

# AECON FORWARD

Third Quarter  
Report 2018

**AECON**





Dear Fellow Shareholders,

Aecon reported strong results for the third quarter of 2018, with significant growth in revenue and profitability demonstrating ongoing ramp up and execution on a record level of \$7.0 billion in backlog. This backlog represents a 65 per cent increase since the beginning of 2018 and will provide significant long-term visibility for Aecon. For the three months ended September 30, 2018, improved Adjusted EBITDA of \$89.5 million (margin of 8.8 per cent) compared favourably to Adjusted EBITDA of \$58.7 million (margin of 7.7 per cent) in the third quarter of 2017.

These results highlight the advantage of Aecon's diverse capabilities paired with a robust infrastructure market and continued demand for Aecon's unique offering of industrial services, including nuclear, utilities and mainline pipeline work – a combination to drive strong performance and further success.

Contributing to Aecon's current record level of backlog, new contract awards of \$1.6 billion were booked in the third quarter of 2018, including:

- Bridging North America, a consortium in which Aecon holds a 20 per cent interest, announced financial close on the Gordie Howe International Bridge project, adding \$685 million to Aecon's Infrastructure segment backlog; and
- A \$248 million contract for the F.G. Gardiner Expressway Rehabilitation Project: Section 1 in Toronto.

Subsequent to quarter end, Aecon announced:

- An Aecon 50/50 joint venture was awarded a \$526 million contract by TransCanada Corporation for Spreads 3 and 4 of the Coastal GasLink Pipeline project in British Columbia; and
- A joint venture in which Aecon has a 40 per cent interest was awarded a \$267 million contract by Metro Vancouver (Greater Vancouver Water District) for the Second Narrows Water Supply Tunnel project in British Columbia.

Another strong year of growth is anticipated in 2019. Our current backlog coupled with a robust pipeline of future opportunities is expected to support the goals of revenue growth and improving Adjusted EBITDA margin.

In the Infrastructure segment, increased investment to address the significant infrastructure deficit in Canada is a key area of focus for federal, provincial, and municipal governments, and Aecon is well positioned to successfully bid on, secure, and deliver these major projects. Bidding activity continues to be robust and Aecon expects to be a beneficiary of this increased investment as evidenced by our recent awards, which will drive growth in this segment in 2018 and beyond.

In the Industrial segment, Aecon's capability in the nuclear refurbishment sector, combined with work secured to date, and the ongoing fifteen-year and ten-year refurbishment projects at the Bruce Nuclear Generating Station and with Ontario Power Generation, respectively, provides a significant long-term growth opportunity. Aecon's capabilities in servicing utility clients continues to be a strength that should lead to growth from the increased demand for utility services, pipelines and power work. While oil and commodity prices are improving, they have not reached a level to support a pick up in significant new oil and mining construction projects. On October 3, 2018, Aecon announced it had entered into an agreement to sell substantially all of its assets related to its Contract Mining business to North American Construction Group Inc. for \$199.1 million in cash.

The Concessions segment continues to partner with Aecon's other segments to focus on the significant number of Public-Private Partnership (P3) opportunities in Canada and is actively pursuing a number of large-scale infrastructure projects that require private finance solutions. Concessions is participating as a concessionaire on the Finch West, Waterloo and Eglinton Crosstown LRT projects, as well as the Gordie Howe International Bridge project and the Bermuda International Airport Redevelopment project.

On November 5, 2018, Aecon announced that the Honourable Brian V. Tobin, P.C., O.C. will step down from the board of directors, effective December 31, 2018. The announcement follows Mr. Tobin's appointment as Vice-Chair of BMO Financial Group. The board will appoint a new Lead Director in due course. In his 13 years serving on the board, Brian has brought a wealth of experience and dedication to Aecon, and the board thanks him for his valuable contributions. Aecon's board is comprised of dedicated industry and business leaders, and with the appointment of Jean-Louis Servranckx on October 25, 2018, the board is well positioned to guide Aecon in successfully executing upon the opportunities ahead. As members of the board, we look forward to building on the momentum Aecon has developed and driving ongoing success for all of our stakeholders.

Sincerely,



John M. Beck  
Executive Chairman



Jean-Louis Servranckx  
President and Chief Executive Officer

**Aecon Group Inc.**

**Management's Discussion and Analysis  
of Operating Results and Financial Condition**

**September 30, 2018**

## Management’s Discussion And Analysis Of Operating Results And Financial Condition (“MD&A”)

The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. (“Aecon” or the “Company”) should be read in conjunction with the Company’s September 30, 2018 interim condensed consolidated financial statements and notes, which have not been reviewed by the Company’s external auditors, and in conjunction with the Company’s annual MD&A for the year ended December 31, 2017. This MD&A has been prepared as of October 25, 2018. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval (“SEDAR”) at [www.sedar.com](http://www.sedar.com) and includes the Company’s Annual Information Form and other securities and continuous disclosure filings.

### Introduction

Commencing in 2018, Aecon’s Energy and Mining segments were combined into an Industrial segment to align with Aecon’s new operating management structure and to build on the “One Aecon” business strategy to capitalize on and combine the strengths and synergies of the Aecon group. Prior year comparative figures have been restated to conform to the presentation adopted in the current year.

Aecon currently operates in three principal segments within the construction and infrastructure development industry: Infrastructure, Industrial and Concessions.

The Infrastructure segment includes all aspects of the construction of both public and private infrastructure, primarily in Canada, and on a selected basis, internationally. The Infrastructure segment focuses primarily on the following sectors:

INFRASTRUCTURE	
Sector	Service Focus
Transportation	<ul style="list-style-type: none"><li>• Roads and bridges</li><li>• Rail and transit</li><li>• Municipal road construction</li><li>• Asphalt production and aggregates</li><li>• Material engineering and design</li><li>• Foundations</li></ul>
Major Projects	<ul style="list-style-type: none"><li>• Hydroelectric</li><li>• Tunnels and transit stations</li><li>• Marine</li><li>• Major civil transportation infrastructure</li><li>• Water treatment facilities</li><li>• Mechanical systems</li><li>• Airports</li></ul>

The Industrial segment encompasses a full suite of service offerings, primarily to energy and mining markets, including conventional industrial construction and manufacturing activities such as in-plant construction, site construction, fabrication, module assembly and contract mining. The Industrial segment offers turnkey services consolidating Aecon’s industrial and manufacturing capabilities and services across Canada, with a focus on delivering construction services that span the scope of a project’s life cycle from site preparation, overburden removal, and resource extraction to processing and environmental reclamation. The activities of the Industrial segment are concentrated predominantly in Canada and focus primarily on the following sectors:

**INDUSTRIAL**

<b>INDUSTRIAL</b>	
<b>Sector</b>	<b>Service Focus</b>
Conventional Industrial	<ul style="list-style-type: none"> <li>• Steam Assisted Gravity Drainage (SAGD) operations in the oil sands</li> <li>• Turnkey well pad construction and field facilities</li> <li>• Liquefied natural gas (LNG) plants</li> <li>• Gas compression facilities</li> <li>• Thermal and hydro</li> <li>• Natural gas</li> <li>• Renewables</li> <li>• Fabrication (pipe fabrication, custom steel)</li> <li>• Modularization and field installation</li> <li>• Plant maintenance turnaround</li> <li>• Mine site development including overburden removal and piling services</li> <li>• Environmental reclamation services</li> <li>• Ore storage facilities</li> <li>• Heavy mechanical works</li> <li>• Complete process installations</li> </ul>
Nuclear	<ul style="list-style-type: none"> <li>• Full EPC project services</li> <li>• Reactor component replacement</li> <li>• Plant system overhaul, upgrades and modifications</li> <li>• Maintenance and outage support</li> <li>• Nuclear waste management sites and facilities</li> <li>• Fabrication of engineered modules, waste containers and flasks, plant equipment and components</li> <li>• Structural and pipe fabrication</li> <li>• CANDU single or multiple fuel channel replacements</li> <li>• Turbine generator maintenance/overhaul</li> <li>• Facility construction and maintenance</li> <li>• Facility decommissioning</li> </ul>
Utilities	<ul style="list-style-type: none"> <li>• Oil and gas pipeline construction and integrity programs</li> <li>• Telecom infrastructure</li> <li>• Power transmission and distribution networks</li> <li>• Water and sewer construction</li> <li>• District energy</li> <li>• Locate services</li> <li>• High voltage transmission</li> </ul>

Activities within the Concessions segment include the development, financing, construction and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer and other public-private partnership contract structures. The Concessions segment focuses primarily on the following activities:

**CONCESSIONS**

<b>CONCESSIONS</b>	
<b>Activities</b>	<b>Service Focus</b>
Project Financing	<ul style="list-style-type: none"> <li>• Development of domestic and international Public-Private Partnership (“P3”) projects</li> <li>• Private finance solutions</li> </ul>
Development	<ul style="list-style-type: none"> <li>• Developing effective strategic partnerships</li> <li>• Leading and/or actively participating in development teams</li> </ul>
Construction and Operation	<ul style="list-style-type: none"> <li>• Seamlessly integrating the services of all project participants</li> <li>• Harnessing strengths and capabilities of Aecon</li> </ul>

The construction industry in Canada is seasonal in nature for companies like Aecon that perform a significant portion of their work outdoors, particularly road construction and utilities work. As a result, less work is performed in the winter and early spring months than in the summer and fall months. Accordingly, Aecon has historically experienced a seasonal pattern in its operating results, with the first half of the year, and particularly the first quarter, typically generating lower revenue and profit than the second half of the year. Therefore, results in any one quarter are not necessarily indicative of results in any other quarter, or for the year as a whole.

## **FORWARD-LOOKING INFORMATION**

The information in this Management's Discussion and Analysis includes certain forward-looking statements. Although these forward-looking statements are based on currently available competitive, financial and economic data and operating plans, they are subject to risks and uncertainties. In addition to events beyond Aecon's control, there are factors which could cause actual or future results, performance or achievements to differ materially from those expressed or inferred herein including risks associated with an investment in the common shares of Aecon and the risks related to Aecon's business, including, but not limited to, the timing of projects, unanticipated costs and expenses, general market and industry conditions and operational and reputational risks, including Large Project Risk and Contractual Factors.

Risk factors are discussed in greater detail in the section on "Risk Factors" included in the Short Form Prospectus dated September 19, 2018, which is available through SEDAR at [www.sedar.com](http://www.sedar.com). Forward-looking statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, ongoing objectives, strategies and outlook for Aecon. Forward-looking statements may in some cases be identified by words such as "will", "plans", "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" or the negative of these terms, or similar expressions. Other important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause its results to differ materially from those expressed in any forward-looking statements. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Aecon undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## **FINANCIAL REPORTING STANDARDS**

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting".

## **NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES**

The MD&A presents certain non-GAAP and additional GAAP (GAAP refers to Canadian Generally Accepted Accounting Principles) financial measures to assist readers in understanding the Company's performance. These non-GAAP measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Management uses these non-GAAP and additional GAAP measures to analyze and evaluate operating performance. Aecon also believes the non-GAAP and additional GAAP financial measures below are commonly used by the investment community for valuation purposes, and are useful complementary measures of

profitability, and provide metrics useful in the construction industry. The most directly comparable measures calculated in accordance with GAAP are profit (loss) attributable to shareholders or earnings (loss) per share.

Throughout this MD&A, the following terms are used, which are not found in the Chartered Professional Accountants of Canada Handbook and do not have a standardized meaning under GAAP.

### **Non-GAAP Financial Measures**

Non-GAAP financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with GAAP in the consolidated financial statements.

- **“Adjusted EBITDA”** represents operating profit (loss) adjusted to exclude depreciation and amortization, the gain (loss) on sale of assets and investments, and net income (loss) from projects accounted for using the equity method, but including “Equity Project EBITDA” from projects accounted for using the equity method.
- **“Equity Project EBITDA”** represents Aecon’s proportionate share of the earnings or losses from projects accounted for using the equity method before depreciation and amortization, net financing expense and income taxes.
- **“Adjusted EBITDA margin”** represents Adjusted EBITDA as a percentage of revenue.
- **“Backlog”** means the total value of work that has not yet been completed that: (a) has a high certainty of being performed as a result of the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to Aecon, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured. Operations and maintenance (“O&M”) activities are provided under contracts that can cover a period of up to 30 years. In order to provide information that is comparable to the backlog of other categories of activity, Aecon limits backlog for O&M activities to the earlier of the contract term and the next five years.

### **Additional GAAP Financial Measures**

Additional GAAP financial measures are presented on the face of the Company’s consolidated statements of income and are not meant to be a substitute for other subtotals or totals presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures.

- **“Gross profit”** represents revenue less direct costs and expenses. Not included in the calculation of gross profit are marketing, general and administrative expenses (“MG&A”), depreciation and amortization, income or losses from construction projects accounted for using the equity method, foreign exchange, interest, gains or losses on the sale of assets, income taxes, and non-controlling interests.
- **“Gross profit margin”** represents gross profit as a percentage of revenue.
- **“Operating profit (loss)”** represents the profit (loss) from operations, before net financing expense, income taxes and non-controlling interests.
- **Operating margin”** represents operating profit (loss) as a percentage of revenue.

## **BUSINESS STRATEGY**

On September 4, 2018, Jean-Louis Servranckx assumed the role of President and Chief Executive Officer of the Company. Mr. Servranckx has over 30 years of experience in the construction industry and was most recently President and CEO of Eiffage Civil Works Division, now known as Eiffage Infrastructures Branch, a business with over \$6 billion in revenue and operations throughout Europe, Africa and in Canada. Mr. Servranckx graduated from École des Mines de Paris, holds an MBA from INSEAD and is fluent in English, French and Spanish.

On October 25, 2018, Aecon announced the appointment of Jean-Louis Servranckx to Aecon's Board of Directors.

### **Aecon Agrees To Sell Contract Mining Business To North American Construction Group**

On October 3, 2018, Aecon announced that it had entered into a definitive asset purchase agreement with North American Construction Group Inc. ("NACG") under which an affiliate of Aecon agreed to sell to NACG substantially all of the assets related to Aecon's contract mining business for \$199.1 million in cash.

Aecon's contract mining business provides overburden removal and environmental reclamation services through a fleet of earth-moving equipment, primarily in the oil sands in Fort McMurray, Alberta.

Upon signing the asset purchase agreement, NACG paid Aecon a \$10 million deposit, which will be applied to the purchase price if the transaction closes as contemplated. The balance of the purchase price will be paid in four instalments, with the first instalment of \$153.6 million due at closing and the following three instalments of \$11.8 million each being paid six, twelve and eighteen months following closing, secured by a charge over certain assets that are the subject of the transaction. The deferred payments are not subject to conditions.

If the sale transaction is not completed due to a default by NACG of its obligations under the agreement, the deposit will be retained by Aecon.

Aecon will continue to operate its contract mining business, with no disruption to its clients or employees, in the normal course pending closing of the sale transaction.

The sale transaction is subject to various purchase price adjustments and customary closing conditions, including necessary regulatory approvals.

### **Proposed Arrangement Not To Proceed**

On October 26, 2017, the Company entered into an arrangement agreement (the "Arrangement Agreement") with CCCC International Holding Limited and 10465127 Canada Inc. (together, "CCCI"), pursuant to which CCCI agreed, subject to satisfaction of customary conditions, to acquire all of the issued and outstanding Common Shares of Aecon for \$20.37 per Common Share in cash by way of a statutory plan of arrangement under the Canada Business Corporations Act (the "Arrangement").



On May 23, 2018, the Company was informed that the Governor in Council had issued an order under the Investment Canada Act directing CCCI not to implement its proposed acquisition of Aecon. As a result, the Arrangement did not proceed.

The reader is referred to the discussion on Business Strategy as outlined in the MD&A in the 2017 Annual Report available on the Company's website at [www.aecon.com](http://www.aecon.com) or through SEDAR at [www.sedar.com](http://www.sedar.com).

## CONSOLIDATED FINANCIAL HIGHLIGHTS

\$ millions (except per share amounts)	Three months ended		Nine months ended	
	September 30		September 30	
	2018	2017	2018	2017
<b>Revenue</b>	\$ 1,019.7	\$ 759.7	\$ 2,317.8	\$ 2,120.7
Gross profit	125.1	99.3	251.5	221.9
Marketing, general and administrative expenses	(43.1)	(46.4)	(134.2)	(140.2)
Income from projects accounted for using the equity method	3.9	3.2	6.9	6.2
Foreign exchange gain (loss)	(0.5)	-	0.5	2.5
Gain on sale of assets	0.2	1.5	0.6	0.2
Depreciation and amortization	(29.5)	(24.5)	(78.6)	(69.6)
<b>Operating profit</b>	<b>56.2</b>	<b>33.1</b>	<b>46.8</b>	<b>21.1</b>
Financing expense, net	(5.2)	(5.9)	(15.5)	(16.8)
<b>Profit before income taxes</b>	<b>51.0</b>	<b>27.2</b>	<b>31.3</b>	<b>4.4</b>
Income tax recovery (expense)	(9.0)	(2.6)	(0.1)	2.7
<b>Profit</b>	<b>\$ 42.0</b>	<b>\$ 24.6</b>	<b>\$ 31.1</b>	<b>\$ 7.1</b>
<b>Gross profit margin</b>	<b>12.3%</b>	<b>13.1%</b>	<b>10.9%</b>	<b>10.5%</b>
<b>MG&amp;A as a percent of revenue</b>	<b>4.2%</b>	<b>6.1%</b>	<b>5.8%</b>	<b>6.6%</b>
<b>Adjusted EBITDA</b>	<b>89.5</b>	<b>58.7</b>	<b>134.6</b>	<b>98.6</b>
<b>Adjusted EBITDA margin</b>	<b>8.8%</b>	<b>7.7%</b>	<b>5.8%</b>	<b>4.6%</b>
<b>Operating margin</b>	<b>5.5%</b>	<b>4.4%</b>	<b>2.0%</b>	<b>1.0%</b>
<b>Earnings per share - basic</b>	<b>\$ 0.70</b>	<b>\$ 0.42</b>	<b>\$ 0.52</b>	<b>\$ 0.12</b>
<b>Earnings per share - diluted</b>	<b>\$ 0.60</b>	<b>\$ 0.37</b>	<b>\$ 0.49</b>	<b>\$ 0.11</b>
<b>Backlog</b>			<b>\$ 7,005</b>	<b>\$ 4,319</b>

Revenue for the three months ended September 30, 2018 of \$1,020 million was \$260 million, or 34%, higher compared to the third quarter of 2017. The largest increase occurred in the Industrial segment (\$129 million), driven by higher volume in conventional industrial (\$90 million) and utilities operations (\$63 million), offset partially by lower revenue in nuclear operations (\$24 million). Revenue was also higher in the Infrastructure segment (\$127 million) from higher revenue in major projects (\$105 million) and transportation operations (\$22 million). Revenue was also higher in the Concessions segment (\$38 million), which was largely offset by inter-segment revenue eliminations that increased by \$34 million primarily due to revenue between the Concessions and Infrastructure segments related to the Bermuda International Airport Redevelopment Project.

Revenue in the first nine months of 2018 of \$2,318 million was higher by \$197 million, or 9%, compared to the same period in 2017. The largest increase occurred in the Infrastructure segment (\$211 million) from major projects (\$179 million) and transportation operations (\$32 million). Revenue was also higher in the Concessions

segment (\$48 million). Offsetting these increases to some extent was lower revenue in the Industrial segment (\$42 million), where lower revenue in nuclear operations (\$122 million) was only partially offset by an increase in utilities (\$77 million) and conventional industrial operations (\$3 million). Inter-segment revenue eliminations also increased by \$20 million period-over-period.

Operating profit of \$56.2 million in the third quarter of 2018 increased by \$23.1 million compared to operating profit of \$33.1 million in the same period of 2017, driven by higher gross profit of \$25.8 million. The largest gross profit increase occurred in the Industrial segment (\$12.8 million) primarily from volume driven increases in utilities and conventional industrial operations. Gross profit also increased in the Infrastructure segment (\$10.6 million) due to the impact of higher volume in both major projects and transportation operations, and in the Concessions segment (\$3.2 million) primarily from increased activity on the Bermuda International Airport Redevelopment Project.

Operating profit of \$46.8 million for the first nine months of 2018 increased by \$25.7 million compared to an operating profit of \$21.1 million in the same period of 2017 due to the impact of an increase in gross profit of \$29.6 million. Increases in gross profit in Infrastructure (\$20.1 million) and Concessions (\$11.6 million) were largely driven by the same reasons cited for the increase in gross profit in the third quarter. Partially offsetting these increases was lower gross profit in the Industrial segment (\$1.3 million) resulting primarily from a gross profit margin decrease in conventional industrial operations offset partially by a volume driven increase in gross profit in utilities. Lower volume in nuclear operations was more than offset by an improved gross profit margin.

Marketing, general and administrative expenses (“MG&A”) decreased by \$3.3 million and \$6.0 million for the three and nine-month periods ended September 30, 2018, respectively, compared to the same periods in 2017. The decrease in MG&A in both periods resulted primarily from a decrease in expenses incurred as a result of the now discontinued sale process and subsequent Arrangement (\$2.1 million decrease in the third quarter of 2018 and \$5.4 million decrease in the first nine months of 2018). MG&A as a percentage of revenue for the third quarter decreased from 6.1% in 2017 to 4.2% in 2018, and for the nine-month period decreased from 6.6% in 2017 to 5.8% in 2018, which reflects the impact of both lower costs and higher revenue in the three and nine-month periods of 2018.

Aecon’s participation in projects that are classified for accounting purposes as a joint venture or an associate, as opposed to a joint operation, are accounted for using the equity method of accounting. Aecon reported income of \$3.9 million in the third quarter of 2018 from projects accounted for using this method of accounting, compared to \$3.2 million last year, and income of \$6.9 million year-to-date in 2018 compared to \$6.2 million in 2017. The higher income in both the quarter and first nine months of the year was driven by an increase in the Concessions segment from light rail transit projects in Ontario (\$0.5 million and \$1.2 million, respectively), and in the Industrial segment (\$0.2 million and \$0.3 million, respectively), which were partially offset by a decrease in the Infrastructure segment (\$nil and \$0.8 million, respectively).

Depreciation and amortization expense of \$29.5 million in the third quarter of 2018 was \$5.0 million higher than the same period of 2017, driven primarily by the Industrial segment where equipment utilization increased to support higher volume in contract mining operations. Depreciation and amortization expense of \$78.6 million for the nine months ended September 30, 2018 was \$9.0 million higher than the same period last year, primarily as a result of increased equipment utilization in the Industrial segment, and from the inclusion of nine months of amortization expense in 2018 in the Concessions segment related to operating the existing airport concession as part of the Bermuda International Airport Redevelopment Project compared to only seven months of expense

recorded in 2017 following the award of the project late in the first quarter of 2017.

Financing expenses, net of interest income, of \$5.2 million in the third quarter of 2018, and \$15.5 million year-to-date in 2018, were \$0.7 million and \$1.3 million lower than the same periods in 2017.

Set out in Note 21 of the September 30, 2018 interim condensed consolidated financial statements is a reconciliation between the expected income tax recovery (expense) for the first nine months of 2018 and 2017 based on statutory income tax rates and the actual income tax recovery (expense) reported for both these periods.

Reported backlog as at September 30, 2018 of \$7,005 million compares to backlog of \$4,319 million a year earlier. For the second consecutive quarter this year, this backlog position is a new record level for Aecon. Prior to this year, the previous record of \$4,889 million was reported in the second quarter of 2016. New contract awards of \$1,581 million and \$5,075 million were booked in the third quarter and year-to-date in 2018, respectively, compared to \$714 million and \$2,236 million in the same periods in the prior year.

Backlog \$ millions	As at September 30	
	2018	2017
Infrastructure	\$ 4,684	\$ 2,083
Industrial	2,298	2,220
Concessions	23	16
<b>Consolidated</b>	<b>\$ 7,005</b>	<b>\$ 4,319</b>

Backlog duration, representing the expected period during which backlog on hand will be converted into revenue, is included in the table below:

Estimated backlog duration \$ millions	As at September 30			
	2018		2017	
Next 12 months	\$ 2,038	29%	\$ 1,470	34%
Next 13-24 months	1,375	20%	903	21%
Beyond	3,592	51%	1,946	45%
	<b>\$ 7,005</b>	<b>100%</b>	<b>\$ 4,319</b>	<b>100%</b>

Aecon does not report as backlog the significant number of contracts and arrangements in hand where the exact amount of work to be performed cannot be reliably quantified or where a minimum number of units at the contract specified price per unit is not guaranteed. Examples include time and material and some cost-plus and unit priced contracts where the extent of services to be provided is undefined or where the number of units cannot be estimated with reasonable certainty. Other examples include the value of construction work managed under construction management advisory contracts, concession agreements, multi-year operating and maintenance service contracts where the value of the work is not specified, supplier of choice arrangements and alliance agreements where the client requests services on an as-needed basis. None of the expected revenue from these

types of contracts and arrangements is included in backlog. Therefore, Aecon's anticipated future work to be performed at any given time is greater than what is reported as backlog.

Reported backlog includes the revenue value of backlog that relates to projects that are accounted for using the equity method. The equity method reports a single amount (revenue less expenses) on Aecon's consolidated statement of income, and as a result the revenue component of backlog for these projects is not included in Aecon's reported revenue. As at September 30, 2018, reported backlog from projects that are accounted for using the equity method was \$nil (September 30, 2017: \$nil).

Further details for each of the segments are included in the discussion below under Reporting Segments.

## **REPORTING SEGMENTS**

### **INFRASTRUCTURE**

#### **Financial Highlights**

\$ millions	Three months ended		Nine months ended	
	September 30		September 30	
	2018	2017	2018	2017
<b>Revenue</b>	\$ 439.7	\$ 312.5	\$ 912.8	\$ 701.6
<b>Gross profit</b>	\$ 45.3	\$ 34.8	\$ 77.7	\$ 57.6
<b>Adjusted EBITDA</b>	\$ 33.2	\$ 22.8	\$ 34.8	\$ 15.8
<b>Operating profit</b>	\$ 27.7	\$ 18.0	\$ 20.1	\$ 1.7
<b>Gross profit margin</b>	10.3%	11.1%	8.5%	8.2%
<b>Adjusted EBITDA margin</b>	7.5%	7.3%	3.8%	2.2%
<b>Operating margin</b>	6.3%	5.8%	2.2%	0.2%
<b>Backlog</b>			\$ 4,684	\$ 2,083

For the three months ended September 30, 2018, revenue in the Infrastructure segment of \$440 million was \$127 million, or 41%, higher than the same period in 2017. Revenue was higher in major projects (\$105 million) primarily due to increased activity on light rail transit ("LRT") projects in Eastern Canada, hydroelectric and waste water projects in Western Canada, and from the Bermuda International Airport Redevelopment Project. Revenue in transportation operations was also higher period-over-period (\$22 million) from increased roadbuilding activity in both Western and Eastern Canada.

For the nine months ended September 30, 2018, revenue of \$913 million was \$211 million, or 30%, higher than the first nine months of 2017. Revenue was higher in major projects (\$179 million) and transportation operations (\$32 million) for the same reasons cited for the third quarter revenue variances.

For the three months ended September 30, 2018, operating profit in the Infrastructure segment of \$27.7 million increased by \$9.7 million compared to an operating profit of \$18.0 million in the third quarter of 2017. Operating profit increased in major projects by \$7.4 million and in transportation operations by \$2.3 million, primarily due to higher volume in both cases.



For the nine months ended September 30, 2018, operating profit of \$20.1 million was an improvement of \$18.4 million compared to an operating profit of \$1.7 million in the comparable period in 2017. Operating profit improved in major projects by \$17.4 million and in transportation operations by \$1.0 million due to the same reasons cited for operating profit in the third quarter.

Infrastructure backlog as at September 30, 2018 was \$4,684 million, compared to \$2,083 million a year earlier, an increase of \$2,601 million. The largest increase was reported in major projects (\$2,372 million) as several significant multi-year projects were awarded in the first nine months of 2018 including the Site C Generating Station and Spillways Civil Works (“Site C”), the Réseau express métropolitain Montreal LRT (“Montreal REM”), the Finch West LRT, and the Gordie Howe International Bridge projects. Backlog in transportation operations also increased (\$229 million) primarily related to roadbuilding projects in Eastern Canada. New contract awards totaled \$1,156 million in the third quarter of 2018 and \$3,581 million year-to-date, compared to \$357 million and \$1,111 million respectively, in the same periods last year.

As discussed in the Consolidated Financial Highlights section, the Infrastructure segment’s anticipated future work to be performed at any given time is greater than what is reported as backlog.

## **INDUSTRIAL**

### **Financial Highlights**

\$ millions	Three months ended		Nine months ended	
	September 30		September 30	
	2018	2017	2018	2017
<b>Revenue</b>	\$ 566.3	\$ 437.1	\$ 1,367.6	\$ 1,409.5
<b>Gross profit</b>	\$ 62.3	\$ 49.6	\$ 134.3	\$ 135.6
<b>Adjusted EBITDA</b>	\$ 43.3	\$ 30.1	\$ 79.6	\$ 79.9
<b>Operating profit</b>	\$ 28.4	\$ 20.3	\$ 37.3	\$ 43.2
<b>Gross profit margin</b>	11.0%	11.3%	9.8%	9.6%
<b>Adjusted EBITDA margin</b>	7.6%	6.9%	5.8%	5.7%
<b>Operating margin</b>	5.0%	4.7%	2.7%	3.1%
<b>Backlog</b>			\$ 2,298	\$ 2,220

Revenue in the Industrial segment for the third quarter of 2018 of \$566 million was \$129 million, or 30%, higher than the same period in 2017. Revenue was higher in conventional industrial operations (\$90 million), primarily from an increase in contract mining and field construction projects in Western Canada, and power generation work in Eastern Canada. Revenue was also higher in utilities (\$63 million), primarily due to increased activity on gas and electricity distribution projects in Eastern Canada and pipeline projects in Western Canada. Partially offsetting these increases was lower revenue from nuclear operations (\$24 million).

For the nine months ended September 30, 2018, Industrial segment revenue of \$1,368 million was \$42 million, or 3%, lower than the same period last year, primarily from lower revenue in nuclear (\$122 million). In both the three-month and nine-month periods, lower volume in nuclear operations was driven by a reduction at the Darlington nuclear facility in Ontario, where a number of ancillary projects to the main reactor refurbishment project that Aecon is performing have now been completed, ahead of ramping up in future quarters on recent

awards at the Bruce Power nuclear facility in Ontario. Partially offsetting this decline was higher revenue in utilities (\$77 million), primarily from gas and electricity distribution projects in Eastern Canada. Revenue was also higher in conventional industrial operations (\$3 million), primarily from an increase in contract mining operations, which offset lower revenue from site construction work.

For the three months ended September 30, 2018, operating profit of \$28.4 million increased by \$8.1 million compared to operating profit of \$20.3 million in the third quarter of 2017. Operating profit increased in both utilities (\$4.4 million) and conventional industrial operations (\$3.8 million), due to higher volume in the quarter. Operating profit in nuclear operations (\$0.1 million lower) was the result of lower volume offset by higher gross profit margin.

For the nine months ended September 30, 2018, operating profit of \$37.3 million decreased by \$5.9 million compared to operating profit of \$43.2 million during the first nine months of 2017. Operating profit decreased in nuclear by \$11.2 million, due primarily to lower volume in the first nine months of the year. Operating profit in utilities improved by \$5.3 million due to the impact of higher volume, while operating profit was unchanged in conventional industrial operations with higher gross profit margin in Eastern Canada and site work in Western Canada offsetting lower gross profit margin in contract mining.

Backlog as at September 30, 2018 of \$2,298 million was \$78 million higher than the same time last year, driven by increases in nuclear operations (\$39 million), conventional industrial operations (\$31 million), and utilities (\$8 million). New contract awards totaled \$410 million in the third quarter of 2018 and \$1,452 million year-to-date, compared to \$347 million and \$1,105 million respectively, in the same periods last year.

As discussed in the Consolidated Financial Highlights section, the Industrial segment's anticipated future work to be performed at any given time is greater than what is reported as backlog.

## **CONCESSIONS**

### **Financial Highlights**

<b>\$ millions</b>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>	\$ <b>70.8</b>	\$ 32.7	\$ <b>154.7</b>	\$ 106.6
<b>Gross profit</b>	\$ <b>18.2</b>	\$ 15.0	\$ <b>40.2</b>	\$ 28.6
<b>Income from projects accounted for using the equity method</b>	\$ <b>2.0</b>	\$ 1.5	\$ <b>4.8</b>	\$ 3.5
<b>Adjusted EBITDA</b>	\$ <b>23.0</b>	\$ 18.6	\$ <b>52.2</b>	\$ 37.8
<b>Operating profit</b>	\$ <b>10.0</b>	\$ 7.5	\$ <b>21.4</b>	\$ 11.2
<b>Backlog</b>			\$ <b>23</b>	\$ 16

Aecon holds a 100% interest in Bermuda Skyport Corporation Limited ("Skyport"), the concessionaire responsible for the Bermuda airport's operations, maintenance and commercial functions, and the entity that will manage and coordinate the overall delivery of the redevelopment project over a 30-year concession term. Aecon's participation in Skyport is consolidated and, as such, is accounted for in the consolidated financial statements by reflecting, line by line, the assets, liabilities, revenue and expenses of Skyport. However, Aecon's concession

participation in the Eglinton Crosstown LRT, Finch West LRT, Gordie Howe International Bridge, and Waterloo LRT projects are joint ventures that are accounted for using the equity method.

Revenue in the Concessions segment for the third quarter and first nine months of 2018 of \$71 million and \$155 million increased by \$38 million and \$48 million, respectively, when compared to the same periods in 2017. The higher revenue in both periods was driven primarily by the Bermuda International Airport Redevelopment Project, which was awarded late in the first quarter of 2017. Included in Skyport's revenue for the third quarter and first nine months of 2018 was \$43 million and \$89 million, respectively, of construction revenue that was eliminated on consolidation as inter-segment revenue (2017 - \$11 million and \$61 million, respectively).

For the three and nine-month periods ended September 30, 2018, operating profit of \$10.0 million and \$21.4 million increased by \$2.5 million and \$10.2 million, respectively, compared to the same periods in 2017. Higher operating profit resulted primarily from increased activity related to the Bermuda International Airport Redevelopment Project.

Except for Operations and Maintenance ("O&M") activities under contract for the next five years and that can be readily quantified, Aecon does not include in its reported backlog expected revenue from concession agreements. As such, while Aecon expects future revenue from its concession assets, no concession backlog, other than from such O&M activities, is reported.

## Quarterly Financial Data

Set out below is quarterly financial data for the most recent eight quarters:

### \$ millions (except per share amounts)

	2018			2017				2016
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Revenue	\$ 1,019.7	\$ 754.8	\$ 543.3	\$ 685.0	\$ 759.7	\$ 686.2	\$ 674.9	\$ 845.1
Adjusted EBITDA	89.5	41.4	3.7	58.0	58.7	33.0	6.9	64.7
Earnings (loss) before income taxes	51.0	7.4	(27.1)	26.5	27.2	(0.6)	(22.3)	42.6
Profit (loss)	42.0	8.4	(19.2)	21.1	24.6	0.8	(18.3)	29.1
Earnings (loss) per share:								
Basic	0.70	0.14	(0.32)	0.36	0.42	0.01	(0.32)	0.51
Diluted	0.60	0.13	(0.32)	0.33	0.37	0.01	(0.32)	0.43

Earnings (loss) per share for each quarter has been computed using the weighted average number of shares issued and outstanding during the respective quarter. Any dilutive securities, which increase the earnings per share or decrease the loss per share, are excluded for purposes of calculating diluted earnings per share. Due to the impacts of dilutive securities, such as convertible debentures, and share issuances throughout the periods, the sum of the quarterly earnings (losses) per share will not necessarily equal the total for the year.

Set out below is the calculation of Adjusted EBITDA for the most recent eight quarters:

**\$ millions**

	2018			2017				2016
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Operating profit (loss)	\$ 56.2	\$ 12.8	\$ (22.2)	\$ 32.5	\$ 33.1	\$ 5.3	\$ (17.3)	\$ 47.9
Depreciation and amortization	29.5	25.4	23.7	24.0	24.5	24.4	20.6	16.3
(Gain) loss on sale of assets	(0.2)	(0.1)	(0.3)	(1.5)	(1.5)	0.2	1.1	(0.6)
Income from projects accounted for using the equity method	(3.9)	(2.2)	(0.8)	(2.2)	(3.2)	(2.1)	(0.9)	(8.1)
Equity Project EBITDA	7.9	5.5	3.3	5.2	5.8	5.1	3.3	9.1
Adjusted EBITDA	\$ 89.5	\$ 41.4	\$ 3.7	\$ 58.0	\$ 58.7	\$ 33.0	\$ 6.9	\$ 64.7

Set out below is the calculation of Equity Project EBITDA for the most recent eight quarters:

**\$ millions**

Aecon's proportionate share of projects accounted for using the equity method (1)	2018			2017				2016
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Operating profit	\$ 7.8	\$ 5.4	\$ 3.2	\$ 5.2	\$ 5.7	\$ 5.0	\$ 3.2	\$ 9.0
Depreciation and amortization	0.1	0.1	0.1	-	0.1	0.1	0.1	0.1
Equity Project EBITDA	7.9	5.5	3.3	5.2	5.8	5.1	3.3	9.1

(1) Refer to Note 12 "Projects Accounted for Using the Equity Method" in the September 30, 2018 interim condensed consolidated financial statements

**FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

Aecon's participation in joint arrangements classified as joint operations is accounted for in the consolidated financial statements by reflecting, line by line, Aecon's share of the assets held jointly, liabilities incurred jointly, and revenue and expenses arising from the joint operations.

Aecon's participation in joint arrangements classified as joint ventures, as well as Aecon's participation in project entities where Aecon exercises significant influence over the entity, but does not control or jointly control the entity (i.e. associates), is accounted for using the equity method.

For further information, see Note 12 to the September 30, 2018 interim condensed consolidated financial statements.

During the second quarter of 2018, the Company filed a statement of claim in the Court of Queen's Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking \$180 million in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately \$14 million in damages. The Company has recorded \$133 million of unbilled revenue and accounts receivable as at September 30, 2018. Offsetting this amount to some extent, the Company has accrued \$45 million in trade and other payables for potential payments to third



parties pending the outcome of the claim against KSPC. KSPC is seeking an order that the Company repay to KSPC approximately \$195 million already paid to the Company pursuant to such agreements. The Company believes that it will be successful in its claim and considers KSPC's claim to be without merit. These claims may not be resolved for several years. The Company does not expect that the resolution of these claims will cause a material impact to its financial position.

### **Cash and Debt Balances**

Cash balances at September 30, 2018 and December 31, 2017 are as follows:

<b>\$ millions</b>		<b>September 30, 2018</b>		
		<b>Balances excluding Joint Operations</b>	<b>Joint Operations</b>	<b>Consolidated Total</b>
Cash and cash equivalents	(1)	\$ 137	\$ 559	\$ 696
Restricted cash	(2)	222	-	222
		<b>December 31, 2017</b>		
		<b>Balances excluding Joint Operations</b>	<b>Joint Operations</b>	<b>Consolidated Total</b>
Cash and cash equivalents	(1)	\$ 19	\$ 286	\$ 305
Restricted cash	(2)	280	-	280
Bank indebtedness	(3)	(18)	-	(18)

(1) Cash and cash equivalents include cash on deposit in bank accounts of joint operations which Aecon cannot access directly.

(2) Restricted cash is cash held by Bermuda Skyport Corporation Limited.

(3) Bank indebtedness represents borrowings on Aecon's revolving credit facility.

Total long-term recourse debt of \$428.7 million as at September 30, 2018 compares to \$304.2 million as at December 31, 2017, the composition of which is as follows:

<b>\$ millions</b>	<b>September 30, 2018</b>		<b>December 31, 2017</b>	
Current portion of long-term debt - recourse	\$	40.4	\$	44.5
Current portion of convertible debentures		168.1		168.5
Long-term debt - recourse		82.3		91.2
Long-term portion of convertible debentures		137.9		-
<b>Total long-term recourse debt</b>	<b>\$</b>	<b>428.7</b>	<b>\$</b>	<b>304.2</b>
<b>Long-term project debt - non-recourse</b>	<b>\$</b>	<b>364.1</b>	<b>\$</b>	<b>352.9</b>

Most of the \$124.5 million net increase in total long-term recourse debt results from the issuance of convertible debentures in the third quarter of 2018. Convertible debentures increased by \$137.5 million during the first nine months of 2018, with \$137.9 million resulting from the issuance of new convertible debentures and \$2.9 million related to the accretion of notional interest on all debentures, offset by a decrease of \$3.3 million from the conversion of debentures into common shares. Finance leases and equipment loans decreased by \$13.0 million in the first nine months of 2018.

The \$11.2 million increase in long-term non-recourse project debt related to the financing of the Bermuda International Airport Redevelopment Project is due to the impact of the change in the US:Canadian dollar exchange rate since December 31, 2017.

On September 26, 2018, the Company issued \$160 million of unsecured subordinated convertible debentures maturing December 31, 2023 (the “5.0% Debentures”). Subsequent to the end of the third quarter, on October 1, 2018, an additional \$24 million of 5.0% Debentures were issued pursuant to the exercise of an over-allotment option granted to the syndicate of underwriters, bringing the total aggregate gross proceeds from the offering to \$184 million. The 5.0% Debentures bear interest at a rate of 5.0% per annum payable on a semi-annual basis. At the holder’s option, the 5.0% Debentures may be converted into common shares of the Company at any time up to the maturity date at a conversion price of \$24.00 for each common share of the Company, subject to adjustment in certain circumstances. The 5.0% Debentures will not be redeemable before December 31, 2021. The Company may, at its option, redeem the 5.0% Debentures from December 31, 2021 to December 31, 2022, in whole or in part, at par plus accrued and unpaid interest, provided that the volume weighted average trading price of the Company’s common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price. From December 31, 2022 through to the maturity date, the Company, at its option, may redeem the 5.0% Debentures, in whole or in part, at par plus accrued and unpaid interest. As at September 30, 2018, for accounting purposes the conversion rights related to the \$160 million of 5.0% Debentures issued as of that date were assigned a value of \$15.0 million (\$11.0 million after-tax), which is included in shareholders’ equity, and \$137.9 million (after transaction costs of \$7.1 million) was assigned to the debt component of such debentures.

In 2013, the Company issued \$172.5 million of unsecured subordinated convertible debentures maturing December 31, 2018 (the “5.5% Debentures”). These convertible debentures bear interest at a rate of 5.5%, payable on a semi-annual basis. On September 26, 2018, Aecon issued a notice (the “Notice”) of redemption to the registered holder of the 5.5% Debentures. As set out in the Notice, the redemption date of the 5.5% Debentures will be October 26, 2018 (the “Redemption Date”). The 5.5% Debentures are redeemable for an amount equal to the principal amount plus accrued and unpaid interest up to, but excluding, the Redemption Date. As at September 30, 2018, there was approximately \$169.0 million aggregate principal amount of 5.5% Debentures outstanding.

Aecon’s liquidity position and capital resources are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future. Aecon’s liquidity position is strengthened by its ability to draw on a committed revolving credit facility of \$500 million of which \$367 million was unutilized as at September 30, 2018. When combined with an additional \$700 million letter of credit facility provided by Export Development Canada (“EDC”), Aecon’s total committed credit facilities for working capital and letter of credit requirements total \$1,200 million. As at September 30, 2018, Aecon was in compliance with all debt covenants related to its credit facility.

In the first quarter of 2018, Aecon’s Board of Directors approved an annual dividend of \$0.50 per share, unchanged from the prior year, to be paid in four quarterly payments of \$0.125 per share. The first dividend of \$0.125 per share was paid on April 2, 2018.

## Summary Of Cash Flows

\$ millions	Consolidated Cash Flows	
	Nine months ended September 30	
	2018	2017
<b>Cash provided by (used in):</b>		
Operating activities	\$ 367.0	\$ 19.2
Investing activities	(61.0)	(411.6)
Financing activities	85.7	460.1
Increase in cash and cash equivalents	391.7	67.7
Effects of foreign exchange on cash balances	(0.7)	(1.5)
Cash and cash equivalents - beginning of period	304.9	231.9
<b>Cash and cash equivalents - end of period</b>	<b>\$ 695.9</b>	<b>\$ 298.1</b>

The construction industry in Canada is seasonal in nature for companies like Aecon that perform a significant portion of their work outdoors, particularly road construction and utilities work. As a result, a larger portion of this work is performed in the summer and fall months rather than in the winter and early spring months. Accordingly, Aecon has historically experienced a seasonal pattern in its operating cash flow, with cash balances typically being at their lowest levels in the middle of the year as investments in working capital increase. These seasonal impacts typically result in cash balances peaking near year-end or during the first quarter of the year.

### Operating Activities

Cash provided by operating activities of \$367 million in the first nine months of 2018 compares with cash provided by operating activities of \$19 million in the same period in 2017. Most of the \$348 million period-over-period increase in cash provided by operating activities resulted from lower investments in working capital due primarily to an increase in deferred revenue balances following the financial close of several P3 projects in the first nine months of 2018.

### Investing Activities

In the first nine months of 2018, investing activities resulted in cash used of \$61 million, which compares to cash used of \$412 million in the same period in 2017. Of the cash used in the first nine months of 2018, \$95 million represents expenditures made by Skyport related to the construction of the new airport terminal in Bermuda (i.e. increase in concession rights of \$95 million), offset by a \$66 million decrease in restricted cash balances held by Skyport. Of the cash used in the same period in 2017, \$105 million represents construction expenditures by Skyport, and \$286 million represents an increase in Skyport's restricted cash balances. In addition, \$21 million of cash was used for expenditures (net of disposals) on property, plant and equipment and intangible assets in the first nine months of 2018 compared to \$19 million of cash used for such expenditures in the first nine months of 2017. Cash used in the first nine months of 2018 also includes an \$11 million increase in long-term financial assets compared to cash used of \$0.9 million in the first nine months of 2017.

In the first nine months of 2018, Aecon acquired, either through purchase or finance leases, property, plant and equipment totalling \$40 million. Most of this investment in property, plant and equipment related to the purchase of new machinery and construction equipment as part of normal ongoing business operations in the Infrastructure

and Industrial operating segments. In the first nine months of 2017, investments in property, plant and equipment totalled \$50 million.

## **Financing Activities**

In the first nine months of 2018, cash provided by financing activities amounted to \$86 million, compared to cash provided by financing activities of \$460 million in the same period in 2017. In the first nine months of 2018, the Company issued \$160 million of convertible debentures resulting in a cash inflow of \$154 million after transaction costs, whereas no such issuances occurred in the same period in 2017. During the first nine months of 2017, cash provided by financing activities included the addition of long-term non-recourse project debt of \$374 million in relation to the Bermuda International Airport Redevelopment Project, whereas no such borrowings in relation to the Bermuda International Airport Redevelopment Project were made in the first nine months of 2018. The addition of \$6 million of recourse long-term debt borrowings for the first nine months of 2018 compares to \$9 million in the same period in 2017. Repayments of recourse long-term debt in the first nine months of 2018 of \$35 million compares to \$42 million in the same period in 2017, and relates primarily to equipment financing arrangements. In addition, in the first nine months of 2018, a decrease in bank indebtedness associated with borrowings under the Company's revolving credit facility totalled \$18 million compared to an increase of \$138 million in the same period in 2017. Dividends of \$22 million were paid in the first nine months of 2018, compared to \$21 million in the same period in 2017. There was also cash provided of \$1 million by the exercise of stock options in the first nine months of 2018, compared to \$2 million of cash provided by the exercise of stock options in the same period in 2017.

## **NEW ACCOUNTING STANDARDS**

Note 6 to Aecon's September 30, 2018 interim condensed consolidated financial statements includes new IFRS standards that became effective for the Company on January 1, 2018, and Note 7 discusses IFRS standards and interpretations that are issued, but not yet effective as at January 1, 2018.

These new accounting standards had no significant impact on profit (loss), comprehensive income or earnings per share in the first nine months of 2018.

## **SUPPLEMENTAL DISCLOSURES**

### **Disclosure Controls and Procedures**

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with management, have designed disclosure controls and procedures to provide reasonable assurance that material information with respect to the Company, including its consolidated subsidiaries, is made known to them by others and is recorded, processed, summarized and reported within the time periods specified in securities legislation. The CEO and CFO, together with management, have also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. In designing such controls, it should be recognized that any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation and may not prevent or detect misstatements due to error or fraud.



## **Changes in Internal Controls Over Financial Reporting**

There have been no changes in the Company's internal controls over financial reporting during the period beginning on July 1, 2018 and ended on September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## **Contractual Obligations**

At December 31, 2017, the Company had commitments totaling \$362 million for equipment and premises under operating leases requiring minimum payments, and for principal repayment obligations under recourse long-term debt and convertible debentures. Except for the issuance of 5.0% Debentures of \$160 million on September 26, 2018, there were no material changes to these amounts since December 31, 2017.

At September 30, 2018, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was \$7,005 million.

Further details on Contractual Obligations are included in the Company's 2017 Annual Report.

## **Off-Balance Sheet Arrangements**

Aecon's defined benefit pension plans had a combined deficit of \$1.2 million at September 30, 2018 (December 31, 2017 - \$1.2 million). The defined benefit obligations and benefit cost levels will change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future experience gains or losses, none of which have been anticipated at this time. Emerging experience, differing from assumptions, will result in gains or losses that will be disclosed in future accounting valuations. Refer to the Company's 2017 Annual Report for further details regarding Aecon's defined benefit plans.

Further details of contingencies and guarantees are included in the September 30, 2018 interim condensed consolidated financial statements and in the 2017 Annual Report.

## **Related Party Transactions**

There were no significant related party transactions in the first nine months of 2018.

## **Critical Accounting Estimates and Judgements**

The reader is referred to the detailed discussion on Critical Accounting Estimates as outlined in Note 4 to the September 30, 2018 interim condensed consolidated financial statements.

## RISK FACTORS

The reader is referred to the detailed discussion on Risk Factors as outlined in the Company's Short Form Prospectus dated September 19, 2018 and available through SEDAR at [www.sedar.com](http://www.sedar.com). These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. These risks and uncertainties and risk management practices, which management reviews on a quarterly basis, have not materially changed in the period since September 19, 2018.

### Outstanding Share Data

Aecon is authorized to issue an unlimited number of common shares. The following are details of common shares outstanding and securities that are convertible into common shares.

<b>In thousands of dollars (except share amounts)</b>	<b>October 25, 2018</b>
Number of common shares outstanding	59,908,806
Outstanding securities exchangeable or convertible into common shares:	
Principal amount of convertible debentures outstanding (see Note 19 to the September 30, 2018 interim condensed consolidated financial statements)	\$ 325,579
Number of common shares issuable on conversion of convertible debentures	15,356,744
Increase in paid-up capital on conversion of convertible debentures	\$ 325,579

## OUTLOOK

Aecon reported record backlog of \$7.0 billion at the end of the third quarter, surpassing the previous record of \$6.4 billion achieved in the second quarter of 2018 and the backlog at the start of the year of \$4.2 billion. This 65% increase in backlog since the beginning of the year is expected to result in further growth in revenue and Adjusted EBITDA through 2019.

Increased infrastructure investment by all levels of government across Canada, as well as significant opportunities in power, including nuclear, utilities, and pipelines, aligns with Aecon's strengths and has allowed Aecon to be successful on a number of recent bids while maintaining a strong list of significant project pursuits going forward. During the first nine months of 2018 Aecon's backlog grew significantly as Aecon and its joint venture partners were awarded the \$1.6 billion Site C project in British Columbia (30% interest), the \$5.0 billion Montreal REM project (24% interest), the \$1.2 billion Finch West LRT project in Toronto (33% interest), the \$3.4 billion Gordie Howe International Bridge project in Windsor (20% interest), a \$282 million contract by Enbridge Pipelines Inc. for Spreads 8 and 9 of the Line 3 Replacement Phase 2 project in Manitoba (50% interest), and a \$475 million contract by Bruce Power to execute the Unit 6 Fuel Channel and Feeder Replacement (FCFR) at the Bruce Nuclear Generating Station in Kincardine, Ontario (40% interest). This latter joint venture has also signed a Preferred Supplier Agreement with Bruce Power under which the joint venture could be awarded similar contracts for the subsequent five units. Subsequent to quarter end, Aecon and Robert B. Somerville Co. Ltd. were awarded a \$526 million contract by TransCanada Corporation for Spreads 3 and 4 of the Coastal GasLink Pipeline project in British Columbia (50% interest).

Infrastructure segment backlog at the end of the third quarter of 2018 was \$4,684 million compared to \$2,083 million at the same time last year. Increased infrastructure investment to address the significant infrastructure deficit in Canada is a key area of focus for federal, provincial, and municipal governments, and Aecon is well positioned to successfully bid on, secure, and deliver these major projects. Bidding activity continues to be robust and Aecon expects to be a beneficiary of this increased infrastructure investment as evidenced by our recent awards, which will drive growth in this segment in 2018 and beyond.

Backlog in the Industrial segment was \$2,298 million at the end of the third quarter of 2018 compared to \$2,220 million a year earlier. Aecon's capability in the nuclear refurbishment sector, combined with the work secured to date, and the ongoing fifteen-year and ten-year refurbishment projects at the Bruce Nuclear Generating Station and with Ontario Power Generation, respectively, provides a significant long-term growth opportunity for Aecon in nuclear work. Aecon's capabilities in servicing utility clients continues to be a strength that should lead to growth from the increased demand for utility services, pipelines and power work. While oil and commodity prices are improving, they have not reached a level to support a pick up in significant new oil and mining construction projects. As a result, we expect 2018 conventional industrial fabrication and field work revenue to be similar to 2017. With respect to contract mining, which is primarily recurring revenue work over and above what is reported as backlog for the segment, on October 3, 2018 Aecon entered into a definitive asset purchase agreement with North American Construction Group Inc. ("NACG") under which Aecon has agreed to sell to NACG substantially all of the assets related to Aecon's contract mining business for \$199.1 million in cash subject to various purchase price adjustments and customary closing conditions, including necessary regulatory approvals. Until such time as this deal closes, Aecon will continue to operate the contract mining business in the normal course.

The Concessions group continues to partner with Aecon's other segments to focus on the significant number of P3 opportunities in Canada and is actively pursuing a number of large-scale infrastructure projects that require private finance solutions. Concessions is also participating as a concessionaire on the Finch West LRT, Waterloo LRT, Eglinton Crosstown LRT and Gordie Howe International Bridge projects as well as the Bermuda International Airport Redevelopment Project.

Another strong year of growth is expected in 2019. Current backlog, coupled with a robust pipeline of future opportunities is expected to support the goals of revenue growth and improving Adjusted EBITDA margin. Capital expenditures in 2018 and 2019 are expected to remain relatively consistent with 2017 levels.

**AECON GROUP INC.**  
THIRD QUARTER

**INTERIM CONDENSED  
CONSOLIDATED  
FINANCIAL  
STATEMENTS**

September 30, 2018



# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

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# MANAGEMENT REPORT

## October 25, 2018

### Notice to Reader

The management of Aecon Group Inc. (the “Company”) is responsible for the preparation of the accompanying interim condensed consolidated financial statements. The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements including International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and are considered by management to present fairly the consolidated financial position, operating results and cash flows of the Company.

These interim condensed consolidated financial statements have not been reviewed by the Company's auditor. These interim condensed consolidated financial statements are unaudited and include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows of the Company.

(signed) Jean-Louis Servranckx, President and Chief Executive Officer

(signed) David Smales, Executive Vice President and Chief Financial Officer

# CONSOLIDATED BALANCE SHEETS

AS AT SEPTEMBER 30, 2018, DECEMBER 31, 2017 AND JANUARY 1, 2017

(in thousands of Canadian dollars) (unaudited)

	Note	September 30 2018	December 31 2017	January 1 2017 (Note 6)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	8	\$ 695,903	\$ 304,882	\$ 231,858
Restricted cash	8	221,816	279,581	-
Trade and other receivables	9	651,195	499,462	604,759
Unbilled revenue	10	698,358	574,639	471,848
Inventories	11	23,811	22,997	28,460
Income taxes recoverable		5,179	8,110	19,275
Prepaid expenses		22,348	12,024	12,100
		2,318,610	1,701,695	1,368,300
<b>Non-current assets</b>				
Long-term financial assets		13,301	2,260	2,633
Projects accounted for using the equity method	12	40,180	32,610	27,618
Deferred income tax assets		19,718	18,196	23,908
Property, plant and equipment	13	442,201	457,151	450,368
Intangible assets	14	369,455	293,878	111,658
		884,855	804,095	616,185
<b>TOTAL ASSETS</b>		<b>\$ 3,203,465</b>	<b>\$ 2,505,790</b>	<b>\$ 1,984,485</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank indebtedness	15	\$ -	\$ 17,940	\$ 7,476
Trade and other payables	16	860,601	621,863	577,333
Provisions	17	12,522	11,546	20,530
Deferred revenue	10	499,026	206,681	201,408
Income taxes payable		6,379	3,544	6,449
Current portion of long-term debt	18	40,363	44,472	51,568
Convertible debentures	19	168,079	168,466	-
		1,586,970	1,074,512	864,764
<b>Non-current liabilities</b>				
Provisions	17	5,812	5,812	5,096
Non-recourse project debt	18	364,140	352,888	-
Long-term debt	18	82,329	91,211	86,403
Convertible debentures	19	137,951	-	164,778
Concession related deferred revenue	20	128,637	118,380	7,111
Deferred income tax liabilities		102,230	104,219	114,267
Other liabilities		2,464	2,793	3,967
		823,563	675,303	381,622
<b>TOTAL LIABILITIES</b>		<b>2,410,533</b>	<b>1,749,815</b>	<b>1,246,386</b>
<b>EQUITY</b>				
Capital stock	24	377,289	367,612	346,770
Convertible debentures	19	19,549	8,664	8,674
Contributed surplus		46,027	39,604	43,060
Retained earnings		349,199	340,470	341,718
Accumulated other comprehensive income (loss)		868	(375)	(2,123)
<b>TOTAL EQUITY</b>		<b>792,932</b>	<b>755,975</b>	<b>738,099</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 3,203,465</b>	<b>\$ 2,505,790</b>	<b>\$ 1,984,485</b>

Contingencies (Note 23)

# CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

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

	Note	For the three months ended		For the nine months ended	
		September 30 2018	September 30 2017	September 30 2018	September 30 2017
Revenue		\$ 1,019,680	\$ 759,684	\$ 2,317,778	\$ 2,120,714
Direct costs and expenses	25	(894,625)	(660,396)	(2,066,257)	(1,898,810)
<b>Gross profit</b>		<b>125,055</b>	<b>99,288</b>	<b>251,521</b>	<b>221,904</b>
Marketing, general and administrative expenses	25	(43,050)	(46,445)	(134,173)	(140,173)
Depreciation and amortization	25	(29,450)	(24,506)	(78,582)	(69,579)
Income from projects accounted for using the equity method	12	3,888	3,220	6,944	6,200
Other income (loss)	26	(267)	1,538	1,075	2,782
<b>Operating profit</b>		<b>56,176</b>	<b>33,095</b>	<b>46,785</b>	<b>21,134</b>
Finance income		600	157	1,052	605
Finance costs	27	(5,792)	(6,012)	(16,543)	(17,357)
<b>Profit before income taxes</b>		<b>50,984</b>	<b>27,240</b>	<b>31,294</b>	<b>4,382</b>
Income tax recovery (expense)	21	(8,994)	(2,605)	(145)	2,714
<b>Profit for the period</b>		<b>\$ 41,990</b>	<b>\$ 24,635</b>	<b>\$ 31,149</b>	<b>\$ 7,096</b>
<b>Basic earnings per share</b>	28	<b>\$ 0.70</b>	<b>\$ 0.42</b>	<b>\$ 0.52</b>	<b>\$ 0.12</b>
<b>Diluted earnings per share</b>	28	<b>\$ 0.60</b>	<b>\$ 0.37</b>	<b>\$ 0.49</b>	<b>\$ 0.11</b>

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

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017  
(in thousands of Canadian dollars) (unaudited)

	For the three months ended		For the nine months ended	
	September 30 2018	September 30 2017	September 30 2018	September 30 2017
<b>Profit for the period</b>	\$ 41,990	\$ 24,635	\$ 31,149	\$ 7,096
<b>Other comprehensive income (loss):</b>				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Currency translation differences - foreign operations	(1,031)	(919)	1,217	(1,507)
Cash flow hedges - equity-accounted investees	1,986	2,021	635	1,237
Cash flow hedges - joint operations	(600)	-	(600)	-
Income taxes on the above	(367)	(536)	(9)	(328)
<b>Total other comprehensive income (loss) for the period</b>	(12)	566	1,243	(598)
<b>Comprehensive income for the period</b>	\$ 41,978	\$ 25,201	\$ 32,392	\$ 6,498



# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

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

	Accumulated other comprehensive income (loss)							Shareholders' equity
	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Currency translation differences	Actuarial gains and losses	Cash flow hedges	
<b>Balance as at January 1, 2018</b>	\$ 367,612	\$ 8,664	\$ 39,604	\$ 340,470	\$ (1,660)	\$ 445	\$ 840	\$ 755,975
<b>Profit for the period</b>	-	-	-	31,149	-	-	-	31,149
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	1,217	-	-	1,217
Cash flow hedges - equity-accounted investees	-	-	-	-	-	-	635	635
Cash flow hedges - joint operations	-	-	-	-	-	-	(600)	(600)
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	-	(9)	(9)
<b>Total other comprehensive income for the period</b>	-	-	-	-	1,217	-	26	1,243
<b>Total comprehensive income for the period</b>	-	-	-	31,149	1,217	-	26	32,392
Dividends declared	-	-	-	(22,420)	-	-	-	(22,420)
Common shares issued on exercise of options	1,751	-	(319)	-	-	-	-	1,432
Issuance of convertible debentures	-	11,050	-	-	-	-	-	11,050
Common shares issued on conversion of debentures	3,379	(165)	-	-	-	-	-	3,214
Stock-based compensation	-	-	11,289	-	-	-	-	11,289
Shares issued to settle LTIP/Director DSU obligations	4,547	-	(4,547)	-	-	-	-	-
<b>Balance as at September 30, 2018</b>	\$ 377,289	\$ 19,549	\$ 46,027	\$ 349,199	\$ (443)	\$ 445	\$ 866	\$ 792,932

	Accumulated other comprehensive income (loss)							Shareholders' equity
	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Currency translation differences	Actuarial gains and losses	Cash flow hedges	
<b>Balance as at January 1, 2017</b>	\$ 346,770	\$ 8,674	\$ 43,060	\$ 341,718	\$ (173)	\$ (720)	\$ (1,230)	\$ 738,099
<b>Profit for the period</b>	-	-	-	7,096	-	-	-	7,096
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	(1,507)	-	-	(1,507)
Cash flow hedges - equity-accounted investees	-	-	-	-	-	-	1,237	1,237
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	-	(328)	(328)
<b>Total other comprehensive income (loss) for the period</b>	-	-	-	-	(1,507)	-	909	(598)
<b>Total comprehensive income (loss) for the period</b>	-	-	-	7,096	(1,507)	-	909	6,498
Dividends declared	-	-	-	(22,013)	-	-	-	(22,013)
Common shares issued on exercise of options	2,610	-	(698)	-	-	-	-	1,912
Stock-based compensation	-	-	13,114	-	-	-	-	13,114
Shares issued to settle LTIP/Director DSU obligations	12,124	-	(12,124)	-	-	-	-	-
<b>Balance as at September 30, 2017</b>	\$ 361,504	\$ 8,674	\$ 43,352	\$ 326,801	\$ (1,680)	\$ (720)	\$ (321)	\$ 737,610

During the nine months ended September 30, 2018, the Company declared dividends amounting to \$0.375 per share (September 30, 2017 - \$0.375 per share).

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(in thousands of Canadian dollars) (unaudited)

	Note	September 30 2018	September 30 2017
<b>CASH PROVIDED BY (USED IN)</b>			
<b>Operating activities</b>			
Profit before income taxes		\$ 31,294	\$ 4,382
Income taxes paid		(1,809)	(4,716)
Defined benefit pension		29	147
Items not affecting cash:			
Depreciation and amortization		78,582	69,579
Income from projects accounted for using the equity method		(6,944)	(6,200)
Gain on sale of assets		(595)	(1,197)
Income from leasehold inducements		(350)	(520)
Unrealized foreign exchange loss (gain)		1,223	(1,111)
Increase in provisions		5,239	13,128
Notional interest representing accretion		3,177	3,190
Stock-based compensation		11,289	13,114
Change in other balances relating to operations	29	245,859	(70,594)
		<b>366,994</b>	<b>19,202</b>
<b>Investing activities</b>			
Decrease (increase) in restricted cash balances		66,326	(286,279)
Purchase of property, plant and equipment		(24,333)	(23,681)
Proceeds on sale of property, plant and equipment		5,598	6,297
Investment in concession rights		(95,449)	(104,819)
Increase in intangible assets		(1,833)	(1,977)
Increase in long-term financial assets		(11,361)	(852)
Distributions from (advances to) projects accounted for using the equity method		9	(314)
		<b>(61,043)</b>	<b>(411,625)</b>
<b>Financing activities</b>			
(Decrease) increase in bank indebtedness		(17,940)	137,524
Issuance of long-term debt		6,390	8,767
Issuance of long-term non-recourse project debt		-	374,407
Repayments of long-term debt		(35,360)	(42,272)
Increase in other liabilities		-	1,066
Issuance of capital stock		1,432	1,912
Dividends paid		(22,343)	(21,305)
Issuance of convertible debentures		153,600	-
		<b>85,779</b>	<b>460,099</b>
<b>Increase in cash and cash equivalents during the period</b>		<b>391,730</b>	<b>67,676</b>
<b>Effects of foreign exchange on cash balances</b>		<b>(709)</b>	<b>(1,457)</b>
<b>Cash and cash equivalents - beginning of period</b>		<b>304,882</b>	<b>231,858</b>
<b>Cash and cash equivalents - end of period</b>	8	<b>\$ 695,903</b>	<b>\$ 298,077</b>

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

# **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## **FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

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

### **1. CORPORATE INFORMATION**

Aecon Group Inc. (“Aecon” or the “Company”) is a publicly traded construction and infrastructure development company incorporated in Canada. Aecon and its subsidiaries provide services to private and public sector clients throughout Canada and on a selected basis internationally. Its registered office is located in Toronto, Ontario at 20 Carlson Court, Suite 800, M9W 7K6.

The Company operates in three principal segments within the construction and infrastructure development industry: Infrastructure, Industrial and Concessions.

On October 26, 2017, the Company entered into an arrangement agreement (the “Arrangement Agreement”) with CCCC International Holding Limited and 10465127 Canada Inc. (together, “CCCI”), pursuant to which CCCI agreed, subject to satisfaction of customary conditions, to acquire all of the issued and outstanding Common Shares of Aecon for \$20.37 per Common Share in cash by way of a statutory plan of arrangement under the Canada Business Corporations Act (the “Arrangement”).

On May 23, 2018, the Company was informed that the Governor in Council had issued an order under the Investment Canada Act directing CCCI not to implement its proposed acquisition of Aecon. As a result, the Arrangement between Aecon and CCCI will not proceed.

### **2. DATE OF AUTHORIZATION FOR ISSUE**

The interim condensed consolidated financial statements of the Company were authorized for issue on October 25, 2018 by the Board of Directors of the Company.

### **3. BASIS OF PRESENTATION**

#### **Basis of presentation**

The Company prepares its interim condensed consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”).

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The interim condensed consolidated financial statements do not include all the information and disclosures required in the Company’s annual consolidated financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2017.

#### **Seasonality**

The construction industry in Canada is seasonal in nature for companies like Aecon who do a significant portion of their work outdoors, particularly road construction and utilities work. As a result, less work is performed in the winter and early spring months than in the summer and fall months. Accordingly, Aecon has historically experienced a seasonal pattern in its operating results, with the first half of the year, and particularly the first quarter, typically generating lower revenue and profits than the second half of the year. Therefore, results in any one quarter are not necessarily indicative of results in any other quarter, or for the year as a whole.

#### **Basis of measurement**

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including derivative instruments and available-for-sale investments.

# **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## **FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

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

### **Principles of consolidation**

The interim condensed consolidated financial statements include the accounts of the Company and all of its subsidiaries. In addition, the Company's participation in joint arrangements classified as joint operations is accounted for in the interim condensed consolidated financial statements by reflecting, line by line, the Company's share of the assets held jointly, liabilities incurred jointly, and revenue and expenses arising from the joint operations. The interim condensed consolidated financial statements also include the Company's investment in and share of the earnings of projects accounted for using the equity method.

## **4. CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying value of the asset or liability affected.

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results were a different estimate or assumption used.

Estimates and underlying assumptions are reviewed on an ongoing basis. These estimates and assumptions are subject to change at any time based on experience and new information. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Except as disclosed, there have been no material changes to critical accounting estimates related to the below mentioned items in the past two fiscal years. Critical accounting estimates are also not specific to any one segment unless otherwise noted below.

The Company's significant accounting policies are described in Note 5, "*Summary of Significant Accounting Policies*" in the Company's annual consolidated financial statements for the year ended December 31, 2017. The following discussion is intended to describe those judgments and key assumptions concerning major sources of estimation uncertainty at the end of the reporting period that have the most significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

### **4.1 MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

#### **REVENUE AND GROSS PROFIT RECOGNITION**

Revenue and income from fixed price construction contracts, including contracts in which the Company participates through joint operations, are determined on the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs. The Company has a process whereby progress on jobs is reviewed by management on a regular basis and estimated costs to complete are updated. However, due to unforeseen changes in the nature or cost of the work to be completed or performance factors, contract profit can differ significantly from earlier estimates.

The Company's estimates of contract revenue and cost are highly detailed. Management believes, based on its experience, that its current systems of management and accounting controls allow the Company to produce materially reliable estimates of total contract revenue and cost during any accounting period. However, many factors can and do change during a contract performance period, which can result in a change to contract profitability from one financial reporting period to another. Some of the factors that can change the estimate of total contract revenue and cost include differing site conditions (to the extent that contract remedies are unavailable), the availability of skilled contract labour, the performance of major material suppliers to deliver on time, the performance of major subcontractors, unusual weather conditions and the accuracy of the original bid estimate. Fixed price contracts are common across all of the Company's sectors, as are change orders and claims, and therefore these estimates are not unique to one core segment. Because the Company has many contracts in process at any given time, these changes in estimates can offset each other without impacting overall profitability.

# **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## **FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

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

Changes in cost estimates, which on larger, more complex construction projects can have a material impact on the Company's consolidated financial statements, are reflected in the results of operations when they become known.

A change order results from a change to the scope of the work to be performed compared to the original contract that was signed. Unpriced change orders are change orders that have been approved as to scope but unapproved as to price. Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that the Company seeks to collect from clients for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. In accordance with the Company's accounting policy, unpriced change orders and claims are recognized in revenue at the most likely amount the Company expects to be entitled, and to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Therefore, it is possible for the company to have substantial contract costs recognized in one accounting period with associated revenue recognized in a later period.

Given the above-noted critical accounting estimates associated with the accounting for construction contracts, including change orders and claims, it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year or later could be different from the estimates and assumptions adopted and could require a material adjustment to revenue and/or the carrying amount of the asset or liability affected. The Company is unable to quantify the potential impact to the consolidated financial results from a change in estimate in calculating revenue.

### **LITIGATION RISK AND CLAIMS RISK**

Disputes are common in the construction industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial, including the legal proceedings discussed in Note 23, "*Contingencies*". The Company must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required. Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties. Management regularly analyzes current information about these matters, and internal and external legal counsel are often used for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

The Company also pursues claims against project owners for additional costs exceeding the contract price or for amounts not included in the original contract price. When these types of events occur and unresolved claims are pending, the Company may invest significant working capital in projects to cover costs pending the resolution of the relevant claims. A failure to ultimately recover on claims could have a material effect on liquidity and financial results.

### **FAIR VALUING FINANCIAL INSTRUMENTS**

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for speculative trading purposes. The Company is required to measure certain financial instruments at fair value, using the most readily available market comparison data and where no such data is available, using quoted market prices of similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated.

Further information with regard to the treatment of financial instruments can be found in Note 30, "*Financial Instruments*."

### **MEASUREMENT OF RETIREMENT BENEFIT OBLIGATIONS**

The Company's obligations and expenses related to defined benefit pension plans, including supplementary executive retirement plans, are determined using actuarial valuations and are dependent on many significant assumptions. The defined benefit obligations and benefit cost levels will change as a result of future changes in actuarial methods and assumptions, membership data, plan provisions, legislative rules, and future experience gains or losses, which have not



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been anticipated at this time. Emerging experience, differing from assumptions, will result in gains or losses that will be disclosed in future accounting valuations. Refer to Note 22, "Employee Benefit Plans," in the Company's annual consolidated financial statements for the year ended December 31, 2017, for further details regarding the Company's defined benefit plans as well as the impact to the financial results of a 0.5% change in the discount rate assumption used in the calculations.

### **INCOME TAXES**

The Company is subject to income taxes in both Canada and several foreign jurisdictions. Significant estimates and judgments are required in determining the Company's worldwide provision for income taxes. In the ordinary course of business, there are transactions and calculations where the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Management estimates income taxes for each jurisdiction the Company operates in, taking into consideration different income tax rates, non-deductible expenses, valuation allowances, changes in tax laws, and management's expectations of future results. Management bases its estimates of deferred income taxes on temporary differences between the assets and liabilities reported in the Company's consolidated financial statements, and the assets and liabilities determined by the tax laws in the various countries in which the Company operates. Although the Company believes its tax estimates are reasonable, there can be no assurance that the final determination of any tax audits and litigation will not be materially different from that reflected in the Company's historical income tax provisions and accruals. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the Company's income tax expense and current and deferred income tax assets and liabilities in the period in which such determinations are made. Although management believes it has adequately provided for any additional taxes that may be assessed as a result of an audit or litigation, the occurrence of either of these events could have an adverse effect on the Company's current and future results and financial condition.

The Company is unable to quantify the potential future impact to its consolidated financial results from a change in estimate in calculating income tax assets and liabilities.

### **IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS**

Intangible assets with finite lives are amortized over their useful lives. Goodwill, which has an indefinite life, is not amortized. Management evaluates intangible assets that are not amortized at the end of each reporting period to determine whether events and circumstances continue to support an indefinite useful life. Intangible assets with finite lives are tested for impairment whenever events or circumstances indicate the carrying value may not be recoverable. Goodwill and intangible assets with indefinite lives, if any, are tested for impairment by applying a fair value test in the fourth quarter of each year and between annual tests if events occur or circumstances change, which suggest the goodwill or intangible assets should be evaluated.

Impairment assessments inherently involve management judgment as to the assumptions used to project these amounts and the impact of market conditions on those assumptions. The key assumptions used to estimate the fair value of reporting units under the fair value less cost to disposal approach are: weighted average cost of capital used to discount the projected cash flows; cash flows generated from new work awards; and projected operating margins.

The weighted average cost of capital rates used to discount projected cash flows are developed via the capital asset pricing model, which is primarily based on market inputs. Management uses discount rates it believes are an accurate reflection of the risks associated with the forecasted cash flows of the respective reporting units.

To develop the cash flows generated from project awards and projected operating margins, the Company tracks prospective work primarily on a project-by-project basis as well as the estimated timing of when new work will be bid or prequalified, started and completed. Management also gives consideration to its relationships with prospective customers, the competitive landscape, changes in its business strategy, and the Company's history of success in winning new work in each reporting unit. With regard to operating margins, consideration is given to historical operating margins in the end markets where prospective work opportunities are most significant, and changes in the Company's business strategy.

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Unanticipated changes in these assumptions or estimates could materially affect the determination of the fair value of a reporting unit and, therefore, could reduce or eliminate the excess of fair value over the carrying value of a reporting unit entirely and could potentially result in an impairment charge in the future.

Refer to Note 14, “*Intangible Assets*”, in the Company’s annual consolidated financial statements for the year ended December 31, 2017, for further details regarding goodwill and other intangible assets.

### **4.2 JUDGMENTS**

The following are critical judgments management has made in the process of applying accounting policies and that have the most significant effect on how certain amounts are reported in the consolidated financial statements.

### **BASIS FOR CONSOLIDATION AND CLASSIFICATION OF JOINT ARRANGEMENTS**

Assessing the Company’s ability to control or influence the relevant financial and operating policies of another entity may, depending on the facts and circumstances, require the exercise of significant judgment to determine whether the Company controls, jointly controls, or exercises significant influence over the entity performing the work. This assessment of control impacts how the operations of these entities are reported in the Company’s consolidated financial statements (i.e., full consolidation, equity investment or proportional share).

The Company performs the majority of its construction projects through wholly owned subsidiary entities, which are fully consolidated. However, a number of projects, particularly some larger, multi-year, multi-disciplinary projects, are executed through partnering agreements. As such, the classification of these entities as a subsidiary, joint operation, joint venture, associate or financial instrument requires judgment by management to analyze the various indicators that determine whether control exists. In particular, when assessing whether a joint arrangement should be classified as either a joint operation or a joint venture, management considers the contractual rights and obligations, voting shares, share of board members and the legal structure of the joint arrangement. Subject to reviewing and assessing all the facts and circumstances of each joint arrangement, joint arrangements contracted through agreements and general partnerships would generally be classified as joint operations whereas joint arrangements contracted through corporations would be classified as joint ventures. The majority of the current partnering agreements are classified as joint operations.

The application of different judgments when assessing control or the classification of joint arrangements could result in materially different presentations in the consolidated financial statements.

### **SERVICE CONCESSION ARRANGEMENTS**

The accounting for concession arrangements requires the application of judgment in determining if the project falls within the scope of IFRIC Interpretation 12, “*Service Concession Arrangements*”, (“IFRIC 12”). Additional judgments are needed when determining, among other things, the accounting model to be applied under IFRIC 12, the allocation of the consideration receivable between revenue-generating activities, the classification of costs incurred on such activities, as well as the effective interest rate to be applied to the financial asset. As the accounting for concession arrangements under IFRIC 12 requires the use of estimates over the term of the arrangement, any changes to these long-term estimates could result in a significant variation in the accounting for the concession arrangement.

### **HELD FOR SALE ASSETS**

The determination of whether a non-current asset (or disposal group) is classified as held for sale by the Company as at the balance sheet date requires the exercise of judgment by management. The classification can have a significant impact on the presentation in the consolidated financial statements.

Subsequent to the September 30, 2018 balance sheet date, the Company announced that it had entered into a definitive asset purchase agreement with North American Construction Group Inc. to sell substantially all of the assets related to Aecon’s contract mining operations (see Note 34, “*Subsequent Events*”).

Non-current assets (or disposal group) are classified as held for sale as at the balance sheet date, if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must meet certain prescribed criteria. In management’s judgment, the contract mining operations did not meet the criteria for classification as held for sale as at September 30, 2018.

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### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 5.1 REVENUE RECOGNITION

##### **Identification of a contract with a customer**

A construction contract is a contract specifically negotiated for the construction of an asset or combination of assets, including contracts for the rendering of services directly related to the construction of the asset. Such contracts include fixed-price and cost-plus contracts.

When determining the proper revenue recognition method for contracts, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or to separate a single contract into multiple performance obligations could affect the amount of revenue and profit recorded in a given period.

The Company accounts for a contract when it has commercial substance, the parties have approved the contract in accordance with customary business practices and are committed to their obligations, the rights of the parties and payment terms are identified, and collectability of consideration is probable.

##### **Identifying performance obligations in a contract**

For most of the Company's contracts, the customer contracts with the Company to provide a significant service of integrating a complex set of tasks and components into a single project. Consequently, the entire contract is accounted for as one performance obligation. Less frequently, however, the Company may provide several distinct goods or services as part of a contract, in which case the Company separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the total transaction price is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. The expected cost plus a margin approach is typically used to estimate the standalone selling price of each performance obligation. On occasion, the Company will sell standard products, such as aggregates and other materials, with observable standalone sales. In these cases, the observable standalone sales are used to determine the standalone selling price.

##### **Performance obligations satisfied over time**

The Company typically transfers control of goods or services, and satisfies performance obligations, over time. Therefore, the Company recognizes revenue over time as these performance obligations are satisfied. This continuous transfer of control to the customer is often supported by the customer's physical possession or legal title to the work in process, as well as contractual clauses that provide the Company with a present right to payment for work performed to date plus a reasonable profit in the event a customer unilaterally terminates the contract for convenience.

As a result of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Company generally uses the cost-to-cost measure of progress for its contracts because it best reflects the transfer of an asset to the customer which occurs as costs are incurred on the contract. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred. Costs to fulfill contracts may include labour, materials, subcontractor, equipment costs, and other direct costs, as well as an allocation of indirect costs.

##### **Determining the transaction price**

It is common for the Company's contracts to contain incentive fees or other provisions that can either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or cost targets and can be based upon customer discretion. Variable consideration also includes change orders that have not been approved as to price, as well as claims. Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that the Company seeks to collect from clients for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope

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and price, or other causes of unanticipated additional costs. The Company estimates variable consideration at the most likely amount it expects to be entitled. The Company includes these estimated amounts in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Company's anticipated performance and all information, historical, current and forecasted, that is reasonably available.

Contracts are often modified to account for changes in contract specifications and requirements. Contract modifications exist when the change either creates new, or changes existing, enforceable rights and obligations. Most of the Company's contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of these contract modifications on the transaction price and the measure of progress for the performance obligation to which it relates, is recognized as a cumulative adjustment to revenue as either an increase or decrease in revenue. However, if a contract modification is for distinct goods and services from the existing contract and the pricing of the contract modification reflects the standalone selling pricing of the additional goods or services, then the contract modification is treated as a separate contract.

Due to the nature of many of the Company's performance obligations, the estimation of total revenue and costs at completion is complex, subject to many variables, and requires significant judgment. These areas of measurement uncertainty are discussed further in Note 4.1, "*Major Sources of Estimation Uncertainty*". Any changes to the estimates of forecasted revenue and total costs are recognized on a cumulative basis, which recognizes in the current period the cumulative effect of the changes based on a performance obligation's percentage of completion. A significant change in one or more of these estimates could affect the profitability of one or more of the Company's performance obligations. When estimates of total costs to be incurred on a performance obligation exceed the total estimated revenue to be earned, a provision for the entire loss on the performance obligation is recognized in the period the loss is determined.

### **Revenue recognition – other**

Upfront costs are those costs that the Company incurs to pursue a contract with a customer that it would not have incurred if the contract had not been awarded. The Company recognizes upfront costs as an asset if it expects to recover those costs. Costs to pursue a contract that would have been incurred regardless of whether the contract was awarded are recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Mobilization costs are non-recurring set up costs incurred to facilitate performance obligations under customer contracts. Mobilization costs are expensed as incurred unless they are capital in nature, in which case they are capitalized in accordance with the relevant accounting standard, or there is a contractual entitlement to recover such costs from the customer, in which case the costs are capitalized and amortized to the income statement over the contract period.

Contract revenues are measured at the fair value of the consideration received or receivable. Where deferral of payment has a material effect on the determination of such fair value, the amount at which revenues are recognized is adjusted to account for the time-value-of-money.

Trade and other receivables include amounts billed and currently due from customers. The amounts due are stated at their net estimated realizable value. The Company maintains an allowance for doubtful accounts to provide for the estimated amount of receivables that will not be collected. The allowance is based upon an assessment of creditworthiness of the portfolio of customers, historical payment experience, the age of outstanding receivables and collateral to the extent applicable.

Unbilled revenue represents revenue earned in excess of amounts billed on uncompleted contracts. Unbilled revenue typically results from sales under construction contracts when the cost-to-cost method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer. Unbilled revenue amounts may not exceed their net realizable value and are classified as current assets.

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Deferred revenue represents the excess of amounts billed to customers over revenue earned on uncompleted contracts. Where advance payments are received from customers for the mobilization of project staff, equipment and services, the Company recognizes these amounts as liabilities and includes them in deferred revenue. Deferred revenue on construction contracts is classified as a current liability.

Unbilled revenue and deferred revenue are accounted for on a contract-by-contract basis at the end of each reporting period.

The operating cycle, or duration, of many of the Company's contracts exceeds one year. All contract related assets and liabilities are classified as current as they are expected to be realized or satisfied within the operating cycle of the contract.

### Other revenue types

Revenue related to the sale of aggregates and other materials is recognized at a point in time, and the performance obligation is typically satisfied on the delivery of the product to the customer.

### Remaining performance obligations

Backlog (i.e. remaining performance obligations) is the total value of work that has not yet been completed that: (a) has a high certainty of being performed as a result of the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to the Company, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured. Operations and maintenance ("O&M") activities are provided under contracts that can cover a period of up to 30 years. In order to provide information that is comparable to the backlog of other categories of activity, the Company limits backlog for O&M activities to the earlier of the contract term and the next five years.

## 6. NEW ACCOUNTING STANDARDS

The following IFRS standards became effective for the Company on January 1, 2018.

### IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the previous revenue recognition guidance including IAS 18, "Revenue," and IAS 11, "Construction Contracts," and the related interpretations.

The core principle of IFRS 15 is that an entity should recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, IFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue from contract modifications, including change orders and claims, was previously recognized in accordance with IAS 11 only when certain conditions were met, including the fact that it was probable that the customer would approve the modification and the amount of revenue arising from it. Under IFRS 15, contract modifications are now included in estimated revenue when, among other factors, management believes the Company has an enforceable right to payment, the amount can be estimated reliably, and realization is highly probable. Consequently, in some instances the timing of when revenue from contract modifications is recognized will be delayed under IFRS 15. As a result of adopting the new standard, the cumulative impact to the Company's opening retained earnings as at January 1, 2017 from the reversal of revenue



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recognized under IAS 11 is \$15,500 after taxes. Revenue from these contract modifications will be recognized when, and if, the IFRS 15 guidance is met.

The Company has applied the requirements of IFRS 15 using the full retrospective method with the cumulative effect of initially applying the standard recognized at the date of initial application (i.e. January 1, 2017). The Company elected to utilize the following practical expedients on adoption: (a) for completed contracts, the Company did not restate contracts that began and ended within the same annual reporting period; and (b) for completed contracts that have variable consideration, the Company used the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods. The following table reconciles the impact of the IFRS 15 adjustments to the Company's previously reported Consolidated Balance Sheets as at December 31, 2017 and January 1, 2017.

	<b>As at December 31, 2017</b>		
	<b>As reported</b>	<b>Impacts from the adoption of IFRS 15</b>	<b>As restated</b>
Unbilled revenue	\$ 595,639	(21,000)	\$ 574,639
Deferred income tax liabilities	109,719	(5,500)	104,219
Retained earnings	355,970	(15,500)	340,470

	<b>As at January 1, 2017</b>		
	<b>As reported</b>	<b>Impacts from the adoption of IFRS 15</b>	<b>As restated</b>
Unbilled revenue	\$ 492,848	(21,000)	\$ 471,848
Deferred income tax liabilities	119,767	(5,500)	114,267
Retained earnings	357,218	(15,500)	341,718

The adoption of IFRS 15 did not impact the consolidated statements of income, comprehensive income, or earnings per share for the three months and nine months ended September 30, 2017, or for the year ended December 31, 2017.

**IFRS 9, Financial Instruments**

IFRS 9 introduces new requirements for classifying and measuring financial instruments and is a partial replacement of IAS 39, "Financial Instruments: Recognition and Measurement." IFRS 9 mainly affects the classification and measurement of financial assets and financial liabilities, the recognition of expected credit losses, and hedge accounting.

The adoption of IFRS 9 had no impact on the Company's financial position or results of operations, and the Company's financial assets and financial liabilities continue to be measured on the same basis as was previously applied under IAS 39.

**7. FUTURE ACCOUNTING CHANGES**

**IFRS 16, Leases**

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 will supersede the current lease recognition guidance including IAS 17 "Leases" and the related interpretations when it becomes effective. IFRS 16 is effective for accounting periods beginning on or after January 1, 2019.

The main changes to current lease accounting as a result of IFRS 16 when it becomes effective include the following:

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- The definition of a lease will change under the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration;
- Under IFRS 16, the lessee recognizes a right-of-use asset and a lease liability upon lease commencement for leases with a lease term of greater than one year. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Subsequent measurement is determined based on the nature of the underlying asset. The lease liability is initially measured at the present value of the lease payments payable over the lease term and discounted at the implied lease rate. If the implied lease rate cannot be readily determined, the lessee uses its incremental borrowing rate. Subsequent re-measurement is required under specific circumstances;
- IFRS 16 provides detailed guidance on determining the lease term when the Company has an option to extend the lease; and
- The new standard includes extensive disclosure requirements that differ from current requirements.

A comprehensive change management plan has been developed to guide the Company's implementation of IFRS 16 and assess the impacts on business processes, systems and controls. Initially a qualitative assessment was made of the new standard, analyzing the standard's impact on the Company's lease portfolio, comparing historical accounting policies and practices to the requirements of the new standard, and identifying potential impacts on reporting systems. In addition, the Company is in the process of gathering detailed information about its property and equipment rentals that will be accounted for as finance leases under the new standard.

At this time, the Company has not finalized its quantification of the effect of the new standard, although the following consequences are anticipated:

- The amount of total assets and total liabilities in the consolidated balance sheets will increase due to the recognition of right-of-use assets and financial liabilities for future payment obligations from leases previously classified as operating leases.
- Operating lease payments previously reported as an operating expense in the consolidated statements of income will be replaced with depreciation expense from the right of use asset and interest expense from the lease liability.

The Company expects to implement the standard retrospectively with the cumulative effect of initially applying the Standard recognized at the date of initial application. Also, the Company expects to adopt the recognition exemptions permitted for short-term leases (less than twelve months) and leases for which the underlying asset has a low value.

### **IFRS 3, Business Combinations and IFRS 11, Joint Arrangements**

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. The amendments are effective for annual periods beginning on or after January 1, 2019. The Company does not anticipate any material impact to the Company's financial position or results of operations as a result of these amendments.

### **IAS 12, Income Taxes**

The amendments to IAS 12 clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises. The amendments are effective for annual periods beginning on or after January 1, 2019. The Company does not anticipate any material impact to the Company's financial position or results of operations as a result of these amendments.

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**IAS 23, Borrowing Costs**

The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendments are effective for annual periods beginning on or after January 1, 2019. The Company does not anticipate any material impact to the Company's financial position or results of operations as a result of these amendments.

**8. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH**

	September 30 2018	December 31 2017
Cash balances excluding joint operations	\$ 136,615	\$ 19,381
Cash balances of joint operations	559,288	285,501
	<b>\$ 695,903</b>	<b>\$ 304,882</b>
<hr/>		
Restricted cash	\$ 221,816	\$ 279,581
	<b>\$ 221,816</b>	<b>\$ 279,581</b>

Cash and cash equivalents on deposit in the bank accounts of joint operations cannot be accessed directly by the Company.

Restricted cash is cash held by Bermuda Skyport Corporation Limited ("Skyport"). This cash cannot be used by the Company other than to finance the Bermuda International Airport Redevelopment Project.

**9. TRADE AND OTHER RECEIVABLES**

	September 30 2018	December 31 2017
Trade receivables	\$ 449,429	\$ 334,738
Allowance for doubtful accounts	(1,055)	(764)
	<b>448,374</b>	<b>333,974</b>
<hr/>		
Holdbacks receivable	176,506	155,879
Other	26,315	9,609
	<b>202,821</b>	<b>165,488</b>
<b>Total</b>	<b>\$ 651,195</b>	<b>\$ 499,462</b>
<hr/>		
<b>Amounts receivable beyond one year</b>	<b>\$ 66,683</b>	<b>\$ 51,353</b>

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A reconciliation of the beginning and ending carrying amounts of the Company's allowance for doubtful accounts is as follows:

	September 30 2018	December 31 2017
<b>Balance - beginning of period</b>	\$ (764)	\$ (1,645)
Additional amounts provided for during period	(572)	(616)
Trade receivables written off during period	281	8
Amounts recovered	-	1,489
<b>Balance - end of period</b>	<b>\$ (1,055)</b>	<b>\$ (764)</b>

**10. UNBILLED REVENUE AND DEFERRED REVENUE**

A reconciliation of the beginning and ending carrying amounts of unbilled revenue and deferred revenue is as follows:

	For the nine months ended September 30, 2018		For the year ended December 31, 2017	
	Unbilled revenue	Deferred revenue	Unbilled revenue	Deferred revenue
Balance outstanding - beginning of period	\$ 574,639	\$ (206,681)	\$ 471,848	\$ (201,408)
Revenue earned in the period	1,577,379	740,399	1,889,710	916,018
Billings in the period	(1,453,660)	(1,032,744)	(1,786,919)	(921,291)
<b>Balance outstanding - end of period</b>	<b>\$ 698,358</b>	<b>\$ (499,026)</b>	<b>\$ 574,639</b>	<b>\$ (206,681)</b>

In addition, revenue earned during the three and nine-month periods ended September 30, 2018, from performance obligations satisfied in previous periods, was reduced by \$nil and \$3,600, respectively. This amount primarily related to the impact of an adjustment to forecasted revenue and cost.

**11. INVENTORIES**

	September 30 2018	December 31 2017
Raw materials and supplies	\$ 6,437	\$ 6,510
Finished goods	17,374	16,487
	<b>\$ 23,811</b>	<b>\$ 22,997</b>

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**12. PROJECTS ACCOUNTED FOR USING THE EQUITY METHOD**

The Company performs some construction and concession related projects through non-consolidated entities. The Company's participation in these entities is conducted through joint ventures and associates and is accounted for using the equity method. The Company's joint ventures and associates are private entities and there is no quoted market price available for their shares.

The summarized financial information below reflects the Company's share of the amounts presented in the financial statements of joint ventures and associates:

	September 30, 2018			December 31, 2017		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Cash and cash equivalents	\$ 27,613	\$ 2,628	\$ 30,241	\$ 5,144	\$ 2,901	\$ 8,045
Other current assets	85,490	1,109	86,599	48,822	910	49,732
Total current assets	113,103	3,737	116,840	53,966	3,811	57,777
Non-current assets	482,507	-	482,507	289,411	-	289,411
<b>Total assets</b>	<b>595,610</b>	<b>3,737</b>	<b>599,347</b>	<b>343,377</b>	<b>3,811</b>	<b>347,188</b>
Trade and other payables and provisions	99,626	1,422	101,048	19,218	1,479	20,697
Total current liabilities	99,626	1,422	101,048	19,218	1,479	20,697
Non-current financial liabilities	457,157	-	457,157	292,920	-	292,920
Other non-current liabilities	962	-	962	961	-	961
Total non-current liabilities	458,119	-	458,119	293,881	-	293,881
<b>Total liabilities</b>	<b>557,745</b>	<b>1,422</b>	<b>559,167</b>	<b>313,099</b>	<b>1,479</b>	<b>314,578</b>
<b>Net assets</b>	<b>\$ 37,865</b>	<b>\$ 2,315</b>	<b>\$ 40,180</b>	<b>\$ 30,278</b>	<b>\$ 2,332</b>	<b>\$ 32,610</b>

	For the three months ended					
	September 30, 2018			September 30, 2017		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Revenue	\$ 214,202	\$ 458	\$ 214,660	\$ 80,649	\$ 486	\$ 81,135
Depreciation and amortization	(107)	-	(107)	(114)	-	(114)
Other costs	(206,215)	(523)	(206,738)	(74,871)	(392)	(75,263)
<b>Operating profit (loss)</b>	<b>7,880</b>	<b>(65)</b>	<b>7,815</b>	<b>5,664</b>	<b>94</b>	<b>5,758</b>
Finance costs	(3,374)	-	(3,374)	(2,538)	-	(2,538)
Income tax expense	(553)	-	(553)	-	-	-
<b>Profit (loss) for the period</b>	<b>3,953</b>	<b>(65)</b>	<b>3,888</b>	<b>3,126</b>	<b>94</b>	<b>3,220</b>
Other comprehensive income	1,986	-	1,986	2,021	-	2,021
<b>Total comprehensive income (loss)</b>	<b>\$ 5,939</b>	<b>\$ (65)</b>	<b>\$ 5,874</b>	<b>\$ 5,147</b>	<b>\$ 94</b>	<b>\$ 5,241</b>

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	For the nine months ended					
	September 30, 2018			September 30, 2017		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Revenue	\$ 370,972	\$ 633	\$ 371,605	\$ 197,541	\$ 4,650	\$ 202,191
Depreciation and amortization	(300)	-	(300)	(334)	-	(334)
Other costs	(354,185)	(642)	(354,827)	(184,217)	(3,698)	(187,915)
<b>Operating profit (loss)</b>	16,487	(9)	16,478	12,990	952	13,942
Finance costs	(9,071)	-	(9,071)	(7,812)	-	(7,812)
Income tax (expense) recovery	(463)	-	(463)	70	-	70
<b>Profit (loss) for the period</b>	6,953	(9)	6,944	5,248	952	6,200
Other comprehensive income	635	-	635	1,237	-	1,237
<b>Total comprehensive income (loss)</b>	\$ 7,588	\$ (9)	\$ 7,579	\$ 6,485	\$ 952	\$ 7,437

The movement in the investment in projects accounted for using the equity method is as follows:

	For the nine months ended		For the year ended	
	September 30 2018		December 31 2017	
<b>Projects accounted for using the equity method - as at beginning of period</b>	\$ 32,610	\$	27,618	\$
Share of profit for the period	6,944		8,417	
Share of other comprehensive income for the period	635		2,816	
Distributions from projects accounted for using the equity method	(9)		(6,241)	
<b>Projects accounted for using the equity method - as at end of period</b>	\$ 40,180	\$	32,610	\$

The following joint ventures and associates are included in projects accounted for using the equity method:

Name	Ownership interest	Joint Venture or Associate	Years included
Yellowline Asphalt Products Ltd.	50%	Joint Venture	2018, 2017
Lower Mattagami Project	20%	Associate	2017
Waterloo LRT Concessionaire	10%	Joint Venture	2018, 2017
Eglinton Crosstown LRT Concessionaire	25%	Joint Venture	2018, 2017
New Post Creek Project	20%	Associate	2017
Finch West LRT Concessionaire	33%	Joint Venture	2018
Gordie Howe International Bridge Concessionaire	20%	Joint Venture	2018

Projects accounted for using the equity method include various concession joint ventures as listed above. However, the construction activities related to these concessions are classified as joint operations which are accounted for in the consolidated financial statements by reflecting, line by line, Aecon's share of the assets held jointly, liabilities incurred jointly, and revenue and expenses arising from the joint operations.



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**13. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings and leasehold improvements	Aggregate properties	Machinery and construction equipment	Office equipment, furniture and fixtures, and computer hardware	Vehicles	Heavy equipment	Total
<b>Cost</b>								
Balance as at January 1, 2018	\$ 33,480	\$ 97,732	\$ 55,952	\$ 293,802	\$ 33,003	\$ 69,415	\$ 269,585	\$ 852,969
Additions	-	5,406	38	16,594	757	5,371	12,147	40,313
Disposals	-	(597)	-	(11,777)	(485)	(6,469)	(7,007)	(26,335)
Foreign currency translation adjustments	-	3	-	5	21	22	-	51
Balance as at September 30, 2018	\$ 33,480	\$ 102,544	\$ 55,990	\$ 298,624	\$ 33,296	\$ 68,339	\$ 274,725	\$ 866,998
<b>Accumulated depreciation and impairment</b>								
Balance as at January 1, 2018	-	47,137	18,184	155,463	27,032	48,058	99,944	395,818
Depreciation	-	3,618	887	18,888	2,413	6,151	18,347	50,304
Disposals	-	(558)	-	(9,163)	(485)	(6,062)	(5,063)	(21,331)
Foreign currency translation adjustments	-	-	-	-	2	4	-	6
Balance as at September 30, 2018	\$ -	\$ 50,197	\$ 19,071	\$ 165,188	\$ 28,962	\$ 48,151	\$ 113,228	\$ 424,797
<b>Net book value as at September 30, 2018</b>	<b>\$ 33,480</b>	<b>\$ 52,347</b>	<b>\$ 36,919</b>	<b>\$ 133,436</b>	<b>\$ 4,334</b>	<b>\$ 20,188</b>	<b>\$ 161,497</b>	<b>\$ 442,201</b>
<b>Net book value as at January 1, 2018</b>	<b>\$ 33,480</b>	<b>\$ 50,595</b>	<b>\$ 37,768</b>	<b>\$ 138,339</b>	<b>\$ 5,971</b>	<b>\$ 21,357</b>	<b>\$ 169,641</b>	<b>\$ 457,151</b>
<b>Net book value of assets under finance lease as at September 30, 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 75</b>	<b>\$ 61,497</b>	<b>\$ -</b>	<b>\$ 17,047</b>	<b>\$ 11,808</b>	<b>\$ 90,427</b>

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**14. INTANGIBLE ASSETS**

	Concession rights	Goodwill	Licences, software and other rights	Total
<b>Cost</b>				
Balance as at January 1, 2018	\$ 208,642	\$ 49,373	\$ 89,112	\$ 347,127
Additions				
Acquired separately	83,010	-	1,960	84,970
Interest capitalized	12,439	-	-	12,439
Disposals	-	-	(749)	(749)
Foreign currency translation adjustments	7,311	-	13	7,324
<b>Balance at September 30, 2018</b>	<b>\$ 311,402</b>	<b>\$ 49,373</b>	<b>\$ 90,336</b>	<b>\$ 451,111</b>
<b>Accumulated amortization and impairment</b>				
Balance as at January 1, 2018	23,404	-	29,845	53,249
Amortization	21,241	-	7,037	28,278
Disposals	-	-	(622)	(622)
Foreign currency translation adjustments	748	-	3	751
<b>Balance at September 30, 2018</b>	<b>\$ 45,393</b>	<b>\$ -</b>	<b>\$ 36,263</b>	<b>\$ 81,656</b>
<b>Net book value as at September 30, 2018</b>	<b>\$ 266,009</b>	<b>\$ 49,373</b>	<b>\$ 54,073</b>	<b>\$ 369,455</b>
<b>Net book value as at January 1, 2018</b>	<b>\$ 185,238</b>	<b>\$ 49,373</b>	<b>\$ 59,267</b>	<b>\$ 293,878</b>

Amortization of intangible assets is included in the depreciation and amortization expense line item on the consolidated statements of income.

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**15. BANK INDEBTEDNESS**

The Company maintains a committed revolving credit facility of \$500,000 (December 31, 2017 - \$500,000). Bank indebtedness representing borrowings on the Company's revolving credit facility, as at September 30, 2018 was \$nil (December 31, 2017 - \$17,940). Letters of credit amounting to \$133,426 were also issued against the credit facility as at September 30, 2018 (December 31, 2017 - \$69,314). Cash drawings under the facility bear interest rates between prime and prime plus 1.20% per annum. Letters of credit reduce the amount available-for-use under the facility.

The Company also maintains an additional letter of credit facility of \$700,000 (December 31, 2017 - \$700,000) provided by Export Development Canada of which \$492,609 was utilized as at September 30, 2018 (December 31, 2017 - \$258,275).

**16. TRADE AND OTHER PAYABLES**

	September 30 2018	December 31 2017
Trade payables and accrued liabilities	\$ 793,829	\$ 534,607
Holdbacks payable	66,772	87,256
	<b>\$ 860,601</b>	<b>\$ 621,863</b>
Amounts payable beyond one year	\$ 806	\$ 592

**17. PROVISIONS**

	Contract related obligations	Asset decommissioning costs	Tax assessments	Other	Total
<b>Balance as at January 1, 2018</b>	\$ 3,701	\$ 4,127	\$ 6,456	\$ 3,074	\$ 17,358
Additions made	315	101	-	4,689	5,105
Amounts used	(83)	(72)	-	(4,109)	(4,264)
Other changes	17	118	-	-	135
<b>Balance as at September 30, 2018</b>	<b>\$ 3,950</b>	<b>\$ 4,274</b>	<b>\$ 6,456</b>	<b>\$ 3,654</b>	<b>\$ 18,334</b>
<b>Reported as:</b>					
<b>Current</b>	<b>\$ 2,412</b>	<b>\$ -</b>	<b>\$ 6,456</b>	<b>\$ 3,654</b>	<b>\$ 12,522</b>
<b>Non-current</b>	<b>1,538</b>	<b>4,274</b>	<b>-</b>	<b>-</b>	<b>5,812</b>
	<b>\$ 3,950</b>	<b>\$ 4,274</b>	<b>\$ 6,456</b>	<b>\$ 3,654</b>	<b>\$ 18,334</b>

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**18. LONG-TERM DEBT AND NON-RECOURSE PROJECT DEBT**

	September 30 2018	December 31 2017
<b>Long-term debt:</b>		
Finance leases	\$ 76,431	\$ 73,974
Equipment and other loans	46,261	61,709
<b>Total long-term debt</b>	<b>\$ 122,692</b>	<b>\$ 135,683</b>
<b>Reported as:</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	\$ 40,363	\$ 44,472
<b>Non-current liabilities:</b>		
Long-term debt	82,329	91,211
	<b>\$ 122,692</b>	<b>\$ 135,683</b>
<b>Non-recourse project debt:</b>		
Bermuda International Airport Redevelopment Project financing (a)	\$ 364,140	\$ 352,888
<b>Total non-recourse project debt</b>	<b>\$ 364,140</b>	<b>\$ 352,888</b>
<b>Reported as:</b>		
<b>Non-current liabilities:</b>		
Non-recourse project debt	\$ 364,140	\$ 352,888
	<b>\$ 364,140</b>	<b>\$ 352,888</b>

(a) Included in the Company's consolidated balance sheets as at September 30, 2018 is debt, net of transaction costs, of \$364,140 (US\$281,298) (December 31, 2017 – \$352,888; US\$281,298) representing the debt of Skyport. This debt is secured by the assets of Skyport and is without recourse to the Company.

The financing is denominated in US dollars and bears interest at 5.9% annually. Debt repayments commence in 2022 and are scheduled to continue until 2042.

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**19. CONVERTIBLE DEBENTURES**

Convertible subordinated debentures consist of:

	September 30 2018	December 31 2017
<b>Debt component:</b>		
Debt component:		
Debt component:		
Debt component:		
Debt component:		
Debt component:		
Debt component:		
Debt component:		
Debt component:		
<b>Total convertible debentures</b>	<b>\$ 306,030</b>	<b>\$ 168,466</b>
<b>Reported as:</b>		
<b>Current liabilities:</b>		
Convertible debentures	168,079	168,466
<b>Non-current liabilities:</b>		
Convertible debentures	137,951	-
	<b>\$ 306,030</b>	<b>\$ 168,466</b>
<b>Equity component:</b>		
Debt component:		
Debt component:		
Debt component:		
Debt component:		
Debt component:		
Debt component:		
Debt component:		
Debt component:		
<b>Total convertible debentures</b>	<b>\$ 19,549</b>	<b>\$ 8,664</b>

Interest expense on the debentures is composed of the interest calculated on the face value of the debentures and notional interest representing the accretion of the carrying value of the debentures.

	For the three months ended		For the nine months ended	
	September 30 2018	September 30 2017	September 30 2018	September 30 2017
Interest expense on face value	\$ 2,432	\$ 2,372	\$ 7,053	\$ 7,116
Notional interest representing accretion	976	972	2,851	2,899
	<b>\$ 3,408</b>	<b>\$ 3,344</b>	<b>\$ 9,904</b>	<b>\$ 10,015</b>

On September 26, 2018, the Company issued \$160,000 of unsecured subordinated convertible debentures maturing December 31, 2023 and bearing interest at 5.0% per annum payable on a semi-annual basis (the "5.0% Debentures"). Subsequent to quarter end, on October 1, 2018, an additional \$24,000 of debentures were issued pursuant to the exercise of the over-allotment option granted to the syndicate of underwriters, bringing the total aggregate gross proceeds from the offering to \$184,000.

In 2013, the Company issued \$172,500 of unsecured subordinated convertible debentures maturing December 31, 2018 and bearing interest at 5.5% per annum payable on a semi-annual basis (the "5.5% Debentures").

At the holder's option, the 5.0% Debentures and 5.5% Debentures may be converted into common shares of the Company at any time up to the maturity dates at a conversion price of \$24.00 and \$20.00, respectively, for each common share,

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subject to adjustment in certain circumstances. The 5.0% Debentures will not be redeemable before December 31, 2021. The Company may, at its option, redeem the 5.0% Debentures from December 31, 2021 to December 31, 2022, in whole or in part, at par plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price. From December 31, 2022 through to the maturity date, the Company, at its option, may redeem the 5.0% Debentures, in whole or in part, at par plus accrued and unpaid interest.

On September 26, 2018, the Company issued a notice (the "Notice") of redemption to the registered holders of the 5.5% Debentures. As set out in the Notice, the redemption date of the 5.5% Debentures will be October 26, 2018 (the "Redemption Date"). The 5.5% Debentures are redeemable for an amount equal to the principal amount of the 5.5% Debentures plus accrued and unpaid interest up to, but excluding, the Redemption Date.

During the nine months ended September 30, 2018 and 2017, 5.5% Debentures with a face value of \$3,285 and \$nil, respectively, were converted at \$19.71 per share by the holders into 166,664 common shares (2017 – nil).

As at September 30, 2018, the face values of the 5.0% Debentures and 5.5% Debentures, which remain outstanding, were \$160,000 (December 31, 2017 – nil) and \$169,022 (December 31, 2017 - \$172,307), respectively.

For both the 5.0% Debentures and 5.5% Debentures, subject to specified conditions, the Company has the right to repay the outstanding principal amount of the convertible debentures, on maturity or redemption, through the issuance of common shares of the Company. The Company also has the option to satisfy its obligation to pay interest through the issuance and sale of additional common shares of the Company. The 5.0% Debentures and 5.5% Debentures do not contain a cash settlement feature on conversion into common shares of the Company.

The debt component of the 5.0% Debentures was measured at fair value on initial recognition. To determine the initial amount of the respective debt and equity components of the 5.0% Debentures issued during 2018, the carrying amount of the financial liability was first calculated by discounting the stream of future principal and interest payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk. The debt component was then deducted from the total carrying amount of the compound instrument to derive the equity component. The debt component was assigned a value of \$144,966 (less transaction costs of \$7,040) and the equity component was assigned a value of \$15,034 (less income taxes of \$3,984). The debt component is subsequently accounted for at amortized cost using the effective interest rate method.



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**20. CONCESSION RELATED DEFERRED REVENUE**

Concession related deferred revenue consists of:

		<b>September 30 2018</b>	December 31 2017
Bermuda International Airport Redevelopment Project	(a)	\$ 115,500	\$ 112,381
Other concession projects		13,137	5,999
		<b>\$ 128,637</b>	<b>\$ 118,380</b>

(a) As part of acquiring, in 2017, the rights to operate the Existing Bermuda Airport, concession related deferred revenue includes the estimated value of the “inducement” received by Skyport to develop, finance and operate the New Airport Terminal as well as development funds related to the Bermuda International Airport Redevelopment Project. These concession deferred revenue amounts will be amortized to earnings over the term of the New Airport Terminal concession period.

**21. INCOME TAXES**

The provision for income taxes differs from the result that would be obtained by applying combined Canadian federal and provincial statutory income tax rates to profit or loss before income taxes. This difference results from the following:

	For the nine months ended	
	<b>September 30 2018</b>	September 30 2017
Profit before income taxes	\$ 31,294	\$ 4,382
Statutory income tax rate	26.75%	26.75%
Expected income tax expense	<b>(8,371)</b>	(1,172)
Effect on income taxes of:		
Projects accounted for using the equity method	343	340
Impact of change in enacted tax rates on deferred tax balances	-	(732)
Provincial and foreign rate differences	7,247	3,838
Other non-deductible expenses	(727)	(737)
Adjustments in respect of prior years	1,237	-
Reversal of tax provision from prior year	-	1,177
Tax credits	(403)	-
Other	529	-
	<b>8,226</b>	3,886
Income tax recovery (expense)	<b>\$ (145)</b>	<b>\$ 2,714</b>

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**22. EMPLOYEE BENEFIT PLANS**

Employee future benefit expenses for the period are as follows:

	For the three months ended		For the nine months ended	
	September 30 2018	September 30 2017	September 30 2018	September 30 2017
Defined benefit pension expense:				
Company sponsored pension plans	\$ 152	\$ 262	\$ 457	\$ 764
Defined contribution pension expense:				
Company sponsored pension plans	1,639	1,722	5,231	5,073
Multi-employer pension plans	22,024	19,410	57,277	55,727
<b>Total employee future benefit expenses</b>	<b>\$ 23,815</b>	<b>\$ 21,394</b>	<b>\$ 62,965</b>	<b>\$ 61,564</b>

**23. CONTINGENCIES**

During the second quarter of 2018, the Company filed a statement of claim in the Court of Queen's Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking \$180,000 in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately \$14,000 in damages. The Company has recorded \$133,000 of unbilled revenue and accounts receivable as at September 30, 2018. Offsetting this amount to some extent, the Company has accrued \$45,000 in trade and other payables for potential payments to third parties pending the outcome of the claim against KSPC. KSPC is seeking an order that the Company repay to KSPC approximately \$195,000 already paid to the Company pursuant to such agreements. The Company believes that it will be successful in its claim and considers KSPC's claim to be without merit. See Note 4, "Critical Accounting Estimates".

The Company is involved in various disputes and litigation both as plaintiff and defendant. In the opinion of management, the resolution of disputes against the Company, including those provided for (see Note 17, "Provisions"), will not result in a material effect on the consolidated financial position of the Company.

As part of regular operations, the Company has the following guarantees and/or letters of credit outstanding:

	Project	September 30 2018
<b>Letters of credit:</b>		
In support of the Company's equity obligations	Bermuda International Airport Redevelopment Project	\$ 89,825
Financial and performance - issued in the normal course of business	Various	\$ 536,210

Under the terms of many of the Company's associate and joint arrangement contracts with project owners, each of the partners is jointly and severally liable for performance under the contracts. As at September 30, 2018, the value of uncompleted work for which the Company's associate and joint arrangement partners are responsible, and which the Company could be responsible for assuming, amounted to approximately \$12,765,113, a substantial portion of which is

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supported by performance bonds. In the event the Company assumed this additional work, it would have the right to receive the partner's share of billings to the project owners pursuant to the respective associate or joint arrangement contract.

**24. CAPITAL STOCK**

	For the nine months ended September 30, 2018		For the year ended December 31, 2017	
	Number	Amount	Number	Amount
<b>Number of common shares outstanding - beginning of period</b>	<b>59,298,857</b>	<b>\$ 367,612</b>	57,863,017	\$ 346,770
Common shares issued on exercise of share options	120,000	1,751	150,000	2,610
Common shares issued on conversion of debentures	166,664	3,379	9,790	198
Shares issued to settle LTIP/Director DSU obligations	323,285	4,547	1,276,050	18,034
<b>Number of common shares outstanding - end of period</b>	<b>59,908,806</b>	<b>\$ 377,289</b>	59,298,857	\$ 367,612

The Company is authorized to issue an unlimited number of common shares.

**STOCK-BASED COMPENSATION**

**Long-Term Incentive Plan**

In 2005 and 2014, the Company adopted Long-Term Incentive Plans (collectively "LTIP" or individually "2005 LTIP" or "2014 LTIP") to provide a financial incentive for its senior executives to devote their efforts to the long-term success of the Company's business. Awards to participants are based on the financial results of the Company and are made in the form of Deferred Share Units ("DSUs") or in the form of Restricted Share Units ("RSUs"). Awards made in the form of DSUs will vest only on the retirement or termination of the participant. Awards made in the form of RSUs will vest annually over three years. Compensation charges related to the LTIP are expensed over the estimated vesting period of the awards in marketing, general and administrative expenses. Awards made to individuals who are eligible to retire under the plan are assumed, for accounting purposes, to vest immediately.

For the three and nine months ended September 30, 2018, the Company recorded LTIP compensation charges of \$3,417 (2017 - \$3,300) and \$10,317 (2017 - \$12,183), respectively.

**Stock option plans**

The aggregate number of common shares that can be issued under the 2005 Stock Option Plan shall not exceed 5,000,000. Each share option issuance under the 2005 Stock Option Plan specifies the period during which the share option thereunder is exercisable (which in no event shall exceed ten years from the date of grant) and the date the share option will expire. The Company's Board of Directors determines the vesting period on the dates of share option grants. The exercise price of share option grants equals the market price of the common shares on the grant date. The Company issues common shares on exercise of the options.

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Details of common shares issued on the exercise of share options as well as details of changes in the balance of options outstanding are detailed below:

	For the nine months ended September 30, 2018		For the year ended December 31, 2017	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Balance outstanding - beginning of period	120,000	\$ 11.92	270,000	\$ 12.38
Exercised	(120,000)	11.92	(150,000)	12.74
<b>Balance outstanding - end of period</b>	-	-	120,000	11.92
<b>Options exercisable - end of period</b>	-	\$ -	120,000	\$ 11.92

Unless subsequently modified, all option grants have a term of five years from the date of grant and vest immediately or over a three-year period.

**Other Stock-based Compensation – Director DSU Awards**

In May 2014, the Board of Directors modified the director compensation program by replacing stock option grants to non-management directors with a director deferred share unit plan (the “Director DSU Plan”). A DSU is a right to receive an amount from the Company equal to the value of one common share. Commencing in 2014, directors have the option of receiving up to 50% of their annual retainer fee, that is otherwise payable in cash, in the form of DSUs pursuant to the Director DSU Plan. The number of DSUs awarded to a director is equal to the value of the compensation that a director elects to receive in DSUs or the value awarded by the Company on an annual basis divided by the volume weighted average trading price of a common share on the TSX for the five trading days prior to the date of the award. DSUs are redeemable on the first business day following the date the director ceases to serve on the Board.

As equity settled awards, Director DSUs are expensed in full on the date of grant and recognized in marketing, general and administrative expenses in the consolidated statements of income. Director DSUs have accompanying dividend equivalent rights, which are also expensed as earned in marketing, general and administrative expenses.

For the three and nine months ended September 30, 2018, the Company recorded Director DSU compensation charges of \$33 (2017 - \$117) and \$972 (2017 - \$931), respectively.

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Details of the changes in the balance of LTIP awards and Director DSUs outstanding are detailed below:

	For the nine months ended September 30, 2018		For the nine months ended September 30, 2017	
	LTIP Share Units	Weighted Average Grant Date Fair Value Per Unit	Director DSU	Weighted Average Grant Date Fair Value Per Unit
Balance outstanding - beginning of period	2,844,449	\$ 12.54	217,676	\$ 14.33
Granted	666,181	19.08	53,782	18.71
Dividend equivalent rights	67,808	13.48	5,323	15.03
Settled	(323,285)	12.24	-	-
Forfeited	(75,631)	14.82	-	-
Balance outstanding - end of period	3,179,522	\$ 13.91	276,781	\$ 15.20

Amounts included in contributed surplus in the consolidated balance sheets as at September 30, 2018 in respect of LTIP and Director DSUs were \$38,165 (December 31, 2017 - \$32,396) and \$4,239 (December 31, 2017 - \$3,120), respectively.

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**25. EXPENSES**

	For the three months ended		For the nine months ended	
	September 30 2018	September 30 2017	September 30 2018	September 30 2017
Personnel	\$ 231,629	\$ 259,881	\$ 608,930	\$ 799,633
Subcontractors	431,960	211,903	846,797	660,302
Materials	191,350	184,443	585,612	437,861
Equipment costs	79,014	43,762	140,739	122,685
Depreciation of property, plant and equipment and amortization of intangible assets	29,450	24,506	78,582	69,579
Other expenses	3,722	6,852	18,352	18,502
<b>Total expenses</b>	<b>\$ 967,125</b>	<b>\$ 731,347</b>	<b>\$ 2,279,012</b>	<b>\$ 2,108,562</b>

**Reported as:**

	For the three months ended		For the nine months ended	
	September 30 2018	September 30 2017	September 30 2018	September 30 2017
Direct costs and expenses	\$ 894,625	\$ 660,396	\$ 2,066,257	\$ 1,898,810
Marketing, general and administrative expenses	43,050	46,445	134,173	140,173
Depreciation and amortization	29,450	24,506	78,582	69,579
<b>Total expenses</b>	<b>\$ 967,125</b>	<b>\$ 731,347</b>	<b>\$ 2,279,012</b>	<b>\$ 2,108,562</b>

**26. OTHER INCOME (LOSS)**

	For the three months ended		For the nine months ended	
	September 30 2018	September 30 2017	September 30 2018	September 30 2017
Foreign exchange gain (loss)	\$ (470)	\$ 2	\$ 480	\$ 2,542
Gain on sale of property, plant and equipment	203	1,532	595	1,197
Gain (loss) on other assets	-	4	-	(957)
<b>Total other income (loss)</b>	<b>\$ (267)</b>	<b>\$ 1,538</b>	<b>\$ 1,075</b>	<b>\$ 2,782</b>



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**27. FINANCE COSTS**

	For the three months ended		For the nine months ended	
	September 30 2018	September 30 2017	September 30 2018	September 30 2017
Interest on long-term debt and debentures	\$ 3,882	\$ 4,090	\$ 11,394	\$ 12,511
Interest on finance leases	505	418	1,421	1,341
Interest on short-term debt	1,360	1,492	3,593	3,403
Notional interest on provisions	45	12	135	102
<b>Total finance costs</b>	<b>\$ 5,792</b>	<b>\$ 6,012</b>	<b>\$ 16,543</b>	<b>\$ 17,357</b>

**28. EARNINGS PER SHARE**

Details of the calculations of earnings per share are set out below:

	For the three months ended		For the nine months ended	
	September 30 2018	September 30 2017	September 30 2018	September 30 2017
Profit attributable to shareholders	\$ 41,990	\$ 24,635	\$ 31,149	\$ 7,096
Interest on convertible debentures, net of tax <sup>(1)</sup>	2,497	2,449	7,255	7,336
<b>Diluted net earnings</b>	<b>\$ 44,487</b>	<b>\$ 27,084</b>	<b>\$ 38,404</b>	<b>\$ 14,432</b>
Average number of common shares outstanding	59,852,523	58,789,876	59,680,680	58,394,737
Effect of dilutive securities: <sup>(1)</sup>				
Options	-	33,347	-	31,737
Convertible debentures <sup>(1)</sup>	11,221,342	10,999,973	10,770,252	11,204,364
Long-term incentive plan	3,456,303	3,498,551	3,456,303	3,498,551
<b>Weighted average number of diluted common shares outstanding</b>	<b>74,530,168</b>	<b>73,321,747</b>	<b>73,907,235</b>	<b>73,129,389</b>
Basic earnings per share	\$ 0.70	\$ 0.42	\$ 0.52	\$ 0.12
Diluted earnings per share <sup>(1)</sup>	\$ 0.60	\$ 0.37	\$ 0.49	\$ 0.11

<sup>(1)</sup> When the impact of dilutive securities increases the earnings per share or decreases the loss per share, they are excluded for purposes of the calculation of diluted earnings per share.

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**29. SUPPLEMENTARY CASH FLOW INFORMATION**

**Change in other balances relating to operations**

	For the nine months ended	
	September 30 2018	September 30 2017
Decrease (increase) in:		
Trade and other receivables	\$ (151,103)	\$ 32,311
Unbilled revenue	(123,549)	(228,348)
Inventories	(814)	1,812
Prepaid expenses	(10,224)	2,968
Increase (decrease) in:		
Trade and other payables	236,510	126,387
Provisions	(4,264)	(14,665)
Deferred revenue	292,164	(15,980)
Concession related deferred revenue	7,139	24,921
	<b>\$ 245,859</b>	<b>\$ (70,594)</b>

**Cash flows from interest**

	For the nine months ended	
	September 30 2018	September 30 2017
<b>Operating activities</b>		
Cash interest paid	\$ (32,414)	\$ (11,322)
Cash interest received	3,780	605

	For the nine months ended	
	September 30 2018	September 30 2017
<b>Non-cash transactions</b>		
Property, plant and equipment acquired and financed by finance leases	\$ 15,980	\$ 26,458

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**30. FINANCIAL INSTRUMENTS**

**Fair value**

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for speculative trading purposes. As at September 30, 2018, the Company had no outstanding contracts (December 31, 2017 – sell US\$600) and therefore there were no unrealized exchange gains or losses (December 31, 2017 - gain of \$11). The net unrealized exchange gain or loss represents the estimated amount the Company would have received/paid if it terminated the contracts at the end of the respective periods, and is included in other income (loss) in the consolidated statements of income. As at September 30, 2018, the Company's joint operations had outstanding contracts to sell US\$146,360 (December 31, 2017 - \$nil), representing the Company's pro-rata share, on which there was an unrealized loss recorded in other comprehensive income of \$600 (December 31, 2017 - \$nil).

IFRS 13, "Fair Value Measurement", enhances disclosures about fair value measurements. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs. The first two levels are considered observable and the last unobservable. These levels are used to measure fair values as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 – Inputs, other than Level 1 inputs, that are observable for assets and liabilities, either directly or indirectly. Level 2 inputs include: quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

	As at September 30, 2018			
	Total	Level 1	Level 2	Level 3
<b>Financial assets (liabilities) measured at fair value:</b>				
Cash flow hedges	\$ 1,778	\$ -	\$ 1,778	\$ -
<b>Financial assets (liabilities) disclosed at fair value:</b>				
Long-term financial assets	13,301	-	13,301	-
Current portion of long-term debt	(42,874)	-	(42,874)	-
Long-term debt	(80,990)	-	(80,990)	-
Non-recourse project debt	(364,140)	-	(364,140)	-
Convertible debentures	(331,765)	(331,765)	-	-

During the nine-month period ended September 30, 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

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**Risk management**

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. These risks arise from exposures that occur in the normal course of business and are managed on a consolidated Company basis.

**Credit risk**

Concentration of credit risk associated with accounts receivable, holdbacks receivable and unbilled revenue is limited by the Company's diversified customer base and its dispersion across different business and geographic areas.

As at September 30, 2018, the Company had \$75,019 in trade receivables that were past due. Of this amount, \$57,159 was over 60 days past due, against which the Company has recorded an allowance for doubtful accounts of \$1,055.

**Liquidity risk**

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled in cash or another financial asset.

Contractual maturities for financial liabilities as at September 30, 2018 are as follows:

	Due within one year	Due between one and five years	Due after five years	Total undiscounted cash flows	Effect of interest	Carrying value
Trade and other payables \$	859,795	\$ 806	\$ -	\$ 860,601	\$ -	\$ 860,601
Finance leases	\$ 24,661	\$ 51,559	\$ 5,071	\$ 81,291	\$ (4,860)	\$ 76,431
Equipment and other loans	18,663	27,837	1,714	48,214	(1,953)	46,261
	43,324	79,396	6,785	129,505	(6,813)	122,692
Convertible debentures	181,418	194,667	-	376,085	(70,055)	306,030
Long-term financial liabilities	\$ 224,742	\$ 274,063	\$ 6,785	\$ 505,590	\$ (76,868)	\$ 428,722

**Interest rate risk**

The Company is exposed to interest rate risk on its short-term deposits and its long-term debt to the extent that its investments or credit facilities are based on floating rates of interest.

For the nine months ended September 30, 2018, a 1% increase or a 1% decrease in interest rates applied to the Company's variable rate long-term debt would not have a significant impact on net earnings or comprehensive income.

**Currency risk**

The Company operates internationally and is exposed to risk from changes in foreign currency rates. The Company is mainly exposed to fluctuations in the US dollar.

The Company's sensitivity to a 10% change in the US dollar against the Canadian dollar as at September 30, 2018 to profit or loss for currency exposures would be \$5,352. The sensitivity analysis includes foreign currency denominated monetary items but excludes all investments in joint ventures and hedges and adjusts their translation at year-end for the above 10% change in foreign currency rates.

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### **31. CAPITAL DISCLOSURES**

For capital management purposes, the Company defines capital as the aggregate of its shareholders' equity and debt. Debt includes the current and non-current portions of long-term debt (excluding non-recourse debt) and the current and non-current long-term debt components of convertible debentures.

Although the Company monitors capital on a number of bases, including liquidity and working capital, total debt (excluding non-recourse debt and drawings on the Company's credit facility presented as bank indebtedness) as a percentage of total capitalization (debt to capitalization percentage) is considered to be the most important metric in measuring the strength and flexibility of its consolidated balance sheets. As at September 30, 2018, the debt to capitalization percentage including convertible debentures as debt was 35% (December 31, 2017 - 28%). If the convertible debentures were to be excluded from debt and added to equity on the basis that they could be redeemed for equity, either at the Company's option or at the holder's option, then the adjusted debt to capitalization percentage would be 10% as at September 30, 2018 (December 31, 2017 - 13%). While the Company believes this debt to capitalization percentage is acceptable, because of the cyclical nature of its business, the Company will continue its current efforts to maintain a conservative capital position.

As at September 30, 2018, the Company complied with all of its financial debt covenants.

### **32. OPERATING SEGMENTS**

Segment reporting is based on the Company's divisional operations. The breakdown by division mirrors the Company's internal reporting systems.

Commencing in 2018, the Company's previous Energy and Mining segments were combined into an Industrial segment to align with the Company's new operating management structure, and to build on the "One Aecon" business strategy to capitalize on and combine the strengths and synergies of the Aecon group. Prior year comparative figures have been restated to conform to the presentation adopted in the current year.

The Company currently operates in three principal segments within the construction and infrastructure development industry: Infrastructure, Industrial and Concessions.

The Infrastructure segment includes all aspects of the construction of both public and private infrastructure, primarily in Canada, and on a selected basis, internationally.

The Industrial segment encompasses a full suite of service offerings, primarily to the energy and mining markets including conventional industrial construction and manufacturing activities such as in-plant construction, site construction, fabrication, module assembly and contract mining. The Industrial segment offers turnkey services consolidating the Company's industrial and manufacturing capabilities and services across Canada, with a focus on delivering construction services that span the scope of a project's life cycle from site preparation, overburden removal, and resource extraction to processing and environmental reclamation.

Activities within the Concessions segment include the development, financing, construction and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer and other public-private partnership contract structures.

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For the three months ended September 30, 2018					
	Infrastructure	Industrial	Concessions	Other and eliminations	Total
<b>Consolidated Statements of Income</b>					
External customer revenue	\$ 386,350	\$ 562,484	\$ 70,846	\$ -	\$ 1,019,680
Inter-segment revenue	53,352	3,861	-	(57,213)	-
<b>Total revenue</b>	<b>439,702</b>	<b>566,345</b>	<b>70,846</b>	<b>(57,213)</b>	<b>1,019,680</b>
<b>Expenses</b>	<b>\$ (414,192)</b>	<b>\$ (537,779)</b>	<b>\$ (62,539)</b>	<b>\$ 47,385</b>	<b>\$ (967,125)</b>
Which include:					
Depreciation and amortization	(5,169)	(14,701)	(9,675)	95	(29,450)
<b>Other income (loss):</b>					
Foreign exchange gain (loss)	\$ 148	\$ (194)	\$ (303)	\$ (121)	\$ (470)
Gain (loss) on sale of property, plant and equipment	382	(179)	-	-	203
<b>Income from projects accounted for using the equity method</b>	<b>\$ 1,706</b>	<b>\$ 226</b>	<b>\$ 1,956</b>	<b>\$ -</b>	<b>\$ 3,888</b>
<b>Operating profit (loss)</b>	<b>\$ 27,746</b>	<b>\$ 28,419</b>	<b>\$ 9,960</b>	<b>\$ (9,949)</b>	<b>\$ 56,176</b>
<b>Finance income (cost):</b>					
Finance income					\$ 600
Finance cost					(5,792)
<b>Profit before income taxes</b>					<b>\$ 50,984</b>
<b>Income tax expense</b>					<b>(8,994)</b>
<b>Profit for the period</b>					<b>\$ 41,990</b>
<b>Revenue by contract type</b>					
Lump sum	\$ 241,107	\$ 155,300	\$ 69,585	\$ (43,950)	\$ 422,042
Cost plus/unit price	198,595	411,045	1,261	(13,263)	597,638
<b>Total revenue</b>	<b>439,702</b>	<b>566,345</b>	<b>70,846</b>	<b>(57,213)</b>	<b>1,019,680</b>
<b>Revenue by service type</b>					
Construction revenue	\$ 439,702	\$ 566,345	\$ -	\$ (13,373)	\$ 992,674
Concession revenue	-	-	70,846	(43,840)	27,006
<b>Total revenue</b>	<b>439,702</b>	<b>566,345</b>	<b>70,846</b>	<b>(57,213)</b>	<b>1,019,680</b>
<b>Consolidated Balance Sheets</b>					
<b>Segment assets</b>	<b>\$ 1,072,518</b>	<b>\$ 1,519,871</b>	<b>\$ 635,497</b>	<b>\$ (24,421)</b>	<b>\$ 3,203,465</b>
Which include:					
Projects accounted for using the equity method	21,774	1,032	17,374	-	40,180
<b>Segment liabilities</b>	<b>\$ 919,440</b>	<b>\$ 580,696</b>	<b>\$ 521,652</b>	<b>\$ 388,745</b>	<b>\$ 2,410,533</b>
<b>Additions to non-current assets:</b>					
Property, plant and equipment	\$ 4,700	\$ 8,545	\$ 50	\$ 837	\$ 14,132
Intangible assets	\$ -	\$ 255	\$ 49,148	\$ 902	\$ 50,305



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For the nine months ended September 30, 2018					
	Infrastructure	Industrial	Concessions	Other and eliminations	Total
<b>Consolidated Statements of Income</b>					
External customer revenue	\$ 806,469	\$ 1,356,562	\$ 154,747	\$ -	\$ 2,317,778
Inter-segment revenue	106,290	11,015	-	(117,305)	-
<b>Total revenue</b>	<b>912,759</b>	<b>1,367,577</b>	<b>154,747</b>	<b>(117,305)</b>	<b>2,317,778</b>
<b>Expenses</b>	<b>\$ (895,477)</b>	<b>\$ (1,331,255)</b>	<b>\$ (137,467)</b>	<b>\$ 85,187</b>	<b>\$ (2,279,012)</b>
Which include:					
Depreciation and amortization	(15,229)	(41,723)	(21,672)	42	(78,582)
<b>Other income (loss):</b>					
Foreign exchange gain (loss)	\$ (282)	\$ 1,228	\$ (613)	\$ 147	\$ 480
Gain (loss) on sale of property, plant and equipment	1,189	(594)	-	-	595
<b>Income from projects accounted for using the equity method</b>	<b>\$ 1,862</b>	<b>\$ 324</b>	<b>\$ 4,758</b>	<b>\$ -</b>	<b>\$ 6,944</b>
<b>Operating profit (loss)</b>	<b>\$ 20,051</b>	<b>\$ 37,280</b>	<b>\$ 21,425</b>	<b>\$ (31,971)</b>	<b>\$ 46,785</b>
<b>Finance income (cost):</b>					
Finance income					\$ 1,052
Finance costs					(16,543)
<b>Profit before income taxes</b>					<b>\$ 31,294</b>
<b>Income tax expense</b>					<b>(145)</b>
<b>Profit for the period</b>					<b>\$ 31,149</b>
<b>Revenue by contract type</b>					
Lump sum	\$ 555,367	\$ 277,106	\$ 153,167	\$ (91,878)	\$ 893,762
Cost plus/unit price	357,392	1,090,471	1,580	(25,427)	1,424,016
<b>Total revenue</b>	<b>912,759</b>	<b>1,367,577</b>	<b>154,747</b>	<b>(117,305)</b>	<b>2,317,778</b>
<b>Revenue by service type</b>					
Construction revenue	\$ 912,759	\$ 1,367,577	\$ -	\$ (25,608)	\$ 2,254,728
Concession revenue	-	-	154,747	(91,697)	63,050
<b>Total revenue</b>	<b>912,759</b>	<b>1,367,577</b>	<b>154,747</b>	<b>(117,305)</b>	<b>2,317,778</b>
	Infrastructure	Industrial	Concessions	Other and eliminations	Total
<b>Consolidated Balance Sheets</b>					
<b>Additions to non-current assets:</b>					
Property, plant and equipment	\$ 13,214	\$ 25,855	\$ 214	\$ 1,030	\$ 40,313
Intangible assets	\$ -	\$ 255	\$ 95,453	\$ 1,701	\$ 97,409

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For the three months ended September 30, 2017					
	Infrastructure	Industrial	Concessions	Other and eliminations	Total
<b>Consolidated Statements of Income</b>					
External customer revenue	\$ 291,852	\$ 435,129	\$ 32,703	\$ -	\$ 759,684
Inter-segment revenue	20,632	1,975	-	(22,607)	-
<b>Total revenue</b>	<b>312,484</b>	<b>437,104</b>	<b>32,703</b>	<b>(22,607)</b>	<b>759,684</b>
<b>Expenses</b>	<b>\$ (297,056)</b>	<b>\$ (417,617)</b>	<b>\$ (26,823)</b>	<b>\$ 10,149</b>	<b>\$ (731,347)</b>
Which include:					
Depreciation and amortization	(5,254)	(10,671)	(8,569)	(12)	(24,506)
<b>Other income (loss):</b>					
Foreign exchange gain (loss)	\$ 258	\$ (70)	\$ 147	\$ (333)	\$ 2
Gain on sale of property, plant and equipment	621	913	-	2	1,536
<b>Income from projects accounted for using the equity method</b>	<b>\$ 1,723</b>	<b>\$ -</b>	<b>\$ 1,497</b>	<b>\$ -</b>	<b>\$ 3,220</b>
<b>Operating profit (loss)</b>	<b>\$ 18,030</b>	<b>\$ 20,330</b>	<b>\$ 7,524</b>	<b>\$ (12,789)</b>	<b>\$ 33,095</b>
<b>Finance income (cost):</b>					
Finance income					\$ 157
Finance cost					(6,012)
<b>Profit before income taxes</b>					<b>\$ 27,240</b>
<b>Income tax expense</b>					<b>(2,605)</b>
<b>Profit for the period</b>					<b>\$ 24,635</b>
<b>Revenue by contract type</b>					
Lump sum	\$ 149,548	\$ 71,329	\$ 32,703	\$ (9,719)	\$ 243,861
Cost plus/unit price	162,936	365,775	-	(12,888)	515,823
<b>Total revenue</b>	<b>312,484</b>	<b>437,104</b>	<b>32,703</b>	<b>(22,607)</b>	<b>759,684</b>
<b>Revenue by service type</b>					
Construction revenue	\$ 312,484	\$ 437,104	\$ -	\$ (10,441)	\$ 739,147
Concession revenue	-	-	32,703	(12,166)	20,537
<b>Total revenue</b>	<b>312,484</b>	<b>437,104</b>	<b>32,703</b>	<b>(22,607)</b>	<b>759,684</b>
<b>Consolidated Balance Sheets</b>					
	Infrastructure	Industrial	Concessions	Other and eliminations	Total
<b>Segment assets</b>	<b>\$ 747,052</b>	<b>\$ 1,249,360</b>	<b>\$ 576,576</b>	<b>\$ 110,979</b>	<b>\$ 2,683,967</b>
Which include:					
Projects accounted for using the equity method	23,626	2,220	9,195	-	35,041
<b>Segment liabilities</b>	<b>\$ 513,205</b>	<b>\$ 533,597</b>	<b>\$ 483,982</b>	<b>\$ 415,573</b>	<b>\$ 1,946,357</b>
<b>Additions to non-current assets:</b>					
Property, plant and equipment	\$ 7,943	\$ 12,133	\$ 1,699	\$ 2	\$ 21,777
Intangible assets	\$ -	\$ -	\$ 28,039	\$ 579	\$ 28,618

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**  
(in thousands of Canadian dollars, except per share amounts) (unaudited)

For the nine months ended September 30, 2017					
	Infrastructure	Industrial	Concessions	Other and eliminations	Total
<b>Consolidated Statements of Income</b>					
External customer revenue	\$ 612,226	\$ 1,401,868	\$ 106,620	\$ -	\$ 2,120,714
Inter-segment revenue	89,381	7,596	-	(96,977)	-
<b>Total revenue</b>	<b>701,607</b>	<b>1,409,464</b>	<b>106,620</b>	<b>(96,977)</b>	<b>2,120,714</b>
<b>Expenses</b>	<b>\$ (704,348)</b>	<b>\$ (1,367,644)</b>	<b>\$ (99,113)</b>	<b>\$ 62,543</b>	<b>\$ (2,108,562)</b>
Which include:					
Depreciation and amortization	(15,013)	(35,681)	(18,717)	(168)	(69,579)
<b>Other income (loss):</b>					
Foreign exchange gain (loss)	\$ 538	\$ 2,430	\$ 226	\$ (652)	\$ 2,542
Gain (loss) on sale of property, plant and equipment	1,261	(1,025)	-	4	240
<b>Income from projects accounted for using the equity method</b>	<b>\$ 2,691</b>	<b>\$ -</b>	<b>\$ 3,509</b>	<b>\$ -</b>	<b>\$ 6,200</b>
<b>Operating profit (loss)</b>	<b>\$ 1,749</b>	<b>\$ 43,225</b>	<b>\$ 11,242</b>	<b>\$ (35,082)</b>	<b>\$ 21,134</b>
<b>Finance income (cost):</b>					
Finance income					\$ 605
Finance costs					(17,357)
<b>Profit before income taxes</b>					<b>\$ 4,382</b>
<b>Income tax recovery</b>					<b>2,714</b>
<b>Profit for the period</b>					<b>\$ 7,096</b>
<b>Revenue by contract type</b>					
Lump sum	\$ 382,389	\$ 103,521	\$ 106,619	\$ (61,185)	\$ 531,344
Cost plus/unit price	319,218	1,305,943	1	(35,792)	1,589,370
<b>Total revenue</b>	<b>701,607</b>	<b>1,409,464</b>	<b>106,620</b>	<b>(96,977)</b>	<b>2,120,714</b>
<b>Revenue by service type</b>					
Construction revenue	\$ 701,607	\$ 1,409,464	\$ -	\$ (35,206)	\$ 2,075,865
Concession revenue	-	-	106,620	(61,771)	44,849
<b>Total revenue</b>	<b>701,607</b>	<b>1,409,464</b>	<b>106,620</b>	<b>(96,977)</b>	<b>2,120,714</b>
	Infrastructure	Industrial	Concessions	Other and eliminations	Total
<b>Consolidated Balance Sheets</b>					
<b>Additions to non-current assets:</b>					
Property, plant and equipment	\$ 16,672	\$ 31,296	\$ 1,699	\$ 472	\$ 50,139
Intangible assets	\$ -	\$ -	\$ 197,811	\$ 1,977	\$ 199,788

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**  
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**33. REMAINING PERFORMANCE OBLIGATIONS**

Backlog (i.e remaining performance obligations) means the total value of work that has not yet been completed that: (a) has a high certainty of being performed as a result of the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to the company, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured. Operations and maintenance (“O&M”) activities are provided under contracts that can cover a period of up to 30 years. In order to provide information that is comparable to the backlog of other categories of activity, the Company limits backlog for O&M activities to the earlier of the contract term and the next five years.

Reported backlog as at September 30, 2018 of \$7,005,016 compares to backlog of \$4,319,110 as at September 30, 2017. New contract awards of \$1,581,000 and \$5,075,000 were booked in the third quarter and year-to-date 2018, respectively, compared to \$714,000 and \$2,236,000 in the same periods in 2017.

Backlog	As at September 30	
	2018	2017
Infrastructure	\$ 4,684,292	\$ 2,082,529
Industrial	2,297,957	2,220,386
Concessions	22,767	16,195
Consolidated	<u>\$ 7,005,016</u>	<u>\$ 4,319,110</u>

Backlog duration, representing the expected period during which backlog on hand will be converted into revenue, is set out in the table below:

Estimated backlog duration	As at September 30			
	2018		2017	
Next 12 months	\$ 2,038,379	29%	\$ 1,470,100	34%
Next 13-24 months	1,374,623	20%	902,600	21%
Beyond	3,592,014	51%	1,946,410	45%
	<u>\$ 7,005,016</u>	<u>100%</u>	<u>\$ 4,319,110</u>	<u>100%</u>

The Company does not report as backlog the significant number of contracts and arrangements in hand where the exact amount of work to be performed cannot be reliably quantified or where a minimum number of units at the contract specified price per unit is not guaranteed. Examples include time and material and some cost-plus and unit priced contracts where the extent of services to be provided is undefined or where the number of units cannot be estimated with reasonable certainty. Other examples include the value of construction work managed under construction management advisory contracts, concession agreements, multi-year operating and maintenance service contracts where the value of the work is not specified, supplier of choice arrangements and alliance agreements where the client requests services on an as-needed basis. None of the expected revenue from these types of contracts and arrangements is included in backlog. Therefore, the Company’s anticipated future work to be performed at any given time is greater than what is reported as backlog.

# **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## **FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

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

Reported backlog includes the revenue value of backlog that relates to projects that are accounted for using the equity method. The equity method reports a single amount (revenue less expenses) on the Company's consolidated statement of income, and as a result the revenue component of backlog for these projects is not included in the Company's reported revenue. As at September 30, 2018, reported backlog from projects that are accounted for using the equity method was \$nil (September 30, 2017 - \$34).

### **34. SUBSEQUENT EVENTS**

On October 3, 2018, the Company announced that it had entered into a definitive asset purchase agreement with North American Construction Group Inc. ("NACG") under which the Company agreed to sell to NACG substantially all of the assets related to Aecon's contract mining business for \$199,100 in cash.

Aecon's contract mining business provides overburden removal and environmental reclamation services through a fleet of earth-moving equipment, primarily in the oil sands in Fort McMurray, Alberta.

Upon signing the asset purchase agreement, NACG paid Aecon a \$10,000 deposit, which will be applied to the purchase price if the transaction closes as contemplated. The balance of the price will be paid in four instalments, with the first instalment of \$153,600 due at closing and the following three instalments of \$11,800 million each being paid six, twelve and eighteen months following closing, secured by a charge over certain assets that are the subject of the transaction. The deferred payments are not subject to conditions.

If the sale transaction is not completed due to a default by NACG of its obligations under the agreement, the deposit will be retained by Aecon.

The Company will continue to operate its contract mining business, with no disruption to its clients or employees, in the normal course pending closing of the sale transaction.

The sale transaction is subject to various purchase price adjustments and customary closing conditions, including necessary regulatory approvals.

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