Aecon Group Inc.

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

December 31, 2024

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

December 31, 2024

TABLE OF CONTENTS

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

The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. ("Aecon" or the "Company") should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2024. This MD&A is dated as at March 5, 2025, when the Company's Board of Directors approved this document. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval+ ("SEDAR+") at www.sedarplus.ca and includes the Company's Annual Information Form and other securities and continuous disclosure filings.

1. INTRODUCTION

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

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

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

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

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

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

2. FORWARD-LOOKING INFORMATION

The information in this Management's Discussion and Analysis includes certain forward-looking statements which may constitute forward-looking information under applicable securities laws. These forward-looking statements are based on currently available competitive, financial, and economic data and operating plans but are subject to risks and uncertainties. Forward-looking statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, ongoing objectives, strategies, and outlook for Aecon, including statements regarding: the timing, methods, and quantity of any purchases under the NCIB (defined below), the availability of cash for repurchases of common shares under the NCIB, and compliance with applicable laws and regulations pertaining to the NCIB; expectations regarding the impact of the three remaining fixed price legacy projects and expected timelines of such projects; backlog and estimated duration; the impact of certain contingencies on Aecon (see: Section 10.2 “Contingencies”); the uncertainties related to the unpredictability of global economic conditions; its belief regarding the sufficiency of its current liquidity position including sufficiency of its cash position, unused credit capacity, and cash generated from its operations; its strategy of seeking to differentiate its service offering and execution capability and the expected results therefrom; its efforts to maintain a conservative capital position; expectations regarding the pipeline of opportunities available to Aecon; statements regarding the various phases of projects for Aecon; its strategic focus on projects linked to decarbonization, energy transition and sustainability, and the opportunities arising therefrom; expectations regarding ongoing recovery in travel through Bermuda International Airport and opportunities to add to the existing portfolio of Canadian and international concessions in the next 12 to 24 months; Oaktree Capital Management, L.P.’s (“Oaktree”) investment in Aecon Utilities Group Inc. (“Aecon Utilities”), the expected benefits thereof and results therefrom, including the acceleration of growth of Aecon Utilities in Canada and the U.S.; the expansion of Aecon Utilities’ geographic reach and range of services in the U.S; the potential for additional contingent proceeds payable under the Aecon Utilities acquisition of a majority interest in Xtreme Powerline Construction (“Xtreme”); the ability of Aecon Utilities and Xtreme to integrate successfully following the Xtreme acquisition, the expansion in the U.S. utility services market and driving continued growth in priority markets; and the effective collaboration with Xtreme management; the ability of Aecon and United Engineers & Constructors Inc. (“United”) to integrate successfully following the acquisition; the expansion in the North America and global nuclear services market and driving continued growth in priority markets; the ability to advance Aecon’s diversification and growth with a focus on the energy transition; the ability to capitalize on, and the continued growth of, the increasing demand for clean, affordable, and reliable energy; and the effective collaboration with United management; the anticipated growth of Aecon's nuclear and engineering business, and Aecon's expansion in the U.S. and Canadian markets, expansion of market share and operational capacity. Forward-looking statements may in some cases be identified by words such as “will,” “plans,” “schedule,” “forecast,” “outlook,” “potential,” “seek,” “strategy,” “may,” “could,” “might,” “can,” “believes,” “expects,” “anticipates,” “estimates,” “projects,” “intends,” “prospects,” “targets,” “occur,” “continue,” “should” or the negative of these terms, or similar expressions. In addition to events beyond Aecon's control, there are factors which could cause actual or future results, performance, or achievements to differ materially from those expressed or inferred herein including, but not limited to: the risk of not being able to drive a higher margin mix of business by participating in more complex projects, achieving operational efficiencies and synergies, and improving margins; the risk of not being able to meet contractual schedules and other performance requirements on large, fixed priced contracts; the risk of not being able to meet its labour needs at reasonable costs; the risk of not being able to address any supply chain issues which may arise and pass on costs of supply increases to customers; the risk of not being able, through its joint operations, to enter into implementation phases of certain projects following the successful completion of the relevant development phase; the risk of not being able to execute its strategy of building strong partnerships and alliances; the risk of not being able to execute its risk management strategy; the risk of not being able to grow backlog across the organization by winning major projects; the risk of not being able to maintain a number of open, recurring, and repeat contracts; the risk of not being able to accurately assess the risks and opportunities related to its industry’s transition to a lower-carbon economy; the risk of not being able to oversee, and where appropriate, respond to known and unknown environmental and climate change-related risks, including the ability to recognize and adequately respond to climate change concerns or public, governmental, and other stakeholders' expectations on climate matters; the risk of not being able to meet its commitment to meeting its greenhouse gas emissions reduction targets; the risks associated with the strategy of differentiating its service offerings in key end markets; the risks associated with undertaking initiatives to train employees; the risks associated with the seasonal nature of its business; the risks associated with being able to participate in large projects; the risks associated with legal proceedings to which it is a party; the ability to successfully respond to shareholder activism; the risk of increased costs due to the imposition of tariffs; the risk of non-compliance with government regulations, policies or executive orders; the risk that Aecon will not realize the opportunities presented by a transition to a net-zero economy; risks associated with future pandemics or health-related outbreaks and Aecon's ability to respond to and implement measures to mitigate the impact of such pandemics or health-related outbreaks; the risk that the strategic partnership with Oaktree will not realize the expected results and may negatively impact the existing business of Aecon Utilities; the risk that Aecon Utilities will not realize the anticipated balance sheet flexibility with the completion of the investment; the risk that Aecon Utilities will not realize opportunities to expand its geographic reach and range of services in the U.S; the risk of costs or difficulties related to the integration of Aecon Utilities and Xtreme being greater than expected; the risk of the anticipated benefits and synergies from the acquisition not being fully realized or taking longer than expected to realize; the risk of being unable to retain key personnel, including Xtreme management; and the risk of being unable to maintain relationships with customers, suppliers or other business partners of Xtreme.

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

Risk factors are discussed in greater detail in the Section 13 - "Risk Factors" in this MD&A which is available on SEDAR+ at www.sedarplus.ca. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Aecon undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

3. FINANCIAL REPORTING STANDARDS

The Company's audited consolidated financial statements and the accompanying notes for the year ended December 31, 2024 were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

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

4. NON-GAAP AND SUPPLEMENTARY FINANCIAL MEASURES

The MD&A presents certain non-GAAP and supplementary financial measures, as well as non-GAAP ratios to assist readers in understanding the Company's performance ("GAAP" refers to IFRS Accounting Standards).

These measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

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

Non-GAAP Financial Measures

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

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

- **"Adjusted EBITDA"** represents operating profit (loss) adjusted to exclude depreciation and amortization, the gain (loss) on sale of assets and investments, costs related to business acquisitions including: costs related to advisory, legal and other transaction fees; changes in the fair value of contingent consideration; and contingent consideration classified as compensation per IFRS; costs associated with the remediation of properties sold; and net income (loss) from projects accounted for using the equity method, but including "Equity Project EBITDA" from projects accounted for using the equity method (refer to Section 9 "Quarterly Financial Data" for a quantitative reconciliation to the most comparable financial measure). The most directly comparable measure calculated in accordance with IFRS is operating profit.
- **"Equity Project EBITDA"** represents Aecon's proportionate share of the earnings or losses from projects accounted for using the equity method before depreciation and amortization, finance income, finance cost and income tax expense (recovery) (refer to Section 9 "Quarterly Financial Data" for a quantitative reconciliation to the most comparable financial measure).
- **"Adjusted Profit (Loss) Attributable To Shareholders"** represents profit (loss) attributable to shareholders adjusted where applicable to exclude unrealized gains or losses on derivative financial instruments, costs related to business acquisitions including: amortization of acquisition-related intangible assets; costs related to advisory, legal and other transaction fees; changes in the fair value of contingent consideration; and contingent consideration classified as compensation per IFRS; costs associated with the remediation of properties sold; and where applicable the income tax effect of these adjustments (refer to Section 9 "Quarterly Financial Data" for a quantitative reconciliation to the most comparable financial measure). The most comparable IFRS measure for Adjusted Profit (Loss) Attributable To Shareholders is Profit (Loss) Attributable To Shareholders.
- **"Adjusted Earnings Per Share – Basic" and "Adjusted Earnings Per Share – Diluted"** are calculated by dividing Adjusted Profit (Loss) Attributable To Shareholders (defined above) by the basic and diluted weighted average number of shares outstanding, respectively. The most comparable IFRS measure for Adjusted Earnings Per Share is earnings per share. (refer to Section 9 "Quarterly Financial Data" for a quantitative reconciliation to the most comparable financial measure).

Management uses the above non-GAAP financial measures to analyze and evaluate operating performance. Aecon also believes the above financial measures are commonly used by the investment community for valuation purposes, and are useful complementary measures of profitability, and provide metrics useful in the construction industry. These non-GAAP financial measures exclude items which management believes will allow investors a consistent way to analyze Aecon's financial performance, allow for better analysis of core operating income and business trends, and improve comparability of companies within the industry.

Primary Financial Statements

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

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

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

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

- **"Backlog" (Remaining Performance Obligations)** means the total value of work that has not yet been completed that: (a) has a high certainty of being performed as a result of the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to Aecon, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured. Operations and maintenance ("O&M") activities are provided under contracts that can cover a period of up to 30 years. In order to provide information that is comparable to the backlog of other categories of activity, Aecon limits backlog for O&M activities to the earlier of the contract term and the next five years.

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

Non-GAAP Ratios

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

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

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

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

Supplementary Financial Measures

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

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

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

5. RECENT DEVELOPMENTS

Aecon Acquires United Engineers & Constructors Inc.

On December 17, 2024, Aecon acquired United Engineers & Constructors Inc. ("United"), a nuclear and conventional power engineer and contractor headquartered in Mount Laurel, New Jersey, from affiliates of CriticalPoint Capital, LLC. United's management and operational teams joined Aecon upon closing of the acquisition.

Founded in 1905, United provides end-to-end engineering, planning, and program and construction management services to nuclear and conventional power clients in the United States and Canada. United maintains a strategic focus on nuclear power plant life extensions and developing small modular reactor and power generation projects. The majority of United's revenues are conducted under master service agreements and are recurring in nature. Aecon and United are also collaboratively engaged in joint operations in executing steam generator replacement work and fuel channel and feeder replacements on six units at the Bruce Nuclear Generating Station in Ontario.

Aecon Utilities Acquires Ainsworth Power Construction

On December 2, 2024, Aecon Utilities Group Inc. ("Aecon Utilities") acquired Ainsworth Power Construction, an electrical services and power systems business unit of Ainsworth Inc., headquartered in Toronto, Ontario, from GDI Integrated Facility Services. Ainsworth Power Construction's management and operational teams joined Aecon Utilities upon closing of the acquisition, which is being financed through Aecon Utilities' standalone committed revolving credit facility.

Ainsworth Power Construction has over 80 employees and 80 years of experience as a comprehensive technical services contractor for electrical utility clients, primarily in Ontario. The majority of Ainsworth Power Construction's revenues are conducted under long-term master service agreements and are recurring in nature. Aecon Utilities and Ainsworth Power Construction are collaboratively engaged in joint operations delivering programs to utility and private sector clients to expand electricity distribution infrastructure across Ontario.

Aecon Utilities Acquires Electrical Distribution Utility Contractor Xtreme Powerline

On July 2, 2024, Aecon Utilities Group Inc. acquired a majority interest in Xtreme Powerline Construction ("Xtreme"), an electrical distribution utility contractor headquartered in Port Huron, Michigan. The acquisition was financed through Aecon Utilities' standalone committed revolving credit facility. Xtreme management are committed to supporting Aecon Utilities' expansion in the U.S. and retained a minority ownership in Xtreme as well as leadership responsibilities in the Xtreme business in partnership with Aecon Utilities' management team.

A privately-owned company founded in 2007, Xtreme is a full-service powerline constructor with approximately 300 employees. Xtreme specializes in overhead distribution line repair, maintenance, and expansion services throughout the Eastern United States, and provides emergency restoration services for over 20 utility clients across the U.S.

Normal Course Issuer Bid

On August 15, 2024, the Toronto Stock Exchange ("TSX") approved the Company's normal course issuer bid (the "NCIB") pursuant to which the Company may purchase for cancellation up to 3,126,306 common shares of Aecon, representing 5% of the issued and outstanding common shares as of August 7, 2024. The NCIB commenced on August 18, 2024 and will end no later than August 18, 2025. See also Section 10.7 "Normal Course Issuer Bid" of this MD&A.

Update on Certain Fixed Price Legacy Projects

Within the Construction segment, as part of its ongoing review of critical accounting estimates in respect of the remaining three large fixed price legacy projects now nearing completion and being performed by joint operations in which Aecon is a participant (see Section 10.2 "Contingencies" and Section 13 "Risk Factors" of this MD&A), Aecon recognized an operating loss of $35.8 million in the fourth quarter of 2024 (operating loss of $40.0 million in the same period of 2023) and an operating loss of $145.8 million in 2024 (operating loss of $215.2 million in 2023) from these three legacy projects. The remaining three legacy projects comprised 4% and 5%, respectively, of consolidated revenue in the fourth quarter and full year of 2024 compared to 8% and 6%, respectively, of consolidated revenue in the fourth quarter and full year of 2023.

Aecon and its joint operations partners are dedicating all necessary resources to drive the remaining legacy projects to completion and in the meantime continue to pursue fair and reasonable settlement agreements with the respective clients in each case. Of the remaining three projects, two are currently expected to be substantially complete by mid-year 2025, and the final project by the end of the third quarter of 2025. Future downside risk remains in the event that assumptions, estimates, and/or circumstances change. Such downside risks include, among others, the level of compensation for past and future impacts, including through the dispute resolution process where appropriate, productivity not meeting expectations, potential for unforeseen supply chain delays and disruptions, unknown commissioning risks, inflation related risk, and further client changes.

At December 31, 2024, the remaining backlog to be worked off on the three projects was $121 million compared to backlog of $324 million at December 31, 2023. The three fixed price legacy projects comprised 2% of backlog at December 31, 2024 compared to 5% at December 31, 2023.

Coastal Gaslink Pipeline Project Global Settlement Agreement

On June 28, 2024, Aecon announced that SA Energy Group (a general partnership of Aecon Construction Group Inc. and Robert B. Somerville Co. Ltd.) and Coastal GasLink Pipeline Limited Partnership, by its general partner Coastal GasLink Pipeline Ltd., reached an amicable and mutually agreeable global settlement to resolve their dispute fully and finally over the construction of Sections 3 and 4 of the Coastal GasLink Pipeline Project in British Columbia.

The settlement agreement is not an admission of liability by either party and the parties have mutually released their respective claims in the arbitration, thereby avoiding the expense, burden, and uncertainty associated with arbitration.

The terms of the settlement agreement did not result in any further cash impacts to Aecon. From an accounting perspective, Aecon recognized in its consolidated financial results a charge of $127 million in 2024 ($nil in 2023) related to the construction of Sections 3 and 4 of the Coastal GasLink Pipeline Project.

6. BUSINESS STRATEGY

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

Current Position

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

Aecon's core strategy is to differentiate its service offering and execution capability to secure higher-return projects with a lower risk profile by increasing the sophistication and efficiency of the work being performed and improving the Company’s competitive advantage through its ability to provide value to its clients. As part of this differentiation, Aecon continues to work with its clients to develop collaborative alternative procurement and contracting models with the goal to reduce risk during construction and accelerate the Company’s growth in long-term recurring revenue programs through related operations and maintenance contracts. Revenue from recurring revenue programs (which comprises revenue earned under maintenance master services agreements and from ongoing operations) was $1,017 million in 2024 as compared to $1,134 million in 2023 and $896 million in 2022, representing a growth in recurring revenue programs of 14% since 2022.

Aecon seeks to position its operations to capture opportunities associated with evolving energy demands. The Company is strategically focused on projects that allow clients to mitigate and adapt to changes in the environment and also harness electrification, through nuclear, battery storage, hydro-electric, power transmission and distribution, waste and water infrastructure, rail transit, solar, hydrogen, and geothermal projects. In 2021, the Company announced a target to reach net-zero by 2050, with an initial interim target to achieve a 30% reduction in Scope 1 and Scope 2 CO_2 emissions by 2030 as compared to 2020. Aecon’s greenhouse gas (“GHG”) emission reduction targets are intensity-based targets based on economic output and represent tonnes of CO_2 per million dollars of revenue. In 2024, Aecon achieved a 24% reduction in Scope 1 and Scope 2 GHG emissions per million dollars of revenue (tCO2e/$M) compared to 2023. To-date, Aecon has achieved a 34% cumulative reduction since 2020 in Scope 1 and Scope 2 emissions based on intensity-based targets relative to revenue, surpassing its reduction target in advance of the target date.

Forward Together 2024 – 2027 Strategic Plan

In 2024, Aecon adopted its Forward Together 2024 – 2027 Strategic Plan (the “Strategic Plan”) focused on “Where To Play” in the priority markets the Company will focus on to ensure a de-risked portfolio and accelerate its growth, and “How We Win” by identifying three Key Focus areas the Company will continue to develop to secure a leading position and more predictable and increased profitability in these markets. Anchored by Aecon’s purpose – building what matters to enable future generations to thrive – the key elements of the Strategic Plan are outlined below.

Where to Play

Aecon leverages its construction and concessions experience to pursue a wide mix of projects across various market sectors, including new collaborative alternative procurement projects with both government and private clients in North America and internationally. Building on its experience in the design, build, finance, maintenance, and operations of North American and international infrastructure development, Aecon is targeting additional project opportunities and partnerships that require this specialized experience and capability. Aecon remains committed to expanding its construction activities linked to sustainability, with a focus on pursuing projects both organically and through strategic acquisitions that foster growth in key areas such as nuclear, electrical transmission and distribution, and renewable energy. Revenue tied to sustainability projects represented 59% of 2024 revenue compared to 64% in 2023. These projects include, but are not limited to, projects that reduce emissions, support electrification, support clean water use and conservation, climate change mitigation and adaptation, and reduce or recycle waste.

In 2024, the Company completed three strategic transactions with a focus on the energy transition. Aecon Utilities acquired a majority interest in Xtreme Powerline Construction and acquired Ainsworth Power Construction, and Aecon acquired United Engineers & Constructors. These acquisitions enhance the

Company's position to harness significant opportunities across North America in the utilities, nuclear and conventional power sectors, while driving continued growth in the U.S. and priority markets.

While Aecon remains focused on growth within Canada, the Company continues to embrace new opportunities in the U.S. and international infrastructure development and construction markets to continue to diversify the business over time, both organically and through targeted acquisitions. These opportunities are intended over the long-term to diversify Aecon's geographic presence and provide greater growth potential and earnings stability through economic cycles. Demonstrating continued progress in its U.S. expansion initiatives, in 2024 an Aecon-led consortium, in which Aecon Concessions is the development lead and will hold a 50% equity interest in the project's 40-year concession, was selected by the U.S. Virgin Islands Port Authority to redevelop the Cyril E. King Airport in St. Thomas and the Henry E. Rohlsen Airport in St. Croix under a collaborative Design, Build, Finance, Operate, and Maintain Public-Private Partnership model. Following the expected successful completion of the transition phase, financial close is anticipated in 2025. An Aecon consortium was also awarded a contract by the U.S. Army Corps of Engineers to deliver the Howard A. Hanson Dam Additional Water Storage Fish Passage Facility project in Washington State under an Integrated Design and Construction contract model. Aecon also advanced the replacement of Condensers and Feedwater Heaters at Dominion Energy's North Anna Power Station in Virginia and completed the Dismantlement and Removal project for Savannah River Nuclear Solutions at the Department of Energy's Savannah River Site in South Carolina awarded in 2023. Internationally, Aecon was awarded a contract by the Government of Anguilla for the Clayton J. Lloyd International Airport Redevelopment Program Package 3 project and continued to advance the Kingstown Port Modernisation project in Saint Vincent and the Grenadines awarded in 2022. Revenue from U.S. and international markets increased by $98 million or 28% in 2024 versus 2023.

The Company's growth initiatives are primarily directed towards investment in areas designed to reduce at-risk work and increase activities with lower risk profiles, including recurring revenue opportunities, long-term concessions and related operations and maintenance opportunities, renewable energy, and other projects linked to decarbonization initiatives. Revenue from non-fixed price work increased to 61% of total revenue in 2024 from 58% of total revenue in 2023, and reported backlog at December 31, 2024 was comprised of 58% non-fixed price work versus 50% at the end of 2023.

How We Win

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

1) Outstanding Teams

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

Equipping its leaders and workforce with the necessary knowledge, skills, and experience to thrive in the emerging world of infrastructure is key to Aecon's future success. Developing outstanding leaders and teams capable of managing growth and diversity, fostering innovation, entering new markets, adapting and developing collaborative contract delivery models, and leveraging emerging and sustainable construction practices are critical strategic levers for Aecon. In 2024, the Company made further strategic enhancements to some of its key learning programs including launching the Aecon Executive Forum to foster senior leadership growth, expanding its Project Management Academy and establishing an Indigenous Mentorship Program to provide participants with greater exposure and opportunities.

The Company is committed to taking steps to be seen as a first-choice employer, drawing top talent from within and outside of the construction industry. Demonstrating a culture of safety and fostering social impact in our communities are competitive differentiators in the construction industry, and Aecon's approach on these factors places the Company at the forefront of attracting and retaining the best talent to support its strategic goals. In 2024, Aecon introduced a target for the number of hours employees dedicate annually to professional development in parallel with providing employees with access to comprehensive learnings tools. Several initiatives were launched through the Aecon University learning platform to support operational objectives through 2027, including programs for new and emerging people leaders; the Envision certification program launched in partnership with Beyond21 Academy and McMaster University; and a Carbon Literacy Program offered in collaboration with Conestoga College.

2) Execution Excellence

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

Building Smarter has become a continuous improvement centre of excellence with a team of experienced professionals supporting projects through Lean Construction methods and a suite of tools, mobile-accessible platforms, training, and resources tailored to Aecon's operations. This approach seeks to strengthen the Company's ability to improve cost and schedule certainty to maximize value for clients, which Aecon believes can provide a competitive advantage with respect to bidding and executing certain construction projects. Through key initiatives such as WasteWalks and the use of enhanced scheduling tools, Aecon teams have demonstrated success in completing key project milestones on or ahead of schedule and realizing identified savings while working to mitigate non-value-adding activities. Aecon believes that efficiencies are also derived from the depth and breadth of its capabilities, allowing it to participate in projects beyond the scope of any one discipline or business unit.

3) Risk versus Opportunity Balance

A key pillar of Aecon's approach to risk management is to seek to maintain balance in terms of sectors, clients, contract models, and geographies with the goal of reducing the risk of being over-exposed in any one of these areas. This approach is complemented by a focus on identifying, mitigating, and managing the risks inherent in every project the Company undertakes. Aecon continues to develop strategies and tools to manage the risk associated with complex construction work, each of which are assessed and refined on an ongoing basis as needed. The Company developed and implemented a project risk gating assessment tool in 2022 to enhance its approach to disciplined project selection with a view to ensuring project pursuits are aligned with the Company's strengths and designed to achieve the balance outlined above. In 2024, the Company refined the tool further and developed guidelines on key terms and conditions in collaborative contract models while increasing its focus on monitoring and mitigating project risk – including the development of additional resources to diagnose and address variances on projects early in execution.

In 2024, in addition to adding the Howard A. Hanson Dam Additional Water Storage Fish Passage Facility project in Washington State and the airport redevelopments in the U.S. Virgin Islands under collaborate contract models, an Aecon consortium executed a contract with the Montréal Port Authority for the Contrecoeur Terminal Expansion project in-water works under a progressive design-build approach in Québec. An Aecon-led consortium also executed a contract with the City of Winnipeg to deliver the Winnipeg North End Sewage Treatment Plant Biosolids Facilities Upgrade project under a progressive design-build model. These collaborative projects build on the momentum established in 2022 and 2023, when Aecon consortiums were awarded projects in Ontario designed to mitigate and manage major project risks through more collaborative procurement models, including the GO Expansion On-Corridor Works project under a progressive design, build, operate, and maintain contract model, the Scarborough Subway Extension Stations, Rail and Systems project under a progressive design-build model, and the Darlington New Nuclear Project under an Integrated Project Delivery model.

Strategic Plan Economic Goals

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

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

Particular Focus for 2025 – the Company is focused on a number of programs and key initiatives to advance its overall strategy in 2025, including:

1. advancing the Company's key Environment, Health and Safety ("EHS") priority areas of critical risk management, strengthening EHS management and digital systems, and fostering its EHS leadership, people, and engagement culture;
2. completing and satisfactorily resolving claims on the remaining three legacy projects with the respective clients (see Section 10.2 "Contingencies" and Section 13 "Risk Factors" of this MD&A);
3. strengthening talent pipelines while differentiating Aecon as a first-choice employer by introducing new learning experiences to augment Aecon's Project Management Academy, including role-based learning programs, structured on-the-job learning assignments, enhanced leadership development programs, and continuing to focus on succession planning and career growth;

4. building on the progress of the Building Smarter program to embed best practices and a culture of continuous improvement across the Company, thereby driving operational excellence to increase efficiency, reduce waste and improve margins;
5. progressing through the collaborative phases of major projects procured under delivery models designed to mitigate and manage execution risks and advancing these projects to the respective construction, operations, and maintenance phases;
6. investing in the systems, people, and processes to support anticipated growth in new regions from an operational, safety, and compliance perspective;
7. implementing initiatives to meet the Company's interim and long-term sustainability goals with a focus on adding lower emission construction equipment, piloting low carbon construction materials, and further integrating sustainability into Aecon's strategy to support its clients' needs;
8. ongoing optimization of Aecon's portfolio of businesses, which may include the pursuit of strategic acquisitions and investments in core operations to allow for an increased focus on Aecon's chosen end-markets and geographies, primarily in the U.S. and Canada; and
9. building on Aecon's experience in infrastructure P3 and concession projects to pursue innovative development and concession opportunities across sectors where Aecon has established or expanding capabilities in development, construction, and operations and maintenance, including markets focused on decarbonization and the energy transition.

7. CONSOLIDATED FINANCIAL HIGHLIGHTS

$ millions (except per share amounts)	Three months ended December 31 2024	Three months ended December 31 2023	Year ended December 31 2024	Year ended December 31 2023
Revenue	**$ 1,267.0**	**$ 1,130.2**	**$ 4,242.7**	**$ 4,643.8**
Gross profit	107.2	98.0	182.5	255.6
Marketing, general and administrative expense	(57.1)	(51.8)	(213.2)	(177.8)
Income from projects accounted for using the equity method	1.6	5.5	21.2	18.7
Other income	4.1	2.6	37.3	223.5
Depreciation and amortization	(26.2)	(14.6)	(87.8)	(79.1)
Operating profit (loss)	**29.6**	**39.6**	**(60.1)**	**240.9**
Finance income	1.9	2.2	8.6	7.7
Finance cost	(8.3)	(21.4)	(25.1)	(71.0)
Profit (loss) before income taxes	**23.1**	**20.3**	**(76.5)**	**177.5**
Income tax (expense) recovery	(9.0)	(10.7)	17.1	(15.7)
Profit (loss)	14.1	9.7	(59.4)	161.9
Non-controlling interests	(0.1)	-	(0.1)	-
Profit (loss) attributable to shareholders	**$ 14.0**	**$ 9.7**	**$ (59.5)**	**$ 161.9**
Gross profit margin(3)	**8.5%**	**8.7%**	**4.3%**	**5.5%**
MG&A as a percent of revenue(3)	**4.5%**	**4.6%**	**5.0%**	**3.8%**
Adjusted EBITDA(1)	**$ 76.3**	**$ 70.2**	**$ 82.6**	**$ 143.4**
Adjusted EBITDA margin(2)	**6.0%**	**6.2%**	**1.9%**	**3.1%**
Operating margin(3)	**2.3%**	**3.5%**	**(1.4)%**	**5.2%**
Adjusted profit (loss) attributable to shareholders(1)	**$ 16.3**	**$ 7.8**	**$ (61.6)**	**$ 160.9**
Earnings (loss) per share – basic	**$ 0.22**	**$ 0.16**	**$ (0.95)**	**$ 2.62**
Earnings (loss) per share – diluted	**$ 0.21**	**$ 0.15**	**$ (0.95)**	**$ 2.10**
Adjusted earnings (loss) per share – basic(1)	**$ 0.26**	**$ 0.13**	**$ (0.99)**	**$ 2.61**
Adjusted earnings (loss) per share – diluted(1)	**$ 0.25**	**$ 0.12**	**$ (0.99)**	**$ 2.09**
Backlog (at end of period)			**$ 6,662**	**$ 6,157**

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

Revenue for the year ended December 31, 2024 of $4,243 million was $401 million, or 9%, lower compared to 2023. Revenue was lower in the Construction segment ($352 million) driven by lower revenue in industrial ($460 million), urban transportation solutions ($198 million), and civil operations ($14 million), partially offset by higher revenue in nuclear ($282 million) and utilities operations ($38 million). This lower revenue was primarily driven by decreased activity on mainline pipeline work in industrial operations following the achievement of substantial completion on a large project in 2023, and in urban transportation solutions from a decrease in light rail transit ("LRT") work as three LRT projects near completion. In the Concessions segment, revenue was $61 million lower in 2024 compared to the prior year primarily due to the use of the equity method of accounting in 2024 for Aecon's 50.1% retained interest in the Bermuda International Airport concessionaire ("Skyport") following the sale of a 49.9% interest in Skyport in the third quarter of 2023. These amounts were partially offset by higher revenue in Corporate and Other after inter-segment revenue eliminations ($12 million).

Operating loss of $60.1 million for the year ended December 31, 2024 compares to operating profit of $240.9 million for the year ended December 31, 2023, a decrease of $301.0 million.

Lower year-over-year operating profit was driven by a decrease in other income of $186.2 million. This decrease was primarily due to a lower year-over-year gain related to the sale of a 49.9% interest in Skyport of $133.1 million (a gain of $5.9 million from incremental proceeds in 2024 compared to a gain on sale of $139.0 million in 2023) and a lower gain on the sale of Aecon Transportation East ("ATE") of $27.5 million (a gain of $9.0 million from incremental proceeds in 2024 compared to a gain on sale of $36.5 million in 2023). Also contributing to the decrease in other income were lower gains on the sale of property, buildings, and equipment of $27.7 million and a lower fair value remeasurement gain on financial instruments of $0.2 million, partially offset by higher foreign exchange gains of $2.3 million.

In addition to the above noted decrease in other income, lower gross profit of $73.1 million also contributed to the year-over-year decrease in operating profit. In the Construction segment, gross profit decreased by $49.8 million. This decrease was primarily due to lower gross profit related to the four fixed price legacy projects of $57.6 million from negative gross profit in 2024 of $272.8 million compared to negative gross profit in 2023 of $215.2 million. These four fixed price legacy projects are discussed in Section 5 "Recent Developments", Section 10.2 "Contingencies", and Section 13 "Risk Factors" in this MD&A. Partially offsetting the impact of these four fixed price legacy projects in 2024 was higher gross profit in the balance of the Construction segment of $7.8 million, driven by higher volume and gross profit margin in nuclear and utilities operations, as well as higher gross profit in industrial operations, partially offset by lower gross profit margin in civil operations and a volume driven decrease in gross profit in urban transportation solutions. In the Concessions segment, gross profit in 2024 decreased by $33.9 million compared to 2023 primarily from the use of the equity method of accounting in 2024 for Aecon's 50.1% retained interest in Skyport following the sale of a 49.9% interest in this project in the third quarter of 2023, while in Corporate and Other, gross profit increased by $10.7 million as a result of higher inter-segment cost recoveries from projects.

MG&A increased in 2024 by $35.4 million compared to 2023. The increase in MG&A was primarily due to higher personnel costs reflecting more typical levels in MG&A, ongoing investments to support growth and acquisitions, particularly in utilities operations with the expansion of its U.S. operations and the Xtreme acquisition in 2024, and from higher acquisition related transaction costs in 2024 ($9.9 million). This higher MG&A in 2024, was partially offset by lower MG&A related to the ATE operations which was sold in the second quarter of 2023 ($5.9 million). MG&A as a percentage of revenue increased from 3.8% in 2023 to 5.0% in 2024.

Aecon's participation in projects that are classified for accounting purposes as a joint venture or an associate, as opposed to a joint operation, are accounted for using the equity method of accounting. Aecon reported income of $21.2 million in 2024 from projects accounted for using this method of accounting, compared to $18.7 million in 2023. Higher income in 2024 in the Concessions segment ($5.0 million) was driven by increased operating results (after interest and income taxes) from Aecon's 50.1% retained interest in Skyport which is reported using the equity method of accounting in 2024 with the year-over-year increase driven by one-time recoveries of $5.9 million, partially offset by a decrease in management and development revenue in the balance of the Concessions segment. In the Construction segment, income was lower ($2.5 million) due to a decrease from civil projects. For details on Aecon's interest in these joint ventures, see Note 12 "Projects Accounted for Using the Equity Method" in the Company's audited consolidated financial statements for the year ended December 31, 2024.

Depreciation and amortization expense of $87.8 million in 2024 was $8.7 million higher than in 2023. Depreciation and amortization expense increased year-over-year in the Construction segment ($25.7 million), driven by an increase in equipment deployed, with a share of this increase related to equipment and intangible assets associated with the acquisitions of Xtreme, Ainsworth Power Construction, and United in 2024. In the Concessions segment, depreciation and amortization expense decreased ($16.7 million) due to the use of the equity method of accounting in 2024 for Aecon's 50.1% retained interest in Skyport.

Net financing expense of $16.5 million in 2024, consisting of finance cost of $25.1 million less finance income of $8.6 million, was $46.8 million lower than in 2023. The decrease is primarily related to the repayment of all convertible debentures on December 29, 2023, a reduction in reported interest from Skyport with the commencement of equity accounting for Aecon's retained 50.1% interest in the project, a reduction in transaction costs of $13.3 million related to the issuance of Preferred Shares by Aecon Utilities in 2023, lower borrowings on Aecon's revolving credit facilities, a higher fair value gain of $16.6 million related to the Preferred Shares of Aecon Utilities, and partially offset by the impact of a full year of accrued dividends related to the Preferred Shares of Aecon Utilities of $16.3 million.

Set out in Note 21 "Income Taxes" of the Company's audited consolidated financial statements for the year ended December 31, 2024 is a reconciliation between the expected income tax expense (recovery) for 2024 and 2023 based on statutory income tax rates and the actual income tax expense (recovery) reported for both these periods. In 2024, the effective income tax rate differed from the Canadian statutory income tax rate of 26.4% mainly due to the geographic mix of earnings, largely related to international projects and in particular the Skyport project, as well as the impact of non-deductible expenses and other permanent items. While in 2023, the effective income tax rate was lower than the Canadian statutory income tax rate of 26.4% mainly due to income tax on transactions related to the disposal of subsidiaries and related fair value remeasurement gains.

Reported backlog at December 31, 2024 of $6,662 million compares to backlog of $6,157 million at December 31, 2023. New contract awards of $4,747 million were booked in 2024 compared to $4,505 million in 2023. The reported 2024 awards include $275 million of backlog acquired at the time the acquisitions of United, Ainsworth Power Construction, and Xtreme closed.

Backlog $ millions	**At December 31**	
	2024	2023
Construction	**$ 6,551**	$ 6,053
Concessions	**111**	104
Consolidated	**$ 6,662**	$ 6,157

Estimated backlog duration **$ millions**						
	At December 31					
	2024			2023		
Next 12 months	**$**	**3,004**	**45%**	$	2,669	44%
Next 13-24 months		**1,284**	**19%**		1,309	21%
Beyond		**2,374**	**36%**		2,179	35%
	$	**6,662**	**100%**	$	6,157	100%

The timing of work to be performed for projects in backlog at December 31, 2024 is based on current project schedules, taking into account the current estimated impacts from the supply chain and the availability of labour. It is possible that these estimates could change in the future based on changes in these or other factors impacting the schedule of these projects.

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

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

8. REPORTABLE SEGMENTS FINANCIAL HIGHLIGHTS

8.1. CONSTRUCTION

Financial Highlights

$ millions	Three months ended December 31		Year ended December 31	
	2024	2023	**2024**	2023
Revenue	**$ 1,252.5**	$ 1,127.2	**$ 4,220.5**	$ 4,572.5
Gross profit	**$ 96.1**	$ 97.6	**$ 173.6**	$ 223.4
Adjusted EBITDA(1)	**$ 65.0**	$ 65.0	**$ 34.2**	$ 99.4
Operating profit (loss)	**$ 33.0**	$ 49.1	**$ (55.0)**	$ 59.0
Gross profit margin(3)	**7.7%**	8.7%	**4.1%**	4.9%
Adjusted EBITDA margin(2)	**5.2%**	5.8%	**0.8%**	2.2%
Operating margin(3)	**2.6%**	4.4%	**(1.3)%**	1.3%
Backlog (at end of period)			**$ 6,551**	$ 6,053

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

For the year ended December 31, 2024, revenue in the Construction segment of $4,221 million was $352 million, or 8%, lower than in 2023. The largest decrease in revenue occurred in industrial ($460 million) driven by decreased activity on mainline pipeline work following the achievement of substantial completion on a large project in the third quarter of 2023, partially offset by a higher volume of field construction work at wastewater treatment and industrial facilities in western Canada in 2024, in urban transportation solutions ($198 million) primarily from a decrease in LRT work in Ontario and Québec as three LRT projects near completion, and in civil operations ($14 million) largely from a decrease in road building construction work in eastern Canada after the sale of ATE in the second quarter of 2023 of $51 million, partially offset in the balance of civil operations by an increase in roadbuilding construction work in western Canada. These decreases were partially offset by higher revenue in nuclear ($282 million) driven by an increased volume of refurbishment work at nuclear generating stations located in Ontario and the U.S., and in utilities operations ($38 million) primarily from an increased volume of electrical transmission work in the U.S. and an increase in battery energy storage system work, partially offset by a decreased volume of telecommunications and gas distribution work.

Operating loss in the Construction segment of $55.0 million in 2024 compares to an operating profit of $59.0 million in 2023 for a year-over-year decrease of $114.0 million. The largest driver of the decrease in operating profit was negative gross profit from the four fixed price legacy projects of $272.8 million in 2024 compared to negative gross profit of $215.2 million in 2023 for a net negative year-over-year impact on operating profit of $57.6 million. The four fixed price legacy projects are discussed in Section 5 "Recent Developments", Section 10.2 "Contingencies", and Section 13 "Risk Factors" in this MD&A. In the balance of the Construction segment, operating profit was lower by $56.4 million, of which $31.6 million was largely the result of lower gross profit margin in civil operations and urban transportation solutions, and partially offset by higher operating profit in nuclear operations from higher volume and gross profit margin, and in industrial due to higher gross profit margin. Other items contributing to the reduction in operating profit include an increase in acquisition-related transaction costs that were expensed in the year ($9.9 million largely in utilities), an increase in amortization expense related to acquisition-related intangible assets from the Xtreme, Ainsworth Power Construction, and United transactions in 2024 of $5.3 million, and a decrease in other income of $9.6 million, driven by lower gains on the sale of property, buildings, and equipment of $10.9 million, primarily in utilities operations.

Construction segment backlog at December 31, 2024 was $6,551 million, which was $498 million higher than the same time last year. Backlog increased year-over-year in nuclear operations ($493 million), industrial operations ($83 million), and urban transportation solutions ($139 million), and decreased in civil ($146 million) and utilities operations ($71 million). New contract awards in 2024 totaled $4,718 million compared to $4,428 million in 2023. The reported awards in 2024 include backlog of $275 million acquired at the time the acquisitions of United, Ainsworth Power Construction, and Xtreme closed. In 2024, joint operations in which Aecon is a participant were awarded the contracts to replace steam generators at three units at Bruce Nuclear Generating Station in Ontario, and a contract for the definition phase of refurbishment work at four units at the Pickering Nuclear Generating Station in Ontario. As well, a consortium, of which Aecon is a participant, was awarded a contract to design and build the Surrey Langley SkyTrain Stations project in British Columbia.

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

8.2. CONCESSIONS

Financial Highlights

$ millions	Three months ended December 31		Year ended December 31	
	2024	2023	**2024**	2023
Revenue	**$ 4.2**	$ 3.0	**$ 12.0**	$ 73.5
Gross profit	**$ 0.6**	$ 1.0	**$ (1.5)**	$ 32.4
Income from projects accounted for using the equity method	**$ 0.8**	$ 2.6	**$ 20.8**	$ 15.8
Adjusted EBITDA(1)	**$ 17.4**	$ 19.7	**$ 86.9**	$ 89.8
Operating profit	**$ 1.6**	$ 4.6	**$ 24.2**	$ 174.1
Backlog (at end of period)			**$ 111**	$ 104

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

Aecon currently holds a 50.1% interest in Skyport, the concessionaire responsible for the Bermuda airport’s operations, maintenance, and commercial functions, and the entity that will manage and coordinate the overall delivery of the Bermuda International Airport Redevelopment Project over a 30-year concession term that commenced in 2017. Aecon’s participation in Skyport is accounted for using the equity method. On September 20, 2023, Aecon sold a 49.9% interest in Skyport to Connor, Clark & Lunn Infrastructure with Aecon retaining the management contract for the airport. Prior to this transaction, Aecon's participation in Skyport was 100% consolidated and, as such, was accounted for in the consolidated financial statements by reflecting, line by line, the assets, liabilities, revenue and expenses of Skyport. Aecon's concession participation in the Eglinton Crosstown LRT, Finch West LRT, Gordie Howe International Bridge, Waterloo LRT, and the GO Expansion On-Corridor Works projects are joint ventures that are also accounted for using the equity method.

For the year ended December 31, 2024, revenue in the Concessions segment of $12 million was $61 million lower than in 2023. The decrease was primarily due to lower reported revenue from Skyport as a result of the commencement of the equity method of accounting for the Company's retained 50.1% interest in Skyport following the above noted sale of a 49.9% interest in Skyport in the third quarter of 2023.

Operating profit in the Concessions segment of $24.2 million for the year ended December 31, 2024 decreased by $149.9 million compared to an operating profit of $174.1 million in 2023. The lower operating profit was primarily due to gains related to a sale in the third quarter of 2023 of a 49.9% interest in the Bermuda International Airport concessionaire which resulted in a year-over-year decrease in gains on sale of $133.1 million. In the balance of the Concessions segment, operating profit in 2024 decreased by $16.9 million. Year-over-year reported operating profit from the ongoing operations at Skyport was negatively impacted by a 49.9% reduction in Aecon's ownership interest in Skyport and from the use of the equity method of accounting in 2024 where operating results for Aecon's interest in Skyport are reported net of financing costs and income taxes. These unfavourable impacts were partially offset by one-time recoveries in Skyport in 2024 of $5.9 million.

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

9. QUARTERLY FINANCIAL DATA

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

$ millions (except per share amounts)

	2024				2023			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Revenue	$ 1,267.0	$ 1,275.3	$ 853.8	$ 846.6	$ 1,130.2	$ 1,239.6	$ 1,166.9	$ 1,107.2
Adjusted EBITDA[(1)]	76.3	126.9	(153.5)	32.9	70.2	32.0	16.7	24.6
Earnings (loss) before income taxes	23.1	77.8	(170.8)	(6.7)	20.3	125.8	41.3	(9.9)
Profit (loss) attributable to shareholders	14.0	56.5	(123.9)	(6.1)	9.7	133.4	28.2	(9.4)
Adjusted profit (loss) attributable to shareholders[(1)]	16.3	57.5	(126.4)	(9.0)	7.8	133.7	28.5	(9.2)
Earnings (loss) per share:								
Basic	$ 0.22	$ 0.90	$ (1.99)	$ (0.10)	$ 0.16	$ 2.16	$ 0.46	$ (0.15)
Diluted	0.21	0.85	(1.99)	(0.10)	0.15	1.63	0.38	(0.15)
Adjusted earnings (loss) per share:								
Basic[(1)]	$ 0.26	$ 0.92	$ (2.03)	$ (0.14)	$ 0.13	$ 2.17	$ 0.46	$ (0.15)
Diluted[(1)]	0.25	0.86	(2.03)	(0.14)	0.12	1.63	0.38	(0.15)

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

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

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

$ millions

	2024				2023			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Operating profit (loss)	$ **29.6**	$ **80.9**	$ **(166.3)**	$ **(4.2)**	$ **39.6**	$ **140.1**	$ **55.6**	$ **5.6**
Depreciation and amortization	26.2	23.0	19.8	18.8	14.6	20.3	21.2	22.9
(Gain) on sale of assets	(1.7)	(2.8)	(28.4)	(1.1)	(1.9)	(138.6)	(69.6)	(12.2)
Costs related to business acquisitions[(2)]	4.3	5.6	-	-	-	-	-	-
(Income) from projects accounted for using the equity method	(1.6)	(5.8)	(11.6)	(2.3)	(5.5)	(5.2)	(4.8)	(3.3)
Equity Project EBITDA[(1)]	19.6	25.9	32.9	21.6	23.4	15.4	14.2	11.6
Adjusted EBITDA[(1)]	**$ 76.3**	**$ 126.9**	**$ (153.5)**	**$ 32.9**	**$ 70.2**	**$ 32.0**	**$ 16.7**	**$ 24.6**

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

(2) Costs related to business acquisitions includes costs related to advisory, legal and other transaction fees; changes in the fair value of contingent consideration; and contingent consideration classified as compensation per IFRS.

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

$ millions

Aecon's proportionate share of projects accounted for using the equity method [(1)]	2024 Quarter 4	2024 Quarter 3	2024 Quarter 2	2024 Quarter 1	2023 Quarter 4	2023 Quarter 3	2023 Quarter 2	2023 Quarter 1
Operating profit	**$ 15.6**	**$ 22.1**	**$ 29.0**	**$ 17.8**	**$ 19.6**	**$ 15.4**	**$ 14.1**	**$ 11.4**
Depreciation and amortization	4.0	3.8	3.9	3.8	3.8	-	0.1	0.2
Equity Project EBITDA[(2)]	**19.6**	**25.9**	**32.9**	**21.6**	**23.4**	**15.4**	**14.2**	**11.6**

(1) Refer to Note 12 "Projects Accounted for Using the Equity Method" in the Company's audited consolidated financial statements for the year ended December 31, 2024.
(2) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.

Set out below is the calculation of Adjusted EBITDA by segment for the three months and years ended December 31, 2024 and 2023:

$ millions

	Three months ended December 31, 2024				Year ended December 31, 2024			
	Construction	Concessions	Other costs and eliminations	Consolidated	Construction	Concessions	Other costs and eliminations	Consolidated
Operating profit (loss)	**$ 33.0**	**$ 1.6**	**$ (5.1)**	**$ 29.6**	**$ (55.0)**	**$ 24.2**	**$ (29.2)**	**$ (60.1)**
Depreciation and amortization	26.1	0.1	0.1	26.2	86.9	0.3	0.7	87.8
(Gain) on sale of assets	(0.6)	-	(1.1)	(1.7)	(17.9)	(5.9)	(10.1)	(33.9)
Costs related to business acquisitions[(2)]	4.3	-	-	4.3	9.7	0.1	0.1	9.9
(Income) from projects accounted for using the equity method	(0.8)	(0.8)	-	(1.6)	(0.4)	(20.8)	-	(21.2)
Equity Project EBITDA[(1)]	3.1	16.5	-	19.6	11.1	88.9	-	100.0
Adjusted EBITDA[(1)]	**$ 65.1**	**$ 17.4**	**$ (6.1)**	**$ 76.3**	**$ 34.2**	**$ 86.9**	**$ (38.5)**	**$ 82.6**

$ millions

	Three months ended December 31, 2023				Year ended December 31, 2023			
	Construction	Concessions	Other costs and eliminations	Consolidated	Construction	Concessions	Other costs and eliminations	Consolidated
Operating profit (loss)	**$ 49.1**	**$ 4.6**	**$ (14.1)**	**$ 39.6**	**$ 59.0**	**$ 174.1**	**$ 7.8**	**$ 240.9**
Depreciation and amortization	14.9	0.1	(0.4)	14.6	61.1	17.0	1.0	79.1
(Gain) on sale of assets	(1.8)	-	(0.1)	(1.9)	(28.8)	(139.0)	(54.5)	(222.3)
Costs related to business acquisitions[(2)]	-	-	-	-	-	-	-	-
(Income) from projects accounted for using the equity method	(2.9)	(2.6)	-	(5.5)	(2.9)	(15.8)	-	(18.7)
Equity Project EBITDA[(1)]	5.7	17.7	-	23.4	10.9	53.6	-	64.5
Adjusted EBITDA[(1)]	**$ 65.0**	**$ 19.7**	**$ (14.5)**	**$ 70.2**	**$ 99.4**	**$ 89.8**	**$ (45.8)**	**$ 143.4**

(1) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.
(2) Costs related to business acquisitions includes costs related to advisory, legal and other transaction fees; changes in the fair value of contingent consideration; and contingent consideration classified as compensation per IFRS.

Set out below is the calculation of Equity Project EBITDA by segment for the three months and years ended December 31, 2024 and 2023:

$ millions

Aecon's proportionate share of projects accounted for using the equity method [(1)]	Three months ended December 31, 2024 Construction	Concessions	Other costs and eliminations	Consolidated	Year ended December 31, 2024 Construction	Concessions	Other costs and eliminations	Consolidated
Operating profit	**$ 3.1**	**$ 12.5**	**$ -**	**$ 15.6**	**$ 11.1**	**$ 73.5**	**$ -**	**$ 84.6**
Depreciation and amortization	-	4.0	-	4.0	-	15.4	-	15.4
Equity Project EBITDA[(2)]	**$ 3.1**	**$ 16.5**	**$ -**	**$ 19.6**	**$ 11.1**	**$ 88.9**	**$ -**	**$ 100.0**

$ millions

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

(1) Refer to Note 12 "Projects Accounted for Using the Equity Method" in the Company's audited consolidated financial statements for the year ended December 31, 2024.
(2) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.

Set out below is the calculation of Adjusted Profit (Loss) Attributable to Shareholders and Adjusted Earnings (Loss) Per Share for the most recent eight quarters:

$ millions

	2024 Quarter 4	2024 Quarter 3	2024 Quarter 2	2024 Quarter 1	2023 Quarter 4	2023 Quarter 3	2023 Quarter 2	2023 Quarter 1
Profit (loss) attributable to shareholders	**$ 14.0**	**$ 56.5**	**$ (123.9)**	**$ (6.1)**	**$ 9.7**	**$ 133.4**	**$ 28.2**	**$ (9.4)**
Unrealized (gain) on derivative financial instruments	(4.3)	(7.3)	(3.7)	(4.3)	(2.9)	-	-	-
Amortization of acquisition related intangible assets	3.1	3.0	0.3	0.3	0.4	0.4	0.4	0.3
Costs related to business acquisitions[(2)]	4.3	5.6	-	-	-	-	-	-
Income tax effect of the above items	(0.8)	(0.4)	0.9	1.0	0.7	(0.1)	(0.1)	(0.1)
Adjusted profit (loss) attributable to shareholders [(1)]	**$ 16.3**	**$ 57.5**	**$ (126.4)**	**$ (9.0)**	**$ 7.8**	**$ 133.7**	**$ 28.5**	**$ (9.2)**
Adjusted earnings (loss) per share - basic[(1)]	**$ 0.26**	**$ 0.92**	**$ (2.03)**	**$ (0.14)**	**$ 0.13**	**$ 2.17**	**$ 0.46**	**$ (0.15)**
Adjusted earnings (loss) per share - diluted[(1)]	**0.25**	**0.86**	**(2.03)**	**(0.14)**	**0.12**	**1.63**	**0.38**	**(0.15)**

(1) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.
(2) Costs related to business acquisitions includes costs related to advisory, legal and other transaction fees; changes in the fair value of contingent consideration; and contingent consideration classified as compensation per IFRS.

Set out below is the calculation of Adjusted Profit (Loss) Attributable to Shareholders and Adjusted Earnings (Loss) Per Share for the three months and year ended December 31, 2024 and 2023:

$ millions

	Three months ended December 31		Year ended December 31	
	2024	2023	**2024**	2023
Profit (loss) attributable to shareholders	**$ 14.0**	$ 9.7	**$ (59.5)**	$ 161.9
Unrealized (gain) on derivative financial instruments	**(4.3)**	(2.9)	**(19.6)**	(2.9)
Amortization of acquisition related intangible assets	**3.1**	0.4	**6.8**	1.5
Costs related to business acquisitions(2)	**4.3**	-	**9.9**	-
Income tax effect of the above items	**(0.8)**	0.7	**0.8**	0.4
Adjusted profit (loss) attributable to shareholders (1)	**$ 16.3**	$ 7.8	**$ (61.6)**	$ 160.9
Adjusted earnings (loss) per share - basic(1)	**$ 0.26**	$ 0.13	**$ (0.99)**	$ 2.61
Adjusted earnings (loss) per share - diluted(1)	**0.25**	0.12	**(0.99)**	2.09

(1) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.
(2) Costs related to business acquisitions includes costs related to advisory, legal and other transaction fees; changes in the fair value of contingent consideration; and contingent consideration classified as compensation per IFRS.

Quarterly Financial Highlights

$ millions	Three months ended December 31			
	Revenue		**Operating profit**	
	2024	2023	**2024**	2023
Construction	**$ 1,252.5**	$ 1,127.2	**$ 33.0**	$ 49.1
Concessions	**4.2**	3.0	**1.6**	4.6
Other and eliminations	**10.3**	-	**(5.1)**	(14.1)
Consolidated	**$ 1,267.0**	$ 1,130.2	**$ 29.6**	$ 39.6

The analysis of operating results for each of the first three quarters of 2024 is included in Management's Discussion and Analysis included in the Interim Reports to Shareholders for each respective quarter. The construction industry in Canada is seasonal in nature for companies like Aecon that perform a significant portion of their work outdoors. As a result, a larger portion of this work is performed in the summer and fall months than in the winter and early spring months.

For the three months ended December 31, 2024, revenue in the Construction segment of $1,252 million was $125 million, or 11%, higher than the fourth quarter of 2023. Construction segment revenue was higher in nuclear operations ($96 million), largely from an increased volume of refurbishment work at nuclear generating stations located in Ontario and the U.S.; in civil operations ($34 million), from a higher volume of roadbuilding construction work in western Canada; in industrial operations ($33 million), from an increase in field construction work at wastewater treatment and industrial facilities in western Canada, partially offset by decreased activity on mainline pipeline work in western Canada; and in utilities operations ($23 million), from an increase in electrical transmission work in the U.S. These increases were partially offset in urban transportation solutions ($61 million), primarily from a decrease in LRT, rail expansion, and electrification work.

Operating profit in the Construction segment of $33.0 million in the fourth quarter of 2024 decreased by $16.1 million compared to operating profit of $49.1 million in the fourth quarter of 2023. Lower operating profit in the Construction segment was largely due to a decrease in gross profit margin in civil operations and a volume driven decrease in gross profit in urban transportation solutions that offset a $4.2 million favourable reduction in negative gross profit related to the fixed price legacy projects (loss of $35.8 million in the fourth quarter of 2024 compared to a loss of $40.0 million in the same period of 2023) (see Section 10.2 “Contingencies” and Section 13 “Risk Factors” of this MD&A). In utilities operations, the impact of higher volume and gross profit was offset by higher MG&A due to an increase in acquisition-related transaction costs that were expensed in the period and from an increase in amortization expense related to acquisition-related intangible assets. These impacts were partially offset by higher volume and an increase in gross profit margin in nuclear and industrial operations.

Revenue in the Concessions segment in the fourth quarter of 2024 of $4 million was higher by $1 million when compared to the same period in 2023, primarily due to an increase in maintenance revenue.

Concessions segment operating profit of $1.6 million in the fourth quarter of 2024 was $3.0 million lower than the same period in 2023 from a decrease in management and development revenue, partially offset by improved operating results at Skyport.

MG&A expense increased in the fourth quarter of 2024 by $5.3 million compared to the same period in 2023, largely from an increase in costs related to business acquisitions of $4.3 million, as well as ongoing investments to support growth. MG&A as a percentage of revenue decreased from 4.6% in the fourth quarter of 2023 to 4.5% in the same period in 2024.

Aecon reported income from projects accounted for using the equity method of $1.6 million in the fourth quarter of 2024 compared to $5.5 million in the same period in 2023. Lower income in the fourth quarter of 2024 was driven by a decrease in civil projects in the Construction segment ($2.1 million) and a decrease in management and development revenue in the Concessions segment ($1.9 million).

Other income of $4.1 million in the fourth quarter of 2024 was $1.5 million higher compared to the same period in 2023, primarily due to an increase in foreign exchange gains ($2.3 million), partially offset by a lower fair value gain on financial instruments ($0.7 million).

Depreciation and amortization expense of $26.2 million in the fourth quarter of 2024 was $11.6 million higher than the same period in 2023 driven by increases in the Construction segment ($11.1 million), primarily due to an increase in equipment deployed in civil operations and from an increase in equipment and intangible assets associated with the acquisition of Xtreme in the third quarter of 2024.

Net financing expense of $6.4 million in the fourth quarter of 2024, consisting of finance cost of $8.3 million less finance income of $1.9 million, was $12.8 million lower than the same period in 2023. The decrease is primarily related to lower one-time transaction costs ($13.3 million) related to the issuance of Preferred Shares by Aecon Utilities in the fourth quarter of 2023, the repayment of all convertible debentures on December 29, 2023, and a higher fair value gain ($1.3 million) related to the Preferred Shares of Aecon Utilities, partially offset by higher borrowings on Aecon's revolving credit facilities, and higher accrued dividends on the Preferred Shares of Aecon Utilities ($1.6 million) compared to the same period in 2023.

New contract awards for the three months ended December 31, 2024 were $1,942 million compared to $1,085 million in the same period in 2023. The reported fourth quarter awards in 2024 include backlog acquired at the time the acquisitions of United and Ainsworth Power Construction closed of $244 million.

Selected Annual Information

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

($ millions, except per share amounts)	2024	2023	2022
Total revenue	**$ 4,242.7**	$ 4,643.8	$ 4,696.6
Operating profit (loss)	**(60.1)**	240.9	97.2
Profit (loss) attributable to shareholders	**(59.5)**	161.9	30.4
Per share:			
Basic	**(0.95)**	2.62	0.50
Diluted	**(0.95)**	2.10	0.47
Total assets	**3,226.2**	3,195.6	3,567.0
Non-current financial liabilities at December 31	**320.4**	348.0	778.6
Cash dividends declared per common share	**0.76**	0.74	0.74

10. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

10.1. INTRODUCTION

Aecon's participation in joint arrangements classified as joint operations is accounted for in the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2024 by reflecting, line by line, Aecon's share of the assets held jointly, liabilities incurred jointly, and revenue and expenses arising from the joint operations.

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

For further information, see Note 12 "Projects Accounted for Using the Equity Method" to the Company's audited consolidated financial statements for the year ended December 31, 2024.

10.2. CONTINGENCIES

Kemano Generating Station Second Tunnel Project

During the second quarter of 2020, Rio Tinto issued a notice of termination of contract to the joint operation 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 operations' 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 operation issued a notice of civil claim seeking approximately $105 million in damages from Rio Tinto. The joint operation also registered and perfected a builders' lien against project lands, providing security over approximately $97 million of the claimed damages. In the first quarter of 2021, Rio Tinto issued a counterclaim against the joint operation and subsequently amended its pleadings to add the joint operation's parent companies to the action pursuant to parent company guarantees issued by said companies, and also to articulate counterclaim damages of approximately $428 million. While it is possible that this commercial dispute could result in a material impact to Aecon's earnings and cash flow if not resolved, the ultimate results cannot be predicted at this time. The aforementioned notice of civil claim was commenced in the Supreme Court of British Columbia between Frontier Kemper Constructors and Frontier Kemper – Aecon Joint Venture as plaintiffs/defendants by counterclaim and Rio Tinto Alcan Inc. and Aluminum Company of Canada Limited/Aluminum Du Canada Limitée as the defendants/plaintiffs by counterclaim.

K+S Potash Canada

During the second quarter of 2018, the Company filed a statement of claim in the Court of King's Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking $180 million in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately $14 million in damages. The Company has recorded $141 million of unbilled revenue and accounts receivable at December 31, 2024. Offsetting this amount to some extent, the Company has accrued $45 million in trade and other payables for potential payments to third parties pending the outcome of the claim against KSPC. KSPC is seeking an order that the Company repay to KSPC approximately $195 million already paid to the Company pursuant to such agreements. The Company has also been brought into two other lawsuits in the same Court between KSPC and various other contractors involved with the Legacy mine project, both relating to matters which the Company believes are materially covered by insurance coverage, to the extent of any liability. In the fourth quarter of 2022, the Court issued a decision allowing an application by Aecon to add KSPC's parent company K+S Aktiengesellschaft ("KSAG") as a defendant to the lawsuit arising from KSAG's conduct in inducing KSPC to breach its contract with Aecon. These claims may not be resolved for several years. While the Company considers KSPC's claim to be without merit and does not expect that the resolution of these claims will cause a material impact to its financial position, the ultimate results cannot be predicted at this time.

Critical Accounting Estimates – Certain Fixed Price Legacy Projects

Certain large fixed price legacy projects being performed by joint operations in which Aecon is a participant (see Section 13 "Risk Factors" in this MD&A), are being negatively impacted due to additional costs for which the joint operations assert that the owners are contractually responsible, including for, among other things, unforeseeable site conditions, third party delays, impacts of COVID-19, supply chain disruptions, and inflation related to labour and materials. Revenue and income from these contracts are determined by the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs at completion of the project. The Company has a process whereby progress to completion is reviewed by management on a regular basis and estimated costs to complete are updated as necessary. Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that the relevant joint operation seeks to collect from clients for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs that the

Company and the relevant joint operation believes the owner is contractually responsible. Due to unforeseen changes in estimates of the nature or cost of the work to be completed and / or changes in estimates of related revenue, contract profit can differ significantly from earlier estimates (See Section 13 "Risk Factors": "Large Projects", "Certain Fixed Price Legacy Projects", "Contractual Factors", "Litigation and Claims", "Increases in the Cost of Raw Materials", and "Force Majeure Events" in this MD&A). In the full year of 2024 and 2023, due to the factors discussed above that impacted these fixed price legacy projects during the year, Aecon recognized an operating loss of $272.8 million and $215.2 million, respectively, related to these four projects. See also Section 5 "Recent Developments" in this MD&A.

10.3. CASH AND DEBT BALANCES

Cash balances at December 31, 2024 and December 31, 2023 are as follows:

$ millions		**December 31, 2024**		
		Balances excluding Joint Operations	**Joint Operations**	**Consolidated Total**
Cash and cash equivalents	(1)	$ 123	$ 315	$ 438
Bank indebtedness	(2)	(153)	-	(153)
		December 31, 2023		
		Balances excluding Joint Operations	**Joint Operations**	**Consolidated Total**
Cash and cash equivalents	(1)	$ 259	$ 387	$ 646
Bank indebtedness	(2)	(112)	-	(112)

(1) Cash and cash equivalents include cash on deposit in bank accounts of joint operations which Aecon cannot access directly.
(2) Bank indebtedness represents borrowings on Aecon's revolving credit facilities.

Long-term debt balances at December 31, 2024 and December 31, 2023 are as follows:

$ millions	**December 31, 2024**	**December 31, 2023**
Current portion of long-term debt – recourse	**$ 40.8**	$ 42.6
Long-term debt – recourse	**110.8**	106.8
Total long-term recourse debt	**$ 151.6**	$ 149.4
Preferred Shares of Aecon Utilities - current	**$ 160.3**	$ 157.1

Total long-term recourse debt of $151.6 million at December 31, 2024 compares to $149.4 million at December 31, 2023. The $2.2 million net increase in total long-term recourse debt resulted primarily from an increase in equipment leases of $3.9 million, partially offset by a decrease in equipment financing of $1.7 million.

The $3.2 million increase in the Preferred Shares of Aecon Utilities resulted from accrued dividends of $19.9 million offset by net fair value gains totalling $16.7 million in 2024.

At December 31, 2024, Aecon had a committed revolving credit facility of $450 million and a separate committed credit facility for Aecon Utilities of $400 million. At December 31, 2024, $153 million was drawn on the facilities and $4 million was utilized for letters of credit. Cash drawings under the revolving credit facilities bear interest at rates between prime and prime plus 1.85% per annum. The revolving credit facilities, when combined with an additional $900 million performance security guarantee facility to support letters of credit provided by Export Development Canada ("EDC"), brings Aecon's committed credit facilities for working capital and letter of credit requirements to a total of $1,750 million. The Company has no other debt or working capital credit facility maturities until 2027, except equipment and property loans and leases in the normal course. At December 31, 2024, Aecon was in compliance with all debt covenants related to its credit facilities.

Aecon's financial position, liquidity, and capital resources are subject to the risks and uncertainties described in Section 10.2 "Contingencies" of this MD&A regarding certain pending legal proceedings to which Aecon is a party. Aecon and its joint operation partners also continue to advance negotiations and work towards resolution of claims for additional costs related to certain fixed price legacy projects, and in conjunction strengthen the Company's balance sheet through reducing working capital related to these projects. While the Company believes each relevant joint operation has a strong claim to recover at least a substantial portion of these costs, the ultimate outcome of these matters cannot be predicted at this time (see Section 13 "Risk Factors": "Certain Fixed Price Legacy Projects" in the 2023 Annual MD&A). Aecon's operations also remain subject to uncertainties related to the unpredictability of future potential impacts related to global economic conditions, notably from supply chain disruptions, inflation related to labour and materials, and availability of labour (see Section 5 "Recent Developments" of this MD&A). As such, while the Company remains subject to risks which individually or in the aggregate, could result in material impacts to Aecon's earnings, cash flow, liquidity and financial position, the Company believes that its current liquidity position, including its cash position, unused credit capacity, and cash generated from its operations, is sufficient to fund its operations.

In the fourth quarter of 2024, Aecon's Board of Directors approved a quarterly dividend of $0.19 per share (annual dividend of $0.76 per share) to be paid to all holders of Aecon common shares. The fourth quarterly dividend payment of $0.19 per share was paid on January 2, 2025.

10.4. SUMMARY OF CASH FLOWS

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

A summary of sources and uses of cash during the three months and year ended December 31, 2024 and 2023 is as follows:

$ millions	Three months ended December 31				Year ended December 31			
	2024		2023		**2024**		2023	
Operating Activities								
Cash provided by (used in):								
Cash flows from (used by) operations before changes in working capital	**$**	**24.9**	$	43.5	**$**	**(73.3)**	$	26.1
Lower investments in working capital		**12.3**		133.1		**80.9**		25.0
Cash provided by operating activities	**$**	**37.2**	$	176.6	**$**	**7.6**	$	51.1
Investing Activities								
Cash provided by (used in):								
Decrease in restricted cash balances held by Skyport to finance the Bermuda International Airport project	**$**	**-**	$	-	**$**	**-**	$	2.0
(Expenditures) net of proceeds on property, plant, and equipment and intangible assets		**(3.4)**		(4.5)		**(23.7)**		47.1
Cash outflow related to acquisitions, net of cash in subsidiaries acquired		**(61.0)**		(0.7)		**(174.5)**		(0.7)
Proceeds on the sale of subsidiaries, net of cash in subsidiaries disposed		**5.9**		-		**17.4**		317.6
Cash distributions received from projects accounted for using the equity method		**2.9**		13.4		**21.1**		13.9
Cash provided by (used for) investments in long-term financial assets		**0.3**		(4.9)		**0.2**		(19.1)
Cash provided by (used in) investing activities	**$**	**(55.3)**	$	3.3	**$**	**(159.6)**	$	360.8
Financing Activities								
Cash provided by (used in):								
Increase (decrease) in bank indebtedness associated with borrowings under the Company's revolving credit facilities	**$**	**(21.5)**	$	81.7	**$**	**34.2**	$	(9.3)
Increase in long-term recourse debt borrowings		**6.9**		6.1		**16.8**		12.8
Repayments of long-term recourse debt relating primarily to property and equipment financing arrangements		**(24.0)**		(11.9)		**(59.0)**		(67.0)
Repayment of non-recourse project debt of the Bermuda International Airport project		**-**		-		**-**		(3.4)
Issuance of Preferred Shares by Aecon Utilities		**-**		154.6		**-**		154.6
Cash used for dividends paid		**(11.9)**		(11.4)		**(47.1)**		(45.6)
Common shares purchased under NCIB		**(0.2)**		-		**(3.1)**		-
Repayment of convertible debentures		**-**		(184.0)		**-**		(184.0)
Cash provided by (used in) financing activities	**$**	**(50.7)**	$	35.1	**$**	**(58.3)**	$	(141.9)
Increase (decrease) in cash and cash equivalents	**$**	**(68.9)**	$	215.0	**$**	**(210.3)**	$	270.0
Effects of foreign exchange on cash balances		**0.8**		(1.6)		**2.5**		(1.4)
Cash and cash equivalents – beginning of period		**506.1**		432.4		**645.8**		377.2
Cash and cash equivalents – end of period	**$**	**438.0**	$	645.8	**$**	**438.0**	$	645.8

In 2024, Aecon acquired, either through purchase or lease, property, plant, and equipment totaling $104.0 million (excluding property, plant, and equipment acquired at the time of the Xtreme, Ainsworth Power Construction, and United acquisitions). Of this amount, $19.2 million was largely related to office and warehouse leases with the balance of the investment in property, plant, and equipment primarily related to the purchase or lease of new machinery and construction equipment as part of normal ongoing business operations in the Construction segment. In 2023, Aecon acquired, either through purchase or lease, property, plant, and equipment totaling $46.4 million. Of this amount, $11.8 million was largely related to office and warehouse leases in Ontario and Alberta, with the balance of the investment in property, plant, and equipment primarily related to the purchase or lease of new machinery and construction equipment as part of normal ongoing business operations in the Construction segment.

10.5. CAPITAL MANAGEMENT

For capital management purposes, the Company defines capital as the aggregate of its shareholders' equity and debt. Debt includes the current and non-current portions of long-term debt (excluding non-recourse debt and drawings on the Company's credit facilities presented as bank indebtedness), convertible debentures, and Preferred Shares of Aecon Utilities.

The Company's principal objectives in managing capital are:

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

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

Although the Company monitors capital on a number of bases, including liquidity and working capital, total debt (excluding non-recourse debt and drawings on the Company's credit facilities presented as bank indebtedness) as a percentage of total capitalization (debt to capitalization percentage) is considered by the Company to be the most important metric in measuring the strength and flexibility of its consolidated balance sheets. At December 31, 2024, the debt to capitalization percentage was 25% (December 31, 2023 - 22%). If the Preferred Shares of Aecon Utilities were to be excluded from debt and added to equity on the basis that they could be converted or redeemed for equity of Aecon Utilities, either at the Company's option or at the holder's option, then the adjusted debt to capitalization percentage would be 12% at December 31, 2024 (December 31, 2023 - 11%). While the Company believes these debt to capitalization percentages are acceptable, because of the cyclical nature of its business and the uncertainties described in Section 10.2 "Contingencies", Section 5 "Recent Developments" in this MD&A, and Section 13 "Risk Factors" in this MD&A, the Company will continue its efforts to maintain a conservative capital position.

Debt to capitalization percentage is presented in Note 31 "Capital Disclosures" of the Company's audited consolidated financial statements for the year ended December 31, 2024.

Set out below is the calculation of the Company's debt to capitalization percentage at December 31, 2024 and December 31, 2023 using the definitions provided in the preceding paragraphs:

$ millions	**December 31, 2024**	**December 31, 2023**
Current portion of long-term debt	**$ 40.8**	$ 42.6
Long-term debt	**110.8**	106.8
Preferred shares of Aecon Utilities	**160.3**	157.1
Debt (including preferred shares)	**$ 311.9**	$ 306.5
Shareholders' equity	**$ 956.1**	$ 1,064.3
Capitalization	**$ 1,268.0**	$ 1,370.8
Debt to capitalization percentage	**25%**	22%

	December 31, 2024	**December 31, 2023**
Current portion of long-term debt	**$ 40.8**	$ 42.6
Long-term debt	**110.8**	106.8
Debt	**$ 151.6**	$ **149.4**
Shareholders' equity	**$ 956.1**	$ 1,064.3
Preferred shares of Aecon Utilities	**160.3**	157.1
Shareholders' equity and Preferred Shares of Aecon Utilities	**$ 1,116.4**	$ **1,221.4**
Capitalization	**$ 1,268.0**	$ 1,370.8
Debt (excluding Preferred Shares) to capitalization percentage	**12%**	11%

10.6. FINANCIAL INSTRUMENTS

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

The Company discloses information on the classification and fair value of its financial instruments, as well as on the nature and extent of risks arising from financial instruments, and related risk management in Note 30 “Financial Instruments” to the Company’s audited consolidated financial statements and the notes thereto for the year ended December 31, 2024.

10.7. NORMAL COURSE ISSUER BID

On August 15, 2024, the Toronto Stock Exchange ("TSX") approved the Company's normal course issuer bid (the "NCIB") pursuant to which the Company may purchase for cancellation up to 3,126,306 common shares of Aecon, representing 5% of the issued and outstanding common shares as of August 7, 2024. The NCIB commenced on August 18, 2024 and will end no later than August 18, 2025. During the year ended December 31, 2024, 160,600 common shares were repurchased for cancellation pursuant to the NCIB at a cost of $3.1 million.

Aecon believes that the repurchase of common shares at certain market prices is an appropriate and desirable use of Aecon's funds that is in the best interests of Aecon and beneficial to its shareholders. Aecon intends to make purchases on an opportunistic basis, taking share price and other considerations into account. Purchases under the NCIB will be funded using Aecon's existing cash resources or its senior credit facility. The actual number of common shares which may be purchased under the NCIB and the timing of any such purchases will be determined by the management of Aecon, subject to applicable securities laws and TSX rules. Aecon may elect to suspend or discontinue repurchases of common shares at any time, in accordance with applicable laws. There can be no assurances that any such purchases of common shares under the NCIB will be completed.

11. NEW ACCOUNTING STANDARDS

Note 6 "New Accounting Standards" to Aecon's December 31, 2024 audited consolidated financial statements includes new IFRS standards and amendments that became effective for the Company on January 1, 2024, and Note 7 "Future Accounting Changes" discusses IFRS standards and amendments that are issued, but not yet effective. Upon the adoption of the amendments to IAS 1, the Preferred Shares of Aecon Utilities at December 31, 2023 and January 1, 2023 were reclassified from non-current liabilities to current liabilities and bank indebtedness at December 31, 2023 and January 1, 2023 was reclassified from current liabilities to non-current liabilities in the consolidated balance sheets.

Other than as noted above, the new accounting standards had no significant impact on profit (loss), comprehensive income (loss), or earnings (loss) per share in 2024.

12. SUPPLEMENTAL DISCLOSURES

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with management, evaluated the design and operating effectiveness of the Company's disclosure controls and procedures at the financial year ended December 31, 2024. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective at December 31, 2024 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities and that information required to be disclosed by the Company in its annual and interim filings and other reports submitted under securities legislation was recorded, processed, summarized, and reported within the periods specified in securities legislation.

Internal Controls over Financial Reporting

The CEO and CFO, together with management, evaluated the design and operating effectiveness of the Company's internal controls over financial reporting at the financial year ended December 31, 2024. Based on that evaluation, the CEO and the CFO concluded that the design and operation of internal controls over financial reporting were effective at December 31, 2024 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2024 for external purposes in accordance with IFRS Accounting Standards. In designing and implementing such controls, it should be recognized that any system of internal control over financial reporting, no matter how well designed and operated, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation and may not prevent or detect all misstatements due to error or fraud.

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

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the year ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Contractual Obligations

Aecon has obligations for equipment and premises as follows:

$ millions	**Finance lease payments**	**Equipment and other loans**
2025	$ 41.1	$ 6.4
2026 - 2029	84.6	18.4
Beyond	15.1	6.1
	$ 140.8	**$ 30.9**

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

$ millions	**Preferred Shares (1)**
2025	$ -
2026 - 2029	-
Beyond	381.3
	$ 381.3

(1) The Preferred Shares have no fixed repayment terms (see Note 18 "Preferred Shares of Aecon Utilities" to the Company's audited consolidated financial statements and the accompanying notes for the year ended December 31, 2024). The Preferred Shares are assumed to have a remaining contractual maturity of 6 years in this summary.

At December 31, 2024, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was $6,662 million.

Defined Benefit Pension Plans

Aecon's defined benefit pension plans (the "Pension Plans") had a combined deficit of $1.8 million at December 31, 2024 (2023 – a combined deficit of $0.3 million). Details relating to Aecon's defined benefit plans are set out in Note 22 "Employee Benefit Plans" to the Company's audited consolidated financial statements for the year ended December 31, 2024.

The latest actuarial valuation of the Pension Plans for statutory and contribution purposes was completed at December 31, 2021. Under current pension benefits regulations, the next actuarial valuation of the Pension Plans must be performed with a valuation date of no later than December 31, 2024, with any changes in contributions thereafter reflecting December 31, 2024 market conditions.

The defined benefit obligations and benefit cost levels will change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions, and the legislative rules, or as a result of future remeasurement gains or losses, none of which have been anticipated at this time. Emerging experience, differing from the assumptions, will result in gains or losses that will be revealed in future accounting valuations. Consequently, the accounting for Pension Plans involves a number of assumptions including those that are disclosed in Note 22 "Employee Benefit Plans" to the Company's audited consolidated financial statements for the year ended December 31, 2024. As a result of the uncertainty associated with these estimates, there is no assurance that the Pension Plans will be able to earn the assumed rate of return on plan assets, and furthermore, market driven changes may result in changes to discount rates and other variables which would result in Aecon being required to make contributions to the Pension Plans in the future that may differ significantly from estimates. As a result, there is a significant amount of measurement uncertainty involved in the actuarial valuation process. This measurement uncertainty may lead to potential fluctuations in financial results attributable to the selection of actuarial assumptions and other accounting estimates involved in the determination of pension expense and obligations. A significant actuarial and accounting assumption impacting the reporting of Pension Plans is the discount rate assumption. At December 31, 2024, Aecon used a discount rate of 4.5% in its Pension Plan calculations for consolidated financial statement purposes. The impact of a 0.5% decrease in the discount rate assumption would have resulted in an increase in the pension benefit obligation of approximately $1.4 million at December 31, 2024 and an increase in the estimated 2024 pension expense of approximately $0.1 million.

For additional details, see Note 23 "Contingencies", Note 30 "Financial Instruments" and Note 33 "Remaining Performance Obligations" to the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2024.

Related Party Transactions

Related party transactions are disclosed in Note 34 "Related Parties" to the Company's audited consolidated financial statements for the year ended December 31, 2024. Other than transactions with certain equity accounted investees as part of the normal course of operations, there were no other significant related party transactions in 2024.

Critical Accounting Estimates and Judgments

The reader is referred to the detailed discussion on critical accounting estimates and judgements found in Note 4 "Critical Accounting Estimates" to the Company's audited consolidated financial statements for the year ended December 31, 2024.

13. RISK FACTORS

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

1. Business and Operational Risks

a. Certain Fixed Price Legacy Projects

Four large fixed-price legacy projects entered into in 2018 or earlier by joint operations in which Aecon is a participant are being negatively impacted due to additional costs for which the joint operations assert that the owners are contractually responsible, including for, among other things, unforeseeable site conditions, third party delays, COVID-19, supply chain disruptions, and inflation related to labour and materials. During 2022 these impacts became more pronounced and have resulted, or are now expected to result, in increased costs to the relevant joint operations above those originally forecasted, in some cases materially. Each relevant joint operation has submitted claims for compensation for these additional costs. None are currently in litigation or arbitration. The joint operation related to the CGL pipeline project reached a full and final settlement in the second quarter of 2024. The remaining joint operations reached interim settlements with the respective owners on each of the remaining three legacy projects in 2023, in respect of certain claims made, and for some of the projects, other claims for additional costs remain to be resolved in the future. While Aecon and its partners continue to work toward resolution of these claims for additional costs with the respective owners of these projects, delayed and/or unfavourable outcomes, whether individually or in the aggregate, could result in material impacts to Aecon's earnings, cash flow, liquidity and financial position. The fact that there are three projects (referred to as the three legacy projects) experiencing similar impacts concurrently elevates this risk. While the Company believes each relevant joint operation has a strong claim to recover at least a substantial portion of these costs, the ultimate outcome of these matters cannot be predicted at this time. See Section 10.2. "Contingencies" of this MD&A and other Risk Factors herein including under the headings "Large Projects", "Contractual Factors", "Litigation and Claims", "Increases in the Cost of Raw Materials", "Ongoing Financing Availability", "Adjustments in Backlog" and "Force Majeure Events".

b. Contractual Factors

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

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

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

In certain instances, Aecon guarantees to a client that it will complete a project by a scheduled date or that a facility will achieve certain performance standards. If the project or facility subsequently fails to meet the schedule or performance standards, Aecon could incur additional costs or penalties commonly referred to as liquidated damages, which certain customers require to be included in some of Aecon's contracts. Such penalties may be significant and could impact Aecon's financial position or results of future operations. Furthermore, schedule delays which are not compensated by the client may also reduce profitability because Aecon staff continue to incur costs on the project and may be prevented from pursuing and working on new projects. Project delays may also reduce customer satisfaction, which could impact future awards.

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

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

Change orders, which modify the nature or scope of the work to be completed, are frequently issued by clients. Final pricing of these change orders is often negotiated after the changes have been started or completed and costs have been incurred. As such, disputes regarding the quantum of unpriced change orders could impact

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

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

c. Large Projects

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

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

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

Aecon has a number of commitments and contingencies as part of its regular operations. The Company has guarantees, bonds and letters of credit as assurance that certain conditions and obligations will be fulfilled. If Aecon was called upon to honour these contingent obligations, its financial results could be adversely affected. For additional details, see Note 23 "Contingencies", Note 30 "Financial Instruments" and Note 33 "Remaining

Performance Obligations" to the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2024 filed on Aecon's SEDAR+ profile at www.sedarplus.ca.

d. Failure to Perform by a Third Party

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

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

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

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

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

e. Litigation and Claims

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

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

f. Expansion Into New Markets

Entering new markets, primarily within North America, the Caribbean and Latin American countries is accompanied by risks and challenges. These include different laws and regulations, political instability, and cultural differences. Additional costs related to marketing, establishing supplier and vendor relationships and import/export duties may affect Aecon's profitability. Although there is no risk-free way to enter a new market, Aecon's management carries out market entry planning and invests in developing a market entry strategy. External advisors are also engaged in identifying potential partners, clients, and suppliers who can support Aecon's market entry efforts.

g. Industry Competition

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

h. Concessionaire

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

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

i. Dependence on the Public Sector

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

In January 2025, the U.S. President issued several executive orders directed at diversity, equity and inclusion ("DEI") programs in the public and private sectors, including a prohibition on federal government contractors to operate any programs promoting DEI that violate applicable federal anti-discrimination laws. Fraudulent or inaccurate compliance certifications provided by federal contractors to federal agencies as part of their contractual obligations carry potential civil liability ramifications. Aecon is reviewing its policies for compliance with United States federal laws and is receiving guidance from U.S. external regulatory counsel to mitigate the risk associated such certifications to the extent of any potential conflict between such federal laws and the policies of any Aecon entity serving as a federal government contractor required to make such certification.

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

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

j. Weather Conditions

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

k. Labour Factors

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

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

l. Insurance

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

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

m. Environmental and Safety Factors

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

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

Aecon is also subject to, and complies with, health and safety legislation in all of its operations in the jurisdictions in which it operates. The Company recognizes that it must conduct all of its business in such a manner as to ensure the protection of its workforce and the general public. Aecon has developed a health and safety program; nevertheless, given the nature of the industry, accidents will inevitably occur from time to time. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact on any of its operations, capital expenditure requirements or competitive position.

Nevertheless, there can be no guarantee with respect to the impact of future legislation or accidents. Increasingly across the construction industry, safety standards, records and culture are an integral component of winning new work. Should Aecon fail to maintain its safety standards, such failure may lead to termination of contracts and/or impact future job awards, and could therefore impact financial results.

n. Cyclical Nature of the Construction Industry

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

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

o. Nuclear Liability

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

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

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

p. Force Majeure Events

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

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

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

q. Internal and Disclosure Controls

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

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

r. Integration and Acquisition

Aecon has made acquisitions in 2024 and may continue to pursue acquisition opportunities in accordance with its strategic plan. The integration of any acquisition raises a variety of issues including, without limitation, identification and execution of synergies, elimination of cost duplication, systems integration (including accounting and information technology), execution of the pre-deal business strategy in an uncertain economic market, development of common corporate culture and values, integration and retention of key staff, retention of current clients as well as a variety of issues that may be specific to Aecon and the industry in which it operates. There can be no assurance that Aecon will maximize or realize the full potential of any of its acquisitions. A failure to successfully integrate acquisitions and execute a combined business plan could materially impact the future financial results of Aecon. Likewise, a failure to expand the existing client base and achieve sufficient utilization of the assets acquired could also materially impact the future financial results of Aecon.

s. Reputation in the Construction Industry

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

t. Aecon's Utilities Business is not Wholly-Owned

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

2. Liquidity, Capital Resources and Financial Position Risks

a. Ongoing Financing Availability

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

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

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

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

c. Adjustments in Backlog

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

d. Tax Accrual Risks

Aecon is subject to income taxes in Canada and several foreign jurisdictions. Significant judgment is required in determining the Company's worldwide provision for income taxes. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although Aecon believes its tax estimates are reasonable, there can be no assurance that the final determination of any tax audits and litigation will not be materially different from that reflected in historical income tax provisions and accruals. Although management believes it adequately provides for any additional taxes that may be assessed as a result of an audit or litigation, the occurrence of either of these events could have a material adverse effect on the Company's current and future results and financial condition.

e. Impairment in the Value of Aecon's Assets

New events or circumstances may lead Aecon to reassess the value of goodwill, property, plant and equipment, and other non-financial assets, and record a significant impairment loss, which could have a material adverse effect on its financial position. Goodwill and intangible assets with indefinite lives 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. The net carrying amounts of property, plant and equipment assets are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate the carrying amount may not be recoverable. Aecon's financial assets, other than those accounted for at fair value, are assessed for indicators of impairment quarterly. In such cases, Aecon may be required to record an expected credit loss allowance, reducing the net carrying value of the financial assets. Aecon's estimates of future cash flows are inherently subjective, which could have a significant impact on the analysis. Further, there could be a material adverse effect on Aecon's financial position and compliance under its credit facilities from any future write-offs or write-downs of Aecon's projects, assets or in the carrying value of its investments.

f. Dependence on Subsidiaries to Help Repay Indebtedness

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

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

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

g. Dividends

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

3. International/Foreign Jurisdiction Factors

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

a. Tax

The Company is subject to income taxes in various foreign jurisdictions. A significant change in tax laws could have an adverse effect on Aecon's profitability. More than 100 foreign jurisdictions have agreed to implement a new global minimum tax regime ("Pillar Two") based on model rules published by the Organization for Economic Cooperation and Development. The proposed Pillar Two rules are intended to ensure that large qualifying multinational enterprises ("MNE") pay a minimum tax of 15% on the income arising in each jurisdiction in which they operate. To the extent that a qualifying MNEs' effective tax rate equals or exceeds at least 15% for the fiscal year ending December 31, 2024, or meets the qualified substance-based income exclusion, they will qualify for the Transitional Country by Country Safe Harbor ("TCSH") for fiscal years 2024-2026, which provides an exemption from preparing detailed GLoBE calculations and reporting for the jurisdiction. The Effective Tax Rate test requires a minimum of 16% for fiscal years beginning in 2025, and 17% for fiscal years beginning after December 31, 2025. The impact on Aecon will depend on how each jurisdiction implements the model rules, as well as the profitability and local tax liabilities of Aecon's operations in those jurisdictions.

b. Corruption and Bribery

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

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

c. Contracts and Transactions

Aecon continually evaluates its exposure to unusual risks inherent in international projects and, where deemed appropriate in the circumstances, mitigates these risks through specific contract provisions, insurance coverage and forward exchange agreements. However, there are no assurances that such measures would offset or materially reduce the effects of such risks. For additional details, see Note 30 "Financial Instruments" to the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2024.

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

d. Political and Social Instability

Aecon's international operations are subject to risks related to political conditions in certain foreign jurisdictions where it operates, including embargoes and sanctions, civil unrest, expropriation of property and other forms of unexpected instability which may adversely impact the Company's results.

e. Repatriation of Funds

The repatriation of cash in the form of dividends from Aecon's foreign affiliates is at the discretion of the local management of the Company. The cash available for dividends is a function of numerous factors, including the Company's financial performance, cash flow from operations, the impact of debt covenants, warranties and other obligations, withholding tax obligations, and working capital requirements. Accordingly, the amount of cash Aecon can repatriate is uncertain, and therefore, there is no guarantee that Aecon will be able to pay any cash dividends.

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

a. Cyber Interruption or Failure of Information Systems

Aecon relies extensively on information systems, data and communication networks to effectively manage its operations. Complete, accurate, available and secure information is vital to the Company's operations and any compromise in such information could result in improper decision making, inaccurate or delayed operational and/or financial reporting, delayed resolution to problems, breach of privacy and/or unintended disclosure of confidential materials. Aecon has established safeguards and access controls to protect its information systems and infrastructure and has put in place a cyber insurance policy to mitigate impacts of cyber incidents.

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

While ransomware remains a significant cyber threat to Aecon and other organizations online, since the onset of the COVID-19 pandemic in 2020, businesses have also faced increased cyber risks related to employees working remotely. Cyber criminals are adapting their tactics, making remote work a gateway to new forms of data theft, including employees' personal information, corporate data, client and customer information, intellectual property and key infrastructure. Aecon has also observed an increase in fraudulent e-mails, spam and phishing attempts through its corporate e-mail. Aecon has taken steps to mitigate ransomware risks, including employee training, detection and monitoring systems.

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

b. Outsourced Software

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

c. Protection of Intellectual Property and Proprietary Rights

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

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

d. Artificial Intelligence Risk

With rapid advances in technology, Aecon continues to observe growth in applications of Artificial Intelligence ("AI"). Alongside the potential benefits of AI tools and technology come risks such as AI systems inheriting or amplifying bias which could lead to impaired decision-making. Aecon has adopted an AI Use Policy and established an AI Governance Council, comprised of several executive and senior vice presidents of Aecon, to oversee AI governance and risk management practices, but human oversight may not be sufficient to address challenges posed by the rapid evolution of AI, including data privacy and other security violations.

5. Economic and Strategic Risks

a. Economic Factors

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

Inflation as measured by the Consumer Price Index (CPI) in Canada rose 2.4% on an annual basis in 2024, down from 3.9% in 2023, following a 40-year high increase of 6.8% in 2022 and a 3.4% increase in 2021. The decrease in inflation in 2024 has resulted in recent cuts to interest rates, while the increase in inflation in 2022 and 2023 resulted in interest rate increases commencing in 2022 and continuing into 2023. Until inflation is back to a level deemed appropriate for a stable economy, future increases in interest rates are possible. Higher inflation and a resulting monetary tightening policy increases Aecon's borrowing costs and can result in increased costs for labour, raw materials, and other inputs to the extent these cannot be passed on to clients. It may also impact the decisions of private and public sector clients when considering whether to proceed with projects that might otherwise have gone ahead.

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

The ongoing uncertainties regarding a prolonged economic downturn in the markets in which Aecon operates, related constraints on public sector funding, including as a result of government deficits and the ultimate ability of government action to contribute to an economic rebound may impact Aecon's clients and its business in 2025 and beyond and may have a significant adverse impact on Aecon's operations.

b. Tariffs

Effective March 4, 2025, the United States imposed tariffs on imports from a number of countries, including 25% tariffs on all goods from Canada and 10% tariffs on Canadian energy imports. The Government of Canada, other nations, and sub-national governments subsequently announced or threatened certain retaliatory measures, including counter tariffs. The impact of any tariffs or other measures, once implemented, is subject to a number of factors, including the effective date and duration of such tariffs or measures, changes in the amount, scope and nature of the tariffs or measures in the future, any further countermeasures that may be taken (which could increase the cost or availability of materials for Aecon or its clients), and any mitigating actions that may become available. The introduction of tariffs or non-tariff measures could cause some volatility for Aecon and some purchased materials could be impacted and increase costs and/or reduce availability, through price increases and/or reduced availability. Efforts would be made to mitigate these impacts by purchasing from alternative sources or by passing these escalated costs on to clients. Additionally, some clients could be impacted by tariffs or non-tariff measures, resulting in less spending by customers on construction projects. Higher raw material costs brought about by tariffs or other measures, or delayed or cancelled projects could have a material adverse effect on Aecon's future earnings and financial position.

c. Increases in the Cost of Raw Materials

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

d. Resources and Commodities Sector

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

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

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

6. Risks Related to Climate Change

Global climate change continues to attract considerable public, scientific and regulatory attention, while climate change policy continues to evolve at regional, national and international levels. Aecon carefully considers the physical and non-physical impacts of climate change on the company.

a. Transitioning to a Net-Zero Economy

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

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

b. Financial Impacts

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

c. Sustainability (ESG) Reporting

Aecon is subject to increased pressure to comply with new regulatory requirements and meet stakeholder expectations when addressing sustainability issues. Regulatory sustainability (ESG) reporting may result in increased compliance costs. Aecon aims to align with best practices for sustainability reporting, in compliance with both national and international frameworks, but there is risk that different stakeholder groups may have divergent views on sustainability related matters, which increases the risk that any action, or inaction, by the Company could be perceived negatively by at least some stakeholders.

d. Carbon Transition Technologies

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

e. Market and Reputation

Investors and other stakeholders in Canada and worldwide are attuned to climate change action and sustainability matters, including scrutiny of the efforts made by companies to reduce their carbon footprint. Moreover, stakeholders increasingly have higher expectations of how businesses respond to climate change issues, specifically those that are most material to their business. The new Bill C-59, which introduced environmentally-oriented updates to the *Competition Act*, has placed increased scrutiny on environmental claims. Companies are navigating evolving "greenwashing" concerns and the expectation that they are transparent about sustainability targets and performance and not overstating their sustainability credentials. Aecon may be subject to a broad range of additional environmental information requests by customers, potential customers and other stakeholders in certain regions and increasing levels of disclosure regarding climate-related environmental performance. Aecon's reputation may be harmed if it is not perceived by its stakeholders to be sincere in its sustainability commitment and its long-term results may be impacted as a result. In addition, Aecon's approach to climate change issues may increasingly influence stakeholders' views of the Company in relation to its peers and their investment decisions.

f. Climate Change

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

7. Social Risks

a. Human Capital

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

Moreover, effective succession planning is a critical element of Aecon's talent management strategy. The Company invests in leadership development, but the failure to ensure effective knowledge transfer and leadership transitions could impact its implementation of its strategic plan.

b. Human Rights

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

8. General Risks

a. Shareholder Activism

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

14. OUTSTANDING SHARE DATA

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

In thousands of dollars (except share amounts)	**March 5, 2025**
Number of common shares outstanding	62,834,008
Outstanding securities exchangeable or convertible into common shares	
DSUs and RSUs outstanding under the Long-Term Incentive Plan and the 2014 Director DSU Plan	3,478,853

15. OUTLOOK

Revenue in 2025 is expected to be stronger than 2024 due to an opening backlog of $6.7 billion combined with recent new awards in the first quarter, the impact of business acquisitions completed in the second half of 2024, solid recurring revenue, and a strong bid pipeline. Revenue growth is expected in most of the Construction sectors, as progressive design-build or alliance model projects move into the construction phase in 2025 and 2026.

In the Construction segment, demand for Aecon's services across Canada, as well as increasingly in select U.S. and international markets, continues to be strong. Development phase work is ongoing in consortiums in which Aecon is a participant to deliver several significant long-term progressive design-build projects of various sizes. In the first quarter of 2025, an Aecon-led consortium completed the collaborative development phase and reached commercial close on the Scarborough Subway Extension progressive design-build transit project. The implementation phase of the project will now commence under a target price contract. Aecon's share of the contract is valued at $2.8 billion and will be added to its Construction segment backlog in the first quarter of 2025 and will no longer be in recurring revenue. As well, other projects currently being delivered using progressive design-build or alliance models and projects are also expected to move into construction in 2025 and 2026. In addition, Aecon and its consortium partner were recently awarded a collaborative contract by Ontario Power Generation which includes the definition phase work for the retube, feeder and boiler replacement of Units 5, 6, 7 and 8 at the Pickering Nuclear Generating Station in Ontario. Aecon holds a 50% interest in this joint operation and its share of the approximately $1.1 billion early works portion of the contract was added to its Construction segment backlog in the fourth quarter of 2024. The remaining definition portion of the contract is valued at approximately $1 billion, and Aecon will add its share to backlog in the first quarter of 2025.

In the Concessions segment, there are several opportunities to add to the existing portfolio of Canadian and international concessions in the next 12 to 24 months, including projects with private sector clients that support a collective focus on sustainability and the transition to a net-zero economy, as well as private sector development expertise and investment to support aging infrastructure, mobility, connectivity, and population growth. An Aecon-led consortium that was selected by the U.S. Virgin Islands Port Authority to redevelop the Cyril E. King Airport in St. Thomas and the Henry E. Rohlsen Airport in St. Croix under a collaborative Design, Build, Finance, Operate, and Maintain Public-Private Partnership model is expected to reach financial close in 2025.

Results in recent years were negatively impacted by the four legacy projects, however, the recent Coastal GasLink Pipeline settlement along with the additional write-downs on the fixed price legacy projects in 2024 are anticipated to lead to improved profitability and margin predictability, especially as the remaining three projects move closer to substantial completion. Until the remaining three projects are complete and the related claims have been resolved, there is a risk that this could also occur in future periods – see Section 5 "Recent Developments", Section 10.2 "Contingencies", and Section 13 "Risk Factors" in this MD&A regarding the risk on certain large fixed price legacy projects entered into in 2018 or earlier by joint operations in which Aecon is a participant. As such, the completion and satisfactory resolution of claims on the remaining three legacy projects with the respective clients remains a critical focus for the Company and its partners. Management will also be monitoring the impact of announced or threatened tariffs or non-tariff measures on the Company's operations. The introduction of these measures could cause increased purchased material costs and/or reduced availability.

Aecon plans to maintain a disciplined capital allocation approach focused on long-term shareholder value through acquisitions and divestitures, organic growth, dividends, capital investments, and common share buybacks on an opportunistic basis. Aecon is also focused on making strategic investments in its operations to support access and entry into new markets and increase operational effectiveness. Capital expenditures in 2025 are expected to be modestly higher than in 2024. The Company has no debt or working capital credit facility maturities until 2027, except equipment loans and leases in the normal course.