Aecon Group Inc.

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

June 30, 2018

Management's Discussion And Analysis Of Operating Results And Financial Condition ("MD&A")

The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. ("Aecon" or the "Company") should be read in conjunction with the Company's June 30, 2018 interim condensed consolidated financial statements and notes, and in conjunction with the Company's annual MD&A for the year ended December 31, 2017. This MD&A has been prepared as of July 26, 2018. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and includes the Company's Annual Information Form and other securities and continuous disclosure filings.

Proposed Arrangement Not To Proceed

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

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

Introduction

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

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

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

INFRASTRUCTURE	
Sector	**Service Focus**
Transportation	• Roads and bridges • Rail and transit • Municipal road construction • Asphalt production and aggregates • Material engineering and design • Foundations

Major Projects	• Hydroelectric • Tunnels and transit stations • Marine • Major civil transportation infrastructure • Water treatment facilities • Mechanical systems • Airports

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

INDUSTRIAL	
Sector	**Service Focus**
Conventional Industrial	• Steam Assisted Gravity Drainage (SAGD) operations in the oil sands • Turnkey well pad construction and field facilities • Liquefied natural gas (LNG) plants • Gas compression facilities • Thermal and hydro • Natural gas • Renewables • Fabrication (pipe fabrication, custom steel) • Modularization and field installation • Plant maintenance turnaround • Mine site development including overburden removal and piling services • Environmental reclamation services • Ore storage facilities • Heavy mechanical works • Complete process installations
Nuclear	• Full EPC project services • Reactor component replacement • Plant system overhaul, upgrades and modifications • Maintenance and outage support • Nuclear waste management sites and facilities • Fabrication of engineered modules, waste containers and flasks, plant equipment and components • Structural and pipe fabrication • CANDU single or multiple fuel channel replacements • Turbine generator maintenance/overhaul • Facility construction and maintenance • Facility decommissioning
Utilities	• Oil and gas pipeline construction and integrity programs • Telecom infrastructure • Power transmission and distribution networks • Water and sewer construction • District energy

	• Locate services • High voltage transmission

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

CONCESSIONS	
Activities	**Service Focus**
Project Financing	• Development of domestic and international Public-Private Partnership ("P3") projects • Private finance solutions
Development	• Developing effective strategic partnerships • Leading and/or actively participating in development teams
Construction and Operation	• Seamlessly integrating the services of all project participants • Harnessing strengths and capabilities of Aecon

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

FORWARD-LOOKING INFORMATION

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

Risk factors are discussed in greater detail in the section on "Risk Factors" included in the Company's Annual Information Form dated March 27, 2018, which is available through SEDAR at www.sedar.com. Forward-looking statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, ongoing objectives, strategies and outlook for Aecon. Forward-looking statements may in some cases be identified by words such as "will", "plans", "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" or the negative of these terms, or similar expressions. Other important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause its results to differ materially from those expressed in any forward-looking statements. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Aecon undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

FINANCIAL REPORTING STANDARDS

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

NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES

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

Management uses these non-GAAP and additional GAAP measures to analyze and evaluate operating performance. Aecon also believes the non-GAAP and additional GAAP financial measures below are commonly used by the investment community for valuation purposes, and are useful complementary measures of profitability, and provide metrics useful in the construction industry. The most directly comparable measures calculated in accordance with GAAP are profit (loss) attributable to shareholders or earnings (loss) per share.

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

Non-GAAP Financial Measures

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

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

Additional GAAP Financial Measures

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

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

BUSINESS STRATEGY

On July 23, 2018 the Company announced that Jean-Louis Servranckx will be assuming the role of President and Chief Executive Officer of the Company, effective September 4, 2018. Mr. Servranckx has over 30 years of experience in the construction industry and was most recently President and CEO of Eiffage Civil Works Division, now known as Eiffage Infrastructures Branch, a business with over $6 billion in revenue and operations throughout Europe, Africa and in Canada. Mr. Servranckx graduated from École des Mines de Paris, holds an MBA from INSEAD and is fluent in English, French and Spanish.

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

CONSOLIDATED FINANCIAL HIGHLIGHTS

$ millions (except per share amounts)	Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
Revenue	**$ 754.8**	**$ 686.2**	**$ 1,298.1**	**$ 1,361.0**
Gross profit	79.5	71.6	126.5	122.6
Marketing, general and administrative expenses	(43.9)	(45.1)	(91.1)	(93.7)
Income from projects accounted for using the equity method	2.2	2.1	3.1	3.0
Foreign exchange gain	0.3	1.4	1.0	2.5
Gain (loss) on sale of assets	0.1	(0.2)	0.4	(1.3)
Depreciation and amortization	(25.4)	(24.4)	(49.1)	(45.1)
Operating profit (loss)	**12.8**	**5.3**	**(9.4)**	**(12.0)**
Financing expense, net	(5.4)	(5.9)	(10.3)	(10.9)
Profit (loss) before income taxes	**7.4**	**(0.6)**	**(19.7)**	**(22.9)**
Income tax recovery	1.0	1.4	8.8	5.3
Profit (loss)	**$ 8.4**	**$ 0.8**	**$ (10.8)**	**$ (17.5)**
Gross profit margin	**10.5%**	**10.4%**	**9.7%**	**9.0%**
MG&A as a percent of revenue	**5.8%**	**6.6%**	**7.0%**	**6.9%**
Adjusted EBITDA	**41.4**	**33.0**	**45.1**	**39.8**
Adjusted EBITDA margin	**5.5%**	**4.8%**	**3.5%**	**2.9%**
Operating margin	**1.7%**	**0.8%**	**(0.7)%**	**(0.9)%**
Earnings (loss) per share - basic	**$ 0.14**	**$ 0.01**	**$ (0.18)**	**$ (0.30)**
Earnings (loss) per share - diluted	**$ 0.13**	**$ 0.01**	**$ (0.18)**	**$ (0.30)**
Backlog			**$ 6,443**	**$ 4,365**

Revenue for the three months ended June 30, 2018 of $755 million was $69 million, or 10%, higher compared to the second quarter of 2017. The largest increase occurred in the Infrastructure segment ($83 million) from higher revenue in major projects ($72 million) and transportation operations ($11 million). Revenue was also higher in the Concessions segment ($15 million). Partially offsetting these increases was lower revenue in the Industrial segment ($21 million), driven by lower volume in nuclear ($33 million) and conventional industrial operations ($12 million), offset partially by higher revenue in utilities ($24 million). Inter-segment revenue eliminations increased by $8 million primarily due to revenue between the Concessions and Infrastructure segments related to the Bermuda International Airport Redevelopment Project.

Revenue in the first six months of 2018 of $1,298 million was lower by $63 million, or 5%, compared to the same period in 2017. The largest decrease occurred in the Industrial segment ($171 million), where lower revenue in nuclear ($98 million) and conventional industrial operations ($87 million) was only partially offset by an increase in utilities ($14 million). Offsetting this decrease to some extent was higher revenue in the Infrastructure segment ($84 million) from major projects ($74 million) and transportation operations ($10 million).

Operating profit of $12.8 million in the second quarter of 2018 increased by $7.5 million compared to operating profit of $5.3 million in the same period of 2017, driven by higher gross profit of $7.9 million. The largest gross profit increase occurred in the Infrastructure segment ($9.8 million) due to the impact of higher volume and gross profit margin in both major projects and transportation operations. Gross profit also increased in the Concessions segment ($2.8 million) from increased activity on the Bermuda International Airport Redevelopment Project. Partially offsetting these increases was lower gross profit in the Industrial segment ($4.7 million) resulting primarily from a volume driven decrease in nuclear operations, volume and gross profit margin decreases in conventional industrial operations, and lower gross profit margin in utilities.

Operating loss of $9.4 million for the first six months of 2018 was an improvement of $2.6 million compared to an operating loss of $12.0 million in the same period of 2017. Operating profit for the first half of 2018 was favourably impacted by an increase in gross profit of $3.9 million. A gross profit increase in Infrastructure ($9.5 million) was largely driven by higher volume in major projects and an increase in Concessions ($8.4 million) resulted from the same reasons cited above for gross profit in the second quarter. Gross profit decreased in the Industrial segment ($4.7 million) in nuclear and conventional industrial operations for the same reasons noted above for the second quarter, and was partially offset by higher volume and gross profit margin from utilities.

Marketing, general and administrative expenses ("MG&A") decreased by $1.1 million and $2.6 million for the three and six-month periods ended June 30, 2018, respectively, compared to the same periods in 2017. The decrease in MG&A in both periods resulted from lower personnel costs driven primarily by lower severance and restructuring costs period-over-period ($1.4 million decrease in the second quarter of 2018 and $6.5 million decrease in the first half of 2018), and partially offset by an increase in expenses incurred as a result of the now discontinued sale process and subsequent Arrangement ($0.8 million increase in the second quarter of 2018 and $3.2 million increase in the first half of 2018). MG&A as a percentage of revenue for the second quarter decreased from 6.6% in 2017 to 5.8% in 2018, which reflects both lower cost and higher revenue in 2018, and for the six-month period increased from 6.9% to 7.0%, which reflects the impact of lower revenue more than offsetting the reduced cost in the first half of 2018.

Aecon's participation in projects that are classified for accounting purposes as a joint venture or an associate, as opposed to a joint operation, are accounted for using the equity method of accounting. Aecon reported income of $2.2 million in the second quarter of 2018 from projects accounted for using this method of accounting, compared to $2.1 million last year, and income of $3.1 million year-to-date in 2018 compared to $3.0 million in 2017. The higher income in both the quarter and first half of the year, was driven by increases in the Concessions segment from light rail transit projects in Ontario ($0.4 million and $0.8 million, respectively), and in the Industrial segment ($0.1 million in both periods), which were mostly offset by decreases in the Infrastructure segment ($0.4 million and $0.8 million, respectively) following the completion of a project that was ongoing in the comparative periods in 2017.

Depreciation and amortization expense of $25.4 million in the second quarter of 2018 was $1.0 million higher than the same period of 2017, driven primarily by the Industrial segment where equipment utilization increased to support higher volume in the contract mining and utilities operations. Depreciation and amortization expense of $49.1 million for the six months ended June 30, 2018 was $4.1 million higher than the same period last year, primarily as a result of increased equipment utilization in the Industrial segment as noted above, and from the inclusion of six months of amortization expense in 2018 related to operating the existing airport concession as part of the Bermuda International Airport Redevelopment Project compared to only four months of expense recorded in 2017 following the award of the project late in the first quarter of 2017.

Financing expenses, net of interest income, of $5.4 million in the second quarter of 2018, and $10.3 million year-to-date in 2018, were $0.5 million and $0.6 million lower than the same periods in 2017.

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

Reported backlog as at June 30, 2018 of $6,443 million compares to backlog of $4,365 million a year earlier. This backlog position is a new record level for Aecon, exceeding the previous record of $4,889 million, reported in the second quarter of 2016, by $1,554 million. New contract awards of $2,585 million and $3,494 million were booked in the second quarter and year-to-date in 2018, respectively, compared to $687 million and $1,522 million in the same periods in the prior year.

Backlog $ millions	**As at June 30**			
	2018		2017	
Infrastructure	**$**	**3,968**	$	2,034
Industrial		**2,454**		2,317
Concessions		**21**		14
Consolidated	**$**	**6,443**	$	4,365

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 June 30**					
	2018			2017		
Next 12 months	**$**	**2,008**	**31%**	$	1,432	33%
Next 13-24 months		**1,293**	**20%**		880	20%
Beyond		**3,142**	**49%**		2,053	47%
	$	**6,443**	**100%**	$	4,365	100%

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

Reported backlog includes the revenue value of backlog that relates to projects that are accounted for using the equity method. The equity method reports a single amount (revenue less expenses) on Aecon's consolidated statement of income, and as a result the revenue component of backlog for these projects is not included in

Aecon's reported revenue. As at June 30, 2018 reported backlog from projects that are accounted for using the equity method was $nil (June 30, 2017: $0.5 million).

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

REPORTING SEGMENTS

INFRASTRUCTURE

Financial Highlights

$ millions	Three months ended June 30				Six months ended June 30			
		2018		2017		**2018**		2017
Revenue	**$**	**320.4**	$	237.4	**$**	**473.1**	$	389.1
Gross profit	**$**	**32.1**	$	22.3	**$**	**32.3**	$	22.8
Adjusted EBITDA	**$**	**18.1**	$	8.6	**$**	**1.7**	$	(7.0)
Operating profit (loss)	**$**	**13.0**	$	3.5	**$**	**(7.7)**	$	(16.3)
Gross profit margin		**10.0%**		9.4%		**6.8%**		5.9%
Adjusted EBITDA margin		**5.7%**		3.6%		**0.3%**		(1.8)%
Operating margin		**4.0%**		1.5%		**(1.6)%**		(4.2)%
Backlog					**$**	**3,968**	$	2,034

For the three-month period ended June 30, 2018, revenue in the Infrastructure segment of $320 million was $83 million, or 35%, higher than the same period in 2017. Revenue was higher in major projects ($72 million) primarily due to increased activity on light rail transit ("LRT") projects in Eastern Canada, hydroelectric and waste water projects in Western Canada, and from the Bermuda International Airport Redevelopment Project. Revenue in transportation operations was also higher period-over-period ($11 million) from increased roadbuilding activity in Western Canada.

For the six months ended June 30, 2018, revenue of $473 million, was $84 million, or 22%, higher than the first half of 2017. Revenue was higher in both major projects ($74 million) and transportation operations ($10 million) for the same reasons cited for the second quarter revenue variances.

For the three months ended June 30, 2018, operating profit in the Infrastructure segment of $13.0 million increased by $9.5 million compared to an operating profit of $3.5 million in the second quarter of 2017. Operating profit increased in major projects by $8.7 million driven primarily by higher volume as well as gross profit margin on projects in Eastern Canada. Operating profit also improved in transportation operations by $0.8 million due primarily to higher volume on roadbuilding projects.

For the six months ended June 30, 2018, operating loss of $7.7 million was an improvement of $8.7 million compared to an operating loss of $16.3 million in the comparable period in 2017. Operating profit improved in major projects by $9.9 million due to the same reasons cited for operating profit in the second quarter. Operating loss increased by $1.3 million in transportation operations due to lower gross profit margin and higher personnel cost incurred period-over-period.

Infrastructure backlog as at June 30, 2018 was $3,968 million, compared to $2,034 million a year earlier, an increase of $1,934 million. The largest increase was reported in major projects ($1,794 million) as several significant multi-year projects were awarded in the first six months of 2018 including the Site C Generating Station and Spillways Civil Works ("Site C"), the Réseau express métropolitain Montreal LRT ("Montreal REM"), and the Finch West LRT projects. Backlog in transportation operations also increased ($139 million) primarily related to roadbuilding and foundations projects. New contract awards totaled $1,874 million in the second quarter of 2018 and $2,425 million year-to-date, compared to $160 million and $754 million respectively, in the same periods last year.

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

INDUSTRIAL

Financial Highlights

$ millions	Three months ended June 30				Six months ended June 30			
		2018		2017		**2018**		2017
Revenue	**$**	**420.1**	$	441.7	**$**	**801.2**	$	972.4
Gross profit	**$**	**32.1**	$	36.8	**$**	**72.0**	$	86.1
Adjusted EBITDA	**$**	**14.1**	$	18.9	**$**	**36.3**	$	49.8
Operating profit	**$**	**1.3**	$	7.6	**$**	**8.9**	$	22.9
Gross profit margin		**7.6%**		8.3%		**9.0%**		8.9%
Adjusted EBITDA margin		**3.3%**		4.3%		**4.5%**		5.1%
Operating margin		**0.3%**		1.7%		**1.1%**		2.4%
Backlog					**$**	**2,454**	$	2,317

Revenue in the Industrial Segment for the second quarter of 2018 of $420 million was $22 million, or 5%, lower than the same period in 2017 with the largest revenue decrease occurring in nuclear operations ($33 million). Revenue was also lower in conventional industrial operations ($12 million) primarily from lower volume of field construction projects in Western Canada. Partially offsetting these decreases was higher revenue in utilities ($23 million) primarily due to increased activity on gas and electricity distribution projects in Eastern Canada.

For the six months ended June 30, 2018, Industrial segment revenue of $801 million was $171 million, or 18%, lower than the same period last year. Consistent with the second quarter, revenue was lower in nuclear ($98 million) and conventional industrial operations ($87 million) and offset partially by higher revenue in utilities ($15 million). In both the three-month and six-month periods, lower volume in nuclear operations was driven by a reduction at the Darlington nuclear facility in Ontario, where a number of ancillary projects to the main reactor refurbishment project that Aecon is performing have now been completed, ahead of ramping up in future quarters on recent awards at the Bruce Power nuclear facility in Ontario.

For the three months ended June 30, 2018, operating profit of $1.3 million decreased by $6.3 million compared to operating profit of $7.6 million in the second quarter of 2017. Operating profit decreased in nuclear operations by $3.4 million due primarily to lower volume, in conventional industrial operations by $1.5 million from lower volume and gross profit margin, and in utilities by $1.4 million due to lower gross profit margin.

For the six months ended June 30, 2018, operating profit of $8.9 million decreased by $14.0 million compared to operating profit of $22.9 million during the first six months of 2017. Operating profit decreased in the nuclear and conventional industrial operations by $11.1 million and $3.9 million, respectively, driven by the same factors cited for operating profit in the second quarter. Operating profit in utilities improved by $0.9 million due to higher volume in the first half of the year.

Backlog as at June 30, 2018 of $2,454 million was $137 million higher than the same time last year, driven by increases in nuclear operations ($61 million), conventional industrial operations ($41 million), and utilities ($36 million). New contract awards in the second quarter of 2018 of $695 million, and $1,043 million year-to-date, were $175 million and $285 million higher, respectively, compared to the same periods in 2017.

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

CONCESSIONS

Financial Highlights

$ millions	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Revenue	**$ 52.6**	$ 37.3	**$ 83.9**	$ 73.9
Gross profit	**$ 15.2**	$ 12.4	**$ 22.0**	$ 13.6
Income from projects accounted for using the equity method	**$ 1.4**	$ 1.0	**$ 2.8**	$ 2.0
Adjusted EBITDA	**$ 19.2**	$ 15.4	**$ 29.2**	$ 19.1
Operating profit	**$ 8.5**	$ 4.4	**$ 11.5**	$ 3.7
Backlog			**$ 21**	$ 14

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

Revenue in the Concessions segment for the second quarter and first six months of 2018 of $53 million and $84 million, respectively, increased by $15 million and $10 million, respectively, when compared to the same periods in 2017. The higher revenue in both periods was driven primarily by the Bermuda International Airport Redevelopment Project, which was awarded late in the first quarter of 2017. Included in Skyport's revenue for the second quarter and first half of 2018 was $30 million and $48 million, respectively, of construction revenue that was eliminated on consolidation as inter-segment revenue.

For the three and six-month periods ended June 30, 2018, operating profit of $8.5 million and $11.5 million, increased by $4.1 million and $7.8 million, respectively, compared to the same periods in 2017. Higher operating profit resulted primarily from increased activity related to the Bermuda International Airport Redevelopment Project.

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

Quarterly Financial Data

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

$ millions (except per share amounts)

	2018		2017				2016	
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
Revenue	$ 754.8	$ 543.3	$ 685.0	$ 759.7	$ 686.2	$ 674.9	$ 845.1	$ 838.1
Adjusted EBITDA	41.4	3.7	58.0	58.7	33.0	6.9	64.7	60.0
Earnings (loss) before income taxes	7.4	(27.1)	26.5	27.2	(0.6)	(22.3)	42.6	37.6
Profit (loss)	8.4	(19.2)	21.1	24.6	0.8	(18.3)	29.1	27.4
Earnings (loss) per share:								
Basic	0.14	(0.32)	0.36	0.42	0.01	(0.32)	0.51	0.48
Diluted	0.13	(0.32)	0.33	0.37	0.01	(0.32)	0.43	0.42

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

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

$ millions

	2018		2017				2016	
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
Operating profit (loss)	$ 12.8	$ (22.2)	$ 32.5	$ 33.1	$ 5.3	$ (17.3)	$ 47.9	$ 43.1
Depreciation and amortization	25.4	23.7	24.0	24.5	24.4	20.6	16.3	14.3
(Gain) loss on sale of assets	(0.1)	(0.3)	(1.5)	(1.5)	0.2	1.1	(0.6)	(0.5)
Income from projects accounted for using the equity method	(2.2)	(0.8)	(2.2)	(3.2)	(2.1)	(0.9)	(8.1)	(2.1)
Equity Project EBITDA	5.5	3.3	5.2	5.8	5.1	3.3	9.1	5.1
Adjusted EBITDA	$ 41.4	$ 3.7	$ 58.0	$ 58.7	$ 33.0	$ 6.9	$ 64.7	$ 60.0

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

$ millions

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

(1) Refer to Note 12 "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 is accounted for in the consolidated financial statements by reflecting, line by line, Aecon's share of the assets held jointly, liabilities incurred jointly, and revenue and expenses arising from the joint operations.

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

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

During the quarter, the Company filed a statement of claim in the Court of Queen's Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking $180 million in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately $14 million in damages. The Company has recorded $133 million of unbilled revenue and accounts receivable as at June 30, 2018. Offsetting this amount to some extent, the Company has accrued $45 million in trade and other payables for potential payments to third parties pending the outcome of the claim against KSPC. KSPC is seeking an order that the Company repay to KSPC approximately $195 million already paid to the Company pursuant to such agreements. The Company believes that it will be successful in its claim and considers KSPC's claim to be without merit. These claims may not be resolved for several years. The Company does not expect that the resolution of these claims will cause a material impact to its financial position.

Cash and Debt Balances

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

$ millions		June 30, 2018		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	**$ 28**	**$ 405**	**$ 433**
Restricted cash	(2)	**260**	**-**	**260**
Bank indebtedness	(3)	**(15)**	**-**	**(15)**
		December 31, 2017		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	$ 19	$ 286	$ 305
Restricted cash	(2)	280	-	280
Bank indebtedness	(3)	(18)	-	(18)

(1) Cash and cash equivalents include cash on deposit in bank accounts of joint operations which Aecon cannot access directly.
(2) Restricted cash is cash held by Bermuda Skyport Corporation Limited.
(3) Bank indebtedness represents borrowings on Aecon's revolving credit facility.

Total long-term recourse debt of $290.1 million as at June 30, 2018 compares to $304.2 million as at December 31, 2017, the composition of which is as follows:

$ millions	June 30, 2018	December 31, 2017
Current portion of long-term debt - recourse	**$ 41.2**	$ 44.5
Current portion of convertible debentures	**167.1**	168.5
Long-term debt - recourse	**81.8**	91.2
Total long-term debt	**$ 290.1**	$ 304.2
Long-term project debt - non-recourse	**$ 370.4**	$ 352.9

The $14.1 million net decrease in total long-term debt results from a decrease in finance leases and equipment loans in the first six months of 2018 of $12.7 million, as well as a decrease in convertible debentures of $1.4 million primarily from the conversion of debentures with a face value of $3.3 million into common shares.

The $17.5 million increase in non-recourse project debt, related to the financing of the Bermuda International Airport Redevelopment Project, is due to the impact of changes in foreign exchange rates since December 31, 2017.

On November 27, 2013, the Company issued $172.5 million of unsecured subordinated convertible debentures maturing December 31, 2018. The 2018 convertible debentures bear interest at a rate of 5.50%, payable on a semi-annual basis. At the holder's option, the 2018 convertible debentures may be converted into common shares of the Company at any time up to the maturity date at a conversion price of $19.45 for each common share, subject to adjustment in certain circumstances. From December 31, 2017 through to the maturity date, the Company, at its option, may redeem the 2018 convertible debentures, in whole or in part, at par plus accrued and unpaid interest. As at June 30, 2018, the face value of the 2018 convertible debentures, which remains outstanding, was $169.0 million. The Company is currently considering options with respect to refinancing these debentures with a similar sized debenture, using its existing credit facility, or a combination of both, to be executed before December 31, 2018.

Aecon's liquidity position and capital resources, are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future. Aecon's liquidity position is strengthened by its ability to draw on a committed revolving credit facility of $500 million of which $409 million was unutilized as at June 30, 2018. When combined with an additional $700 million letter of credit facility provided by Export Development Canada ("EDC"), Aecon's total committed credit facilities for working capital and letter of credit requirements total $1,200 million. As at June 30, 2018, Aecon was in compliance with all debt covenants related to its credit facility.

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

Summary Of Cash Flows

$ millions	**Consolidated Cash Flows Six months ended June 30**	
	2018	2017
Cash provided by (used in):		
Operating activities	**$ 206.5**	$ (17.4)
Investing activities	**(37.7)**	(399.9)
Financing activities	**(39.7)**	464.2
Increase in cash and cash equivalents	**129.1**	46.9
Effects of foreign exchange on cash balances	**(1.1)**	(0.8)
Cash and cash equivalents - beginning of period	**304.9**	231.9
Cash and cash equivalents - end of period	**$ 432.9**	$ 277.9

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

Operating Activities

Cash provided by operating activities of $207 million in the first six months of 2018 compares with cash used by operating activities of $17 million in the same period in 2017. Most of the $224 million period-over-period increase in cash provided by operating activities resulted from lower investments in working capital due primarily to an increase in deferred revenue.

Investing Activities

In the first six months of 2018, investing activities resulted in cash used of $38 million, which compares to cash used of $400 million in the same period in 2017. Of the cash used in the first six months of 2018, $46 million represents expenditures made by Skyport related to the construction of the new airport terminal in Bermuda (i.e. increase in concession rights of $46 million), offset by a $33 million decrease in restricted cash balances held by Skyport. Of the cash used in the same period in 2017, $77 million represents construction expenditures by Skyport, and $310 million represents an increase in Skyport's restricted cash balances. In addition, $13 million of cash was used for expenditures (net of disposals) on property, plant and equipment and intangible assets in the first six months of 2018 compared to $14 million of cash used for such expenditures in the first six months of 2017. Cash used in the first six months of 2018 also includes a $12 million increase in long-term financial assets.

In the first six months of 2018, Aecon acquired, either through purchase or finance lease, property, plant and equipment totalling $26 million. Most of this investment in property, plant and equipment related to the purchase of new machinery and construction equipment as part of normal ongoing business operations in the Infrastructure and Industrial operating segments. In the first six months of 2017, investments in property, plant and equipment totalled $28 million.

Financing Activities

In the first six months of 2018, cash used by financing activities amounted to $40 million, compared to cash provided of $464 million in the same period in 2017. During the first six months of 2017, cash provided by financing activities included the addition of non-recourse project debt of $374 million in relation to the Bermuda International Airport Redevelopment Project, whereas no additional borrowings in relation to the Bermuda International Airport Redevelopment Project were made in the first six months of 2018. The addition of $1 million of other long-term debt borrowings for the first six months of 2018 compares to $3 million in the same period in 2017. Repayments of other long-term debt in the first six months of 2018 of $24 million were unchanged when compared to the same period in 2017 and related primarily to equipment financing arrangements. In addition, in the first six months of 2018, a decrease in bank indebtedness associated with borrowings under the Company's revolving credit facility totalled $3 million compared to an increase of $123 million in the same period in 2017. Dividends of $15 million were paid in the first six months of 2018, compared to $14 million in the same period in 2017. There was also $1 million of cash provided by the exercise of options in the first six months of 2018 compared to $2 million of cash provided in the first six months of 2017.

NEW ACCOUNTING STANDARDS

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

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

SUPPLEMENTAL DISCLOSURES

Disclosure Controls and Procedures

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

Changes in Internal Controls Over Financial Reporting

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

Contractual Obligations

At December 31, 2017, the Company had commitments totaling $362 million for equipment and premises under operating leases requiring minimum payments, and for principal repayment obligations under long-term debt and convertible debentures. There have been no material changes to these amounts since December 31, 2017.

At June 30, 2018, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was $6,443 million.

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

Off-Balance Sheet Arrangements

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

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

Related Party Transactions

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

Critical Accounting Estimates and Judgements

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

RISK FACTORS

The reader is referred to the detailed discussion on Risk Factors as outlined in the Company's Annual Information Form dated March 27, 2018 and available through SEDAR at www.sedar.com. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. These risks and uncertainties and risk management practices, which management reviews on a quarterly basis, have not materially changed in the period since March 27, 2018.

Outstanding Share Data

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

In thousands of dollars (except share amounts)		**July 26, 2018**
Number of common shares outstanding		59,752,009
Outstanding securities exchangeable or convertible into common shares:		
Principal amount of convertible debentures outstanding (see Note 19 to the June 30, 2018 interim condensed consolidated financial statements)	$	175,626
Number of common shares issuable on conversion of convertible debentures		8,690,077
Increase in paid-up capital on conversion of convertible debentures	$	175,626

OUTLOOK

Aecon reported record backlog of $6.4 billion at the end of the second quarter surpassing the previous quarterly record of $4.9 billion achieved in the second quarter of 2016 and the backlog at the start of the year of $4.3 billion. The 52% increase in backlog since the beginning of the year was due to a number of large project awards in the first half of the year in both the Infrastructure and Industrial segments. This significant increase in backlog is expected to result in strong growth in revenue and Adjusted EBITDA in the second half of 2018 and in 2019 as these new projects ramp up during the year.

Increased infrastructure investment by all levels of government across Canada, as well as significant opportunities in power, including nuclear, utilities, and pipelines, aligns with Aecon's strengths and has allowed Aecon to be successful on a number of recent bids while maintaining a strong list of significant project pursuits going forward. During the first six months of 2018 Aecon's Infrastructure segment backlog grew significantly as a consortium in which Aecon holds a 30% interest was awarded the $1.6 billion Site C project in British Columbia, Aecon (24% interest) and its joint venture partners were awarded the $5.0 billion Montreal REM project, and a consortium in which Aecon holds a 33.3% interest was awarded the $1.2 billion Finch West LRT project in Toronto. Subsequent to quarter end, Aecon was awarded a $248 million contract for the F.G. Gardiner Expressway Rehabilitation Project: Section 1. In the Industrial segment during the first six months of 2018, a 50/50 joint venture between Aecon and Robert B. Somerville Co. Ltd., was awarded a $282 million contract by Enbridge Pipelines Inc. for Spreads 8 and 9 of the Line 3 Replacement Phase 2 project in Manitoba, and a joint venture in which Aecon holds a 40% interest was awarded a $475 million contract by Bruce Power to execute the Unit 6 Fuel Channel and Feeder Replacement (FCFR) at the Bruce Nuclear Generating Station in Kincardine, Ontario. This latter joint venture has also signed a Preferred Supplier Agreement with Bruce Power under which the joint venture could be awarded similar contracts for the subsequent five units.

Infrastructure segment backlog at the end of the second quarter of 2018 was $3,968 million compared to $2,034 million at the same time last year. Increased infrastructure investment to address the significant infrastructure deficit in Canada is a key area of focus for federal, provincial, and municipal governments, and Aecon is well positioned to successfully bid on, secure, and deliver these major projects. Bidding activity continues to be robust and Aecon expects to be a beneficiary of this increased infrastructure investment as evidenced by our recent awards, which will drive growth in this segment in 2018 and beyond.

Backlog in the Industrial segment was $2,454 million at the end of the second quarter of 2018 compared to $2,317 million a year earlier. Aecon expects increased ongoing demand for nuclear refurbishment, utilities, pipelines, and contract mining work in 2018. Aecon's capability in the nuclear refurbishment sector, combined with the work secured to date, and the ongoing fifteen-year and ten-year refurbishment projects at the Bruce Nuclear Generating Station and with Ontario Power Generation, respectively, provides a significant long-term growth opportunity for Aecon in nuclear work. Aecon's capabilities in utilities continues to be a strength that should lead to growth from the increased demand for utility services, pipelines and power work. While oil and commodity prices are improving, they have not reached a level to support a pick up in significant new oil and mining construction projects. As a result, we expect 2018 conventional industrial fabrication and field work revenue to be similar to 2017. Contract mining, which is primarily recurring revenue work over and above what is reported as backlog for the segment, is expected to grow in 2018 with a new operating site ramping up during the year.

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

The overall outlook for 2018 and 2019 is increasingly strong. Our current backlog coupled with a robust pipeline of future opportunities is expected to further enhance our backlog and support the goals of revenue growth and improving Adjusted EBITDA margin.

As usual, the second half of 2018 is expected to be stronger than the first half of 2018 reflecting the typical seasonality of Aecon's work as well as the ramp up of recently awarded projects. Capital expenditures are expected to remain relatively consistent with 2017 levels.