Aecon Group Inc.

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

December 31, 2023

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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 audited consolidated financial statements and accompanying notes for the year ended December 31, 2023. This MD&A has been prepared as at March 5, 2024, when the Company's Board of Directors approved this document. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval+ ("SEDAR+") at www.sedarplus.com and includes the Company's Annual Information Form and other securities and continuous disclosure filings.

1. INTRODUCTION

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 Solutions;
- Nuclear Power Infrastructure;
- Utility Infrastructure; and
- Industrial Infrastructure.

Activities within the Concessions segment include the development, financing, build, and operation of construction projects, primarily 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 strategic partnerships;
- Leading and/or actively participating in development teams; and
- Operations and maintenance of infrastructure assets.

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.

2. FORWARD-LOOKING INFORMATION

The information in this Management's Discussion and Analysis includes certain forward-looking statements which may constitute forward-looking information under applicable securities laws. These forward-looking statements are based on currently available competitive, financial, and economic data and operating plans but are subject to risks and uncertainties. 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, including statements regarding: expectations regarding the impact of the four fixed price legacy projects and expected timelines of such projects; backlog and estimated duration; the impact of certain contingencies on Aecon (see: Section 10.2 “Contingencies”); the uncertainties related to the unpredictability of global economic conditions; its belief regarding the sufficiency of its current liquidity position including sufficiency of its cash position, unused credit capacity, and cash generated from its operations; its strategy of seeking to differentiate its service offering and execution capability and the expected results therefrom; its efforts to maintain a conservative capital position; expectations regarding the pipeline of opportunities available to Aecon; statements regarding the various phases of projects for Aecon; its strategic focus on projects linked to decarbonization, energy transition and sustainability, and the opportunities arising therefrom; expectations regarding ongoing recovery in travel through Bermuda International Airport in 2024 and opportunities to add to the existing portfolio of Canadian and international concessions in the next 12 to 24 months; Oaktree’s (defined below) minority investment in Aecon Utilities (defined below), the expected benefits thereof and results therefrom, including the acceleration of growth of Aecon Utilities in Canada and the U.S.; the anticipated use of proceeds from the investment; and the expansion of Aecon Utilities’ geographic reach and range of services in the U.S. Forward-looking statements may in some cases be identified by words such as “will,” “plans,” “schedule,” “forecast,” “outlook,” “potential,” “seek,” “strategy,” “may,” “could,” “might,” “can,” "believes," "expects," "anticipates," "estimates," "projects," "intends," “prospects,” “targets,” “occur,” “continue,” "should" or the negative of these terms, or similar expressions. 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, but not limited to: the risk of not being able to drive a higher margin mix of business by participating in more complex projects, achieving operational efficiencies and synergies, and improving margins; the risk of not being able to meet contractual schedules and other performance requirements on large, fixed priced contracts; the risk of not being able to meet its labour needs at reasonable costs; the risk of not being able to address any supply chain issues which may arise and pass on costs of supply increases to customers; the risk of not being able, through its joint ventures, to enter into implementation phases of certain projects following the successful completion of the relevant development phase; the risk of not being able to execute its strategy of building strong partnerships and alliances; the risk of not being able to execute its risk management strategy; the risk of not being able to grow backlog across the organization by winning major projects; the risk of not being able to maintain a number of open, recurring, and repeat contracts; the risk of not being able to accurately assess the risks and opportunities related to its industry’s transition to a lower-carbon economy; the risk of not being able to oversee, and where appropriate, respond to known and unknown environmental and climate change-related risks, including the ability to recognize and adequately respond to climate change concerns or public, governmental, and other stakeholders’ expectations on climate matters; the risk of not being able to meet its commitment to meeting its greenhouse gas emissions reduction targets; the risks associated with the strategy of differentiating its service offerings in key end markets; the risks associated with undertaking initiatives to train employees; the risks associated with the seasonal nature of its business; the risks associated with being able to participate in large projects; the risks associated with legal proceedings to which it is a party; the ability to successfully respond to shareholder activism; the risk that Aecon will not realize the anticipated balance sheet strength while preserving capital for other long-term growth and concession opportunities in connection with the sale of ATE (defined below) and a 49.9% equity interest in Skyport (defined below); the risk that Aecon will not realize the opportunities presented by a transition to a net-zero economy; risks associated with future pandemics and Aecon’s ability to respond to and implement measures to mitigate the impact of such pandemics; the risk that the strategic partnership with Oaktree will not realize the expected results and may negatively impact the existing business of Aecon Utilities; the risk that Aecon Utilities will not realize the anticipated balance sheet flexibility with the completion of the investment; and the risk that Aecon Utilities will not realize opportunities to expand its geographic reach and range of services in the U.S.

These forward-looking statements are based on a variety of factors and assumptions including, but not limited to that: none of the risks identified above materialize, there are no unforeseen changes to economic and market conditions and no significant events occur outside the ordinary course of business. These assumptions are based on information currently available to Aecon, including information obtained from third-party sources. While the Company believes that such third-party sources are reliable sources of information, the Company has not independently verified the information. The Company has not ascertained the validity or accuracy of the underlying economic assumptions contained in such information from third-party sources and hereby disclaims any responsibility or liability whatsoever in respect of any information obtained from third-party sources.

Risk factors are discussed in greater detail in the Section 13 - “Risk Factors” in this MD&A which is available on SEDAR+ at www.sedarplus.com. 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 statement, whether as a result of new information, future events or otherwise.

3. FINANCIAL REPORTING STANDARDS

The Company’s audited consolidated financial statements and the accompanying notes for the year ended December 31, 2023 were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

All financial information in this MD&A is presented in Canadian dollars, unless otherwise indicated.

4. NON-GAAP AND SUPPLEMENTARY FINANCIAL MEASURES

The MD&A presents certain non-GAAP and supplementary financial measures, as well as non-GAAP ratios to assist readers in understanding the Company’s performance (“GAAP” refers to Generally Accepted Accounting Principles under IFRS Accounting Standards). These 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.

Throughout this MD&A, the following terms are used, which do not have a standardized meaning under GAAP.

Non-GAAP Financial Measures

A non-GAAP financial measure: (a) depicts the historical or expected future financial performance, financial position or cash flow of the Company; (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most comparable financial measure presented in the primary consolidated financial statements; (c) is not presented in the financial statements of the Company; and (d) is not a ratio.

Non-GAAP financial measures presented and discussed in this MD&A are as follows:

- **"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 (refer to Section 9 "Quarterly Financial Data" for a quantitative reconciliation to the most comparable financial measure).
- **"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, finance income, finance cost and income tax expense (recovery) (refer to Section 9 "Quarterly Financial Data" for a quantitative reconciliation to the most comparable financial measure).

Management uses the above non-GAAP financial measures to analyze and evaluate operating performance. Aecon also believes the above financial measures 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 operating profit and profit (loss) attributable to shareholders.

Primary Financial Statements

Primary financial statement means any of the following: the consolidated balance sheets, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows.

Key financial measures presented in the primary financial statements of the Company and discussed in this MD&A are as follows:

- **"Gross profit"** represents revenue less direct costs and expenses. Not included in the calculation of gross profit are marketing, general and administrative expense ("MG&A"), depreciation and amortization, income (loss) from projects accounted for using the equity method, other income (loss), finance income, finance cost, income tax expense (recovery), and non-controlling interests.
- **"Operating profit (loss)"** represents the profit (loss) from operations, before finance income, finance cost, income tax expense (recovery), and non-controlling interests.

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

- **"Backlog" (Remaining Performance Obligations)** means the total value of work that has not yet been completed that: (a) has a high certainty of being performed as a result of the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to 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.

Remaining Performance Obligations, i.e. Backlog, is presented in the notes to the Company's annual consolidated financial statements and is not meant to be a substitute for other amounts presented in accordance with GAAP, but rather should be evaluated in conjunction with such GAAP measures.

Non-GAAP Ratios

A non-GAAP ratio is a financial measure presented in the form of a ratio, fraction, percentage or similar representation, and that has a non-GAAP financial measure as one of its components and is not disclosed in the financial statements of the Company.

A non-GAAP ratio presented and discussed in this MD&A is as follows:

- **"Adjusted EBITDA margin"** represents Adjusted EBITDA as a percentage of revenue.

Management uses the above non-GAAP ratio to analyze and evaluate operating performance. The most directly comparable measures calculated in accordance with GAAP are gross profit margin and operating margin.

Supplementary Financial Measures

A supplementary financial measure: (a) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of the Company; (b) is not presented in the financial statements of the Company; (c) is not a non-GAAP financial measure; and (d) is not a non-GAAP ratio.

Key supplementary financial measures presented in this MD&A are as follows:

- **"Gross profit margin"** represents gross profit as a percentage of revenue.
- **"Operating margin"** represents operating profit (loss) as a percentage of revenue.
- **"MG&A as a percent of revenue"** represents marketing, general and administrative expense as a percentage of revenue.
- **"Debt to capitalization percentage"** represents total debt (excluding non-recourse debt and drawings on the Company's credit facilities presented as bank indebtedness) as a percentage of total capitalization. The calculation of debt to capitalization percentage and management's use of this ratio is described in Section 10.5 "Capital Management" of this MD&A.

5. RECENT DEVELOPMENTS

Economic Conditions and Certain Fixed Price Legacy Projects

Within the Construction segment, economic conditions have had varying degrees of impact since 2020 including through to the end of 2023, notably from supply chain disruptions, inflation related to labour and materials, and availability of labour. Although these factors impacted most projects to some extent, in most cases the impact was not significant or has now moderated or been mitigated. However, the impacts on four large fixed price legacy projects being performed by joint ventures in which Aecon is a participant (see Section 10.2 "Contingencies" and Section 13 "Risk Factors" of this MD&A) were more significant. Aecon recognized an operating loss of $40.0 million in the fourth quarter of 2023 (operating loss of $58.9 million in the same period of 2022) and an operating loss of $215.2 million in 2023 (operating loss of $120.0 million in 2022) from these four legacy projects. At December 31, 2023, the remaining backlog to be worked off on these projects was $420 million compared to backlog of $1,079 million at December 31, 2022. One of the four projects reached substantial, or mechanical, completion in the third quarter of 2023 with two of the remaining three projects currently expected to be substantially complete by the end of 2024, and the final one currently expected to be substantially complete during 2025. The four legacy projects comprised 11% and 16%, respectively, of consolidated revenue in the fourth quarter and full year of 2023 and 7% of backlog at December 31, 2023, compared to 15% and 16%, respectively, of consolidated revenue in the fourth quarter and full year of 2022 and 17% of backlog at December 31, 2022.

Aecon and its joint venture partners remain focused on dedicating all necessary resources to drive the four legacy projects to completion and in the meantime continue to pursue fair and reasonable settlement agreements with the respective clients in each case. Based on i) substantial completion achieved or expected to be achieved in the next twelve months on three of these projects as noted above; ii) the most recent interim settlements reached and agreed to between the relevant joint ventures and the respective clients on each of the four projects, including one in the second quarter and two in the third quarter of 2023; and iii) the adjustments to forecasts made on the legacy projects in the second through fourth quarters of 2023 that reflect the additional clarity on schedule, compensation, construction costs, and other potential liabilities that the terms of the most recent interim settlement agreements and full reforecasts that incorporate those agreements and other new information that has arisen bring, Aecon believes its estimates to be reliable. However, downside risk remains in the event that assumptions, estimates, and/or circumstances change. Such downside risks include, among others, the level of compensation for past and future impacts, including through the dispute resolution process where appropriate, productivity not meeting expectations, potential for unforeseen supply chain delays and disruptions, unknown commissioning risks, inflation related risk, and further client changes.

Within the Concessions segment, COVID-19 and related travel restrictions and protocols, as well as the recovery in air traffic since those restrictions were lifted, have impacted operations at the Bermuda International Airport project since March 2020, including through to the end of 2023. Passenger traffic levels, which are the primary driver of Aecon's results from operations in Bermuda, averaged 31% in 2021, 59% in 2022, and 75% in 2023 of 2019 pre-pandemic traffic levels. These averages reflect generally improving traffic over time as a percentage of pre-pandemic levels. Offsetting this impact on operational volume to some extent were fee increases and a minimum revenue guarantee from the Government of Bermuda to cover any shortfall in cash flow for debt-service requirements related to the Bermuda International Airport project.

Aecon Completes Sale of Road Building Business in Ontario to Green Infrastructure Partners

On May 1, 2023, Aecon announced the closing of the previously disclosed definitive purchase agreement with Green Infrastructure Partners Inc. (“GIP”) under which Aecon sold its Aecon Transportation East (“ATE”) roadbuilding, aggregates, and materials businesses in Ontario for $235.0 million. Net cash proceeds received on closing were $155.3 million, net of debt and other closing adjustments. ATE provided roadbuilding infrastructure solutions throughout Ontario to the provincial government, municipalities, and private clients. The financial results of ATE prior to its sale were reported in the construction segment. In 2023, a gain on sale of $36.5 million was included in other income in the consolidated income statements.

Aecon Completes Sale of Partial Interest in Bermuda International Airport Concessionaire

On September 20, 2023, Aecon announced the closing of the previously disclosed agreement with Connor, Clark & Lunn Infrastructure (“CC&L Infrastructure”) to sell a 49.9% interest in the L.F. Wade International Airport (Bermuda International Airport) concessionaire, Bermuda Skyport Corporation Limited (“Skyport”). The final sale price was $162.3 million (US$120.0 million) in cash. Aecon Concessions retains the management contract for the airport and has joint control of Skyport with a 50.1% retained interest.

Skyport is a special-purpose company responsible for the airport’s operations, maintenance, and commercial functions, as well as coordinating the overall delivery of the Bermuda International Airport project over a 30-year concession term that commenced in 2017. Under a Government-to-Government/P3 model, Aecon worked with the Canadian Commercial Corporation and the Government of Bermuda to develop, finance, design, build, operate and maintain the new passenger terminal building, which opened in December of 2020. In 2023, Aecon recorded a gain on sale of $139.0 million, including a fair value remeasurement gain of $80.4 million related to Aecon’s 50.1% retained interest in Skyport, in other income in the consolidated income statements.

Aecon Completes $150 million Strategic Investment in Aecon Utilities Group by Oaktree’s Power Opportunities Fund

On October 23, 2023 Aecon announced a strategic investment by Oaktree Capital Management, L.P. (“Oaktree”) in an Aecon subsidiary, Aecon Utilities Group Inc. (“Aecon Utilities”). The investment subsequently closed on October 24, 2023. Oaktree acquired an interest in Aecon Utilities by way of a net $150 million convertible preferred shares investment (the “Investment”). The Investment was effected through the purchase of newly created convertible preferred shares (the “Preferred Shares”) of Aecon Utilities. The gross subscription amount of the Investment is $154.6 million of Preferred Shares, which represents $150.0 million after upfront fees (“Net Investment Amount”). The Investment is convertible at any time by Oaktree into common equity of Aecon Utilities and is mandatorily convertible upon a qualified initial public offering. Prior to conversion, the Preferred Shares will accrue a 12% annual coupon for the first three years and 14% annual coupon thereafter. At Aecon’s option, the coupon is payable in kind by accreting the principal amount or in cash.

Aecon Completes Repayment of Convertible Debentures

On December 29, 2023, Aecon announced the cash repayment of the $184 million principal amount owed under its 5.0% unsecured convertible debentures due on December 31, 2023 (the "Debentures"), along with accrued unpaid interest for the month of December 2023.

6. BUSINESS STRATEGY

Aecon's overall strategic goal is to be the number one Canadian infrastructure company that safely, profitably, and sustainably delivers integrated services, products, and solutions to meet its clients' needs.

Current Position

For over a decade, Aecon has built scale in core markets, achieved diversity and balance in geographic and end-market sectors, and embedded a culture of operating excellence, enhanced risk management, and consistent performance using a "One Aecon" approach to meeting the needs of its clients. In recent years, this effort has been highlighted by the development of a growing portfolio of concession investments tied to major Canadian and international infrastructure projects, and the selection of Aecon as a partner in consortiums developing several large, collaborative and progressive design build projects. Aecon has also completed a number of strategic tuck-in acquisitions and investments in core operations, while divesting a number of non-core operations, to allow for an increased focus on Aecon's chosen end-markets.

Aecon's core strategy is to differentiate its service offering and execution capability to secure higher-return projects with a lower risk profile by increasing the sophistication and efficiency of the work being performed and improving the Company's competitive advantage through its ability to provide value to its clients. As part of this differentiation, Aecon continues to work with its clients to develop collaborative alternative procurement and contracting models with the goal to reduce risk during construction and accelerate the Company's growth in long-term recurring revenue programs through related operations and maintenance contracts. Revenue from recurring revenue programs (which comprises revenue earned under maintenance master services agreements and from ongoing operations that do not qualify as backlog) increased to $1,134 million in 2023 from $896 million in 2022 and $679 million in 2021, representing growth in recurring revenue programs of 27% over 2022 and 67% since 2021.

The Company is increasingly focused on integrating sustainability into its business strategy to mitigate environmental, social, and governance ("ESG") risks and to harness the opportunities that are expected to come from the transition to a net zero economy through decarbonization. The Company is particularly focused on projects that support climate change mitigation and adaptation and the clean-energy transition, including battery storage, solar, hydrogen, nuclear, hydro-electric generation, transmission and distribution, transit, and other technologies to replace fossil fuels through electrification. In addition to undertaking clean energy projects, Aecon is also aiming to mitigate its own climate change impact – in 2021, the Company announced a target to reach net-zero by 2050, with an initial interim target to achieve a 30% reduction in Scope 1 and Scope 2 CO_2 emissions by 2030 as compared to 2020. Aecon's greenhouse gas ("GHG") emission reduction targets are intensity-based targets based on economic output and represent tonnes of CO_2 per million dollars of revenue. In 2023, Aecon achieved an 11% reduction in Scope 1 and Scope 2 GHG emissions per million dollars of revenue (tCO2e/$M) compared to 2022. To-date, Aecon has achieved a 20 percent cumulative reduction since 2020 in Scope 1 and Scope 2 emissions based on intensity-based targets relative to revenue. During 2023, Aecon was named Best Sustainable Infrastructure Construction Company 2023 – Canada by New World Report's North America Business Awards.

Forward Together 2024 – 2027 Strategic Plan

In 2022, Aecon adopted the Moving Aecon Forward Together 2022 – 2024 Strategic Plan, focusing on its ambition to be the number one Canadian infrastructure company while building what matters to enable future generations to thrive. In 2024, Aecon built upon this plan with the Forward Together 2024 – 2027 Strategic Plan (the "Strategic Plan"), focused on "Where To Play" in the priority markets the Company will focus on to ensure a de-risked portfolio and accelerate its growth, and "How We Win" by identifying three Key Focus areas the Company will continue to develop to secure a leading position and more predictable and increased profitability in these markets. The key elements of the Strategic Plan are outlined below.

Where to Play

Aecon leverages its construction and concessions experience to pursue a wide mix of projects across various market sectors, including new collaborative alternative procurement projects with both government and private clients in Canada and internationally. Building on its experience in the design, build, finance, maintenance, and operations of Canadian and international infrastructure development, Aecon is targeting additional project opportunities and partnerships that require this specialized experience and capability. Aecon is also continuing its focus on construction activities linked to sustainability. In 2023, a consortium in which Aecon Concessions is an equity partner executed an agreement to develop and construct the Oneida Energy Storage Project, the largest battery storage project currently in Canada. Under the agreement, Aecon was also awarded an engineering, procurement and construction contract for the project. Revenue tied to sustainability projects represented 64% of 2023 revenue versus 60% in 2022. Sustainability projects include, but are not limited to, projects that reduce emissions, support the transition to a net-zero economy, support clean water use and conservation, and reduce or recycle waste. The Company's definition of sustainability projects is based on the Sustainability Accounting Standards Board's ("SASB") definition of renewable energy projects and the Federal Government's definition of Green Infrastructure under the Investing in Canada Infrastructure Program.

In 2023, the Company completed three strategic transactions focused on strengthening its financial position, de-risking its portfolio and accelerating growth in priority markets. Aecon announced a strategic investment by Oaktree in Aecon Utilities, creating an enhanced growth vehicle focused on providing utility infrastructure services across North America. Oaktree acquired an interest in Aecon Utilities by way of a net $150 million convertible preferred shares investment, expected to accelerate growth in Aecon Utilities, further strengthen Aecon's balance sheet, and unlock value for the Company's shareholders. Aecon also sold a 49.9% interest in Skyport to CC&L Infrastructure for $162.3 million (US$120 million), highlighting the contribution of the Concessions' portfolio of projects to Aecon while introducing an experienced infrastructure partner and preserving capital for other growth and concession opportunities. Aecon Concessions retained the management contract for the airport and has joint control of Skyport, owning a 50.1% interest. The Company has also divested of non-core operations, including the sale of ATE, a roadbuilding, aggregates, and materials businesses in Ontario, to Green Infrastructure Partners for $235 million. Net cash proceeds received on closing were $155.3 million, net of debt and other closing adjustments. The sale complements Aecon's strategic focus on end markets related to the energy transition and sustainability, and is consistent with Aecon's goal of targeting prudent balance sheet leverage and liquidity while reducing the overall capital intensity of Aecon's business.

While the Company's growth within Canada remains its primary focus, the U.S. and international infrastructure development and construction markets provide an opportunity to continue to diversify the business over time, both organically and through targeted acquisitions. These opportunities are intended over the long term to diversify Aecon's geographic presence and provide greater growth potential and earnings stability through economic cycles. In 2023, Aecon was awarded a contract by Dominion Energy for the replacement of Condensers and Feedwater Heaters at the North Anna Power Station in Virginia, demonstrating continued progress in its U.S. expansion initiatives. Aecon also continued to advance the Kingstown Port Modernisation project in Saint Vincent and the Grenadines awarded in 2022. Aecon also acquired and integrated a number of small specialty businesses over the last several years in Canada and the U.S., primarily in the Utility Infrastructure sector to enhance its electric transmission and distribution and renewable energy solutions capabilities. Acquisitions of small specialty businesses to complement self-perform capabilities or expand geographic coverage provide opportunities to grow in Aecon's chosen end-markets and remain part of the strategic focus going forward. Revenue from U.S. and international markets increased by $161 million or 85% in 2023 versus 2022.

The Company's growth initiatives are primarily directed towards investment in areas designed to reduce at-risk work and increase activities with lower risk profiles, including recurring revenue opportunities, long-term concessions and related operations and maintenance opportunities, renewable energy and decarbonization, and other projects linked to sustainability initiatives. Revenue from non-fixed price work increased to 58% of total revenue in 2023 from 49% of total revenue in 2022, and reported backlog at December 31, 2023 was comprised of 50% non-fixed price work versus 49% at the end of 2022.

How We Win

Aecon is focused on the following three Key Focus areas designed to provide operational excellence and enable consistently profitable growth across the organization and in support of "How We Win" in its priority markets:

1) Outstanding Teams

Aecon is committed to developing its employees and building on its strong foundation of people and culture. A focus on driving progressive leadership skill development, maximizing career development outcomes, and helping prepare the Company to navigate a competitive labour environment in the industry, are all key to fulfilling Aecon's growth potential.

Equipping its leaders and workforce with the necessary knowledge, skills, and experience to thrive in the emerging world of infrastructure is key to Aecon's future success. Developing outstanding leaders and teams capable of managing growth and diversity, fostering innovation, entering new markets, adapting and developing collaborative contract delivery models, and leveraging emerging and sustainable construction practices are critical strategic levers for Aecon. In 2023, the Company made further strategic enhancements to some of its key learning programs including expanding its Project Management Academy and broadening its Champions for Diversity in Leadership program, which resulted in a number of executive appointments in the year.

The Company is committed to taking steps to be seen as a first-choice employer, drawing top talent from within and outside of the construction industry. A focus on equity, diversity, and inclusion, while demonstrating a culture of safety and sustainability, is a competitive differentiator in the construction industry, and Aecon's approach on these factors is designed to place the Company at the forefront of attracting and retaining the best talent needed to support its strategic goals. In 2023, Aecon introduced professional development opportunities designed to support strategic operational objectives, including BluePrint Essentials – an internally developed and pragmatic management primer course for construction professionals, the Aecon Sustainable Engineering & Construction Certification program developed in partnership with Beyond21 Academy and McMaster University, and a Carbon Literacy Program in partnership with Conestoga College.

2) Execution Excellence

Aecon embraces project complexity and is focused on the safe, on-time, on-budget delivery of its projects. To support operational teams across the Company with shared best practices that aim to increase efficiency and effectiveness on construction projects, eliminate wasteful activities, and ultimately add value for all stakeholders, the Company invested further in its Building Smarter program designed to embed a culture of continuous improvement across the Company.

Building Smarter has become a continuous improvement centre of excellence with a team of experienced professionals supporting projects through lean construction methods and a suite of tools, mobile-accessible platforms, training, and resources tailored to Aecon's operations. This approach seeks to strengthen the Company's ability to improve cost certainty and schedule to maximize value for clients, which the Company believes can provide a competitive advantage with respect to bidding and executing certain construction projects. Aecon believes that efficiencies are also derived from the depth and breadth of its capabilities, allowing it to participate in projects beyond the scope of any one discipline or business unit.

3) Risk versus Opportunity Balance

A key pillar of Aecon's approach to risk management is to seek to maintain balance in terms of sectors, clients, contract models, and geographies with the goal of reducing the risk of being over-exposed in any one of these areas. This approach is complemented by a focus on identifying, mitigating, and managing the risks inherent in every project the Company undertakes. Aecon continues to develop strategies and tools to manage the risk associated with complex construction work, each of which are assessed and refined on an ongoing basis as needed. Building upon the progress made in 2022, the Company developed and implemented a project risk gating assessment tool in 2023 to enhance its approach to disciplined project selection with a view to ensuring project pursuits are aligned with the Company's strengths and designed to achieve the balance outlined above.

In 2023, Aecon, GE Hitachi and AtkinsRéalis executed a six-year alliance agreement with Ontario Power Generation to deliver North America's first grid-scale Small Modular Reactor through the Darlington New Nuclear Project in Ontario under an Integrated Project Delivery model. This alliance builds on the momentum established in 2022, when consortiums in which Aecon is a member were awarded projects in Ontario designed to mitigate and manage major project risks through more collaborative procurement models, including the GO Expansion On-Corridor Works project under a progressive design, build, operate, and maintain contract model, and the Scarborough Subway Extension Stations, Rail and Systems project under a progressive design-build model.

Strategic Plan Economic Goals

The Strategic Plan is centred around the goal of creating a framework that motivates a culture of innovation, sustainability, operational excellence, continuous improvement, and risk management towards improving operating margins, prudent and balanced growth, and discipline in the allocation of capital, all ultimately designed to deliver increased value for shareholders:

- Profit: Seek to achieve best-in-class operating margin in the Construction segment relative to Canadian and international peers;
- Growth Capacity and Risk Management: Target prudent balance sheet leverage and liquidity and a balanced and diversified revenue risk profile;
- Success Sharing: Foster an ownership culture across the Company and a rewarding profit-sharing structure; and
- Shareholder Return: Drive improvements in return on equity and dividend increases over time through growth and more predictable cash flow and earnings.

Particular Focus for 2024 – the Company is focused on a number of programs and key initiatives to advance its overall strategy in 2024, including:

1. advancing the Company's key Environment, Health and Safety ("EHS") priority areas of critical risk management, digitization of EHS programs and management systems, and continued strengthening of its environment and safety performance culture;
2. introducing new learning experiences to augment Aecon's Project Management Academy, including structured on-the-job learning assignments and enhanced leadership development programs, and continuing to drive succession and career development outcomes to strengthen talent pipelines while strategically differentiating Aecon as a first-choice employer in the industry;
3. building on the progress of the Building Smarter program to embed best practices and a culture of continuous improvement across the Company, thereby driving operational excellence to increase efficiency, reduce waste and improve margin;
4. advancing negotiations and resolution of claims related to four large fixed price legacy projects (see Section 10.2 "Contingencies" and Section 13 "Risk Factors" of this MD&A);
5. completing the progressive and collaborative phases of major projects procured under delivery models designed to mitigate and manage execution risks and advancing these projects to the respective construction, operations, and maintenance phases;
6. implementing initiatives to meet the Company's interim and long-term emissions reduction goals with a focus on adding lower emission construction equipment, piloting low carbon materials and further integrating sustainability into Aecon's strategy to support its clients' sustainable infrastructure needs;
7. leveraging the Oaktree investment in and partnership with Aecon Utilities to pursue acquisitions and growth in key utility segments and geographies, primarily the U.S. and Canada; and
8. building on Aecon's P3 experience in government infrastructure projects to target sustainable and innovative development and concession opportunities in decarbonization and energy transition related markets in which Aecon has existing or growing capability in construction, operations, and maintenance.

7. CONSOLIDATED FINANCIAL HIGHLIGHTS

$ millions (except per share amounts)	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
Revenue	**$ 1,130.2**	**$ 1,266.8**	**$ 4,643.8**	**$ 4,696.5**
Gross profit	98.0	98.7	255.6	356.0
Marketing, general and administrative expense	(51.8)	(48.1)	(177.8)	(196.4)
Income from projects accounted for using the equity method	5.5	5.9	18.7	17.7
Other income	2.6	8.1	223.5	14.1
Depreciation and amortization	(14.6)	(23.9)	(79.1)	(94.2)
Operating profit	**39.6**	**40.7**	**240.9**	**97.2**
Finance income	2.2	2.0	7.7	2.9
Finance cost	(21.4)	(16.9)	(71.0)	(57.1)
Profit before income taxes	**20.3**	**25.8**	**177.5**	**43.0**
Income tax expense	(10.7)	(6.1)	(15.7)	(12.6)
Profit	**$ 9.7**	**$ 19.7**	**$ 161.9**	**$ 30.4**
Gross profit margin(3)	**8.7%**	**7.8%**	**5.5%**	**7.6%**
MG&A as a percent of revenue(3)	**4.6%**	**3.8%**	**3.8%**	**4.2%**
Adjusted EBITDA(1)	**$ 70.2**	**$ 67.5**	**$ 143.4**	**$ 219.2**
Adjusted EBITDA margin(2)	**6.2%**	**5.3%**	**3.1%**	**4.7%**
Operating margin(3)	**3.5%**	**3.2%**	**5.2%**	**2.1%**
Earnings per share – basic	**$ 0.16**	**$ 0.32**	**$ 2.62**	**$ 0.50**
Earnings per share – diluted	**$ 0.15**	**$ 0.26**	**$ 2.10**	**$ 0.47**
Backlog (at end of period)			**$ 6,157**	**$ 6,296**

(1) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.

(2) This is a non-GAAP ratio. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP ratio.

(3) This is a supplementary financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each supplementary financial measure.

Revenue for the year ended December 31, 2023 of $4,644 million was $52 million, or 1%, lower compared to 2022. Revenue was lower in the Construction segment ($48 million) driven by lower revenue in civil ($65 million), nuclear ($33 million), industrial ($24 million), and utilities ($5 million), partially offset by higher revenue in urban transportation solutions ($79 million). The lower revenue in civil was driven by a year-over-year decrease of $275 million as a result of the sale of ATE in the second quarter of 2023. In the Concessions segment, revenue was $2 million lower in 2023 compared to the prior year primarily due to the Bermuda International Airport concessionaire. Subsequent to the sale of a 49.9% interest in Skyport on September 20, 2023, the Company's retained 50.1% interest in Skyport is reported using the equity method of accounting and as such, no amounts are reported in revenue on a prospective basis by Aecon (See Section 5 "Recent Developments" of this MD&A for details of the sale of a 49.9% interest in Skyport and Note 12 "Projects Accounted for Using the Equity Method" in the Company's audited consolidated financial statements for the year ended December 31, 2023). Inter-segment revenue eliminations increased by $2 million in 2023 compared to the prior year, due to higher revenue between the Concessions and Construction segments.

Operating profit of $240.9 million for the year ended December 31, 2023 improved by $143.7 million compared to operating profit of $97.2 million in 2022. The improvement in year-over-year operating profit was largely due to an increase in other income of $209.4 million. This increase was primarily due to gains related to the sale of a 49.9% interest in Skyport of $139.0 million, including a fair value remeasurement gain of $80.4 million on Aecon’s 50.1% retained interest in the concessionaire and the sale of ATE ($36.5 million). Also contributing to the increase in other income was higher gains on the sale of property, buildings, and equipment ($38.7 million, of which $20.7 million was included in the Construction segment and $18.0 million in Corporate), a higher fair value gain on financial instruments ($0.9 million), and partially offset by lower foreign exchange gains ($1.4 million) and lower gains on other assets ($4.3 million).

The increase in operating profit from the above noted increase in other income was partially offset by lower gross profit in 2023 of $100.4 million. In the Construction segment, gross profit decreased by $101.6 million primarily as a result of negative gross profit related to four fixed price legacy projects in 2023 of $215.2 million, arising from three of the four projects, two of which were in urban transportation solutions and one in the civil sector, compared to negative gross profit on the fixed price legacy projects of $120.0 million in 2022. These four fixed price legacy projects are discussed in Section 5 “Recent Developments”, Section 10.2 “Contingencies”, and Section 13 “Risk Factors” in this MD&A. In addition to the impact of these four fixed price legacy projects in 2023, lower gross profit in the balance of the Construction segment was largely due to lower gross profit in civil operations primarily due to the sale of ATE in the second quarter of 2023, a volume driven decrease in gross profit in utilities, and lower volume and gross profit margin in nuclear operations, partially offset by improved gross profit margin in urban transportation solutions and industrial operations. In the Concessions segment and Corporate, gross profit in 2023 increased by $1.2 million compared to 2022.

MG&A decreased in 2023 by $18.6 million compared to 2022. The decrease in MG&A was primarily due to lower personnel, project pursuit and bid costs, as well as the impact of the sale of ATE in the second quarter of 2023. MG&A as a percentage of revenue decreased from 4.2% in 2022 to 3.8% in 2023.

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 $18.7 million in 2023 from projects accounted for using this method of accounting, compared to $17.7 million in 2022. The higher income in 2023 in the Concessions segment ($1.5 million) was driven by an increase in management and development fees and partially offset in the Construction segment ($0.5 million) by lower income from civil projects. For details on Aecon’s interest in these joint ventures, see Note 12 “Projects Accounted for Using the Equity Method” of the Company’s audited consolidated financial statements for the year ended December 31, 2023.

Depreciation and amortization expense of $79.1 million in 2023 was $15.1 million lower than in 2022. Depreciation and amortization expense decreased year-over-year in the Construction segment ($9.8 million) largely related to a decrease in equipment deployed due to the sale of ATE in the second quarter of 2023. In the Concessions segment, depreciation and amortization expense decreased ($4.8 million) due to the sale of a 49.9% interest in Skyport in the third quarter of 2023 and the use of the equity method of accounting on a prospective basis for the Company’s retained 50.1% interest in Skyport.

Net financing expense of $63.3 million in 2023, consisting of finance cost of $71.0 million less finance income of $7.7 million, was $9.1 million higher than in 2022. The increase is primarily related to accrued dividends of $3.6 million, a fair value gain of $2.9 million, and one-time transaction costs of $13.3 million all related to the issuance of Preferred Shares by Aecon Utilities in 2023, increased borrowings and higher interest rates on Aecon's revolving credit facilities compared to the prior year, partially offset by lower interest expense related to the Bermuda International Airport project following the sale of a 49.9% interest in Skyport in the third quarter of 2023 and the use of the equity of accounting on a prospective basis for Aecon's retained 50.1 % interest in the project.

Set out in Note 22 "Income Taxes" of the Company's audited consolidated financial statements for the year ended December 31, 2023 is a reconciliation between the expected income tax expense for 2023 and 2022 based on statutory income tax rates and the actual income tax expense reported for both these periods. In 2023, the effective income tax rate was lower than the Canadian statutory income tax rate of 26.4% mainly due to income tax on transactions related to the disposal of subsidiaries and related fair value remeasurement gains. While in 2022, the effective income tax rate was higher than the Canadian statutory income tax rate of 26.4% mainly due to the geographic mix of earnings largely related to the Bermuda International Airport project.

Reported backlog at December 31, 2023 of $6,157 million compares to backlog of $6,296 million at December 31, 2022. New contract awards of $4,505 million were booked in 2023 compared to $4,795 million in 2022.

Backlog
$ millions

	At December 31	
	2023	2022
Construction	**$ 6,053**	$ 6,197
Concessions	**104**	99
Consolidated	**$ 6,157**	$ 6,296

Estimated backlog duration
$ millions

	At December 31			
	2023		2022	
Next 12 months	**$ 2,669**	**44%**	$ 3,035	48%
Next 13-24 months	**1,309**	**21%**	1,853	29%
Beyond	**2,179**	**35%**	1,408	23%
	$ 6,157	**100%**	$ 6,296	100%

The timing of work to be performed for projects in backlog at December 31, 2023 is based on current project schedules, taking into account the current estimated impacts of supply chain disruptions and availability of labour. It is possible that these estimates could change in the future based on changes in these or other factors impacting the schedule of these projects. The above backlog and estimated backlog duration balances at December 31, 2023 exclude all amounts related to ATE which was sold in the second quarter of 2023 (see Section 5 "Recent Developments" of this MD&A) at which time related backlog of $447 million was removed.

Aecon does not report as backlog 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.

Further detail for each segment is included in the discussion below under Section 8 "Reportable Segments Financial Highlights".

8. REPORTABLE SEGMENTS FINANCIAL HIGHLIGHTS

8.1. CONSTRUCTION

Financial Highlights

$ millions	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
Revenue	**$ 1,127.2**	$ 1,246.3	**$ 4,572.5**	$ 4,620.8
Gross profit	**$ 97.6**	$ 90.9	**$ 223.4**	$ 325.0
Adjusted EBITDA(1)	**$ 65.0**	$ 57.5	**$ 99.4**	$ 192.5
Operating profit	**$ 49.1**	$ 43.6	**$ 59.0**	$ 120.9
Gross profit margin(3)	**8.7%**	7.3%	**4.9%**	7.0%
Adjusted EBITDA margin(2)	**5.8%**	4.6%	**2.2%**	4.2%
Operating margin(3)	**4.4%**	3.5%	**1.3%**	2.6%
Backlog (at end of period)			**$ 6,053**	$ 6,197

(1) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.
(2) This is a non-GAAP ratio. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP ratio.
(3) This is a supplementary financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each supplementary financial measure.

For the year ended December 31, 2023, revenue in the Construction segment of $4,573 million was $48 million, or 1%, lower than in 2022. The largest decrease in revenue occurred in civil operations ($65 million) driven by a lower volume of roadbuilding construction work in eastern Canada of $275 million as a result of the sale of ATE in the second quarter of 2023, and partially offset by a higher volume of major projects work in both eastern and western Canada. Revenue was also lower in nuclear operations ($33 million) driven by a lower volume of refurbishment work at nuclear generating stations located in Ontario, and in industrial operations ($24 million) driven by a lower volume of field construction work primarily at chemical facilities in eastern Canada and partially offset by increased activity on mainline pipeline work. In utilities operations, lower revenue ($5 million) resulted primarily from a decrease in gas distribution work. Partially offsetting these decreases was higher revenue in urban transportation solutions ($79 million) primarily from an increase in rail expansion and electrification work in Ontario.

Operating profit in the Construction segment of $59.0 million in 2023 decreased by $61.9 million compared to 2022. The largest driver of the decrease in operating profit was negative gross profit from the four fixed price legacy projects of $215.2 million in 2023 compared to negative gross profit on the four fixed price legacy projects of $120.0 million in 2022 for a net negative year-over-year impact on operating profit of $95.2 million. In civil operations, lower gross profit was driven by a negative gross profit of $75.7 million from one of the four fixed price legacy projects compared to a gross profit of $13.2 million related to the same project in 2022; in urban transportation solutions by a negative gross profit of $139.5 million in 2023 from two of the four fixed price legacy projects versus a negative gross profit of $117.8 million in 2022 from the same projects; and partially offset in industrial operations by gross profit of $nil from one of the four fixed price legacy projects compared to a negative gross profit of $15.4 million related to the same project in 2022. The four fixed price legacy projects are discussed in Section 5 “Recent Developments”, Section 10.2 “Contingencies”, and Section 13 “Risk Factors” in this MD&A. Other than the impact of these fixed price legacy projects in 2023, higher operating profit in the balance of the Construction segment was driven by higher volume and gross profit margin in urban transportation solutions, and in industrial operations from higher gross profit margin. These operating profit improvements were partially offset in civil operations primarily by lower operating profit from roadbuilding construction work due to the sale of ATE in the second quarter of 2023 ($23.5 million), in nuclear operations by lower volume and gross profit margin, and in utilities operations from lower gross profit.

Construction backlog at December 31, 2023 was $6,053 million, which was $144 million lower than the same time last year. Backlog decreased year-over-year in civil operations ($311 million), industrial operations ($309 million), urban transportation solutions ($268 million), and utilities operations ($89 million), and increased in nuclear operations ($833 million). Backlog at December 31, 2023 excludes all amounts related to ATE which was sold in the second quarter of 2023 (see Section 5 “Recent Developments” of this MD&A) at which time related backlog of $447 million was removed. New contract awards in 2023 totaled $4,428 million compared to $4,702 million in 2022. In 2023, Aecon was awarded a number of projects including delivery of the Deerfoot Trail Improvements project in Calgary, Alberta; a design-build contract for the Eglinton Crosstown West Extension project’s Elevated Guideway in Toronto, Ontario; the replacement of Condensers and Feedwater Heaters for Dominion Energy at the North Anna Power Station in Mineral, Virgina; and an Aecon joint venture was awarded the Fuel Channel and Feeder Replacement contract for four units at the Bruce Nuclear Generating Station in Tiverton, Ontario.

As discussed in Section 7 “Consolidated Financial Highlights”, the Construction segment’s anticipated future work to be performed at any given time is greater than what is reported as backlog.

8.2. CONCESSIONS

Financial Highlights

$ millions	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
Revenue	**$ 3.0**	$ 20.6	**$ 73.5**	$ 75.9
Gross profit	**$ 1.0**	$ 8.3	**$ 32.4**	$ 31.0
Income from projects accounted for using the equity method	**$ 2.6**	$ 4.1	**$ 15.8**	$ 14.2
Adjusted EBITDA(1)	**$ 19.7**	$ 19.3	**$ 89.8**	$ 71.0
Operating profit	**$ 4.6**	$ 7.1	**$ 174.1**	$ 22.1
Backlog (at end of period)			**$ 104**	$ 99

(1) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.

On September 20, 2023, Aecon announced the closing of the previously disclosed agreement with CC&L Infrastructure to sell a 49.9% interest in Skyport. Following this transaction, Aecon holds a 50.1% interest in Skyport, the concessionaire responsible for the Bermuda International Airport's operations, maintenance and commercial functions, and the entity that will manage and coordinate the overall delivery of the Bermuda International Airport project over a 30-year concession term that commenced in 2017. On December 9, 2020, Skyport opened the new passenger terminal building at the L.F. Wade International Airport. Prior to the transaction with CC&L Infrastructure, Aecon's participation in Skyport was 100% consolidated and, as such, was accounted for in the consolidated financial statements by reflecting, line by line, the assets, liabilities, revenue and expenses of Skyport. Subsequent to the closing of the Skyport transaction during the third quarter of 2023, Aecon's 50.1% concession participation in the Skyport joint venture is accounted for using the equity method. See Section 5 "Recent Developments" of this MD&A for details of the completed sale of a 49.9% interest in Skyport. Furthermore, Aecon's concession participation in the Eglinton Crosstown light rail transit ("LRT"), Finch West LRT, Gordie Howe International Bridge, Waterloo LRT, and the GO Expansion On-Corridor Works projects are joint ventures that are also accounted for using the equity method.

For the year ended December 31, 2023, revenue in the Concessions segment of $74 million was $2 million lower than in 2022. The decrease was largely due to the Bermuda International Airport where revenue in 2023 was $61 million compared to revenue in 2022 of $69 million. This decrease in revenue was driven by the above noted sale of a 49.9% interest in Skyport and the use of the equity method of accounting on a prospective basis for the Company's retained 50.1% interest in Skyport. In 2023, passenger traffic levels in Bermuda averaged 75% of 2019 pre-pandemic traffic compared to 58% in 2022.

Operating profit in the Concessions segment of $174.1 million for the year ended December 31, 2023 improved by $152.0 million compared to an operating profit of $22.1 million in 2022. The higher operating profit resulted primarily from gains related to the sale of a 49.9% interest in the Bermuda International Airport concessionaire of $139.0 million, including a fair value remeasurement gain of $80.4 million on Aecon's 50.1% retained interest in the concessionaire. The balance of the improvement in operating profit was related to higher income from management and development fees and an improvement in operating results at the Bermuda International Airport.

Except for "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.

9. QUARTERLY FINANCIAL DATA

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

$ millions (except per share amounts)

	2023				2022			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Revenue	$ 1,130.2	$ 1,239.6	$ 1,166.9	$ 1,107.2	$ 1,266.8	$ 1,320.5	$ 1,123.2	$ 985.9
Adjusted EBITDA[1]	70.2	32.0	16.7	24.6	67.5	92.6	38.5	20.6
Earnings (loss) before income taxes	20.3	125.8	41.3	(9.9)	25.8	46.5	(8.0)	(21.3)
Profit (loss)	9.7	133.4	28.2	(9.4)	19.7	34.5	(6.4)	(17.4)
Earnings (loss) per share:								
Basic	0.16	2.16	0.46	(0.15)	0.32	0.57	(0.10)	(0.29)
Diluted	0.15	1.63	0.38	(0.15)	0.26	0.45	(0.10)	(0.29)

(1) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.

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 and repurchases 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

	2023				2022			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Operating profit (loss)	$ 39.6	$ 140.1	$ 55.6	$ 5.6	$ 40.7	$ 61.0	$ 5.1	$ (9.6)
Depreciation and amortization	14.6	20.3	21.2	22.9	23.9	23.8	23.6	22.9
(Gain) loss on sale of assets and subsidiaries	(1.9)	(138.6)	(69.6)	(12.2)	(7.6)	(2.5)	(0.3)	(2.1)
(Income) from projects accounted for using the equity method	(5.5)	(5.2)	(4.8)	(3.3)	(5.9)	(5.0)	(3.7)	(3.0)
Equity Project EBITDA[1]	23.4	15.4	14.2	11.6	16.4	15.4	13.8	12.4
Adjusted EBITDA[1]	$ 70.2	$ 32.0	$ 16.7	$ 24.6	$ 67.5	$ 92.6	$ 38.5	$ 20.6

(1) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.

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

$ millions

Aecon's proportionate share of projects accounted for using the equity method [1]	2023 Quarter 4	2023 Quarter 3	2023 Quarter 2	2023 Quarter 1	2022 Quarter 4	2022 Quarter 3	2022 Quarter 2	2022 Quarter 1
Operating profit	$ 19.6	$ 15.4	$ 14.1	$ 11.4	$ 16.2	$ 15.2	$ 13.6	$ 12.2
Depreciation and amortization	3.8	-	0.1	0.2	0.2	0.2	0.2	0.2
Equity Project EBITDA[2]	23.4	15.4	14.2	11.6	16.4	15.4	13.8	12.4

(1) Refer to Note 12 "Projects Accounted for Using the Equity Method" in the Company's audited consolidated financial statements for the year ended December 31, 2023.
(2) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.

Set out below is the calculation of Adjusted EBITDA by segment for the three months and years ended December 31, 2023 and 2022:

$ millions

	Three months ended December 31, 2023				Year ended December 31, 2023			
	Construction	Concessions	Other costs and eliminations	Consolidated	Construction	Concessions	Other costs and eliminations	Consolidated
Operating profit (loss)	$ 49.1	$ 4.6	$ (14.1)	$ 39.6	$ 59.0	$ 174.1	$ 7.8	$ 240.9
Depreciation and amortization	14.9	0.1	(0.4)	14.6	61.1	17.0	1.0	79.1
(Gain) loss on sale of assets	(1.8)	-	(0.1)	(1.9)	(28.8)	(139.0)	(54.5)	(222.3)
(Income) from projects accounted for using the equity method	(2.9)	(2.6)	-	(5.5)	(2.9)	(15.8)	-	(18.7)
Equity Project EBITDA[1]	5.7	17.7	-	23.4	10.9	53.6	-	64.5
Adjusted EBITDA[1]	$ 65.0	$ 19.7	$ (14.5)	$ 70.2	$ 99.4	$ 89.8	$ (45.8)	$ 143.4

$ millions

	Three months ended December 31, 2022				Year ended December 31, 2022			
	Construction	Concessions	Other costs and eliminations	Consolidated	Construction	Concessions	Other costs and eliminations	Consolidated
Operating profit (loss)	$ 43.6	$ 7.1	$ (9.9)	$ 40.7	$ 120.9	$ 22.1	$ (45.9)	$ 97.2
Depreciation and amortization	17.7	5.6	0.5	23.9	70.9	21.7	1.5	94.2
(Gain) on sale of assets	(7.6)	-	-	(7.6)	(12.6)	-	-	(12.6)
(Income) from projects accounted for using the equity method	(1.8)	(4.1)	-	(5.9)	(3.5)	(14.2)	-	(17.7)
Equity Project EBITDA[1]	5.7	10.7	-	16.4	16.7	41.4	-	58.1
Adjusted EBITDA[1]	$ 57.5	$ 19.3	$ (9.4)	$ 67.5	$ 192.5	$ 71.0	$ (44.3)	$ 219.2

(1) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.

Set out below is the calculation of Equity Project EBITDA by segment for the three months and years ended December 31, 2023 and 2022:

$ millions

Aecon's proportionate share of projects accounted for using the equity method [1]	Three months ended December 31, 2023				Year ended December 31, 2023			
	Construction	Concessions	Other costs and eliminations	Consolidated	Construction	Concessions	Other costs and eliminations	Consolidated
Operating profit	$ 5.7	$ 13.9	$ -	$ 19.6	$ 10.7	$ 49.8	$ -	$ 60.5
Depreciation and amortization	-	3.8	-	3.8	0.2	3.8	-	4.0
Equity Project EBITDA[2]	$ 5.7	$ 17.7	$ -	$ 23.4	$ 10.9	$ 53.6	$ -	$ 64.5

$ millions

Aecon's proportionate share of projects accounted for using the equity method [1]	Three months ended December 31, 2022				Year ended December 31, 2022			
	Construction	Concessions	Other costs and eliminations	Consolidated	Construction	Concessions	Other costs and eliminations	Consolidated
Operating profit	$ 5.5	$ 10.7	$ -	$ 16.2	$ 16.0	$ 41.4	$ -	$ 57.4
Depreciation and amortization	0.2	-	-	0.2	0.7	-	-	0.7
Equity Project EBITDA[2]	$ 5.7	$ 10.7	$ -	$ 16.4	$ 16.7	$ 41.4	$ -	$ 58.1

(1) Refer to Note 12 “Projects Accounted for Using the Equity Method” in the Company’s audited consolidated financial statements for the year ended December 31, 2023.

(2) This is a non-GAAP financial measure. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each non-GAAP financial measure.

Quarterly Financial Highlights

$ millions	Three months ended December 31			
	Revenue		**Operating profit**	
	2023	2022	**2023**	2022
Construction	**$ 1,127.2**	$ 1,246.3	**$ 49.1**	$ 43.6
Concessions	**3.0**	20.6	**4.6**	7.1
Other costs and eliminations	**-**	-	**(14.1)**	(9.9)
Consolidated	**$ 1,130.2**	$ 1,266.8	**$ 39.6**	$ 40.7

The analysis of operating results for each of the first three quarters of 2023 is included in Management’s Discussion and Analysis included in the Interim Reports to Shareholders for each respective quarter. 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.

For the three months ended December 31, 2023, revenue in the Construction segment of $1,127 million was $119 million, or 10%, lower than the fourth quarter of 2022. Construction segment revenue was lower in industrial operations ($106 million), primarily due to decreased activity on mainline pipeline work in western Canada; in civil operations ($67 million), largely from a lower volume of roadbuilding construction work in eastern Canada of $99 million due to the sale of ATE in the second quarter of 2023, partially offset by an increase in major projects work in western Canada; in utilities operations ($22 million), due to a decreased volume of gas and telecommunications work; and in nuclear operations ($1 million). These decreases were partially offset in urban transportation solutions ($77 million), primarily from an increase in rail expansion and electrification work in Ontario.

Operating profit in the Construction segment of $49.1 million in the fourth quarter of 2023 increased by $5.5 million compared to operating profit of $43.6 million in the fourth quarter of 2022. Higher operating profit in urban transportation solutions was driven by a negative gross profit of $40.0 million in the fourth quarter of 2023 from two of the four fixed price legacy projects compared to a negative gross profit of $62.9 million in the same period in 2022 from the same projects, as well as from higher volume and gross profit margin from the balance of the urban transportation solutions sector. Operating profit was also higher in industrial operations due to higher gross profit margin in the period. Partially offsetting these increases was lower operating profit in civil operations driven by the sale of ATE in the second quarter of 2023 ($10.5 million), gross profit of $nil in the fourth quarter of 2023 from one of the four fixed price legacy projects versus a gross profit of $4.0 million in the same period in 2022 from the same project, as well as lower gross profit margin in the balance of the civil sector. In addition, operating profit was lower in nuclear operations from lower gross profit margin, and lower in utilities due to higher MG&A.

Revenue in the Concessions segment in the fourth quarter of 2023 of $3 million was lower by $18 million when compared to the same period in 2022, primarily due to lower revenue from the Bermuda International Airport following the sale of a 49.9% interest in Skyport on September 20, 2023 and the commencement of equity method accounting for the project. See Section 5 "Recent Developments" of this MD&A for details of the completed sale of a 49.9% interest in Skyport. In the fourth quarter of 2023, passenger traffic levels in Bermuda averaged 77% of fourth quarter 2019 pre-pandemic traffic, compared to 63% in the fourth quarter of 2022.

Concessions segment operating profit of $4.6 million in the fourth quarter of 2023 was $2.5 million lower than the same period in 2022 as a result of lower operating profit from the Bermuda International Airport driven by the sale of a 49.9% interest in the project in the third quarter of 2023, partially offset by higher income from management and development fees related to other projects accounted for using the equity method.

MG&A expense increased in the fourth quarter of 2023 by $3.7 million compared to the same period in 2022, largely due to higher personnel costs. MG&A as a percentage of revenue increased from 3.8% in the fourth quarter of 2022 to 4.6% in the same period in 2023.

Aecon reported income from projects accounted for using the equity method of $5.5 million in the fourth quarter of 2023 compared to $5.9 million in the same period in 2022. The lower income in the fourth quarter of 2023 in the Concessions segment ($1.4 million) was driven by the Skyport operations and partially offset in the Construction segment ($1.0 million) by an increase from civil projects.

Other income of $2.6 million in the fourth quarter of 2023 was $5.5 million lower compared to the same period in 2022, primarily related to lower gains on the sale of equipment and other assets in the Construction segment ($5.7 million) and from lower foreign exchange gains ($0.7 million), partially offset by a higher fair value gain on financial instruments ($0.9 million).

Depreciation and amortization expense of $14.6 million in the fourth quarter of 2023 was $9.3 million lower than the same period in 2022 with decreases in Concessions ($5.6 million) driven by the Bermuda Airport project, in Construction ($2.8 million) due to the sale of ATE in the second quarter of 2023, and in Corporate ($0.9 million).

Net financing expense of $19.2 million in the fourth quarter of 2023, consisting of finance cost of $21.4 million less finance income of $2.2 million, was $4.3 million higher than the same period in 2022. The increase is primarily related to accrued dividends of $3.6 million, a fair value gain of $2.9 million, and one-time transaction costs of $13.3 million all related to the issuance of Preferred Shares by Aecon Utilities in the fourth quarter of 2023, partially offset by lower interest expense related to the Bermuda International Airport project following the commencement of equity of accounting for Aecon's retained 50.1 % interest in the project, and lower borrowings on Aecon's revolving credit facilities compared to the same period in 2022.

New contract awards for the three months ended December 31, 2023 were $1,085 million compared to $1,288 million in the same period in 2022.

Selected Annual Information

Set out below is selected annual information for each of the last three years.

($ millions, except per share amounts)	2023	2022	2021
Total revenue	**$ 4,643.8**	$ 4,696.6	$ 3,977.3
Operating profit	**240.9**	97.2	118.8
Profit	**161.9**	30.4	49.7
Per share:			
Basic	**2.62**	0.50	0.82
Diluted	**2.10**	0.47	0.78
Total assets	**3,195.6**	3,567.0	3,286.8
Non-current financial liabilities at December 31	**393.4**	778.6	903.7
Cash dividends declared per common share	**0.74**	0.74	0.70

10. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

10.1. INTRODUCTION

Aecon's participation in joint arrangements classified as joint operations is accounted for in the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2023 by reflecting, line by line, Aecon's share of the assets held jointly, liabilities incurred jointly, and revenue and expenses arising from the joint operations.

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

For further information, see Note 12 "Projects Accounted for Using the Equity Method" to the Company's audited consolidated financial statements for the year ended December 31, 2023.

10.2. CONTINGENCIES

Coastal GasLink Pipeline, Sections 3 and 4

The project has been delayed and impacted by various events for which SA Energy Group ("SAEG"), a partnership in which the Company holds a 50% interest, asserts Coastal GasLink ("CGL") is contractually responsible, including, but not limited to, significant scope changes and delays by CGL, unforeseen site conditions, compensable adverse weather impacts and a suspension implemented by CGL as a result of regulatory restrictions imposed due to the COVID-19 pandemic. SAEG asserts that it is entitled to additional compensation for costs associated with those delays and impacts and commenced an arbitration in the second quarter of 2021 pursuant to the terms of the contract to resolve the matter. In the third quarter of 2022, CGL issued a counterclaim, alleging breach of contract and damages arising therefrom; CGL did not articulate the amount of damages it was seeking. In the first quarter of 2023, CGL withdrew its allegations of breach of contract and related damages from its counterclaim. The arbitration hearing is scheduled to commence in the third quarter of 2024. While this commercial dispute could result in a material impact to Aecon's earnings, cash flow, and financial position if not resolved favourably through ongoing negotiations or arbitration, the ultimate results cannot be predicted at this time.

Kemano Generating Station Second Tunnel Project

During the second quarter of 2020, Rio Tinto issued a notice of termination of contract to the joint venture in which Aecon holds a 40% interest with respect to the Kemano Generating Station Second Tunnel Project. Rio Tinto also issued notice to the joint ventures' sureties asserting a claim on the 50% performance bonds; the sureties entered into a cooperation agreement with Rio Tinto but have not taken a position on the validity of this claim on the bonds. In the third quarter of 2020, the joint venture issued a notice of civil claim seeking approximately $105 million in damages from Rio Tinto. The joint venture also registered and perfected a builders' lien against project lands, providing security over approximately $97 million of the claimed damages. In the first quarter of 2021, Rio Tinto issued a counterclaim against the joint venture but did not articulate the amount of damages it may seek from the joint venture; such amount is expected to be material. While it is possible that this commercial dispute could result in a material impact to Aecon's earnings and cash flow if not resolved, the ultimate results cannot be predicted at this time. The aforementioned notice of civil claim was commenced in the Supreme Court of British Columbia between Frontier Kemper Constructors and Frontier Kemper – Aecon Joint Venture as plaintiffs/defendants by counterclaim and Rio Tinto Alcan Inc. and Aluminum Company of Canada Limited/Aluminum Du Canada Limitée as the defendants/plaintiffs by counterclaim.

K+S Potash Canada

During the second quarter of 2018, the Company filed a statement of claim in the Court of King'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 $140 million of unbilled revenue and accounts receivable at December 31, 2023. 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 has also been brought into two other lawsuits in the same Court between KSPC and various other contractors involved with the Legacy mine project, both relating to matters which the Company believes are materially covered by insurance coverage, to the extent of any liability. In the fourth quarter of 2022, the Court issued a decision allowing an application by Aecon to add KSPC's parent company K+S Aktiengesellschaft ("KSAG") as a defendant to the lawsuit arising from KSAG's conduct in inducing KSPC to breach its contract with Aecon. These claims may not be resolved for several years. While the Company considers KSPC's claim to be without merit and does not expect that the resolution of these claims will cause a material impact to its financial position, the ultimate results cannot be predicted at this time.

Critical Accounting Estimates – Certain Fixed Price Legacy Projects

Four large fixed price legacy projects being performed by joint ventures in which Aecon is a participant (see Section 13 "Risk Factors" in this MD&A), are being negatively impacted due to additional costs for which the joint ventures assert that the owners are contractually responsible, including for, among other things, unforeseeable site conditions, third party delays, impacts of COVID-19, supply chain disruptions, and inflation related to labour and materials. Revenue and income from these contracts are determined by the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs at completion of the project. The Company has a process whereby progress to completion is reviewed by management on a regular basis and estimated costs to complete are updated as necessary. Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that the relevant joint venture 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 that the Company and the relevant joint venture believes the owner is contractually responsible. Due to unforeseen changes in estimates of the nature or cost of the work to be completed and / or changes in estimates of related revenue, contract profit can differ significantly from earlier estimates (See Section 13 "Risk Factors": "Large Project Risk", "Certain Fixed Price Legacy Projects", "Contractual Factors", "Litigation Risk and Claims Risk", "Increases in the Cost of Raw Materials", "Supply Chain Disruption", "Risks Related to the COVID-19 Pandemic and Associated Supports under Government Assistance Programs" and "Force Majeure Events" in this MD&A). In 2023 and 2022, due to the factors discussed above that impacted these four fixed price legacy projects during the year, Aecon recognized an operating loss of $215.2 million and $120.0 million, respectively, related to these four projects. See also Section 5 “Recent Developments” in this MD&A.

10.3. CASH AND DEBT BALANCES

Cash balances at December 31, 2023 and 2022 are as follows:

$ millions		December 31, 2023		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	$ 259	$ 387	$ 646
Bank indebtedness	(3)	(112)	-	(112)
		December 31, 2022		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	$ 20	$ 357	$ 377
Restricted cash	(2)	107	-	107
Bank indebtedness	(3)	(121)	-	(121)

(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 Skyport. At December 31, 2023, Aecon’s 50.1% interest in Skyport is reported using the equity method of accounting (Refer to Note 12, “Projects Accounted For Using The Equity Method” in the Company’s audited consolidated financial statements for the year ended December 31, 2023 and Section 5 “Recent Developments” of this MD&A).
(3) Bank indebtedness represents borrowings on Aecon’s revolving credit facilities.

Long-term debt balances at December 31, 2023 and 2022 are as follows:

$ millions	December 31, 2023	December 31, 2022
Current portion of long-term debt – recourse	**$ 42.6**	$ 56.6
Current portion of convertible debentures	-	178.9
Long-term debt – recourse	**106.8**	173.6
Total long-term recourse debt	**$ 149.4**	$ 409.1
Current portion of project debt – non-recourse	**$ -**	$ 3.3
Long-term project debt – non-recourse	**-**	375.7
Total project debt – non-recourse	**$ -**	$ 379.0
Preferred Shares of Aecon Utilities	**$ 157.1**	$ -

Total long-term recourse debt of $149.4 million at December 31, 2023 compares to $409.1 million at December 31, 2022. The $259.7 million net decrease in total long-term recourse debt resulted primarily from the cash repayment of convertible debentures with a principal value of $184.0 million along with accrued and unpaid interest and a decrease in equipment leases of $50.2 million and equipment financing of $30.6 million primarily as a result of the sale of ATE in the second quarter of 2023.

The $379.0 million decrease in long-term non-recourse project debt all relates to the financing of the Bermuda

International Airport project. Subsequent to the sale of a 49.9% interest in the Bermuda International Airport concessionaire in the third quarter of 2023, Aecon's remaining 50.1% interest in the long-term non-recourse project debt of this project has been included in "Projects Accounted For Using The Equity Method" in the Company's audited consolidated financial statements and the accompanying notes for the year ended December 31, 2023 (See Section 5 "Recent Developments" of this MD&A and Note 12 "Projects Accounted for Using the Equity Method" to the Company's audit consolidated financial statements for the year ended December 31, 2023).

The $157.1 million increase in the Preferred Shares of Aecon Utilities resulted primarily from gross proceeds of $154.6 million from a convertible preferred shares investment by Oaktree in Aecon Utilities. The balance of the increase in the Preferred Shares was due to accrued dividends of $3.6 million and net fair value gains totalling $1.1 million in 2023.

On October 24, 2023, following the closing of the Oaktree investment in Aecon Utilities, Aecon replaced its $600 million committed credit facility with a $450 million committed credit facility for Aecon and a new separate $400 million committed credit facility for Aecon Utilities. Both credit facilities mature on October 24, 2027. At December 31, 2023, $112 million was drawn on the facilities and $6 million utilized for letters of credit. At December 31, 2023, cash drawings under the revolving credit facilities bear interest at rates between prime and prime plus 1.85% per annum. The revolving credit facilities, when combined with an additional $900 million performance security guarantee facility to support letters of credit provided by Export Development Canada ("EDC"), brings Aecon's committed credit facilities for working capital and letter of credit requirements to a total of $1,750 million. On June 30, 2023, the EDC facility was extended to June 30, 2025. On December 29, 2023, convertible debentures with a face value of $184 million were repaid in cash. The Company has no other debt or working capital credit facility maturities until 2027, except equipment and property loans and leases in the normal course. At December 31, 2023, Aecon was in compliance with all debt covenants related to its credit facilities.

Aecon's financial position, liquidity, and capital resources are subject to the risks and uncertainties described in Section 10.2 "Contingencies" of this MD&A regarding certain pending legal proceedings to which Aecon is a party. Aecon and its joint venture partners also continue to advance negotiations and work towards resolution of claims for additional costs related to the four fixed price legacy projects, and in conjunction strengthen the Company's balance sheet through reducing working capital related to these projects. While the Company believes each relevant joint venture has a strong claim to recover at least a substantial portion of these costs, the ultimate outcome of these matters cannot be predicted at this time (see Section 13 "Risk Factors": "Certain Fixed Price Legacy Projects" of the Company's 2022 Annual MD&A). Aecon's operations also remain subject to uncertainties related to the unpredictability of future potential impacts related to global economic conditions, notably from supply chain disruptions, inflation related to labour and materials, and availability of labour (see Section 5 "Recent Developments" of this MD&A). As such, while the Company remains subject to risks which individually or in the aggregate, could result in material impacts to Aecon's earnings, cash flow, liquidity and financial position, the Company believes that its current liquidity position, including its cash position, unused credit capacity, and cash generated from its operations, is sufficient to fund its operations.

In the fourth quarter of 2023, Aecon's Board of Directors approved a quarterly dividend of $0.185 per share (annual dividend of $0.74 per share), unchanged from the prior year, to be paid to all holders of Aecon common shares. The fourth quarterly dividend payment of $0.185 per share was paid on January 3, 2024.

10.4. 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 civil 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 three months ended and year ended December 31, 2023 and 2022 is as follows:

$ millions	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
Operating Activities				
Cash provided by (used in):				
Cash flows from operations before changes in working capital	**$ 43.5**	$ 29.3	**$ 26.1**	$ 90.2
Lower (higher) investments in working capital	**133.1**	8.6	**25.0**	(203.8)
Cash provided by (used in) operating activities	**$ 176.6**	$ 37.9	**$ 51.1**	$ (113.6)
Investing Activities				
Cash provided by (used in):				
Decrease (increase) in restricted cash balances held by Skyport to finance the Bermuda International Airport project	**$ -**	$ (13.2)	**$ 2.0**	$ (2.9)
(Expenditures) net of proceeds on property, plant, and equipment and intangible assets	**(4.5)**	(10.7)	**47.1**	(28.8)
Cash outflow related to acquisitions	**(0.7)**	-	**(0.7)**	(5.8)
Proceeds on the sale of subsidiaries (net of cash in subsidiaries disposed)	**-**	-	**317.6**	-
Cash distributions received from projects accounted for using the equity method	**13.4**	1.2	**13.9**	3.2
Cash used for investments in long-term financial assets	**(4.9)**	(0.8)	**(19.1)**	(0.8)
Cash provided by (used in) investing activities	**$ 3.3**	$ (23.5)	**$ 360.8**	$ (35.1)
Financing Activities				
Cash provided by (used in):				
Increase (decrease) in bank indebtedness associated with borrowings under the Company's revolving credit facilities	**$ 81.7**	$ (89.0)	**$ (9.3)**	$ 97.7
Increase in long-term recourse debt borrowings	**6.1**	4.3	**12.8**	15.4
Repayments of long-term recourse debt relating primarily to property and equipment financing arrangements	**(11.9)**	(27.6)	**(67.0)**	(77.5)
Repayment of non-recourse project debt of the Bermuda International Airport project	**-**	-	**(3.4)**	(3.0)
Issuance of Preferred Shares by Aecon Utilities	**154.6**	-	**154.6**	-
Cash used for dividends paid	**(11.4)**	(11.3)	**(45.6)**	(44.5)
Repayment of convertible debentures	**(184.0)**	-	**(184.0)**	-
Cash provided by (used in) financing activities	**$ 35.1**	$ (123.6)	**$ (141.9)**	$ (11.9)
Increase (decrease) in cash and cash equivalents	**$ 215.0**	$ (109.3)	**$ 270.0**	$ (160.7)
Effects of foreign exchange on cash balances	**(1.6)**	(1.2)	**(1.4)**	5.2
Cash and cash equivalents – beginning of period	**432.4**	487.7	**377.2**	532.7
Cash and cash equivalents – end of period	**$ 645.8**	$ 377.2	**$ 645.8**	$ 377.2

In 2023, Aecon acquired, either through purchase or lease, property, plant, and equipment totaling $46.4 million. Of this amount, $11.8 million was largely related to office and warehouse leases in Ontario and Alberta, with the balance of the investment in property, plant, and equipment primarily related to the purchase or lease of new machinery and construction equipment as part of normal ongoing business operations in the Construction segment. In 2022, Aecon acquired, either through purchase or lease, property, plant, and equipment totaling $79.9 million (excluding property, plant, and equipment acquired from business combinations). Of this amount, $8.6 million related mainly to long-term office property leases in Alberta and

Ontario and $4.8 million related mainly to the purchase of aggregate property in Saskatchewan, with the balance of the investment in property, plant, and equipment primarily related to the purchase or lease of new machinery and construction equipment as part of normal ongoing business operations in the Construction segment. Offsetting the above capital expenditures were proceeds from the sale of property, plant, and equipment totalling $71.0 million in 2023 compared to $12.5 million in 2022.

10.5. CAPITAL MANAGEMENT

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), convertible debentures, and Preferred Shares of Aecon Utilities.

The Company's principal objectives in managing capital are:

- to ensure sufficient liquidity to adequately fund the ongoing operations of the business;
- to provide flexibility to take advantage of contract and growth opportunities that are expected to provide returns to shareholders;
- to maintain a strong capital base;
- to provide a rate of return in excess of its cost of capital to its shareholders; and
- to comply with financial covenants required under its various borrowing facilities.

The Company manages its capital structure and adjusts it in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new debt or repay existing debt, issue new shares, issue convertible debt, or adjust the quantum of dividends paid to shareholders. Financing decisions are generally made on a specific transaction basis and depend on such things as the Company's needs, capital markets, and economic conditions at the time of the transaction.

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 facilities presented as bank indebtedness) as a percentage of total capitalization (debt to capitalization percentage) is considered by the Company to be the most important metric in measuring the strength and flexibility of its consolidated balance sheets. At December 31, 2023, the debt to capitalization percentage including Preferred Shares and convertible debentures as debt was 22% (December 31, 2022 - 30%). If the Preferred Shares in 2023 and convertible debentures in 2022 were to be excluded from debt and added to equity on the basis that they could be converted or redeemed for equity of Aecon Utilities or Aecon as applicable, either at the Company's option or at the holder's option, then the adjusted debt to capitalization percentage would be 11% at December 31, 2023 (December 31, 2022 - 17%). While the Company believes these debt to capitalization percentages are acceptable, because of the cyclical nature of its business and the uncertainties described in Section 10.2 "Contingencies", Section 5 "Recent Developments", and Section 13 "Risk Factors" in this MD&A, the Company will continue its efforts to maintain a conservative capital position.

Debt to capitalization percentage is presented in Note 32 "Capital Disclosures" of the Company's audited consolidated financial statements for the year ended December 31, 2023.

Set out below is the calculation of the Company's debt to capitalization percentage at December 31, 2023 and December 31, 2022 using the definitions provided in the preceding paragraphs:

$ millions	December 31, 2023	December 31, 2022
Current portion of long-term debt	$ 42.6	$ 56.6
Long-term debt	106.8	173.6
Current portion of convertible debentures	-	178.9
Preferred shares of Aecon Utilities	157.1	-
Debt	$ 306.5	$ 409.1
Shareholders' equity	$ 1,064.3	$ 954.0
Capitalization	$ 1,370.8	$ 1,363.1
Debt to capitalization percentage	22%	30%

	December 31, 2023	December 31, 2022
Current portion of long-term debt	$ 42.6	$ 56.6
Long-term debt	106.8	173.6
Debt	$ 149.4	$ 230.2
Shareholders' equity	$ 1,064.3	$ 954.0
Preferred shares of Aecon Utilities	157.1	-
Convertible debentures	-	178.9
Shareholders' equity, Preferred Shares of Aecon Utilities, and convertible debentures	$ 1,221.4	$ 1,132.9
Capitalization	$ 1,370.8	$ 1,363.1
Debt (excluding Preferred Shares and convertible debentures) to capitalization percentage	11%	17%

10.6. 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. In addition, some of the Company's investments in projects accounted for using the equity method enter into derivative financial instruments, namely interest rate swaps, to hedge the variability of interest rates related to non-recourse project debt.

The Company discloses information on the classification and fair value of its financial instruments, as well as on the nature and extent of risks arising from financial instruments, and related risk management in Note 31 "Financial Instruments" to the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2023.

11. NEW ACCOUNTING STANDARDS

Note 6 *"New Accounting Standards"* to the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2023 includes new IFRS Accounting Standards that became effective for the Company on January 1, 2023, and Note 7 "Future Accounting Changes" discusses IFRS Accounting Standards and interpretations that are issued, but not yet effective at December 31, 2023.

12. SUPPLEMENTAL DISCLOSURES

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with management, evaluated the design and operating effectiveness of the Company's disclosure controls and procedures at the financial year ended December 31, 2023. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective at December 31, 2023 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities and that information required to be disclosed by the Company in its annual and interim filings and other reports submitted under securities legislation was recorded, processed, summarized, and reported within the periods specified in securities legislation.

Internal Controls over Financial Reporting

The CEO and CFO, together with management, evaluated the design and operating effectiveness of the Company's internal controls over financial reporting at the financial year ended December 31, 2023. Based on that evaluation, the CEO and the CFO concluded that the design and operation of internal controls over financial reporting were effective at December 31, 2023 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2023 for external purposes in accordance with IFRS Accounting Standards. In designing and implementing such controls, it should be recognized that any system of internal control over financial reporting, no matter how well designed and operated, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation and may not prevent or detect all misstatements due to error or fraud.

See also the section on "*Internal and Disclosure Controls*" in Section 13 "Risk Factors" in this MD&A.

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Contractual Obligations

Aecon has obligations for equipment and premises as follows:

$ millions	Finance lease payments	Equipment and other loans
2024	$ 38.3	$ 10.1
2025 - 2028	83.7	14.9
Beyond	12.7	7.2
	$ 134.7	**$ 32.2**

Contractual obligations related to the Preferred Shares of Aecon Utilities are as follows:

$ millions	Preferred Shares (1)
2024	$ -
2025 - 2028	-
Beyond	381.2
	$ 381.2

(1) The Preferred Shares have no fixed repayment terms (see Note 20 "Preferred Shares of Aecon Utilities" to the Company's audited consolidated financial statements and the accompanying notes for the year ended December 31, 2023). The Preferred Shares are assumed to have a contractual maturity of 7 years from issuance in this summary.

At December 31, 2023, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was $6,157 million.

Defined Benefit Pension Plans

Aecon's defined benefit pension plans (the "Pension Plans") had a combined deficit of $0.3 million at December 31, 2023 (2022 – a combined deficit of $0.9 million). Details relating to Aecon's defined benefit plans are set out in Note 23 "Employee Benefit Plans" to the Company's audited consolidated financial statements for the year ended December 31, 2023.

The latest actuarial valuation of the Pension Plans for statutory and contribution purposes was completed at December 31, 2021. Under current pension benefits regulations, the next actuarial valuation of the Pension Plans must be performed with a valuation date of no later than December 31, 2024. Accordingly, unless an earlier valuation date is adopted, no change in contributions will be required before 2024 and any changes thereafter will reflect December 31, 2024 market conditions.

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 remeasurement gains or losses, none of which have been anticipated at this time. Emerging experience, differing from the assumptions, will result in gains or losses that will be revealed in future accounting valuations. Consequently, the accounting for Pension Plans involves a number of assumptions including those that are disclosed in Note 23 "Employee Benefit Plans" to the Company's audited consolidated financial statements for the year ended December 31, 2023. As a result of the uncertainty associated with these estimates, there is no assurance that the Pension Plans will be able to earn the assumed rate of return on plan assets, and furthermore, market driven changes may result in changes to discount rates and other variables which would result in Aecon being required to make contributions to the Pension Plans in the future that may differ significantly from estimates. As a result, there is a significant amount of measurement uncertainty involved in the actuarial valuation process. This measurement uncertainty may lead to potential fluctuations in financial results attributable to the selection of actuarial assumptions and other accounting estimates involved in the determination of pension expense and obligations. A significant actuarial and accounting assumption impacting the reporting of Pension Plans is the discount rate assumption. At December 31, 2023, Aecon used a discount rate of 4.5% in its Pension Plan calculations for consolidated financial statement purposes. The impact of a 0.5% decrease in the discount rate assumption would have resulted in an increase in the pension benefit obligation of approximately $1.4 million at December 31, 2023 and an increase in the estimated 2024 pension expense of approximately $0.1 million.

For additional details, see Note 24 “Contingencies”, Note 31 “Financial Instruments” and Note 34 “Remaining Performance Obligations” to the Company’s audited consolidated financial statements and the notes thereto for the year ended December 31, 2023.

Related Party Transactions

Related party transactions are disclosed in Note 35 “Related Parties” to the Company’s audited consolidated financial statements for the year ended December 31, 2023. Other than transactions with certain equity accounted investees as part of the normal course of operations, there were no other significant related party transactions in 2023.

Critical Accounting Estimates and Judgments

The reader is referred to the detailed discussion on critical accounting estimates and judgements found in Note 4 “Critical Accounting Estimates” to the Company’s audited consolidated financial statements for the year ended December 31, 2023.

13. RISK FACTORS

Aecon faces a wide variety of risks across all of its areas of business. Identifying and understanding risks and their impact allows Aecon to critically assess the risk profile of the business and adopt appropriate risk management practices. Defining acceptable levels of risk, and establishing sound principles, policies, and practices for managing risks, is fundamental to achieving consistent and sustainable long-term performance. Investors should carefully consider the risks and uncertainties set out below before investing in Aecon’s securities. Additional risks and/or uncertainties not currently known or that Aecon currently believes are immaterial may also impair its future business, financial condition, and results of operations.

1. Business and Operational Risks

a. Certain Fixed Price Legacy Projects

Four large fixed-price legacy projects entered into in 2018 or earlier by joint ventures in which Aecon is a participant, including the CGL pipeline project, are being negatively impacted due to additional costs for which the joint ventures assert that the owners are contractually responsible, including for, among other things, unforeseeable site conditions, third party delays, COVID-19, supply chain disruptions, and inflation related to labour and materials. During 2022 these impacts became more pronounced and have resulted, or are now expected to result, in increased costs to the relevant joint ventures above those originally forecasted, in some cases materially. Each relevant joint venture has submitted claims for compensation for these additional costs. Other than the CGL pipeline project, none are currently in litigation or arbitration. The joint ventures reached interim settlements with the respective owners on each of the four legacy projects in 2023 in respect of certain claims made, and for some of the projects, other claims for additional costs remain to be resolved in the future. While Aecon and its partners continue to work toward resolution of these claims for additional costs with the respective owners of these projects, delayed and/or unfavourable outcomes, whether individually or in the aggregate, could result in material impacts to Aecon's earnings, cash flow, liquidity, and financial position. The fact that there are four projects experiencing similar impacts concurrently (referred to as the four legacy projects) elevates this risk. While the Company believes each relevant joint venture has a strong claim to recover at least a substantial portion of these costs, the ultimate outcome of these matters cannot be predicted at this time. See Section 10.2. "Contingencies" of this MD&A and other Risk Factors herein including under the headings "Large Projects", "Contractual Factors", "Litigation and Claims", "Increases in the Cost of Raw Materials", "Ongoing Financing Availability", "Adjustments in Backlog" and "Force Majeure Events".

b. Contractual Factors

Aecon performs construction activities under a variety of contract types, including fixed price, unit price, cost reimbursable, progressive design build ("PDB"), target price, and various permutations of design, build, finance, operation, maintenance, and rehabilitation responsibilities. Some forms of construction contracts carry more risk than others. Aecon attempts to maintain a diverse mix of contract types to prevent over-exposure to the risk profile of any particular contractual structure; however, conditions influencing both private sector and public authority clients may alter the mix of available projects and contractual structures that Aecon undertakes.

Historically, a substantial portion of Aecon's revenue is derived from contracts pursuant to which a commitment is provided to the owner to complete the project at a fixed price. In fixed price projects, in addition to the risk factors of a unit price contract (as described below), any errors in quantity estimates, schedule delays or productivity losses, for which contracted relief is not available, must be absorbed within the fixed price, thereby adding a further risk component to the contract. Such contracts, given their inherent risks, may in the future and from time-to-time result in significant losses. The failure to properly assess a wide variety of risks, appropriately execute such contracts, or reach satisfactory resolution to contractual disputes may have a material adverse impact on financial results.

Aecon is also involved in fixed unit price construction contracts under which the Company is committed to provide services and materials at a fixed unit price (e.g. dollars per tonne of asphalt or aggregate). While this shifts the risk of estimating the quantity of units to the contract owner, any increase in Aecon's cost over the unit price bid, whether due to estimating error, inefficiency in project execution, inclement weather, cost escalation, or other factors, will negatively affect Aecon's profitability.

In certain instances, Aecon guarantees to a client that it will complete a project by a scheduled date or that a facility will achieve certain performance standards. If the project or facility subsequently fails to meet the schedule or performance standards, Aecon could incur additional costs or penalties commonly referred to as liquidated damages. Although Aecon attempts to negotiate waivers of consequential or liquidated damages, on some contracts the Company is required to undertake such damages for failure to meet certain contractual provisions. Such penalties may be significant and could impact Aecon's financial position or results of future operations. Furthermore, schedule delays may also reduce profitability because Aecon staff may be prevented from pursuing and working on new projects. Project delays may also reduce customer satisfaction, which could impact future awards.

Aecon is also involved in design-build contracts under which Aecon takes responsibility for the design in addition to the responsibilities and risks of a unit price or fixed price construction contract. This form of contract adds the risk of Aecon's liability for design errors as well as additional construction costs that might result from such design errors. However, over the last several years, PDB has emerged as a project delivery model in an effort by owners and contractors to mitigate cost and schedule risks during the construction phase. In the PDB model, the contractor is invited to complete, on a cost reimbursable basis, a substantial portion of the design of a project before entering into a fixed price contract for the construction portion of the project. As the PDB model features a collaborative approach between the owner and contractor, Aecon is actively engaged in and pursuing projects procured under this model to facilitate more efficient risk transfer to the party best placed to manage that risk.

Certain of Aecon's contractual requirements may also involve financing elements, where Aecon is required to provide one or more letters of credit, performance bonds, financial guarantees or equity investments. For greater detail, see "Risk Factors – Access to Bonding, Pre-qualification Rating and Letters of Credit" herein.

Change orders, which modify the nature or scope of the work to be completed, are frequently issued by clients. Final pricing of these change orders is often negotiated after the changes have been started or completed and costs have been incurred. As such, disputes regarding the quantum of unpriced change orders could impact Aecon's profitability on a particular project, its ability to recover costs or, in a worst-case scenario, result in significant project losses. Until pricing has been agreed, these change orders are referred to as "unpriced change orders". Revenues from unpriced change orders are recognized to the extent of the costs incurred on executing the change order or, if lower, to the extent to which recovery is probable. Consequently, profit on such change orders is recognized only when pricing is agreed. If, ultimately, there are disputes with clients on the pricing of change orders or disputes regarding additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions, Aecon's accounting policy is to record all costs for these changes, but unpriced change orders and claims are recognized in revenue at the amount the Company expects to receive with a high probability that a significant reversal of cumulative revenue recognized will not occur once the uncertainty associated with the variable consideration is resolved. The timing of the resolution of such events can have a material impact on income and liquidity and thus can cause fluctuations in the revenue and income of Aecon in any one reporting period.

Aecon has pursued various contractual entitlement mechanisms to recover increased costs and/or extend timeframes to complete work impacted by the COVID-19 pandemic. While the majority of these claims have been settled, certain claims are still ongoing and whether Aecon succeeds in recovering such increased costs and extending such timeframes may depend on factors that vary on a project-by-project basis, including contract type, contract language, client receptiveness, and the probability of and extent to which the COVID-19 pandemic impacted project execution.

c. Large Projects

A substantial portion of Aecon's revenue is derived from large projects, some of which are conducted through joint ventures. These projects provide opportunities for significant revenue and profit contributions but, by their nature, carry significant risk and, as such, can result and have occasionally resulted in significant losses. Contracts for large projects typically involve a transfer of risks to a contractor beyond those contained in smaller project contracts. As such, a failure to properly execute or complete a large project or a protracted or unsuccessful dispute with a client about entitlement to extra compensation on a large project may subject Aecon to significant losses. The risks associated with such large projects are often proportionate to their size and complexity. For greater detail, see “Risk Factors – Contractual Factors” herein.

The contract price on large projects is based on cost estimates using a number of assumptions. Given the size of these projects, if assumptions prove incorrect, whether due to faulty estimates, unanticipated circumstances, or a failure to properly assess risk, or the contracts do not appropriately reflect such assumptions, profit may be materially lower than anticipated or, in a worst-case scenario, result in a significant loss.

The recording of the results of large project contracts can distort revenues and earnings on both a quarterly and an annual basis and can, in some cases, make it difficult to compare the financial results between reporting periods. For greater detail on the potential impact of contractual factors, including unpriced change orders, see “Risk Factors – Contractual Factors” herein.

Aecon has a number of commitments and contingencies as part of its regular operations. The Company has guarantees, bonds, and letters of credit as assurance that certain conditions and obligations will be fulfilled. If Aecon was called upon to honour these contingent obligations, its financial results could be adversely affected. For additional details, see Note 24 “Contingencies”, Note 31 “Financial Instruments” and Note 34 “Remaining Performance Obligations” to the Company’s audited consolidated financial statements and the notes thereto for the year ended December 31, 2023 filed on Aecon’s SEDAR+ profile at www.sedarplus.com.

d. Failure to Perform by a Third Party

Aecon works with a number of third parties to achieve its strategic objectives and each of these relationships poses a degree of risk of non-performance.

Credit risk of non-payment with private owners under construction contracts is to a certain degree minimized by statutory lien rights, which give contractors a high priority in the event of insolvency proceedings as well as progress payments based on percentage completion. However, there is no guarantee that these measures will in all circumstances mitigate the risk of non-payment from private owners and a significant default or bankruptcy by a private owner may significantly and adversely impact results. A greater incidence or magnitude of default (including cash flow problems) or bankruptcy amongst clients, subcontractors or suppliers related to economic conditions could also impact results. Credit risk is typically less of a concern with public (government) owners, who generally account for a significant portion of Aecon’s business, as funds have generally been appropriated prior to the award or commencement of the project. See “Risk Factors – Dependence on the Public Sector” herein for additional discussion of the risks associated with this type of contract.

Joint ventures are often formed to undertake a specific project, jointly controlled by the partners, and are dissolved upon completion of the project. Aecon selects its joint venture partners based on a variety of criteria, including available resources, relevant expertise, past working relationships, as well as an analysis of prospective partners’ financial capacity and construction capabilities. Joint venture agreements spread risk and responsibility for project delivery between the partners and generally state that companies will supply their proportionate share of operating funds and share profits and losses in accordance with specified percentages. Nevertheless, each participant in a joint venture is usually jointly and severally liable to the client for completion of the entire project in the event of a default by any of its partners. Therefore, in the event that a joint venture partner fails to perform its obligations due to financial or other difficulties or is disallowed from performing or is otherwise unable to perform its obligations as a result of the client's determination, whether pursuant to the relevant contract or because of modifications to government or agency procurement policies or rules or for any other reason, Aecon may be required to make additional investments or provide additional services which may reduce or eliminate profit, or even subject Aecon to significant losses with respect to the joint venture. As a result of the complexity and size of many of the joint venture projects that Aecon undertakes or is likely to undertake going forward, the failure of a joint venture partner on a large project could have a significant impact on Aecon's results and financial condition. To mitigate this risk, Aecon typically requires the joint venture partner to provide Aecon with a security instrument (such as a parent company guarantee or cross-indemnity) to guarantee the joint venture partner's performance of their obligations under the joint venture agreement.

The profitable completion of some contracts depends to a large degree on the satisfactory performance of subcontractors, including design and engineering consultants, who complete different elements of the work. If these subcontractors do not perform to accepted standards, Aecon may be required to hire different subcontractors to complete the tasks, which may impact schedule, add costs to a contract, impact profitability on a specific job and, in certain circumstances, lead to significant losses. Disputes with subcontractors may also result in material litigation. See "Risk Factors – Litigation and Claims" herein. A major subcontractor default or failure to properly manage subcontractor performance could materially impact results.

The development of construction projects requires Aecon's clients to obtain regulatory and other permits, licences, and approvals from various governmental licencing bodies. Aecon's clients may not be able to obtain all necessary permits, licences, and approvals required for the development of their projects, in a timely manner or at all. These delays are generally outside Aecon's control. The major costs associated with these delays are personnel and associated overhead that is designated for the project which cannot be reallocated effectively to other work. If the client's project is unable to proceed, it may adversely impact the demand for Aecon's services. Clients may also, from time to time, proceed to award a construction contract while a permit or licence remains pending. Where a client does not obtain a permit or licence as expected or a permit or licence is revoked, the client's cash flow and project viability may be impacted, which may lead to additional costs or financial loss for Aecon.

e. Litigation and Claims

Disputes are common in the construction industry and, as such, in the normal course of business, Aecon is involved in various legal actions and proceedings (including arbitrations) that arise from time to time, some of which may involve substantial sums of money. There is no assurance that Aecon's insurance arrangements will be sufficient to cover any particular claim or claims or that a judge or arbitrator will not rule against Aecon in a proceeding with respect to a substantial amount in dispute notwithstanding the Company's confidence in the merits of its position. Furthermore, Aecon is subject to the risk of: (i) claims and legal actions for various commercial and contractual matters, primarily arising from construction disputes, in respect of which insurance is not available, including, for example, late completion of a project or a disputed termination of a contract, and (ii) litigation or investigations relating to alleged or suspected violations of anti-corruption laws (see "Risk Factors – International/Foreign Jurisdiction Factors" herein). There can be no guarantee that litigation or disputes will not arise or will be finally resolved in Aecon's favour which, depending on the nature of the litigation, could impact Aecon's results.

Climate change-related litigation continues to evolve in Canada and elsewhere. While most cases have not succeeded due to the difficulty of attributing climate change to one specific emitter and uncertainty about the extent to which climate change-related risks must be considered and disclosed pursuant to existing financial disclosure obligations, the pressure created by climate change-related litigation may affect the regulatory and operating environment of companies, including Aecon.

f. Industry Competition

Aecon operates businesses in highly competitive sectors and geographic markets in Canada, the United States and, on a select basis, internationally. Aecon competes with other major contractors, as well as many mid-size and smaller companies, across a range of industry sectors. In addition, the number of international companies operating in the Canadian marketplace makes the market more competitive. Each competitor has its own advantages and disadvantages relative to Aecon. New contract awards and contract margin are dependent on the level of competition and the general state of the markets in which the Company operates. Fluctuations in demand in the sectors in which the Company operates may impact the degree of competition for work. Competitive position is based on a multitude of factors including pricing, ability to obtain adequate bonding, backlog, financial strength, appetite for risk, reputation for safety, quality, timeliness and experience. Aecon has little control over and cannot otherwise affect what these competitive factors are. If the Company is unable to effectively respond to these competitive factors, results of operations and financial condition will be adversely impacted. In addition, a prolonged economic slump or slower than anticipated recovery may affect one or more of Aecon's competitors or the markets in which it operates, resulting in increased competition in certain market sectors, price or margin reductions or decreased demand for services, which may adversely affect results.

g. Concessionaire

In addition to providing design, construction, procurement, operation, maintenance, and other services on a given project, Aecon will sometimes invest as a concessionaire in an infrastructure asset. In such instances, Aecon assumes a degree of risk (essentially equity risk) associated with the performance of the asset during the concession period. The Bermuda International Airport is a current example of such an asset. The financing arrangements on concession projects are typically based on a set of projections regarding the cash flow to be generated by the asset during the life of the concession. The ability of the asset to generate the cash flows required to provide a return to the concessionaire can be influenced by a number of factors, some of which are partially beyond the concessionaire's control, such as, among others, political or legislative changes, traffic demand and thus operating revenues, collection success, and operating cost levels.

While project concession agreements often provide a degree of risk mitigation, and insurance products are available to limit some of the concession risks, the value of Aecon's investment in these infrastructure assets can be impaired, and certain limited risk guarantees can be called, if the financial performance of the asset does not meet certain requirements.

h. Dependence on the Public Sector

A significant portion of Aecon's revenue is derived from contracts with various levels of government or their agencies. Consequently, any reduction in demand for Aecon's services by the public sector, whether from traditional funding constraints, the long-term impact of weak economic conditions (including future budgetary constraints, concerns regarding deficits or an eroding tax base), changing political priorities, change in government, cancellation or delays in projects caused by the election process would likely have an adverse effect on the Company if that business could not be replaced from within the private sector.

Large government-sponsored projects typically have lengthy and often unpredictable lead times associated with the government review and political assessment process. The time delays and pursuit costs incurred as a result of this lengthy process, as well as the often-unknown political considerations that can be part of any final decision, constitute a significant risk to those pursuing such projects.

Moreover, as part of its business dealings with governmental bodies, Aecon must comply, and must take measures to ensure that the companies it partners with comply, with public procurement laws and regulations aimed at ensuring that public sector bodies award contracts in a transparent, competitive, efficient, ethical, and non-discriminatory way. Although Aecon has adopted control measures and implemented policies and procedures to mitigate such risks, these control measures, policies, and procedures may not always be sufficient to protect the Company from the consequences of acts prohibited by public procurement laws and regulations committed by its directors, officers, employees, and agents. For a detailed description of the Company's exposure to corruption and bribery risks, see "Risk Factors – International/Foreign Jurisdiction Factors" herein. If Aecon fails to comply with these laws and regulations it could be subject to administrative or civil liabilities and to mandatory or discretionary exclusion or suspension, on a permanent or temporary basis, from contracting with governmental bodies in addition to other penalties and sanctions that could be incurred by the Company.

i. Weather Conditions

Unfavourable weather conditions represent one of the most significant uncontrollable risks for Aecon to the extent that such risk is not mitigated through contractual terms, insurance or otherwise. Construction projects are susceptible to delays as a result of extended periods of poor weather, which can have an adverse effect on profitability arising from either late completion penalties imposed by the contract or from the incremental costs arising from loss of productivity, compressed schedules, or from overtime work utilized to offset the time lost due to adverse weather and additional costs to modify means and methods to perform work in different-than-expected weather. See "Risk Factors – Climate Change Factors" herein for the discussion of weather risks related to climate change.

j. Labour Factors

A significant portion of Aecon's labour force is unionized and, accordingly, Aecon is subject to the detrimental effects of a strike or other labour action, in addition to competitive cost factors.

The Company's future prospects depend to a significant extent on its ability to attract and retain sufficient skilled workers. The construction industry is from time to time faced with a shortage of skilled labourers in some areas and disciplines. The resulting competition for labour may limit the ability of the Company to take advantage of available opportunities, or alternatively, may impact the profitability of such endeavours. The Company believes that its union relationships, size, and industry reputation will help mitigate this risk, but there can be no assurance that the Company will be successful in identifying, recruiting or retaining a sufficient number of skilled workers.

k. Insurance

Aecon maintains insurance in order to both satisfy the requirements of its various construction contracts as well as a corporate risk management strategy. Failure to secure adequate insurance coverage could lead to uninsured losses or limit Aecon's ability to pursue some construction contracts, both of which could impact results. Insurance products from time-to-time experience market fluctuations that can impact pricing and availability. Therefore, senior management, through Aecon's insurance broker, monitors developments in the insurance markets so that the Company's insurance needs are met. If any of Aecon's third-party insurers fail, refuse to renew or revoke coverage, refuse to cover claims, or otherwise cannot satisfy their requirements to Aecon, the Company's overall risk exposure could be materially increased.

Insurance risk entails inherent unpredictability that can arise from assuming long-term policy liabilities or from uncertainty of future events. Although Aecon has in the past been able to meet its insurance needs, there can be no assurances that Aecon will be able to secure all necessary or appropriate insurance on a going forward basis. Insurance premiums or deductibles may also increase, resulting in higher costs to the Company.

l. Environmental and Safety Factors

During its history, Aecon has experienced a number of incidents, emissions or spills of a non-material nature in the course of its construction activities. Although none of these environmental incidents to date have resulted in a material liability to Aecon, there can be no guarantee that any future incidents will also not be material.

Aecon is subject to, and complies with, federal, provincial, and municipal environmental legislation in all of its operations. Aecon recognizes that it must conduct all of its business in such a manner as to both protect and preserve the environment in accordance with this legislation. At each place where work is performed, Aecon develops and implements a detailed quality control plan as the primary tool to demonstrate and maintain compliance with all environmental regulations and conditions of permits and approvals. Given its more than one-hundred-year history in the construction industry, the large number of companies incorporated into its present structure, and the fact that environmental regulations tend not to have a statute of limitations, there can be no guarantee that a historical claim may not arise on a go forward basis. Management is not aware of any pending environmental legislation that would be likely to have a material impact on any of its operations, capital expenditure requirements or competitive position, although there can be no guarantee that future legislation (including without limitation the introduction of climate change or environmentally-focused legislation that may impact aspects of Aecon's business) will not be proposed and, if implemented, might have an impact on the Company and its financial results. Please see "Risk Factors – Climate Change Factors" herein for a discussion of climate-related risks.

Aecon is also subject to, and complies with, health and safety legislation in all of its operations in the jurisdictions in which it operates. The Company recognizes that it must conduct all of its business in such a manner as to ensure the protection of its workforce and the general public. Aecon has developed a health and safety program; nevertheless, given the nature of the industry, accidents will inevitably occur from time to time. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact on any of its operations, capital expenditure requirements or competitive position. Nevertheless, there can be no guarantee with respect to the impact of future legislation or accidents. Increasingly across the construction industry, safety standards, records and culture are an integral component of winning new work. Should Aecon fail to maintain its safety standards, such failure may lead to termination of contracts and/or impact future job awards, and could therefore impact financial results.

m. Cyclical Nature of the Construction Industry

Fluctuating demand cycles are common in the construction industry and can have a significant impact on the degree of competition for available projects. As such, fluctuations in the demand for construction services or the ability of the private and/or public sector to fund projects in the current economic climate could adversely affect backlog and margin and thus Aecon's results.

Given the cyclical nature of the construction industry, the financial results of Aecon, similar to others in the industry, may be impacted in any given period by a wide variety of factors beyond its control (as outlined herein) and, as a result, there may be from time to time, significant and unpredictable variations in Aecon's quarterly and annual financial results.

n. International/Foreign Jurisdiction Factors

Aecon is from time to time engaged in projects in foreign jurisdictions. International projects can expose Aecon to risks beyond those typical for its activities in its home market, including without limitation, economic, geopolitical, geotechnical, military, repatriation of undistributed profits, currency and foreign exchange risks, adoption of new or expansion of existing tariffs and/or taxes or other restrictions, sanctions risk, partner or third-party intermediary misconduct risks, difficulties in staffing and managing foreign operations, and other risks beyond the Company's control, including the duration and severity of the impact of global economic downturns.

The Canadian *Corruption of Foreign Public Officials Act* and similar anti-corruption laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to public officials or others for the purpose of obtaining or retaining business. While Aecon's policies mandate compliance with these anti-corruption laws, Aecon may in the future operate in parts of the world that have experienced corruption to some degree. Aecon trains its employees with respect to anti-corruption issues, and expects its partners, subcontractors, suppliers, vendors, agents, and others who work for Aecon or on its behalf to comply with anti-corruption laws. Aecon has procedures and controls in place to perform appropriate due diligence and monitor compliance. However, there is no assurance that Aecon's internal controls and procedures will always protect the Company from possible improper payments made by its employees or agents. If Aecon is found to be liable for violating anti-corruption laws, the Company could suffer from criminal or civil penalties or other sanctions, including contract cancellations or debarment and loss of reputation, any of which could have a material adverse effect on its business.

Money laundering and related crimes pose a threat to the stability and integrity of the financial sector and the broader economy. Consequently, the international community is increasingly prioritizing its fight against these illegal activities. Aecon is committed to all anti-money laundering regulatory requirements and has implemented procedures, processes, and controls with respect to due diligence, record keeping, reporting, and training in jurisdictions in which it operates where exposure to such illegal activities is attenuated. However, there are no assurances that Aecon's procedures, processes, and controls will be sufficient to prevent or detect the occurrence of money laundering and related crimes.

Aecon continually evaluates its exposure to unusual risks inherent in international projects and, where deemed appropriate in the circumstances, mitigates these risks through specific contract provisions, insurance coverage and forward exchange agreements. However, there are no assurances that such measures would offset or materially reduce the effects of such risks. For additional details on Aecon's use of forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates see Note 31 "Financial Instruments" to the Company's audited consolidated financial statements and the accompanying notes for the year ended December 31, 2023.

Transactional foreign exchange risks are actively managed and hedged where possible and considered cost effective, when directly tied to quantifiable contractual cash flows accruing directly to Aecon within periods of one or two years. Operations in foreign jurisdictions, including major projects executed through joint ventures, generally have a longer term and result in foreign exchange translation exposures that Aecon has not hedged. Such translation exposure will have an impact on Aecon's consolidated financial results. Practical and cost-effective hedging options to fully hedge this longer-term translational exposure are not generally available.

o. Nuclear Liability

Aecon's Nuclear segment supports clients across various types of Nuclear work, which includes construction and fabrication services, such as reactor new builds and the refurbishment of current nuclear reactors, and decommissioning. Such services can subject Aecon to risks arising out of a nuclear, radiological or criticality incident, whether or not within the Aecon's control.

Indemnification provisions contained in the domestic legislation of the jurisdictions in which Aecon's Nuclear segment operates, such as the *Nuclear Liability and Compensation Act* (Canada) and the *Price-Anderson Act* (United States), or equivalent protections afforded under international conventions, seek to ensure compensation for the general public, while indemnifying nuclear industry participants against liability arising from nuclear incidents, subject to possible exclusions.

However, these legislative indemnification provisions may not apply to all liabilities incurred while performing services as a contractor for the nuclear industry. If an incident or certain damages resulting therefrom are not covered under applicable legislative indemnification provisions, Aecon could be held liable for damages which could have a material adverse impact on the Aecon's financial condition and results of operations. In addition to legislative indemnification provisions, the Company seeks to protect itself from liability associated with nuclear incidents and damages resulting therefrom in its contracts, but there can be no assurance that such contractual limitations on liability will be effective in all cases or that Aecon or its clients' insurance will cover all the liabilities assumed under those contracts. The costs of defending against claims arising out of a nuclear incident, and any damages that could be awarded as a result of such claims, could have a material adverse impact on Aecon's financial condition and results of operations.

p. Force Majeure Events

The Company is exposed to various risks arising out of extraordinary or force majeure events beyond the Company's control, such as epidemics or pandemics, acts of war, terrorism, strikes, protests or social or political unrest generally. Such events could disrupt the Company's operations, result in shortages of materials and equipment, cause supply chain delays or delivery failures, or lead to the realization of or exacerbate the impact of other risk factors. To the extent that such risks are not mitigated contractually through provisions that provide the Company with relief from its schedule obligations and/or cost reimbursement, the Company's financial condition, results of operations or cash flows may be adversely affected.

Reliance on global networks and supply chains, rates of international travel and the significant number of people living in high-density urban environments increase humanity's susceptibility to infectious disease. Epidemics occurring in regions in which Aecon operates and pandemics that pose a global threat can negatively impact business operations by disrupting the supply chain and causing high absenteeism across the workforce. Similarly, disasters arising from extraordinary or force majeure events may result in disruptions resulting from the evacuation of personnel, cancellation of contracts, or the loss of workforce, contractors or assets. In addition, a disaster may disrupt public and private infrastructure, including communications and financial services, which could disrupt the Company's normal business operations.

Aecon has implemented a business continuity plan to assist with preparing for, and managing the impact of, an extraordinary or force majeure event by identifying core services, developing a communications strategy and protecting the health and safety of its employees. While the business continuity plan may mitigate the impact of an extraordinary or force majeure event, minimize recovery time and reduce business losses, the plan cannot account for all possible unexpected events. An extraordinary or force majeure event therefore may have material adverse financial implications for the Company.

q. Internal and Disclosure Controls

Inadequate disclosure controls or ineffective internal controls over financial reporting could result in an increased risk of material misstatements in the financial reporting and public disclosure record of Aecon. Inadequate controls could also result in system downtime, give rise to litigation or regulatory investigation, fraud or the inability of Aecon to continue its business as presently constituted. Restrictions related to a hybrid working model for office-based employees have necessitated modified controls during the consolidation and finalization of financial statements.

Aecon has designed and implemented a system of internal controls and a variety of policies and procedures to provide reasonable assurance that material misstatements in the financial reporting and public disclosures are prevented and detected on a timely basis and other business risks are mitigated. In accordance with the guidelines adopted in Canada, Aecon assesses the effectiveness of its internal and disclosure controls using a top-down, risk-based approach in which both qualitative and quantitative measures are considered. An internal control system, no matter how well conceived and operated, can provide only reasonable – not absolute – assurance to management and the Board regarding achievement of intended results. Aecon's current system of internal and disclosure controls places reliance on key personnel across the Company to perform a variety of control functions including key reviews, analysis, reconciliations, and monitoring. The failure of individuals to perform such functions or properly implement the controls as designed could adversely impact results.

r. Integration and Acquisition

The integration of any acquisition raises a variety of issues including, without limitation, identification and execution of synergies, elimination of cost duplication, systems integration (including accounting and information technology), execution of the pre-deal business strategy in an uncertain economic market, development of common corporate culture and values, integration and retention of key staff, retention of current clients as well as a variety of issues that may be specific to Aecon and the industry in which it operates. There can be no assurance that Aecon will maximize or realize the full potential of any of its acquisitions. A failure to successfully integrate acquisitions and execute a combined business plan could materially impact the future financial results of Aecon. Likewise, a failure to expand the existing client base and achieve sufficient utilization of the assets acquired could also materially impact the future financial results of Aecon.

s. Reputation in the Construction Industry

Reputation and goodwill play an important role in the long-term success of any company in the construction industry. Negative opinion may impact long-term results and can arise from a number of factors including perceived competence, losses on specific projects, questions concerning business ethics and integrity, corporate governance, environmental and climate change awareness, the accuracy and quality of financial reporting and public disclosure as well as the quality and timing of the delivery of key products and services. Aecon has implemented various procedures and policies to help mitigate this risk, including the adoption of Aecon's Code of Ethics and Business Conduct (the "Code") which all employees are expected to review and abide by, and an ethical due diligence process to vet prospective partners, international subcontractors and third-party intermediaries. Nevertheless, the adoption of corporate policies, training of employees and vetting of third parties cannot guarantee that a future breach or breaches of the Code or other corporate policies will not occur which may or may not impact the financial results of the Company.

t. Oaktree's Investment in Aecon's Utilities Business

In October 2023, Aecon completed a transaction pursuant to which Splice Holdings S.à r.l., an entity managed by the Power Opportunities strategy of Oaktree Capital Management, L.P., ("Oaktree") acquired 154,640 preferred shares in the capital of Aecon Utilities Group Inc. ("AUGI"), a wholly-owned subsidiary of Aecon which owns Aecon's utilities business, that if converted would represent a 27.5% ownership interest in AUGI. As discussed under "Three-Year History – Sale of an Interest in Aecon Utilities Group Inc." in the Company's Annual Information Form for the year ended December 31, 2023 available on SEDAR+ at www.sedarplus.com, both the terms of Oaktree's preferred shares and the shareholders' agreement entered into by Aecon, AUGI and Oaktree provide Oaktree with certain governance and other rights regarding AUGI and its subsidiaries such that Oaktree has the ability to exert influence over many matters affecting AUGI's business, policies and affairs. Without limiting the foregoing, subject to certain conditions, Oaktree is entitled to two nominees on the board of AUGI, pre-emptive rights, registration rights, liquidity rights, and, in the ordinary course, approval rights over certain activities of AUGI and its subsidiaries, including incurring indebtedness above certain levels or amalgamating, merging with or acquiring another business with an enterprise value in excess of certain thresholds, and, in circumstances in which AUGI is in breach of its obligations under the shareholders' agreement, Oaktree has additional approval rights, including with respect to the declaration and payment of dividends. In addition, Oaktree has certain liquidity rights that, if exercised, could have an adverse effect on Aecon's cash flows and debt covenants and, in certain circumstances where Aecon is unable to satisfy the liquidity rights, could lead to a sale of some or all of the utilities business. Furthermore, the interests of Oaktree may differ from the interests of Aecon and its shareholders in material respects. In that regard, Oaktree may from time to time have other investments that are permitted, subject to certain conditions provided in the shareholders' agreement, to compete with the business of AUGI.

2. Liquidity, Capital Resources and Financial Position Risks

a. Ongoing Financing Availability

Aecon's business strategy involves the selective growth of its operations through internal growth and acquisitions. Aecon requires substantial working capital during its peak busy period. Aecon relies on its cash position and the availability of credit and capital markets to meet these working capital demands. As Aecon's business grows, Aecon is continually seeking to enhance its access to funding in order to finance the working capital associated with this growth. However, given the expected demand for infrastructure services over the next several years based on announced government infrastructure programs and related investment commitments and the size of many of these projects, Aecon may be constrained in its ability to capitalize on growth opportunities to the extent that financing is either insufficient or unavailable. Further, instability or disruption of capital markets, or a weakening of Aecon's cash position could restrict its access to or increase the cost of obtaining financing. Aecon cannot guarantee that it will maintain an adequate cash flow to fund its operations and meet its liquidity needs. Additionally, if the terms of Aecon's credit facilities are not met and compliance with its covenants are not achieved, lenders may terminate Aecon's right to use its credit facilities or demand repayment of whole or part of all outstanding indebtedness, which could have a material adverse effect on Aecon's financial position. One or more third parties drawing on letters of credit or guarantees could have a material adverse effect on Aecon's cash position and operations.

Some of Aecon's clients also depend on the availability of credit to finance their projects. If clients cannot arrange financing, projects may be delayed or cancelled, which could have a material adverse effect on Aecon's growth and financial position. A reduction in a client's access to credit may also affect Aecon's ability to collect payments, negotiate change orders, and settle claims with clients which could have a material adverse effect on Aecon's financial position.

b. Access to Bonding, Pre-qualification Rating, and Letters of Credit

Many of Aecon's construction contracts require sufficient bonding, pre-qualification rating or letters of credit. The issuance of bonds under surety facilities is at the sole discretion of the surety company on a project-by-project basis. As such, even sizeable surety facilities are no guarantee of surety support on any specific individual project. Although the Company believes it will be able to continue to maintain surety capacity adequate to satisfy its requirements, should those requirements be materially greater than anticipated, or should sufficient surety capacity not be available to Aecon or its joint venture partners (see "Risk Factors - Large Projects" herein) for reasons related to an economic downturn, Aecon's financial performance or otherwise, or should the cost of bonding rise substantially (whether Aecon specific or industry wide), these events may have an adverse effect on the ability of Aecon to operate its business or take advantage of all market opportunities. The Company also believes that it has sufficient capacity with respect to letters of credit to satisfy its requirements, but should these requirements be materially greater than anticipated or should industry capacity be materially impacted by domestic or international conditions unrelated to Aecon, this may have an adverse effect on the ability of Aecon to operate its business.

c. Adjustments in Backlog

There can be no assurance that the revenues projected in Aecon's backlog at any given time will be realized or, if realized, that they will perform as expected with respect to margin. Projects may from time to time remain in backlog for an extended period of time prior to contract commencement, and after commencement may occur unevenly over current and future earnings periods. Project suspensions, terminations or reductions in scope do occur from time to time in the construction industry due to considerations beyond the control of a contractor such as Aecon and may have a material impact on the amount of reported backlog with a corresponding impact on future revenues and profitability. A variety of factors outlined in these "Risk Factors" including, without limitation, the failure to replace the revenue generated from large projects on a going forward basis, conditions in resource related sectors and the impact of economic weakness could lead to project delays, reductions in scope and/or cancellations which could, depending on severity, negatively affect the ability of the Company to replace its existing backlog, which may adversely impact results.

d. Tax Accrual Risks

Aecon is subject to income taxes in Canada and several foreign jurisdictions. Significant judgment is required in determining the Company's worldwide provision for income taxes. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although Aecon 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 historical income tax provisions and accruals. Although management believes it adequately provides 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 a material adverse effect on the Company's current and future results and financial condition.

A significant change in tax laws could also have an adverse effect on Aecon's profitability. More than 100 foreign jurisdictions have agreed to implement a new global minimum tax regime ("Pillar Two") based on model rules published by the Organization for Economic Cooperation and Development. The proposed Pillar Two rules are intended to ensure that large multinational enterprises pay a minimum tax of 15% on the income arising in each jurisdiction in which they operate. The impact on Aecon will depend on how each jurisdiction in which Aecon operates implements the model rules, as well as the profitability and local tax liabilities of Aecon's operations in those jurisdictions. As such, at this time it is unclear if the proposed Pillar Two rules will have a material adverse effect on Aecon's profitability.

e. Impairment in the Value of Aecon's Assets

New events or circumstances may lead Aecon to reassess the value of goodwill, property, plant, and equipment, and other non-financial assets, and record a significant impairment loss, which could have a material adverse effect on its financial position. Aecon's financial assets, other than those accounted for at fair value, are assessed for indicators of impairment quarterly. Financial assets are considered impaired when there is objective evidence that estimated future cash flows of the investment have been affected by one or more events that occurred after the initial recognition of the financial asset. In such a case, Aecon may be required to reduce carrying values to their estimated fair value. Aecon's estimates of future cash flows are inherently subjective, which could have a significant impact on the analysis. Further, there could be a material adverse effect on Aecon's financial position and compliance under its credit facilities from any future write-offs or write-downs of Aecon's projects, assets or in the carrying value of its investments.

f. Dependence on Subsidiaries to Help Repay Indebtedness

A significant portion of the Company's assets is the capital stock of its subsidiaries, and the Company conducts an important portion of its business through its subsidiaries. Consequently, the Company's cash flow and ability to service its debt obligations are dependent to a great extent upon the earnings of its subsidiaries and the distribution of those earnings to the Company, or upon loans, advances or other payments made by these entities to the Company.

The Company's subsidiaries are separate and distinct legal entities and may have significant liabilities. The ability of these entities to pay dividends or make other loans, advances or payments to the Company will depend upon their operating results and will be subject to applicable laws and shareholder agreements. In addition, certain other agreements governing certain subsidiaries of the Company contain restrictions on the payment of dividends and distributions, as well as specified liquidity covenants. Also, a number of the Company's material subsidiaries have provided guarantees of the Company's primary third-party debt instruments and obligations, including the Company's Credit Agreements.

The ability of the Company's subsidiaries to generate sufficient cash flow from operations will depend on their future financial performance, which will be affected by a range of economic, competitive, and business factors, many of which are outside of the control of the Company or its subsidiaries. The cash flow and earnings of the Company's operating subsidiaries and the amount that they are able to distribute to the Company as dividends or otherwise may be insufficient to satisfy the Company's debt obligations. Accordingly, the Company may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. The Company cannot assure that any such alternatives would be possible, that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds realized from those sales, and that additional financing could be obtained on acceptable terms, if at all. The Company's inability to generate sufficient cash flow to satisfy its debt obligations, or to refinance its obligations on commercially reasonable terms, would have a material adverse effect on its business, financial condition, and results of operations.

g. Dividends

The declaration and payment of dividends on common shares are at the discretion of the board of directors of the Company. The cash available for dividends is a function of numerous factors, including the Company's financial performance, dividends and cash flow from subsidiaries, the impact of interest rates, debt covenants, and obligations, working capital requirements and future capital requirements. Accordingly, there is no guarantee that Aecon will be able to pay any cash dividends on the common shares.

3. Risks Related to Information Systems, Technology, and Intellectual Property

a. Cyber Interruption or Failure of Information Systems

Aecon relies extensively on information systems, data, and communication networks to effectively manage its operations. Complete, accurate, available, and secure information is vital to the Company's operations and any compromise in such information could result in improper decision making, inaccurate or delayed operational and/or financial reporting, delayed resolution to problems, breach of privacy and/or unintended disclosure of confidential materials.

Aecon has established and continues to enhance security controls which protect its information systems and infrastructure, and which meet or exceed its obligations under applicable law or professional standards. The Company's Information Services Security Group oversees the cybersecurity and risk mitigation strategy in coordination with Information Services and in consultation with the Board. Aecon is IT general controls ("ITGC") certified and aligns with the International Organization for Standardization/International Electrotechnical Commission (ISO/IEC) 27001 Framework and continually monitors and reports metrics to the Risk Committee of the Board. Aecon annually conducts a comprehensive assessment with third-party auditors in order to re-certify its compliance with the ITGC principles. While audits occur annually, information security risk reviews and assessments are conducted more frequently in accordance with established processes to confirm that Aecon's security controls are protecting the Company's information systems and infrastructure on an ongoing basis. Aecon has also established safeguards so that appropriate physical access controls are in place to protect the Company's facilities and information technology resources from unauthorized access. The Company has a cyber insurance policy which provides broad coverage of cyber incidents as well as third-party costs as a result of breaches and costs to restore, recreate or recollect electronic data and has retained a cyber incident response firm to assist Aecon in managing cyber incidents.

Aecon relies on information technology systems to manage its operations, including for reporting its results of operations, collection and storage of client data, personal data of employees and other stakeholders, and various other processes and transactions. Some of these systems are managed by third-party service providers that are engaged and given access to, or storage of, Aecon data following a security risk assessment. Aecon has similar exposure to security risks faced by other large companies that have data stored on their information technology systems.

While ransomware remains the most significant cyber threat to Aecon and other organizations online, since the onset of the COVID-19 pandemic in 2020, businesses have also faced increased cyber risks related to employees working remotely. Cyber criminals are adapting their tactics, making remote work a gateway to new forms of data theft, including employees' personal information, corporate data, client and customer information, intellectual property, and key infrastructure. Aecon has also observed an increase in fraudulent e-mails, spam, and phishing attempts through its corporate e-mail. To reduce ransomware and other cyber risks, Aecon has: (i) provided additional mandatory training to all its employees in respect of phishing, spam and fraudulent e-mails, (ii) instituted an artificial intelligence based phishing detection solution to capture, analyze and quarantine all malicious e-mail at the source prior to reaching employee e-mail inboxes, (iii) increased monitoring of devices and employees to proactively identify and correct mistakes by employees with a view to preventing the loss of corporate data and intellectual property and to address risks of corporate fraud, (iv) implemented a web content filter that blocks malicious websites or corporate policies when Aecon devices access the internet remotely, and (v) required all employees to have two-factor authentication when logging into the Company's systems. Moreover, network traffic analysis and heuristic malware scanning takes place across the Company's corporate e-mail system and on all Aecon-owned hardware, including hardware that is used from remote locations, and a third-party security operations centre monitors Aecon's network traffic in its cloud and data centre for any suspicious activity, isolating such activity until it is assessed and ultimately immobilizing our network if required until risks are assessed and mitigated where appropriate.

Given the rapid evolution and sophisticated level of cyber incidents, all the foregoing security measures and controls may not be sufficient to prevent third-party access of digital data from Aecon's or its third-party service providers' systems with the intent to misappropriate information, corrupt data or cause operational disruptions. Such incidents could cause delays in the Company's operations and construction projects, result in lost revenues due to a disruption of activities, lead to the loss, destruction, inappropriate use or theft of confidential data, or result in theft of confidential information, including the Company's or its clients' or joint venture partners' intellectual property. If any of the foregoing events occurs, the Company may be exposed to a number of consequences, including potential litigation or regulatory actions and reputational damage, which could have a material adverse effect on the Company.

b. Outsourced Software

Aecon relies on third-party providers of software and infrastructure to run critical accounting, project management and financial systems. Discontinuation of development or maintenance of third-party software and infrastructure could cause a disruption in Aecon's systems.

c. Protection of Intellectual Property and Proprietary Rights

The Company depends, in part, on its ability to protect its intellectual property rights. Aecon relies primarily on patent, copyright, trademark, and trade secret laws to protect its proprietary technologies. The failure of any patents or other intellectual property rights to provide protection to Aecon's technologies would make it easier for competitors to offer similar products or services, which could result in lower sales or gross margin.

The Company's trademarks and trade names are registered in Canada and the United States and the Company intends to keep these filings current and seek protection for new trademarks to the extent consistent with business needs. The Company relies on trade secrets and proprietary know-how and confidentiality agreements to protect certain of its technologies and processes.

4. Economic and Strategic Risks

a. Economic Factors

Aecon's profitability is closely tied to the general state of the economy in those geographic areas in which it operates. More specifically, the demand for construction and infrastructure development services, which is the principal component of Aecon's operations, would typically be the largest single driver of the Company's growth and profitability. In periods of strong economic growth and in some cases in periods of economic recovery, there is generally an increase in the number of opportunities available in the construction and infrastructure development industry as capital spending increases. In periods of weak economic growth, the demand for Aecon's services from private sector and public authority clients may be adversely affected.

Inflation as measured by the Consumer Price Index (CPI) in Canada rose 3.9% on an annual average basis in 2023, following a 40-year high increase of 6.8% in 2022 and a 3.4% increase in 2021. Aside from 2022, the annual average increase in 2023 is the largest since 1991.The increase in inflation resulted in interest rate increases commencing in 2022 and continuing into 2023. Further increases may be implemented until inflation is back to a level deemed appropriate for a stable economy. Such a monetary tightening policy increases Aecon's borrowing costs and has resulted in increased costs for labour, raw materials, and other inputs to the extent these cannot be passed on to clients. It may also impact the decisions of private and public sector clients when considering whether to proceed with projects that might otherwise have gone ahead.

In North America, which tends to have relatively sophisticated infrastructure, Aecon's profitability is dependent both on the development, rehabilitation, and expansion of basic infrastructure (such as, among others, highways, airport terminals, transit systems, and power plants) and on the type of infrastructure that flows from commercial and population growth. Commercial growth demands incremental facilities for the movement of goods within and outside of the community, along with water and sewer systems and heat, light, and power supplies. Population growth creates a need to move people to and from work, schools. and other public facilities, and demands similar services to new homes. Growth in both of these areas, with the possible exception of road maintenance and construction, is directly affected by the general state of the local economy.

The ongoing uncertainties regarding a prolonged economic downturn in the markets in which Aecon operates, related constraints on public sector funding, including as a result of government deficits and the ultimate ability of government action to contribute to an economic rebound may continue to impact Aecon's clients and its business in 2024 and beyond and may have a significant adverse impact on Aecon's operations.

b. Increases in the Cost of Raw Materials

The cost of raw materials represents a significant component of Aecon's operating expenses. As contractors are not always able to pass such risks on to their customers, unexpected increases in the cost of raw materials may negatively impact the Company's results. Inflation on the cost of raw materials, increased demand for raw materials used in construction, such as metals, cement, and wood products, resulting in periodic supply shortages as well as inflation as well as supply chain disruptions has contributed to an increase in raw material prices with upstream impacts through global supply chains. Tariffs on raw materials between nations may also impact the cost of raw materials from time to time. Unanticipated fluctuations in the costs of raw materials and periodic supply shortages may add a significant risk to many vendors and subcontractors, some of whom may respond by no longer guaranteeing price or availability on long-term contracts, which in turn increases the risk for contractors who are not always able to pass this risk on to their customers.

c. Resources and Commodities Sector

Delays, scope reductions and/or cancellations in previously announced or anticipated projects in the resources and commodities sector could be impacted by a variety of factors. General factors include but are not limited to: the prices of oil, natural gas, and other commodities; market volatility; the impact of global economic conditions affecting demand or the worldwide financial markets; cost overruns on announced projects; efforts by owners to contractually shift risk for cost overruns to contractors; fluctuations in the availability of skilled labour; lack of sufficient governmental investment or infrastructure to support growth; the introduction or repeal of climate change or environmentally-focused legislation (such as a carbon tax); negative perception of the oil sands and gas industry and related potential environmental impact; the need for consent from or consultation with Indigenous peoples impacted by proposed projects; and a shortage of sufficient pipeline and/or transportation infrastructure to transport production to major markets.

The prices of oil, natural gas and other commodities are determined based on world demand, supply, production, speculative activities, and other factors, all of which are beyond the control of the Company. Investment decisions by some of Aecon's clients are dependent on the clients' outlook on long-term commodity prices. If that outlook is unfavourable it may cause delay, reduction or cancellation of current and future projects, including pipeline projects. A material reduction in oil and gas development, commodity mining, transportation or distribution activities and capital expenditure plans of some of the Company's clients due to, among other reasons, the perception that a pandemic, war or other similarly disruptive international crisis may have lasting impacts on the consumption of oil, gas, and other commodities, could have a negative effect on the frequency, number and size of the projects for which the Company would bid (For greater detail, see "Risk Factors – Force Majeure Events" herein.).

Given the volatility of world oil, natural gas, and commodity prices, a sustained period of low prices on a going forward basis for any reason may result in material differences in previously projected resource development projects. Postponements or cancellations of investment in existing and new projects could have an adverse impact on Aecon's business and financial condition.

5. Risks Related to Climate Change

Global climate change continues to attract considerable public, scientific, and regulatory attention, while climate change policy continues to evolve at regional, national, and international levels. Aecon carefully considers the physical and non-physical impacts of climate change on the company. Transitioning to a sustainable, net-zero economy may entail extensive regulatory, legal, technology, and market changes to our business and reporting obligations. The failure to adequately anticipate and comply with emerging reporting requirements and meet industry, stakeholder and investor expectations may create financial and reputational risks and impact our brand. Risks associated with transitioning to a sustainable economy include the following:

a. Transitioning to a Net-Zero Economy

The transition to a net-zero economy has the potential to be disruptive to traditional business models and investment strategies. Aecon's private and/or public-sector clients may shift their infrastructure priorities due to changes in project funding, regulatory requirements or public perception. This risk can be mitigated to an extent by identifying changing market demands to offset lower demand in some sectors with opportunities in others (i.e. the energy transition sector, emergency preparedness, and wastewater treatment), forming strategic partnerships and pursuing sustainable innovations.

Government action to address climate change may involve economic instruments such as carbon and energy consumption taxes, restrictions on certain economic sectors using tools such as cap-and-trade, increasing efficiency standards, and more stringent regulation and reporting of greenhouse gas emissions that could also impact Aecon's current or potential clients operating in industries that extract, distribute, and transport fossil fuels.

b. Financial Impacts

As new climate change measures are introduced or strengthened, Aecon's cost of business, including insurance premiums, may increase, and the Company may incur expenses related to complying with environmental regulations and policies in countries or regions where it does business. Such costs may include purchasing new equipment and materials to reduce emissions to comply with new regulatory standards or to mitigate the financial impact of different forms of carbon pricing. In addition, Aecon may incur costs related to engaging with governments, regulators, and industry organizations for new mandates on infrastructure projects, proactively and regularly monitoring regulatory trends, and implementing adequate compliance processes. Aecon's inability to comply with climate change laws and regulations could also result in penalties and lawsuits and reputational damage that may impair Aecon's future prospects.

c. Sustainability (ESG) Reporting

Aecon supports key global frameworks that advance transparency and disclosure in sustainability. The Company's annual Sustainability Report follows the guidelines of several global sustainability disclosure standards and frameworks including the Task Force on Climate-related Financial Disclosures ("TCFD"), Taskforce for Nature Related Financial Disclosures ("TNFD"), the Sustainability Accounting Standards Board ("SASB"), Materiality Assessment aligned to the Global Reporting Initiative ("GRI") and the UN Sustainable Development Goals ("SDGs"). In the past year, a number of regulators and standard-setting organizations introduced new disclosure frameworks related to ESG risks. Some of these new standards may be adopted in Canada and apply to Aecon in the future. Potential divergence among the regulators in disclosure expectations, coupled with the pace at which the regulatory landscape is changing may pose operational risks to the Company. Aecon will continue to monitor developments and evolve its approach to future disclosure as required.

d. Carbon Transition Technologies

In April 2021, Aecon announced its plan to reach net-zero by 2050, with an initial interim target to achieve a 30% reduction in Scope 1 and Scope 2 CO_2 emissions by 2030 as compared to 2020. Aecon's greenhouse gas ("GHG") emission reduction targets are intensity-based targets based on economic output and represent tonnes of CO_2 per million dollars of revenue. While Aecon is fully committed to reaching these targets by driving operational efficiency and accelerating the adoption of new technology, factors such as an inability to procure lower emission vehicles in accordance with Aecon's plans due to supply chain constraints or that such vehicles are not available on commercially reasonable terms, delays in the availability of suitable new technology such as low emission construction equipment, reversal of clean fuels standards, and government and client decisions to not allow lower carbon alternatives to conventional construction materials could cause Aecon to fail to meet its commitments in the time frames it has set out or at all.

e. Market and Reputation

Investors and other stakeholders in Canada and worldwide are becoming more attuned to climate change action and sustainability matters, including scrutiny of the efforts made by companies to reduce their carbon footprint. Moreover, stakeholders increasingly have higher expectations of how businesses respond to climate change issues, specifically those that are most material to their business. Companies are navigating evolving "greenwashing" concerns and the expectation that they are transparent about sustainability targets and performance and not overstating their sustainability credentials. Aecon may be subject to a broad range of additional environmental information requests by customers, potential customers, and other stakeholders in certain regions and increasing levels of disclosure regarding climate-related environmental performance. Aecon's reputation may be harmed if it is not perceived by its stakeholders to be sincere in its sustainability commitment and its long-term results may be impacted as a result. In addition, Aecon's approach to climate change issues may increasingly influence stakeholders' views of the Company in relation to its peers and their investment decisions.

f. Climate Change

Many of Aecon's construction activities are performed outdoors. The probability and unpredictability of extreme weather events and other associated incidents may continue to increase due to climate change and we may continue to see longer-term shifts in climate patterns. Increases in the severity and/or frequency of weather conditions due to climate change such as earthquakes, hurricanes, tornadoes, fires, floods, droughts, and similar events, may cause more regular and severe interruptions in Aecon's business. Severe weather events may also impact the availability and cost of raw materials and may impact the raw materials supply chain and disrupt key manufacturing facilities. See "Risk Factors – Weather Conditions" herein for further details. Each of these factors may pose a financial risk to Aecon's business or otherwise have a material adverse effect on its financial position.

6. Social Risks

a. Human Capital

The development, attraction, and retention of employees is a critical success factor for Aecon. The Company's continued growth and future success depends on its ability to identify, recruit, assimilate, and retain key management, technical, project, and business development personnel. Aecon also continues to emphasize employee development and training to empower its employees to unleash their full potential and has implemented programs to help identify top performers and rising talent. The competition for top talent, particularly during periods of high demand in certain sectors, is intense and there can be no assurance that the Company will be successful in identifying, recruiting or retaining such personnel.

b. Incorporating Diversity and Inclusion

Aecon's culture is underpinned by its core values, including an unwavering commitment to diversity and inclusion as described in more detail in the Company's annual Sustainability Report. While Aecon has implemented several measures that focus on making progress in diversity, including initiatives and goals to recruit diverse talent across all leadership and skill areas, the success of these measures will continue to be affected by the Company's industry and broader market trends. Failure to effectively implement these measures may result in a reputational, recruitment, and retention risk for Aecon.

c. Human Rights

Companies, including Aecon, are under increasing scrutiny to address human rights issues, including social, gender, and racial inequality. Aecon has made efforts to address systemic and institutional racism and other forms of discrimination, including undertaking a diversity census of its workforce, expanding its diversity and inclusion initiatives, introducing mandatory diversity and inclusion training for employees and formalizing a clear process to be followed by Aecon leaders who become aware of an incident of racism or discrimination of any kind. Aecon publicly reports under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada). Failure to effectively implement these initiatives may result in strategic, reputational and regulatory risks for Aecon.

7. General Risks

a. Shareholder Activism

In recent years, publicly traded companies have been increasingly subject to demands from activist shareholders advocating for changes to corporate governance practices or engaging in certain corporate actions. Responding to challenges from activist shareholders, such as proxy contests, media campaigns or other activities, could be costly and time consuming and could have an adverse effect on the Company's reputation and divert the attention and resources of the Company's management and Board of Directors. Additionally, actions of activist shareholders may cause fluctuations in Aecon's share price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of the Company.

14. 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 of Aecon Group Inc.

In thousands of dollars (except share amounts)	**March 5, 2024**
Number of common shares outstanding	62,266,403
Outstanding securities exchangeable or convertible into common shares	
DSUs and RSUs outstanding under the Long-Term Incentive Plan and the 2014 Director DSU Plan	3,793,609

15. OUTLOOK

2023 was a transformational year for Aecon driven by three significant transactions which allowed the Company to capture unlocked value in these assets, partner with respected institutions with significant experience to help Aecon grow, better align to its strategy, and strengthen Aecon's balance sheet and capital position.

Moving forward, Aecon's goal is to build a resilient company through a balanced and diversified work portfolio across sectors, markets, geographies, project types, sizes and delivery models while enhancing critical execution capabilities and project selection to play to its strengths. Aecon will continue to leverage its self-perform capabilities and One Aecon approach with a goal to maximize value for clients through improved cost certainty and schedule, while offering a broad range of infrastructure services from development, engineering, investment, and construction to longer term operations and maintenance. Aecon will continue to pursue and deliver the majority of its work in established markets, while embracing new opportunities to grow in areas linked to decarbonization and energy transition, and in U.S. and international markets. These opportunities are intended over the long term to diversify Aecon's geographic presence, provide further growth opportunities and deliver more consistent earnings through economic cycles. To complement its priority markets, Aecon is pursuing a balanced portfolio of work delivered through both fixed and non-fixed price contracting models with the goal of reducing fixed price work to balance risk with acceptable returns.

Demand for Aecon's services across Canada continues to be strong. Revenue from recurring revenue programs increased to $1,134 million in 2023 from $896 million in 2022, representing growth in recurring revenue programs of 27% over 2022. In addition, development phase work is ongoing in consortiums in which Aecon is a participant to deliver the long-term GO Expansion On-Corridor Works project, the Scarborough Subway Extension Stations, Rail and Systems project, and the Darlington New Nuclear Project, all in Ontario. These projects are being delivered using progressive design-build or alliance models and each project is expected to move into the construction phase in 2025. The GO Expansion On-Corridor Works project also includes an operations and maintenance component over a 23-year term commencing January 1, 2025. None of the anticipated work from these three significant long-term progressive design-build projects is yet reflected in backlog. With backlog of $6.2 billion at the end of 2023, recurring revenue programs continuing to see robust demand, and a strong bid pipeline, Aecon believes it is positioned to achieve further revenue growth over the next few years and is focused on achieving improved profitability and margin predictability.

In the Construction segment, Aecon was awarded a number of projects in 2023 that were added to backlog including delivery of the Deerfoot Trail Improvements project in Calgary, Alberta, the Elevated Guideway for the Eglinton Crosstown West Extension project in Toronto, Ontario, the replacement of Condensers and Feedwater Heaters for Dominion Energy in Mineral, Virginia, and an Aecon joint venture was awarded the Fuel Channel and Feeder Replacement contract for four units at the Bruce Nuclear Generating Station in Tiverton, Ontario. In addition, Oneida LP, a consortium in which Aecon Concessions is an 8.35% equity partner, executed an agreement with the Independent Electricity System Operator for the Oneida Energy Storage Project to deliver a 250 megawatt / 1,000 megawatt-hour energy storage facility near Nanticoke Ontario, with Aecon awarded a $141 million Engineering, Procurement and Construction contract by Oneida LP.

In the Concessions segment, there are a number of opportunities to add to the existing portfolio of Canadian and international concessions in the next 12 to 24 months, including projects with private sector clients that support a collective focus on sustainability and the transition to a net-zero economy as well as private sector development expertise and investment to support aging infrastructure, mobility, connectivity and population growth. The GO Expansion On-Corridor Works project and the Oneida Energy Storage project noted above are examples of the role Aecon's Concessions segment is playing in developing, operating, and maintaining assets related to this transition.

Global and Canadian economic conditions impacting inflation, interest rates, and overall supply chain efficiency have stabilized, and these factors have largely been and will continue to be reflected in the pricing and commercial terms of the Company's recent and prospective project awards and bids. However, certain ongoing joint venture projects that were bid some years ago have experienced impacts related, in part, to those factors, that will require satisfactory resolution of claims with the respective clients. Results have been negatively impacted by these four legacy projects in recent periods, undermining positive revenue and profitability trends in the balance of Aecon's business. Until these projects are complete and related claims have been resolved, there is a risk that this could also occur in future periods – see Section 5 "Recent Developments" and Section 10.2 "Contingencies", and Section 13 "Risk Factors" in this MD&A regarding the risk on four large fixed price legacy projects entered into in 2018 or earlier by joint ventures in which Aecon is a participant.

At December 31, 2023, Aecon held cash and cash equivalents, excluding balances held by joint operations, of \$259 million. In addition, at December 31, 2023, Aecon had committed revolving credit facilities of \$850 million, of which \$112 million was drawn, and \$6 million was utilized for letters of credit. On December 29, 2023, Aecon repaid, in cash, convertible debentures with a face value of \$184 million. The Company has no debt or working capital credit facility maturities until 2027, except equipment loans and leases in the normal course. Aecon plans to maintain a disciplined capital allocation approach focused on long-term shareholder value through acquisitions and divestitures, organic growth, dividends, and capital investments. Capital expenditures in 2024 are expected to be similar to previous years.

2024 revenue will be impacted by the three strategic transactions completed in 2023, the substantial completion of several large projects in 2023, and the three major projects currently in the development phase by consortiums in which Aecon is a participant being delivered using the progressive design-build models which are expected to move into the construction phase in 2025. The completion and satisfactory resolution of claims on the four legacy projects with the respective clients remains a critical focus for the Company and its partners, while the remainder of the business continues to perform as expected, supported by the strong level of backlog and new awards during 2023, and the strong demand environment for Aecon's services, including recurring revenue programs.