measure and is defined as net earnings without the income and expenses of the financial liability related to LP Units.
Adjusted net earnings per share/unit is calculated using the adjusted net earnings divided by the weighted average number of shares/units receiving dividends/distributions.

**Funds from operations and funds from operations per share/unit**

Funds from operations is not an IFRS measure. It provides Management and investors with a proxy for the amount of cash generated from operating activities before changes in non-cash working capital items.

Funds from operations per share/unit is calculated using the weighted average number of shares/units receiving dividends/distributions.

**Free cash flow and free cash flow per share/unit**

Free cash flow is not an IFRS measure. It provides a consistent and comparable measurement of free cash flow generated from operations across entities and is used as an indicator of financial strength and performance. Free cash flow is defined as cash flows from operating activities, including operating cash flows provided from or used in discontinued operations as reported in accordance with IFRS, less total capital expenditures as reported in the financial statements.

Free cash flow per share/unit is calculated using the weighted average number of shares/units receiving dividends/distributions.