

**AECON GROUP INC.**  
THIRD QUARTER

**INTERIM CONDENSED  
CONSOLIDATED  
FINANCIAL  
STATEMENTS**

September 30, 2019

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

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# MANAGEMENT REPORT

## October 31, 2019

### Notice to Reader

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

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

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

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

# CONSOLIDATED BALANCE SHEETS

**AS AT SEPTEMBER 30, 2019 AND DECEMBER 31, 2018**

(in thousands of Canadian dollars) (unaudited)

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

Contingencies (Note 22)

# CONSOLIDATED STATEMENTS OF INCOME

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

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

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

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

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

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

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

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

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(in thousands of Canadian dollars) (unaudited)

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



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

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

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

### **1. CORPORATE INFORMATION**

Aecon Group Inc. ("Aecon" or the "Company") is a publicly traded construction and infrastructure development company incorporated in Canada. Aecon and its subsidiaries provide services to private and public sector clients throughout Canada and on a selected basis internationally. Its registered office is located in Toronto, Ontario at 20 Carlson Court, Suite 105, M9W 7K6.

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

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

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

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

#### **Basis of presentation**

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

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

#### **Seasonality**

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

#### **Basis of measurement**

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

#### **Principles of consolidation**

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

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

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

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

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

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

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

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

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

The Company's significant accounting policies are described in Note 5, "*Summary of Significant Accounting Policies*," in the Company's annual consolidated financial statements for the year ended December 31, 2018. The following discussion is intended to describe those judgments and key assumptions concerning major sources of estimation uncertainty at the end of the reporting period that have the most significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

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

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

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

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

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

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

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

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

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

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

### **FAIR VALUING FINANCIAL INSTRUMENTS**

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

Further information with regard to the treatment of financial instruments can be found in Note 29, "*Financial Instruments*."

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

The Company's obligations and expenses related to defined benefit pension plans, including supplementary executive retirement plans, are determined using actuarial valuations and are dependent on many significant assumptions. The defined benefit obligations and benefit cost levels will change as a result of future changes in actuarial methods and assumptions, membership data, plan provisions, legislative rules, and future experience gains or losses, which have not been anticipated at this time. Emerging experience, differing from assumptions, will result in gains or losses that will be disclosed in future accounting valuations. Refer to Note 21, "*Employee Benefit Plans*," in the Company's annual consolidated financial statements for the year ended December 31, 2018, for further details regarding the Company's defined benefit plans as well as the impact to the financial results of a 0.5% change in the discount rate assumption used in the calculations.

### **INCOME TAXES**

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

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

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

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

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

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

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

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

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

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

Refer to Note 13, "*Intangible Assets*", in the Company's annual consolidated financial statements for the year ended December 31, 2018, for further details regarding goodwill and other intangible assets.

### **LEASES**

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

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

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

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

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

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

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

### **4.2 JUDGMENTS**

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

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

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

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

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

### **SERVICE CONCESSION ARRANGEMENTS**

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

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

### **5.1 LEASES**

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

### **Nature of leased assets**

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

### **Extension and termination options**

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### Variable lease payments

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

## 6. CHANGES IN ACCOUNTING POLICIES

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

### IFRS 16, Leases

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

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

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

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

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

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



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

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

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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### Opening reconciliation of lease liability

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

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

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

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

#### IFRS 3, Business Combinations

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

#### IFRS 11, Joint Arrangements

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

#### IAS 12, Income Taxes

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

#### IAS 23, Borrowing Costs

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

#### IAS 19, Employee Benefits

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

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

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

### **IFRIC 23, Uncertainty over Income Tax Treatments**

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

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

## **7. FUTURE ACCOUNTING CHANGES**

### **IFRS 3, Business Combinations**

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

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

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

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

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

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

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

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

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

**9. TRADE AND OTHER RECEIVABLES**

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

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

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

**10. INVENTORIES**

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

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

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

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

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

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

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

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

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

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

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

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

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**12. PROPERTY, PLANT AND EQUIPMENT**

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

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



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**13. INTANGIBLE ASSETS**

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

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

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**14. BANK INDEBTEDNESS**

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

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

**15. TRADE AND OTHER PAYABLES**

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

**16. PROVISIONS**

|   | Contract<br>related<br>obligations | Asset<br>decommissioning<br>costs | Tax<br>assessments | Other           | Total            |
|---|------------------------------------|-----------------------------------|--------------------|-----------------|------------------|
| <b>Balance as at January 1, 2019</b>    | \$ 4,443                           | \$ 4,400                          | \$ 6,456           | \$ 4,910        | <b>\$ 20,209</b> |
| Additions made                          | 1,624                              | 350                               | -                  | 1,181           | <b>3,155</b>     |
| Amounts used                            | (376)                              | (101)                             | -                  | (4,440)         | <b>(4,917)</b>   |
| Other changes                           | 23                                 | 129                               | -                  | -               | <b>152</b>       |
| <b>Balance as at September 30, 2019</b> | <b>\$ 5,714</b>                    | <b>\$ 4,778</b>                   | <b>\$ 6,456</b>    | <b>\$ 1,651</b> | <b>\$ 18,599</b> |
| <b>Reported as:</b>                     |                                    |                                   |                    |                 |                  |
| <b>Current</b>                          | <b>\$ 3,314</b>                    | <b>\$ -</b>                       | <b>\$ 6,456</b>    | <b>\$ 1,651</b> | <b>\$ 11,421</b> |
| <b>Non-current</b>                      | <b>2,400</b>                       | <b>4,778</b>                      | <b>-</b>           | <b>-</b>        | <b>7,178</b>     |
|   | <b>\$ 5,714</b>                    | <b>\$ 4,778</b>                   | <b>\$ 6,456</b>    | <b>\$ 1,651</b> | <b>\$ 18,599</b> |

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

**LONG-TERM DEBT**

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

The following describes the components of long-term debt:

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

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

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

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

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

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

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

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

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

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

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

**NON-RECOURSE PROJECT DEBT**

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

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

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

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**18. CONVERTIBLE DEBENTURES**

Convertible subordinated debentures consist of:

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

Finance costs associated with the debentures consist of:

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

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

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**19. CONCESSION RELATED DEFERRED REVENUE**

Concession related deferred revenue consists of:

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

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

**20. INCOME TAXES**

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

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

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**21. EMPLOYEE BENEFIT PLANS**

Employee future benefit expenses for the period are as follows:

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

**22. CONTINGENCIES**

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

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

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

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

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Under the terms of many of the Company's associate and joint arrangement contracts with project owners, each of the partners is jointly and severally liable for performance under the contracts. As at September 30, 2019, the value of uncompleted work for which the Company's associate and joint arrangement partners are responsible, and which the Company could be responsible for assuming, amounted to approximately \$16,411,064, a portion of which is supported by performance bonds. In the event the Company assumed this additional work, it would have the right to receive the partner's share of billings to the project owners pursuant to the respective associate or joint arrangement contract.

### 23. CAPITAL STOCK

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

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

### STOCK-BASED COMPENSATION

#### Long-Term Incentive Plan

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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**24. EXPENSES**

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

**Reported as:**

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

**25. OTHER INCOME (LOSS)**

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

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**26. FINANCE COSTS**

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

**27. EARNINGS PER SHARE**

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

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

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

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**28. SUPPLEMENTARY CASH FLOW INFORMATION**

**Change in other balances relating to operations**

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

**Cash flows from interest**

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

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### 29. FINANCIAL INSTRUMENTS

#### Fair value

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for speculative trading purposes. As at September 30, 2019, the Company had outstanding contracts to buy US\$2,171 and EUR€3,624 (December 31, 2018 - \$nil) on which there was a cumulative net unrealized exchange loss of \$235 recorded in the consolidated statements of income as at that date (December 31, 2018 - \$nil), as well as outstanding contracts to buy US\$159,627 (December 31, 2018 – buy US\$173,500) on which there was a cumulative unrealized gain recorded in other comprehensive income of \$7,314 as at that date (December 31, 2018 - \$10,949). The net unrealized exchange gain or loss represents the estimated amount the Company would have received/paid if it terminated the contracts at the end of the respective periods, and is included in other income (loss) in the consolidated statements of income.

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

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

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

|  | As at September 30, 2019 |           |            |         |
|--|--------------------------|-----------|------------|---------|
|  | Total                    | Level 1   | Level 2    | Level 3 |
| <b>Financial assets (liabilities) measured at fair value:</b>  |                          |           |            |         |
| Cash flow hedge  | \$ (6,803)               | \$ -      | \$ (6,803) | \$ -    |
| <b>Financial assets (liabilities) disclosed at fair value:</b> |                          |           |            |         |
| Long-term financial assets                                     | 4,397                    | -         | 4,397      | -       |
| Current portion of long-term debt                              | (66,550)                 | -         | (66,550)   | -       |
| Long-term debt   | (142,389)                | -         | (142,389)  | -       |
| Non-recourse project debt                                      | (373,013)                | -         | (373,013)  | -       |
| Convertible debentures   | (193,200)                | (193,200) | -          | -       |

During the nine-month period ended September 30, 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

#### Risk management

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

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### Credit risk

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

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

### Liquidity risk

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

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

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

### Interest rate risk

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

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

### Currency risk

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

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

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### **30. CAPITAL DISCLOSURES**

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

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

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

### **31. OPERATING SEGMENTS**

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

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

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

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

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

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

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



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

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

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

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

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

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