AECON GROUP INC.

THIRD QUARTER

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

September 30, 2023

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

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CONSOLIDATED BALANCE SHEETS

AS AT SEPTEMBER 30, 2023 AND DECEMBER 31, 2022

(in thousands of Canadian dollars) (unaudited)

	Note	September 30 2023	December 31 2022
ASSETS			
Current assets			
Cash and cash equivalents	7	**$ 432,412**	$ 377,212
Restricted cash	7	**-**	107,033
Marketable securities		**836**	800
Trade and other receivables	8	**1,042,515**	1,023,578
Unbilled revenue		**759,362**	685,258
Inventories	9	**29,680**	37,620
Income tax recoverable		**24,754**	14,768
Prepaid expenses		**100,642**	76,985
		2,390,201	2,323,254
Non-current assets			
Long-term financial assets		**16,008**	3,812
Projects accounted for using the equity method	10	**248,437**	107,871
Deferred income tax assets		**91,188**	74,626
Property, plant and equipment	11	**248,147**	395,101
Intangible assets	12	**124,644**	662,353
		728,424	1,243,763
TOTAL ASSETS		**$ 3,118,625**	$ 3,567,017
LIABILITIES			
Current liabilities			
Bank indebtedness	13	**$ 30,000**	$ 120,979
Trade and other payables	14	**1,178,297**	1,064,048
Provisions	15	**18,950**	14,579
Deferred revenue		**354,400**	386,560
Income taxes payable		**8,865**	9,508
Current portion of non-recourse project debt	16	**-**	3,347
Current portion of long-term debt	16	**38,156**	56,564
Convertible debentures	17	**182,706**	178,878
		1,811,374	1,834,463
Non-current liabilities			
Provisions	15	**3,794**	6,318
Non-recourse project debt	16	**-**	375,654
Long-term debt	16	**103,979**	173,638
Concession related deferred revenue	18	**-**	97,412
Deferred income tax liabilities		**120,834**	124,680
Other liabilities		**767**	857
		229,374	778,559
TOTAL LIABILITIES		**2,040,748**	2,613,022
EQUITY			
Capital stock	22	**423,167**	419,357
Convertible debentures	17	**12,707**	12,707
Contributed surplus		**74,913**	63,312
Retained earnings		**553,105**	435,305
Accumulated other comprehensive income		**13,985**	23,314
TOTAL EQUITY		**1,077,877**	953,995
TOTAL LIABILITIES AND EQUITY		**$ 3,118,625**	$ 3,567,017

Contingencies (Note 21)

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

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

	Note	For the three months ended		For the nine months ended	
		September 30 2023	September 30 2022	**September 30 2023**	September 30 2022
Revenue		**$ 1,239,584**	$ 1,320,514	**$ 3,513,657**	$ 3,429,666
Direct costs and expenses	23	**(1,193,884)**	(1,201,882)	**(3,355,981)**	(3,172,413)
Gross profit		**45,700**	118,632	**157,676**	257,253
Marketing, general and administrative expense	23	**(28,685)**	(42,479)	**(126,028)**	(148,305)
Depreciation and amortization	23	**(20,274)**	(23,775)	**(64,439)**	(70,244)
Income from projects accounted for using the equity method	10	**5,214**	5,033	**13,251**	11,799
Other income	24	**138,154**	3,618	**220,883**	5,963
Operating profit		**140,109**	61,029	**201,343**	56,466
Finance income		**2,288**	619	**5,463**	880
Finance cost	25	**(16,556)**	(15,146)	**(49,607)**	(40,119)
Profit before income taxes		**125,841**	46,502	**157,199**	17,227
Income tax recovery (expense)	19	**7,584**	(12,013)	**(5,004)**	(6,532)
Profit for the period		**$ 133,425**	$ 34,489	**$ 152,195**	$ 10,695
Basic earnings per share	26	**$ 2.16**	$ 0.57	**$ 2.47**	$ 0.18
Diluted earnings per share	26	**$ 1.63**	$ 0.45	**$ 1.94**	$ 0.16

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(in thousands of Canadian dollars) (unaudited)

	For the three months ended		For the nine months ended	
	September 30 2023	September 30 2022	**September 30 2023**	September 30 2022
Profit for the period	**$ 133,425**	$ 34,489	**$ 152,195**	$ 10,695
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences - foreign operations	**3,403**	12,606	**(2,310)**	16,394
Cash flow hedges - equity accounted investees	**(2,945)**	5,431	**(5,591)**	28,052
Cash flow hedges - joint operations	**543**	9,911	**(3,450)**	12,180
Income taxes on the above	**254**	(4,071)	**2,022**	(10,695)
Total other comprehensive income (loss) for the period	**1,255**	23,877	**(9,329)**	45,931
Comprehensive income for the period	**$ 134,680**	$ 58,366	**$ 142,866**	$ 56,626

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

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

	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss): Currency translation differences	Actuarial gains and losses	Cash flow hedges	Shareholders' equity
Balance at January 1, 2023	**$ 419,357**	**$ 12,707**	**$ 63,312**	**$ 435,305**	**$ 3,274**	**$ 1,018**	**$ 19,022**	**$ 953,995**
Profit for the period	-	-	-	152,195	-	-	-	**152,195**
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	(2,310)	-	-	**(2,310)**
Cash flow hedges - equity accounted investees	-	-	-	-	-	-	(5,591)	**(5,591)**
Cash flow hedges - joint operations	-	-	-	-	-	-	(3,450)	**(3,450)**
Taxes with respect to above items included in other comprehensive income (loss)	-	-	-	-	-	-	2,022	**2,022**
Total other comprehensive loss for the period	**-**	**-**	**-**	**-**	**(2,310)**	**-**	**(7,019)**	**(9,329)**
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**152,195**	**(2,310)**	**-**	**(7,019)**	**142,866**
Dividends declared	-	-	-	(34,225)	-	-	-	**(34,225)**
Stock-based compensation expense	-	-	16,120	-	-	-	-	**16,120**
Shares issued to settle LTIP/ESU/Director DSU obligations	3,810	-	(4,029)	(170)	-	-	-	**(389)**
Stock-based compensation settlements and receipts	-	-	(490)	-	-	-	-	**(490)**
Balance at September 30, 2023	**$ 423,167**	**$ 12,707**	**$ 74,913**	**$ 553,105**	**$ 964**	**$ 1,018**	**$ 12,003**	**$ 1,077,877**

	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss): Currency translation differences	Actuarial gains and losses	Cash flow hedges	Shareholders' equity
Balance at January 1, 2022	**$ 405,807**	**$ 12,707**	**$ 60,004**	**$ 451,294**	**$ (11,268)**	**$ 2,101**	**$ (7,079)**	**$ 913,566**
Profit for the period	**-**	**-**	**-**	10,695	**-**	**-**	**-**	**10,695**
Other comprehensive income (loss):								
Currency translation differences - foreign operations	**-**	**-**	**-**	**-**	16,394	-	-	**16,394**
Cash flow hedges - equity-accounted investees	**-**	**-**	**-**	**-**	-	-	28,052	**28,052**
Cash flow hedges - joint operations	**-**	**-**	**-**	**-**	-	-	12,180	**12,180**
Taxes with respect to above items included in other comprehensive income	**-**	**-**	**-**	**-**	-	-	(10,695)	**(10,695)**
Total other comprehensive income for the period	**-**	**-**	**-**	**-**	**16,394**	**-**	**29,537**	**45,931**
Total comprehensive income for the period	**-**	**-**	**-**	**10,695**	**16,394**	**-**	**29,537**	**56,626**
Dividends declared	-	-	-	(33,825)	-	-	-	**(33,825)**
Stock-based compensation expense	-	-	15,103	-	-	-	-	**15,103**
Shares issued to settle LTIP/ESU/Director DSU obligations	4,633	-	(5,716)	(1,097)	-	-	-	**(2,180)**
Stock based compensation settlements and receipts	-	-	1,214	-	-	-	-	**1,214**
Balance at September 30, 2022	**$ 410,440**	**$ 12,707**	**$ 70,605**	**$ 427,067**	**$ 5,126**	**$ 2,101**	**$ 22,458**	**$ 950,504**

During the nine months ended September 30, 2023, the Company declared dividends amounting to $0.555 per share (September 30, 2022 - $0.555 per share).

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(in thousands of Canadian dollars) (unaudited)

	Note	September 30 2023	September 30 2022
CASH PROVIDED BY (USED IN)			
Operating activities			
Profit before income taxes		$ 157,199	$ 17,227
Income taxes paid		(28,875)	(32,878)
Defined benefit pension		(89)	(124)
Stock-based compensation settlements and receipts		(1,254)	(966)
Items not affecting cash:			
Depreciation and amortization		64,439	70,244
Income from projects accounted for using the equity method		(13,251)	(11,799)
Gain on sale of assets		(44,922)	(4,944)
Gain on sale of subsidiaries		(175,545)	-
Provision for expected credit losses		251	381
Concession deferred revenue		(3,001)	(2,854)
Unrealized foreign exchange (gain) loss		(3,235)	2,698
Increase in provisions		8,232	3,982
Notional interest representing accretion		4,698	4,280
Stock-based compensation expense		17,957	15,644
Change in other balances relating to operations	27	(108,059)	(211,614)
		(125,455)	(150,723)
Investing activities			
Decrease in restricted cash balances		2,004	10,297
Increase in marketable securities		(36)	(800)
Purchase of property, plant and equipment		(11,247)	(21,312)
Proceeds on sale of property, plant and equipment		67,803	6,223
Proceeds on sale of subsidiaries, net of cash in subsidiaries disposed	24	317,632	-
Increase in intangible assets		(5,038)	(3,022)
Increase in long-term financial assets		(14,153)	-
Distributions from projects accounted for using the equity method		525	2,031
Net cash outflow from business acquisitions		-	(5,820)
		357,490	(12,403)
Financing activities			
(Decrease) increase in bank indebtedness		(90,979)	186,695
Issuance of long-term debt		6,736	11,071
Repayments of non-recourse project debt		(3,355)	(3,002)
Repayments of lease liabilities		(34,975)	(38,429)
Repayments of long-term debt		(20,262)	(11,461)
Dividends paid		(34,182)	(33,182)
		(177,017)	111,692
Increase (decrease) in cash and cash equivalents during the period		55,018	(51,434)
Effect of foreign exchange on cash balances		182	6,480
Cash and cash equivalents - beginning of period		377,212	532,681
Cash and cash equivalents - end of period	7	$ 432,412	$ 487,727

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(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 25, 2023 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, 2022. 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, 2022 and in the policy in the paragraph below were consistently applied to all periods presented, except for new accounting standards and amendments that became effective on January 1, 2023 as described in Note 5, "*New Accounting Standards*".

Accounting policy for the loss of control of a subsidiary

The loss of control of a subsidiary for accounting purposes usually occurs when the Company sells or otherwise transfers a portion of its interest in a subsidiary in a single transaction or as a result of multiple transactions. On losing control of a subsidiary for accounting purposes, the Company:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- derecognizes the non-controlling interest (including any components of other comprehensive income attributable to them);
- recognizes the fair value of the consideration received, if any, and any shares distributed as dividends as part of the transaction that resulted in the loss of control;
- recognizes any investment retained in the former subsidiary at fair value;
- reclassifies to profit or loss (if required by other IFRS) or transfers directly to retained earnings, any amounts included in other comprehensive income; and
- recognizes any resulting gain or loss within profit or loss attributable to the parent.

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 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 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 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 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, 2022. 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.

ECONOMIC CONDITIONS
Within the Construction segment, economic conditions have had varying degrees of impact since 2020 and through to the third quarter of 2023, notably from supply chain disruptions, inflation related to labour and materials, and availability of labour (see also Section 21, "*Contingencies*"). Within the Concessions segment, COVID-19 and related travel restrictions and protocols, as well as the gradual recovery in air traffic now that those restrictions have largely been lifted, have impacted operations at the Bermuda International Airport Project since March 2020, including through to the third quarter of 2023.

Any estimate of the length and severity of these developments is subject to significant uncertainty, and accordingly estimates of the extent to which the ongoing economic conditions 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 these economic conditions 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 recent economic conditions on the Company's operations. As noted above in greater detail, Aecon's operations since 2020 were impacted at varying times by supply chain disruptions, inflation related to labour and materials, and availability of labour, or by other impacts on air traffic. 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. 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.

Further information with regard to the treatment of financial instruments can be found in Note 28, *"Financial Instruments."*

INCOME TAXES

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

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

IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

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

Impairment assessments inherently involve management judgment as to the assumptions used to project these amounts and the impact of market conditions on those assumptions. The key assumptions used to estimate the fair value of 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.

See Note 14, "*Intangible Assets*", in the Company's annual consolidated financial statements for the year ended December 31, 2022 for further details regarding goodwill and other intangible assets.

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 and concession projects through wholly owned subsidiary entities, which are fully consolidated. However, a number of projects, particularly some larger, multi-year, multi-disciplinary projects and concession 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.

DISCONTINUED OPERATIONS

The determination of whether a component of the Company, that either has been disposed of or is classified as held for sale, should be classified as a discontinued operation requires the exercise of judgment by management. The classification can have a significant impact on the presentation in the consolidated financial statements. In the third quarter of 2023, the Company completed the sale of a 49.9% interest in L.F. Wade International Airport (Bermuda International Airport) concessionaire, Bermuda Skyport Corporation Limited ("Skyport"). In management's judgment, Skyport does not meet the criteria for classification as a discontinued operation. In making such determinations, management examined all the lines of business the Company currently operates in, and the geographic markets the Company participates in. With respect to Skyport, the Company will retain the management contract for the airport and joint control of Skyport with a 50.1% retained interest. The Concessions segment also continues its role of investing, developing, financing, operating and maintaining infrastructure projects by way of contractual structures in the global marketplace for public-private partnerships (“P3”).

In the second quarter of 2023, the Aecon Transportation East (“ATE”) operations in Ontario were sold. In management’s judgment, the ATE operations do not meet the criteria for classification as a discontinued operation as the Company will continue to provide roadbuilding infrastructure solutions outside of Ontario to provincial governments, municipalities, and private clients. In Ontario, the Company will also continue to deliver integrated solutions to private and public-sector clients through its Construction segment, including major projects that have a roadbuilding component to them.

5. NEW ACCOUNTING STANDARDS

The following amendments to standards and interpretations became effective for the annual periods beginning on or after January 1, 2023. The application of these amendments and interpretations had no significant impact on the Company’s consolidated financial position or results of operations.

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.

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.

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, entities 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 obligations.

IFRS 17, Insurance Contracts
IFRS 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts to ensure that an entity provides relevant and reliable information to the users of the financial statements as a basis to assess the effect that insurance contracts have on the entity’s financial statements. In certain cases, financial guarantee and performance guarantee contracts may be considered insurance contracts for the purposes of IFRS 17 if significant insurance risk is transferred from another party to the entity and the contract involves potential compensation to the other party for an adverse event. IFRS 17 superseded IFRS 4, “Insurance Contracts” and the related interpretations.

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

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, 2024 and are to be applied retrospectively.

Non-current Liabilities with Covenants (Amendments to IAS 1)
The amendments to IAS 1 specify that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively.

Lease Liability Measurement in a Sale and Leaseback transaction (Amendments to IFRS 16, Leases)
The amendments to IFRS 16 clarify how a seller-lessee should apply the subsequent measurement requirements in IFRS 16 to the lease liability that arises in a sale and leaseback transaction. The amendments specify that the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains when lease liabilities are subsequently measured. However, the new requirements do not prevent a seller-lessee from recognizing, in profit or loss, any gain or loss that relates to the partial or full termination of a lease. The amendments are effective for annual periods beginning on or after January 1, 2024 and are to be applied retrospectively.

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 2023	December 31 2022
Cash balances excluding joint operations	**$ 22,399**	$ 19,815
Cash balances of joint operations	**410,013**	357,397
	$ 432,412	$ 377,212
Restricted cash	**$ -**	$ 107,033
	$ -	$ 107,033

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 Skyport. This cash cannot be used by the Company other than to finance the Bermuda International Airport Redevelopment Project. At September 30, 2023, the Company's 50.1% interest in Skyport is reported using the equity method of accounting (see Note 10, *"Projects Accounted For Using The Equity Method"*).

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

8. TRADE AND OTHER RECEIVABLES

	September 30 2023	December 31 2022
Trade receivables	$ 667,848	$ 628,365
Allowance for expected credit losses	(801)	(1,362)
	667,047	627,003
Holdbacks receivable	339,386	341,298
Other	36,082	55,277
	375,468	396,575
Total	$ 1,042,515	$ 1,023,578
Amounts receivable beyond one year	$ 17,142	$ 109,395

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

	September 30 2023	December 31 2022
Balance - beginning of period	$ (1,362)	$ (1,145)
Additional amounts provided for during period	(251)	(631)
Trade receivables written off during period	499	36
Amounts recovered	49	378
Disposal of subsidiaries	264	-
Balance - end of period	$ (801)	$ (1,362)

9. INVENTORIES

	September 30 2023	December 31 2022
Raw materials and supplies	$ 22,241	$ 16,761
Finished goods	7,439	20,859
	$ 29,680	$ 37,620

(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, 2023			December 31, 2022		
	Joint Ventures	Associates	**Total**	Joint Ventures	Associates	Total
Cash and cash equivalents	$ 57,426	$ -	**$ 57,426**	$ 59,236	$ -	$ 59,236
Other current assets	171,949	-	**171,949**	329,360	-	329,360
Total current assets	229,375	-	**229,375**	388,596	-	388,596
Non-current assets	1,317,461	-	**1,317,461**	961,538	-	961,538
Total assets	1,546,836	-	**1,546,836**	1,350,134	-	1,350,134
Trade and other payables and provisions	167,928	-	**167,928**	365,108	45	365,153
Total current liabilities	167,928	-	**167,928**	365,108	45	365,153
Non-current financial liabilities	1,125,308	-	**1,125,308**	871,630	-	871,630
Other non-current liabilities	5,163	-	**5,163**	5,480	-	5,480
Total non-current liabilities	1,130,471	-	**1,130,471**	877,110	-	877,110
Total liabilities	1,298,399	-	**1,298,399**	1,242,218	45	1,242,263
Net assets (liabilities)	$ 248,437	$ -	**$ 248,437**	$ 107,916	$ (45)	$ 107,871

	For the three months ended					
	September 30, 2023			September 30, 2022		
	Joint Ventures	Associates	**Total**	Joint Ventures	Associates	Total
Revenue	$ 248,903	$ -	**$ 248,903**	$ 197,190	$ -	$ 197,190
Depreciation and amortization	-	-	**-**	(149)	-	(149)
Other costs and expenses	(233,532)	-	**(233,532)**	(182,291)	489	(181,802)
Operating profit	15,371	-	**15,371**	14,750	489	15,239
Finance cost	(8,907)	-	**(8,907)**	(9,552)	-	(9,552)
Income tax expense	(1,250)	-	**(1,250)**	(654)	-	(654)
Profit for the period	5,214	-	**5,214**	4,544	489	5,033
Other comprehensive income (loss)	(2,674)	-	**(2,674)**	4,578	-	4,578
Total comprehensive income	$ 2,540	$ -	**$ 2,540**	$ 9,122	$ 489	$ 9,611

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

	For the nine months ended					
	September 30, 2023			September 30, 2022		
	Joint Ventures	Associates	**Total**	Joint Ventures	Associates	Total
Revenue	$ 531,404	$ -	**$ 531,404**	$ 510,712	$ -	$ 510,712
Depreciation and amortization	(217)	-	**(217)**	(456)	-	(456)
Other costs and expenses	(490,289)	45	**(490,244)**	(469,612)	500	(469,112)
Operating profit	40,898	45	**40,943**	40,644	500	41,144
Finance cost	(25,442)	-	**(25,442)**	(28,605)	-	(28,605)
Income tax expense	(2,250)	-	**(2,250)**	(740)	-	(740)
Profit for the period	13,206	45	**13,251**	11,299	500	11,799
Other comprehensive income (loss)	(4,895)	-	**(4,895)**	24,617	-	24,617
Total comprehensive income	$ 8,311	$ 45	**$ 8,356**	$ 35,916	$ 500	$ 36,416

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

	For the nine months ended	For the year ended
	September 30 2023	December 31 2022
Projects accounted for using the equity method - at beginning of period	**$ 107,871**	$ 69,294
Share of profit for the period	**13,251**	17,703
Share of other comprehensive income (loss) for the period	**(4,895)**	24,057
Disposal of joint venture (see Note 24 "*Other Income*" for the sale of ATE)	**(23,796)**	-
Commencement of equity method accounting for the Company's 50.1% interest in Skyport	**156,531**	-
Distributions from projects accounted for using the equity method	**(525)**	(3,183)
Projects accounted for using the equity method - at end of period	**$ 248,437**	$ 107,871

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**
Waterloo LRT Concessionaire	10%	Joint Venture	2023, 2022
Eglinton Crosstown LRT Concessionaire	25%	Joint Venture	2023, 2022
Finch West LRT Concessionaire	33%	Joint Venture	2023, 2022
Gordie Howe International Bridge Concessionaire	20%	Joint Venture	2023, 2022
Highway 401 Expansion Project SPV	50%	Joint Venture	2023, 2022
Pattullo Bridge Replacement Project SPV	50%	Joint Venture	2023, 2022
Eglinton Crosstown West Extension Advance Tunnel Project SPV	40%	Joint Venture	2023, 2022
ONxpress Operations Inc.	28%	Joint Venture	2023, 2022
Yellowline Asphalt Products Ltd.	50%	Joint Venture	2023, 2022
Bermuda International Airport Concessionaire	50.1%	Joint Venture	2023

On September 20, 2023, the Company completed the sale of a 49.9% interest in Skyport to Connor, Clark & Lunn Infrastructure ("CC&L Infrastructure"). Subsequent to this transaction, the Company holds a 50.1% interest in Skyport, the concessionaire responsible for the Bermuda International Airport's operations, maintenance and commercial functions, and the entity that will manage and coordinate the overall delivery of the Bermuda International Airport Redevelopment

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Project over a 30-year concession term that commenced in 2017. Prior to the closing of the transaction with CC&L Infrastructure, the Company's participation in Skyport was 100% consolidated in the Concessions segment and, as such, was accounted for in the consolidated financial statements by reflecting, line by line, the assets, liabilities, revenue and expenses of Skyport. Subsequent to the closing of the sale of a 49.9% interest in Skyport, Aecon's remaining 50.1% interest in the Skyport concession joint venture is accounted for using the equity method (see Note 24 *"Other Income"*).

Aecon's share of the results of the Yellowline Asphalt Products Ltd. joint venture was reported in projects accounted for using the equity method until its sale in the second quarter of 2023 as part of the sale of the ATE business (see Note 24 "*Other Income*").

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.

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, 2023		$ 52,283	$ 178,749	$ 60,499	$ 388,230	$ 43,464	$ 79,375	**$ 802,600**
Additions - purchased assets		120	382	1,986	5,908	2,350	501	**11,247**
Additions - right-of-use assets		1,400	5,136	-	3,599	-	7,246	**17,381**
Disposals	(a)	(15,264)	(33,601)	(40,613)	(171,202)	(7,983)	(22,106)	**(290,769)**
Foreign currency translation adjustments		-	(2)	-	(7)	(2)	2	**(9)**
Balance at September 30, 2023		$ 38,539	$ 150,664	$ 21,872	$ 226,528	$ 37,829	$ 65,018	**$ 540,450**
Accumulated depreciation and impairment								
Balance at January 1, 2023		1,082	81,581	21,456	213,276	39,163	50,941	**407,499**
Depreciation - purchased assets		-	3,807	1,139	11,064	1,673	710	**18,393**
Depreciation - right-of-use assets	(b)	400	6,171	-	9,280	-	6,619	**22,470**
Disposals	(a)	(198)	(16,766)	(13,105)	(103,544)	(7,529)	(14,914)	**(156,056)**
Foreign currency translation adjustments		-	-	-	(1)	(1)	(1)	**(3)**
Balance at September 30, 2023		$ 1,284	$ 74,793	$ 9,490	$ 130,075	$ 33,306	$ 43,355	**$ 292,303**
Net book value at September 30, 2023		**$ 37,255**	**$ 75,871**	**$ 12,382**	**$ 96,453**	**$ 4,523**	**$ 21,663**	**$ 248,147**
Net book value at January 1, 2023		**$ 51,201**	**$ 97,168**	**$ 39,043**	**$ 174,954**	**$ 4,301**	**$ 28,434**	**$ 395,101**
Net book value of right-of-use assets included in property, plant & equipment at January 1, 2023		**$ 964**	**$ 33,518**	**$ 75**	**$ 86,527**	**$ -**	**$ 25,833**	**$ 146,917**
Net book value of right-of-use assets included in property, plant & equipment at September 30, 2023		**$ 1,964**	**$ 30,411**	**$ 75**	**$ 36,557**	**$ -**	**$ 19,505**	**$ 88,512**

(a) Includes disposals of property, plant and equipment related to the sales of ATE and Skyport. See Note 24 "*Other Income*" for further information on the sales of ATE and a 49.9% interest in Skyport. Subsequent to the sale of a 49.9% interest in Skyport in the third quarter of 2023, Aecon's remaining 50.1% interest in the Skyport concession joint venture is accounted for using the equity method (see Note 10, "*Projects Accounted For Using The Equity Method*").

(b) 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 at January 1, 2023		$ 668,168	$ 108,102	$ 112,529	$ **888,799**
Additions					
Separately acquired or constructed		-	-	5,038	**5,038**
Disposals	(a)	(666,988)	(2,991)	(11,993)	**(681,972)**
Foreign currency translation adjustments		(1,180)	-	7	**(1,173)**
Balance at September 30, 2023		**$ -**	**$ 105,111**	**$ 105,581**	**$ 210,692**
Accumulated amortization and impairment					
Balance at January 1, 2023		145,293	-	81,153	**226,446**
Amortization		15,633	-	7,943	**23,576**
Disposals	(a)	(160,747)	-	(3,048)	**(163,795)**
Foreign currency translation adjustments		(179)	-	-	**(179)**
Balance at September 30, 2023		**$ -**	**$ -**	**$ 86,048**	**$ 86,048**
Balance at September 30, 2023		**$ -**	**$ 105,111**	**$ 19,533**	**$ 124,644**
Net book value at January 1, 2023		**$ 522,875**	**$ 108,102**	**$ 31,376**	**$ 662,353**

(a) Includes disposals of goodwill related to the sale of ATE and of intangible assets related to the sale of Skyport. See Note 24 *"Other Income"* for further information on the sales of ATE and a 49.9% interest in Skyport. Subsequent to the sale of a 49.9% interest in Skyport in the third quarter of 2023, Aecon's remaining 50.1% interest in Skyport is accounted for using the equity method (see Note 10, "*Projects Accounted For Using The Equity Method*").

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

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

13. BANK INDEBTEDNESS

	September 30 2023	December 31 2022
Bank indebtedness	$ 30,000	$ 120,979
	$ 30,000	$ 120,979

At September 30, 2023, the Company had a committed revolving credit facility of $600,000 (December 31, 2022 - $600,000). The Company also has uncommitted demand letter of credit facilities of $201,000 (December 31, 2022 - $201,000) from Canadian banks and $42,912 (€30,000) from a Spanish bank (December 31, 2022 - $43,374 (€30,000)). Bank indebtedness representing borrowings on the Company's revolving credit facility at September 30, 2023 was $30,000 (December 31, 2022 - $120,979). Letters of credit amounting to $8,719 and $7,544, respectively, were issued against the revolving credit facility and the uncommitted demand letter of credit facilities at September 30, 2023 (December 31, 2022 - $3,234 and $8,151, respectively). Cash drawings under the revolving credit facility bear interest at rates between prime and prime plus 1.85% per annum. Letters of credit drawn on the revolving credit facility reduce the amount available-for-use under this facility. These facilities mature on June 30, 2025.

The Company also maintains an additional performance security guarantee facility of $900,000 (December 31, 2022 - $900,000) to support letters of credit provided by Export Development Canada of which $595,889 was utilized at September 30, 2023 (December 31, 2022 - $563,444). On June 30, 2023, the maturity date of this performance security guarantee facility was extended to June 30, 2025.

14. TRADE AND OTHER PAYABLES

	September 30 2023	December 31 2022
Trade payables and accrued liabilities	$ 988,018	$ 901,855
Holdbacks payable	190,279	162,193
	$ 1,178,297	$ 1,064,048
Amounts payable beyond one year	$ -	$ 2,531

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

15. PROVISIONS

		Contract related obligations	Asset decommissioning costs	Tax assessments	Other	Total
Balance at January 1, 2023		$ 3,641	$ 5,666	$ 10,164	$ 1,426	**$ 20,897**
Additions made		6,002	82	-	1,947	**8,031**
Amounts used		(901)	(359)	-	(2,299)	**(3,559)**
Disposals	(a)	(1,044)	(1,782)	-	-	**(2,826)**
Other changes		14	187	-	-	**201**
Balance at September 30, 2023		**$ 7,712**	**$ 3,794**	**$ 10,164**	**$ 1,074**	**$ 22,744**
Reported as:						
Current		**$ 7,712**	**$ -**	**$ 10,164**	**$ 1,074**	**$ 18,950**
Non-current		**-**	**3,794**	**-**	**-**	**3,794**
		$ 7,712	**$ 3,794**	**$ 10,164**	**$ 1,074**	**$ 22,744**

(a) Includes disposals of provisions related to the sale of ATE. See Note 24 *"Other Income"* for further information on the sale of ATE.

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

LONG-TERM DEBT

	September 30 2023	December 31 2022
Long-term debt:		
Leases	**$ 117,520**	$ 170,959
Equipment and other loans	**24,615**	59,243
Total long-term debt	**$ 142,135**	$ 230,202
Reported as:		
Current liabilities:		
Current portion of long-term debt	**$ 38,156**	$ 56,564
Non-current liabilities:		
Long-term debt	**103,979**	173,638
	$ 142,135	$ 230,202

The following describes the components of long-term debt:

(a) At September 30, 2023, leases of $117,520 (December 31, 2022 - $170,959) bore interest at fixed rates averaging 4.08% (December 31, 2022 – 3.52%) per annum, with specific equipment provided as security.

(b) At September 30, 2023, equipment and other loans of $24,615 (December 31, 2022 - $59,243) bore interest at fixed rates averaging 3.57% (December 31, 2022 – 3.08%) 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) at September 30, 2023 was 3.99% (December 31, 2022 – 3.41%).

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, 2023 were $28,243 and $71,226 respectively (2022 - $24,420 and $67,143 respectively).

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

Total cash outflow related to lease liabilities for the three and nine months ended September 30, 2023 was $19,439 and $34,975 respectively (2022 – $13,077 and $38,429).

See 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, 2023.

See Note 25, "*Finance Cost*" for further details of interest on lease liabilities recognized during the three and nine months ended September 30, 2023.

See Note 28, "*Financial Instruments*" for contractual maturities of lease liabilities at September 30, 2023.

NON-RECOURSE PROJECT DEBT

		September 30 2023	December 31 2022
Non-recourse project debt:			
Bermuda International Airport Redevelopment Project financing	(a)	**$ -**	$ 379,001
Total non-recourse project debt		**$ -**	$ 379,001
Reported as:			
Current liabilities:			
Current portion of non-recourse project debt		**$ -**	$ 3,347
Non-current liabilities:			
Non-recourse project debt		**-**	$ 375,654
		$ -	$ 379,001

(a) Non-recourse project debt represents the debt of Skyport. Included in the Company's consolidated balance sheet at December 31, 2022 is debt, net of transaction costs, of $379,001 (US$279,829). At September 30, 2023, the Company's 50.1% interest in the Skyport concession joint venture is accounted for using the equity method (see Note 10, *"Projects Accounted For Using The Equity Method"*). 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, made from Restricted Cash, commenced 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 2023	December 31 2022
Debt component:		
Debenture maturing on December 31, 2023 - 5.0% Debentures	182,706	178,878
Total convertible debentures	$ 182,706	$ 178,878
Reported as:		
Current liabilities:		
Convertible debentures	182,706	178,878
	$ 182,706	$ 178,878

	September 30 2023	December 31 2022
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 2023	September 30 2022	September 30 2023	September 30 2022
Interest expense on face value	$ 2,300	$ 2,300	$ 6,900	$ 6,900
Notional interest representing accretion	1,285	1,249	3,828	3,721
	$ 3,585	$ 3,549	$ 10,728	$ 10,621

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 $22.95 for each common share, subject to adjustment in certain circumstances. The 5.0% Debentures were not redeemable before December 31, 2022. 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.

At September 30, 2023, the face value of the 5.0% Debentures which remains outstanding was $184,000 (December 31, 2022 - $184,000).

18. CONCESSION RELATED DEFERRED REVENUE

Concession related deferred revenue consists of:

	September 30 2023	December 31 2022
Bermuda International Airport Redevelopment Project	$ -	$ 97,412
	$ -	$ 97,412

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

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. For the three and nine months ended September 30, 2023, the amounts recognized as revenue up to the date of its sale, included in the Company's consolidated income statements were $996 and $3,001 respectively (2022 - $961 and $2,854 respectively).

At September 30, 2023, the Company's 50.1% interest in the Skyport concession joint venture is accounted for using the equity method (see Note 10, *"Projects Accounted For Using The Equity Method"*).

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 2023	September 30 2022
Profit before income taxes	**$ 157,199**	$ 17,227
Statutory income tax rate	**26.40%**	26.40%
Expected income tax expense	**(41,501)**	(4,548)
Effect on income taxes of:		
Projects accounted for under equity method	**1,652**	619
Provincial and foreign rate differences	**181**	(1,908)
Other non-deductible expenses	**(849)**	(470)
Disposal of subsidiaries	**15,378**	-
Disposal of other assets	**614**	-
Non-taxable remeasurement gains	**21,228**	-
Adjustments in respect of prior years	**(1,632)**	(225)
Other	**(75)**	-
	36,497	(1,984)
Income tax expense	**$ (5,004)**	$ (6,532)

(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 2023	September 30 2022	**September 30 2023**	September 30 2022
Defined benefit pension expense:				
Company sponsored pension plans	**$ 102**	$ 94	**$ 306**	$ 282
Defined contribution pension expense:				
Company sponsored pension plans	**2,356**	2,443	**7,407**	7,419
Multi-employer pension plans	**21,779**	26,905	**63,511**	73,239
Total employee future benefit expense	**$ 24,237**	$ 29,442	**$ 71,224**	$ 80,940

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 CGL, unforeseen site conditions, compensable adverse weather impacts and a suspension implemented by CGL as a result of regulatory restrictions imposed due to the COVID-19 pandemic. SAEG asserts that it is entitled to additional compensation for costs associated with those delays and impacts and commenced an arbitration in the second quarter of 2021 pursuant to the terms of the contract to resolve the matter. In the third quarter of 2022, CGL issued a counterclaim, alleging breach of contract and damages arising therefrom; CGL did not articulate the amount of damages it was seeking. In the first quarter of 2023, CGL withdrew its allegations of breach of contract and related damages from its counterclaim. While this commercial dispute could result in a material impact to Aecon’s earnings, cash flow, and financial position if not resolved favourably through ongoing negotiations or arbitration, the ultimate results cannot be predicted at this time.

Kemano Generating Station Second Tunnel Project
During the second quarter of 2020, Rio Tinto issued a notice of termination of contract to the joint venture in which Aecon holds a 40% interest with respect to the Kemano Generating Station Second Tunnel Project. Rio Tinto also issued notice to the joint ventures’ sureties asserting a claim on the 50% performance bonds; the sureties entered into a cooperation agreement with Rio Tinto but have not taken a position on the validity of this claim on the bonds. In the third quarter of 2020, the joint venture issued a notice of civil claim seeking approximately $105,000 in damages from Rio Tinto. The joint venture also registered and perfected a builders’ lien against project lands, providing security over approximately $97,000 of the claimed damages. In the first quarter of 2021, Rio Tinto issued a counterclaim against the joint venture but did not articulate the amount of damages it may seek from the joint venture; such amount is expected to be material. While it is possible that this commercial dispute could result in a material impact to Aecon’s earnings and cash flow if not resolved, the ultimate results cannot be predicted at this time. The aforementioned notice of civil claim was commenced in the Supreme Court of British Columbia between Frontier Kemper Constructors and Frontier Kemper – Aecon Joint Venture as plaintiffs/defendants by counterclaim and Rio Tinto Alcan Inc. and Aluminum Company of Canada Limited/Aluminum Du Canada 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 King’s Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking $180,000

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

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 $140,282 of unbilled revenue and accounts receivable at September 30, 2023. 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. In the fourth quarter of 2022, the Court issued a decision allowing an application by Aecon to add KSPC's parent company K+S Aktiengesellschaft ("KSAG") as a defendant to the lawsuit arising from KSAG's conduct in inducing KSPC to breach its contract with Aecon. These claims may not be resolved for several years. While the Company considers KSPC's claim to be without merit and does not expect that the resolution of these claims will cause a material impact to its financial position, the ultimate results cannot be predicted at this time.

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 2023
Letters of credit:		
Financial and performance - issued by Export Development Canada	Various joint arrangement projects	$ 595,889
Financial and performance - issued in the normal conduct of business	Various	$ 16,263

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. At September 30, 2023, 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 $5,155,857 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.

22. CAPITAL STOCK

	For the nine months ended September 30, 2023			For the year ended December 31, 2022		
	Number		Amount	Number		Amount
Number of common shares outstanding - beginning of period	**61,535,925**	**$**	**419,357**	60,822,889	$	405,807
Shares issued to settle LTIP/ESU/Director DSU obligations	240,591		3,810	713,036		13,550
Number of common shares outstanding - end of period	**61,776,516**	**$**	**423,167**	61,535,925	$	419,357

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, 2023, the Company recorded LTIP compensation charges of $6,256 (2022 - $4,342) and $15,029 (2022 - $13,407) 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.

For the three and nine months ended September 30, 2023, the Company recorded Director DSU compensation (income)/expense, net of fair value adjustments, of $49 and $2,001, respectively (2022 - $(266) and $709, 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.

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

For the three and nine months ended September 30, 2023, the Company recorded an ESU compensation expense of $215 (2022 - $846) and $928 (2022 - $1,528), 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, 2023		
	LTIP	Director DSUs	ESUs
		Share Units	
Balance outstanding - beginning of period	2,986,486	476,660	313,403
Granted	1,374,288	111,349	29,700
Dividend equivalent rights	189,833	25,864	26,110
Settled	(240,779)	(38,273)	(52,172)
Forfeited	(51,395)	-	(25,581)
Balance outstanding - end of period	4,258,433	575,600	291,460
		Weighted Average Grant Date Fair Value Per Unit	
Balance outstanding - beginning of period	$ 15.40	$ 13.57	$ 17.25
Granted including Director DSU fair value adjustments	12.72	15.48	11.51
Dividend equivalent rights	14.85	15.90	17.14
Settled	14.63	15.78	16.26
Forfeited	14.11	-	15.25
Balance outstanding - end of period	$ 14.57	$ 13.90	$ 17.00

Amounts included in Contributed Surplus in the Consolidated Balance Sheets at September 30, 2023 in respect of LTIP, Director DSUs, and ESUs were $52,974 (December 31, 2022 - $41,466), $4,962 (December 31, 2022 - $4,894), and $4,709 (December 31, 2022 – $4,685), respectively. Amounts included in Trade and Other Payables in the Consolidated Balance Sheets at September 30, 2023 in respect of Director DSUs was $3,038 (December 31, 2022 - $1,576).

23. EXPENSES

	For the three months ended		For the nine months ended	
	September 30 2023	September 30 2022	**September 30 2023**	September 30 2022
Personnel	**$ 349,343**	$ 341,923	**$ 1,096,272**	$ 1,052,809
Subcontractors	**541,551**	546,661	**1,488,039**	1,375,617
Materials	**251,660**	297,378	**685,214**	706,617
Equipment costs	**69,327**	53,148	**183,788**	158,180
Depreciation of property, plant and equipment and amortization of intangible assets	**20,274**	23,775	**64,439**	70,244
Other expenses	**10,688**	5,251	**28,696**	27,495
Total expenses	**$ 1,242,843**	$ 1,268,136	**$ 3,546,448**	$ 3,390,962

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

Reported as:

	For the three months ended		For the nine months ended	
	September 30 2023	September 30 2022	**September 30 2023**	September 30 2022
Direct costs and expenses	**$ 1,193,884**	$ 1,201,882	**$ 3,355,981**	$ 3,172,413
Marketing, general and administrative expense	**28,685**	42,479	**126,028**	148,305
Depreciation and amortization	**20,274**	23,775	**64,439**	70,244
Total expenses	**$ 1,242,843**	$ 1,268,136	**$ 3,546,448**	$ 3,390,962

24. OTHER INCOME

	For the three months ended		For the nine months ended	
	September 30 2023	September 30 2022	**September 30 2023**	September 30 2022
Foreign exchange gain (loss)	**$ (432)**	$ 1,076	**$ 416**	$ 1,019
Gain on sale of property, plant and equipment	**1,041**	2,542	**44,922**	4,944
Gain on sale of subsidiaries	**137,545**	-	**175,545**	-
Total other income	**$ 138,154**	$ 3,618	**$ 220,883**	$ 5,963

On May 1, 2023, the Company completed the sale of its Aecon Transportation East (“ATE”) roadbuilding, aggregates and materials businesses in Ontario to Green Infrastructure Partners Inc. Gross cash proceeds received on closing, net of debt assumed by the purchaser, were $162,657. Cash on hand in ATE subsidiaries at the closing date of $7,341 was transferred to the purchaser. The transaction price remains subject to customary closing adjustments. ATE provided roadbuilding infrastructure solutions throughout Ontario to the provincial government, municipalities, and private clients. The financial results of ATE prior to its sale were reported in the construction segment. For the three and nine months ended September 30, 2023, the Company recorded a loss on sale of $(1,480) (2022 - $nil) and gain on sale of $36,520 (2022 - $nil) respectively, which were included in other income in the consolidated income statements.

On September 20, 2023, the Company completed the sale of a 49.9% interest in Skyport to CC&L Infrastructure and as a result lost control for accounting purposes of Skyport (see Note 10, *“Projects Accounted For Using The Equity Method”*). Gross cash proceeds received on closing were $162,316 (US$120,000). For both the three and nine months ended September 30, 2023, the Company recorded a gain on sale of $139,025 (2022 - $nil), including $80,409 relating to the remeasurement of the retained interest in Skyport in other income in the consolidated income statements, and inclusive of foreign currency gains of $1,594 that were reclassified from accumulated other comprehensive income to the consolidated income statements.

Subsequent to the closing of the sale of a 49.9% interest in Skyport, the Company’s remaining 50.1% interest in the Skyport concession joint venture is no longer fully consolidated and is instead accounted for using the equity method.

(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 2023	September 30 2022	**September 30 2023**	September 30 2022
Interest and notional interest on long-term debt and debentures	**$ 9,661**	$ 9,622	**$ 29,350**	$ 28,428
Interest on leases	**1,009**	1,354	**3,478**	3,599
Interest on short-term debt	**5,833**	4,116	**16,578**	7,971
Notional interest on provisions	**53**	54	**201**	121
Total finance cost	**$ 16,556**	$ 15,146	**$ 49,607**	$ 40,119

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 2023	September 30 2022	**September 30 2023**	September 30 2022
Profit attributable to shareholders	**$ 133,425**	$ 34,489	**$ 152,195**	$ 10,695
Interest on convertible debentures, net of tax[1]	**2,635**	2,609	**7,885**	7,807
Diluted net earnings	**$ 136,060**	$ 37,098	**$ 160,080**	$ 18,502
Average number of common shares outstanding	**61,750,790**	60,988,159	**61,638,845**	60,914,412
Effect of dilutive securities:[1]				
Convertible debentures[1]	**17,216,193**	17,193,670	**16,126,226**	13,775,121
Long-term incentive plan	**4,566,356**	4,023,831	**4,566,356**	4,023,831
Weighted average number of diluted common shares outstanding	**83,533,339**	82,205,660	**82,331,427**	78,713,364
Basic earnings per share	**$ 2.16**	$ 0.57	**$ 2.47**	$ 0.18
Diluted earnings per share[1]	**$ 1.63**	$ 0.45	**$ 1.94**	$ 0.16

[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 2023	September 30 2022
Decrease (increase) in:		
Trade and other receivables	**$ (75,113)**	$ (147,958)
Unbilled revenue	**(93,827)**	(140,872)
Inventories	**(5,459)**	(10,469)
Prepaid expenses	**(28,146)**	(2,155)
Increase (decrease) in:		
Trade and other payables	**105,932**	159,776
Provisions	**(3,559)**	(6,819)
Deferred revenue	**(7,887)**	(63,117)
	$ (108,059)	$ (211,614)

Cash flows from interest

	For the nine months ended	
	September 30 2023	September 30 2022
Operating activities		
Cash interest paid	**$ (48,413)**	$ (38,791)
Cash interest received	**5,463**	880

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

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. At September 30, 2023, the Company had contracts to buy US$4,400, sell US$13,500, and sell €1,300 (December 31, 2022 – buy US$10,200, sell US$nil, and sell €nil, respectively), on which there was a cumulative net unrealized exchange gain of $574 recorded in the consolidated statements of income at that date (December 31, 2022 - gain $713). In addition, at September 30, 2023, outstanding contracts to buy US$42,801 (December 31, 2022 – buy US$96,420) were designated as cash flow hedges on which there was a cumulative unrealized gain recorded in other comprehensive income of $3,261 (December 31, 2022 – gain $6,710). 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. At September 30, 2023, for these derivative financial instruments designated as cash flow hedges, there was a cumulative unrealized gain recorded in other comprehensive income of $13,619 (December 31, 2022 - gain $19,210).

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.

	At September 30, 2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets (liabilities) measured at fair value:				
Cash flow hedges	$ 16,879	$ -	$ 16,879	$ -
Financial assets (liabilities) disclosed at fair value:				
Long-term financial assets	15,906	-	15,906	-
Long-term debt	(139,599)	-	(139,599)	-
Convertible debentures	(182,694)	(182,694)	-	-

During the nine months ended September 30, 2023, 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.

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

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.

At September 30, 2023, the Company had $88,826 in trade receivables that were past due. Of this amount, $52,330 was over 60 days past due, against which the Company has recorded an allowance for expected credit losses of $801.

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

Contractual maturities for financial liabilities at September 30, 2023 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	$ -	$ 30,000	$ -	$ 30,000	$ -	$ 30,000
Trade and other payables	$ 1,178,297	$ -	$ -	$ 1,178,297	$ -	$ 1,178,297
Leases	$ 37,866	$ 80,637	$ 10,607	$ 129,110	$ (11,590)	$ 117,520
Equipment and other loans	5,348	14,973	7,906	28,227	(3,612)	24,615
	43,214	95,610	18,513	157,337	(15,202)	142,135
Convertible debentures	189,367	-	-	189,367	(6,661)	182,706
Long-term financial liabilities	$ 232,581	$ 95,610	$ 18,513	$ 346,704	$ (21,863)	$ 324,841

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, 2023, 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.

At September 30, 2023, a 10% change in the US dollar against the Canadian dollar would have impacted the Company's profit or loss in the current period by $741 because of currency exposures. 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 by the Company to be the most important metric in measuring the strength and flexibility of its consolidated balance sheets. At September 30, 2023, the debt to capitalization percentage including convertible debentures as debt was 23% (December 31, 2022 - 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 10% at September 30, 2023 (December 31, 2022 - 17%). While the Company believes these debt to capitalization percentages are acceptable, because of the cyclical nature of its business, and due to the uncertainties described in Note 4, "Critical Accounting Estimates" and Note 21, "Contingencies", the Company will continue its current efforts to maintain a conservative capital position.

At September 30, 2023, 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.

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

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

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

- Development of domestic and international Public-Private Partnership projects;
- Private finance solutions;
- Developing strategic partnerships;
- Leading and/or actively participating in development teams; and
- Operations and maintenance of infrastructure assets.

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

	For the three months ended September 30, 2023			
	Construction	Concessions	Other and eliminations	Total
Consolidated statements of income				
External customer revenue	$ 1,213,290	$ 26,294	$ -	**$ 1,239,584**
Inter-segment revenue	2,102	-	(2,102)	**-**
Total revenue	1,215,392	26,294	(2,102)	**1,239,584**
Expenses	$ (1,215,562)	$ (17,398)	$ (9,883)	**$ (1,242,843)**
Which include:				
Depreciation and amortization	(14,100)	(5,609)	(565)	**(20,274)**
Other income (loss):				
Foreign exchange gain (loss)	$ 194	$ (44)	$ (582)	**$ (432)**
Gain on sale of property, plant and equipment	886	-	155	**1,041**
Gain (loss) on sale of subsidiaries	-	139,025	(1,480)	**137,545**
Income from projects accounted for using the equity method	$ 395	$ 4,819	$ -	**$ 5,214**
Operating profit (loss)	$ 1,305	$ 152,696	$ (13,892)	**$ 140,109**
Finance income (cost):				
Finance income				**$ 2,288**
Finance cost				**(16,556)**
Profit before income taxes				**$ 125,841**
Income tax recovery				**7,584**
Profit for the period				**$ 133,425**
Revenue by contract type				
Fixed price	$ 520,511	$ -	$ 4	**$ 520,515**
Cost plus/unit price	694,881	-	(2,106)	**692,775**
Concession operations	-	26,294	-	**26,294**
Total revenue	1,215,392	26,294	(2,102)	**1,239,584**
Revenue by service type				
Construction revenue	$ 1,215,392	$ -	$ (2,102)	**$ 1,213,290**
Concession revenue	-	26,294	-	**26,294**
Total revenue	1,215,392	26,294	(2,102)	**1,239,584**

	Construction	Concessions	Other and eliminations	Total
Consolidated balance sheets				
Segment assets	$ 2,629,319	$ 245,797	$ 243,509	**$ 3,118,625**
Which include:				
Projects accounted for using the equity method	9,944	238,493	-	**248,437**
Segment liabilities	$ 884,320	$ (43,702)	$ 1,200,130	**$ 2,040,748**
Additions to non-current assets:				
Property, plant and equipment	$ 7,491	$ 258	$ 289	**$ 8,038**
Intangible assets	$ -	$ 1,586	$ 175	**$ 1,761**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

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

	For the nine months ended September 30, 2023			
	Construction	Concessions	Other and eliminations	Total
Consolidated statements of income				
External customer revenue	$ 3,443,083	$ 70,574	$ -	**$ 3,513,657**
Inter-segment revenue	2,176	-	(2,176)	**-**
Total revenue	3,445,259	70,574	(2,176)	**3,513,657**
Expenses	$ (3,462,448)	$ (53,246)	$ (30,754)	**$ (3,546,448)**
Which include:				
Depreciation and amortization	(46,172)	(16,906)	(1,361)	**(64,439)**
Other income (loss):				
Foreign exchange gain (loss)	$ 132	$ (46)	$ 330	**$ 416**
Gain on sale of property, plant and equipment	26,949	-	17,973	**44,922**
Gain on sale of subsidiaries	-	139,025	36,520	**175,545**
Income from projects accounted for using the equity method	$ 83	$ 13,168	$ -	**$ 13,251**
Operating profit	$ 9,975	$ 169,475	$ 21,893	**$ 201,343**
Finance income (cost):				
Finance income				**$ 5,463**
Finance cost				**(49,607)**
Income before income taxes				**$ 157,199**
Income tax expense				**(5,004)**
Profit for the period				**$ 152,195**
Revenue by contract type				
Fixed price	$ 1,526,881	$ -	$ 4	**$ 1,526,885**
Cost plus/unit price	1,918,378	-	(2,180)	**1,916,198**
Concession operations	-	70,574	-	**70,574**
Total revenue	3,445,259	70,574	(2,176)	**3,513,657**
Revenue by service type				
Construction revenue	$ 3,445,259	$ -	$ (2,176)	**$ 3,443,083**
Concession revenue	-	70,574	-	**70,574**
Total revenue	3,445,259	70,574	(2,176)	**3,513,657**

	Construction	Concessions	Other and eliminations	Total
Consolidated balance sheets				
Additions to non-current assets:				
Property, plant and equipment	$ 23,381	$ 368	$ 4,879	**$ 28,628**
Intangible assets	$ -	$ 4,202	$ 835	**$ 5,037**

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

			For the three months ended September 30, 2022	
	Construction	Concessions	Other and eliminations	Total
Consolidated statements of income				
External customer revenue	$ 1,298,713	$ 21,801	$ -	**$ 1,320,514**
Inter-segment revenue	51	-	(51)	**-**
Total revenue	1,298,764	21,801	(51)	**1,320,514**
Expenses	$ (1,239,852)	$ (16,889)	$ (11,395)	**$ (1,268,136)**
Which include:				
Depreciation and amortization	(17,728)	(5,459)	(588)	**(23,775)**
Other income:				
Foreign exchange gain	$ 300	$ 4	$ 772	**$ 1,076**
Gain on sale of property, plant and equipment	2,542	-	-	**2,542**
Income from projects accounted for using the equity method	$ 1,614	$ 3,419	$ -	**$ 5,033**
Operating profit (loss)	$ 63,368	$ 8,335	$ (10,674)	**$ 61,029**
Finance income (cost):				
Finance income				**$ 619**
Finance cost				**(15,146)**
Profit before income taxes				**$ 46,502**
Income tax expense				**(12,013)**
Profit for the period				**$ 34,489**
Revenue by contract type				
Fixed price	$ 639,384	$ -	$ (21)	**$ 639,363**
Cost plus/unit price	659,380	-	(30)	**659,350**
Concession operations	-	21,801	-	**21,801**
Total revenue	1,298,764	21,801	(51)	**1,320,514**
Revenue by service type				
Construction revenue	$ 1,298,764	$ -	$ (51)	**$ 1,298,713**
Concession revenue	-	21,801	-	**21,801**
Total revenue	1,298,764	21,801	(51)	**1,320,514**
	Construction	Concessions	Other and eliminations	Total
Consolidated balance sheets				
Segment assets	$ 3,001,276	$ 719,965	$ (46,222)	**$ 3,675,019**
Which include:				
Projects accounted for using the equity method	36,141	67,538	-	**103,679**
Segment liabilities	$ 1,460,423	$ 440,270	$ 823,822	**$ 2,724,515**
Additions to non-current assets:				
Property, plant and equipment	$ 20,199	$ 92	$ 1,317	**$ 21,608**
Intangible assets	$ 2,803	$ 1,199	$ 254	**$ 4,256**

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

	For the nine months ended September 30, 2022			
	Construction	Concessions	Other and eliminations	Total
Consolidated statements of income				
External customer revenue	$ 3,374,315	$ 55,351	$ -	**$ 3,429,666**
Inter-segment revenue	232	-	(232)	**-**
Total revenue	3,374,547	55,351	(232)	**3,429,666**
Expenses	$ (3,304,219)	$ (50,466)	$ (36,277)	**$ (3,390,962)**
Which include:				
Depreciation and amortization	(53,174)	(16,097)	(973)	**(70,244)**
Other income:				
Foreign exchange gain	$ 432	$ 5	$ 582	**$ 1,019**
Gain on sale of property, plant and equipment	4,944	-	-	**4,944**
Income from projects accounted for using the equity method	$ 1,609	$ 10,190	$ -	**$ 11,799**
Operating profit (loss)	$ 77,313	$ 15,080	$ (35,927)	**$ 56,466**
Finance income (cost):				
Finance income				**$ 880**
Finance cost				**(40,119)**
Profit before income taxes				**$ 17,227**
Income tax expense				**(6,532)**
Profit for the period				**$ 10,695**
Revenue by contract type				
Fixed price	$ 1,731,108	$ -	$ (67)	**$ 1,731,041**
Cost plus/unit price	1,643,439	-	(165)	**1,643,274**
Concession operations	-	55,351	-	**55,351**
Total revenue	3,374,547	55,351	(232)	**3,429,666**
Revenue by service type				
Construction revenue	$ 3,374,547	$ -	$ (232)	**$ 3,374,315**
Concession revenue	-	55,351	-	**55,351**
Total revenue	3,374,547	55,351	(232)	**3,429,666**

	Construction	Concessions	Other and eliminations	Total
Consolidated balance sheets				
Additions to non-current assets:				
Property, plant and equipment	$ 57,797	$ 254	$ 6,050	**$ 64,101**
Intangible assets	$ 5,583	$ 2,101	$ 920	**$ 8,604**

31. SUBSEQUENT EVENT

Subsequent to quarter end, on October 23, 2023 Aecon announced a strategic investment by Oaktree Capital Management, L.P. (“Oaktree”) in an Aecon subsidiary, Aecon Utilities Group Inc. (“Aecon Utilities”). The investment subsequently closed on October 24, 2023. Oaktree acquired a minority ownership interest in Aecon Utilities by way of a net $150,000 convertible preferred equity investment (the “Investment”). The Investment was effected through the purchase of newly created convertible preferred equity securities (the “Preferred Equity”) of Aecon Utilities. The gross subscription amount of the Investment is $154,600 of Preferred Equity, which represents $150,000 after upfront fees (“Net Investment Amount”). The Investment is convertible at any time by Oaktree into common equity of Aecon Utilities and is mandatorily convertible upon a qualified initial public offering. Prior to conversion, the Preferred Equity will accrue a 12% annual coupon for the first three years and 14% annual coupon thereafter. At Aecon’s option, the coupon is payable in kind by accreting the principal amount or in cash. In addition to Aecon Utilities’ new credit facility of $400,000, Aecon has a separate committed revolving credit facility of $450,000 that replaces its prior $600,000 facility.