AECON

Third Quarter Report 2021

Aecon Group Inc.

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

September 30, 2021

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Management's Discussion and Analysis of Operating Results and Financial Condition ("MD&A")

The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. ("Aecon" or the "Company") should be read in conjunction with the Company's September 30, 2021 interim condensed consolidated financial statements and notes, which have not been reviewed by the Company's external auditors, and in conjunction with the Company's annual MD&A for the year ended December 31, 2020 (the "2020 Annual MD&A"). This MD&A has been prepared as of October 28, 2021. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and includes the Company's Annual Information Form and other securities and continuous disclosure filings.

1. INTRODUCTION

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

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

2. FORWARD-LOOKING INFORMATION

The information in this Management's Discussion and Analysis includes certain forward-looking statements. These forward-looking statements are based on currently available competitive, financial and economic data and operating plans but are subject to risks and uncertainties. Forward-looking statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, ongoing objectives, strategies and outlook for Aecon, including statements regarding the sufficiency of Aecon's liquidity and working capital requirements for the foreseeable future. Forward-looking statements may in some cases be identified by words such as "will," "plans," "believes," "expects," "anticipates," "estimates," "projects," "intends," "should" or the negative of these terms, or similar expressions. In addition to events beyond Aecon's control, there are factors which could cause actual or future results, performance or achievements to differ materially from those expressed or inferred herein including, but not limited to: the timing of projects, unanticipated costs and expenses, the failure to recognize and adequately respond to climate change concerns or public and governmental expectations on climate matters, general market and industry conditions and operational and reputational risks, including large project risk and contractual factors, and risks relating to the COVID-19 pandemic. Risk factors are discussed in greater detail in Section 13 – "Risk Factors" in the 2020 Annual MD&A dated February 25, 2021 and available through SEDAR at www.sedar.com. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Aecon undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

3. FINANCIAL REPORTING STANDARDS

The Company prepares its interim condensed consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of interim financial statements including International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

4. NON-GAAP AND SUPPLEMENTARY FINANCIAL MEASURES

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

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

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

Non-GAAP Financial Measures

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

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

- **"Adjusted EBITDA"** represents operating profit (loss) adjusted to exclude depreciation and amortization, the gain (loss) on sale of assets and investments, and net income (loss) from projects accounted for using the equity method, but including "Equity Project EBITDA" from projects accounted for using the equity method (refer to Section 9 "Quarterly Financial Data" for a quantitative reconciliation to the most comparable financial measure).
- **"Equity Project EBITDA"** represents Aecon's proportionate share of the earnings or losses from projects accounted for using the equity method before depreciation and amortization, finance income, finance cost and income taxes (refer to Section 9 "Quarterly Financial Data" for a quantitative reconciliation to the most comparable financial measure).
- **"Backlog"** means the total value of work that has not yet been completed that: (a) has a high certainty of being performed as a result of the existence of an executed contract or work order specifying job scope,

value and timing; or (b) has been awarded to Aecon, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured. Operations and maintenance ("O&M") activities are provided under contracts that can cover a period of up to 30 years. In order to provide information that is comparable to the backlog of other categories of activity, Aecon limits backlog for O&M activities to the earlier of the contract term and the next five years.

Primary financial statements

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

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

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

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

Non-GAAP Ratios

A non-GAAP ratio is a financial measure presented in the form of a ratio, fraction, percentage or similar representation and that has a non-GAAP financial measure as one of its components.

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

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

Supplementary Financial Measures

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

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

- **"Gross profit margin"** represents gross profit as a percentage of revenue.
- **"Operating margin"** represents operating profit (loss) as a percentage of revenue.
- **"MG&A as a percent of revenue"** represents marketing, general and administrative expense as a percentage of revenue.

5. RECENT DEVELOPMENTS

COVID-19 Pandemic

The COVID-19 pandemic has continued to disrupt global health and the economy in 2021 and has created an indeterminate period of volatility in the markets in which Aecon operates. The COVID-19 pandemic impacted Aecon's operations in 2020 and the first nine months of 2021 at varying times by way of suspensions of certain of the Company's projects, either by its clients or due to a broader government directive, by disruption to the progress of projects due to the need to modify work practices to meet appropriate health and safety standards, or by other COVID-19 related impacts on the availability of labour or to the supply chain. Aecon continues to monitor ongoing developments and mitigate risks related to the COVID-19 pandemic and the impact on Aecon's projects, operations, supply chain, and most importantly the health and safety of its employees.

6. BUSINESS STRATEGY

Refer to the discussion on Business Strategy as outlined in the 2020 Annual Report available on the Company's website at www.aecon.com or through SEDAR at www.sedar.com.

7. CONSOLIDATED FINANCIAL HIGHLIGHTS

$ millions (except per share amounts)	Three months ended September 30				Nine months ended September 30			
		2021		2020		**2021**		2020
Revenue	$	**1,163.4**	$	**1,039.5**	$	**2,888.8**	$	**2,566.4**
Gross profit		123.3		162.2		272.5		277.3
Marketing, general and administrative expense		(42.4)		(37.9)		(134.4)		(128.7)
Income from projects accounted for using the equity method		4.0		4.4		10.4		9.9
Other income		0.9		0.4		6.0		2.4
Depreciation and amortization		(22.1)		(22.3)		(66.4)		(64.5)
Operating profit		**63.7**		**106.8**		**88.1**		**96.4**
Finance income		0.1		0.1		0.4		0.9
Finance cost		(11.8)		(6.8)		(33.7)		(19.6)
Profit before income taxes		**52.0**		**100.1**		**54.8**		**77.7**
Income tax expense		(13.6)		(26.5)		(17.2)		(21.6)
Profit	$	**38.4**	$	**73.6**	$	**37.6**	$	**56.0**
Gross profit margin(3)		**10.6%**		**15.6%**		**9.4%**		**10.8%**
MG&A as a percent of revenue(3)		**3.6%**		**3.6%**		**4.7%**		**5.0%**
Adjusted EBITDA(1)	$	**95.5**	$	**137.2**	$	**177.6**	$	**180.9**
Adjusted EBITDA margin(2)		**8.2%**		**13.2%**		**6.1%**		**7.0%**
Operating margin(3)		**5.5%**		**10.3%**		**3.0%**		**3.8%**
Earnings per share - basic	$	**0.64**	$	**1.23**	$	**0.62**	$	**0.93**
Earnings per share - diluted	$	**0.56**	$	**0.99**	$	**0.59**	$	**0.83**
Backlog(1)					$	**6,043**	$	**6,664**

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

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

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

Revenue for the three months ended September 30, 2021 of $1,163 million was $124 million, or 12%, higher compared to the third quarter of 2020, and revenue for the nine months ended September 30, 2021 of $2,889 million was $322 million, or 13%, higher compared to the same period in 2020. Revenue for the three and nine months ended September 30, 2021 was higher in the Construction segment ($108 million and $293 million, respectively), driven by higher revenue in nuclear operations ($81 million and $220 million, respectively), utilities ($49 million and $101 million, respectively), and industrial operations ($26 million and $1 million, respectively). These increases were partially offset by lower revenue in civil operations and urban transportation systems ($48 million and $29 million, respectively). In the Concessions segment, higher revenue for the three and nine months ended September 30, 2021 ($13 million and $5 million, respectively), was primarily due to a gradual improvement in commercial flight operations at the Bermuda International Airport, partially offset by decreased construction activity related to the Bermuda International Airport Redevelopment Project. In addition, inter-segment revenue eliminations decreased by $3 million and $24 million, respectively, primarily due to lower revenue between the Concessions and Construction segments related to the Bermuda International Airport Redevelopment Project.

Operating profit of $63.7 million for the three months ended September 30, 2021 decreased by $43.1 million compared to an operating profit of $106.8 million in the same period in 2020, primarily due to a decrease in gross profit of $38.9 million. Gross profit in the third quarter of 2020 included a net positive impact from subsidy related to the Canada Emergency Wage Subsidy ("CEWS") program ($69.0 million in both the three and nine-month periods ended September 30, 2020), recorded as cost recovery within gross profit in the Construction segment. After adjusting for the impact of CEWS amounts reported in the third quarter of 2020, gross profit in the third quarter of 2021 increased by $30.1 million compared to the same period in 2020. In the Construction segment, gross profit increased by $17.1 million primarily from higher volume and gross profit margin in nuclear and higher volume in utilities operations. These increases were partially offset by lower volume in civil operations and urban transportation systems, and lower gross profit margin in industrial operations. In the Concessions segment, gross profit increased by $13.0 million, primarily from an increase in airport operations at the Bermuda International Airport as the impacts of the COVID-19 pandemic on travel were less severe in the third quarter of 2021 compared to the prior period.

Operating profit of $88.1 million for the nine months ended September 30, 2021 decreased by $8.3 million compared to an operating profit of $96.4 million in the same period in 2020, primarily due to a decrease in gross profit of $4.8 million. As with the third quarter commentary, gross profit for the first nine months of 2020 included a net positive impact from subsidy related to the CEWS program of $69.0 million. After adjusting for the impact of CEWS amounts reported in the first nine months of 2020, gross profit increased by $64.2 million compared to the same period in 2020. In the Construction segment, gross profit increased by $46.2 million from higher volume and gross profit margin in nuclear and utilities operations, and higher gross profit margin in civil operations and urban transportation systems. These increases were partially offset by lower gross profit margin in industrial operations. In the Concessions segment, gross profit increased by $18.1 million primarily due to an improvement in airport operations at the Bermuda International Airport.

Marketing, general and administrative expense ("MG&A") for the three and nine months ended September 30, 2021 increased by $4.5 million and $5.7 million, respectively, compared to the same periods in 2020, primarily due to higher personnel costs. MG&A as a percentage of revenue for the third quarter of 2021 of 3.6% was unchanged from the third quarter of 2020, and for the first nine months decreased from 5.0% in 2020 to 4.7% in 2021, which reflects the impact of higher revenue in the three and nine-month periods of 2021.

Aecon's participation in projects that are classified for accounting purposes as a joint venture or an associate, as opposed to a joint operation, are accounted for using the equity method of accounting. Aecon reported income of $4.0 million in the third quarter of 2021 from projects accounted for using this method of accounting, compared to $4.4 million in the third quarter of 2020, and income of $10.4 million in the first nine months of 2021 compared to $9.9 million in the same period of 2020. The lower income in the third quarter of 2021 was due to a decrease in management and development fees in the Concessions segment ($0.5 million) and partially offset by higher income from civil projects in the Construction segment ($0.1 million). The higher income in the first nine months of 2021 was driven by higher income from civil projects in the Construction segment ($0.8 million) partially offset by a decrease in management and development fees in the Concessions segment ($0.3 million).

Depreciation and amortization expense for the three months ended September 30, 2021, of $22.1 million was $0.2 million lower than the third quarter of 2020, while for the nine months ended September 30, 2021, depreciation and amortization expense of $66.4 million was $1.9 million higher than the same period in 2020.

In the Concessions segment, higher expense in the three and nine months ended September 30, 2021 ($1.3 million and $5.3 million, respectively) resulted from reduced amortization expense in both prior year periods related to the Bermuda International Airport Redevelopment Project as a result of the new terminal's construction completion date being extended due to impacts related to the COVID-19 pandemic. In the Construction segment, depreciation and amortization expense for the three and nine months ended September 30, 2021 was lower by $1.3 million and $3.6 million, respectively, compared to the same periods in 2020 primarily due to a decrease in equipment deployed. Corporate cost included in "Other & Eliminations" related to depreciation and amortization expense was $0.2 million lower in the third quarter of 2021 and $0.2 million higher in the first nine months of 2021 compared to the same periods in 2020.

Net financing expense of $11.7 million in the third quarter of 2021, consisting of finance cost of $11.8 million less finance income of $0.1 million, was $5.0 million higher than in the same period in 2020, and net financing expense of $33.3 million in the first nine months of 2021, consisting of finance cost of $33.7 million less finance income of $0.4 million, was $14.6 million higher than in the same period in 2020. The increase in both periods resulted primarily from an increase in interest expense of $5.3 million and $15.7 million respectively, related to the non-recourse debt financing for the Bermuda International Airport Redevelopment project. Previously during the construction phase of this project, interest related to the non-recourse debt financing was being capitalized, but after the new airport terminal commenced operations in December 2020, interest is now being recognized as finance cost in the consolidated statements of income.

Set out in Note 19 of the September 30, 2021 consolidated financial statements is a reconciliation between the expected income tax for 2021 and 2020 based on statutory income tax rates and the actual income tax expense reported for both these periods.

Reported backlog as at September 30, 2021 of $6,043 million compares to backlog of $6,664 million as at September 30, 2020. New contract awards of $682 million and $2,477 million were booked in the third quarter and year-to-date, respectively, in 2021 compared to $448 million and $2,440 million in the same periods in 2020.

Backlog[1] **$ millions**	**As at September 30**	
	2021	2020
Construction	**$ 5,965**	$ 6,596
Concessions	**78**	68
Consolidated	**$ 6,043**	$ 6,664

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

Estimated backlog duration **$ millions**						
	As at September 30					
	2021			2020		
Next 12 months	**$**	**2,659**	**44%**	$	2,899	44%
Next 13-24 months		**1,378**	**23%**		1,316	20%
Beyond		**2,006**	**33%**		2,449	36%
	$	**6,043**	**100%**	$	6,664	100%

The timing of work to be performed for projects in backlog as at September 30, 2021 is based on current project schedules, taking into account the current impacts of COVID-19. It is possible that these schedules could change in the future as the COVID-19 pandemic evolves.

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

Reported backlog includes the revenue value of backlog that relates to projects that are accounted for using the equity method. The equity method reports a single amount (revenue less expense) on Aecon's consolidated statement of income, and as a result the revenue component of backlog for these projects is not included in Aecon's reported revenue. As at September 30, 2021, reported backlog from projects that are accounted for using the equity method was $nil (September 30, 2020 - $nil).

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

8. REPORTABLE SEGMENTS FINANCIAL HIGHLIGHTS

8.1. CONSTRUCTION

Financial Highlights

$ millions	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Revenue	**$ 1,142.4**	$ 1,034.8	**$ 2,841.2**	$ 2,548.0
Gross profit	**$ 111.3**	$ 163.5	**$ 253.4**	$ 276.2
Adjusted EBITDA(1)	**$ 82.1**	$ 131.3	**$ 155.1**	$ 175.5
Operating profit	**$ 63.4**	$ 112.6	**$ 104.7**	$ 122.0
Gross profit margin(3)	**9.7%**	15.8%	**8.9%**	10.8%
Adjusted EBITDA margin(2)	**7.2%**	12.7%	**5.5%**	6.9%
Operating margin(3)	**5.6%**	10.9%	**3.7%**	4.8%
Backlog(1)			**$ 5,965**	$ 6,596

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

Revenue in the Construction segment for the three months ended September 30, 2021 of $1,142 million was $108 million, or 10%, higher compared to the same period in 2020. Revenue was higher in nuclear operations ($81 million), driven by a higher volume of refurbishment work at the Darlington and Kincardine nuclear generating stations, both located in Ontario, in utilities operations ($49 million) primarily due to increased volume of oil and gas distribution and telecommunications work partially offset by lower high-voltage electrical transmission work, and in industrial operations ($26 million) driven by a higher volume of field construction work at gas and chemical facilities partially offset by decreased activity on mainline pipeline work in western Canada. These revenue increases were partially offset by lower revenue in civil operations and urban transportation systems ($48 million), driven by lower roadbuilding construction work.

Revenue in the Construction segment for the nine months ended September 30, 2021 of $2,841 million, was $293 million, or 12%, higher compared to the same period in 2020. Similar to the third quarter commentary, Construction segment revenue was higher in nuclear operations ($220 million), utilities operations ($101 million), and industrial operations ($1 million), and lower in civil operations and urban transportation systems ($29 million), all for reasons consistent with the third quarter commentary.

Operating profit in the Construction segment of $63.4 million in the three months ended September 30, 2021 decreased by $49.2 million compared to an operating profit of $112.6 million in the same period in 2020. As previously noted in Section 7 "Consolidated Financial Highlights", Construction segment operating profit in the third quarter of 2020 included the impact of the CEWS program totalling $69.0 million. After adjusting for the impact of CEWS amounts reported in the third quarter of 2020, operating profit in 2021 increased by $19.8 million due to higher volume and gross profit margin in nuclear and utilities, and from lower MG&A,

depreciation and amortization expense in industrial operations that offset lower gross profit margin in the period. These increases were partially offset by lower volume from civil operations and urban transportation systems.

Operating profit in the Construction segment of $104.7 million in the nine months ended September 30, 2021 decreased by $17.3 million compared to an operating profit of $122.0 million in the same period in 2020. As with the third quarter commentary, Construction segment operating profit in the first nine months of 2020 included the operating profit impact of the CEWS program totalling $69.0 million. After adjusting for the impact of CEWS amounts reported in the first nine months of 2020, year-to-date operating profit in 2021 increased by $51.7 million driven by higher volume and gross profit margin in nuclear and utilities operations and higher gross profit margin in civil operations and urban transportation systems, partially offset by lower gross profit margin in industrial operations.

Construction backlog as at September 30, 2021 was $5,965 million, which was $631 million lower than the same time last year. Backlog decreased period-over-period in civil operations and urban transportation systems ($388 million), nuclear ($186 million), and industrial ($110 million), and increased in utilities ($53 million). New contract awards totaled $657 million in the third quarter of 2021 and $2,424 million year-to-date, compared to $439 million and $2,409 million, respectively, in the same periods last year. During the first nine months of 2021, a number of Aecon consortiums were awarded multi-year projects including the replacement of steam generators at Units 3 and 4 of the nuclear generating station in Kincardine, Ontario, construction of the Eglinton Crosstown West Extension Advance Tunnel project in Toronto, Ontario, and the North End Sewage Treatment Plant Upgrade: Headworks Facilities Project in Winnipeg, Manitoba.

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

8.2. CONCESSIONS

Financial Highlights

$ millions	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Revenue	$ **21.7**	$ 9.0	$ **50.0**	$ 44.6
Gross profit	$ **11.8**	$ (1.2)	$ **19.3**	$ 1.2
Income from projects accounted for using the equity method	$ **2.5**	$ 3.0	$ **8.2**	$ 8.6
Adjusted EBITDA(1)	$ **21.8**	$ 8.0	$ **47.5**	$ 27.1
Operating profit (loss)	$ **8.9**	$ (3.2)	$ **9.5**	$ (3.0)
Backlog(1)			$ **78**	68

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

Aecon holds a 100% interest in Bermuda Skyport Corporation Limited (“Skyport”), the concessionaire responsible for the Bermuda airport's operations, maintenance and commercial functions, and the entity managing and coordinating the overall delivery of the Bermuda International Airport Redevelopment Project over a 30-year concession term that commenced in 2017. Aecon’s participation in Skyport is consolidated and, as such, is accounted for in the consolidated financial statements by reflecting, line by line, the assets, liabilities, revenue and expenses of Skyport. However, Aecon's concession participation in the Eglinton Crosstown Light Rail Transit ("LRT"), Finch West LRT, Gordie Howe International Bridge, and Waterloo LRT projects are joint ventures that are accounted for using the equity method.

For the three months ended September 30, 2021, revenue in the Concessions segment of $22 million was $13 million higher compared to the same period in 2020, while for the nine months ended September 30, 2021, revenue of $50 million was $5 million higher when compared to the same period in 2020. Higher revenue for the three and nine-month periods in 2021 was primarily due to an increase in airport operations at the Bermuda International Airport Redevelopment Project compared to the same periods in 2020 ($15 million and $26 million, respectively), partially offset by lower construction revenue related to this project which was substantially completed in the fourth quarter of 2020 ($4 million and $22 million, respectively). Commercial flight operations in Bermuda continue to operate at a reduced volume due to COVID-19 compared to pre-pandemic levels but have partially recovered from the more severe impacts experienced in 2020. Included in Concessions' revenue for the three and nine months ended September 30, 2021 was $nil and $1.5 million, respectively, of construction revenue that was eliminated on consolidation as inter-segment revenue (2020 - $3.4 million and $23.1 million, respectively).

Operating profit in the Concessions segment for the three and nine months ended September 30, 2021 increased by $12.1 million and $12.5 million, respectively, compared to the same periods in 2020. The higher operating profit in both periods occurred primarily in the Bermuda International Airport Redevelopment Project and resulted from the above noted changes in airport construction and operations.

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

9. QUARTERLY FINANCIAL DATA

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

	2021			2020				2019
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Revenue	$ 1,163.4	$ 971.3	$ 754.0	$ 1,077.2	$ 1,039.5	$ 779.4	$ 747.5	$ 917.3
Adjusted EBITDA(1)	95.5	61.2	20.8	83.6	137.2	24.4	19.2	61.7
Earnings (loss) before income taxes	52.0	23.7	(20.9)	46.3	100.1	(7.4)	(15.0)	25.3
Profit (loss)	38.4	17.6	(18.4)	32.0	73.6	(6.2)	(11.4)	20.2
Earnings (loss) per share:								
Basic	0.64	0.29	(0.31)	0.53	1.23	(0.10)	(0.19)	0.33
Diluted	0.56	0.27	(0.31)	0.46	0.99	(0.10)	(0.19)	0.31

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

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

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

$ millions

	2021			2020				2019
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Operating profit (loss)	$ 63.7	$ 34.6	$ (10.2)	$ 53.5	$ 106.8	$ (0.8)	$ (9.7)	$ 31.1
Depreciation and amortization	22.1	21.4	22.8	27.2	22.3	19.4	22.8	24.9
(Gain) loss on sale of assets	(1.0)	(4.8)	(0.9)	(5.8)	(0.9)	(1.8)	(0.3)	(1.0)
Income from projects accounted for using the equity method	(4.0)	(3.8)	(2.6)	(4.2)	(4.4)	(2.7)	(2.9)	(3.5)
Equity Project EBITDA(1)	14.7	13.8	11.7	12.9	13.4	10.3	9.4	10.1
Adjusted EBITDA(1)	$ 95.5	$ 61.2	$ 20.8	$ 83.6	$ 137.2	$ 24.4	$ 19.2	$ 61.6

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

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

$ millions

	2021			2020				2019
Aecon's proportionate share of projects accounted for using the equity method(1)	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Operating profit	$ 14.5	$ 13.6	$ 11.5	$ 12.7	$ 13.2	$ 10.1	$ 9.2	$ 10.0
Depreciation and amortization	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Equity Project EBITDA(2)	$ 14.7	$ 13.8	$ 11.7	$ 12.9	$ 13.4	$ 10.3	$ 9.4	$ 10.1

(1) Refer to Note 10 "Projects Accounted for Using the Equity Method" in the September 30, 2021 interim condensed consolidated financial statements.
(2) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.

Set out below is the calculation of Adjusted EBITDA by segment for the three months and nine months ended September 30, 2021 and 2020:

$ millions

	Three months ended September 30, 2021				Nine months ended September 30, 2021			
	Construction	Concessions	Other costs and eliminations	Consolidated	Construction	Concessions	Other costs and eliminations	Consolidated
Operating profit (loss)	$ 63.4	$ 8.9	$ (8.7)	$ 63.6	$ 104.7	$ 9.5	$ (26.1)	$ 88.1
Depreciation and amortization	16.6	5.3	0.3	22.2	49.6	15.7	1.1	66.4
(Gain) on sale of assets	(1.0)	-	-	(1.0)	(6.6)	-	-	(6.6)
Income from projects accounted for using the equity method	(1.5)	(2.5)	-	(4.0)	(2.1)	(8.3)	-	(10.4)
Equity Project EBITDA(1)	4.6	10.1	-	14.7	9.5	30.6	-	40.1
Adjusted EBITDA(1)	$ 82.1	$ 21.8	$ (8.4)	$ 95.5	$ 155.1	$ 47.5	$ (25.0)	$ 177.6

$ millions

	Three months ended September 30, 2020				Nine months ended September 30, 2020			
	Construction	Concessions	Other costs and eliminations	Consolidated	Construction	Concessions	Other costs and eliminations	Consolidated
Operating profit (loss)	$ 112.6	$ (3.2)	$ (2.6)	$ 106.8	$ 122.0	$ (3.0)	$ (22.6)	$ 96.4
Depreciation and amortization	17.8	4.0	0.5	22.3	53.3	10.4	0.8	64.5
(Gain) on sale of assets	(0.9)	-	-	(0.9)	(3.1)	-	-	(3.1)
Income from projects accounted for using the equity method	(1.4)	(3.0)	-	(4.4)	(1.3)	(8.6)	-	(9.9)
Equity Project EBITDA(1)	3.2	10.2	-	13.4	4.7	28.3	-	33.0
Adjusted EBITDA(1)	$ 131.3	$ 8.0	$ (2.1)	$ 137.2	$ 175.6	$ 27.1	$ (21.8)	$ 180.9

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

Set out below is the calculation of Equity Project EBITDA by segment for the three months and nine months ended September 30, 2021 and 2020:

$ millions

Aecon's proportionate share of projects accounted for using the equity method (1)	Three months ended September 30, 2021				Nine months ended September 30, 2021			
	Construction	Concessions	Other costs and eliminations	Consolidated	Construction	Concessions	Other costs and eliminations	Consolidated
Operating profit	$ 4.4	$ 10.1	$ -	$ 14.5	$ 9.1	$ 30.6	$ -	$ 39.7
Depreciation and amortization	0.2	-	-	0.2	0.4	-	-	0.4
Equity Project EBITDA(2)	4.6	10.1	-	14.7	9.5	30.6	-	40.1

$ millions

Aecon's proportionate share of projects accounted for using the equity method (1)	Three months ended September 30, 2020				Nine months ended September 30, 2020			
	Construction	Concessions	Other costs and eliminations	Consolidated	Construction	Concessions	Other costs and eliminations	Consolidated
Operating profit	$ 3.0	$ 10.2	$ -	$ 13.2	$ 4.2	$ 28.3	$ -	$ 32.5
Depreciation and amortization	0.2	-	-	0.2	0.5	-	-	0.5
Equity Project EBITDA(2)	3.2	10.2	-	13.4	4.7	28.3	-	33.0

(1) Refer to Note 10 "Projects Accounted for Using the Equity Method" in the September 30, 2021 interim condensed consolidated financial statements.
(2) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.

10. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

10.1. INTRODUCTION

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

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

For further information, see Note 10 to the September 30, 2021 interim condensed consolidated financial statements.

10.2. CONTINGENCIES

Coastal GasLink Pipeline, Sections 3 and 4

The project has been delayed and impacted by various events for which SA Energy Group ("SAEG"), a partnership in which the Company holds a 50% interest, asserts Coastal GasLink ("CGL") is contractually responsible, including, but not limited to, significant scope changes and delays by the client, unforeseen site conditions, recoverable weather impacts and a suspension implemented by the client as a result of regulatory restrictions imposed due to the COVID-19 pandemic. SAEG asserts that it is entitled to additional compensation for costs associated with those delays and impacts. During the second quarter of 2021, CGL issued a Change Directive instructing SAEG to proceed with completing the remaining work on the project without an agreement as to the price for that work and without making any interim additional payments on account of the increased costs. In the third quarter, the difference between costs being incurred by SAEG and compensation being agreed to by CGL has further increased due to CGL's failure to appropriately administer its change management process and its unilateral decision to stop paying amounts it had previously agreed to pay on an interim basis pending dispute resolution. As a result, RB Somerville, the Company's 50% partner in SAEG, has expressed that it will be unable to continue funding its share of the cash flow requirements of the project beyond the first quarter of 2022 should the situation not improve. Should RB Somerville cease funding its share of the cash flow requirements of the project, the Company's requirement to fund further cash flow shortfalls from that point on would double. If that were the case, and in the absence of a resolution with CGL that improves the cash flow situation on the project, the Company may not be in a position to continue funding the project to completion (projected for the first quarter of 2023). As SAEG believes it has strong contractual entitlement to additional compensation that CGL is not addressing on a timely basis, it has commenced an arbitration pursuant to the terms of the contract to resolve the matter. While this commercial dispute could result in a material impact to Aecon's earnings, cash flow, and financial position if not resolved favourably in a timely manner, the ultimate results cannot be predicted at this time.

Kemano Generating Station Second Tunnel Project

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

K+S Potash Canada

During the second quarter of 2018, the Company filed a statement of claim in the Court of Queen's Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking $180 million in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately $14 million in damages. The Company has recorded $139 million of unbilled revenue and accounts receivable as at September 30, 2021. Offsetting this amount to some extent, the Company has accrued $45 million in trade and other payables for potential payments to third parties pending the outcome of the claim against KSPC. KSPC is seeking an order that the Company repay to KSPC approximately $195 million already paid to the Company pursuant to such agreements. The Company has also been brought into two other lawsuits in the same Court between KSPC and various other contractors involved with the Legacy mine project, both relating to matters which the Company believes are materially covered by insurance coverage, to the extent of any liability. These claims may not be resolved for several years. While the Company considers KSPC’s claim to be without merit and does not expect that the resolution of these claims will cause a material impact to its financial position, the ultimate results cannot be predicted at this time.

10.3. CASH AND DEBT BALANCES

Cash balances at September 30, 2021 and December 31, 2020 are as follows:

$ millions		September 30, 2021		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	$ 7	$ 545	$ 552
Restricted cash	(2)	85	-	85
Bank indebtedness	(3)	(50)	-	(50)
		December 31, 2020		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	$ 100	$ 558	$ 658
Restricted cash	(2)	111	-	111

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

Total long-term recourse debt of $398.1 million as at September 30, 2021 compares to $369.2 million as at December 31, 2020, the composition of which is as follows:

$ millions	September 30, 2021	December 31, 2020
Current portion of long-term debt – recourse	$ **55.8**	$ 56.6
Long-term debt – recourse	**169.6**	143.5
Long-term portion of convertible debentures	**172.7**	169.1
Total long-term recourse debt	$ **398.1**	$ 369.2
Long-term project debt - non-recourse	$ **359.3**	$ 358.9

The $28.9 million net increase in total long-term recourse debt results from an increase in property and equipment financing of $20.0 million, leases of $5.3 million, and convertible debentures of $3.6 million related to the accretion of notional interest.

The $0.4 million increase in long-term non-recourse project debt, which all relates to the financing of the Bermuda International Airport Redevelopment Project, is due to the impact of the change in the US:Canadian dollar exchange rate since December 31, 2020.

As at September 30, 2021, Aecon had a committed revolving credit facility of $600 million, of which $50 million was drawn and $8 million utilized for letters of credit. On June 30, 2021, Aecon completed a two-year extension of its revolving credit facility which now matures on June 30, 2025. As part of the extension, the Company incorporated a sustainability-linked facility which is tied to the Company's core environmental, social and governance (ESG) objectives. In the first quarter of 2021, the performance security guarantee facility provided by Export Development Canada to support letters of credit was increased from $700 million to $900 million. On June 30, 2021, this facility was extended to June 30, 2023. This facility, when combined with Aecon's committed revolving credit facility, provides Aecon with committed credit facilities for working capital and letter of credit requirements totaling $1,500 million. The Company has no debt or working capital credit facility maturities until the second half of 2023, except equipment and property loans and leases in the normal course. As at September 30, 2021, Aecon was in compliance with all debt covenants related to its credit facility. Aecon's financial position, liquidity and capital resources are subject to the risks and uncertainties described in Section 10.2 "Contingencies" regarding certain pending legal proceedings to which Aecon is a party, in particular the potential material impact to the Company if the current dispute with CGL is not resolved favourably in a timely manner.

In the first quarter of 2021, Aecon's Board of Directors approved an increase in the dividend to be paid to all holders of Aecon common shares. Quarterly dividends increased to $0.175 per share (annual dividend of $0.70 per share). Prior to this increase, Aecon paid a quarterly dividend of $0.16 per share (annual dividend of $0.64 per share). The first quarterly dividend payment of $0.175 per share was paid on April 5, 2021.

10.4. SUMMARY OF CASH FLOWS

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

A summary of sources and uses of cash during the three and nine months ended September 30, 2021 and 2020 is as follows:

$ millions	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Operating Activities				
Cash provided by (used in):				
Cash flows from operations before changes in working capital	**$ 71.5**	$ 122.0	**$ 60.4**	$ 121.1
Lower (higher) investments in working capital	**(99.3)**	3.3	**(165.3)**	(62.2)
Cash provided by (used in) operating activities	**$ (27.8)**	$ 125.3	**$ (104.9)**	$ 58.9
Investing Activities				
Cash provided by (used in):				
Decrease in restricted cash balances held by Skyport to finance the Bermuda International Airport Redevelopment Project	**$ 5.2**	$ 5.1	**$ 25.7**	$ 8.3
Expenditures made by Skyport related to the construction of the new airport terminal in Bermuda	**-**	(11.5)	**(3.7)**	(41.9)
Expenditures (net of disposals) on property, plant and equipment and intangible assets	**(2.1)**	(7.2)	**(20.6)**	(32.4)
Cash outflow related to the acquisition of Voltage	**-**	-	**-**	(29.8)
Proceeds on sale of contract mining business	**-**	-	**-**	11.8
Cash distributions received from projects accounted for using the equity method	**0.6**	0.8	**2.8**	1.0
Cash provided by (used for) investments in long-term financial assets	**(0.1)**	-	**0.2**	(0.3)
Cash provided by (used in) investing activities	**$ 3.6**	$ (12.8)	**$ 4.4**	$ (83.3)
Financing Activities				
Cash provided by (used in):				
Increase (decrease) in bank indebtedness associated with borrowings under the Company's revolving credit facility	**$ 39.8**	$ (30.0)	**$ 50.0**	$ -
Increase in long-term recourse debt borrowings	**2.3**	4.8	**30.0**	12.6
Repayments of long-term recourse debt relating primarily to equipment financing arrangements	**(19.4)**	(19.9)	**(53.2)**	(51.3)
Cash used for dividends paid	**(10.6)**	(9.6)	**(30.7)**	(28.0)
Common shares purchased under NCIB	**-**	-	**-**	(15.5)
Cash provided by (used in) financing activities	**$ 12.1**	$ (54.7)	**$ (3.9)**	$ (82.2)
Increase (decrease) in cash and cash equivalents	**(12.1)**	57.8	**(104.4)**	(106.6)
Effects of foreign exchange on cash balances	**1.2**	(2.3)	**(2.1)**	1.5
Cash and cash equivalents - beginning of period	**562.7**	521.6	**658.3**	682.3
Cash and cash equivalents - end of period	**$ 551.8**	$ 577.1	**$ 551.8**	$ 577.1

In the first nine months of 2021, Aecon acquired, either through purchase or lease, property, plant and equipment totaling $67 million. Of this amount, $11.6 million of additions related to the purchase of equipment yards and buildings in Alberta for use by civil operations and $5.8 million of additions related to long-term property leases in utilities operations, both in the Construction segment, with the balance of the investment in property, plant and equipment related to the purchase or lease of new machinery and construction equipment as part of normal ongoing business operations in the Construction segment. In the first nine months of 2020, Aecon acquired, either through purchase or lease, property, plant and equipment totalling $65 million (excluding property, plant and equipment acquired at the time of the Voltage acquisition). Of this amount, $16.5 million of expenditures related to the purchase of an equipment yard and building in Ontario for use by the civil and utilities equipment fleet operations in the Construction segment, with the balance of the investment in property, plant and equipment related to the purchase or lease of new machinery and construction equipment as part of normal ongoing business operations in the Construction segment.

11. NEW ACCOUNTING STANDARDS

Note 5, *"New Accounting Standards"*, to Aecon's September 30, 2021 interim condensed consolidated financial statements includes new IFRS standards and amendments that became effective for the Company on January 1, 2021, and Note 6, *"Future Accounting Changes"* discusses IFRS standards and amendments that are issued, but not yet effective.

The new accounting standards had no significant impact on profit (loss), comprehensive income (loss), or earnings (loss) per share in the first nine months of 2021.

12. SUPPLEMENTAL DISCLOSURES

Disclosure Controls and Procedures

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

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the period beginning on July 1, 2021 and ended on September 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

In response to the COVID-19 pandemic, certain physical distancing measures taken by Aecon, clients and governments have the potential to impact the design and performance of internal controls over financial reporting at the Company while these measures remain in place. While no material changes in the Company's internal controls over financial reporting are anticipated at this time, the Company continues to monitor and mitigate any risks associated with changes to its control environment in response to COVID-19.

Contractual Obligations

At September 30, 2021, the Company had commitments totaling $448 million for equipment and premises under leases requiring minimum payments, and for obligations under long-term recourse debt and convertible debentures.

At September 30, 2021, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was $6,043 million.

Further details on Contractual Obligations are included in the Company's 2020 Annual Report.

Off-Balance Sheet Arrangements

Aecon's defined benefit pension plans (the "Pension Plans") had a combined deficit of $1.0 million as at September 30, 2021 (December 31, 2020 a combined surplus of $0.1 million). The defined benefit obligations and benefit cost levels will change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future experience gains or losses, none of which have been anticipated at this time. Emerging experience, differing from assumptions, will result in gains or losses that will be disclosed in future accounting valuations. Refer to the Company's 2020 Annual Report for further details regarding Aecon's Pension Plans.

Further details of contingencies and guarantees are included in the September 30, 2021 interim condensed consolidated financial statements and in the 2020 Annual Report.

Related Party Transactions

Other than transactions with certain equity accounted investees as part of the normal course of operations, there were no significant related party transactions in the first nine months of 2021.

Critical Accounting Estimates and Judgements

Refer to the detailed discussion on Critical Accounting Estimates as outlined in Note 4 to the September 30, 2021 interim condensed consolidated financial statements.

13. RISK FACTORS

Refer to the detailed discussion on Risk Factors as outlined in the Company's 2020 Annual MD&A dated February 25, 2021. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. These risks and uncertainties which management reviews on a quarterly basis, have not materially changed in the period since February 25, 2021 except as described under "10.2 Contingencies" above.

14. OUTSTANDING SHARE DATA

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

In thousands of dollars (except share amounts)		**October 28, 2021**
Number of common shares outstanding		60,320,597
Outstanding securities exchangeable or convertible into common shares:		
Principal amount of convertible debentures outstanding (See Note 17 to the September 30, 2021 interim condensed consolidated financial statements)	$	185,381
Number of common shares issuable on conversion of convertible debentures		7,839,795
Increase in paid-up capital on conversion of convertible debentures	$	185,381
DSUs and RSUs outstanding under the Long-Term Incentive Plan and the 2014 Director DSU Plan		3,643,014

15. OUTLOOK

Through the first nine months of 2021, new awards of $2.4 billion were similar to the same period last year and resulted from steady demand for Aecon's services across Canada in smaller and medium sized projects, and also incorporated a number of multi-year projects in the nuclear, civil, urban transportation, and industrial sectors. Aecon is also pre-qualified on a number of large project bids due to be awarded over the next two years. Recurring revenue is expected to continue to grow in both the utilities sector, based on the capital investment plans of a number of key clients, particularly in telecommunications and power-related work, and the Concessions segment as airport traffic in Bermuda continues its recovery from the impact of the COVID-19 pandemic. The Company expects that demand for its services will remain healthy for the foreseeable future as the federal government and provincial governments across Canada have identified investment in infrastructure as a key source of stimulus as part of economic recovery plans.

While the COVID-19 pandemic is expected to continue to have some impact in moderating overall revenue and profitability growth expectations, the Company is encouraged by the generally positive trend in the lifting of social and economic restrictions in recent months in Canada. Although the operating environment continues to be impacted by the requirement to follow client decisions related to schedules or operating policies or due to broader government directives to modify work practices to meet relevant health and safety standards, the impact on revenue is expected to continue to lessen going forward if the current trend continues. Until normal operations fully resume, however, there is no guarantee that all related costs will be recovered and therefore it is possible that future project margins could be impacted.

In the Concessions segment, commercial operations at the Bermuda International Airport continue to be challenged by COVID-19 related travel restrictions, which have significantly impacted the aviation industry. An increase in vaccination rates and the easing of travel restrictions during the year have provided signs of a rebound, from very low levels, in passenger traffic for the aviation industry. An ongoing increase in vaccination rates and further easing of travel restrictions are expected to lead to a corresponding gradual improvement in travel through the Bermuda airport during the remainder of the year and into 2022.

As of September 30, 2021, Aecon had a committed revolving credit facility of $600 million, of which $50 million was drawn, and $8 million was utilized for letters of credit. The Company has no debt or working capital credit facility maturities until the second half of 2023, except equipment loans and leases in the normal course. However, Aecon's financial position, liquidity and capital resources are subject to the risks and uncertainties described in Section 10.2 "Contingencies" regarding certain pending legal proceedings to which Aecon is a party, in particular the current dispute with CGL.

AECON GROUP INC.
THIRD QUARTER

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2021

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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MANAGEMENT REPORT
October 28, 2021

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, 2021 AND DECEMBER 31, 2020

(in thousands of Canadian dollars) (unaudited)

	Note	**September 30 2021**	December 31 2020
ASSETS			
Current assets			
Cash and cash equivalents	7	**$ 551,813**	$ 658,270
Restricted cash	7	**85,483**	111,208
Trade and other receivables	8	**870,412**	807,111
Unbilled revenue		**674,661**	526,079
Inventories	9	**26,412**	21,341
Income tax recoverable		**17,268**	8,005
Prepaid expenses		**69,817**	68,996
		2,295,866	2,201,010
Non-current assets			
Long-term financial assets		**2,508**	3,230
Projects accounted for using the equity method	10	**55,905**	37,378
Deferred income tax assets		**27,764**	34,154
Property, plant and equipment	11	**376,149**	362,177
Intangible assets	12	**633,272**	649,450
		1,095,598	1,086,389
TOTAL ASSETS		**$ 3,391,464**	$ 3,287,399
LIABILITIES			
Current liabilities			
Bank indebtedness	13	**$ 50,000**	$ -
Trade and other payables	14	**995,061**	924,338
Provisions	15	**23,427**	16,475
Deferred revenue		**456,431**	486,259
Income taxes payable		**4,712**	45,962
Current portion of long-term debt	16	**55,785**	56,568
		1,585,416	1,529,602
Non-current liabilities			
Provisions	15	**8,173**	5,976
Non-recourse project debt	16	**359,266**	358,871
Long-term debt	16	**169,585**	143,534
Convertible debentures	17	**172,675**	169,057
Concession related deferred revenue	18	**96,369**	99,138
Deferred income tax liabilities		**96,004**	106,470
Other liabilities		**1,661**	644
		903,733	883,690
TOTAL LIABILITIES		**2,489,149**	2,413,292
EQUITY			
Capital stock	22	**397,219**	395,733
Convertible debentures	17	**12,707**	12,707
Contributed surplus		**66,095**	53,774
Retained earnings		**449,913**	444,088
Accumulated other comprehensive loss		**(23,619)**	(32,195)
TOTAL EQUITY		**902,315**	874,107
TOTAL LIABILITIES AND EQUITY		**$ 3,391,464**	$ 3,287,399

Contingencies (Note 21)

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

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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

	Note	For the three months ended September 30 2021	For the three months ended September 30 2020	For the nine months ended September 30 2021	For the nine months ended September 30 2020
Revenue		**$ 1,163,441**	$ 1,039,456	**$ 2,888,757**	$ 2,566,419
Direct costs and expenses	23	**(1,040,191)**	(877,227)	**(2,616,304)**	(2,289,140)
Gross profit		**123,250**	162,229	**272,453**	277,279
Marketing, general and administrative expense	23	**(42,376)**	(37,868)	**(134,380)**	(128,698)
Depreciation and amortization	23	**(22,111)**	(22,329)	**(66,358)**	(64,504)
Income from projects accounted for using the equity method	10	**3,957**	4,353	**10,375**	9,894
Other income	24	**934**	394	**5,977**	2,384
Operating profit		**63,654**	106,779	**88,067**	96,355
Finance income		**137**	139	**403**	885
Finance cost	25	**(11,820)**	(6,816)	**(33,666)**	(19,561)
Profit before income taxes		**51,971**	100,102	**54,804**	77,679
Income tax expense	19	**(13,542)**	(26,478)	**(17,195)**	(21,632)
Profit for the period		**$ 38,429**	$ 73,624	**$ 37,609**	$ 56,047
Basic earnings per share	26	**$ 0.64**	$ 1.23	**$ 0.62**	$ 0.93
Diluted earnings per share	26	**$ 0.56**	$ 0.99	**$ 0.59**	$ 0.83

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(in thousands of Canadian dollars) (unaudited)

	For the three months ended		For the nine months ended	
	September 30 2021	September 30 2020	**September 30 2021**	September 30 2020
Profit for the period	**$ 38,429**	$ 73,624	**$ 37,609**	$ 56,047
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences - foreign operations	**6,071**	(4,552)	**(1,689)**	2,929
Cash flow hedges - subsidiaries	**-**	(1,054)	**1,668**	(118)
Cash flow hedges - equity accounted investees	**2,996**	1,498	**12,360**	(25,689)
Cash flow hedges - joint operations	**4,487**	(4,719)	**(341)**	3,356
Income taxes on the above	**(1,986)**	1,042	**(3,422)**	5,965
Total other comprehensive income (loss) for the period	**11,568**	(7,785)	**8,576**	(13,557)
Comprehensive income for the period	**$ 49,997**	$ 65,839	**$ 46,185**	$ 42,490

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

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

					Accumulated other comprehensive income (loss)			
	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Currency translation differences	Actuarial gains and losses	Cash flow hedges	Shareholders' equity
Balance as at January 1, 2021	**$ 395,733**	**$ 12,707**	**$ 53,774**	**$ 444,088**	**$ (8,378)**	**$ 729**	**$ (24,546)**	**$ 874,107**
Profit for the period	-	-	-	37,609	-	-	-	**37,609**
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	(1,689)	-	-	**(1,689)**
Cash flow hedges - subsidiaries	-	-	-	-	-	-	1,668	**1,668**
Cash flow hedges - equity accounted investees	-	-	-	-	-	-	12,360	**12,360**
Cash flow hedges - joint operations	-	-	-	-	-	-	(341)	**(341)**
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	-	(3,422)	**(3,422)**
Total other comprehensive income (loss) for the period	**-**	**-**	**-**	**-**	**(1,689)**	**-**	**10,265**	**8,576**
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**37,609**	**(1,689)**	**-**	**10,265**	**46,185**
Dividends declared	-	-	-	(31,662)	-	-	-	**(31,662)**
Stock-based compensation expense	-	-	13,483	-	-	-	-	**13,483**
Shares issued to settle LTIP/ESU/Director DSU obligations	1,486	-	(1,550)	(122)	-	-	-	**(186)**
Stock-based compensation settlements and receipts	-	-	388	-	-	-	-	**388**
Balance as at September 30, 2021	**$ 397,219**	**$ 12,707**	**$ 66,095**	**$ 449,913**	**$ (10,067)**	**$ 729**	**$ (14,281)**	**$ 902,315**

					Accumulated other comprehensive income (loss)			
	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Currency translation differences	Actuarial gains and losses	Cash flow hedges	Shareholders' equity
Balance as at January 1, 2020	**$ 394,291**	**$ 12,707**	**$ 48,858**	**$ 403,821**	**$ (698)**	**$ 2,174**	**$ (3,157)**	**$ 857,996**
Profit for the period	-	-	-	56,047	-	-	-	**56,047**
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	2,929	-	-	**2,929**
Cash flow hedges - subsidiaries	-	-	-	-	-	-	(118)	**(118)**
Cash flow hedges - equity-accounted investees	-	-	-	-	-	-	(25,689)	**(25,689)**
Cash flow hedges - joint operations	-	-	-	-	-	-	3,356	**3,356**
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	-	5,965	**5,965**
Total other comprehensive income (loss) for the period	**-**	**-**	**-**	**-**	**2,929**	**-**	**(16,486)**	**(13,557)**
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**56,047**	**2,929**	**-**	**(16,486)**	**42,490**
Dividends declared	-	-	-	(28,740)	-	-	-	**(28,740)**
Common shares purchased under Normal Course Issuer Bid	(6,091)	-	-	(9,364)	-	-	-	**(15,455)**
Stock-based compensation expense	-	-	12,587	-	-	-	-	**12,587**
Shares issued to settle LTIP/ESU/Director DSU obligations	1,438	-	(1,414)	(24)	-	-	-	**-**
Stock based compensation settlements and receipts	-	-	(3,321)	-	-	-	-	**(3,321)**
Balance as at September 30, 2020	**$ 389,638**	**$ 12,707**	**$ 56,710**	**$ 421,740**	**$ 2,231**	**$ 2,174**	**$ (19,643)**	**$ 865,557**

During the nine months ended September 30, 2021, the Company declared dividends amounting to $0.525 per share (September 30, 2020 - $0.48 per share).

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(in thousands of Canadian dollars) (unaudited)

	Note	**September 30 2021**	September 30 2020
CASH PROVIDED BY (USED IN)			
Operating activities			
Profit before income taxes		**$ 54,804**	$ 77,679
Income taxes paid		**(73,777)**	(26,313)
Defined benefit pension		**1,078**	(28)
Stock-based compensation settlements and receipts		**55**	(3,321)
Items not affecting cash:			
Depreciation and amortization		**66,358**	64,504
Income from projects accounted for using the equity method		**(10,375)**	(9,894)
Gain on sale of assets and other		**(6,628)**	(3,076)
Concession deferred revenue		**(2,777)**	-
Unrealized foreign exchange loss (gain)		**591**	(59)
Increase in provisions		**12,019**	5,092
Notional interest representing accretion		**4,142**	3,904
Stock-based compensation expense		**14,842**	12,587
Change in other balances relating to operations	27	**(165,259)**	(62,186)
		(104,927)	58,889
Investing activities			
Decrease in restricted cash balances		**25,709**	8,322
Purchase of property, plant and equipment		**(24,537)**	(34,221)
Proceeds on sale of contract mining business		**-**	11,806
Proceeds on sale of property, plant and equipment		**6,149**	4,413
Investment in concession rights		**(3,686)**	(41,889)
Increase in intangible assets		**(2,195)**	(2,677)
Decrease (increase) in long-term financial assets		**215**	(254)
Distributions from projects accounted for using the equity method		**2,779**	972
Net cash outflow on acquisition of a business		**-**	(29,754)
		4,434	(83,282)
Financing activities			
Increase in bank indebtedness		**50,000**	-
Issuance of long-term debt		**30,048**	12,603
Repayments of lease liabilities		**(43,118)**	(41,324)
Repayments of long-term debt		**(10,046)**	(10,072)
Dividends paid		**(30,741)**	(27,963)
Common shares purchased under NCIB		**-**	(15,455)
		(3,857)	(82,211)
Decrease in cash and cash equivalents during the period		**(104,350)**	(106,604)
Effect of foreign exchange on cash balances		**(2,107)**	1,481
Cash and cash equivalents - beginning of period		**658,270**	682,264
Cash and cash equivalents - end of period	7	**$ 551,813**	$ 577,141

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(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 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 28, 2021 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 as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of interim financial statements including 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, 2020. The accounting policies that are set out in Note 5, "*Summary of Significant Accounting Policies*" to the Company's annual consolidated financial statements for the year ended December 31, 2020 were consistently applied to all periods presented, except for new accounting standards and amendments that became effective on January 1, 2021 as described in Note 5, "*New Accounting Standards*".

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.

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. 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, 2020. 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.

COVID-19 PANDEMIC

The COVID-19 pandemic has continued to disrupt global health and the economy in 2021 and has created an indeterminate period of volatility in the markets in which Aecon operates. The COVID-19 pandemic impacted Aecon's operations in 2020 and the first nine months of 2021 at varying times by way of suspensions of certain of the Company's projects, either by its clients or due to a broader government directive, by disruption to the progress of projects due to the need to modify work practices to meet appropriate health and safety standards, or by other COVID-19 related impacts on the availability of labour or to the supply chain.

As the COVID-19 pandemic continues to evolve, notwithstanding the vaccination campaigns that are currently underway in Canada and other countries, the duration and full financial effect of the COVID-19 pandemic is still uncertain at this time, as is the efficacy of government and central bank interventions, the Company's business continuity plan and other mitigating measures. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty. Therefore, uncertainty about judgments, estimates and assumptions made by management during the preparation of the Company's consolidated financial statements related to potential impacts of the COVID-19 pandemic on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected. The major sources of estimation uncertainty and judgment affecting the Company are discussed in greater detail below.

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. Management, in making judgments, estimates and assumptions that affect the contract revenue and cost amounts from unpriced change orders and claims, also considered the impacts of the COVID-19 pandemic on the Company's operations. As noted above in greater detail, Aecon's operations in 2021 and 2020 were impacted at varying times by the suspension of certain of the Company's projects, by disruption to the progress of projects, or by other COVID-19 related impacts on the availability of labour or to the supply chain. These judgments, estimates and assumptions affecting the revenue and cost forecasts of individual performance obligations were based on facts and circumstances that existed at the time when such judgments, estimates and assumptions were made. In accordance with the Company's accounting policy, unpriced change orders and claims are recognized in revenue at the amount the Company expects to be entitled to, where 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. Where such revenue amounts cannot be estimated with reasonable assurance, they are excluded from the revenue forecast of the related performance obligation. 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.

LITIGATION RISK AND CLAIMS RISK

Disputes are common in the construction industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial, including the legal proceedings discussed in Note 21, *"Contingencies"*. The Company must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required. Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties. Management regularly analyzes current information about these matters, and internal and external legal counsel, as well as other claim specialists, are often used for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. As part of its analysis, the Company also considered any impacts of the COVID-19 pandemic on management's assumptions and estimates related to the potential outcomes of legal proceedings. The outcome of matters related to disputes, legal actions and proceedings may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

The Company also pursues claims against project owners for additional costs exceeding the contract price or for amounts not included in the original contract price. When these types of events occur and unresolved claims are pending, the Company may invest significant working capital in projects to cover costs pending the resolution of the relevant claims. A failure to ultimately recover on claims could have a material effect on liquidity and financial results.

FAIR VALUING FINANCIAL INSTRUMENTS

From time to time, the Company, often through its subsidiaries, joint arrangements and equity accounted investees, enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for speculative trading purposes. In addition, some of the Company's equity accounted investees enter into derivative financial instruments, namely interest rate swaps, to hedge the variability of interest rates related to non-recourse project debt. 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.

Management considered the potential impacts of the COVID-19 pandemic on the Company's cash flow hedges. For derivative instruments that hedge the Company's exposure to variability in expected future cash flows and that are designated as cash flow hedges, management assessed whether the occurrence of future transactions that are the subject of these hedges were still considered highly probable as at September 30, 2021. Based on this assessment, the Company determined that there was no change that would require prospectively discontinuing the application of hedge accounting for such transactions.

Further information with regard to the treatment of financial instruments can be found in Note 28, *"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 23, "*Employee Benefit Plans*," in the Company's annual consolidated financial statements for the year ended December 31, 2020, 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 also considered the effect of the COVID-19 pandemic on projections and assumptions of future taxable income and therefore the recoverability of deferred income tax assets recognized as at September 30, 2021 and concluded that there was no significant impact.

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.

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. As part of its review of impairment indicators, the Company also considered the potential impacts of the COVID-19 pandemic on goodwill and other intangible assets as at September 30, 2021. 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 cash generating 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 14, "*Intangible Assets*", in the Company's annual consolidated financial statements for the year ended December 31, 2020, 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 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.

Refer to Note 11, "*Property, plant and equipment*", and Note 16, "*Long-term debt and non-recourse project debt*" for further details regarding leases.

ALLOWANCE FOR EXPECTED CREDIT LOSSES
The Company considered any potential impact of the COVID-19 pandemic in its analysis of expected credit losses as at September 30, 2021. The Company maintains an allowance for expected credit losses to provide for the estimated amount of receivables that will not be collected. The allowance is based upon an assessment of creditworthiness of the portfolio of customers (most of which are government clients, crown corporations, or major industrial companies), historical payment experience, the age of outstanding receivables, collateral to the extent applicable, and forward-looking information regarding collectability. Based on this review, there was no significant change to the Company's allowance for expected credit losses as at September 30, 2021.

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 an entity is classified as either a joint operation, joint venture or associate, 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. NEW ACCOUNTING STANDARDS

The following amendments to standards and interpretations became effective for the annual periods beginning on or after January 1, 2021. The application of these amendments and interpretations had no significant impact on the Company's consolidated financial position or results of operations.

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 7, Financial Instruments: Disclosures, IFRS 9, Financial Instruments, IFRS 16, Leases, and IAS 39, Financial Instruments: Recognition and Measurement)
The Interest Rate Benchmark Reform Phase 2 amendments to IFRS 7, IFRS 9, IFRS 16, and IAS 39 address specific hedge accounting requirements and permit a practical expedient for modifications of financial assets, financial liabilities and lease liabilities required by the IBOR (interbank offered rate) reform. The amendments also require additional disclosures for users to understand the nature and extent of risks arising from the IBOR reform and how the entity manages those risks.

6. FUTURE ACCOUNTING CHANGES

Classification of Liabilities as Current or Non-current (Amendments to IAS 1, Presentation of Financial Statements)
The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively.

Disclosure of Accounting Policies (Amendments to IAS 1)
The amendments to IAS 1 require an entity to disclose its material accounting policies instead of its significant accounting policies. The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied prospectively.

Reference to the Conceptual Framework (Amendments to IFRS 3, Business Combinations)
The amendments to IFRS 3 update an outdated reference in IFRS 3 without significantly changing its requirements and add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for annual periods beginning on or after January 1, 2022 and are to be applied prospectively.

Definition of Accounting Estimates (Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors)
The amendments to IAS 8 provide guidance to assist entities in distinguishing between accounting policies and accounting estimates. The amendments replace the definition of a change in accounting estimates with the definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied prospectively.

Fees in the "10 Per Cent Test" for Derecognition of Financial Liabilities (Amendments to IFRS 9, Financial Instruments)
The amendments to IFRS 9 clarify which fees an entity includes when it applies the "10 per cent test" in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendments are effective for annual periods beginning on or after January 1, 2022 and are to be applied prospectively.

Deferred Tax on Assets and Liabilities Arising From Lease and Decommissioning Obligation Transactions (Amendments to IAS 12, Income Taxes)
The amendments to IAS 12 provide clarifications in accounting for deferred tax on certain transactions such as leases and decommissioning obligations. The amendments clarify that the initial recognition exemption does not apply to transactions such as leases and decommissioning obligations. As a result, entitles may need to recognize both a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of leases and decommissioning

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

obligations. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied to transactions that occur on or after the beginning of the earliest comparative period presented.

Extension of an Exemption From Assessing Whether a COVID-19-related Rent Concession is a Lease Modification (Amendments to IFRS 16, Leases)
The amendments to IFRS 16 issued in May 2020 provided lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification, and instead required lessees that applied the exemption to account for COVID-19-related rent concessions as if they were not lease modifications. The exemption was initially limited to any reduction in lease payments originally due on or before June 30, 2021. The new amendments have extended the applicable period, by one year, to payments originally due on or before June 30, 2022. The amendments are effective for annual reporting periods beginning on or after April 1, 2021 and are to be applied retrospectively.

Property, Plant and Equipment - Proceeds Before Intended Use (Amendments to IAS 16, Property, Plant and Equipment)
The amendments to IAS 16 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets)
The amendments to IAS 37 provide guidance regarding the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022 with comparative figures not restated.

The Company is still assessing the impact of adopting these amendments on its future financial statements.

7. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

	September 30 2021	December 31 2020
Cash balances excluding joint operations	**$ 7,402**	$ 100,454
Cash balances of joint operations	**544,411**	557,816
	$ 551,813	$ 658,270
Restricted cash	**$ 85,483**	$ 111,208
	$ 85,483	$ 111,208

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.

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

8. TRADE AND OTHER RECEIVABLES

	September 30 2021	December 31 2020
Trade receivables	$ 491,092	$ 435,432
Allowance for expected credit losses	(1,032)	(1,140)
	490,060	434,292
Holdbacks receivable	329,959	327,466
Other	50,393	45,353
	380,352	372,819
Total	$ 870,412	$ 807,111
Amounts receivable beyond one year	$ 102,745	$ 96,317

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

	September 30 2021	December 31 2020
Balance - beginning of period	$ (1,140)	$ (758)
Additional amounts provided for during period	(412)	(1,054)
Trade receivables written off during period	159	92
Amounts recovered	361	580
Balance - end of period	$ (1,032)	$ (1,140)

9. INVENTORIES

	September 30 2021	December 31 2020
Raw materials and supplies	$ 8,072	$ 9,918
Finished goods	18,340	11,423
	$ 26,412	$ 21,341

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

10. 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, 2021			December 31, 2020		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Cash and cash equivalents	$ 13,953	$ 935	**$ 14,888**	$ 12,425	$ 2,251	$ 14,676
Other current assets	433,994	110	**434,104**	260,870	264	261,134
Total current assets	447,947	1,045	**448,992**	273,295	2,515	275,810
Non-current assets	893,922	-	**893,922**	838,647	-	838,647
Total assets	1,341,869	1,045	**1,342,914**	1,111,942	2,515	1,114,457
Trade and other payables and provisions	148,131	814	**148,945**	121,986	1,214	123,200
Other current financial liabilities	-	-	**-**	1,413	-	1,413
Total current liabilities	148,131	814	**148,945**	123,399	1,214	124,613
Non-current financial liabilities	1,129,862	-	**1,129,862**	944,716	-	944,716
Other non-current liabilities	8,202	-	**8,202**	7,750	-	7,750
Total non-current liabilities	1,138,064	-	**1,138,064**	952,466	-	952,466
Total liabilities	1,286,195	814	**1,287,009**	1,075,865	1,214	1,077,079
Net assets	$ 55,674	$ 231	**$ 55,905**	$ 36,077	$ 1,301	$ 37,378

	For the three months ended					
	September 30, 2021			September 30, 2020		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Revenue	$ 171,917	$ 120	**$ 172,037**	$ 199,358	$ 279	$ 199,637
Depreciation and amortization	(156)	-	**(156)**	(154)	-	(154)
Other costs and expenses	(157,343)	6	**(157,337)**	(185,913)	(397)	(186,310)
Operating profit (loss)	14,418	126	**14,544**	13,291	(118)	13,173
Finance cost	(10,052)	-	**(10,052)**	(8,208)	-	(8,208)
Income tax expense	(535)	-	**(535)**	(612)	-	(612)
Profit (loss) for the period	3,831	126	**3,957**	4,471	(118)	4,353
Other comprehensive income	2,784	-	**2,784**	1,423	-	1,423
Total comprehensive income (loss)	$ 6,615	$ 126	**$ 6,741**	$ 5,894	$ (118)	$ 5,776

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

	For the nine months ended					
	September 30, 2021			September 30, 2020		
	Joint Ventures	Associates	**Total**	Joint Ventures	Associates	Total
Revenue	$ 542,308	$ 664	**$ 542,972**	$ 504,331	$ 1,680	$ 506,011
Depreciation and amortization	(463)	-	**(463)**	(461)	-	(461)
Other costs and expenses	(502,679)	(134)	**(502,813)**	(471,042)	(1,988)	(473,030)
Operating profit (loss)	39,166	530	**39,696**	32,828	(308)	32,520
Finance cost	(28,473)	-	**(28,473)**	(21,817)	-	(21,817)
Income tax expense	(848)	-	**(848)**	(809)	-	(809)
Profit (loss) for the period	9,845	530	**10,375**	10,202	(308)	9,894
Other comprehensive income (loss)	10,931	-	**10,931**	(22,701)	-	(22,701)
Total comprehensive income (loss)	$ 20,776	$ 530	**$ 21,306**	$ (12,499)	$ (308)	$ (12,807)

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

	For the nine months ended **September 30 2021**	For the year ended December 31 2020
Projects accounted for using the equity method - as at beginning of period	**$ 37,378**	$ 45,513
Share of profit for the period	**10,375**	14,081
Share of other comprehensive income (loss) for the period	**10,931**	(20,226)
Distributions from projects accounted for using the equity method	**(2,779)**	(1,990)
Projects accounted for using the equity method - as at end of period	**$ 55,905**	$ 37,378

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	2021, 2020
Lower Mattagami Project	20%	Associate	2020
Waterloo LRT Concessionaire	10%	Joint Venture	2021, 2020
Eglinton Crosstown LRT Concessionaire	25%	Joint Venture	2021, 2020
New Post Creek Project	20%	Associate	2020
Finch West LRT Concessionaire	33%	Joint Venture	2021, 2020
Gordie Howe International Bridge Concessionaire	20%	Joint Venture	2021, 2020
Sky-Tec Fibre JV	50%	Joint Venture	2021, 2020
Highway 401 Expansion Project SPV	50%	Joint Venture	2021, 2020
Pattullo Bridge Replacement Project SPV	50%	Joint Venture	2021, 2020
Eglinton Crosstown West Extension Advance Tunnel Project SPV	40%	Joint Venture	2021

Projects accounted for using the equity method include various concession joint ventures or project special purpose vehicles ("SPVs") as listed above. However, the construction activities related to these concessions and project SPVs 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.

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

11. 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
Cost								
Balance at January 1, 2021		$ 47,246	$ 171,586	$ 56,656	$ 337,858	$ 38,483	$ 66,941	**$ 718,770**
Additions - purchased assets		7,131	5,239	-	10,079	2,041	47	**24,537**
Additions - right-of-use assets		-	7,809	-	26,643	-	8,178	**42,630**
Disposals		(1,034)	(14,324)	-	(20,641)	(52)	(6,005)	**(42,056)**
Foreign currency translation adjustments		-	1	-	10	2	3	**16**
Balance as at September 30, 2021		$ 53,343	$ 170,311	$ 56,656	$ 353,949	$ 40,474	$ 69,164	**$ 743,897**
Accumulated depreciation and impairment								
Balance at January 1, 2021		1,584	66,333	21,275	189,895	34,307	43,199	**356,593**
Depreciation - purchased assets		-	4,536	633	11,329	2,089	653	**19,240**
Depreciation - right-of-use assets	(a)	194	5,766	-	12,203	-	6,733	**24,896**
Disposals		(1,006)	(7,598)	-	(18,661)	(47)	(5,692)	**(33,004)**
Foreign currency translation adjustments		-	5	-	12	3	3	**23**
Balance as at September 30, 2021		$ 772	$ 69,042	$ 21,908	$ 194,778	$ 36,352	$ 44,896	**$ 367,748**
Net book value as at September 30, 2021		**$ 52,571**	**$ 101,269**	**$ 34,748**	**$ 159,171**	**$ 4,122**	**$ 24,268**	**$ 376,149**
Net book value as at January 1, 2021		**$ 45,662**	**$ 105,253**	**$ 35,381**	**$ 147,963**	**$ 4,176**	**$ 23,742**	**$ 362,177**
Net book value of right-of-use assets included in property, plant & equipment as at January 1, 2021		**$ 1,103**	**$ 38,481**	**$ 75**	**$ 74,156**	**$ -**	**$ 21,089**	**$ 134,904**
Net book value of right-of-use assets included in property, plant & equipment as at September 30, 2021		**$ 909**	**$ 33,795**	**$ 75**	**$ 88,583**	**$ -**	**$ 22,409**	**$ 145,771**

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

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

12. INTANGIBLE ASSETS

	Concession Rights	Goodwill	Licences, software and other rights	Total
Cost				
Balance as at January 1, 2021	$ 624,476	$ 83,830	$ 97,025	$ **805,331**
Additions				
Separately acquired or constructed	3,686	-	2,195	**5,881**
Disposals	-	-	(7)	**(7)**
Foreign currency translation adjustments	508	-	-	**508**
Balance as at September 30, 2021	**$ 628,670**	**$ 83,830**	**$ 99,213**	**$ 811,713**
Accumulated amortization and impairment				
Balance as at January 1, 2021	97,566	-	58,315	**155,881**
Amortization	15,099	-	7,123	**22,222**
Disposals	-	-	(7)	**(7)**
Foreign currency translation adjustments	344	-	1	**345**
Balance as at September 30, 2021	**$ 113,009**	**$ -**	**$ 65,432**	**$ 178,441**
Net book value as at September 30, 2021	**$ 515,661**	**$ 83,830**	**$ 33,781**	**$ 633,272**
Net book value as at January 1, 2021	**$ 526,910**	**$ 83,830**	**$ 38,710**	**$ 649,450**

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

13. BANK INDEBTEDNESS

	September 30 2021	December 31 2020
Bank indebtedness	**$ 50,000**	$ -
	$ 50,000	$ -

As at September 30, 2021, the Company had a committed revolving credit facility of $600,000 (December 31, 2020 - $600,000). In 2021. The Company’s uncommitted demand letter of credit facilities were increased to $201,000 as at September 30, 2021 (December 31, 2020 - $101,000) from Canadian banks and $44,403 (€30,000) from a Spanish bank (December 31, 2020 - $46,824 (€30,000)). Bank indebtedness representing borrowings on the Company's revolving credit facility as at September 30, 2021 was $50,000 (December 31, 2020 - $nil). Letters of credit amounting to $7,994 and $20,264, respectively, were issued against the revolving credit facility and the uncommitted demand letter of credit facilities as at September 30, 2021 (December 31, 2020 - $6,008 and $24,018, respectively). Cash drawings under the revolving credit facility bear interest at rates between prime and prime plus 1.20% per annum. Letters of credit drawn on the revolving credit facility reduce the amount available-for-use under this facility. On June 30, 2021, the Company completed a two-year extension of its revolving credit facility which now matures on June 30, 2025.

The Company also maintains an additional performance security guarantee facility to support letters of credit provided by Export Development Canada. In the first quarter of 2021, this performance security guarantee facility was increased from $700,000 at December 31, 2020 to $900,000 at September 30, 2021, of which $450,097 was utilized as at September 30, 2021 (December 31, 2020 - $462,950). On June 30, 2021, this performance security guarantee facility was extended and now matures with respect to supporting new letters of credit on June 30, 2023.

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

14. TRADE AND OTHER PAYABLES

	September 30 2021	December 31 2020
Trade payables and accrued liabilities	$ 853,825	$ 792,323
Holdbacks payable	141,236	132,015
	$ 995,061	$ 924,338
Amounts payable beyond one year	$ 39,280	$ 33,807

15. PROVISIONS

	Contract related obligations	Asset decommissioning costs	Tax assessments	Other	Total
Balance as at January 1, 2021	$ 7,228	$ 5,524	$ 8,286	$ 1,413	**$ 22,451**
Additions made	10,342	7	-	2,264	**12,613**
Amounts used	(777)	(69)	-	(2,024)	**(2,870)**
Other changes	(104)	155	-	-	**51**
Unused amounts reversed	(645)	-	-	-	**(645)**
Balance as at September 30, 2021	**$ 16,044**	**$ 5,617**	**$ 8,286**	**$ 1,653**	**$ 31,600**
Reported as:					
Current	**$ 13,488**	**$ -**	**$ 8,286**	**$ 1,653**	**$ 23,427**
Non-current	**2,556**	**5,617**	**-**	**-**	**8,173**
	$ 16,044	**$ 5,617**	**$ 8,286**	**$ 1,653**	**$ 31,600**

16. LONG-TERM DEBT AND NON-RECOURSE PROJECT DEBT

LONG-TERM DEBT

	September 30 2021	December 31 2020
Long-term debt:		
Leases	$ 170,069	$ 164,774
Equipment and other loans	55,301	35,328
Total long-term debt	$ 225,370	$ 200,102
Reported as:		
Current liabilities:		
Current portion of long-term debt	$ 55,785	$ 56,568
Non-current liabilities:		
Long-term debt	169,585	143,534
	$ 225,370	$ 200,102

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

The following describes the components of long-term debt:

(a) As at September 30, 2021, leases of $170,069 (December 31, 2020 - $164,774) bore interest at fixed rates averaging 2.96% (December 31, 2020 – 3.27%) per annum, with specific equipment provided as security.

(b) As at September 30, 2021, equipment and other loans of $55,301 (December 31, 2020 - $35,328) bore interest at fixed rates averaging 2.85% (December 31, 2020 – 2.92%) 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, 2021 was 2.94% (December 31, 2020 – 3.21%).

Expenses relating to short-term leases and leases of low-value assets recognized in the statement of income during the three and nine months ended September 30, 2021 were $25,252 and $58,702, respectively (2020 - $24,568 and $62,608, respectively).

Total cash outflow related to lease liabilities for the three and nine months ended September 30, 2021 were $16,229 and $43,118, respectively (2020 – $13,940 and $41,324).

Refer to Note 11, "*Property, plant and equipment*" for further details of additions to right-of-use assets and depreciation charged on right-of-use assets during the nine months ended September 30, 2021.

Refer to Note 25, "*Finance cost*" for further details of interest on lease liabilities recognized during the three and nine months ended September 30, 2021.

Refer to Note 28, "*Financial instruments*" for contractual maturities of lease liabilities as at September 30, 2021.

NON-RECOURSE PROJECT DEBT

		September 30 2021	December 31 2020
Non-recourse project debt:			
Bermuda International Airport Redevelopment Project financing	(a)	**$ 359,266**	$ 358,871
Total non-recourse project debt		**$ 359,266**	$ 358,871
Reported as:			
Non-current liabilities:			
Non-recourse project debt		**$ 359,266**	$ 358,871
		$ 359,266	$ 358,871

(a) Included in the Company's consolidated balance sheet as at September 30, 2021 is debt, net of transaction costs, of $359,266 (US$281,976) (December 31, 2020 – $358,871 (US$281,865)) 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.

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

17. CONVERTIBLE DEBENTURES

Convertible subordinated debentures consist of:

	September 30 2021	December 31 2020
Debt component:		
Debenture maturing on December 31, 2023 - 5.0% Debentures	**172,675**	169,057
Total convertible debentures	**$ 172,675**	$ 169,057
Reported as:		
Non-current liabilities:		
Convertible debentures	**172,675**	169,057
	$ 172,675	$ 169,057

	September 30 2021	December 31 2020
Equity component:		
Debenture maturing on December 31, 2023 - 5.0% Debentures	**$ 12,707**	$ 12,707

Finance cost associated with the debentures consists of:

	For the three months ended		For the nine months ended	
	September 30 2021	September 30 2020	September 30 2021	September 30 2020
Interest expense on face value	**$ 2,300**	$ 2,300	**$ 6,900**	$ 6,900
Notional interest representing accretion	**1,215**	1,181	**3,618**	3,517
	$ 3,515	$ 3,481	**$ 10,518**	$ 10,417

At the holder's option, the 5.0% Debentures may be converted into common shares of the Company at any time up to the maturity dates at a conversion price of $23.47 for each common share, subject to adjustment in certain circumstances. The 5.0% Debentures will not be redeemable before December 31, 2021. The Company may, at its option, redeem the 5.0% Debentures from December 31, 2021 to December 31, 2022, in whole or in part, at par plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price. From December 31, 2022 through to the maturity date, the Company, at its option, may redeem the 5.0% Debentures, in whole or in part, at par plus accrued and unpaid interest.

As at September 30, 2021, the face value of the 5.0% Debentures which remains outstanding was $184,000 (December 31, 2020 - $184,000).

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

18. CONCESSION RELATED DEFERRED REVENUE

Concession related deferred revenue consists of:

	September 30 2021	December 31 2020
Bermuda International Airport Redevelopment Project	$ 96,369	$ 99,138
	$ 96,369	$ 99,138

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 are amortized to earnings over the term of the New Airport Terminal concession period. The New Airport Terminal commenced operations on December 9, 2020. Amounts recognized as revenue for the three and nine months ended September 30, 2021 were $931 and $2,777, respectively (2020 - $nil and $nil, respectively).

19. 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:

	For the nine months ended	
	September 30 2021	September 30 2020
Profit before income taxes	$ 54,804	$ 77,679
Statutory income tax rate	26.20%	26.50%
Expected income tax expense	(14,359)	(20,585)
Effect on income taxes of:		
Projects accounted for using the equity method	622	644
Provincial and foreign rate differences	(3,119)	(2,395)
Other	(339)	704
	(2,836)	(1,047)
Income tax expense	$ (17,195)	$ (21,632)

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

20. 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 2021	September 30 2020	**September 30 2021**	September 30 2020
Defined benefit pension expense:				
Company sponsored pension plans	**$ 124**	$ 95	**$ 373**	$ 285
Defined contribution pension expense:				
Company sponsored pension plans	**2,246**	2,058	**6,817**	6,135
Multi-employer pension plans	**24,985**	17,627	**64,475**	42,332
Total employee future benefit expense	**$ 27,355**	$ 19,780	**$ 71,665**	$ 48,752

21. CONTINGENCIES

Coastal GasLink Pipeline, Sections 3 and 4
The project has been delayed and impacted by various events for which SA Energy Group (“SAEG”), a partnership in which the Company holds a 50% interest, asserts Coastal GasLink (“CGL”) is contractually responsible, including, but not limited to, significant scope changes and delays by the client, unforeseen site conditions, recoverable weather impacts and a suspension implemented by the client as a result of regulatory restrictions imposed due to the COVID-19 pandemic. SAEG asserts that it is entitled to additional compensation for costs associated with those delays and impacts. During the second quarter of 2021, CGL issued a Change Directive instructing SAEG to proceed with completing the remaining work on the project without an agreement as to the price for that work and without making any interim additional payments on account of the increased costs. In the third quarter, the difference between costs being incurred by SAEG and compensation being agreed to by CGL has further increased due to CGL’s failure to appropriately administer its change management process and its unilateral decision to stop paying amounts it had previously agreed to pay on an interim basis pending dispute resolution. As a result, RB Somerville, the Company’s 50% partner in SAEG, has expressed that it will be unable to continue funding its share of the cash flow requirements of the project beyond the first quarter of 2022 should the situation not improve. Should RB Somerville cease funding its share of the cash flow requirements of the project, the Company’s requirement to fund further cash flow shortfalls from that point on would double. If that were the case, and in the absence of a resolution with CGL that improves the cash flow situation on the project, the Company may not be in a position to continue funding the project to completion (projected for the first quarter of 2023). As SAEG believes it has strong contractual entitlement to additional compensation that CGL is not addressing on a timely basis, it has commenced an arbitration pursuant to the terms of the contract to resolve the matter. While this commercial dispute could result in a material impact to Aecon’s earnings, cash flow, and financial position if not resolved favourably in a timely manner, the ultimate results cannot be predicted at this time.

Kemano Generating Station Second Tunnel Project
During the second quarter of 2020, Rio Tinto issued a notice of termination of contract to the joint venture in which Aecon holds a 40% interest with respect to the Kemano Generating Station Second Tunnel Project. Rio Tinto also issued notice to the joint ventures’ sureties asserting a claim on the 50% performance bonds; the sureties entered into a cooperation agreement with Rio Tinto but have not taken a position on the validity of this claim on the bonds. In the third quarter of 2020, the joint venture issued a notice of civil claim seeking approximately $105,000 in damages from Rio Tinto. The joint venture has also registered and perfected a builders’ lien against project lands, providing security over approximately $97,000 of the claimed damages. Rio Tinto has issued a counterclaim against the joint venture but has not articulated the amount of damages it may seek from the joint venture; such amount is expected to be material. While it is possible that this commercial dispute could result in a material impact to Aecon’s earnings and cash flow if not resolved, the ultimate

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

results cannot be predicted at this time. The aforementioned notice of civil claim was commenced in the Supreme Court of British Columbia between Frontier Kemper Constructors and Frontier Kemper – Aecon Joint Venture as plaintiffs/defendants by counterclaim and Rio Tinto Alcan Inc. and Aluminum Company of Canada Limited/Aluminum Du Canada Limitee as the defendants/plaintiffs by counterclaim.

K+S Potash Canada
During the second quarter of 2018, the Company filed a statement of claim in the Court of 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 $139,300 of unbilled revenue and accounts receivable as at September 30, 2021. 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 has also been brought into two other lawsuits in the same Court between KSPC and various other contractors involved with the Legacy mine project, both relating to matters which the Company believes are materially covered by insurance coverage, to the extent of any liability. These claims may not be resolved for several years. While the Company considers KSPC’s claim to be without merit and does not expect that the resolution of these claims will cause a material impact to its financial position, the ultimate results cannot be predicted at this time.

The Company is involved in various other disputes and litigation both as plaintiff and defendant. In the opinion of management, the resolution of other disputes against the Company, including those provided for (see Note 15, *“Provisions”*), will not result in a material effect on the consolidated financial position of the Company.

See also Note 4, “*Critical Accounting Estimates*” for judgments and estimates impacting litigation risk and claims risk.

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

	Project	September 30 2021
Letters of credit:		
Financial and performance - issued by Export Development Canada	Various joint arrangement projects	$ 450,097
Financial and performance - issued in the normal conduct of business	Various	$ 28,258

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, 2021, 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 $13,319,757 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.

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

22. CAPITAL STOCK

	For the nine months ended September 30, 2021			For the year ended December 31, 2020		
	Number		Amount	Number		Amount
Number of common shares outstanding - beginning of period	**60,219,825**	**$**	**395,733**	60,715,625	$	394,291
Shares issued to settle LTIP/ESU/Director DSU obligations	100,772		1,486	442,137		7,533
Common shares purchased under Normal Course Issuer Bid	-		-	(937,937)		(6,091)
Number of common shares outstanding - end of period	**60,320,597**	**$**	**397,219**	60,219,825	$	395,733

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 expense. 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, 2021, the Company recorded LTIP compensation charges of $4,246 (2020 - $4,584) and $12,379 (2020 - $10,484), respectively.

Other Stock-based Compensation – Director DSU Awards

In February 2021, the Board of Directors modified its director compensation program by replacing the 2014 Director DSU Plan (as defined below) with a director deferred share unit plan that provides for the settlement of DSUs in cash only (the “2021 Director DSU Plan”) for future grants. A DSU is a right to receive an amount from the Company equal to the value of one common share. In addition to the discretionary award of DSUs, directors have an option to elect to receive 50% or 100% of their Board annual retainer fee that is otherwise payable in cash in the form of DSUs. 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.

The Board of Directors will no longer issue new DSUs under the director deferred share unit plan dated May 2014 (the “2014 Director DSU Plan”). The last award of DSUs under the 2014 Director DSU Plan was made on March 12, 2020. DSUs granted under the 2014 Director DSU Plan will continue to be governed by the terms of the 2014 Director DSU Plan.

Director DSU awards are expensed in full on the date of grant and recognized in marketing, general and administrative expense in the consolidated statements of income. DSU awards under the 2014 Director DSU Plan are accounted for as equity-settled stock-based transactions. DSU awards under the 2021 Director DSU Plan are accounted for as cash-settled stock-based transactions with the related liability revalued to fair value at the end of each reporting period. Director DSUs have accompanying dividend equivalent rights, which are also expensed as earned in marketing, general and administrative expense.

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

For the three and nine months ended September 30, 2021, the Company recorded Director DSU compensation expense, net of fair value adjustments, of $593 and $1,759, respectively (2020 - $140 and $1,265, 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 expense.

For the three and nine months ended September 30, 2021, the Company recorded an ESU compensation charge of $213 (2020 - $199) and $705 (2020 - $838), respectively.

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

	For the nine months ended September 30, 2021		
	LTIP	**Director DSUs**	**ESUs**
	Share Units		
Balance outstanding - beginning of period	**2,624,761**	**330,480**	**202,706**
Granted	**810,385**	**75,302**	**140,961**
Dividend equivalent rights	**87,516**	**10,485**	**13,077**
Settled	**(100,772)**	**(67,655)**	**(9,688)**
Forfeited	**(64,236)**	**(19)**	**(29,319)**
Balance outstanding - end of period	**3,357,654**	**348,593**	**317,737**
	Weighted Average Grant Date Fair Value Per Unit		
Balance outstanding - beginning of period	$ **14.82**	$ **15.99**	$ **17.05**
Granted	**19.15**	**18.82**	**19.15**
Dividend equivalent rights	**15.56**	**16.30**	**17.54**
Settled	**13.70**	**18.19**	**17.56**
Forfeited	**16.57**	**18.19**	**16.31**
Balance outstanding - end of period	$ **15.88**	$ **16.67**	$ **18.05**

Amounts included in Contributed Surplus in the Consolidated Balance Sheets as at September 30, 2021 in respect of LTIP, Director DSUs, and ESUs were $44,669 (December 31, 2020 - $33,670), $4,599 (December 31, 2020 - $5,283), and $4,560 (December 31, 2020 – $2,553), respectively. Amounts included in Trade and Other Payables in the Consolidated Balance Sheets as at September 30, 2021 in respect of Director DSUs was $1,212 (December 31, 2020 - $nil).

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

23. EXPENSES

	For the three months ended		For the nine months ended	
	September 30 2021	September 30 2020	**September 30 2021**	September 30 2020
Personnel	**$ 286,226**	$ 163,571	**$ 840,001**	$ 554,348
Subcontractors	**499,016**	394,536	**1,207,944**	1,079,009
Materials	**235,196**	321,697	**541,186**	650,179
Equipment costs	**55,929**	24,857	**146,610**	108,387
Depreciation of property, plant and equipment and amortization of intangible assets	**22,111**	22,329	**66,358**	64,504
Other expenses	**6,200**	10,434	**14,943**	25,915
Total expenses	**$ 1,104,678**	$ 937,424	**$ 2,817,042**	$ 2,482,342

Reported as:

	For the three months ended		For the nine months ended	
	September 30 2021	September 30 2020	**September 30 2021**	September 30 2020
Direct costs and expenses	**$ 1,040,191**	$ 877,227	**$ 2,616,304**	$ 2,289,140
Marketing, general and administrative expense	**42,376**	37,868	**134,380**	128,698
Depreciation and amortization	**22,111**	22,329	**66,358**	64,504
Total expenses	**$ 1,104,678**	$ 937,424	**$ 2,817,042**	$ 2,482,342

24. OTHER INCOME

	For the three months ended		For the nine months ended	
	September 30 2021	September 30 2020	**September 30 2021**	September 30 2020
Foreign exchange loss	**$ (52)**	$ (464)	**$ (651)**	$ (692)
Gain on sale of property, plant and equipment	**986**	858	**3,961**	1,971
Other gains	**-**	-	**2,667**	1,105
Total other income	**$ 934**	$ 394	**$ 5,977**	$ 2,384

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

25. FINANCE COST

	For the three months ended		For the nine months ended	
	September 30 2021	September 30 2020	**September 30 2021**	September 30 2020
Interest and notional interest on long-term debt and debentures	**$ 9,263**	$ 3,887	**$ 27,469**	$ 11,598
Interest on leases	**1,142**	1,207	**3,248**	3,564
Interest on short-term debt	**1,263**	1,646	**2,898**	4,162
Notional interest on provisions	**152**	76	**51**	237
Total finance cost	**$ 11,820**	$ 6,816	**$ 33,666**	$ 19,561

26. 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 2021	September 30 2020	**September 30 2021**	September 30 2020
Profit attributable to shareholders	**$ 38,429**	$ 73,624	**$ 37,609**	$ 56,047
Interest on convertible debentures, net of tax(1)	**2,583**	2,558	**7,731**	7,656
Diluted net earnings	**$ 41,012**	$ 76,182	**$ 45,340**	$ 63,703
Average number of common shares outstanding	**60,320,454**	59,876,749	**60,282,565**	60,059,228
Effect of dilutive securities:(1)				
Convertible debentures(1)	**9,565,926**	13,513,900	**10,193,151**	12,971,988
Long-term incentive plan	**3,643,014**	3,337,317	**3,643,014**	3,337,317
Weighted average number of diluted common shares outstanding	**73,529,394**	76,727,966	**74,118,730**	76,368,533
Basic earnings per share	**$ 0.64**	$ 1.23	**$ 0.62**	$ 0.93
Diluted earnings per share(1)	**$ 0.56**	$ 0.99	**$ 0.59**	$ 0.83

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

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

27. SUPPLEMENTARY CASH FLOW INFORMATION

Change in other balances relating to operations

	For the nine months ended	
	September 30 2021	September 30 2020
Decrease (increase) in:		
Trade and other receivables	**$ (62,483)**	$ (147,772)
Unbilled revenue	**(136,031)**	(114,250)
Inventories	**(5,070)**	3,253
Prepaid expenses	**(736)**	(12,041)
Increase (decrease) in:		
Trade and other payables	**72,519**	176,136
Provisions	**(2,870)**	(11,472)
Deferred revenue	**(30,588)**	43,960
	$ (165,259)	$ (62,186)

Cash flows from interest

	For the nine months ended	
	September 30 2021	September 30 2020
Operating activities		
Cash interest paid	**$ (32,800)**	$ (35,481)
Cash interest received	**442**	1,426

28. 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, 2021, the Company had contracts to buy US$5,080 (December 31, 2020 - US$5,240) on which there was a cumulative net unrealized exchange loss of $127 recorded in the consolidated statements of income as at that date (December 31, 2020 - $62). In addition, as at September 30, 2021, outstanding contracts to buy US$145,228 (December 31, 2020 – buy US$195,749) were designated as cash flow hedges on which there was a cumulative unrealized loss recorded in other comprehensive income of $813 (December 31, 2020 – $2,139). 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.

In addition, some of the Company's investments in projects accounted for using the equity method enter into derivative financial instruments, namely interest rate swaps, to hedge the variability of interest rates related to non-recourse project debt. As at September 30, 2021, for these derivative financial instruments designated as cash flow hedges, there was a cumulative unrealized loss recorded in other comprehensive income of $18,636 (December 31, 2020 - $30,996).

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

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 fair value disclosures of financial instruments are calculated.

	As at September 30, 2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets (liabilities) measured at fair value:				
Cash flow hedges	$ (19,449)	$ -	$ (19,449)	$ -
Financial assets (liabilities) disclosed at fair value:				
Long-term financial assets	2,258	-	2,258	-
Current portion of long-term debt	(61,391)	-	(61,391)	-
Long-term debt	(174,086)	-	(174,086)	-
Non-recourse project debt	(359,266)	-	(359,266)	-
Convertible debentures	(192,280)	(192,280)	-	-

During the nine months ended September 30, 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

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

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

As at September 30, 2021, the Company had $74,443 in trade receivables that were past due. Of this amount, $57,743 was over 60 days past due, against which the Company has recorded an allowance for expected credit losses of $1,032.

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.

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

Contractual maturities for financial liabilities as at September 30, 2021 are as follows:

	Due within one year	Due between one and five years	Due after five years	Total undiscounted cash flows	Effect of interest	Carrying value
Bank indebtedness	$ -	$ 50,000	$ -	$ 50,000	$ -	$ 50,000
Trade and other payables	$ 955,781	$ 39,280	$ -	$ 995,061	$ -	$ 995,061
Leases	$ 50,272	$ 116,260	$ 16,550	$ 183,082	$ (13,013)	$ 170,069
Equipment and other loans	11,271	37,637	12,698	61,606	(6,305)	55,301
	61,543	153,897	29,248	244,688	(19,318)	225,370
Non-recourse project debt	21,424	102,919	553,306	677,649	(318,383)	359,266
Convertible debentures	9,200	197,800	-	207,000	(34,325)	172,675
Long-term financial liabilities	$ 92,167	$ 454,616	$ 582,554	$ 1,129,337	$ (372,026)	$ 757,311

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, 2021, 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, 2021 to profit or loss for currency exposures would be $11,759. 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.

29. 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, 2021, the debt to capitalization percentage including convertible debentures as debt was 31% (December 31, 2020 - 30%). 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, 2021 (December 31, 2020 - 16%). While the Company believes this debt to capitalization percentage is acceptable, because of the cyclical nature of its business, the Company will continue its current efforts to maintain a conservative capital position.

As at September 30, 2021, the Company complied with all of its financial debt covenants.

30. OPERATING SEGMENTS

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

The Company currently operates in two segments within the infrastructure development industry: Construction and Concessions. The other costs and eliminations category in the summary below includes corporate costs and other activities not directly allocable to segments and also includes inter-segment eliminations.

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

		Construction		Concessions		Other and eliminations		Total
								For the three months ended September 30, 2021
Consolidated statements of income								
External customer revenue	$	1,141,789	$	21,652	$	-	**$**	**1,163,441**
Inter-segment revenue		648		-		(648)		**-**
Total revenue		1,142,437		21,652		(648)		**1,163,441**
Expenses	$	(1,081,764)	$	(15,257)	$	(7,657)	**$**	**(1,104,678)**
Which include:								
Depreciation and amortization		(16,566)		(5,274)		(271)		**(22,111)**
Other income (loss):								
Foreign exchange gain (loss)	$	296	$	14	$	(362)	**$**	**(52)**
Gain on sale of property, plant and equipment		986		-		-		**986**
Income from projects accounted for using the equity method	$	1,453	$	2,504	$	-	**$**	**3,957**
Operating profit (loss)	$	63,408	$	8,913	$	(8,667)	**$**	**63,654**
Finance income (cost):								
Finance income							**$**	**137**
Finance cost								**(11,820)**
Profit before income taxes							**$**	**51,971**
Income tax expense								**(13,542)**
Profit for the period							**$**	**38,429**
Revenue by contract type								
Fixed price	$	603,870	$	-	$	(32)	**$**	**603,838**
Cost plus/unit price		538,567		-		(616)		**537,951**
Concession operations		-		21,652		-		**21,652**
Total revenue		1,142,437		21,652		(648)		**1,163,441**
Revenue by service type								
Construction revenue	$	1,142,437	$	-	$	(648)	**$**	**1,141,789**
Concession revenue		-		21,652		-		**21,652**
Total revenue		1,142,437		21,652		(648)		**1,163,441**

		Construction		Concessions		Other and eliminations		Total
Consolidated balance sheets								
Segment assets	$	2,891,394	$	670,031	$	(169,960)	**$**	**3,391,465**
Which include:								
Projects accounted for using the equity method		18,919		36,986		-		**55,905**
Segment liabilities	$	1,448,933	$	409,233	$	630,983	**$**	**2,489,149**
Additions to non-current assets:								
Property, plant and equipment	$	17,807	$	42	$	1,257	**$**	**19,106**
Intangible assets	$	-	$	(187)	$	1,085	**$**	**898**

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

	For the nine months ended September 30, 2021			
	Construction	Concessions	Other and eliminations	Total
Consolidated statements of income				
External customer revenue	$ 2,838,798	$ 49,959	$ -	**$ 2,888,757**
Inter-segment revenue	2,359	-	(2,359)	**-**
Total revenue	2,841,157	49,959	(2,359)	**2,888,757**
Expenses	$ (2,746,358)	$ (48,363)	$ (22,321)	**$ (2,817,042)**
Which include:				
Depreciation and amortization	(49,647)	(15,658)	(1,053)	**(66,358)**
Other income (loss):				
Foreign exchange gain (loss)	$ 1,175	$ (382)	$ (1,444)	**$ (651)**
Gain on sale of property, plant and equipment	3,961	-	-	**3,961**
Other gains	2,667	-	-	**2,667**
Income from projects accounted for using the equity method	$ 2,135	$ 8,240	$ -	**$ 10,375**
Operating profit (loss)	$ 104,737	$ 9,454	$ (26,124)	**$ 88,067**
Finance income (cost):				
Finance income				**$ 403**
Finance cost				**(33,666)**
Profit before income taxes				**$ 54,804**
Income tax expense				**(17,195)**
Profit for the period				**$ 37,609**
Revenue by contract type				
Fixed price	$ 1,658,570	$ 3,014	$ (1,459)	**$ 1,660,125**
Cost plus/unit price	1,182,587	-	(900)	**1,181,687**
Concession operations	-	46,945	-	**46,945**
Total revenue	2,841,157	49,959	(2,359)	**2,888,757**
Revenue by service type				
Construction revenue	$ 2,841,157	$ -	$ (2,359)	**$ 2,838,798**
Concession revenue	-	49,959	-	**49,959**
Total revenue	2,841,157	49,959	(2,359)	**2,888,757**

	Construction	Concessions	Other and eliminations	Total
Consolidated balance sheets				
Additions to non-current assets:				
Property, plant and equipment	$ 64,202	$ 261	$ 2,704	**$ 67,167**
Intangible assets	$ -	$ 3,686	$ 2,195	**$ 5,881**

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

				For the three months ended September 30, 2020
	Construction	Concessions	Other and eliminations	Total
Consolidated statements of income				
External customer revenue	$ 1,030,481	$ 8,975	$ -	**$ 1,039,456**
Inter-segment revenue	4,357	-	(4,357)	**-**
Total revenue	1,034,838	8,975	(4,357)	**1,039,456**
Expenses	$ (924,299)	$ (15,143)	$ 2,018	**$ (937,424)**
Which include:				
Depreciation and amortization	(17,833)	(3,995)	(501)	**(22,329)**
Other income (loss):				
Foreign exchange loss	$ (144)	$ (12)	$ (308)	**$ (464)**
Gain on sale of property, plant and equipment	858	-	-	**858**
Income from projects accounted for using the equity method	$ 1,373	$ 2,980	$ -	**$ 4,353**
Operating profit (loss)	$ 112,626	$ (3,200)	$ (2,647)	**$ 106,779**
Finance income (cost):				
Finance income				**$ 139**
Finance cost				**(6,816)**
Profit before income taxes				**$ 100,102**
Income tax expense				**(26,478)**
Profit for the period				**$ 73,624**
Revenue by contract type				
Fixed price	$ 650,378	$ 3,508	$ (3,437)	**$ 650,449**
Cost plus/unit price	384,460	-	(920)	**383,540**
Concession operations	-	5,467	-	**5,467**
Total revenue	1,034,838	8,975	(4,357)	**1,039,456**
Revenue by service type				
Construction revenue	$ 1,034,838	$ -	$ (832)	**$ 1,034,006**
Concession revenue	-	8,975	(3,525)	**5,450**
Total revenue	1,034,838	8,975	(4,357)	**1,039,456**

	Construction	Concessions	Other and eliminations	Total
Consolidated balance sheets				
Segment assets	$ 2,910,410	$ 651,615	$ (171,892)	**$ 3,390,133**
Which include:				
Projects accounted for using the equity method	14,636	17,098	-	**31,734**
Segment liabilities	$ 1,581,530	$ 429,958	$ 513,088	**$ 2,524,576**
Additions to non-current assets:				
Property, plant and equipment	$ 17,146	$ 22	$ 1,259	**$ 18,427**
Intangible assets	$ 1,572	$ 11,495	$ 48	**$ 13,115**

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

	For the nine months ended September 30, 2020			
	Construction	Concessions	Other and eliminations	Total
Consolidated statements of income				
External customer revenue	$ 2,521,854	$ 44,565	$ -	**$ 2,566,419**
Inter-segment revenue	26,139	-	(26,139)	**-**
Total revenue	2,547,993	44,565	(26,139)	**2,566,419**
Expenses	$ (2,430,606)	$ (56,281)	$ 4,545	**$ (2,482,342)**
Which include:				
Depreciation and amortization	(53,256)	(10,391)	(857)	**(64,504)**
Other income (loss):				
Foreign exchange gain (loss)	$ 241	$ 106	$ (1,039)	**$ (692)**
Gain on sale of property, plant and equipment	1,971	-	-	**1,971**
Other gains	1,105	-	-	**1,105**
Income from projects accounted for using the equity method	$ 1,312	$ 8,582	$ -	**$ 9,894**
Operating profit (loss)	$ 122,016	$ (3,028)	$ (22,633)	**$ 96,355**
Finance income (cost):				
Finance income				**$ 885**
Finance cost				**(19,561)**
Profit before income taxes				**$ 77,679**
Income tax expense				**(21,632)**
Profit for the period				**$ 56,047**
Revenue by contract type				
Fixed price	$ 1,563,179	$ 24,050	$ (23,053)	**$ 1,564,176**
Cost plus/unit price	984,814	-	(3,086)	**981,728**
Concession operations	-	20,515	-	**20,515**
Total revenue	2,547,993	44,565	(26,139)	**2,566,419**
Revenue by service type				
Construction revenue	$ 2,547,993	$ -	$ (2,743)	**$ 2,545,250**
Concession revenue	-	44,565	(23,396)	**21,169**
Total revenue	2,547,993	44,565	(26,139)	**2,566,419**

	Construction	Concessions	Other and eliminations	Total
Consolidated balance sheets				
Additions to non-current assets:				
Property, plant and equipment	$ 68,088	$ 93	$ 3,509	**$ 71,690**
Intangible assets	$ 33,561	$ 42,022	$ 647	**$ 76,230**

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