

# FOCUSED

THIRD QUARTER REPORT 2019



**AECON**

Dear Fellow Shareholders,

Aecon's third quarter results were highlighted by year-over-year growth in revenue, Adjusted EBITDA and operating profit, and capped by quarter end backlog of \$6.6 billion. These results continue to illustrate the strength of Aecon's market position, strong year-to-date performance, and the strategic significance of our backlog – diversified by sector, geography and duration.

For the three months ended September 30, 2019, revenue of \$1,025 million was \$6 million higher compared to the same period in 2018. On a like-for-like basis, excluding the contract mining business sold in November 2018, growth in revenue was 7 per cent in the quarter. Adjusted EBITDA of \$91.1 million (margin of 8.9 per cent) improved by \$1.6 million compared to Adjusted EBITDA of \$89.5 million (margin of 8.8 per cent) for the third quarter of 2019 and compared to Adjusted EBITDA of \$82.2 million (margin of 8.6 per cent) on a like-for-like basis in the prior year.

Construction segment backlog at the end of the third quarter of 2019 was \$6,507 million compared to \$6,982 million at the same time last year. Bidding activity continues to be solid with many of Aecon's larger pursuits expected to be awarded in 2020. Aecon continues to be well positioned to successfully bid on, secure and deliver major infrastructure projects for government and the private sector. With strong and diverse backlog in hand, Aecon is focused on ensuring solid project execution and selectively adding backlog through a disciplined bidding approach that supports continued like-for-like margin improvement in this segment.

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

On October 31, 2019, Aecon announced receipt of regulatory approval from the Toronto Stock Exchange to make a Normal Course Issuer Bid ("NCIB") commencing November 5, 2019. Under the NCIB, Aecon will be able to purchase for cancellation up to a maximum of 5,975,486 Common Shares on the open market, representing approximately 10 per cent of the public float as of October 24, 2019. Aecon believes that the repurchase of Common Shares at certain market prices is beneficial to Aecon and its shareholders and intends to make any purchases on an opportunistic basis, taking share price and other considerations into account.

Aecon continues to see significant infrastructure investment commitments by all levels of government across Canada as well as by non-resource driven segments of the private sector. This investment focuses primarily on civil infrastructure, urban transportation systems, nuclear power, and utility and pipeline infrastructure, which aligns with Aecon's strengths. This strong program of work going forward, along with significant ongoing revenue from recurring work under long-term agreements and concession arrangements, supports revenue and Adjusted EBITDA growth in 2019 and in 2020.

The overall outlook for 2019 remains solid as our current strong backlog, robust pipeline of future opportunities, and ongoing concessions are expected to lead to another year of improved like-for-like results compared to 2018. Aecon expects to have another strong year of results in 2020 as construction continues on a number of previously awarded projects that have ramped up during 2019.

Sincerely,



John M. Beck  
Executive Chairman



Jean-Louis Servranckx  
President and Chief Executive Officer

**Aecon Group Inc.**

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

**September 30, 2019**

## **Management’s Discussion and Analysis of Operating Results and Financial Condition (“MD&A”)**

The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. (“Aecon” or the “Company”) should be read in conjunction with the Company’s September 30, 2019 interim condensed consolidated financial statements and notes, which have not been reviewed by the Company’s external auditors, and in conjunction with the Company’s annual MD&A for the year ended December 31, 2018. This MD&A has been prepared as of October 31, 2019. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval (“SEDAR”) at [www.sedar.com](http://www.sedar.com) and includes the Company’s Annual Information Form and other securities and continuous disclosure filings.

### **Introduction**

Commencing in 2019, Aecon’s Infrastructure and Industrial segments were combined into a Construction segment to align with Aecon’s new operating management structure. The progress Aecon has made in recent years with respect to the “One Aecon” strategy has increasingly allowed for integrated project management and systems, allowing Aecon to capitalize on those markets providing the greatest opportunity at any point in time. This trend is expected to continue going forward, seeing Aecon’s services and resources becoming increasingly mobile between end markets. Aecon has migrated its overall management and operating structure to reflect this increasingly flexible model. Prior year comparative figures have been restated to conform to the presentation adopted in the current year.

Aecon currently operates in two principal segments within the infrastructure development industry: Construction and Concessions.

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

- Civil Infrastructure;
- Urban Transportation Systems;
- Nuclear Power Infrastructure;
- Utility Infrastructure; and
- Conventional Industrial Infrastructure.

Activities within the Concessions segment include the development, financing, build and operation of construction projects by way of public-private partnership contract structures, as well as integrating the services of all project participants, and harnessing the strengths and capabilities of Aecon. The Concessions segment focuses primarily on providing the following services:

- Development of domestic and international Public-Private Partnership (“P3”) projects;
- Private finance solutions;
- Developing effective strategic partnerships;
- Leading and/or actively participating in development teams; and
- Operations and maintenance.

The infrastructure development 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 26, 2019 and available through SEDAR at [www.sedar.com](http://www.sedar.com). Forward-looking statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, ongoing objectives, strategies and outlook for Aecon. Forward-looking statements may in some cases be identified by words such as "will", "plans", "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" or the negative of these terms, or similar expressions. Other important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause its results to differ materially from those expressed in any forward-looking statements. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Aecon undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## **FINANCIAL REPORTING STANDARDS**

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

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

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

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

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

### Non-GAAP Financial Measures

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

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

### Additional GAAP Financial Measures

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

- **“Gross profit”** represents revenue less direct costs and expenses. Not included in the calculation of gross profit are marketing, general and administrative expenses (“MG&A”), depreciation and amortization, income or losses from projects accounted for using the equity method, foreign exchange, net financing expense, gain (loss) on sale of assets and investments, 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 2018 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 September 30		Nine months ended September 30	
	2019	2018	2019	2018
<b>Revenue</b>	<b>\$ 1,025.4</b>	<b>\$ 1,019.7</b>	<b>\$ 2,543.1</b>	<b>\$ 2,317.8</b>
Gross profit	120.6	125.1	263.7	251.5
Marketing, general and administrative expenses	(40.9)	(43.1)	(130.8)	(134.2)
Income from projects accounted for using the equity method	4.3	3.9	9.0	6.9
Other income (loss)	1.6	(0.3)	3.5	1.1
Depreciation and amortization	(26.8)	(29.5)	(69.2)	(78.6)
<b>Operating profit</b>	<b>58.8</b>	<b>56.2</b>	<b>76.1</b>	<b>46.8</b>
Financing expense, net	(5.6)	(5.2)	(14.7)	(15.5)
<b>Profit before income taxes</b>	<b>53.2</b>	<b>51.0</b>	<b>61.5</b>	<b>31.3</b>
Income tax expense	(11.1)	(9.0)	(8.8)	(0.1)
<b>Profit</b>	<b>\$ 42.1</b>	<b>\$ 42.0</b>	<b>\$ 52.7</b>	<b>\$ 31.1</b>
<b>Gross profit margin</b>	<b>11.8%</b>	<b>12.3%</b>	<b>10.4%</b>	<b>10.9%</b>
<b>MG&amp;A as a percent of revenue</b>	<b>4.0%</b>	<b>4.2%</b>	<b>5.1%</b>	<b>5.8%</b>
<b>Adjusted EBITDA</b>	<b>91.1</b>	<b>89.5</b>	<b>160.3</b>	<b>134.6</b>
<b>Adjusted EBITDA margin</b>	<b>8.9%</b>	<b>8.8%</b>	<b>6.3%</b>	<b>5.8%</b>
<b>Operating margin</b>	<b>5.7%</b>	<b>5.5%</b>	<b>3.0%</b>	<b>2.0%</b>
<b>Earnings per share - basic</b>	<b>\$ 0.69</b>	<b>\$ 0.70</b>	<b>\$ 0.87</b>	<b>\$ 0.52</b>
<b>Earnings per share - diluted</b>	<b>\$ 0.60</b>	<b>\$ 0.60</b>	<b>\$ 0.81</b>	<b>\$ 0.49</b>
<b>Backlog</b>			<b>\$ 6,557</b>	<b>\$ 7,005</b>

Revenue for the three months ended September 30, 2019 of \$1,025 million was \$6 million, or 1%, higher compared to the same period in 2018, and revenue for the nine months ended September 30, 2019 of \$2,543 million, was \$225 million, or 10%, higher compared to the same period in 2018. Revenue for the three and nine months ended September 30, 2019 was higher in the Construction segment (\$7 million and \$229 million, respectively), driven by higher revenue in civil operations and urban transportation systems (\$99 million and \$350 million, respectively) and nuclear operations (\$32 million and \$121 million, respectively). This was partially offset by lower revenue in utilities (\$41 million and \$57 million, respectively) and conventional industrial operations (\$83 million and \$185 million, respectively). The decline in revenue in conventional industrial operations was primarily caused by the sale of Aecon's contract mining business in November 2018. Lower revenue in the third quarter in the Concessions segment (\$9 million) was largely offset by inter-segment revenue eliminations that decreased by \$8 million primarily due to revenue between the Concessions and Construction segments related to the Bermuda International Airport Redevelopment Project. In the nine months ended September 30, 2019, revenue was higher in the Concessions segment (\$25 million), which was offset by inter-segment revenue eliminations that increased by \$29 million.

Operating profit of \$58.8 million for the three months ended September 30, 2019, improved by \$2.6 million compared to an operating profit of \$56.2 million in the same period in 2018 despite a decrease in gross profit of \$4.5 million. In the Construction segment, the sale of the contract mining business in November 2018 resulted in a decrease in gross profit of \$8.8 million in the current quarter compared to the same period in 2018. In the balance of the Construction segment, gross profit in the period increased by \$4.2 million primarily from increased volume in civil operations and urban transportation systems. In the Concessions segment, gross profit decreased by \$0.6 million, primarily due to lower revenue from operations related to the Bermuda International Airport Redevelopment Project.

Operating profit of \$76.1 million for the nine months ended September 30, 2019, improved by \$29.3 million compared to an operating profit of \$46.8 million in the same period in 2018. Contributing to this higher operating profit was an increase in gross profit of \$12.2 million. In the Construction segment, the sale of the contract mining business in November 2018 reduced gross profit by \$21.0 million in the current nine-month period compared to the same period in 2018. In the balance of the Construction segment, gross profit in the period increased by \$31.1 million for the same reasons cited in the third quarter commentary as well as higher gross profit margin in utilities operations. In the Concessions segment, gross profit increased by \$1.4 million, primarily due to operations related to the Bermuda International Airport Redevelopment Project.

Marketing, general and administrative expenses (“MG&A”) decreased by \$2.2 million and \$3.4 million for the three and nine-month periods ended September 30, 2019, respectively, compared to the same periods in 2018. The decrease in MG&A in both periods resulted largely from a decrease in expenses incurred as a result of the subsequently discontinued sale process and proposed arrangement with CCCC International Holdings Limited (\$0.9 million decrease in the third quarter of 2019 and \$4.1 million decrease in the first nine months of 2019). MG&A as a percentage of revenue for the third quarter decreased from 4.2% in 2018 to 4.0% in 2019, and for the nine-month period decreased from 5.8% in 2018 to 5.1% in 2019.

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 \$4.3 million in the third quarter of 2019 from projects accounted for using this method of accounting, compared to \$3.9 million in the third quarter of 2018, and income of \$9.0 million in the first nine months of 2019 compared to \$6.9 million in the same period of 2018. The higher income in both the third quarter and first nine months of this year was driven by an increase in the Concessions segment primarily from light rail transit (“LRT”) projects in Ontario (\$0.9 million and \$3.0 million, respectively), which were partially offset by a decrease in the Construction segment (\$0.5 million and \$0.9 million, respectively).

Depreciation and amortization expense of \$26.8 million and \$69.2 million in the third quarter and nine months ended September 30, 2019, respectively, was \$2.7 million and \$9.4 million lower than the same periods in 2018. The decreases in both periods occurred primarily in the Construction segment (\$4.5 million and \$13.3 million, respectively) due to the sale of the contract mining business in November 2018. In the Concessions segment, higher amortization expense for the three and nine-month periods ended September 30, 2019 of \$0.4 million and \$2.8 million, respectively, compared to the same periods in 2018 related to the Bermuda International Airport Redevelopment Project. Corporate depreciation and amortization expense included in “Other & Eliminations” was also higher in the three and nine-month periods ended September 30, 2019 by \$1.4 million and \$1.1 million, respectively, compared to the same periods in 2018.

The sale of Aecon's contract mining business in November 2018 impacted Aecon's operating results for the three and nine months ended September 30, 2019 when compared to the same periods in 2018. A summary of these impacts is included below:

\$ millions	Three months ended September 30			Nine months ended September 30		
	2019	2018	Change	2019	2018	Change
Revenue as reported	\$ 1,025.4	1,019.7	5.7	2,543.1	2,317.8	225.3
Exclude: Contract Mining revenue	-	64.5	(64.5)	-	167.5	(167.5)
Revenue excluding Contract Mining	<u>\$ 1,025.4</u>	<u>955.2</u>	<u>70.2</u>	<u>2,543.1</u>	<u>2,150.3</u>	<u>392.8</u>
Adjusted EBITDA as reported	\$ 91.1	89.5	1.6	160.3	134.6	25.7
Exclude: Contract Mining Adjusted EBITDA	-	7.3	(7.3)	-	16.2	(16.2)
Adjusted EBITDA excluding Contract Mining	<u>\$ 91.1</u>	<u>82.2</u>	<u>8.9</u>	<u>160.3</u>	<u>118.4</u>	<u>41.9</u>
Operating profit as reported	\$ 58.8	56.2	2.6	76.1	46.8	29.3
Exclude: Contract Mining operating loss	-	(1.0)	1.0	-	(8.0)	8.0
Operating profit excluding Contract Mining	<u>\$ 58.8</u>	<u>57.2</u>	<u>1.6</u>	<u>76.1</u>	<u>54.8</u>	<u>21.3</u>
Adjusted EBITDA margin as reported	8.9%	8.8%	0.1%	6.3%	5.8%	0.5%
Adjusted EBITDA margin excluding Contract Mining	8.9%	8.6%	0.3%	6.3%	5.5%	0.8%
Operating profit margin as reported	5.7%	5.5%	0.2%	3.0%	2.0%	1.0%
Operating profit margin excluding Contract Mining	5.7%	6.0%	(0.3)%	3.0%	2.5%	0.5%

Financing expenses, net of interest income, of \$5.6 million in the third quarter of 2019, were \$0.4 million higher than the same period in 2018, primarily from an increase in finance leases during the period. Financing expenses, net of interest income, of \$14.7 million year-to-date in 2019 were \$0.8 million lower than the same period in 2018, primarily from lower borrowings on Aecon's revolving credit facility during the period.

Set out in Note 20 of the September 30, 2019 interim condensed consolidated financial statements is a reconciliation between the expected income tax expense in the first nine months of 2019 and 2018 based on statutory income tax rates and the actual income tax expense reported for both these periods.

Reported backlog as at September 30, 2019 of \$6,557 million compares to backlog of \$7,005 million a year earlier. New contract awards of \$827 million and \$2,279 million were booked in the third quarter and year-to-date in 2019, respectively, compared to \$1,581 million and \$5,075 million, respectively, in the same periods in 2018.

Backlog \$ millions	As at September 30	
	2019	2018
Construction	\$ 6,507	\$ 6,982
Concessions	50	23
Consolidated	<u>\$ 6,557</u>	<u>\$ 7,005</u>

Estimated backlog duration \$ millions	As at September 30			
	2019		2018	
Next 12 months	\$ 2,482	38%	\$ 2,038	29%
Next 13-24 months	1,758	27%	1,375	20%
Beyond	2,317	35%	3,592	51%
	<u>\$ 6,557</u>	<u>100%</u>	<u>\$ 7,005</u>	<u>100%</u>

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

Reported backlog includes the revenue value of backlog that relates to projects that are accounted for using the equity method. The equity method reports a single amount (revenue less expenses) on Aecon's consolidated statement of income, and as a result the revenue component of backlog for these projects is not included in Aecon's reported revenue. As at September 30, 2019 reported backlog from projects that are accounted for using the equity method was \$nil (September 30, 2018 - \$nil).

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

## **REPORTING SEGMENTS**

### **CONSTRUCTION**

#### **Financial Highlights**

\$ millions	Three months ended		Nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
<b>Revenue</b>	\$ 1,000.4	\$ 993.4	\$ 2,485.2	\$ 2,256.0
<b>Gross profit</b>	\$ 103.1	\$ 107.7	\$ 222.1	\$ 212.0
<b>Adjusted EBITDA</b>	\$ 73.1	\$ 76.5	\$ 124.9	\$ 114.4
<b>Operating profit</b>	\$ 57.7	\$ 56.2	\$ 82.5	\$ 57.3
<b>Gross profit margin</b>	10.3%	10.8%	8.9%	9.4%
<b>Adjusted EBITDA margin</b>	7.3%	7.7%	5.0%	5.1%
<b>Operating margin</b>	5.8%	5.7%	3.3%	2.5%
<b>Backlog</b>			\$ 6,507	\$ 6,982

Revenue in the Construction segment for the three months ended September 30, 2019 of \$1,000 million was \$7 million, or 1%, higher compared to the same period in 2018. Construction segment revenue was higher in civil operations and urban transportation systems by \$99 million driven by increases in both eastern and western Canada and from transportation and major projects in both regions. Revenue was also higher from nuclear operations by \$32 million related to refurbishment work in Ontario. These increases were partially offset by lower volume in conventional industrial (\$83 million) primarily due to a decrease of \$65 million following the sale of the contract mining business in November 2018, and utilities operations (\$41 million) due to decreased activity on mainline pipeline projects in western Canada in the quarter.

Revenue in the Construction segment for the nine months ended September 30, 2019 of \$2,485 million, was \$229 million, or 10%, higher compared to the same period in 2018. Similar to the third quarter commentary, Construction segment revenue was higher in civil operations and urban transportation systems (\$350 million) and nuclear operations (\$121 million). These increases were partially offset by lower volume in conventional industrial (\$185 million), due primarily to the impact of the sale of contract mining of \$168 million, and utilities operations (\$57 million) related to mainline pipeline work.

Operating profit in the Construction segment of \$57.7 million in the three months ended September 30, 2019 improved by \$1.5 million compared to an operating profit of \$56.2 million in the same period in 2018, largely due to the operating profit improvement resulting from the sale of the contract mining business in November 2018 which contributed an operating loss of \$1.0 million in the third quarter of 2018.

Operating profit in the Construction segment of \$82.5 million in the nine months ended September 30, 2019 improved by \$25.2 million compared to an operating profit of \$57.3 million in the same period in 2018. Similar to the third quarter, part of the operating profit improvement resulted from the sale of the contract mining business which contributed an operating loss of \$8.0 million in the first nine months of 2018. An improvement in operating profit from the balance of the Construction segment in the first nine months of 2019 of \$17.2 million was due to a combination of higher revenue and improved gross profit margin from civil operations in western Canada, urban transportation systems and utilities operations.

Construction backlog at September 30, 2019 was \$6,507 million, which is \$475 million lower than the same time last year. Backlog decreased period-over-period in civil operations and urban transportation systems (\$618 million) and in nuclear operations (\$166 million), while backlog was higher in utilities operations (\$299 million) and conventional industrial (\$10 million). New contract awards totalled \$798 million in the third quarter of 2019 and \$2,208 million year-to-date, compared to \$1,566 million and \$5,033 million respectively, in the same periods last year. The decrease in new awards in the first nine months of 2019 is due mainly to large project awards for the Site C Generating Station and Spillways Civil Works, the Réseau express métropolitain Montreal LRT, the Finch West LRT, and the Gordie Howe International Bridge projects that were awarded in the first nine months of 2018.

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

## **CONCESSIONS**

### **Financial Highlights**

\$ millions	Three months ended		Nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
<b>Revenue</b>	\$ 61.5	\$ 70.8	\$ 179.7	\$ 154.7
<b>Gross profit</b>	\$ 17.6	\$ 18.2	\$ 41.6	\$ 40.2
<b>Income from projects accounted for using the equity method</b>	\$ 2.9	\$ 2.0	\$ 7.7	\$ 4.8
<b>Adjusted EBITDA</b>	\$ 25.2	\$ 23.0	\$ 63.2	\$ 52.2
<b>Operating profit</b>	\$ 9.6	\$ 10.0	\$ 22.4	\$ 21.4
<b>Backlog</b>			\$ 50	23

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 Bermuda International Airport Redevelopment Project over a 30-year concession term. Aecon's participation in Skyport is consolidated and, as such, is accounted for in the consolidated financial statements by reflecting, line by line, the assets, liabilities, revenue and expenses of Skyport. However, Aecon's concession participation in the Eglinton Crosstown LRT, Finch West LRT, Gordie Howe International Bridge, and Waterloo LRT projects are joint ventures that are accounted for using the equity method.

For the three months ended September 30, 2019, revenue in the Concessions segment of \$62 million was lower by \$9 million when compared to the same period in 2018. The lower revenue was primarily a result of the Bermuda International Airport Redevelopment Project and resulted from the impact of decreased construction activity related to the new terminal at the airport. For the nine months ended September 30, 2019, revenue in the Concessions segment of \$180 million increased by \$25 million when compared to the same period in 2018 primarily from an increase in construction activity in Bermuda. Included in Concessions' revenue for the three and nine-month periods ended September 30, 2019 was \$36 million and \$114 million, respectively, of

construction revenue that was eliminated on consolidation as inter-segment revenue (2018 - \$44 million and \$92 million, respectively).

Operating profit in the Concessions segment of \$9.6 million for the three months ended September 30, 2019 decreased by \$0.4 million compared to the same period in 2018 due to an increase in MG&A related to pursuit and bid costs. Operating profit of \$22.4 million for the nine months ended September 30, 2019, increased by \$1.0 million compared to the same period in 2018 primarily due to higher management and development fees for Canadian concessions.

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 for the next five years, is reported.

## Quarterly Financial Data

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

\$ millions (except per share amounts)

	2019			2018				2017
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Revenue	\$ 1,025.4	\$ 867.3	\$ 650.3	\$ 948.5	\$ 1,019.7	\$ 754.8	\$ 543.3	\$ 685.0
Adjusted EBITDA	91.1	57.3	11.9	72.4	89.5	41.4	3.7	58.0
Earnings (loss) before income taxes	53.2	23.2	(14.9)	35.7	51.0	7.4	(27.1)	26.5
Profit (loss)	42.1	20.4	(9.8)	27.9	42.0	8.4	(19.2)	21.1
Earnings (loss) per share:								
Basic	0.69	0.34	(0.16)	0.46	0.70	0.14	(0.32)	0.36
Diluted	0.60	0.31	(0.16)	0.41	0.60	0.13	(0.32)	0.33

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

	2019			2018				2017
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Operating profit (loss)	\$ 58.8	\$ 28.1	\$ (10.8)	\$ 42.6	\$ 56.2	\$ 12.8	\$ (22.2)	\$ 32.5
Depreciation and amortization	26.8	23.9	18.5	25.3	29.5	25.4	23.7	24.0
(Gain) loss on sale of assets	(0.7)	(1.1)	(0.5)	0.1	(0.2)	(0.1)	(0.3)	(1.5)
Income from projects accounted for using the equity method	(4.3)	(2.2)	(2.5)	(6.2)	(3.9)	(2.2)	(0.8)	(2.2)
Equity Project EBITDA	10.6	8.6	7.2	10.6	7.9	5.5	3.3	5.2
Adjusted EBITDA	\$ 91.1	\$ 57.3	\$ 11.9	\$ 72.4	\$ 89.5	\$ 41.4	\$ 3.7	\$ 58.0

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

\$ millions

	2019			2018				2017
Aecon's proportionate share of projects accounted for using the equity method (1)	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Operating profit	\$ 10.4	\$ 8.4	\$ 7.1	\$ 10.5	\$ 7.8	\$ 5.4	\$ 3.2	\$ 5.2
Depreciation and amortization	0.2	0.2	0.1	0.1	0.1	0.1	0.1	-
Equity Project EBITDA	10.6	8.6	7.2	10.6	7.9	5.5	3.3	5.2

(1) Refer to Note 11 "Projects Accounted for Using the Equity Method" in the September 30, 2019 interim condensed consolidated financial statements.

## **FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

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

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

For further information, see Note 11 to the September 30, 2019 interim condensed consolidated financial statements.

During the second quarter of 2018, the Company filed a statement of claim in the Court of Queen's Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking \$180 million in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately \$14 million in damages. The Company has recorded \$135 million of unbilled revenue and accounts receivable as at September 30, 2019. Offsetting this amount to some extent, the Company has accrued \$45 million in trade and other payables for potential payments to third parties pending the outcome of the claim against KSPC. KSPC is seeking an order that the Company repay to KSPC approximately \$195 million already paid to the Company pursuant to such agreements. The Company believes that it will be successful in its claim and considers KSPC's claim to be without merit. These claims may not be resolved for several years. The Company does not expect that the resolution of these claims will cause a material impact to its financial position.

## **Cash and Debt Balances**

Cash balances at September 30, 2019 and December 31, 2018 are as follows:

\$ millions		September 30, 2019		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	\$ 13	\$ 473	\$ 486
Restricted cash	(2)	85	-	85
Bank indebtedness	(3)	(23)	-	(23)
		December 31, 2018		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	\$ 158	\$ 473	\$ 631
Restricted cash	(2)	193	-	193

- (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 \$364.7 million as at September 30, 2019 compares to \$262.0 million as at December 31, 2018, the composition of which is as follows:

\$ millions	September 30, 2019	December 31, 2018
	\$	\$
Current portion of long-term debt – recourse	62.7	32.5
Long-term debt – recourse	138.8	69.7
Long-term portion of convertible debentures	163.2	159.8
<b>Total long-term recourse debt</b>	<b>\$ 364.7</b>	<b>\$ 262.0</b>
<b>Long-term project debt - non-recourse</b>	<b>\$ 373.0</b>	<b>\$ 383.7</b>

The \$102.7 million net increase in total long-term recourse debt primarily results from an increase in finance leases and equipment loans in the first nine months of 2019 of \$99.3 million, of which \$44.8 million related to new finance leases recorded as at January 1, 2019 as a result of a new IFRS standard that became effective for Aecon on January 1, 2019 (see Note 6 “*Changes in Accounting Policies*” in Aecon's September 30, 2019 interim condensed consolidated financial statements). Convertible debentures also increased by \$3.4 million related to the accretion of notional interest.

The \$10.7 million decrease in long-term non-recourse project debt, which all relates to the financing of the Bermuda International Airport Redevelopment Project, is due to the impact of the change in the US:Canadian dollar exchange rate between December 31, 2018 and September 30, 2019.

Aecon's liquidity position and capital resources are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future. On July 19, 2019, Aecon increased its committed revolving credit facility from \$500 million to \$600 million and extended its maturity to July 19, 2023, and added a new \$100 million uncommitted demand letter of credit facility. Aecon's liquidity position is strengthened by its ability to draw on this committed revolving credit facility of \$600 million, of which \$78 million was utilized as at September 30, 2019. When combined with an additional \$700 million performance security guarantee facility to support letters of credit provided by Export Development Canada ("EDC"), Aecon's total committed credit facilities for working capital and letter of credit requirements total \$1,300 million. On June 28, 2019, the Company extended the maturity of the EDC facility to June 30, 2021. As at September 30, 2019, Aecon was in compliance with all debt covenants related to its credit facility.

In the first quarter of 2019, Aecon's Board of Directors approved an increase in the dividend to be paid to all holders of Aecon common shares. Quarterly dividends increased to \$0.145 per share (annual dividend of \$0.58 per share). Prior to this increase, Aecon paid a quarterly dividend of \$0.125 per share (annual dividend of \$0.50 per share). The first quarterly dividend payment of \$0.145 per share was paid on April 1, 2019.

### **Summary Of Cash Flows**

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 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.

A summary of sources and uses of cash during the nine months ended September 30, 2019 and 2018 are as follows:

\$ millions	Nine months ended September 30	
	2019	2018
<b>Operating Activities</b>		
<b>Cash provided by (used in):</b>		
Cash flows from operations before changes in working capital	\$ 129.9	\$ 121.1
(Higher) lower investments in working capital	(197.2)	245.9
<b>Cash provided by (used in) operating activities</b>	<b>\$ (67.3)</b>	<b>\$ 367.0</b>
<b>Investing Activities</b>		
<b>Cash provided by (used in):</b>		
Decrease in restricted cash balances held by Skyport to finance the Bermuda International Airport Redevelopment Project	\$ 103.3	\$ 66.3
Expenditures made by Skyport related to the construction of the new airport terminal in Bermuda	(121.7)	(95.4)
Expenditures (net of disposals) on property, plant and equipment and intangible assets	(28.8)	(20.6)
Cash distributions received from projects accounted for using the equity method	3.4	-
Cash provided by (used for) investments in long-term financial assets	(2.6)	(11.3)
Cash used for other investments	(3.8)	-
<b>Cash used in investing activities</b>	<b>\$ (50.2)</b>	<b>\$ (61.0)</b>
<b>Financing Activities</b>		
<b>Cash provided by (used in):</b>		
Increase (decrease) in bank indebtedness associated with borrowings under the Company's revolving credit facility	\$ 23.0	\$ (17.9)
Increase in long-term recourse debt borrowings	15.8	6.4
Repayments of long-term recourse debt relating primarily to equipment financing arrangements	(40.7)	(35.4)
Cash provided by the exercise of stock options	-	1.4
Cash provided by stock based compensation programs	0.6	-
Cash used for dividends paid	(25.2)	(22.3)
Issuance of convertible debentures	-	153.6
<b>Cash provided by (used in) financing activities</b>	<b>\$ (26.5)</b>	<b>\$ 85.8</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(144.0)</b>	<b>391.8</b>
Effects of foreign exchange on cash balances	(0.6)	(0.7)
Cash and cash equivalents - beginning of period	631.0	304.9
<b>Cash and cash equivalents - end of period</b>	<b>\$ 486.4</b>	<b>\$ 696.0</b>

In the first nine months of 2019, Aecon acquired, either through purchase or finance leases, property, plant and equipment totaling \$83 million. Most of this investment in property, plant and equipment related to the purchase or lease of new machinery and construction equipment as part of normal ongoing business operations in the Construction segment. In the first nine months of 2018, investments in property, plant and equipment totaled \$40 million.

## NEW ACCOUNTING STANDARDS

Note 6 “*Changes in Accounting Policies*” to Aecon’s September 30, 2019 interim condensed consolidated financial statements includes new IFRS standards that became effective for the Company on January 1, 2019, and Note 7 discusses IFRS standards and interpretations that are issued, but not yet effective as at January 1, 2019.

The main changes in 2019 because of the new IFRS 16 lease accounting standard are as follows:

- The definition of a lease has changed under the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, as explained further in Note 5, “*Summary of Significant Accounting Policies*” in the September 30, 2019 interim condensed consolidated financial statements. Previously, the Company determined at contract inception if an arrangement was or contained a lease based on an assessment of whether fulfillment of the arrangement was dependent on the use of a specific asset or assets, and the arrangement had conveyed a right to use the asset.
- Under the new lease accounting standard, the lessee recognizes a right-of-use asset and a lease liability upon lease commencement for leases with a lease term of greater than one year.

As a result of adopting the new lease accounting standard, as at January 1, 2019, long-term assets increased by \$45 million, current liabilities and long-term liabilities increased by \$7 million and \$37 million respectively, while retained earnings increased by \$1 million. This new accounting standard had no significant impact on profit (loss), comprehensive income or earnings per share in the first nine months of 2019.

## SUPPLEMENTAL DISCLOSURES

### Disclosure Controls and Procedures

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

### Changes in Internal Controls over Financial Reporting

There have been no changes in the Company’s internal controls over financial reporting during the period beginning on July 1, 2019 and ended on September 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

## **Contractual Obligations**

At December 31, 2018, the Company had commitments totaling \$395 million for equipment and premises under operating leases requiring minimum payments, and for principal repayment obligations under long-term recourse debt and convertible debentures. Other than the classification of certain operating lease obligations as long-term recourse debt under the new IFRS 16 lease accounting standard (see New Accounting Standards), there have been no material changes in total contractual obligations since December 31, 2018.

At September 30, 2019, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was \$6,557 million.

Further details on Contractual Obligations are included in the Company's 2018 Annual Report.

## **Off-Balance Sheet Arrangements**

Aecon's defined benefit pension plans had a combined surplus or deficit of \$nil as at September 30, 2019 (December 31, 2018 - \$nil). 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 2018 Annual Report for further details regarding Aecon's defined benefit plans.

Further details of contingencies and guarantees are included in the September 30, 2019 interim condensed consolidated financial statements and in the 2018 Annual Report.

## **Related Party Transactions**

There were no significant related party transactions in the first nine months of 2019.

## **Critical Accounting Estimates and Judgements**

The reader is referred to the detailed discussion on Critical Accounting Estimates as outlined in Note 4 to the September 30, 2019 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 26, 2019 and available on 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 which management reviews on a quarterly basis, have not materially changed in the period since March 26, 2019.

## 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)		<u>October 31, 2019</u>
Number of common shares outstanding		60,761,555
Outstanding securities exchangeable or convertible into common shares:		
Principal amount of convertible debentures outstanding (see Note 18 to the September 30, 2019 interim condensed consolidated financial statements)	\$	175,902
Number of common shares issuable on conversion of convertible debentures		7,666,667
Increase in paid-up capital on conversion of convertible debentures	\$	175,902
DSUs and RSUs outstanding under the Long-Term Incentive Plan and the Director DSU Plan		3,240,122

## OUTLOOK

Canada continues to see significant infrastructure investment commitments by all levels of government across the country as well as by non-resource driven segments of the private sector. This investment focuses primarily on civil infrastructure, urban transportation systems, nuclear power, and utility and pipeline infrastructure, which aligns with Aecon's strengths. The Company has a strong program of work going forward, represented by backlog at the end of the third quarter of \$6.6 billion and significant ongoing revenue from recurring work under long-term agreements and concession arrangements. This strong future revenue profile, new opportunities, and year-to-date performance and execution, support an expectation of like-for-like (excluding the contract mining business) revenue and Adjusted EBITDA growth in 2019 and in 2020.

Construction segment backlog at the end of the third quarter of 2019 was \$6,507 million compared to \$6,982 million at the same time last year. Bidding activity continues to be solid with many of the Company's larger pursuits expected to be awarded in 2020. Aecon continues to be well positioned to successfully bid on, secure and deliver major infrastructure projects for government and the private sector. The timing of mainline pipeline work remains susceptible to delays given the political and regulatory environment for major pipeline development in Canada. Provincial and federal electoral cycles could also cause investment delays as project priorities and procurement models may be re-evaluated following any change in government. With strong and diverse backlog in hand, Aecon is focused on ensuring solid execution on these increasingly complex large projects and selectively adding backlog through a disciplined bidding approach that supports continued like-for-like margin improvement in this segment.

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

Capital expenditures in 2019 are expected to be higher than in 2018 due to the development of a new asphalt plant in western Canada, project specific capital expenditures tied to the growth in revenue, and due to the impact of adopting on January 1, 2019 the new IFRS 16 leasing standard, which has led to an increase in leases requiring capitalization related to future lease payment obligations that previously would have been classified as operating leases and therefore not capitalized.

The overall outlook for 2019 remains solid as our current strong backlog, robust pipeline of future opportunities, and ongoing concessions are expected to lead to another year of improved like-for-like results compared to 2018. Aecon expects to have another strong year of results in 2020 as construction continues on a number of previously awarded projects that have ramped up during 2019.

**AECON GROUP INC.**  
THIRD QUARTER

**INTERIM CONDENSED  
CONSOLIDATED  
FINANCIAL  
STATEMENTS**

September 30, 2019

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## SEPTEMBER 30, 2019 AND 2018

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# MANAGEMENT REPORT

## October 31, 2019

### Notice to Reader

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

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

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

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

# CONSOLIDATED BALANCE SHEETS

AS AT SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

(in thousands of Canadian dollars) (unaudited)

	Note	September 30 2019	December 31 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	\$ 486,377	\$ 630,976
Restricted cash	8	84,677	193,369
Trade and other receivables	9	798,963	697,611
Unbilled revenue		770,428	573,678
Inventories	10	25,072	20,751
Income taxes recoverable		5,659	3,980
Prepaid expenses		41,402	26,448
		<b>2,212,578</b>	<b>2,146,813</b>
<b>Non-current assets</b>			
Long-term financial assets		10,466	12,055
Projects accounted for using the equity method	11	38,062	39,475
Deferred income tax assets		25,719	22,507
Property, plant and equipment	12	343,469	266,199
Intangible assets	13	532,571	445,643
		<b>950,287</b>	<b>785,879</b>
<b>TOTAL ASSETS</b>		<b>\$ 3,162,865</b>	<b>\$ 2,932,692</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank indebtedness	14	\$ 23,000	\$ -
Trade and other payables	15	834,862	705,760
Provisions	16	11,421	14,695
Deferred revenue		465,571	508,306
Income taxes payable		2,612	2,644
Current portion of long-term debt	17	62,694	32,505
		<b>1,400,160</b>	<b>1,263,910</b>
<b>Non-current liabilities</b>			
Provisions	16	7,178	5,514
Non-recourse project debt	17	373,013	383,746
Long-term debt	17	138,806	69,707
Convertible debentures	18	163,195	159,775
Concession related deferred revenue	19	103,276	106,330
Deferred income tax liabilities		124,429	117,626
Other liabilities		240	1,022
		<b>910,137</b>	<b>843,720</b>
<b>TOTAL LIABILITIES</b>		<b>2,310,297</b>	<b>2,107,630</b>
<b>EQUITY</b>			
Capital stock	23	390,591	386,453
Convertible debentures	18	12,707	12,707
Contributed surplus		53,872	47,006
Retained earnings		397,077	369,505
Accumulated other comprehensive income (loss)		(1,679)	9,391
<b>TOTAL EQUITY</b>		<b>852,568</b>	<b>825,062</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 3,162,865</b>	<b>\$ 2,932,692</b>

Contingencies (Note 22)

# CONSOLIDATED STATEMENTS OF INCOME

## FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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

	Note	For the three months ended		For the nine months ended	
		September 30 2019	September 30 2018	September 30 2019	September 30 2018
Revenue		\$ 1,025,435	\$ 1,019,680	\$ 2,543,086	\$ 2,317,778
Direct costs and expenses	24	(904,792)	(894,625)	(2,279,365)	(2,066,257)
<b>Gross profit</b>		<b>120,643</b>	<b>125,055</b>	<b>263,721</b>	<b>251,521</b>
Marketing, general and administrative expenses	24	(40,871)	(43,050)	(130,848)	(134,173)
Depreciation and amortization	24	(26,828)	(29,450)	(69,181)	(78,582)
Income from projects accounted for using the equity method	11	4,260	3,888	8,984	6,944
Other income (loss)	25	1,565	(267)	3,463	1,075
<b>Operating profit</b>		<b>58,769</b>	<b>56,176</b>	<b>76,139</b>	<b>46,785</b>
Finance income		365	600	1,496	1,052
Finance costs	26	(5,942)	(5,792)	(16,169)	(16,543)
<b>Profit before income taxes</b>		<b>53,192</b>	<b>50,984</b>	<b>61,466</b>	<b>31,294</b>
Income tax expense	20	(11,076)	(8,994)	(8,812)	(145)
<b>Profit for the period</b>		<b>\$ 42,116</b>	<b>\$ 41,990</b>	<b>\$ 52,654</b>	<b>\$ 31,149</b>
<b>Basic earnings per share</b>	27	<b>\$ 0.69</b>	<b>\$ 0.70</b>	<b>\$ 0.87</b>	<b>\$ 0.52</b>
<b>Diluted earnings per share</b>	27	<b>\$ 0.60</b>	<b>\$ 0.60</b>	<b>\$ 0.81</b>	<b>\$ 0.49</b>

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

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**  
(in thousands of Canadian dollars) (unaudited)

	For the three months ended		For the nine months ended	
	<b>September 30 2019</b>	September 30 2018	<b>September 30 2019</b>	September 30 2018
<b>Profit for the period</b>	<b>\$ 42,116</b>	\$ 41,990	<b>\$ 52,654</b>	\$ 31,149
<b>Other comprehensive income (loss):</b>				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Currency translation differences - foreign operations	1,210	(1,031)	(1,487)	1,217
Cash flow hedges - equity-accounted investees	(2,611)	1,986	(9,176)	635
Cash flow hedges - joint operations	3,288	(600)	(3,636)	(600)
Income taxes on the above	611	(367)	3,229	(9)
<b>Total other comprehensive income (loss) for the period</b>	<b>2,498</b>	(12)	<b>(11,070)</b>	1,243
<b>Comprehensive income for the period</b>	<b>\$ 44,614</b>	\$ 41,978	<b>\$ 41,584</b>	\$ 32,392

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(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	
Balance as at December 31, 2018	\$ 386,453	\$ 12,707	\$ 47,006	\$ 369,505	\$ 3,748	\$ 1,227	\$ 4,416	\$ 825,062
Change in accounting policy (see Note 6)	-	-	-	1,336	-	-	-	1,336
Adjusted balance as at January 1, 2019	386,453	12,707	47,006	370,841	3,748	1,227	4,416	826,398
Profit for the period	-	-	-	52,654	-	-	-	52,654
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	(1,487)	-	-	(1,487)
Cash flow hedges - equity-accounted investees	-	-	-	-	-	-	(9,176)	(9,176)
Cash flow hedges - joint operations	-	-	-	-	-	-	(3,636)	(3,636)
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	-	3,229	3,229
Total other comprehensive (loss) for the period	-	-	-	-	(1,487)	-	(9,583)	(11,070)
Total comprehensive income (loss) for the period	-	-	-	52,654	(1,487)	-	(9,583)	41,584
Dividends declared	-	-	-	(26,418)	-	-	-	(26,418)
Stock-based compensation	-	-	10,377	-	-	-	-	10,377
Shares issued to settle LTIP/Director DSU obligations	4,138	-	(4,138)	-	-	-	-	-
ESU cash receipts	-	-	627	-	-	-	-	627
Balance as at September 30, 2019	\$ 390,591	\$ 12,707	\$ 53,872	\$ 397,077	\$ 2,261	\$ 1,227	\$ (5,167)	\$ 852,568

	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	
Balance as at January 1, 2018	\$ 367,612	\$ 8,664	\$ 39,604	\$ 340,470	\$ (1,660)	\$ 445	\$ 840	\$ 755,975
Profit for the period	-	-	-	31,149	-	-	-	31,149
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	1,217	-	-	1,217
Cash flow hedges - equity-accounted investees	-	-	-	-	-	-	635	635
Cash flow hedges - joint operations	-	-	-	-	-	-	(600)	(600)
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	-	(9)	(9)
Total other comprehensive income for the period	-	-	-	-	1,217	-	26	1,243
Total comprehensive income for the period	-	-	-	31,149	1,217	-	26	32,392
Dividends declared	-	-	-	(22,420)	-	-	-	(22,420)
Common shares issued on exercise of options	1,751	-	(319)	-	-	-	-	1,432
Issuance of 5.0% Debentures	-	11,050	-	-	-	-	-	11,050
Common shares issued on conversion of 5.5% Debentures	3,379	(165)	-	-	-	-	-	3,214
Stock-based compensation	-	-	11,289	-	-	-	-	11,289
Shares issued to settle LTIP/Director DSU obligations	4,547	-	(4,547)	-	-	-	-	-
Balance as at September 30, 2018	\$ 377,289	\$ 19,549	\$ 46,027	\$ 349,199	\$ (443)	\$ 445	\$ 866	\$ 792,932

During the nine months ended September 30, 2019, the Company declared dividends amounting to \$0.435 per share (September 30, 2018 - \$0.375 per share).

# CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(in thousands of Canadian dollars) (unaudited)

	Note	September 30 2019	September 30 2018
<b>CASH PROVIDED BY (USED IN)</b>			
<b>Operating activities</b>			
Profit before income taxes		\$ 61,466	\$ 31,294
Income taxes paid		(5,895)	(1,809)
Defined benefit pension		6	29
Items not affecting cash:			
Depreciation and amortization		69,181	78,582
Income from projects accounted for using the equity method		(8,984)	(6,944)
Gain on sale of assets		(2,385)	(595)
Income from leasehold inducements		-	(350)
Unrealized foreign exchange (gain) loss		(923)	1,223
Increase in provisions		3,307	5,239
Notional interest representing accretion		3,759	3,177
Stock-based compensation		10,377	11,289
Change in other balances relating to operations	28	(197,181)	245,859
		(67,272)	366,994
<b>Investing activities</b>			
Decrease in restricted cash balances		103,279	66,326
Purchase of property, plant and equipment		(33,032)	(24,333)
Proceeds on sale of property, plant and equipment and other		5,947	5,598
Investment in concession rights		(121,703)	(95,449)
Increase in intangible assets		(1,653)	(1,833)
Increase in long-term financial assets		(2,634)	(11,361)
Distributions from projects accounted for using the equity method		3,375	9
Increase in other investments		(3,751)	-
		(50,172)	(61,043)
<b>Financing activities</b>			
Increase (decrease) in bank indebtedness		23,000	(17,940)
Issuance of long-term debt		15,764	6,390
Repayments of finance leases		(31,436)	(17,139)
Repayments of long-term debt		(9,338)	(18,221)
Issuance of capital stock		-	1,432
Stock based compensation settlements and receipts		627	-
Dividends paid		(25,166)	(22,343)
Issuance of 5% Debentures		-	153,600
		(26,549)	85,779
<b>(Decrease) increase in cash and cash equivalents during the period</b>		<b>(143,993)</b>	<b>391,730</b>
<b>Effect of foreign exchange on cash balances</b>		<b>(606)</b>	<b>(709)</b>
<b>Cash and cash equivalents - beginning of period</b>		<b>630,976</b>	<b>304,882</b>
<b>Cash and cash equivalents - end of period</b>	8	<b>\$ 486,377</b>	<b>\$ 695,903</b>

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

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

## **FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

**(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 105, M9W 7K6.

The Company operates in two principal segments within the infrastructure development industry: Construction and Concessions.

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

The interim condensed consolidated financial statements of the Company were authorized for issue on October 31, 2019 by the Board of Directors of the Company.

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

#### **Basis of presentation**

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

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the Company's annual consolidated financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2018.

#### **Seasonality**

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

#### **Basis of measurement**

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

#### **Principles of consolidation**

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

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

## **FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

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

### **4. CRITICAL ACCOUNTING ESTIMATES**

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

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

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

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

The Company's significant accounting policies are described in Note 5, "*Summary of Significant Accounting Policies*," in the Company's annual consolidated financial statements for the year ended December 31, 2018. 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. Changes in cost estimates, which on larger, more complex construction projects can have a material impact on the Company's consolidated financial statements, are reflected in the results of operations when they become known.

A change order results from a change to the scope of the work to be performed compared to the original contract that was signed. Unpriced change orders are change orders that have been approved as to scope but unapproved as to price. Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that the Company seeks to collect from clients for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. In

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

## **FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

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

accordance with the Company's accounting policy, unpriced change orders and claims are recognized in revenue at the most likely amount the Company expects to be entitled, and to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Therefore, it is possible for the Company to have substantial contract costs recognized in one accounting period with associated revenue recognized in a later period.

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

### **FAIR VALUING FINANCIAL INSTRUMENTS**

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

Further information with regard to the treatment of financial instruments can be found in Note 29, "*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 21, "*Employee Benefit Plans*," in the Company's annual consolidated financial statements for the year ended December 31, 2018, 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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

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

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

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, 2018, for further details regarding goodwill and other intangible assets.

### LEASES

The application of IFRS 16 "*Leases*" requires significant judgments and certain key estimations to be made.

Critical judgments required in the application of IFRS 16 include the following:

- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Determining whether variable payments are in-substance fixed;
- Establishing whether there are multiple leases in an arrangement; and
- Determining the stand-alone selling price of lease and non-lease components.

Key sources of estimation uncertainty in the application of IFRS 16 include the following:

- Estimating the lease term;
- Determining the appropriate rate to discount lease payments; and
- Assessing whether a right-of-use asset is impaired.

Unanticipated changes in these judgments or estimates could affect the identification and determination of the fair value of lease liabilities and right-of-use assets at initial recognition, as well as the subsequent measurement of lease liabilities and right-of-use assets. These items could potentially result in changes to amounts reported in the consolidated statements of income and consolidated balance sheets in a given period.

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

## **FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

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

Refer to Note 12, “*Property, plant and equipment*”, and Note 17, “*Long-term debt and non-recourse project debt*” for further details regarding leases.

### **4.2 JUDGMENTS**

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

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

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

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

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

### **SERVICE CONCESSION ARRANGEMENTS**

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

## **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **5.1 LEASES**

The Company has applied IFRS 16 “*Leases*” with an initial application date of January 1, 2019 using the modified retrospective approach. Comparative information has not been restated and continues to be reported under IAS 17 “*Leases*” and IFRIC 4 “*Determining Whether an Arrangement Contains a Lease*” as permitted under the specific transitional provisions in the standard.

#### **Policy applicable from January 1, 2019**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

## **FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

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

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - The Company has the right to operate the asset; or
  - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone price.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the relevant index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the relevant index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

## **FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

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

The Company presents right-of-use assets in “property, plant and equipment” and lease liabilities in “long-term debt” in the consolidated balance sheets.

### **Short-term leases and leases of low-value assets**

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of property, plant and equipment that have a lease term of 12 months or less and leases of low-value assets, such as some IT-equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### **Policy applicable before January 1, 2019**

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfillment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period under IAS 17, the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, each asset was accounted for in accordance with the accounting policy applicable to how that asset was classified.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases, and assets were not recognized in the Company’s consolidated balance sheet. Payments made under operating leases (net of any incentives received from the lessor) were recognized in profit or loss on a straight-line basis over the term of the lease.

### **Nature of leased assets**

The Company leases various offices, warehouses, land, equipment and vehicles. Contracts are typically made for fixed periods of one to ten years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes. Some leases provide for additional payments based on changes in inflation.

### **Extension and termination options**

Some office leases include an option to renew the lease for an additional period after the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. Extension options are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses its portfolio of leases to determine whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The Company considers all facts and circumstances when making this decision. The Company examines whether there is an economic incentive or penalty that would affect the decision to

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exercise the option, for example, whether the lease option is below market value or whether the Company has made significant investments in leasehold improvements. Where it is not reasonably certain that the lease will be extended or terminated, the Company will not recognize these options.

### Variable lease payments

Some leases also require the Company to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

## 6. CHANGES IN ACCOUNTING POLICIES

The following IFRS standards became effective for the Company on January 1, 2019.

### IFRS 16, Leases

The Company has applied IFRS 16 with a date of initial application of January 1, 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below and in Note 5, “*Summary of Significant Accounting Policies*”.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as at January 1, 2019, and the comparatives for the 2018 financial reporting period are not restated as permitted under the transition provisions in the standard. The details of the changes in accounting policies are disclosed below.

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 superseded the current lease recognition guidance including IAS 17 “*Leases*” and the related interpretations when it became effective.

The main changes to lease accounting as a result of IFRS 16 include the following:

- The definition of a lease has changed under the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, as explained further in Note 5, “*Summary of Significant Accounting Policies*”. Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4;
- Under IFRS 16, the lessee recognizes a right-of-use asset and a lease liability upon lease commencement for leases with a lease term of greater than one year. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Subsequent measurement is determined based on the nature of the underlying asset. The lease liability is initially measured at the present value of the lease payments payable over the lease term and discounted at the implied lease rate. If the implied lease rate cannot be readily determined, the lessee uses its incremental borrowing rate. Subsequent re-measurement is required under specific circumstances.  
Previously, the Company classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company;
- IFRS 16 provides detailed guidance on determining the lease term when the Company has an option to extend the lease; and
- The new standard includes extensive disclosure requirements that differ from previous requirements.

On transition to IFRS 16, for leases previously classified as finance leases under IAS 17, the Company elected to apply the practical expedient whereby the Company is not required to reassess whether a contract is, or contains, a lease at the date of initial application. As such, the Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed. For leases that were previously classified as finance leases under IAS 17, the Company recognized the carrying amount of

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the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

The Company also adopted the recognition exemptions permitted for short-term leases (i.e. less than 12 months) and leases for which the underlying asset has a low value, as well as the following practical expedients permitted on initial adoption, under the standard:

- Applying a single discount rate to a portfolio of leases with similar characteristics;
- Using the Company's previous assessment of impairment under IAS 37 *"Provisions, Contingent Liabilities and Contingent Assets"* for onerous contracts instead of re-assessing the right-of-use asset for impairment on January 1, 2019;
- Accounting for leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases;
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

The following table reconciles the impact of IFRS 16 on the previously reported Consolidated Balance Sheet as at December 31, 2018:

	As reported at December 31, 2018	Impacts from the adoption of IFRS 16	As adjusted at January 1, 2019
Property, plant and equipment	\$ 266,199	44,836	\$ 311,035
Trade and other payables	(705,760)	1,817	(703,943)
Current portion of long-term debt	(32,505)	(8,163)	(40,668)
Long-term debt	(69,707)	(36,673)	(106,380)
Deferred income tax liabilities	(117,626)	(481)	(118,107)
Retained earnings	(369,505)	(1,336)	(370,841)

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### Opening reconciliation of lease liability

A reconciliation of the lease liability as at December 31, 2018 compared to January 1, 2019 is as follows:

	<b>As at January 1, 2019</b>
Operating lease commitments as at December 31, 2018 as disclosed in the Company's consolidated financial statements	\$ 56,803
Operating lease commitments discounted using the weighted average incremental lease borrowing rate of 3.89% as at January 1, 2019	48,558
Less: Recognition exemption for short-term leases and leases of low value assets	(3,722)
Add: Finance lease liabilities recognized as at December 31, 2018	72,772
<b>Lease liability recognized as at January 1, 2019</b>	<b>117,608</b>
Add: Equipment and other loans as at December 31, 2018	29,440
<b>Total long-term debt as at January 1, 2019</b>	<b>\$ 147,048</b>
<b>Reported as:</b>	
Current portion of long-term debt	\$ 40,668
Long-term debt	106,380
	<b>\$ 147,048</b>

### Other New Standards, Amendments and Interpretations Adopted In 2019

The following amendments to standards and interpretations also became effective for annual periods beginning on January 1, 2019. The application of these amendments and interpretations had no significant impact on the Company's consolidated financial position or results of operations.

#### IFRS 3, Business Combinations

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

#### IFRS 11, Joint Arrangements

The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

#### IAS 12, Income Taxes

The amendments to IAS 12 clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.

#### IAS 23, Borrowing Costs

The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

#### IAS 19, Employee Benefits

The amendments to IAS 19, Plan Amendment, Curtailment or Settlement, specify how an entity determines pension expenses when changes to a defined benefit pension plan occur. The amendments require an entity to:

- Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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Previously, IAS 19 did not specify how to determine these expenses for the period after the change to the plan.

### IFRIC 23, Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

## 7. FUTURE ACCOUNTING CHANGES

### IFRS 3, Business Combinations

The amendments to IFRS 3 “*Business Combinations*” seek to improve the definition of a business. The amendments assist companies in determining whether activities and assets acquired are a business or merely a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. Companies are required to apply the amended definition of a business to acquisitions that occur on or after January 1, 2020. The Company does not anticipate any material impact to the Company’s financial position or results of operations as a result of these amendments.

### IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

The amendments clarify the definition of material and seek to align the definition used in the Conceptual Framework with that in the standards themselves as well as ensuring the definition of material is consistent across all IFRS. The changes are effective from January 1, 2020, however early adoption is permitted.

- Old definition: Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements (*IAS 1, “Presentation of Financial Statements”*).
- New definition: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Company does not anticipate any material impact to the Company’s financial position or results of operations as a result of these amendments.

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

	September 30 2019	December 31 2018
Cash balances excluding joint operations	\$ 12,873	\$ 158,452
Cash balances of joint operations	473,504	472,524
	<b>\$ 486,377</b>	<b>\$ 630,976</b>
Restricted cash	\$ 84,677	\$ 193,369
	<b>\$ 84,677</b>	<b>\$ 193,369</b>
Bank indebtedness	Note 14 \$ 23,000	\$ -
	<b>\$ 23,000</b>	<b>\$ -</b>

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

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

**9. TRADE AND OTHER RECEIVABLES**

	September 30 2019	December 31 2018
Trade receivables	\$ 479,497	\$ 443,571
Allowance for expected credit losses	(852)	(762)
	<b>478,645</b>	<b>442,809</b>
Holdbacks receivable	236,089	185,526
Other	84,229	69,276
	<b>320,318</b>	<b>254,802</b>
<b>Total</b>	<b>\$ 798,963</b>	<b>\$ 697,611</b>
<b>Amounts receivable beyond one year</b>	<b>\$ 105,379</b>	<b>\$ 78,909</b>

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A reconciliation of the beginning and ending carrying amounts of the Company's allowance for expected credit losses is as follows:

	<b>September 30 2019</b>	<b>December 31 2018</b>
<b>Balance - beginning of period</b>	<b>\$ (762)</b>	<b>\$ (764)</b>
Additional amounts provided for during period	(225)	(724)
Trade receivables written off during period	94	726
Amounts recovered	41	-
<b>Balance - end of period</b>	<b>\$ (852)</b>	<b>\$ (762)</b>

**10. INVENTORIES**

	<b>September 30 2019</b>	<b>December 31 2018</b>
Raw materials and supplies	<b>\$ 6,333</b>	<b>\$ 5,287</b>
Finished goods	<b>18,739</b>	<b>15,464</b>
	<b>\$ 25,072</b>	<b>\$ 20,751</b>

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

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

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

	September 30, 2019			December 31, 2018		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Cash and cash equivalents	\$ 20,255	\$ 943	\$ 21,198	\$ 9,181	\$ 2,150	\$ 11,331
Other current assets	57,131	1,637	58,768	69,743	1,296	71,039
Total current assets	77,386	2,580	79,966	78,924	3,446	82,370
Non-current assets	648,775	-	648,775	522,900	-	522,900
<b>Total assets</b>	<b>726,161</b>	<b>2,580</b>	<b>728,741</b>	<b>601,824</b>	<b>3,446</b>	<b>605,270</b>
Trade and other payables and provisions	77,054	1,022	78,076	59,493	936	60,429
Total current liabilities	77,054	1,022	78,076	59,493	936	60,429
Non-current financial liabilities	610,221	-	610,221	504,199	-	504,199
Other non-current liabilities	2,382	-	2,382	1,167	-	1,167
Total non-current liabilities	612,603	-	612,603	505,366	-	505,366
<b>Total liabilities</b>	<b>689,657</b>	<b>1,022</b>	<b>690,679</b>	<b>564,859</b>	<b>936</b>	<b>565,795</b>
<b>Net assets</b>	<b>\$ 36,504</b>	<b>\$ 1,558</b>	<b>\$ 38,062</b>	<b>\$ 36,965</b>	<b>\$ 2,510</b>	<b>\$ 39,475</b>

	For the three months ended					
	September 30, 2019			September 30, 2018		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Revenue	\$ 146,853	\$ 323	\$ 147,176	\$ 214,202	\$ 458	\$ 214,660
Depreciation and amortization	(155)	-	(155)	(107)	-	(107)
Other costs and expenses	(136,308)	(297)	(136,605)	(206,215)	(523)	(206,738)
<b>Operating profit (loss)</b>	<b>10,390</b>	<b>26</b>	<b>10,416</b>	<b>7,880</b>	<b>(65)</b>	<b>7,815</b>
Finance costs	(5,631)	-	(5,631)	(3,374)	-	(3,374)
Income tax expense	(525)	-	(525)	(553)	-	(553)
<b>Profit (loss) for the period</b>	<b>4,234</b>	<b>26</b>	<b>4,260</b>	<b>3,953</b>	<b>(65)</b>	<b>3,888</b>
Other comprehensive income (loss)	(1,002)	-	(1,002)	1,986	-	1,986
<b>Total comprehensive income (loss)</b>	<b>\$ 3,232</b>	<b>\$ 26</b>	<b>\$ 3,258</b>	<b>\$ 5,939</b>	<b>\$ (65)</b>	<b>\$ 5,874</b>

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	For the nine months ended					
	September 30, 2019			September 30, 2018		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Revenue	\$ 365,622	\$ 1,243	\$ 366,865	\$ 370,972	\$ 633	\$ 371,605
Depreciation and amortization	(464)	-	(464)	(300)	-	(300)
Other costs and expenses	(339,347)	(1,194)	(340,541)	(354,185)	(642)	(354,827)
<b>Operating profit (loss)</b>	25,811	49	<b>25,860</b>	16,487	(9)	16,478
Finance costs	(15,457)	-	(15,457)	(9,071)	-	(9,071)
Income tax expense	(1,419)	-	(1,419)	(463)	-	(463)
<b>Profit (loss) for the period</b>	8,935	49	<b>8,984</b>	6,953	(9)	6,944
Other comprehensive income (loss)	(7,567)	-	(7,567)	635	-	635
<b>Total comprehensive income (loss)</b>	\$ 1,368	\$ 49	\$ 1,417	\$ 7,588	\$ (9)	\$ 7,579

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

	For the nine months ended	For the year ended
	September 30 2019	December 31 2018
<b>Projects accounted for using the equity method - as at beginning of period</b>	<b>\$ 39,475</b>	<b>\$ 32,610</b>
Share of profit for the period	8,984	13,150
Share of other comprehensive loss for the period	(7,567)	(6,085)
Distributions from projects accounted for using the equity method	(3,375)	(200)
Other investments	545	-
<b>Projects accounted for using the equity method - as at end of period</b>	<b>\$ 38,062</b>	<b>\$ 39,475</b>

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

Name	Ownership interest	Joint Venture or Associate	Years included
Yellowline Asphalt Products Ltd.	50%	Joint Venture	2019, 2018
Lower Mattagami Project	20%	Associate	2019, 2018
Waterloo LRT Concessionaire	10%	Joint Venture	2019, 2018
Eglinton Crosstown LRT Concessionaire	25%	Joint Venture	2019, 2018
New Post Creek Project	20%	Associate	2019, 2018
Finch West LRT Concessionaire	33%	Joint Venture	2019, 2018
Gordie Howe International Bridge Concessionaire	20%	Joint Venture	2019, 2018
Sky-Tec Fibre JV	50%	Joint Venture	2019
Highway 401 Expansion Project SPV	50%	Joint Venture	2019

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

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**12. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings and leasehold improvements	Aggregate properties	Machinery and construction equipment	Office equipment, furniture and fixtures, and computer hardware	Vehicles	Total
<b>Cost</b>							
Balance as at December 31, 2018	\$ 28,480	\$ 97,430	\$ 56,236	\$ 281,999	\$ 33,931	\$ 63,336	\$ 561,412
Change in accounting policy (see Note 6)	1,566	34,050	-	9,220	-	-	44,836
Adjusted balance as at January 1, 2019	30,046	131,480	56,236	291,219	33,931	63,336	606,248
Additions - purchased assets	6,314	10,278	139	14,101	2,285	226	33,343
Additions - right-of-use assets	-	737	-	40,058	-	8,945	49,740
Disposals	-	-	-	(25,751)	-	(6,170)	(31,921)
Foreign currency translation adjustments	-	(87)	-	(188)	(23)	(24)	(322)
Balance as at September 30, 2019	\$ 36,360	\$ 142,408	\$ 56,375	\$ 319,439	\$ 36,193	\$ 66,313	\$ 657,088
<b>Accumulated depreciation and impairment</b>							
Balance as at January 1, 2019	-	45,379	19,283	159,025	29,381	42,145	295,213
Depreciation - purchased assets	-	3,648	457	10,236	1,929	473	16,743
Depreciation - right-of-use assets (a)	231	4,270	-	10,176	-	6,159	20,836
Disposals	-	-	-	(13,253)	-	(5,899)	(19,152)
Foreign currency translation adjustments	-	(2)	-	(5)	(7)	(7)	(21)
Balance as at September 30, 2019	\$ 231	\$ 53,295	\$ 19,740	\$ 166,179	\$ 31,303	\$ 42,871	\$ 313,619
<b>Net book value as at September 30, 2019</b>	<b>\$ 36,129</b>	<b>\$ 89,113</b>	<b>\$ 36,635</b>	<b>\$ 153,260</b>	<b>\$ 4,890</b>	<b>\$ 23,442</b>	<b>\$ 343,469</b>
<b>Net book value as at January 1, 2019</b>	<b>\$ 30,046</b>	<b>\$ 86,101</b>	<b>\$ 36,953</b>	<b>\$ 132,194</b>	<b>\$ 4,550</b>	<b>\$ 21,191</b>	<b>\$ 311,035</b>
<b>Net book value of right-of-use assets as at January 1, 2019</b>	<b>\$ 1,566</b>	<b>\$ 34,050</b>	<b>\$ 75</b>	<b>\$ 60,166</b>	<b>\$ -</b>	<b>\$ 19,068</b>	<b>\$ 114,925</b>
<b>Net book value of right-of-use assets as at September 30, 2019</b>	<b>\$ 1,335</b>	<b>\$ 30,438</b>	<b>\$ 75</b>	<b>\$ 80,915</b>	<b>\$ -</b>	<b>\$ 21,451</b>	<b>\$ 134,214</b>

(a) Depreciation of land relates to leases of land following the adoption of IFRS 16.

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**13. INTANGIBLE ASSETS**

	Concession rights	Goodwill	Licences, software and other rights	Total
<b>Cost</b>				
Balance as at January 1, 2019	\$ 399,371	\$ 47,845	\$ 91,871	\$ 539,087
Additions				
Acquired separately	106,908	5,045	2,132	114,085
Interest capitalized	15,283	-	-	15,283
Disposals	-	-	(387)	(387)
Foreign currency translation adjustments	(12,121)	-	(12)	(12,133)
<b>Balance as at September 30, 2019</b>	<b>\$ 509,441</b>	<b>\$ 52,890</b>	<b>\$ 93,604</b>	<b>\$ 655,935</b>
<b>Accumulated amortization and impairment</b>				
Balance as at January 1, 2019	54,738	-	38,706	93,444
Amortization	23,928	-	7,674	31,602
Foreign currency translation adjustments	(1,677)	-	(5)	(1,682)
<b>Balance as at September 30, 2019</b>	<b>\$ 76,989</b>	<b>\$ -</b>	<b>\$ 46,375</b>	<b>\$ 123,364</b>
<b>Net book value as at September 30, 2019</b>	<b>\$ 432,452</b>	<b>\$ 52,890</b>	<b>\$ 47,229</b>	<b>\$ 532,571</b>
<b>Net book value as at January 1, 2019</b>	<b>\$ 344,633</b>	<b>\$ 47,845</b>	<b>\$ 53,165</b>	<b>\$ 445,643</b>

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

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**14. BANK INDEBTEDNESS**

The Company maintains a committed revolving credit facility of \$600,000 (December 31, 2018 - \$500,000), and a \$100,000 uncommitted demand letter of credit facility (December 31, 2018 - \$nil). Bank indebtedness as at September 30, 2019 of \$23,000 (December 31, 2018 - \$nil) represents borrowings on the Company's revolving credit facility. Letters of credit amounting to \$78,363 and \$226, respectively, were issued against the revolving credit facility and the uncommitted demand letter of credit facility as at September 30, 2019 (December 31, 2018 - \$115,957 and \$nil, respectively). Cash drawings under the facility bear interest at rates between prime and prime plus 1.20% per annum. Letters of credit reduce the amount available-for-use under the facility. These facilities mature July 19, 2023.

The Company also maintains an additional letter of credit facility of \$700,000 (December 31, 2018 - \$700,000) performance security guarantee facility to support letters of credit provided by Export Development Canada of which \$542,086 was utilized as at September 30, 2019 (December 31, 2018 - \$519,561). This letter of credit facility matures June 30, 2021.

**15. TRADE AND OTHER PAYABLES**

	September 30 2019	December 31 2018
Trade payables and accrued liabilities	\$ 746,418	\$ 631,231
Holdbacks payable	88,444	74,529
	<b>\$ 834,862</b>	<b>\$ 705,760</b>
Amounts payable beyond one year	<b>\$ 4,580</b>	<b>\$ 1,608</b>

**16. PROVISIONS**

	Contract related obligations	Asset decommissioning costs	Tax assessments	Other	Total
Balance as at January 1, 2019	\$ 4,443	\$ 4,400	\$ 6,456	\$ 4,910	\$ 20,209
Additions made	1,624	350	-	1,181	3,155
Amounts used	(376)	(101)	-	(4,440)	(4,917)
Other changes	23	129	-	-	152
<b>Balance as at September 30, 2019</b>	<b>\$ 5,714</b>	<b>\$ 4,778</b>	<b>\$ 6,456</b>	<b>\$ 1,651</b>	<b>\$ 18,599</b>

Reported as:

Current	\$ 3,314	\$ -	\$ 6,456	\$ 1,651	\$ 11,421
Non-current	2,400	4,778	-	-	7,178
	<b>\$ 5,714</b>	<b>\$ 4,778</b>	<b>\$ 6,456</b>	<b>\$ 1,651</b>	<b>\$ 18,599</b>

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

**LONG-TERM DEBT**

	September 30 2019	December 31 2018
<b>Long-term debt:</b>		
Finance leases	\$ 167,774	\$ 72,772
Equipment and other loans	33,726	29,440
<b>Total long-term debt</b>	<b>\$ 201,500</b>	<b>\$ 102,212</b>
<b>Reported as:</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	\$ 62,694	\$ 32,505
<b>Non-current liabilities:</b>		
Long-term debt	138,806	69,707
	<b>\$ 201,500</b>	<b>\$ 102,212</b>

The following describes the components of long-term debt:

- (a) As at September 30, 2019, finance leases of \$167,774 (December 31, 2018 - \$72,772) bore interest at fixed and floating rates averaging 3.35% (December 31, 2018 – 3.15%) per annum, with specific equipment provided as security.
- (b) As at September 30, 2019, equipment and other loans of \$33,726 (December 31, 2018 - \$29,440) bore interest at fixed and floating rates averaging 3.08% (December 31, 2018 – 3.10%) per annum, with specific equipment provided as security.

The weighted average interest rate on total long-term debt outstanding (excluding convertible debentures and non-recourse project debt) as at September 30, 2019 was 3.31% (December 31, 2018 – 3.14%).

Expenses relating to short-term leases and leases of low-value assets recognised in profit or loss during the three and nine months ended September 30, 2019 were \$26,974 and \$59,876, respectively.

Variable lease payments of \$300 and \$900 related to property taxes levied on lessors and not included in the measurement of lease liabilities were recognized in profit or loss during the three and nine months ended September 30, 2019, respectively.

Total cash outflow for leases recognised in the statement of cash flows as at September 30, 2019 was \$31,436.

Refer to Note 12, “*Property, plant and equipment*” for further details of additions to right-of-use assets and depreciation charged on right-of-use assets during the period.

Refer to Note 29, “*Financial instruments*” for contractual maturities of finance lease liabilities as at September 30, 2019.

Refer to Note 26, “*Finance costs*” for further details of interest on lease liabilities recognized during the three and nine months ended September 30, 2019.

Lease extension and termination options are included in a number of property and equipment leases across the Company. As at September 30, 2019, potential future cash outflow of \$13,416 related to these extension and termination

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options are not included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

As at September 30, 2019, potential future cash outflow of \$7,682 related to variable lease payments for property taxes and/or insurance payments made by lessors have not been reflected in the measurement of lease liabilities. These variable lease payments are recognised in profit or loss in the period in which those payments occur.

**NON-RECOURSE PROJECT DEBT**

		<b>September 30 2019</b>	December 31 2018
<b>Non-recourse project debt:</b>			
Bermuda International Airport Redevelopment Project financing	(a)	\$ 373,013	\$ 383,746
<b>Total non-recourse project debt</b>		<b>\$ 373,013</b>	<b>\$ 383,746</b>
<b>Reported as:</b>			
<b>Non-current liabilities:</b>			
Non-recourse project debt		\$ 373,013	\$ 383,746
		<b>\$ 373,013</b>	<b>\$ 383,746</b>

(a) Included in the Company's consolidated balance sheets as at September 30, 2019 is debt, net of transaction costs, of \$373,013 (US\$281,668) (December 31, 2018 – \$383,746, US\$281,298) representing the debt of Skyport. This debt is secured by the assets of Skyport and is without recourse to the Company.

The financing is denominated in US dollars and bears interest at 5.90% annually. Debt repayments commence in 2022 and are scheduled to continue until 2042.

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**18. CONVERTIBLE DEBENTURES**

Convertible subordinated debentures consist of:

	September 30 2019	December 31 2018
<b>Debt component:</b>		
Debenture maturing on December 31, 2023 - 5.0% Debentures	163,195	159,775
<b>Total convertible debentures</b>	<b>\$ 163,195</b>	<b>\$ 159,775</b>
<b>Reported as:</b>		
<b>Non-current liabilities:</b>		
Convertible debentures	163,195	159,775
	<b>\$ 163,195</b>	<b>\$ 159,775</b>
	September 30 2019	December 31 2018
<b>Equity component:</b>		
Debenture maturing on December 31, 2023 - 5.0% Debentures	\$ 12,707	\$ 12,707

Finance costs associated with the debentures consist of:

	For the three months ended		For the nine months ended	
	September 30 2019	September 30 2018	September 30 2019	September 30 2018
Interest expense on face value	\$ 2,300	\$ 2,432	\$ 6,900	\$ 7,053
Notional interest representing accretion	1,148	976	3,419	2,851
	<b>\$ 3,448</b>	<b>\$ 3,408</b>	<b>\$ 10,319</b>	<b>\$ 9,904</b>

As at September 30, 2019, the face value of the 5.0% Debentures which remains outstanding was \$184,000 (December 31, 2018 - \$184,000).

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**19. CONCESSION RELATED DEFERRED REVENUE**

Concession related deferred revenue consists of:

	<b>September 30 2019</b>	<b>December 31 2018</b>
Bermuda International Airport Redevelopment Project	<b>\$ 103,276</b>	\$ 106,330
	<b>\$ 103,276</b>	\$ 106,330

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

**20. INCOME TAXES**

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

	<b>For the nine months ended</b>	
	<b>September 30 2019</b>	<b>September 30 2018</b>
Profit before income taxes	<b>\$ 61,466</b>	\$ 31,294
Statutory income tax rate	<b>26.60%</b>	26.75%
Expected income tax expense	<b>(16,350)</b>	(8,371)
Effect on income taxes of:		
Projects accounted for using the equity method	<b>298</b>	343
Provincial and foreign rate differences	<b>7,012</b>	7,247
Other non-deductible expenses	<b>(556)</b>	(727)
Adjustments in respect of prior years	<b>721</b>	1,237
Tax credits	<b>63</b>	(403)
Other	<b>-</b>	529
	<b>7,538</b>	8,226
Income tax expense	<b>\$ (8,812)</b>	\$ (145)

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**21. EMPLOYEE BENEFIT PLANS**

Employee future benefit expenses for the period are as follows:

	For the three months ended		For the nine months ended	
	September 30 2019	September 30 2018	September 30 2019	September 30 2018
Defined benefit pension expense:				
Company sponsored pension plans	\$ 133	\$ 152	\$ 400	\$ 457
Defined contribution pension expense:				
Company sponsored pension plans	1,813	1,639	5,412	5,231
Multi-employer pension plans	22,464	22,024	56,592	57,277
Total employee future benefit expense	\$ 24,410	\$ 23,815	\$ 62,404	\$ 62,965

**22. CONTINGENCIES**

During the second quarter of 2018, the Company filed a statement of claim in the Court of Queen's Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking \$180,000 in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately \$14,000 in damages. The Company has recorded \$135,000 of unbilled revenue and accounts receivable as at September 30, 2019. Offsetting this amount to some extent, the Company has accrued \$45,000 in trade and other payables for potential payments to third parties pending the outcome of the claim against KSPC. KSPC is seeking an order that the Company repay to KSPC approximately \$195,000 already paid to the Company pursuant to such agreements. The Company believes that it will be successful in its claim and considers KSPC's claim to be without merit. See Note 4, "Critical Accounting Estimates".

The Company is involved in various disputes and litigation both as plaintiff and defendant. In the opinion of management, the resolution of disputes against the Company, including those provided for (see Note 16, "Provisions"), will not result in a material effect on the consolidated financial position of the Company.

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

	Project	September 30 2019
<b>Letters of credit:</b>		
In support of the Company's equity obligations	Bermuda International Airport Redevelopment Project	\$ 91,893
Financial and performance - issued by Export Development Canada	Various joint arrangement projects	\$ 450,193
Financial and performance - issued in the normal conduct of business	Various	\$ 78,589

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Under the terms of many of the Company's associate and joint arrangement contracts with project owners, each of the partners is jointly and severally liable for performance under the contracts. As at September 30, 2019, 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 \$16,411,064, a 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.

### 23. CAPITAL STOCK

	For the nine months ended September 30, 2019		For the year ended December 31, 2018	
	Number	Amount	Number	Amount
<b>Number of common shares outstanding - beginning of period</b>	<b>60,478,564</b>	<b>\$ 386,453</b>	59,298,857	\$ 367,612
Common shares issued on exercise of share options	-	-	120,000	1,750
Common shares issued on conversion of 5.5% Debentures	-	-	166,664	3,379
Shares issued to settle LTIP/Director DSU obligations	282,991	4,138	893,043	13,712
<b>Number of common shares outstanding - end of period</b>	<b>60,761,555</b>	<b>\$ 390,591</b>	60,478,564	\$ 386,453

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

### STOCK-BASED COMPENSATION

#### Long-Term Incentive Plan

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

For the three and nine months ended September 30, 2019, the Company recorded LTIP compensation charges of \$2,376 (2018 - \$3,417) and \$8,659 (2018 - \$10,317), respectively.

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

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

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

For the three and nine months ended September 30, 2019, the Company recorded Director DSU compensation charges of \$148 (2018 - \$33) and \$1,027 (2018 - \$972), respectively.

### Other Stock-based Compensation – Employee Share Unit (ESU) Awards

In April 2019, the Company adopted an Employee Share Unit (“ESU”) plan, an employee benefit program that enables all permanent, non-unionized, Canadian resident employees to become shareholders of the Company. The program includes ESUs gifted to eligible employees, and additional ESUs that may be purchased by eligible employees during a predetermined window each year at a discounted price.

ESU awards and purchases vest annually over three years. ESUs are equity settled awards with compensation charges related to ESU awards and purchases expensed over the estimated vesting period in marketing, general and administrative expenses.

For the three and nine months ended September 30, 2019, the Company recorded an ESU compensation charge of \$419 (2018 - \$nil) and \$691 (2018 - \$nil), respectively.

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

	For the nine months ended September 30, 2019		
	LTIP	Director DSUs	ESUs
	Share Units		
Balance outstanding - beginning of period	2,522,383	278,848	-
Granted	618,068	50,644	166,597
Dividend equivalent rights	64,457	6,101	2,286
Settled	(193,965)	(89,025)	-
Forfeited	(17,389)	-	(6,859)
Balance outstanding - end of period	2,993,554	246,568	162,024

	Weighted Average Grant Date Fair Value Per Unit		
Balance outstanding - beginning of period	\$ 13.33	\$ 15.20	\$ -
Granted	18.34	18.40	17.62
Dividend equivalent rights	14.05	15.62	17.53
Settled	13.51	15.22	-
Forfeited	17.54	-	17.57
Balance outstanding - end of period	\$ 14.34	\$ 15.86	\$ 17.62

Amounts included in contributed surplus in the consolidated balance sheets as at September 30, 2019 in respect of LTIP, Director DSUs, and ESUs were \$36,375 (December 31, 2018 - \$30,500), \$3,910 (December 31, 2018 - \$4,238), and \$1,318 (December 31, 2018 - \$nil), respectively.

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**24. EXPENSES**

	For the three months ended		For the nine months ended	
	September 30 2019	September 30 2018	September 30 2019	September 30 2018
Personnel	\$ 220,397	\$ 231,629	\$ 552,230	\$ 608,930
Subcontractors	403,359	431,960	982,380	846,797
Materials	281,421	191,350	769,154	585,612
Equipment costs	32,997	79,014	79,918	140,739
Depreciation of property, plant and equipment and amortization of intangible assets	26,828	29,450	69,181	78,582
Other expenses	7,489	3,722	26,531	18,352
<b>Total expenses</b>	<b>\$ 972,491</b>	<b>\$ 967,125</b>	<b>\$ 2,479,394</b>	<b>\$ 2,279,012</b>

**Reported as:**

	For the three months ended		For the nine months ended	
	September 30 2019	September 30 2018	September 30 2019	September 30 2018
Direct costs and expenses	\$ 904,792	\$ 894,625	\$ 2,279,365	\$ 2,066,257
Marketing, general and administrative expenses	40,871	43,050	130,848	134,173
Depreciation and amortization	26,828	29,450	69,181	78,582
<b>Total expenses</b>	<b>\$ 972,491</b>	<b>\$ 967,125</b>	<b>\$ 2,479,394</b>	<b>\$ 2,279,012</b>

**25. OTHER INCOME (LOSS)**

	For the three months ended		For the nine months ended	
	September 30 2019	September 30 2018	September 30 2019	September 30 2018
Foreign exchange gain (loss)	\$ 856	\$ (470)	\$ 1,078	\$ 480
Gain on sale of property, plant and equipment	709	203	2,385	595
<b>Total other income (loss)</b>	<b>\$ 1,565</b>	<b>\$ (267)</b>	<b>\$ 3,463</b>	<b>\$ 1,075</b>

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**26. FINANCE COSTS**

	For the three months ended		For the nine months ended	
	September 30 2019	September 30 2018	September 30 2019	September 30 2018
Interest and notional interest on long-term debt and debentures	\$ 3,811	\$ 3,882	\$ 11,351	\$ 11,394
Interest on finance leases	1,041	505	2,858	1,421
Interest on short-term debt	1,044	1,360	1,808	3,593
Notional interest on provisions	46	45	152	135
<b>Total finance costs</b>	<b>\$ 5,942</b>	<b>\$ 5,792</b>	<b>\$ 16,169</b>	<b>\$ 16,543</b>

**27. EARNINGS PER SHARE**

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

	For the three months ended		For the nine months ended	
	September 30 2019	September 30 2018	September 30 2019	September 30 2018
Profit attributable to shareholders	\$ 42,116	\$ 41,990	\$ 52,654	\$ 31,149
Interest on convertible debentures, net of tax <sup>(1)</sup>	2,535	2,497	7,585	7,255
<b>Diluted net earnings</b>	<b>\$ 44,651</b>	<b>\$ 44,487</b>	<b>\$ 60,239</b>	<b>\$ 38,404</b>
Average number of common shares outstanding	60,761,389	59,852,523	60,661,972	59,680,680
Effect of dilutive securities: <sup>(1)</sup>				
Convertible debentures <sup>(1)</sup>	10,093,928	11,221,342	10,360,288	10,770,252
Long-term incentive plan	3,240,122	3,456,303	3,240,122	3,456,303
<b>Weighted average number of diluted common shares outstanding</b>	<b>74,095,439</b>	<b>74,530,168</b>	<b>74,262,382</b>	<b>73,907,235</b>
Basic earnings per share	\$ 0.69	\$ 0.70	\$ 0.87	\$ 0.52
Diluted earnings per share <sup>(1)</sup>	\$ 0.60	\$ 0.60	\$ 0.81	\$ 0.49

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

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**28. SUPPLEMENTARY CASH FLOW INFORMATION**

**Change in other balances relating to operations**

	For the nine months ended	
	<b>September 30 2019</b>	September 30 2018
Decrease (increase) in:		
Trade and other receivables	\$ (94,681)	\$ (151,103)
Unbilled revenue	(165,991)	(123,549)
Inventories	(4,208)	(814)
Prepaid expenses	(15,149)	(10,224)
Increase (decrease) in:		
Trade and other payables	130,168	236,510
Provisions	(4,917)	(4,264)
Deferred revenue	(42,403)	292,164
Concession related deferred revenue	-	7,139
	<b>\$ (197,181)</b>	<b>\$ 245,859</b>

**Cash flows from interest**

	For the nine months ended	
	<b>September 30 2019</b>	September 30 2018
<b>Operating activities</b>		
Cash interest paid	\$ (33,374)	\$ (32,414)
Cash interest received	3,360	3,780

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### 29. FINANCIAL INSTRUMENTS

#### Fair value

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for speculative trading purposes. As at September 30, 2019, the Company had outstanding contracts to buy US\$2,171 and EUR€3,624 (December 31, 2018 - \$nil) on which there was a cumulative net unrealized exchange loss of \$235 recorded in the consolidated statements of income as at that date (December 31, 2018 - \$nil), as well as outstanding contracts to buy US\$159,627 (December 31, 2018 – buy US\$173,500) on which there was a cumulative unrealized gain recorded in other comprehensive income of \$7,314 as at that date (December 31, 2018 - \$10,949). 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 September 30, 2019			
	Total	Level 1	Level 2	Level 3
<b>Financial assets (liabilities) measured at fair value:</b>				
Cash flow hedge	\$ (6,803)	\$ -	\$ (6,803)	\$ -
<b>Financial assets (liabilities) disclosed at fair value:</b>				
Long-term financial assets	4,397	-	4,397	-
Current portion of long-term debt	(66,550)	-	(66,550)	-
Long-term debt	(142,389)	-	(142,389)	-
Non-recourse project debt	(373,013)	-	(373,013)	-
Convertible debentures	(193,200)	(193,200)	-	-

During the nine-month period ended September 30, 2019, 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.

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### Credit risk

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

As at September 30, 2019, the Company had \$75,360 in trade receivables that were past due. Of this amount, \$56,953 was over 60 days past due, against which the Company has recorded an allowance for expected credit losses of \$852.

### Liquidity risk

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

Contractual maturities for financial liabilities as at September 30, 2019 are as follows:

	Due within one year	Due between one and five years	Due after five years	Total undiscounted cash flows	Effect of interest	Carrying value
Bank indebtedness	\$ -	\$ 23,000	\$ -	\$ 23,000	\$ -	\$ 23,000
Trade and other payables	\$ 830,282	\$ 4,580	\$ -	\$ 834,862	\$ -	\$ 834,862
Finance leases	\$ 56,247	\$ 102,277	\$ 23,685	\$ 182,209	\$ (14,435)	\$ 167,774
Equipment and other loans	13,929	19,565	2,575	36,069	(2,343)	33,726
	70,176	121,842	26,260	218,278	(16,778)	201,500
Non-recourse project debt	22,268	99,939	615,543	737,750	(364,737)	373,013
Convertible debentures	9,200	213,900	-	223,100	(59,905)	163,195
Long-term financial liabilities	\$ 101,644	\$ 435,681	\$ 641,803	\$ 1,179,128	\$ (441,420)	\$ 737,708

### Interest rate risk

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

For the nine months ended September 30, 2019, a 1% increase or a 1% decrease in interest rates applied to the Company's variable rate long-term debt would not have a significant impact on net earnings or comprehensive income.

### Currency risk

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

The Company's sensitivity to a 10% change in the US dollar against the Canadian dollar as at September 30, 2019 to profit or loss for currency exposures would be \$3,640. The sensitivity analysis includes foreign currency denominated monetary items but excludes all investments in joint ventures and hedges and adjusts their translation at year-end for the above 10% change in foreign currency rates.

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

## **FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**

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

### **30. CAPITAL DISCLOSURES**

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

Although the Company monitors capital on a number of bases, including liquidity and working capital, total debt (excluding non-recourse debt and drawings on the Company's credit facility presented as bank indebtedness) as a percentage of total capitalization (debt to capitalization percentage) is considered to be the most important metric in measuring the strength and flexibility of its consolidated balance sheets. As at September 30, 2019, the debt to capitalization percentage including convertible debentures as debt was 30% (December 31, 2018 - 24%). 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 17% as at September 30, 2019 (December 31, 2018 - 9%). While the Company believes this debt to capitalization percentage is acceptable, because of the cyclical nature of its business, the Company will continue its current efforts to maintain a conservative capital position.

As at September 30, 2019, the Company complied with all of its financial debt covenants.

### **31. OPERATING SEGMENTS**

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

Commencing in 2019, the Company's Infrastructure and Industrial segments were combined into a Construction segment to align with the Company's new operating management structure. The progress Aecon has made in recent years with respect to the "One Aecon" strategy has increasingly allowed for integrated project management and systems, allowing Aecon to capitalize on those markets providing the greatest opportunity at any point in time. This trend is expected to continue going forward, seeing the Company's services and resources becoming increasingly mobile between end markets. The Company has migrated its overall management and operating structure to reflect this increasingly flexible model. Prior year comparative figures have been restated to conform to the presentation adopted in the current year.

The Company currently operates in two principal segments within the infrastructure development industry: Construction and Concessions.

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

- Civil Infrastructure;
- Urban Transportation Systems;
- Nuclear Power Infrastructure;
- Utility Infrastructure; and
- Conventional Industrial Infrastructure.

Activities within the Concessions segment include the development, financing, build and operation of construction projects by way of public-private partnership contract structures, as well as integrating the services of all project participants, and harnessing the strengths and capabilities of Aecon.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**  
(in thousands of Canadian dollars, except per share amounts) (unaudited)

For the three months ended September 30, 2019				
	Construction	Concessions	Other and eliminations	Total
<b>Consolidated statements of income</b>				
External customer revenue	\$ 963,974	\$ 61,461	\$ -	\$ 1,025,435
Inter-segment revenue	36,380	-	(36,380)	-
<b>Total revenue</b>	<b>1,000,354</b>	<b>61,461</b>	<b>(36,380)</b>	<b>1,025,435</b>
<b>Expenses</b>	<b>\$ (945,316)</b>	<b>\$ (54,731)</b>	<b>\$ 27,556</b>	<b>\$ (972,491)</b>
Which include:				
Depreciation and amortization	(15,401)	(10,065)	(1,362)	(26,828)
<b>Other income:</b>				
Foreign exchange gain	\$ 534	\$ 48	\$ 274	\$ 856
Gain on sale of property, plant and equipment	709	-	-	709
<b>Income from projects accounted for using the equity method</b>	<b>\$ 1,403</b>	<b>\$ 2,857</b>	<b>\$ -</b>	<b>\$ 4,260</b>
<b>Operating profit (loss)</b>	<b>\$ 57,684</b>	<b>\$ 9,635</b>	<b>\$ (8,550)</b>	<b>\$ 58,769</b>
<b>Finance income (cost):</b>				
Finance income				\$ 365
Finance cost				(5,942)
<b>Profit before income taxes</b>				<b>\$ 53,192</b>
<b>Income tax expense</b>				<b>(11,076)</b>
<b>Profit for the period</b>				<b>\$ 42,116</b>
<b>Revenue by contract type</b>				
Lump sum	\$ 503,852	\$ 34,460	\$ (35,637)	\$ 502,675
Cost plus/unit price	496,502	27,001	(743)	522,760
<b>Total revenue</b>	<b>1,000,354</b>	<b>61,461</b>	<b>(36,380)</b>	<b>1,025,435</b>
<b>Revenue by service type</b>				
Construction revenue	\$ 1,000,354	\$ -	\$ (743)	\$ 999,611
Concession revenue	-	61,461	(35,637)	25,824
<b>Total revenue</b>	<b>1,000,354</b>	<b>61,461</b>	<b>(36,380)</b>	<b>1,025,435</b>
	Construction	Concessions	Other and eliminations	Total
<b>Consolidated balance sheets</b>				
<b>Segment assets</b>	<b>\$ 2,706,371</b>	<b>\$ 667,449</b>	<b>\$ (210,955)</b>	<b>\$ 3,162,865</b>
Which include:				
Projects accounted for using the equity method	24,002	14,060	-	38,062
<b>Segment liabilities</b>	<b>\$ 1,513,046</b>	<b>\$ 510,473</b>	<b>\$ 286,778</b>	<b>\$ 2,310,297</b>
<b>Additions to non-current assets:</b>				
Property, plant and equipment	\$ 25,318	\$ 18	\$ 3,282	\$ 28,618
Intangible assets	\$ 922	\$ 40,596	\$ 285	\$ 41,803

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**  
(in thousands of Canadian dollars, except per share amounts) (unaudited)

For the nine months ended September 30, 2019						
	Construction		Concessions		Other and eliminations	Total
Consolidated statements of income						
External customer revenue	\$	2,363,424	\$	179,662	\$ -	\$ 2,543,086
Inter-segment revenue		121,744		-	(121,744)	-
Total revenue		2,485,168		179,662	(121,744)	2,543,086
Expenses	\$	(2,408,142)	\$	(164,839)	\$ 93,587	\$ (2,479,394)
Which include:						
Depreciation and amortization		(43,699)		(24,444)	(1,038)	(69,181)
Other income (loss):						
Foreign exchange gain (loss)	\$	1,828	\$	(81)	\$ (669)	\$ 1,078
Gain on sale of property, plant and equipment		2,385		-	-	2,385
Income from projects accounted for using the equity method	\$	1,279	\$	7,705	\$ -	\$ 8,984
Operating profit (loss)	\$	82,518	\$	22,447	\$ (28,826)	\$ 76,139
Finance income (cost):						
Finance income						\$ 1,496
Finance cost						(16,169)
Profit before income taxes						\$ 61,466
Income tax expense						(8,812)
Profit for the period						\$ 52,654
Revenue by contract type						
Lump sum	\$	1,132,160	\$	116,760	\$ (114,470)	\$ 1,134,450
Cost plus/unit price		1,353,008		62,902	(7,274)	1,408,636
Total revenue		2,485,168		179,662	(121,744)	2,543,086
Revenue by service type						
Construction revenue	\$	2,485,168	\$	-	\$ (7,266)	\$ 2,477,902
Concession revenue		-		179,662	(114,478)	65,184
Total revenue		2,485,168		179,662	(121,744)	2,543,086
	Construction		Concessions		Other and eliminations	Total
Consolidated balance sheets						
Additions to non-current assets:						
Property, plant and equipment	\$	72,407	\$	474	\$ 10,202	\$ 83,083
Intangible assets	\$	6,613	\$	122,191	\$ 564	\$ 129,368

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**  
(in thousands of Canadian dollars, except per share amounts) (unaudited)

For the three months ended September 30, 2018						
	Construction		Concessions		Other and eliminations	Total
Consolidated statements of income						
External customer revenue	\$	948,834	\$	70,846	\$ -	\$ 1,019,680
Inter-segment revenue		44,598		-	(44,598)	-
Total revenue		993,432		70,846	(44,598)	1,019,680
Expenses	\$	(939,356)	\$	(62,539)	\$ 34,770	\$ (967,125)
Which include:						
Depreciation and amortization		(19,870)		(9,675)	95	(29,450)
Other income (loss):						
Foreign exchange loss	\$	(46)	\$	(303)	\$ (121)	\$ (470)
Gain on sale of property, plant and equipment		203		-	-	203
Income from projects accounted for using the equity method	\$	1,932	\$	1,956	\$ -	\$ 3,888
Operating profit (loss)	\$	56,165	\$	9,960	\$ (9,949)	\$ 56,176
Finance income (cost):						
Finance income						\$ 600
Finance cost						(5,792)
Profit before income taxes						\$ 50,984
Income tax expense						(8,994)
Profit for the period						\$ 41,990
Revenue by contract type						
Lump sum	\$	453,119	\$	45,875	\$ (43,830)	\$ 455,164
Cost plus/unit price		540,313		24,971	(768)	564,516
Total revenue		993,432		70,846	(44,598)	1,019,680
Revenue by service type						
Construction revenue	\$	993,432	\$	-	\$ (758)	\$ 992,674
Concession revenue		-		70,846	(43,840)	27,006
Total revenue		993,432		70,846	(44,598)	1,019,680
	Construction		Concessions		Other and eliminations	Total
Consolidated balance sheets						
Segment assets	\$	2,590,996	\$	635,497	\$ (23,028)	\$ 3,203,465
Which include:						
Projects accounted for using the equity method		22,806		17,374	-	40,180
Segment liabilities	\$	1,500,136	\$	521,652	\$ 388,745	\$ 2,410,533
Additions to non-current assets:						
Property, plant and equipment	\$	13,245	\$	50	\$ 837	\$ 14,132
Intangible assets	\$	255	\$	49,148	\$ 903	\$ 50,306

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018**  
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For the nine months ended September 30, 2018						
	Construction		Concessions		Other and eliminations	Total
Consolidated statements of income						
External customer revenue	\$	2,163,031	\$	154,747	\$ -	\$ 2,317,778
Inter-segment revenue		93,012		-	(93,012)	-
Total revenue		2,256,043		154,747	(93,012)	2,317,778
Expenses	\$	(2,202,439)	\$	(137,467)	\$ 60,894	\$ (2,279,012)
Which include:						
Depreciation and amortization		(56,952)		(21,672)	42	(78,582)
Other income (loss):						
Foreign exchange gain (loss)	\$	946	\$	(613)	\$ 147	\$ 480
Gain on sale of property, plant and equipment		595		-	-	595
Income from projects accounted for using the equity method						
	\$	2,186	\$	4,758	\$ -	\$ 6,944
Operating profit (loss)	\$	57,331	\$	21,425	\$ (31,971)	\$ 46,785
Finance income (cost):						
Finance income						\$ 1,052
Finance cost						(16,543)
Profit before income taxes						\$ 31,294
Income tax expense						(145)
Profit for the period						\$ 31,149
Revenue by contract type						
Lump sum	\$	889,077	\$	96,335	\$ (91,650)	\$ 893,762
Cost plus/unit price		1,366,966		58,412	(1,362)	1,424,016
Total revenue		2,256,043		154,747	(93,012)	2,317,778
Revenue by service type						
Construction revenue	\$	2,256,043	\$	-	\$ (1,315)	\$ 2,254,728
Concession revenue		-		154,747	(91,697)	63,050
Total revenue		2,256,043		154,747	(93,012)	2,317,778
	Construction		Concessions		Other and eliminations	Total
Consolidated balance sheets						
Additions to non-current assets:						
Property, plant and equipment	\$	39,069	\$	214	\$ 1,030	\$ 40,313
Intangible assets	\$	255	\$	95,453	\$ 1,701	\$ 97,409

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