

Dear Fellow Shareholders,

First quarter results of 2014 represent a solid start to the year, with higher adjusted EBITDA and backlog compared to the same period in 2013. We anticipate that revenue and profits will be even more weighted to the second half of 2014 than is usually the case due to the ramp up of significant new projects currently underway. Aecon has historically experienced a seasonal pattern in its operating results, with the first quarter typically generating lower revenue and profit.

Adjusted EBITDA for the first quarter of 2014 increased to \$3.1 million (margin of 0.7 per cent) on revenue of \$462 million, compared to a negative adjusted EBITDA of \$11.3 million (negative margin of 2.0 per cent) on revenue of \$567 million for the first quarter of 2013. Operating loss for the period of \$23.2 million improved by \$7.9 million compared to the same period in 2013.

Aecon reported backlog of \$2.2 billion at March 31, 2014, versus \$1.8 billion at December 31, 2013. It is noteworthy that our effective backlog is greater than what is reported because it does not include recurring revenues. Recurring revenues remain strong, comprising about 25 per cent of our overall business and were approximately \$769 million on a trailing 12 month basis.

We were pleased to report \$867 million in new contracts in the first quarter, including the John Hart Generating Station in British Columbia, with Aecon's portion of the contract representing \$225 million, and the Waterloo Light Rail Transit Project in Ontario, with a backlog value to Aecon's account of approximately \$250 million. Subsequent to quarter end, we were awarded two noteworthy projects in Ontario's York Region. The first contract, with \$130 million in expected revenue to Aecon's account, was our selection as part of a joint venture for the York Viva Bus Rapid Transit project. As well, Aecon was awarded a \$94 million project for the reconstruction and widening of Second Concession Road for York Region.

With an improved mix of work in our Infrastructure segment, a strong market environment for our Energy segment, and targeted opportunities in Mining, we move forward in 2014 with a focused and disciplined approach to the robust pipeline of opportunities across our three core market sectors. Combined with a strong backlog of higher margin work, we maintain our positive outlook and anticipate making continued progress through 2014 to our adjusted EBITDA margin target of nine per cent in 2015.

Thank you for your continued support.

Yours truly,

(Signed) John M. Beck  
Chairman and Chief Executive Officer

May 7, 2014

**Aecon Group Inc.**

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

**March 31, 2014**

## **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 March 31, 2014 interim 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, 2013. This MD&A has been prepared as of May 7, 2014. Additional information regarding 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**

Aecon operates in four principal segments within the construction and infrastructure development industry: Infrastructure, Energy, Mining and Concessions.

The construction industry in Canada is seasonal in nature for companies like Aecon who 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 general global events outside Aecon's control, there are factors which could cause actual results, performance or achievements to vary 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 Large Project Risk and Contractual Factors. Risk factors are discussed in greater detail in the section on "Risk Factors" included in the Company's Annual Information Form dated March 27, 2014 and available through SEDAR at [www.sedar.com](http://www.sedar.com). Forward-looking statements include information concerning possible or assumed future results of Aecon's operations and financial position, as well as statements preceded by, followed by, or that include the words "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" 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. Aecon assumes 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 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 Canadian Institute of Chartered Accountants 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 Company's consolidated financial statements.

- **“Adjusted EBITDA”** represents operating profit (loss) adjusted to exclude depreciation and amortization, the gain (loss) on sales of assets and investments, and net income (loss) from projects accounted for using the equity method, but including “JV EBITDA” from projects accounted for using the equity method.
- **“JV 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.
- **“Adjusted profit (loss)”** represents the profit (loss) adjusted to exclude the after-tax fair value gain (loss) on the embedded derivative portion of convertible debentures.
- **“Adjusted earnings (loss) per share”** represents earnings (loss) per share calculated using adjusted profit (loss).
- **“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 respecting such work is reasonably assured.

## **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 International Financial Reporting Standards ("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**

The reader is referred to the discussion on Business Strategy as outlined in the MD&A in the 2013 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 March 31	
	2014	2013
<b>Revenue</b>	\$ 461.9	\$ 567.4
Gross profit	29.4	22.5
Marketing, general and administrative expenses	(41.0)	(44.8)
Income from projects accounted for using the equity method	7.3	8.4
Foreign exchange gains	0.4	0.1
Gain on sale of assets	-	0.2
Loss on disposal of a subsidiary	(2.6)	-
Depreciation and amortization	(16.8)	(17.5)
<b>Operating loss</b>	<b>(23.2)</b>	<b>(31.1)</b>
Financing costs, net	(11.1)	(8.7)
Fair value loss on convertible debentures	(1.7)	(2.2)
<b>Loss before income taxes</b>	<b>(36.0)</b>	<b>(42.0)</b>
Income tax recovery	10.1	12.1
<b>Loss</b>	<b>\$ (25.9)</b>	<b>\$ (29.9)</b>
Loss	\$ (25.9)	\$ (29.9)
Exclude:		
Fair value loss on convertible debentures	1.7	2.2
Income tax on fair value loss	(0.5)	(0.6)
<b>Adjusted loss</b>	<b>\$ (24.7)</b>	<b>\$ (28.3)</b>
<b>Gross profit margin</b>	<b>6.4%</b>	<b>4.0%</b>
<b>MG&amp;A as a percent of revenue</b>	<b>8.9%</b>	<b>7.9%</b>
<b>Adjusted EBITDA</b>	<b>3.1</b>	<b>(11.3)</b>
<b>Adjusted EBITDA Margin</b>	<b>0.7%</b>	<b>(2.0)%</b>
<b>Operating margin</b>	<b>(5.0)%</b>	<b>(5.5)%</b>
<b>Loss per share - basic</b>	<b>\$ (0.49)</b>	<b>\$ (0.56)</b>
<b>Loss per share - diluted</b>	<b>\$ (0.49)</b>	<b>\$ (0.56)</b>
<b>Adjusted loss per share - basic</b>	<b>\$ (0.47)</b>	<b>\$ (0.53)</b>
<b>Adjusted loss per share - diluted</b>	<b>\$ (0.47)</b>	<b>\$ (0.53)</b>
<b>Backlog</b>	<b>\$ 2,178</b>	<b>\$ 2,073</b>

Revenue for the three months ended March 31, 2014 was \$106 million lower than the same period in 2013. Revenue decreased by \$64 million in the Mining segment, primarily in mining construction services, and in the Infrastructure segment by \$43 million, mostly in the buildings operations of social infrastructure.

For the three months ended March 31, 2014, operating losses improved by \$7.9 million compared to the same period in 2013. Contributing to the lower operating loss was an improvement in gross profit in the Infrastructure and Energy segments of \$8.8 million and \$12.3 million, respectively. Included in the quarter-over-quarter improvement is the impact of a \$19 million provision on a specific project reported in the first quarter of 2013 in which both the Infrastructure and Energy segments equally participated. In the first quarter of 2014, the Energy segment also benefited from increased margins in its industrial operations in Central Canada. These increases were offset in part by lower gross profit in the Mining segment of \$14.0 million,

largely driven by lower volume of site installation work.

Marketing, general and administrative expenses (“MG&A”) decreased by \$3.8 million in the first three months of 2014 compared to 2013. However, MG&A as a percentage of revenue increased from 7.9% of revenue in the first quarter of 2013 to 8.9% of revenue in the first quarter of 2014 due to lower revenue. The decrease in MG&A in the first quarter of 2014 occurred mostly in the Infrastructure segment and was driven primarily by lower consulting and incentive costs. In 2013, consulting costs were higher because of programs initiated to improve operating margins by investing in Aecon’s risk management and project execution capabilities.

The loss on disposal of a subsidiary of \$2.6 million in the first quarter of 2014 resulted from the closure of the buildings business unit in Seattle within the Infrastructure segment.

Aecon’s participation in projects which 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. In the first three months of 2014, Aecon reported a profit of \$7.3 million from projects accounted for using this method of accounting, which is a decrease of \$1.1 million over the same period in 2013. This decrease occurred primarily in the Concessions segment due to lower income from the Quito concession operations. Interest and amortization charges were higher in the first quarter of 2014 versus the same period in 2013 because of the opening of the new Quito airport partway through the first quarter of 2013.

Depreciation and amortization expense of \$16.8 million in the first quarter of 2014 was \$0.7 million lower than in the same period in 2013 due to lower depreciation in the Mining segment.

Financing charges, net of interest income, of \$11.1 million in the first quarter of 2014 were \$2.4 million higher than in the same period in 2013, mostly from higher interest expense related to the convertible debenture issue in the fourth quarter of 2013.

The terms of the Company’s 2014 and 2015 convertible debentures include an option for holders to convert at the maturity date and allow the Company the option to settle the conversion in cash (or a combination of cash and common shares) unless a holder expressly indicates in the conversion notice that they do not wish to receive cash. The holder’s option to convert is treated as a derivative liability which must be measured at fair value at each reporting period, with gains and losses flowing through profit or loss. In the first quarter of 2014, the loss from fair valuing the embedded derivatives within Aecon’s convertible debentures was \$1.7 million compared to a loss of \$2.2 million in the same period of 2013. For more information, refer to Note 16 of the 2014 first quarter interim consolidated financial statements.

Note 17 of the 2014 first quarter interim consolidated financial statements provides a reconciliation between the expected income tax recovery in the first quarters of 2014 and 2013 based on statutory income tax rates and the actual income tax recovery reported for both these periods.

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

Backlog \$ millions	As at	
	March 31	
	2014	2013
Infrastructure	\$ 1,277	\$ 1,021
Energy	821	801
Mining	80	251
<b>Consolidated</b>	<b>\$ 2,178</b>	<b>\$ 2,073</b>

New contract awards of \$867 million were booked in the first quarter of 2014 compared to \$212 million in the first quarter of 2013. Further details of backlog for each of the segments are included in the discussion below under Reporting Segments.

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			
	March 31			
	2014		2013	
Next 12 months	\$ 1,228	56%	\$ 1,323	64%
Next 13-24 months	621	29%	580	28%
Beyond	329	15%	170	8%
	<b>\$ 2,178</b>	<b>100%</b>	<b>\$ 2,073</b>	<b>100%</b>

Aecon does not report, as backlog, the significant and increasing 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 revenues from these types of contracts and arrangements are included in backlog. Therefore, Aecon's effective backlog at any given time is greater than what is reported.

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.



## REPORTING SEGMENTS

### INFRASTRUCTURE

#### Financial Highlights

\$ millions	Three Months Ended	
	March 31	
	2014	2013
Revenue	\$ 106.5	\$ 149.7
Gross profit	\$ (6.3)	\$ (15.1)
Adjusted EBITDA	\$ (16.7)	\$ (29.7)
Operating loss	\$ (23.3)	\$ (33.6)
Adjusted EBITDA margin	(15.7)%	(19.8)%
Operating margin	(21.8)%	(22.5)%
Backlog	\$ 1,277	\$ 1,021

For the three months ended March 31, 2014, revenue in the Infrastructure segment of \$107 million was \$42 million, or 29%, lower than the same period last year. Approximately half of the decrease in revenue occurred in social infrastructure operations (\$22 million), primarily from less ongoing work in buildings operations in Ontario compared to the prior year and from the closure of the Seattle operations during the first quarter of 2014. In addition, heavy civil and transportation operations also experienced a decrease in revenue of \$9 million and \$13 million, respectively, during the first quarter of 2014 as many large heavy civil projects were nearing completion, and a severe winter in Ontario and other timing issues affected road building work.

For the three months ended March 31, 2014, the operating loss in the Infrastructure segment of \$23.3 million improved by \$10.3 million over the same period in the prior year. The largest improvement occurred in transportation operations (\$10 million) and resulted primarily from the impact in the prior year of the segment's \$9.7 million share of a specific project provision discussed in the Consolidated Financial Highlights section. In social infrastructure, margin improvements in mechanical operations were offset by a \$2.6 million loss incurred as a result of the closure of the Seattle operations during the first quarter of 2014. An operating profit decrease in heavy civil operations of \$1 million was volume driven.

Infrastructure backlog at March 31, 2014 was \$1,277 million, which is \$256 million higher than the same time last year with most of the increase occurring in heavy civil operations. New contract awards totaled \$563 million in the first quarter of 2014 compared to \$49 million in the same period in the prior year, with significant project awards received in 2014 for the John Hart Generating Station and Waterloo Region Light Rail Transit Project.

As discussed in the Consolidated Financial Highlights section, the Infrastructure segment's effective backlog at any given time is greater than what is reported.

## **ENERGY**

### **Financial Highlights**

<b>\$ millions</b>	<b>Three months ended</b>	
	<b>March 31</b>	
	<b>2014</b>	<b>2013</b>
<b>Revenue</b>	<b>\$ 248.2</b>	<b>\$ 248.0</b>
<b>Gross profit</b>	<b>\$ 18.6</b>	<b>\$ 6.3</b>
<b>Adjusted EBITDA</b>	<b>\$ 3.9</b>	<b>\$ (10.1)</b>
<b>Operating profit (loss)</b>	<b>\$ 0.2</b>	<b>\$ (13.4)</b>
<b>Adjusted EBITDA margin</b>	<b>1.6%</b>	<b>(4.1)%</b>
<b>Operating margin</b>	<b>0.1%</b>	<b>(5.4)%</b>
<b>Backlog</b>	<b>\$ 821</b>	<b>\$ 801</b>

Revenue in the first quarter of 2014 of \$248 million in the Energy segment was in line with the same period of 2013, as increases from utilities operations of \$8 million were offset by lower revenue from industrial operations of \$8 million. In utilities, higher revenue primarily from pipeline projects in Western Canada, offset weather related declines in utilities work in Ontario. In industrial operations, increased revenue primarily from fabrication projects in Atlantic Canada and power generation projects in Central Canada, were offset by a reduction in revenue in Western Canada following the completion of large site construction, and fabrication and module assembly projects during 2013, and from lower heat recovery steam generator sales in IST versus a year ago.

For the three months ended March 31, 2014, operating profit of \$0.2 million was \$13.6 million higher than the same period last year. The quarter-over-quarter improvement is partially due to the Energy segment's \$9.7 million share of a specific project provision in the first quarter of 2013 discussed in the Consolidated Financial Highlights section. The remaining increase is mainly due to increased volume and margin from power generation projects in Central Canada and from higher volume in Atlantic Canada.

Backlog at March 31, 2014 of \$821 million was \$20 million higher than the same time last year with most of the increase occurring in industrial operations in Western Canada, primarily as a result of project awards for site construction projects in the oil sands during the past year, offset by lower backlog in utilities operations due to the workoff of pipeline projects. New contract awards of \$193 million in the first quarter of 2014 were \$142 million higher than in the same period in 2013.

As discussed in the Consolidated Financial Highlights section, the Energy segment's effective backlog at any given time is greater than what is reported.

## **MINING**

### **Financial Highlights**

<b>\$ millions</b>	<b>Three months ended</b>	
	<b>March 31</b>	
	<b>2014</b>	<b>2013</b>
<b>Revenue</b>	<b>\$ 107.5</b>	<b>\$ 171.5</b>
<b>Gross profit</b>	<b>\$ 17.4</b>	<b>\$ 31.4</b>
<b>Adjusted EBITDA</b>	<b>\$ 11.9</b>	<b>\$ 27.0</b>
<b>Operating profit</b>	<b>\$ 4.3</b>	<b>\$ 18.7</b>
<b>Adjusted EBITDA margin</b>	<b>11.1%</b>	<b>15.7%</b>
<b>Operating margin</b>	<b>4.0%</b>	<b>10.9%</b>
<b>Backlog</b>	<b>\$ 80</b>	<b>\$ 251</b>

Revenue in the first quarter of 2014 of \$108 million in the Mining segment was \$64 million lower than in the same period of 2013. Substantially all of the revenue decrease was from a lower volume of site installation work in the commodity mining sector following the completion of a substantial project during 2013.

For the three months ended March 31, 2014, operating profit of \$4.3 million was \$14.4 million lower than the same period last year. The majority of the period-over-period decrease in operating profit resulted from the above noted lower volume of site installation work in the commodity mining sector.

Backlog at March 31, 2014 of \$80 million was \$171 million lower than the same time last year. New contract awards of \$111 million in the first quarter of 2014 were \$1 million lower than in the same period in 2013.

As discussed in the Consolidated Financial Highlights section, the Mining segment's effective backlog at any given time is greater than what is reported.

## **CONCESSIONS**

### **Financial Highlights**

<b>\$ millions</b>	<b>Three Months Ended</b>			
	<b>March 31</b>			
	<b>2014</b>		<b>2013</b>	
<b>Revenue</b>	<b>\$</b>	<b>0.6</b>	<b>\$</b>	<b>0.6</b>
<b>Gross profit</b>	<b>\$</b>	<b>(0.2)</b>	<b>\$</b>	<b>(0.1)</b>
<b>Income from projects accounted for using the equity method</b>	<b>\$</b>	<b>5.5</b>	<b>\$</b>	<b>7.0</b>
<b>Adjusted EBITDA</b>	<b>\$</b>	<b>11.7</b>	<b>\$</b>	<b>8.7</b>
<b>Operating profit</b>	<b>\$</b>	<b>4.5</b>	<b>\$</b>	<b>6.2</b>

Revenue reported in the Concessions segment for the three months ended March 31, 2014 and 2013, is \$0.6 million.

For the three months ended March 31, 2014, operating profit of \$4.5 million was \$1.7 million lower than the same period last year as increases in revenue and adjusted EBITDA from the new Quito airport concessionaire were offset by higher interest and amortization charges related to Quito operations. With the opening of the new Quito airport on February 20, 2013, the project commenced expensing interest (whereas prior to the opening of the new airport, interest was being capitalized) and began amortizing airport assets that were put into service. From an operating profit perspective, the first quarter of 2013 included approximately one month of interest and amortization expense related to the new airport, whereas the first quarter of 2014 included a full three months of interest and amortization charges.

Approximately 0.6 million passengers departed through the new Quito airport in the first three months of 2014, a 2% increase over the same period in 2013.

Aecon does not include in its reported backlog expected revenue from operations management contracts and concession agreements. As such, while Aecon expects future revenue from its concession assets, no concession backlog is reported.

## Quarterly Financial Data

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

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

	2014	2013				2012		
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Revenue	\$ 461.9	\$ 906.2	\$ 897.3	\$ 697.6	\$ 567.4	\$ 932.1	\$ 820.5	\$ 648.1
Adjusted EBITDA	3.1	79.1	79.5	36.7	(11.3)	77.9	68.6	25.8
Earnings (loss) before income taxes	(36.0)	36.7	45.1	9.4	(42.0)	70.4	47.7	4.5
Profit (loss)	(25.9)	28.3	34.4	7.9	(29.9)	56.3	35.8	5.0
Adjusted profit (loss)	(24.7)	33.6	36.4	6.0	(28.3)	53.4	34.6	4.0
Earnings (loss) per share:								
Basic	(0.49)	0.54	0.65	0.15	(0.56)	1.06	0.67	0.10
Diluted	(0.49)	0.48	0.53	0.13	(0.56)	0.71	0.50	0.09
Adjusted earnings (loss) per share:								
Basic	(0.47)	0.64	0.69	0.11	(0.53)	1.01	0.65	0.08
Diluted	(0.47)	0.50	0.53	0.11	(0.53)	0.71	0.50	0.07

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 equal the total for the year.

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

### \$ millions

	2014	2013				2012		
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Operating profit (loss)	\$ (23.2)	\$ 54.6	\$ 57.6	\$ 16.2	\$ (31.1)	\$ 71.6	\$ 52.1	\$ 10.9
Depreciation and amortization	16.8	16.3	15.0	14.3	17.5	17.8	14.5	12.8
Gain on sale of assets and investments	-	0.9	-	(0.3)	(0.2)	(0.1)	(0.3)	-
Loss on disposal of subsidiary	2.6	-	-	-	-	-	-	-
Income from projects accounted for using the equity method	(7.3)	(11.3)	(9.5)	(8.6)	(8.4)	(34.3)	(7.3)	(7.7)
JV EBITDA	14.2	18.7	16.5	15.1	10.9	22.9	9.6	9.8
Adjusted EBITDA	\$ 3.1	\$ 79.1	\$ 79.5	\$ 36.7	\$ (11.3)	\$ 77.9	\$ 68.6	\$ 25.8

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

**\$ millions**

Aecon's proportionate share of projects accounted for using the equity method (1)	2014	2013				2012		
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Operating profit	\$ 10.6	\$ 15.2	\$ 13.2	\$ 11.8	\$ 9.8	\$ 22.9	\$ 8.6	\$ 8.9
Depreciation and amortization	3.7	3.5	3.3	3.3	1.1	-	1.1	0.9
<b>JV EBITDA</b>	<b>14.2</b>	<b>18.7</b>	<b>16.5</b>	<b>15.1</b>	<b>10.9</b>	<b>22.9</b>	<b>9.6</b>	<b>9.8</b>

(1) Refer to Note 9 "Projects Accounted for Using the Equity Method" in the consolidated financial statements

**FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

Aecon's participation in joint arrangements classified as joint operations 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.

Aecon's participation in joint arrangements classified as joint ventures, including Quiport JV, 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), are accounted for using the equity method.

For further information, see Note 9 in the 2014 interim consolidated financial statements.

**Cash and Debt Balances**

Cash balances at March 31, 2014 and December 31, 2013 are as follows:

\$ millions		March 31, 2014		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	\$ 69	\$ 77	\$ 146
Restricted cash	(2)	4	-	4
		December 31, 2013		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	\$ 148	\$ 93	\$ 241
Restricted cash	(2)	4	-	4

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

(2) Restricted cash includes cash that is deposited as collateral for letters of credit issued by Aecon.

Total long-term debt of \$610 million at March 31, 2014 compares to \$613 million as at December 31, 2013, the composition of which is as follows:

\$ millions	March 31, 2013	December 31, 2013
Current portion of long-term debt	\$ 68.1	\$ 67.9
Current portion of convertible debentures	175.8	173.6
Long-term debt	115.0	123.1
Convertible debentures	250.9	248.8
<b>Total long-term debt</b>	<b>\$ 609.8</b>	<b>\$ 613.4</b>

Most of the \$3.6 million net decrease in total debt results from debt repayments related to finance leases and equipment loans. Convertible debentures increased by \$4.2 million during the first quarter of 2014, resulting from a \$2.5 million increase related to the accretion of notional interest on all debentures, and a \$1.7 million increase in the fair value attributed to the embedded derivative component of the convertible debentures maturing in 2014 and 2015.

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 \$300 million of which \$237 million was unutilized as of March 31, 2014. When combined with two letter of credit facilities provided by Export Development Canada (a \$250 million domestic facility and a US\$15 million international facility), Aecon's current total committed credit availability for working capital and letter of credit requirements is approximately \$567 million. As of March 31, 2014, Aecon was in compliance with all debt covenants related to its credit facility.

On September 30, 2014, \$172.5 million of convertible debentures will mature. At the holder's option, the 2014 convertible debentures may be converted into common shares of the Company at the maturity date at a conversion price of \$19.00 for each common share, subject to adjustment in certain circumstances. Aecon has the ability to repay the debentures with cash, shares, or a combination of cash and shares. Management intends to use the net proceeds from the debenture issue in the fourth quarter of 2013 to repay the debentures due September 30, 2014.

In the first quarter of 2014, Aecon's Board of Directors approved an increase in the dividend to be paid to all holders of Aecon common shares. Annual dividends increased to \$0.36 per share, to be paid in four quarterly payments of \$0.09 per share. Prior to this increase, Aecon paid an annual dividend of \$0.32 per share (\$0.08 each quarter). The first quarterly dividend payment of \$0.09 per share was paid on April 1, 2014.

## Summary Of Cash Flows

\$ millions	Consolidated Cash Flows	
	For the three months ended March 31	
	2014	2013
<b>Cash provided by (used in):</b>		
Operating activities	\$ (71.0)	\$ (33.0)
Investing activities	(10.7)	(3.2)
Financing activities	(12.5)	53.6
Increase (decrease) in cash and cash equivalents	(94.2)	17.4
Effects of foreign exchange on cash balances	-	0.1
Cash and cash equivalents - beginning of period	240.6	63.3
<b>Cash and cash equivalents - end of period</b>	<b>\$ 146.5</b>	<b>\$ 80.8</b>

The construction industry in Canada is seasonal in nature for companies like Aecon who 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 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 used in operating activities of \$71 million in the first three months of 2014 compares with cash used in operating activities of \$33 million in 2013. Most of the \$38 million period-over-period increase in cash used in operating activities resulted from higher investments in working capital in the Mining and Infrastructure segments.

### **Investing Activities**

In the first three months of 2014, investing activities resulted in a use of cash of \$11 million, which compares with cash used of \$3 million in the same period of 2013. In the first three months of 2014, \$3 million of cash was used for capital expenditures (net of disposals) on property, plant and equipment compared to \$4 million of cash used in the same period of 2013 and purchases of intangible assets increased from \$0.1 million to \$8 million in the first three months of 2014.

In the first three months of 2014, Aecon acquired, either through purchases or finance leases, property, plant and equipment totalling \$6 million. Most of this investment in property, plant and equipment occurred in the Infrastructure segment and related to the purchase of new machinery and construction equipment as part of normal ongoing business operations. In the first three months of 2013, investments in property, plant and equipment totalled \$7 million, again with most of the spending occurring in the Infrastructure segment.



## **Financing Activities**

In the first three months of 2014, cash used in financing activities amounted to \$12 million, compared to cash provided of \$54 million in same period last year. During the first three months of 2013, borrowings on Aecon's operating line of credit provided \$72 million of cash compared to no borrowings being required in the same period in 2014 due to the issuance of convertible debentures in the last quarter of 2013. Issuances of long-term debt in the first three months of 2014 amounted to \$7 million, while repayments totalled \$18 million, for a net outflow of \$11 million. The majority of the debt repayments related to equipment financing arrangements. In the same period of 2013, net debt repayments totalled \$13 million, again relating to repayments on equipment financing arrangements. There were no purchases of Aecon common shares for the Company's Long-Term Incentive Plan in the first three months of 2014 compared to a \$2 million outlay in the same period of 2013. Dividends of \$4 million were paid in each of the first three months of 2014 and 2013.

## **NEW ACCOUNTING STANDARDS**

New accounting standards impacting the Company in 2014 and beyond are described in Note 5 to the March 31, 2014 interim consolidated financial statements.

The adoption of these new accounting standards had no significant impact on profit (loss), comprehensive income or earnings per share in the first three months of 2014.

## **SUPPLEMENTAL DISCLOSURES**

### **Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

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 January 1, 2014 and ended on March 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## **Contractual Obligations**

At December 31, 2013, the Company had commitments totaling \$684 million for equipment and premises under operating leases requiring minimum payments, and for principal repayment obligations under long-term debt and convertible debentures. There have been no material changes since December 31, 2013.

At March 31, 2014, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was \$2,178 million.

Further details on Contractual Obligations are included in the Company's 2013 Annual MD&A.

## **Off-Balance Sheet Arrangements**

In connection with its operations in Quito, Aecon has provided various financial and performance guarantees and letters of credit, which are described in Note 19 to the Company's 2014 interim consolidated financial statements.

Aecon's defined benefit pension plans had a combined deficit of \$4.2 million at March 31, 2014 (December 31, 2013 - \$4.3 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 2013 Annual MD&A for further details regarding Aecon's defined benefit plans.

Further details of contingencies and guarantees are included in the Company's 2014 interim consolidated financial statements and in the 2013 annual consolidated financial statements.

## **Related Party Transactions**

There were no significant related party transactions in the first three months of 2014.

## **Critical Accounting Estimates**

The reader is referred to the detailed discussion on Critical Accounting Estimates as outlined in note 4 to the Company's March 31, 2014 interim consolidated financial statements.

## RISK FACTORS

The reader is referred to the detailed discussion on Risk Factors as outlined in the Company's Annual Information Form dated March 27, 2014 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 since March 27, 2014.

### 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>May 7, 2014</b>
Number of common shares outstanding <sup>(1)</sup>	56,448,816
Outstanding securities exchangeable or convertible into common shares:	
Number of stock options outstanding	500,000
Number of common shares issuable on exercise of stock options	500,000
Increase in paid-up capital on exercise of stock options	\$ 5,735
Principal amount of convertible debentures outstanding (see Note 16 to the 2014 interim consolidated financial statements)	\$ 435,282
Number of common shares issuable on conversion of convertible debentures	22,546,053
Increase in paid-up capital on conversion of convertible debentures	\$ 435,282

(1) The number of common shares outstanding as per the above table at May 7, 2014 includes 3,253,434 shares held by the trustee of Aecon's Long-Term Incentive Plan ("LTIP").

The number of common shares outstanding at May 7, 2014 for financial statement purposes, after deducting the above LTIP shares, was 53,195,382 shares.

## OUTLOOK

Aecon entered 2014 with a positive outlook based on our strong backlog and recurring revenue, balanced and diversified portfolio of work, and increasingly strong demand for construction services in our core markets.

This positive outlook remains, although the Company anticipates results to be even more weighted to the second half of 2014 than is usually the case. While a stronger second half is typical for the construction business in Canada this expectation in 2014 is also based on a number of new projects that will ramp up in the second quarter but will be most impactful in the second half of 2014.

We have previously indicated that our backlog would be subject to greater variability owing to the scale and type of projects that Aecon is pursuing. In the first quarter of 2014, the Company was awarded contracts for a total value of \$867 million as compared to \$212 million in the first quarter of 2013, leading to backlog of \$2.2 billion at the end of the first quarter of 2014 – some \$400 million higher than at December 31, 2013.

Subsequent to quarter end, Aecon and its joint venture partner announced that they were selected for the York Viva Bus Rapid Transit project in Ontario, with an expected \$130 million in revenue to our account.

It is noteworthy that our effective backlog is greater than what is reported because it does not include recurring revenues. Recurring revenues remain strong, comprising about 25 per cent of our overall business and were approximately \$769 million on a trailing 12 month basis.

Increasingly, Aecon-led partnerships are becoming the norm, which reflects our strategy and evolution as Canada's premier construction and infrastructure development company. Our pipeline of pursuits in all three market sectors of infrastructure, energy and mining, remains active and robust.

In our Infrastructure segment, the mix of work is improving particularly with less volume related to buildings operations and more transportation-related and heavy civil work going forward. In addition, there are a number of water and waste-water projects that are a particular focus for us in 2014 and 2015. The performance of this segment will serve as an important contributor to achieving our adjusted EBITDA margin target of 9% in 2015.

Building on a strong 2013, we continue to experience a strong environment and outlook in the Energy segment, with numerous projects being pursued. With capacity constraints in the pipeline construction space, Aecon's joint venture with Somerville represents about one-quarter of the capacity in Canada for undertaking large-diameter pipeline utilities work. Moreover, many opportunities exist in the oil and gas space, including cogeneration capacity and ongoing fabrication and module assembly services that we are well positioned for. The nuclear energy sector in Ontario is active with refurbishment plans underway at the Darlington as well as the Bruce nuclear generating stations. The mock-up work that Aecon has undertaken for Darlington is complete, and we are in the midst of completing the definition phase and estimating costs for the execution phase of this substantial project. We are also actively pursuing opportunities related to the provision of power as well as the infrastructure required to support the development of LNG projects in British Columbia.

Our Energy segment's progress continues to be solid and growing and we anticipate continued strength with backlog already at substantial levels.

Our Mining segment's backlog remains in line with the previous quarter's level. We are now actively working on preliminary site work at two locations in Saskatchewan and are in discussions that we expect will lead to additional work through the course of this year and beyond, as well as targeted opportunities elsewhere in Canada.

The work by our Concessions team is yielding results, as demonstrated by the recent announcement of the Waterloo Light Rail project, and we are active in many long term pursuits in the development of P3 and other infrastructure projects that require private finance solutions for our construction segments.

The overall macroeconomic environment is steadily improving in Canada, and at the same time, the public sector has demonstrated commitments to investing in infrastructure; in addition the development of our natural resources remains a priority.

The scope of opportunities suited for Aecon's capabilities covers the breadth of Canada: from the development of LNG facilities and their related infrastructure and energy needs in British Columbia, to pipeline and oil and gas work in Alberta, transportation, water/wastewater facilities and potash development in Saskatchewan, transportation and transit commitments as well as nuclear refurbishment and progress on the Ring of Fire development in Ontario, major bridge and infrastructure work in Quebec, and mineral development and fabrication opportunities in the Maritimes.

We continue to be disciplined as we engage in responding to requests for our services, becoming pre-qualified, bidding, negotiating, and carrying out these contracts.

With a balanced and diversified portfolio of work in three core market sectors, strong backlog of higher margin work, capabilities to self-perform work required on significant projects, focus on execution and risk management, Aecon anticipates that we will continue making progress to reaching our adjusted EBITDA margin target of 9 per cent in 2015.



**AECON GROUP INC.**  
FIRST QUARTER

**CONSOLIDATED  
FINANCIAL  
STATEMENTS**

March 31, 2014

# CONSOLIDATED FINANCIAL STATEMENTS

## MARCH 31, 2014 AND 2013

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# MANAGEMENT REPORT

## May 7, 2014

### Notice to Reader

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

These interim consolidated financial statements have not been reviewed by an auditor. These interim 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) John M. Beck, Chairman and Chief Executive Officer

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

# CONSOLIDATED BALANCE SHEETS

AS AT MARCH 31, 2014 AND DECEMBER 31, 2013

(in thousands of Canadian dollars) (unaudited)

	Note	March 31 2014	December 31 2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 146,484	\$ 240,602
Restricted cash		4,101	3,934
Trade and other receivables	6	461,371	507,213
Unbilled revenue	7	316,046	325,946
Inventories	8	33,605	28,703
Income tax recoverable		10,984	8,587
Prepaid expenses		14,328	14,603
		<b>986,919</b>	<b>1,129,588</b>
<b>Non-current assets</b>			
Long-term financial assets		5,022	4,980
Projects accounted for using the equity method	9	247,805	232,467
Deferred income tax assets		50,307	42,534
Property, plant and equipment	10	501,809	512,257
Intangible assets	11	77,571	71,760
		<b>882,514</b>	<b>863,998</b>
<b>TOTAL ASSETS</b>		<b>\$ 1,869,433</b>	<b>\$ 1,993,586</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	\$ 454,088	\$ 557,166
Provisions	14	9,765	8,827
Deferred revenue	7	133,117	129,855
Income taxes payable		160	3,036
Long-term debt	15	68,052	67,890
Convertible debentures	16	175,753	173,582
		<b>840,935</b>	<b>940,356</b>
<b>Non-current liabilities</b>			
Provisions	14	5,777	5,721
Long-term debt	15	114,970	123,128
Convertible debentures	16	250,855	248,817
Deferred income tax liabilities		83,119	83,119
Other liabilities		5,733	5,837
		<b>460,454</b>	<b>466,622</b>
<b>TOTAL LIABILITIES</b>		<b>1,301,389</b>	<b>1,406,978</b>
<b>EQUITY</b>			
Capital stock	20	291,466	286,747
Convertible debentures	16	8,674	8,674
Contributed surplus		5,500	6,477
Retained earnings		246,493	277,474
Accumulated other comprehensive income		15,911	7,236
<b>TOTAL EQUITY</b>		<b>568,044</b>	<b>586,608</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 1,869,433</b>	<b>\$ 1,993,586</b>

# CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

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

	Note	March 31 2014	March 31 2013
Revenue		\$ 461,873	\$ 567,439
Direct costs and expenses	21	(432,424)	(544,934)
<b>Gross profit</b>		<b>29,449</b>	<b>22,505</b>
Marketing, general and administrative expenses	21	(40,996)	(44,814)
Depreciation and amortization	21	(16,828)	(17,511)
Income from projects accounted for using the equity method	9	7,321	8,422
Other income (loss)	22	(2,139)	297
<b>Operating loss</b>		<b>(23,193)</b>	<b>(31,101)</b>
Finance income		604	532
Finance costs	23	(11,747)	(9,277)
Fair value loss on convertible debentures	16	(1,705)	(2,156)
<b>Loss before income taxes</b>		<b>(36,041)</b>	<b>(42,002)</b>
Income tax recovery	17	10,140	12,090
<b>Loss for the period</b>		<b>\$ (25,901)</b>	<b>\$ (29,912)</b>
<b>Basic loss per share</b>	24	<b>\$ (0.49)</b>	<b>\$ (0.56)</b>
<b>Diluted loss per share</b>	24	<b>\$ (0.49)</b>	<b>\$ (0.56)</b>

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

(in thousands of Canadian dollars) (unaudited)

	March 31 2014	March 31 2013
<b>Loss for the period</b>	<b>\$ (25,901)</b>	<b>\$ (29,912)</b>
<b>Other comprehensive income (loss):</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Currency translation differences - foreign operations	499	(286)
Currency translation differences - equity-accounted investees	8,262	3,319
Cash flow hedges - equity-accounted investees	(114)	(179)
Income taxes on the above	28	45
<b>Total other comprehensive income for the period</b>	<b>8,675</b>	<b>2,899</b>
<b>Comprehensive loss for the period</b>	<b>\$ (17,226)</b>	<b>\$ (27,013)</b>

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

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

	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Shareholders' equity
					Currency translation differences	Actuarial gains and losses	Cash flow hedges	
<b>Balance as at January 1, 2014</b>	\$ 286,747	\$ 8,674	\$ 6,477	\$ 277,474	\$ 8,036	\$ (391)	\$ (409)	\$ 586,608
<b>Loss for the period</b>	-	-	-	(25,901)	-	-	-	(25,901)
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	499	-	-	499
Currency translation differences - equity-accounted investees	-	-	-	-	8,262	-	-	8,262
Cash flow hedges - equity-accounted investees	-	-	-	-	-	-	(114)	(114)
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	-	28	28
<b>Total other comprehensive income (loss) for the period</b>	-	-	-	-	8,761	-	(86)	8,675
<b>Total comprehensive income (loss) for the period</b>	-	-	-	(25,901)	8,761	-	(86)	(17,226)
Dividends declared	-	-	-	(5,080)	-	-	-	(5,080)
Common shares issued on exercise of options	3,908	-	(977)	-	-	-	-	2,931
Transfers by the Trust to settle long-term incentive plan (LTIP) obligations	811	-	-	-	-	-	-	811
<b>Balance as at March 31, 2014</b>	\$ 291,466	\$ 8,674	\$ 5,500	\$ 246,493	\$ 16,797	\$ (391)	\$ (495)	\$ 568,044

	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Shareholders' equity
					Currency translation differences	Actuarial gains and losses	Cash flow hedges	
<b>Balance as at January 1, 2013</b>	\$ 287,571	\$ -	\$ 7,258	\$ 254,780	\$ (4,023)	\$ (2,397)	\$ (31)	\$ 543,158
<b>Loss for the period</b>	-	-	-	(29,912)	-	-	-	(29,912)
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	(286)	-	-	(286)
Currency translation differences - equity-accounted investees	-	-	-	-	3,319	-	-	3,319
Cash flow hedges - equity-accounted investees	-	-	-	-	-	-	(179)	(179)
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	-	45	45
<b>Total other comprehensive income (loss) for the period</b>	-	-	-	-	3,033	-	(134)	2,899
<b>Total comprehensive income (loss) for the period</b>	-	-	-	(29,912)	3,033	-	(134)	(27,013)
Dividends declared	-	-	-	(4,470)	-	-	-	(4,470)
Common shares issued on exercise of options	674	-	(191)	-	-	-	-	483
Granting of stock options	-	-	583	-	-	-	-	583
Common shares purchased by the Trust of the LTIP	(1,535)	-	-	-	-	-	-	(1,535)
Transfers by the Trust to settle LTIP obligations	268	-	-	-	-	-	-	268
<b>Balance as at March 31, 2013</b>	\$ 286,978	\$ -	\$ 7,650	\$ 220,398	\$ (990)	\$ (2,397)	\$ (165)	\$ 511,474

During the three months ended March 31, 2014, the Company declared dividends amounting to \$0.09 per share (March 31, 2013 - \$0.08 per share).

# CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

(in thousands of Canadian dollars) (unaudited)

	Note	March 31 2014	March 31 2013
<b>CASH PROVIDED BY (USED IN)</b>			
<b>Operating activities</b>			
Loss before income taxes		\$ (36,041)	\$ (42,002)
Income taxes paid		(2,923)	(10,073)
Defined benefit pension		(125)	(91)
Items not affecting cash:			
Depreciation and amortization		16,828	17,511
Income from projects accounted for using the equity method		(7,321)	(8,422)
Loss (gain) on sale of property, plant and equipment		25	(154)
Income from leasehold inducements		(85)	(74)
Loss on disposal of subsidiary		2,555	-
Unrealized foreign exchange loss (gain)		534	(270)
Increase in provisions		1,024	1,029
Notional interest representing accretion		2,458	1,502
Fair value loss on convertible debentures		1,705	2,156
Stock-based compensation		-	583
Change in other balances relating to operations	25	(49,622)	5,343
		<b>(70,988)</b>	<b>(32,962)</b>
<b>Investing activities</b>			
Increase in restricted cash balances		(167)	(76)
Purchase of property, plant and equipment		(3,412)	(4,934)
Proceeds on sale of property, plant and equipment		604	835
Increase in intangible assets		(7,712)	(129)
Increase in long-term financial assets		(178)	(27)
Distributions from projects accounted for using the equity method		159	1,158
		<b>(10,706)</b>	<b>(3,173)</b>
<b>Financing activities</b>			
Increase in bank indebtedness		-	71,508
Issuance of long-term debt		6,743	2,742
Repayments of long-term debt		(17,640)	(15,740)
Issuance of capital stock		2,931	483
Repurchase of capital stock		-	(1,535)
Dividends paid		(4,494)	(3,907)
		<b>(12,460)</b>	<b>53,551</b>
<b>Increase (decrease) in cash and cash equivalents during the period</b>		<b>(94,154)</b>	<b>17,416</b>
<b>Effects of foreign exchange on cash balances</b>		<b>36</b>	<b>72</b>
<b>Cash and cash equivalents - beginning of period</b>		<b>240,602</b>	<b>63,301</b>
<b>Cash and cash equivalents - end of period</b>		<b>\$ 146,484</b>	<b>\$ 80,789</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013 (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.

Aecon operates in four principal segments within the construction and infrastructure development industry: Infrastructure, Energy, Mining and Concessions.

## 2. DATE OF AUTHORIZATION FOR ISSUE

The consolidated financial statements of the Company were authorized for issue on May 7, 2014 by the Board of Directors of the Company.

## 3. BASIS OF PRESENTATION

### Basis of presentation

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

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The interim 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, 2013.

### 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 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.

### Principles of consolidation

The 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 are accounted for in the 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 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.

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013 (in thousands of Canadian dollars, except per share amounts) (unaudited)**

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, 2013. 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. However, 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. For such change orders, contract revenue is recognized to the extent of costs incurred or, if lower, to the extent to which recovery is probable. Therefore, to the extent that actual costs recovered are different from expected cost recoveries, significant swings in revenue and profitability can occur from one reporting period to another.

Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that Aecon seeks to collect from clients or others for client-caused 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, claims are recognized in revenue only when resolution is probable. 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.



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013 (in thousands of Canadian dollars, except per share amounts) (unaudited)**

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.

### **VALUES USED IN THE VALUATION OF DERIVATIVES AND FAIR VALUING FINANCIAL INSTRUMENTS**

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.

Estimates relating to the valuation of financial instruments that are not traded in an active market and which have fair values determined using valuation techniques, such as the embedded derivatives within the Company's convertible debentures, involve the most significant area of fair value estimation. As explained in Note 16 "*Convertible Debentures*", some of the Company's convertible debentures contain an embedded derivative that must be measured at fair value at each reporting date with gains and losses in fair value recognized through profit or loss. The fair value of the embedded derivative is determined using the quoted market price of the convertible debentures, along with market based inputs, to fair value the debt and the embedded derivative components of the instruments. Two of the most significant assumptions impacting the Company's valuation of these embedded derivatives are the implied volatility and credit spread inputs.

Further information with regard to the treatment of the Company's convertible debentures and other financial instruments, including the impact of a change in implied volatility and credit spread inputs, can be found in Note 16 "*Convertible Debentures*" and Note 26 "*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 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 18, "*Employee Benefit Plans*," in the Company's annual consolidated financial statements for the year ended December 31, 2013, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013 (in thousands of Canadian dollars, except per share amounts) (unaudited)

## 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 judgments 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 costs to sell 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.

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 13, "*Intangible Assets*", in the Company's annual consolidated financial statements for the year ended December 31, 2013, for further details regarding goodwill as well as the impact on the financial results of a change in the assumptions used in the impairment assessment calculations.

## 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-disciplined 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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013 (in thousands of Canadian dollars, except per share amounts) (unaudited)**

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.

### **5. NEW ACCOUNTING STANDARDS**

The following IFRS standards became effective for the Company on January 1, 2014.

#### **IAS 32 Financial Instruments: Presentation – Amendments to IAS 32**

The amendments to IAS 32 clarify some of the requirements for offsetting financial assets and financial liabilities on the consolidated balance sheet. The clarification had no impact on the Company's financial position or results of operations.

#### **IAS 36 Impairment of Assets**

The amendments to IAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment had no impact on the Company's financial position or results of operations.

#### **IFRIC 21 Levies**

This is an interpretation of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. The interpretation had no significant impact on the Company's financial position or results of operations.

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**6. TRADE AND OTHER RECEIVABLES**

	March 31 2014	December 31 2013
Trade receivables	\$ 263,315	\$ 305,025
Allowance for doubtful accounts	(1,989)	(1,933)
	<b>261,326</b>	<b>303,092</b>
Holdbacks receivable	196,409	194,479
Other	3,636	9,642
	<b>200,045</b>	<b>204,121</b>
<b>Total</b>	<b>\$ 461,371</b>	<b>\$ 507,213</b>
<b>Amounts receivable beyond one year</b>	<b>\$ 58,295</b>	<b>\$ 69,395</b>

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

	March 31 2014	December 31 2013
<b>Balance - beginning of the period</b>	<b>\$ (1,933)</b>	<b>\$ (1,945)</b>
Additional amounts provided for during the period	(56)	(397)
Trade receivables written off during the period	-	252
Amounts recovered	-	157
<b>Balance - end of period</b>	<b>\$ (1,989)</b>	<b>\$ (1,933)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**7. UNBILLED REVENUE AND DEFERRED REVENUE**

Costs incurred and estimated earnings (i.e. earned revenue), net of billings, on uncompleted contracts is presented in the consolidated balance sheets under the following captions:

	<b>March 31 2014</b>	December 31 2013
Earned revenue on projects to date	\$ 5,829,502	\$ 6,671,681
Less: Billings on projects to date	5,646,573	6,475,590
<b>Net consolidated balance sheet position</b>	<b>\$ 182,929</b>	<b>\$ 196,091</b>
<b>Reported as:</b>		
Unbilled revenue	\$ 316,046	\$ 325,946
Deferred revenue	(133,117)	(129,855)
	<b>\$ 182,929</b>	<b>\$ 196,091</b>

**8. INVENTORIES**

	<b>March 31 2014</b>	December 31 2013
Raw materials and supplies	\$ 12,267	\$ 7,075
Finished goods	21,338	21,628
	<b>\$ 33,605</b>	<b>\$ 28,703</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**9. 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 the joint ventures and associates:

	March 31, 2014			December 31, 2013		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Cash and cash equivalents	\$ 3,179	\$ 16,928	\$ 20,107	\$ 2,930	\$ 12,972	\$ 15,902
Other current assets	129,744	29,311	159,055	117,898	23,775	141,673
Total current assets	132,923	46,239	179,162	120,828	36,747	157,575
Non-current assets	400,554	1,247	401,801	386,899	1,247	388,146
<b>Total assets</b>	<b>533,477</b>	<b>47,486</b>	<b>580,963</b>	<b>507,727</b>	<b>37,994</b>	<b>545,721</b>
Trade and other payables and provisions	24,038	16,280	40,318	22,464	8,860	31,324
Other current financial liabilities	16,960	43	17,003	15,142	43	15,185
Total current liabilities	40,998	16,323	57,321	37,606	8,903	46,509
Non-current financial liabilities	200,411	-	200,411	193,847	-	193,847
Other non-current liabilities	75,426	-	75,426	72,898	-	72,898
Total non-current liabilities	275,837	-	275,837	266,745	-	266,745
<b>Total liabilities</b>	<b>316,835</b>	<b>16,323</b>	<b>333,158</b>	<b>304,351</b>	<b>8,903</b>	<b>313,254</b>
<b>Net assets</b>	<b>\$ 216,642</b>	<b>\$ 31,163</b>	<b>\$ 247,805</b>	<b>\$ 203,376</b>	<b>\$ 29,091</b>	<b>\$ 232,467</b>

	For the three months ended					
	March 31, 2014			March 31, 2013		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Revenue	\$ 18,023	\$ 13,092	\$ 31,115	\$ 17,554	\$ 19,598	\$ 37,152
Depreciation and amortization	(3,655)	-	(3,655)	(1,091)	-	(1,091)
Other costs	(5,868)	(11,022)	(16,890)	(8,373)	(17,906)	(26,279)
<b>Operating profit</b>	<b>8,500</b>	<b>2,070</b>	<b>10,570</b>	<b>8,090</b>	<b>1,692</b>	<b>9,782</b>
Finance costs	(3,035)	-	(3,035)	(911)	-	(911)
Income tax recovery	163	-	163	47	-	47
Non-controlling interest	(377)	-	(377)	(496)	-	(496)
<b>Profit for the period</b>	<b>5,251</b>	<b>2,070</b>	<b>7,321</b>	<b>6,730</b>	<b>1,692</b>	<b>8,422</b>
Other comprehensive income	8,176	-	8,176	3,185	-	3,185
<b>Total comprehensive income</b>	<b>\$ 13,427</b>	<b>\$ 2,070</b>	<b>\$ 15,497</b>	<b>\$ 9,915</b>	<b>\$ 1,692</b>	<b>\$ 11,607</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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The movement in the investment in projects accounted for using the equity method is as follows:

	For the three months ended	For the year ended
	March 31 2014	December 31 2013
<b>Projects accounted for using the equity method - beginning of period</b>	<b>\$ 232,467</b>	<b>\$ 190,923</b>
Share of profit for the period	7,321	37,852
Share of other comprehensive income for the period	8,176	11,406
Distributions from projects accounted for using the equity method	(159)	(7,714)
<b>Projects accounted for using the equity method - end of period</b>	<b>\$ 247,805</b>	<b>\$ 232,467</b>

**10. 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, 2014	\$ 34,071	\$ 88,685	\$ 53,268	\$ 244,939	\$ 29,083	\$ 63,894	\$ 253,408	\$ 767,348
Additions	360	1,330	-	2,613	653	642	701	6,299
Disposals	-	(7)	-	(1,364)	(1,475)	(931)	(146)	(3,923)
Foreign currency translation adjustments	-	26	-	-	4	4	-	34
Balance as at March 31, 2014	\$ 34,431	\$ 90,034	\$ 53,268	\$ 246,188	\$ 28,265	\$ 63,609	\$ 253,963	\$ 769,758
<b>Accumulated depreciation and impairment</b>								
Balance as at January 1, 2014	-	30,104	12,326	109,089	18,531	42,307	42,734	255,091
Depreciation	-	1,348	37	6,197	1,103	2,481	4,968	16,134
Disposals	-	(2)	-	(896)	(1,400)	(874)	(122)	(3,294)
Foreign currency translation adjustments	-	12	-	-	2	4	-	18
Balance as at March 31, 2014	\$ -	\$ 31,462	\$ 12,363	\$ 114,390	\$ 18,236	\$ 43,918	\$ 47,580	\$ 267,949
<b>Net book value as at March 31, 2014</b>	<b>\$ 34,431</b>	<b>\$ 58,572</b>	<b>\$ 40,905</b>	<b>\$ 131,798</b>	<b>\$ 10,029</b>	<b>\$ 19,691</b>	<b>\$ 206,383</b>	<b>\$ 501,809</b>
<b>Net book value as at January 1, 2014</b>	<b>\$ 34,071</b>	<b>\$ 58,581</b>	<b>\$ 40,942</b>	<b>\$ 135,850</b>	<b>\$ 10,552</b>	<b>\$ 21,587</b>	<b>\$ 210,674</b>	<b>\$ 512,257</b>
<b>Net book value of assets under finance lease as at March 31, 2014</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 75</b>	<b>\$ 54,129</b>	<b>\$ 1,558</b>	<b>\$ 17,438</b>	<b>\$ 16,719</b>	<b>\$ 89,919</b>

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**11. INTANGIBLE ASSETS**

	Goodwill	Licences, software and other rights (a)	Total
<b>Cost</b>			
Balance as at January 1, 2014	\$ 53,783	\$ 27,488	\$ 81,271
Additions			
Acquired separately	-	7,639	7,639
Interest capitalized	-	73	73
Disposals (b)	(1,209)	(670)	(1,879)
Foreign currency translation adjustments and other changes	-	12	12
<b>Balance as at March 31, 2014</b>	<b>\$ 52,574</b>	<b>\$ 34,542</b>	<b>\$ 87,116</b>
<b>Accumulated amortization and impairment</b>			
Balance as at January 1, 2014	-	9,511	9,511
Amortization	-	694	694
Disposals	-	(670)	(670)
Foreign currency translation adjustments and other changes	-	10	10
<b>Balance as at March 31, 2014</b>	<b>\$ -</b>	<b>\$ 9,545</b>	<b>\$ 9,545</b>
<b>Net book value as at March 31, 2014</b>	<b>\$ 52,574</b>	<b>\$ 24,997</b>	<b>\$ 77,571</b>
<b>Net book value as at January 1, 2014</b>	<b>\$ 53,783</b>	<b>\$ 17,977</b>	<b>\$ 71,760</b>

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

(a) Included in *Licences, software and other rights* at March 31, 2014, are assets under development of \$19,093 (December 31, 2013 - \$11,486).

(b) Refer to Note 22 "*Other Income (Loss)*" for further information on the write down of goodwill.

**12. BANK INDEBTEDNESS**

The Company maintains a committed revolving credit facility of \$300,000. Letters of credit amounting to \$63,060 were issued against the credit facility as at March 31, 2014.

The Company also maintains two additional letter of credit facilities (a \$250,000 domestic facility and a US\$15,000 international facility) provided by Export Development Canada of which \$140,456 was utilized as at March 31, 2014.



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**13. TRADE AND OTHER PAYABLES**

	March 31 2014	December 31 2013
Trade payables and accrued liabilities	\$ 382,637	\$ 477,230
Holdbacks payable	71,451	79,936
	<b>\$ 454,088</b>	<b>\$ 557,166</b>
Amounts payable beyond one year	<b>\$ 9,556</b>	<b>\$ 9,263</b>

**14. PROVISIONS**

	Contract related obligations	Asset decommissioning costs	Tax assessments	Other	Total
<b>Balance as at January 1, 2014</b>	\$ 7,456	\$ 2,658	\$ 4,243	\$ 191	\$ 14,548
Amounts used	(53)	-	-	(33)	(86)
Additions made	115	-	-	1,117	1,232
Unused amounts reversed	(208)	-	-	-	(208)
Other changes	27	29	-	-	56
<b>Balance at March 31, 2014</b>	<b>\$ 7,337</b>	<b>\$ 2,687</b>	<b>\$ 4,243</b>	<b>\$ 1,275</b>	<b>\$ 15,542</b>
<b>Reported as:</b>					
<b>Current</b>	<b>\$ 4,247</b>	<b>\$ -</b>	<b>\$ 4,243</b>	<b>\$ 1,275</b>	<b>\$ 9,765</b>
<b>Non-current</b>	<b>3,090</b>	<b>2,687</b>	<b>-</b>	<b>-</b>	<b>5,777</b>
	<b>\$ 7,337</b>	<b>\$ 2,687</b>	<b>\$ 4,243</b>	<b>\$ 1,275</b>	<b>\$ 15,542</b>

**15. LONG-TERM DEBT**

	March 31 2014	December 31 2013
<b>Long-term debt:</b>		
Finance leases	\$ 88,560	\$ 93,542
Equipment and other loans	94,462	97,476
<b>Total long-term debt</b>	<b>\$ 183,022</b>	<b>\$ 191,018</b>
<b>Reported as:</b>		
<b>Current liabilities:</b>		
Long-term debt	\$ 68,052	\$ 67,890
<b>Non-current liabilities:</b>		
Long-term debt	114,970	123,128
	<b>\$ 183,022</b>	<b>\$ 191,018</b>

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**16. CONVERTIBLE DEBENTURES**

Convertible subordinated debentures consist of:

	March 31 2014	December 31 2013
<b>Debt component:</b>		
Debt maturing on September 30, 2014	\$ 169,895	\$ 168,821
Debt maturing on October 31, 2015	89,288	88,837
Debt maturing on December 31, 2018	154,381	153,402
	<b>413,564</b>	<b>411,060</b>
<b>Embedded derivative component:</b>		
Debt maturing on September 30, 2014	5,858	4,761
Debt maturing on October 31, 2015	7,186	6,578
	<b>13,044</b>	<b>11,339</b>
<b>Total convertible debentures</b>	<b>\$ 426,608</b>	<b>\$ 422,399</b>
<b>Reported as:</b>		
<b>Current liabilities</b>		
Convertible debentures	\$ 175,753	\$ 173,582
<b>Non-current liabilities:</b>		
Convertible debentures	250,855	248,817
	<b>\$ 426,608</b>	<b>\$ 422,399</b>
<b>Equity component:</b>		
Debt maturing on December 31, 2018	\$ 8,674	\$ 8,674

For the 2015 and 2014 convertible debentures only, the Company has the option, subject to the prior agreement of the holders, to settle its obligations on conversion by way of a cash payment of equal value. Due to this cash settlement feature under IAS 32, "Financial Instruments: Presentation", these convertible debentures are accounted for as a compound instrument with two components: a debt component and a derivative component, the latter representing the fair value of the conversion option offered to the debenture holders. Both the debt and embedded derivative components of these compound financial instruments are measured at fair value on initial recognition. The debt component is subsequently accounted for at amortized cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at each reporting date with gains and losses in fair value recognized through profit or loss.

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.

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	For the three months ended	
	March 31 2014	March 31 2013
Interest expense on face value	\$ (6,828)	\$ (4,456)
Notional interest representing accretion	(2,504)	(1,511)
Fair value loss on embedded derivatives	(1,705)	(2,156)
	<b>\$ (11,037)</b>	<b>\$ (8,123)</b>

**17. INCOME TAXES**

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

	For the three months ended	
	March 31 2014	March 31 2013
Loss before income taxes	\$ (36,041)	\$ (42,002)
Statutory income tax rate	25.75%	25.75%
Expected income tax (expense) recovery	9,280	10,816
Effect on income taxes of:		
Projects accounted for using the equity method	1,311	1,849
Provincial and foreign rate differences	174	(43)
Non-deductible notional interest	(246)	(247)
Non-deductible stock-based compensation expense	-	(155)
Other non-deductible expenses	(379)	(130)
	<b>860</b>	<b>1,274</b>
Income tax (expense) recovery	<b>\$ 10,140</b>	<b>\$ 12,090</b>

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**18. EMPLOYEE BENEFIT PLANS**

Employee future benefit expenses for the period are as follows:

	For the three months ended	
	March 31 2014	March 31 2013
Defined benefit pension expense:		
Company sponsored pension plans	\$ 269	\$ 308
Defined contribution pension expenses:		
Company sponsored pension plans	1,468	1,306
Multi-employer pension plans	12,119	16,549
<b>Total employee future benefit expenses</b>	<b>\$ 13,856</b>	<b>\$ 18,163</b>

**19. CONTINGENCIES**

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 14), 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 letters of credit outstanding:

Guarantees and letters of credit	Project	March 31 2014	December 31 2013
<b>Guarantees:</b>			
Surety bonds, guaranteed joint and severally, to cover construction and concession related performance obligations, advance payment bond and retention release bond	Quito Airport Project	\$ 103,481	\$ 99,581
<b>Letters of credit:</b>			
In support of various project contingencies	Quito Airport Project	\$ 30,423	\$ 29,275
Financial and performance - issued in the normal conduct of business	Various	\$ 199,999	\$ 175,706

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 March 31, 2014, 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 \$1,738,145 (December 31, 2013 - \$1,600,628), a substantial portion of which is 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.

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**20. CAPITAL STOCK**

	March 31, 2014		December 31, 2013	
	Number	Amount	Number	Amount
<b>Number of common shares outstanding - beginning of period</b>	<b>52,868,007</b>	<b>\$ 286,747</b>	53,011,452	\$ 287,571
Common shares issued on exercise of share options	268,332	3,908	368,335	5,387
Common shares purchased by the Trust of the long-term incentive plan (LTIP)	-	-	(799,506)	(10,169)
Transfers by the Trust to settle LTIP obligations	59,043	811	287,726	3,958
<b>Number of common shares outstanding - end of period</b>	<b>53,195,382</b>	<b>\$ 291,466</b>	52,868,007	\$ 286,747

The Company is authorized to issue an unlimited number of common shares. The Company's shares have no par value. Including 3,253,434 (December 31, 2013 – 3,312,477) common shares held by the LTIP Trust, the total number of common shares outstanding as at March 31, 2014 is 56,448,816 (December 31, 2013 - 56,180,484).

**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 that 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.

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:

	March 31, 2014		December 31, 2013	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Balance outstanding - beginning of period	<b>768,332</b>	<b>\$ 11.27</b>	1,910,000	\$ 12.90
Granted	-	-	210,000	11.92
Forfeited/expired	-	-	(368,335)	14.77
Exercised	<b>(268,332)</b>	<b>10.91</b>	(983,333)	10.72
<b>Balance outstanding - end of period</b>	<b>500,000</b>	<b>11.47</b>	768,332	11.27
<b>Options exercisable - end of period</b>	<b>500,000</b>	<b>\$ 11.47</b>	735,000	\$ 11.35

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Share options outstanding as at March 31, 2014 had the following exercise prices and expiry dates:

Share options granted in	Number of shares	Exercise price	Expiry date
2011	130,000	\$ 9.66	March 11, 2016
2012	140,000	12.95	March 7, 2017
2012	50,000	10.41	December 8, 2017
2013	180,000	11.92	March 14, 2018
	500,000	\$ 11.47	

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.

**21. EXPENSES**

	For the three months ended	
	March 31 2014	March 31 2013
Personnel	\$ 226,972	\$ 282,142
Subcontractors	114,613	188,151
Materials	56,538	43,691
Equipment costs	59,191	50,999
Other expenses	16,106	24,765
Depreciation of property, plant and equipment and amortization of intangible assets	16,828	17,511
<b>Total expenses</b>	<b>\$ 490,248</b>	<b>\$ 607,259</b>

**Reported as:**

	For the three months ended	
	March 31 2014	March 31 2013
Direct costs and expenses	\$ 432,424	\$ 544,934
Marketing, general and administrative expenses	40,996	44,814
Depreciation and amortization	16,828	17,511
<b>Total expenses</b>	<b>\$ 490,248</b>	<b>\$ 607,259</b>

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**22. OTHER INCOME (LOSS)**

	For the three months ended	
	March 31 2014	March 31 2013
Foreign exchange gains	\$ 441	\$ 143
Gain (loss) on sale of property, plant and equipment	(25)	154
Loss on disposal of subsidiary	(2,555)	-
<b>Total other income (loss)</b>	<b>\$ (2,139)</b>	<b>\$ 297</b>

In the first quarter of 2014, the Company closed its buildings operation in Seattle which was part of the Infrastructure segment. The resulting loss included a \$1,209 write down of goodwill and \$1,346 of personnel and other closure costs.

**23. FINANCE COSTS**

	For the three months ended	
	March 31 2014	March 31 2013
Interest on long-term debt and debentures	\$ 10,130	\$ 7,209
Interest on finance leases	1,229	1,406
Interest on short-term debt	332	606
Unwinding of discount on provisions	56	56
<b>Total finance costs</b>	<b>\$ 11,747</b>	<b>\$ 9,277</b>

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**24. EARNINGS PER SHARE**

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

	For the three months ended	
	March 31 2014	March 31 2013
Loss attributable to shareholders	\$ (25,901)	\$ (29,912)
Interest on convertible debentures, net of tax <sup>(1)</sup>	7,101	4,624
Fair value loss on convertible debentures, net of tax	1,253	1,585
<b>Diluted net loss</b>	<b>\$ (17,547)</b>	<b>\$ (23,703)</b>
Average number of common shares outstanding	53,003,065	53,306,817
Effect of dilutive securities <sup>(1)</sup>		
Options	147,400	86,491
Convertible debentures <sup>(1)</sup>	28,282,276	23,000,834
Shares held in trust account in respect of a long-term incentive plan	3,253,434	2,910,591
<b>Weighted average number of diluted common shares outstanding</b>	<b>84,686,175</b>	<b>79,304,733</b>
Basic loss per share	\$ (0.49)	\$ (0.56)
<b>Diluted loss per share <sup>(1)</sup></b>	<b>\$ (0.49)</b>	<b>\$ (0.56)</b>

<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 (loss) per share.



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**25. SUPPLEMENTARY CASH FLOW INFORMATION**

**Change in other balances relating to operations**

	March 31 2014	March 31 2013
Decrease (increase) in:		
Trade and other receivables	\$ 45,943	\$ 120,345
Unbilled revenue	10,141	(42,348)
Inventories	(4,902)	367
Prepaid expenses	293	137
(Decrease) increase in:		
Trade and other payables	(104,274)	(94,758)
Provisions	(86)	(131)
Deferred revenue	3,263	21,731
	<b>\$ (49,622)</b>	<b>\$ 5,343</b>

**Cash flows from interest**

	March 31 2014	March 31 2013
<b>Operating activities</b>		
Cash interest paid	\$ (9,081)	\$ (8,812)
Cash interest received	671	8

**Non-cash transactions**

	March 31 2014	March 31 2013
Property, plant and equipment acquired and financed by finance leases	\$ 2,887	\$ 2,570

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**26. 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 March 31, 2014, the Company had outstanding contracts to buy €133, sell US\$24,140 and buy US\$564 (December 31, 2013 – buy €110, sell US\$4,870 and buy US\$455) on which there was a net unrealized exchange loss of \$172 (December 31, 2013 - net loss of \$98). 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.

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 March 31, 2014			
	Total	Level 1	Level 2	Level 3
<b>Financial assets (liabilities) measured at fair value:</b>				
Convertible debentures - embedded derivatives	\$ (13,044)	\$ -	\$ -	\$ (13,044)
<b>Financial assets (liabilities) disclosed at fair value:</b>				
Current portion of long-term debt	(73,148)	-	(73,148)	-
Long-term debt	(110,998)	-	(110,998)	-
Convertible debentures	(468,884)	(468,884)	-	-

As explained in Note 16, the 2015 and 2014 convertible debentures contain an embedded derivative that must be measured at fair value at each reporting date with gains and losses in fair value recognized through profit or loss. The fair value of the embedded derivatives is determined using the quoted market price of the convertible debentures and apportioning the value between the debt and the embedded derivative components of the instruments. Two of the most significant assumptions impacting the Company's valuation of these embedded derivatives are the implied volatility and credit spread inputs. For the 2015 and 2014 debentures, the Company used an implied volatility of 24.39% and 23.58%, respectively, and a credit spread of 4.52% and 8.23%, respectively. A 1% change in the implied volatility factor would have changed the fair value of the embedded derivative by \$730 and a 1% change in the credit spread factor would have changed the fair value of the embedded derivative by \$1,484.

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Changes in the fair value of Level 3 financial instruments are as follows:

	<b>March 31 2014</b>
Convertible debentures - embedded derivatives - opening balance	\$ (11,339)
Net loss recognized in income during the year	(1,705)
<b>Convertible debentures - embedded derivatives - ending balance</b>	<b>\$ (13,044)</b>

During the three-month period ended March 31, 2014, 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.

**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 March 31, 2014, the Company had \$100,861 in trade receivables that were past due. Of this amount, \$66,798 was over 60 days past due, against which the Company has recorded an allowance for doubtful accounts of \$1,989.

**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 at March 31, 2014 are as follows:

	<b>Due within one year</b>	<b>Due between one and five years</b>	<b>Due after five years</b>	<b>Total undiscounted cash flows</b>	<b>Effect of interest</b>	<b>Carrying value</b>
Trade and other payables \$	444,532 \$	9,866 \$	-	454,398 \$	(310) \$	454,088
Finance leases	\$ 33,261 \$	61,776 \$	332 \$	95,369 \$	(6,809) \$	88,560
Equipment and other loans	41,688	56,540	2,666	100,894	(6,432)	94,462
	74,949	118,316	2,998	196,263	(13,241)	183,022
Convertible debentures	172,500	264,500	-	437,000	(10,392)	426,608
Long-term financial liabilities	\$ 247,449 \$	382,816 \$	2,998 \$	633,263 \$	(23,633) \$	609,630

**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.

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For the three months ended March 31, 2014, 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 currency exposure to US dollars arises primarily from its investment in the Quito Airport concessionaire. The functional currency of these entities is the US dollar. The impact of changes in currency rates for these investments does not impact profit or loss but is instead reported as currency translation differences in other comprehensive income. For these investments, the Company's sensitivity to a 10% change in the US dollar against the Canadian dollar as at March 31, 2014 would have been a change in comprehensive income of approximately \$19,000.

The Company's sensitivity to a 10% change in the US dollar against the Canadian dollar as at March 31, 2014 to profit or loss for currency exposures other than those discussed above would be \$600. The sensitivity analysis includes foreign currency denominated monetary items but excludes all investments in joint ventures and hedges and adjusts their translation at period-end for the above 10% change in foreign currency rates.

## **27. 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 March 31, 2014, the debt to capitalization percentage including convertible debentures as debt was 52% (December 31, 2013 – 51%). 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 16% as at March 31, 2014 (December 31, 2013 – 16%). 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 March 31, 2014, the Company complied with all of its financial debt covenants.

## **28. OPERATING SEGMENTS**

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

The Company operates in four principal segments within the construction and infrastructure development industry: Infrastructure, Energy, Mining and Concessions. The other costs and eliminations category in the summary below includes corporate costs and other activities not directly allocable to segments and also includes inter-segment eliminations.

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	Infrastructure	Energy	Mining	Concessions	Other costs and eliminations	Total
<b>Statement of income</b>						
External customer revenue	\$ 105,839	\$ 247,949	\$ 107,517	\$ 568	\$ -	\$ 461,873
Inter-segment revenue	619	266	-	-	(885)	-
<b>Total revenue</b>	<b>106,458</b>	<b>248,215</b>	<b>107,517</b>	<b>568</b>	<b>(885)</b>	<b>461,873</b>
Which includes:						
Construction revenue	106,458	248,215	107,517	-	(885)	461,305
Concession revenue	-	-	-	568	-	568
<b>Expenses</b>	<b>\$ (127,882)</b>	<b>\$ (248,102)</b>	<b>\$ (104,231)</b>	<b>\$ (1,807)</b>	<b>\$ (8,226)</b>	<b>\$ (490,248)</b>
Which include:						
Depreciation and amortization	(4,101)	(3,749)	(7,327)	(177)	(1,474)	(16,828)
<b>Other income (loss):</b>						
Foreign exchange gains (losses)	\$ 33	\$ (199)	\$ 377	\$ 210	\$ 20	\$ 441
Gain (loss) on disposal of subsidiary	(2,555)	-	-	-	-	(2,555)
Gain (loss) on sale of property, plant and equipment	52	102	(251)	-	72	(25)
<b>Income from projects accounted for using the equity method</b>	<b>\$ 638</b>	<b>\$ 207</b>	<b>\$ 932</b>	<b>\$ 5,544</b>	<b>\$ -</b>	<b>\$ 7,321</b>
<b>Operating profit (loss)</b>	<b>\$ (23,256)</b>	<b>\$ 223</b>	<b>\$ 4,344</b>	<b>\$ 4,515</b>	<b>\$ (9,019)</b>	<b>\$ (23,193)</b>
<b>Finance income (costs):</b>						
Finance income						\$ 604
Finance costs						(11,747)
Fair value gain (loss) on convertible debentures						(1,705)
<b>Loss before income taxes</b>						<b>\$ (36,041)</b>
<b>Income tax recovery</b>						<b>10,140</b>
<b>Loss for the period</b>						<b>\$ (25,901)</b>
<b>Balance sheet</b>						
<b>Segment assets</b>	<b>\$ 652,940</b>	<b>\$ 672,288</b>	<b>\$ 375,606</b>	<b>\$ 239,363</b>	<b>\$ (70,764)</b>	<b>\$ 1,869,433</b>
Which include:						
Projects accounted for using the equity method	25,595	2,996	14,685	204,529	-	247,805
<b>Segment liabilities</b>	<b>\$ 588,934</b>	<b>\$ 281,051</b>	<b>\$ 246,255</b>	<b>\$ 191,487</b>	<b>\$ (6,338)</b>	<b>\$ 1,301,389</b>
<b>Additions to non-current assets:</b>						
Property, plant and equipment	\$ 3,152	\$ 1,863	\$ 806	\$ -	\$ 478	\$ 6,299
Intangible assets	\$ -	\$ 19	\$ -	\$ -	\$ 7,693	\$ 7,712

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For the three months ended March 31, 2013						
	Infrastructure	Energy	Mining	Concessions	Other costs and eliminations	Total
<b>Statement of income</b>						
External customer revenue	\$ 147,443	\$ 247,909	\$ 171,520	\$ 567	\$ -	\$ 567,439
Inter-segment revenue	2,275	98	-	-	(2,373)	-
<b>Total revenue</b>	<b>149,718</b>	<b>248,007</b>	<b>171,520</b>	<b>567</b>	<b>(2,373)</b>	<b>567,439</b>
Which includes:						
Construction revenue	149,718	248,007	171,520	-	(2,373)	566,872
Concession revenue	-	-	-	567	-	567
<b>Expenses</b>	<b>\$ (183,912)</b>	<b>\$ (261,809)</b>	<b>\$ (153,427)</b>	<b>\$ (1,493)</b>	<b>\$ (6,618)</b>	<b>\$ (607,259)</b>
Which include:						
Depreciation and amortization	(3,981)	(3,557)	(8,108)	(20)	(1,845)	(17,511)
<b>Other income (loss):</b>						
Foreign exchange gains (losses)	\$ 23	\$ (36)	\$ 31	\$ 103	\$ 22	\$ 143
Gain (loss) on sale of property, plant and equipment	73	251	(159)	-	(11)	154
<b>Income from projects accounted for using the equity method</b>	<b>\$ 464</b>	<b>\$ 169</b>	<b>\$ 761</b>	<b>\$ 7,028</b>	<b>\$ -</b>	<b>\$ 8,422</b>
<b>Operating profit (loss)</b>	<b>\$ (33,634)</b>	<b>\$ (13,418)</b>	<b>\$ 18,726</b>	<b>\$ 6,205</b>	<b>\$ (8,980)</b>	<b>\$ (31,101)</b>
<b>Finance income (costs):</b>						
Finance income						\$ 532
Finance costs						(9,277)
Fair value gain (loss) on convertible debentures						(2,156)
<b>Loss before income taxes</b>						<b>\$ (42,002)</b>
<b>Income tax recovery</b>						<b>12,090</b>
<b>Loss for the period</b>						<b>\$ (29,912)</b>
<b>Balance sheet</b>						
	Infrastructure	Energy	Mining	Concessions	Other costs and eliminations	Total
<b>Segment assets</b>	\$ 771,492	\$ 657,401	\$ 399,958	\$ 202,430	\$ (217,068)	\$ 1,814,213
Which include:						
Projects accounted for using the equity method	19,140	2,786	13,738	165,708	-	201,372
<b>Segment liabilities</b>	\$ 696,755	\$ 346,494	\$ 291,571	\$ 181,440	\$ (213,521)	\$ 1,302,739
<b>Additions to non-current assets:</b>						
Property, plant and equipment	\$ 2,145	\$ 2,114	\$ 2,496	\$ -	\$ 740	\$ 7,495
Intangible assets	\$ -	\$ -	\$ -	\$ -	\$ 159	\$ 159

Transactions between reportable segments have been recorded at exchange value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013  
(in thousands of Canadian dollars, except per share amounts) (unaudited)**

For the three months ended March 31, 2014, one external customer accounted for more than 10% of consolidated revenue (2013- \$Nil). The revenue earned from this customer during the three months ended March 31, 2014, was \$84,000 and is included in the Energy segment results.

