

**AECON GROUP INC.**  
SECOND QUARTER

**INTERIM CONDENSED  
CONSOLIDATED  
FINANCIAL  
STATEMENTS**  
(unaudited)

June 30, 2024

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## JUNE 30, 2024 AND 2023

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# MANAGEMENT REPORT

July 24, 2024

## Notice to Reader

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

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

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

(signed) Jerome Julier, Executive Vice-President and Chief Financial Officer

# CONSOLIDATED BALANCE SHEETS

AS AT JUNE 30, 2024 AND DECEMBER 31, 2023

(in thousands of Canadian dollars) (unaudited)

|  | Note | June 30<br>2024     | December 31<br>2023 |
|--|------|---------------------|---------------------|
| <b>ASSETS</b>                                  |      |                     |                     |
| <b>Current assets</b>                          |      |                     |                     |
| Cash and cash equivalents                      | 7    | \$ 499,386          | \$ 645,784          |
| Trade and other receivables                    | 8    | 993,900             | 969,756             |
| Unbilled revenue                               |      | 644,715             | 719,243             |
| Inventories                                    | 9    | 31,179              | 20,815              |
| Income tax recoverable                         |      | 76,845              | 23,863              |
| Prepaid expenses                               |      | 89,736              | 93,795              |
|  |      | <b>2,335,761</b>    | <b>2,473,256</b>    |
| <b>Non-current assets</b>                      |      |                     |                     |
| Long-term financial assets                     |      | 21,185              | 21,423              |
| Projects accounted for using the equity method | 10   | 245,732             | 232,752             |
| Deferred income tax assets                     |      | 113,432             | 93,285              |
| Property, plant and equipment                  | 11   | 304,883             | 251,899             |
| Intangible assets                              | 12   | 119,089             | 123,013             |
|  |      | <b>804,321</b>      | <b>722,372</b>      |
| <b>TOTAL ASSETS</b>                            |      | <b>\$ 3,140,082</b> | <b>\$ 3,195,628</b> |
| <b>LIABILITIES</b>                             |      |                     |                     |
| <b>Current liabilities</b>                     |      |                     |                     |
| Trade and other payables                       | 13   | 1,044,498           | 1,017,836           |
| Provisions                                     | 14   | 38,588              | 35,270              |
| Deferred revenue                               |      | 599,768             | 519,084             |
| Income taxes payable                           |      | 9,935               | 11,359              |
| Current portion of long-term debt              | 15   | 39,046              | 42,608              |
| Preferred Shares of Aecon Utilities            | 16   | 158,150             | 157,110             |
|  |      | <b>1,889,985</b>    | <b>1,783,267</b>    |
| <b>Non-current liabilities</b>                 |      |                     |                     |
| Bank indebtedness                              | 17   | 98,427              | 111,700             |
| Provisions                                     | 14   | 4,095               | 3,976               |
| Long-term debt                                 | 15   | 104,831             | 106,770             |
| Deferred income tax liabilities                |      | 123,645             | 125,337             |
| Other liabilities                              |      | -                   | 252                 |
|  |      | <b>330,998</b>      | <b>348,035</b>      |
| <b>TOTAL LIABILITIES</b>                       |      | <b>2,220,983</b>    | <b>2,131,302</b>    |
| <b>EQUITY</b>                                  |      |                     |                     |
| Capital stock                                  | 21   | 433,550             | 430,709             |
| Contributed surplus                            |      | 82,402              | 80,706              |
| Retained earnings                              |      | 397,467             | 551,263             |
| Accumulated other comprehensive income         |      | 5,680               | 1,648               |
| <b>TOTAL EQUITY</b>                            |      | <b>919,099</b>      | <b>1,064,326</b>    |
| <b>TOTAL LIABILITIES AND EQUITY</b>            |      | <b>\$ 3,140,082</b> | <b>\$ 3,195,628</b> |
| Contingencies (Note 20)                        |      |                     |                     |

# CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

|  | Note | For the three months ended |                 | For the six months ended |                 |
|--|------|----------------------------|-----------------|--------------------------|-----------------|
|  |      | June 30<br>2024            | June 30<br>2023 | June 30<br>2024          | June 30<br>2023 |
| Revenue  |      | \$ 853,779                 | \$ 1,166,918    | \$ 1,700,371             | \$ 2,274,073    |
| Direct costs and expenses                                  | 22   | (991,686)                  | (1,121,775)     | (1,775,492)              | (2,162,097)     |
| <b>Gross profit</b>  |      | <b>(137,907)</b>           | 45,143          | <b>(75,121)</b>          | 111,976         |
| Marketing, general and administrative expense              | 22   | (48,227)                   | (43,105)        | (100,302)                | (97,343)        |
| Depreciation and amortization                              | 22   | (19,784)                   | (21,241)        | (38,627)                 | (44,165)        |
| Income from projects accounted for using the equity method | 10   | 11,555                     | 4,750           | 13,848                   | 8,037           |
| Other income   | 23   | 28,046                     | 70,093          | 29,704                   | 82,729          |
| <b>Operating profit (loss)</b>                             |      | <b>(166,317)</b>           | 55,640          | <b>(170,498)</b>         | 61,234          |
| Finance income   |      | 2,138                      | 1,757           | 5,297                    | 3,175           |
| Finance cost   | 24   | (6,572)                    | (16,127)        | (12,244)                 | (33,051)        |
| <b>Profit (loss) before income taxes</b>                   |      | <b>(170,751)</b>           | 41,270          | <b>(177,445)</b>         | 31,358          |
| Income tax recovery (expense)                              | 18   | 46,857                     | (13,062)        | 47,434                   | (12,588)        |
| <b>Profit (loss) for the period</b>                        |      | <b>\$ (123,894)</b>        | \$ 28,208       | <b>\$ (130,011)</b>      | \$ 18,770       |
| <b>Basic earnings (loss) per share</b>                     | 25   | <b>\$ (1.99)</b>           | \$ 0.46         | <b>\$ (2.09)</b>         | \$ 0.30         |
| <b>Diluted earnings (loss) per share</b>                   | 25   | <b>\$ (1.99)</b>           | \$ 0.38         | <b>\$ (2.09)</b>         | \$ 0.28         |

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

(in thousands of Canadian dollars) (unaudited)

|   | For the three months ended |                  | For the six months ended |                 |
|---|----------------------------|------------------|--------------------------|-----------------|
|   | June 30<br>2024            | June 30<br>2023  | June 30<br>2024          | June 30<br>2023 |
| <b>Profit (loss) for the period</b>                                   | \$ (123,894)               | \$ 28,208        | \$ (130,011)             | \$ 18,770       |
| <b>Other comprehensive income (loss):</b>                             |                            |                  |                          |                 |
| <b>Items that may be reclassified subsequently to profit or loss:</b> |                            |                  |                          |                 |
| Currency translation differences - foreign operations                 | 1,240                      | (5,566)          | 5,486                    | (5,713)         |
| Cash flow hedges - equity accounted investees                         | (1,972)                    | 441              | (2,514)                  | (2,646)         |
| Cash flow hedges - joint operations                                   | (386)                      | (2,795)          | (390)                    | (3,993)         |
| Fair value gain (loss) on Preferred Shares of Aecon Utilities         | (310)                      | -                | 590                      | -               |
| Income taxes on the above   | 626                        | 625              | 860                      | 1,768           |
| <b>Total other comprehensive income (loss) for the period</b>         | <b>(802)</b>               | <b>(7,295)</b>   | <b>4,032</b>             | <b>(10,584)</b> |
| <b>Comprehensive income (loss) for the period</b>                     | <b>\$ (124,696)</b>        | <b>\$ 20,913</b> | <b>\$ (125,979)</b>      | <b>\$ 8,186</b> |

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

|  | Capital stock | Convertible debentures | Contributed surplus | Retained earnings | Accumulated other comprehensive income (loss) |                            |                  | Fair value loss on preferred shares | Shareholders' equity |
|--|---------------|------------------------|---------------------|-------------------|---|----------------------------|------------------|-------------------------------------|----------------------|
|  |               |                        |                     |                   | Currency translation differences              | Actuarial gains and losses | Cash flow hedges |                                     |                      |
| <b>Balance at January 1, 2024</b>  | \$ 430,709    | \$ -                   | \$ 80,706           | \$ 551,263        | \$ (3,950)                                    | \$ 803                     | \$ 6,635         | \$ (1,840)                          | \$ 1,064,326         |
| <b>Loss for the period</b>   | -             | -                      | -                   | (130,011)         | -   | -                          | -                | -                                   | (130,011)            |
| Other comprehensive income (loss):                                       |               |                        |                     |                   |   |                            |                  |                                     |                      |
| Currency translation differences - foreign operations                    | -             | -                      | -                   | -                 | 5,486   | -                          | -                | -                                   | 5,486                |
| Cash flow hedges - equity accounted investees                            | -             | -                      | -                   | -                 | -   | -                          | (2,514)          | -                                   | (2,514)              |
| Cash flow hedges - joint operations                                      | -             | -                      | -                   | -                 | -   | -                          | (390)            | -                                   | (390)                |
| Fair value gain on Preferred Shares of Aecon Utilities                   | -             | -                      | -                   | -                 | -   | -                          | -                | 590                                 | 590                  |
| Taxes with respect to above items included in other comprehensive income | -             | -                      | -                   | -                 | -   | -                          | 860              | -                                   | 860                  |
| <b>Total other comprehensive income (loss) for the period</b>            | -             | -                      | -                   | -                 | 5,486   | -                          | (2,044)          | 590                                 | 4,032                |
| <b>Total comprehensive income (loss) for the period</b>                  | -             | -                      | -                   | (130,011)         | 5,486   | -                          | (2,044)          | 590                                 | (125,979)            |
| Dividends declared   | -             | -                      | -                   | (23,696)          | -   | -                          | -                | -                                   | (23,696)             |
| Stock-based compensation expense   | -             | -                      | 4,604               | -                 | -   | -                          | -                | -                                   | 4,604                |
| Shares issued to settle LTIP/ESU/Director DSU obligations                | 2,841         | -                      | (2,912)             | (89)              | -   | -                          | -                | -                                   | (160)                |
| Stock-based compensation settlements and receipts                        | -             | -                      | 4                   | -                 | -   | -                          | -                | -                                   | 4                    |
| <b>Balance at June 30, 2024</b>  | \$ 433,550    | \$ -                   | \$ 82,402           | \$ 397,467        | \$ 1,536                                      | \$ 803                     | \$ 4,591         | \$ (1,250)                          | \$ 919,099           |

|  | Capital stock | Convertible debentures | Contributed surplus | Retained earnings | Accumulated other comprehensive income (loss) |                            |                  | Fair value loss on preferred shares | Shareholders' equity |
|--|---------------|------------------------|---------------------|-------------------|---|----------------------------|------------------|-------------------------------------|----------------------|
|  |               |                        |                     |                   | Currency translation differences              | Actuarial gains and losses | Cash flow hedges |                                     |                      |
| <b>Balance at January 1, 2023</b>  | \$ 419,357    | \$ 12,707              | \$ 63,312           | \$ 435,305        | \$ 3,274                                      | \$ 1,018                   | \$ 19,022        | \$ -                                | \$ 953,995           |
| <b>Profit for the period</b>   | -             | -                      | -                   | 18,770            | -   | -                          | -                | -                                   | 18,770               |
| Other comprehensive income (loss):                                       |               |                        |                     |                   |   |                            |                  |                                     |                      |
| Currency translation differences - foreign operations                    | -             | -                      | -                   | -                 | (5,713)                                       | -                          | -                | -                                   | (5,713)              |
| Cash flow hedges - equity-accounted investees                            | -             | -                      | -                   | -                 | -   | -                          | (2,646)          | -                                   | (2,646)              |
| Cash flow hedges - joint operations                                      | -             | -                      | -                   | -                 | -   | -                          | (3,993)          | -                                   | (3,993)              |
| Taxes with respect to above items included in other comprehensive income | -             | -                      | -                   | -                 | -   | -                          | 1,768            | -                                   | 1,768                |
| <b>Total other comprehensive loss for the period</b>                     | -             | -                      | -                   | -                 | (5,713)                                       | -                          | (4,871)          | -                                   | (10,584)             |
| <b>Total comprehensive income (loss) for the period</b>                  | -             | -                      | -                   | 18,770            | (5,713)                                       | -                          | (4,871)          | -                                   | 8,186                |
| Dividends declared   | -             | -                      | -                   | (22,797)          | -   | -                          | -                | -                                   | (22,797)             |
| Stock-based compensation expense   | -             | -                      | 9,574               | -                 | -   | -                          | -                | -                                   | 9,574                |
| Shares issued to settle LTIP/ESU/Director DSU obligations                | 2,318         | -                      | (2,351)             | (28)              | -   | -                          | -                | -                                   | (61)                 |
| Stock based compensation settlements and receipts                        | -             | -                      | (450)               | -                 | -   | -                          | -                | -                                   | (450)                |
| <b>Balance at June 30, 2023</b>  | \$ 421,675    | \$ 12,707              | \$ 70,085           | \$ 431,250        | \$ (2,439)                                    | \$ 1,018                   | \$ 14,151        | \$ -                                | \$ 948,447           |

During the six months ended June 30, 2024, the Company declared dividends amounting to \$0.38 per share (June 30, 2023 - \$0.37 per share).

# CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023

(in thousands of Canadian dollars) (unaudited)

|   | Note | June 30<br>2024   | June 30<br>2023   |
|---|------|-------------------|-------------------|
| <b>CASH PROVIDED BY (USED IN)</b>   |      |                   |                   |
| <b>Operating activities</b>   |      |                   |                   |
| Profit (loss) before income taxes   |      | \$ (177,445)      | \$ 31,358         |
| Income taxes paid   |      | (28,470)          | (26,799)          |
| Defined benefit pension   |      | (699)             | (60)              |
| Stock-based compensation settlements and receipts   |      | (156)             | (886)             |
| Items not affecting cash:   |      |                   |                   |
| Depreciation and amortization   |      | 38,627            | 44,165            |
| Income from projects accounted for using the equity method  |      | (13,848)          | (8,037)           |
| Gain on sale of assets  |      | (11,023)          | (43,881)          |
| Gain on sale of subsidiaries  | 23   | (18,412)          | (38,000)          |
| Gain on fair value change of Preferred Shares of Aecon Utilities                                      | 16   | (8,004)           | -                 |
| Provision for expected credit losses  |      | 323               | 191               |
| Concession deferred revenue   |      | -                 | (2,005)           |
| Unrealized foreign exchange gain  |      | (1,003)           | (2,214)           |
| Increase in provisions  |      | 15,333            | 2,753             |
| Accrued dividends on Preferred Shares of Aecon Utilities and notional interest representing accretion |      | 10,576            | 3,114             |
| Stock-based compensation expense  |      | 9,198             | 11,438            |
| Change in other balances relating to operations   | 26   | 96,811            | (207,223)         |
|   |      | <b>(88,192)</b>   | <b>(236,086)</b>  |
| <b>Investing activities</b>   |      |                   |                   |
| Decrease in restricted cash balances  |      | -                 | 8,073             |
| Purchase of property, plant and equipment   |      | (29,775)          | (8,998)           |
| Proceeds on sale of property, plant and equipment   |      | 12,780            | 66,548            |
| Proceeds on sale of subsidiaries, net of cash in subsidiaries disposed                                | 23   | 11,494            | 155,316           |
| Increase in intangible assets   |      | (284)             | (3,276)           |
| Increase in long-term financial assets  |      | (271)             | (6,499)           |
| Distributions from projects accounted for using the equity method                                     |      | 3,593             | 427               |
|   |      | <b>(2,463)</b>    | <b>211,591</b>    |
| <b>Financing activities</b>   |      |                   |                   |
| (Decrease) increase in bank indebtedness  |      | (13,273)          | 66,984            |
| Issuance of long-term debt  |      | 3,029             | 6,380             |
| Repayments of lease liabilities   |      | (17,209)          | (24,224)          |
| Repayments of long-term debt  |      | (7,352)           | (16,643)          |
| Repayments of non-recourse project debt   |      | -                 | (2,024)           |
| Dividends paid  |      | (23,350)          | (22,768)          |
|   |      | <b>(58,155)</b>   | <b>7,705</b>      |
| <b>Decrease in cash and cash equivalents during the period</b>  |      | <b>(148,810)</b>  | <b>(16,790)</b>   |
| <b>Effect of foreign exchange on cash balances</b>  |      | <b>2,412</b>      | <b>(1,783)</b>    |
| <b>Cash and cash equivalents - beginning of period</b>  |      | <b>645,784</b>    | <b>377,212</b>    |
| <b>Cash and cash equivalents - end of period</b>  | 7    | <b>\$ 499,386</b> | <b>\$ 358,639</b> |



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

## 1. CORPORATE INFORMATION

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

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

## 2. DATE OF AUTHORIZATION FOR ISSUE

The consolidated financial statements of the Company were authorized for issue on July 24, 2024 by the Board of Directors of the Company.

## 3. BASIS OF PRESENTATION

### Basis of presentation

The Company prepares its interim condensed consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) applicable to the preparation of interim financial statements including International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The interim condensed consolidated financial statements do not include all the information and disclosures required in the Company’s annual consolidated financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2023. The accounting policies that are set out in Note 5, “*Summary of Material Accounting Policies*” to the Company’s annual consolidated financial statements for the year ended December 31, 2023 were consistently applied to all periods presented, except for new accounting standards and amendments that became effective on January 1, 2024 as described in Note 5, “*New Accounting Standards*”.

### Seasonality

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

### Basis of measurement

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

### Principles of consolidation

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

## 4. CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

contingent liabilities. Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying value of the asset or liability affected.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. These estimates and assumptions are subject to change at any time based on experience and new information. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Critical accounting estimates are also not specific to any one segment unless otherwise noted below.

The Company's material accounting policies are described in Note 5, "Summary of Material Accounting Policies," in the Company's annual consolidated financial statements for the year ended December 31, 2023. The following discussion is intended to describe those judgments and key assumptions concerning major sources of estimation uncertainty at the end of the reporting period that have the most significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

## 4.1 MAJOR SOURCES OF ESTIMATION UNCERTAINTY

### REVENUE AND GROSS PROFIT RECOGNITION

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

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

A change order results from a change to the scope of the work to be performed compared to the original contract that was signed. Unpriced change orders are change orders that have been approved as to scope but unapproved as to price. Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that the Company seeks to collect from clients for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. Management, in making judgments, estimates and assumptions that affect the contract revenue and cost amounts from unpriced change orders and claims, also considered the impacts of recent economic conditions on the Company's operations. These judgments, estimates and assumptions affecting the revenue and cost forecasts of individual performance obligations were based on facts and circumstances that existed at the time when such judgments, estimates and assumptions were made. In accordance with the Company's accounting policy, unpriced change orders and claims are recognized in revenue at the amount the Company expects to be entitled to, where it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Where such revenue amounts cannot be estimated with reasonable assurance, they are

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excluded from the revenue forecast of the related performance obligation. Therefore, it is possible for the Company to have substantial contract costs recognized in one accounting period with associated revenue recognized in a later period.

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

## LITIGATION RISK AND CLAIMS RISK

Disputes are common in the construction industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial, including the legal proceedings discussed in Note 20, “Contingencies”. The Company must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required. Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties. Management regularly analyzes current information about these matters, and internal and external legal counsel, as well as other claim specialists, are often used for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The outcome of matters related to disputes, legal actions and proceedings may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

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

## FAIR VALUING FINANCIAL INSTRUMENTS

From time to time, the Company, often through its subsidiaries, joint arrangements and equity accounted investees, enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for speculative trading purposes. In addition, some of the Company’s equity accounted investees enter into derivative financial instruments, namely interest rate swaps, to hedge the variability of interest rates related to non-recourse project debt. The Company is required to measure certain financial instruments at fair value, using the most readily available market comparison data and where no such data is available, using quoted market prices of similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated.

Preferred Shares issued by Aecon Utilities Group Inc. (“Aecon Utilities”) are recorded as a financial liability measured at fair value through profit and loss. The fair value of the Preferred Shares was determined at inception, represented by the aggregate subscription price, and subsequently remeasured to its fair value at each reporting date. This subsequent fair value was determined using significant unobservable inputs when readily available market comparison date was not available. The key inputs in the fair value measurement include credit spread, market volatility, and the underlying share price. The changes in these inputs and assumptions could materially affect the determination of the fair value at each reporting date. Refer to Note 16, “Preferred Shares of Aecon Utilities” and Note 27, “Financial Instruments” for further details regarding the Preferred Shares.

While the Company considers its fair value measurements to be appropriate and reasonable, the use of alternative assumptions could result in different fair values. It is possible that other market participants may measure a same financial instrument and arrive at a different fair value on a given valuation date, with the valuation techniques and inputs used by these market participants still meeting the definition of fair value. The fact that different fair value measurements could exist reflects the judgment, estimates and assumptions applied as well as the uncertainty involved in determining the fair value of these financial instruments.

# **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023**

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Further information with regard to the treatment of other financial instruments can be found in Note 27, “*Financial Instruments.*”

## **INCOME TAXES**

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

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

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

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

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

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

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

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

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See Note 14, “*Intangible Assets*”, in the Company’s annual consolidated financial statements for the year ended December 31, 2023 for further details regarding goodwill and other intangible assets.

## 4.2 JUDGMENTS

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

### BASIS FOR CONSOLIDATION AND CLASSIFICATION OF JOINT ARRANGEMENTS

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

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

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

### SERVICE CONCESSION ARRANGEMENTS

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

## 5. NEW ACCOUNTING STANDARDS

The following amendments to IFRS accounting standards and interpretations became effective for the annual periods beginning on or after January 1, 2024.

### Classification of Liabilities as Current or Non-current (Amendments to IAS 1, Presentation of Financial Statements)

The amendments to IAS 1 revise the approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and were applied retrospectively.

Upon adoption of the amendments to IAS 1, the entire balance of Preferred Shares of Aecon Utilities was reclassified from non-current liabilities to current liabilities and all bank indebtedness was reclassified from current liabilities to non-current liabilities in the consolidated balance sheets. As such, the current portion of Preferred Shares increased by

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\$157,110 and \$nil, respectively, at December 31, 2023, and January 1, 2023, respectively, while the long-term portion of Preferred Shares decreased by the same amount in each period. In addition, the long-term portion of bank indebtedness increased by \$111,700 and \$120,979, respectively, at December 31, 2023, and January 1, 2023, respectively, while the current portion of bank indebtedness decreased by the same amount in each period.

## Other New Standards, Amendments and Interpretations Adopted In 2024

The following amendments to standards and interpretations also became effective for annual periods beginning on January 1, 2024. The application of these amendments and interpretations had no significant impact on the Company's consolidated financial position or results of operations.

## Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments to IAS 1 specify that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity should disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

## Lease Liability Measurement in a Sale and Leaseback transaction (Amendments to IFRS 16, Leases)

The amendments to IFRS 16 clarify how a seller-lessee should apply the subsequent measurement requirements in IFRS 16 to the lease liability that arises in a sale and leaseback transaction. The amendments specify that the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains when lease liabilities are subsequently measured. However, the new requirements do not prevent a seller-lessee from recognizing, in profit or loss, any gain or loss that relates to the partial or full termination of a lease.

## 6. FUTURE ACCOUNTING CHANGES

### IFRS 18, Presentation and Disclosure in Financial Statements

IFRS 18 is a new standard issued in April 2024 on financial statement presentation and disclosure with a focus on updates to the statement of income. IFRS 18 will supersede IAS 1 "Presentation of Financial Statements" and the related interpretations when it becomes effective, however, many existing principles in IAS 1 are retained with limited changes. New requirements introduced in IFRS 18 include updates to the structure of the statement of income including presenting defined subtotals and specified categories, further disclosures on management-defined performance measures, and enhanced guidance on the principles of aggregation and disaggregation. The standard is effective for annual reporting periods beginning on or after January 1, 2027, and retrospective application is required.

The Company is currently assessing the impact of adopting this new accounting standard on its future financial statements.

## 7. CASH AND CASH EQUIVALENTS

|  | June 30<br>2024   | December 31<br>2023 |
|--|-------------------|---------------------|
| Cash balances excluding joint operations | \$ 131,120        | \$ 258,734          |
| Cash balances of joint operations        | 368,266           | 387,050             |
|  | <u>\$ 499,386</u> | <u>\$ 645,784</u>   |

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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### 8. TRADE AND OTHER RECEIVABLES

|   | June 30<br>2024  | December 31<br>2023 |
|---|------------------|---------------------|
| Trade receivables                         | \$ 603,015       | \$ 601,467          |
| Holdbacks receivable                      | 366,189          | 341,690             |
| Other                                     | 25,807           | 27,447              |
| Allowance for expected credit losses      | (1,111)          | (848)               |
|   | <b>993,900</b>   | <b>969,756</b>      |
| <b>Amounts receivable beyond one year</b> | <b>\$ 10,260</b> | <b>\$ 13,198</b>    |

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

|   | June 30<br>2024   | December 31<br>2023 |
|---|-------------------|---------------------|
| <b>Balance - beginning of period</b>              | <b>\$ (848)</b>   | <b>\$ (1,362)</b>   |
| Additional amounts provided for during the period | (323)             | (353)               |
| Trade receivables written off during the period   | 60                | 554                 |
| Amounts recovered                                 | -                 | 49                  |
| Disposal of subsidiaries                          | -                 | 264                 |
| <b>Balance - end of period</b>                    | <b>\$ (1,111)</b> | <b>\$ (848)</b>     |

### 9. INVENTORIES

|                            | June 30<br>2024  | December 31<br>2023 |
|----------------------------|------------------|---------------------|
| Raw materials and supplies | \$ 22,873        | \$ 15,100           |
| Finished goods             | 8,306            | 5,715               |
|                            | <b>\$ 31,179</b> | <b>\$ 20,815</b>    |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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## 10. PROJECTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

|   | June 30, 2024     |             |                   | December 31, 2023 |             |                   |
|---|-------------------|-------------|-------------------|-------------------|-------------|-------------------|
|   | Joint<br>Ventures | Associates  | Total             | Joint<br>Ventures | Associates  | Total             |
| Cash and cash equivalents               | \$ 47,310         | \$ -        | \$ 47,310         | \$ 37,719         | \$ -        | \$ 37,719         |
| Other current assets                    | 453,060           | -           | 453,060           | 465,510           | -           | 465,510           |
| <b>Total current assets</b>             | <b>500,370</b>    | <b>-</b>    | <b>500,370</b>    | <b>503,229</b>    | <b>-</b>    | <b>503,229</b>    |
| Non-current assets                      | 1,305,686         | -           | 1,305,686         | 1,301,771         | -           | 1,301,771         |
| <b>Total assets</b>                     | <b>1,806,056</b>  | <b>-</b>    | <b>1,806,056</b>  | <b>1,805,000</b>  | <b>-</b>    | <b>1,805,000</b>  |
| Trade and other payables and provisions | 403,502           | -           | 403,502           | 435,100           | -           | 435,100           |
| <b>Total current liabilities</b>        | <b>403,502</b>    | <b>-</b>    | <b>403,502</b>    | <b>435,100</b>    | <b>-</b>    | <b>435,100</b>    |
| Non-current financial liabilities       | 1,151,343         | -           | 1,151,343         | 1,132,052         | -           | 1,132,052         |
| Other non-current liabilities           | 5,479             | -           | 5,479             | 5,096             | -           | 5,096             |
| <b>Total non-current liabilities</b>    | <b>1,156,822</b>  | <b>-</b>    | <b>1,156,822</b>  | <b>1,137,148</b>  | <b>-</b>    | <b>1,137,148</b>  |
| <b>Total liabilities</b>                | <b>1,560,324</b>  | <b>-</b>    | <b>1,560,324</b>  | <b>1,572,248</b>  | <b>-</b>    | <b>1,572,248</b>  |
| <b>Net assets</b>                       | <b>\$ 245,732</b> | <b>\$ -</b> | <b>\$ 245,732</b> | <b>\$ 232,752</b> | <b>\$ -</b> | <b>\$ 232,752</b> |

|                                   | For the three months ended |             |                  |                   |             |                 |
|-----------------------------------|----------------------------|-------------|------------------|-------------------|-------------|-----------------|
|                                   | June 30, 2024              |             |                  | June 30, 2023     |             |                 |
|                                   | Joint<br>Ventures          | Associates  | Total            | Joint<br>Ventures | Associates  | Total           |
| Revenue                           | \$ 154,548                 | \$ -        | \$ 154,548       | \$ 160,847        | \$ -        | \$ 160,847      |
| Depreciation and amortization     | (3,878)                    | -           | (3,878)          | (57)              | -           | (57)            |
| Other costs and expenses          | (121,654)                  | -           | (121,654)        | (146,674)         | -           | (146,674)       |
| <b>Operating profit</b>           | <b>29,016</b>              | <b>-</b>    | <b>29,016</b>    | <b>14,116</b>     | <b>-</b>    | <b>14,116</b>   |
| Finance cost                      | (16,315)                   | -           | (16,315)         | (8,475)           | -           | (8,475)         |
| Income tax expense                | (1,146)                    | -           | (1,146)          | (891)             | -           | (891)           |
| <b>Profit for the period</b>      | <b>11,555</b>              | <b>-</b>    | <b>11,555</b>    | <b>4,750</b>      | <b>-</b>    | <b>4,750</b>    |
| Other comprehensive income (loss) | (334)                      | -           | (334)            | 513               | -           | 513             |
| <b>Total comprehensive income</b> | <b>\$ 11,221</b>           | <b>\$ -</b> | <b>\$ 11,221</b> | <b>\$ 5,263</b>   | <b>\$ -</b> | <b>\$ 5,263</b> |



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|                                   | For the six months ended |            |            |                   |            |            |
|-----------------------------------|--------------------------|------------|------------|-------------------|------------|------------|
|                                   | June 30, 2024            |            |            | June 30, 2023     |            |            |
|                                   | Joint<br>Ventures        | Associates | Total      | Joint<br>Ventures | Associates | Total      |
| Revenue                           | \$ 289,235               | \$ -       | \$ 289,235 | \$ 282,501        | \$ -       | \$ 282,501 |
| Depreciation and amortization     | (7,644)                  | -          | (7,644)    | (217)             | -          | (217)      |
| Other costs and expenses          | (234,739)                | -          | (234,739)  | (256,757)         | 45         | (256,712)  |
| <b>Operating profit</b>           | 46,852                   | -          | 46,852     | 25,527            | 45         | 25,572     |
| Finance cost                      | (30,860)                 | -          | (30,860)   | (16,535)          | -          | (16,535)   |
| Income tax expense                | (2,144)                  | -          | (2,144)    | (1,000)           | -          | (1,000)    |
| <b>Profit for the period</b>      | 13,848                   | -          | 13,848     | 7,992             | 45         | 8,037      |
| Other comprehensive income (loss) | 2,725                    | -          | 2,725      | (2,221)           | -          | (2,221)    |
| <b>Total comprehensive income</b> | \$ 16,573                | \$ -       | \$ 16,573  | \$ 5,771          | \$ 45      | \$ 5,816   |

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

|  | For the six<br>months ended | For the year<br>ended |
|--|-----------------------------|-----------------------|
|  | June 30<br>2024             | December 31<br>2023   |
| <b>Projects accounted for using the equity method - at beginning of period</b>       | \$ 232,752                  | \$ 107,871            |
| Share of profit for the period   | 13,848                      | 18,747                |
| Share of other comprehensive income (loss) for the period                            | 2,725                       | (12,745)              |
| Disposal of joint venture  | -                           | (23,796)              |
| Commencement of equity method accounting for the Company's 50.1% interest in Skyport | -                           | 156,531               |
| Distributions from projects accounted for using the equity method                    | (3,593)                     | (13,856)              |
| <b>Projects accounted for using the equity method - at end of period</b>             | \$ 245,732                  | \$ 232,752            |

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

| Name   | Ownership<br>interest | Joint Venture or<br>Associate | Years included |
|--|-----------------------|-------------------------------|----------------|
| Waterloo Light Rail Transit Concessionaire                   | 10%                   | Joint Venture                 | 2024, 2023     |
| Eglinton Crosstown Light Rail Transit Concessionaire         | 25%                   | Joint Venture                 | 2024, 2023     |
| Finch West Light Rail Transit Concessionaire                 | 33%                   | Joint Venture                 | 2024, 2023     |
| Gordie Howe International Bridge Concessionaire              | 20%                   | Joint Venture                 | 2024, 2023     |
| Highway 401 Expansion Project SPV                            | 50%                   | Joint Venture                 | 2024, 2023     |
| Pattullo Bridge Replacement Project SPV                      | 50%                   | Joint Venture                 | 2024, 2023     |
| Eglinton Crosstown West Extension Advance Tunnel Project SPV | 40%                   | Joint Venture                 | 2024, 2023     |
| ONxpress Operations Inc.                                     | 28%                   | Joint Venture                 | 2024, 2023     |
| Yellowline Asphalt Products Ltd.                             | 50%                   | Joint Venture                 | 2023           |
| Bermuda International Airport Concessionaire ("Skyport")     | 50.1%                 | Joint Venture                 | 2024, 2023     |

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

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

On May 1, 2023, the Company completed the sale of its Aecon Transportation East ("ATE") roadbuilding, aggregates and materials businesses in Ontario to Green Infrastructure Partners Inc. Aecon's share of the results of the Yellowline Asphalt Products Ltd. joint venture was reported in projects accounted for using the equity method until its sale as part of the sale of the ATE business in the second quarter of 2023.

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

## 11. PROPERTY, PLANT AND EQUIPMENT

|  | Land             | Buildings and leasehold improvements | Aggregate properties | Machinery and construction equipment | Office equipment, furniture and fixtures, and computer hardware | Vehicles         | Total             |
|--|------------------|--------------------------------------|----------------------|--------------------------------------|---|------------------|-------------------|
| <b>Cost</b>                                    |                  |                                      |                      |                                      |   |                  |                   |
| Balance at January 1, 2024                     | \$ 39,676        | \$ 149,384                           | \$ 21,872            | \$ 226,775                           | \$ 37,941   | \$ 70,646        | \$ 546,294        |
| Additions - purchased assets                   | -                | 2,511                                | -                    | 27,699                               | 1,141   | 90               | 31,441            |
| Additions - right-of-use assets                | 2,146            | 6,603                                | -                    | 7,505                                | -   | 5,840            | 22,094            |
| Adjustments (b)                                | 120              | 12,593                               | -                    | 95,444                               | 4,276   | 18,369           | 130,802           |
| Disposals                                      | (41)             | (1,699)                              | -                    | (22,338)                             | (1,155)   | (12,306)         | (37,539)          |
| Foreign currency translation adjustments       | 1                | 148                                  | -                    | 664                                  | -   | 83               | 896               |
| Balance at June 30, 2024                       | \$ 41,902        | \$ 169,540                           | \$ 21,872            | \$ 335,749                           | \$ 42,203   | \$ 82,722        | \$ 693,988        |
| <b>Accumulated depreciation and impairment</b> |                  |                                      |                      |                                      |   |                  |                   |
| Balance at January 1, 2024                     | 1,814            | 74,219                               | 9,729                | 132,699                              | 33,859  | 42,075           | 294,395           |
| Depreciation - purchased assets                | -                | 2,372                                | 829                  | 12,647                               | 1,159   | 474              | 17,481            |
| Depreciation - right-of-use assets (a)         | 853              | 4,887                                | -                    | 5,097                                | -   | 5,519            | 16,356            |
| Adjustments (b)                                | 95               | 6,884                                | -                    | 70,519                               | 3,601   | 5,642            | 86,741            |
| Disposals                                      | (41)             | (1,678)                              | -                    | (19,143)                             | (588)   | (4,823)          | (26,273)          |
| Foreign currency translation adjustments       | -                | 96                                   | -                    | 275                                  | -   | 34               | 405               |
| Balance at June 30, 2024                       | \$ 2,721         | \$ 86,780                            | \$ 10,558            | \$ 202,094                           | \$ 38,031   | \$ 48,921        | \$ 389,105        |
| <b>Net book value at June 30, 2024</b>         | <b>\$ 39,181</b> | <b>\$ 82,760</b>                     | <b>\$ 11,314</b>     | <b>\$ 133,655</b>                    | <b>\$ 4,172</b>   | <b>\$ 33,801</b> | <b>\$ 304,883</b> |
| <b>Net book value at January 1, 2024</b>       | <b>\$ 37,862</b> | <b>\$ 75,165</b>                     | <b>\$ 12,143</b>     | <b>\$ 94,076</b>                     | <b>\$ 4,082</b>   | <b>\$ 28,571</b> | <b>\$ 251,899</b> |

|   |          |           |       |           |      |           |           |
|---|----------|-----------|-------|-----------|------|-----------|-----------|
| <b>Net book value of right-of-use assets included in property, plant &amp; equipment at January 1, 2024</b> | \$ 2,571 | \$ 29,306 | \$ 75 | \$ 35,199 | \$ - | \$ 23,959 | \$ 91,110 |
|---|----------|-----------|-------|-----------|------|-----------|-----------|

|   |          |           |       |           |      |           |            |
|---|----------|-----------|-------|-----------|------|-----------|------------|
| <b>Net book value of right-of-use assets included in property, plant &amp; equipment at June 30, 2024</b> | \$ 3,889 | \$ 35,171 | \$ 75 | \$ 38,607 | \$ - | \$ 30,002 | \$ 107,744 |
|---|----------|-----------|-------|-----------|------|-----------|------------|

(a) Depreciation of land relates to leases of land.

(b) Adjustments relate to property, plant and equipment in joint arrangement projects.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

## 12. INTANGIBLE ASSETS

|  | Goodwill          | Licences,<br>software and<br>other rights | Total             |
|--|-------------------|---|-------------------|
| <b>Cost</b>                                    |                   |   |                   |
| Balance at January 1, 2024                     | \$ 105,561        | \$ 106,024                                | \$ 211,585        |
| Additions                                      |                   |   |                   |
| Separately acquired or constructed             | -                 | 850                                       | 850               |
| Foreign currency translation adjustments       | 16                | -   | 16                |
| Balance at June 30, 2024                       | \$ 105,577        | \$ 106,874                                | \$ 212,451        |
| <b>Accumulated amortization and impairment</b> |                   |   |                   |
| Balance at January 1, 2024                     | -                 | 88,572                                    | 88,572            |
| Amortization                                   | -                 | 4,790                                     | 4,790             |
| Balance at June 30, 2024                       | \$ -              | \$ 93,362                                 | \$ 93,362         |
| <b>Net book value at June 30, 2024</b>         | <b>\$ 105,577</b> | <b>\$ 13,512</b>                          | <b>\$ 119,089</b> |
| <b>Net book value at January 1, 2024</b>       | <b>\$ 105,561</b> | <b>\$ 17,452</b>                          | <b>\$ 123,013</b> |

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

## 13. TRADE AND OTHER PAYABLES

|  | June 30<br>2024     | December 31<br>2023 |
|--|---------------------|---------------------|
| Trade payables and accrued liabilities | \$ 859,058          | \$ 834,005          |
| Holdbacks payable                      | 185,440             | 183,831             |
|  | <b>\$ 1,044,498</b> | <b>\$ 1,017,836</b> |

## 14. PROVISIONS

|                                   | Contract related<br>obligations | Asset<br>decommissioning<br>costs | Tax assessments | Other           | Total            |
|-----------------------------------|---------------------------------|-----------------------------------|-----------------|-----------------|------------------|
| <b>Balance at January 1, 2024</b> | \$ 29,561                       | \$ 3,976                          | \$ 3,544        | \$ 2,165        | \$ 39,246        |
| Additions made                    | 12,985                          | 11                                | -               | 2,226           | 15,222           |
| Amounts used                      | (10,024)                        | (3)                               | -               | (1,869)         | (11,896)         |
| Other changes                     | -                               | 111                               | -               | -               | 111              |
| <b>Balance at June 30, 2024</b>   | <b>\$ 32,522</b>                | <b>\$ 4,095</b>                   | <b>\$ 3,544</b> | <b>\$ 2,522</b> | <b>\$ 42,683</b> |
| <b>Reported as:</b>               |                                 |                                   |                 |                 |                  |
| <b>Current</b>                    | \$ 32,522                       | \$ -                              | \$ 3,544        | \$ 2,522        | \$ 38,588        |
| <b>Non-current</b>                | -                               | 4,095                             | -               | -               | 4,095            |
|                                   | <b>\$ 32,522</b>                | <b>\$ 4,095</b>                   | <b>\$ 3,544</b> | <b>\$ 2,522</b> | <b>\$ 42,683</b> |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

## 15. LONG-TERM DEBT

### LONG-TERM DEBT

|                                   | June 30<br>2024   | December 31<br>2023 |
|-----------------------------------|-------------------|---------------------|
| <b>Long-term debt:</b>            |                   |                     |
| Leases                            | \$ 119,437        | \$ 120,735          |
| Equipment and other loans         | 24,440            | 28,643              |
| <b>Total long-term debt</b>       | <b>\$ 143,877</b> | <b>\$ 149,378</b>   |
| <b>Reported as:</b>               |                   |                     |
| <b>Current liabilities:</b>       |                   |                     |
| Current portion of long-term debt | \$ 39,046         | \$ 42,608           |
| <b>Non-current liabilities:</b>   |                   |                     |
| Long-term debt                    | 104,831           | 106,770             |
|                                   | <b>\$ 143,877</b> | <b>\$ 149,378</b>   |

The following describes the components of long-term debt:

- (a) At June 30, 2024, leases of \$119,437 (December 31, 2023 - \$120,735) bore interest at fixed rates averaging 4.99% (December 31, 2023 – 4.62%) per annum, with specific equipment provided as security.
- (b) At June 30, 2024, equipment and other loans of \$24,440 (December 31, 2023 - \$28,643) bore interest at fixed rates averaging 3.39% (December 31, 2023 – 4.10%) per annum, with specific equipment provided as security.

The weighted average interest rate on long-term debt outstanding at June 30, 2024 was 4.72% (December 31, 2023 – 4.52%).

Expenses relating to short-term leases and leases of low-value assets recognized in the statement of income during the three and six months ended June 30, 2024 were \$20,356 and \$37,761 respectively (2023 - \$21,824 and \$42,983 respectively).

Total cash outflow related to lease liabilities for the three and six months ended June 30, 2024 was \$9,081 and \$17,209 respectively (2023 – \$8,955 and \$24,224 respectively).

See Note 11, “*Property, Plant and Equipment*” for further details of additions to right-of-use assets and depreciation charged on right-of-use assets during the six months ended June 30, 2024.

See Note 24, “*Finance Cost*” for further details of interest on lease liabilities recognized during the three and six months ended June 30, 2024.

See Note 27, “*Financial Instruments*” for contractual maturities of lease liabilities at June 30, 2024.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

## 16. PREFERRED SHARES OF AECON UTILITIES

|  | June 30<br>2024   | December 31<br>2023 |
|--|-------------------|---------------------|
| <b>Reported as current liabilities:</b>          |                   |                     |
| Preferred Shares of Aecon Utilities              | \$ 158,150        | \$ 157,110          |
| <b>Total Preferred Shares of Aecon Utilities</b> | <b>\$ 158,150</b> | <b>\$ 157,110</b>   |

On October 23, 2023, Aecon Utilities, a wholly owned subsidiary of Aecon, entered into a subscription agreement with funds managed by the Power Opportunities strategy of Oaktree Capital Management LP ("Oaktree"). Oaktree subscribed for 154,640 convertible preferred shares (the "Preferred Shares") in Aecon Utilities at a subscription price of \$1,000 each resulting in gross proceeds of \$154,640, which represents \$150,000 after upfront fees ("Net Investment Amount"). The Preferred Shares are convertible at any time by Oaktree into a fixed 27.5% of the common equity of Aecon Utilities and is mandatorily convertible upon a qualified initial public offering ("IPO"). Prior to conversion, the Preferred Shares will accrue a 12% annual coupon for the first three years and 14% annual coupon thereafter. At Aecon's option, the coupon is payable in kind by accreting the principal amount or in cash. On conversion of the Preferred Shares, Aecon's 72.5% equity interest in Aecon Utilities is not diluted as a result of the accretion feature. Accrued dividends of \$4,888 and \$9,634 respectively were included in finance costs for the three and six months ended June 30, 2024 (2023 - \$nil and \$nil, respectively).

Aecon has the option to purchase the Preferred Shares for cash at any time at a value equivalent to the greatest of: (a) the as-converted value of the Preferred Shares, (b) the accreted value of the Preferred Shares, and (c) 1.5 times the Net Investment Amount less all cash dividends and distributions paid to Oaktree. Following the seven-year anniversary of the Investment, Oaktree may sell its Preferred Shares, subject to a right of first offer in favour of Aecon, or may require Aecon, at Aecon's election, to either (i) initiate an IPO process and/or (ii) initiate a sale of Aecon Utilities or (iii) purchase the Preferred Shares for cash at a price equal to the greater of (A) the accreted value of the Preferred Shares and (B) the as-converted value of the Preferred Shares being the fair market value of the common shares into which the Preferred Shares is convertible at that time.

Upon the occurrence of a change of control event, or in the event of the dissolution, liquidation or winding-up of Aecon Utilities, the preferred shares will be redeemed for cash at the greatest of: (a) the as-converted value of the Preferred Shares, (b) the accreted value of the Preferred Shares, and (c) 1.5 times the Net Investment Amount less all cash dividends and distributions paid to Oaktree.

A six-person board of directors will oversee Aecon Utilities, comprised of four members nominated by Aecon and two members nominated by Oaktree.

The following table sets out the movements in the Preferred Shares of Aecon Utilities:

|   | For the six<br>months ended<br>June 30<br>2024 | For the year<br>ended<br>December 31<br>2023 |
|---|--|--|
| <b>Balance at beginning of period</b>                     | <b>\$ 157,110</b>                              | <b>\$ 154,640</b>                            |
| Accrued dividends   | 9,634  | 3,557  |
| Fair value (gain) through profit or loss                  | (8,004)  | (2,927)                                      |
| Fair value (gain) loss through other comprehensive income | (590)  | 1,840  |
| <b>Balance at end of period</b>                           | <b>\$ 158,150</b>                              | <b>\$ 157,110</b>                            |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

## 17. BANK INDEBTEDNESS

|                   | June 30<br>2024  | December 31<br>2023 |
|-------------------|------------------|---------------------|
| Bank indebtedness | \$ 98,427        | \$ 111,700          |
|                   | <b>\$ 98,427</b> | <b>\$ 111,700</b>   |

At June 30, 2024, Aecon had a committed credit facility of \$450,000 (December 31, 2023 - \$450,000) and a separate \$400,000 (December 31, 2023 - \$400,000) committed credit facility for Aecon Utilities. At June 30, 2024, the two committed revolving credit facilities totalled \$850,000 (December 31, 2023 - \$850,000). Both credit facilities mature on October 24, 2027. The Company also has uncommitted demand letter of credit facilities of \$201,000 (December 31, 2023 - \$201,000) from Canadian banks and \$43,977 (€30,000) from a Spanish bank (December 31, 2023 - \$43,878 (€30,000)).

Bank indebtedness representing borrowings on the Aecon and Aecon Utilities revolving credit facilities at June 30, 2024 were \$nil and \$98,427, respectively (December 31, 2023 - \$nil and \$111,700, respectively). At June 30, letters of credit amounting to \$2,756 and \$1,585, respectively, were issued against Aecon and Aecon Utilities revolving credit facilities (December 31, 2023 - \$4,971 and \$540, respectively). Letters of credit amounting to \$28,173 and \$nil, respectively, were issued against Aecon and Aecon Utilities uncommitted demand letter of credit facilities (December 31, 2023 - \$22,169 and \$nil, respectively). Cash drawings under the two revolving credit facilities bear interest at rates between prime and prime plus 1.85% per annum. Letters of credit drawn on the revolving credit facilities reduce the amount available-for-use under the facilities.

At June 30, 2024, the Company also maintains an additional performance security guarantee facility of \$900,000 (December 31, 2023 - \$900,000) to support letters of credit provided by Export Development Canada of which \$666,948 was utilized at June 30, 2024 (December 31, 2023 - \$622,392). This performance security guarantee facility matures on June 30, 2025.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

## 18. INCOME TAXES

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

|  | For the six months ended |                 |
|--|--------------------------|-----------------|
|  | June 30<br>2024          | June 30<br>2023 |
| Profit (loss) before income taxes          | \$ (177,445)             | \$ 31,358       |
| Statutory income tax rate                  | 26.40%                   | 26.40%          |
| Expected income tax recovery (expense)     | 46,845                   | (8,279)         |
| Effect on income taxes of:                 |                          |                 |
| Projects accounted for under equity method | 1,398                    | 751             |
| Provincial and foreign rate differences    | 1,924                    | (1,132)         |
| Other non-deductible expenses              | (3,056)                  | (630)           |
| Disposal of subsidiaries                   | -                        | (3,895)         |
| Disposal of other assets                   | -                        | 614             |
| Adjustments in respect of prior years      | -                        | 60              |
| Non-taxable remeasurement gains            | 2,113                    | -               |
| Other                                      | (1,790)                  | (77)            |
|  | 589                      | (4,309)         |
| Income tax recovery (expense)              | \$ 47,434                | \$ (12,588)     |

The Company is within the scope of the Organisation for Economic Co-operation and Development Pillar Two model rules ("Pillar Two"). Pillar Two legislation was enacted in Canada on June 20, 2024 and came into effect from January 1, 2024. Under the legislation, the Company is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion Rules ("GloBE" or "global minimum tax") effective tax rate per jurisdiction and the 15% minimum tax rate.

Current income tax expense related to Pillar Two income taxes recorded in the three and six-month periods ended June 30, 2024 was \$600 and \$600, respectively.

The Company is applying the exception to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

## 19. EMPLOYEE BENEFIT PLANS

Employee future benefit expenses for the period are as follows:

|  | For the three months ended |                  | For the six months ended |                  |
|--|----------------------------|------------------|--------------------------|------------------|
|  | June 30<br>2024            | June 30<br>2023  | June 30<br>2024          | June 30<br>2023  |
| Defined benefit pension expense:             |                            |                  |                          |                  |
| Company sponsored pension plans              | \$ 86                      | \$ 102           | \$ 172                   | \$ 204           |
| Defined contribution pension expense:        |                            |                  |                          |                  |
| Company sponsored pension plans              | 2,560                      | 2,527            | 4,921                    | 5,051            |
| Multi-employer pension plans                 | 17,953                     | 21,571           | 36,950                   | 41,732           |
| <b>Total employee future benefit expense</b> | <b>\$ 20,599</b>           | <b>\$ 24,200</b> | <b>\$ 42,043</b>         | <b>\$ 46,987</b> |

## 20. CONTINGENCIES

### Coastal GasLink Pipeline, Sections 3 and 4

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 are expected to result in no further cash impacts to Aecon. From an accounting perspective, Aecon recognized in its consolidated financial results a non-recurring charge of \$127,000 in both the second quarter and first six months of 2024 (\$nil in both the second quarter and first six months of 2023) related to the construction of Sections 3 and 4 of the Coastal GasLink Pipeline Project.

### Kemano Generating Station Second Tunnel Project

During the second quarter of 2020, Rio Tinto issued a notice of termination of contract to the joint venture in which Aecon holds a 40% interest with respect to the Kemano Generating Station Second Tunnel Project. Rio Tinto also issued notice to the joint ventures' sureties asserting a claim on the 50% performance bonds; the sureties entered into a cooperation agreement with Rio Tinto but have not taken a position on the validity of this claim on the bonds. In the third quarter of 2020, the joint venture issued a notice of civil claim seeking approximately \$105,000 in damages from Rio Tinto. The joint venture also registered and perfected a builders' lien against project lands, providing security over approximately \$97,000 of the claimed damages. In the first quarter of 2021, Rio Tinto issued a counterclaim against the joint venture but did not articulate the amount of damages it may seek from the joint venture. Near the end of the first quarter of 2024, Rio Tinto applied to the Court to amend its pleadings to add the joint venture's parent companies to the action pursuant to parent company guarantees issued by said companies, and also to articulate counterclaim damages of approximately \$428,000; the Court's decision is pending on Rio Tinto's application. 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.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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### K+S Potash Canada

During the second quarter of 2018, the Company filed a statement of claim in the Court of King's Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking \$180,000 in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately \$14,000 in damages. The Company has recorded \$140,867 of unbilled revenue and accounts receivable at June 30, 2024. Offsetting this amount to some extent, the Company has accrued \$45,000 in trade and other payables for potential payments to third parties pending the outcome of the claim against KSPC. KSPC is seeking an order that the Company repay to KSPC approximately \$195,000 already paid to the Company pursuant to such agreements. The Company has also been brought into two other lawsuits in the same Court between KSPC and various other contractors involved with the Legacy mine project, both relating to matters which the Company believes are materially covered by insurance coverage, to the extent of any liability. In the fourth quarter of 2022, the Court issued a decision allowing an application by Aecon to add KSPC's parent company K+S Aktiengesellschaft ("KSAG") as a defendant to the lawsuit arising from KSAG's conduct in inducing KSPC to breach its contract with Aecon. These claims may not be resolved for several years. While the Company considers KSPC's claim to be without merit and does not expect that the resolution of these claims will cause a material impact to its financial position, the ultimate results cannot be predicted at this time.

The Company is involved in various other disputes and litigation both as plaintiff and defendant. In the opinion of management, the resolution of other disputes against the Company, including those provided for (see Note 14, "Provisions"), will not result in a material effect on the consolidated financial position of the Company.

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

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

|  | Project                            | June 30<br>2024 |
|--|------------------------------------|-----------------|
| <b>Letters of credit:</b>  |                                    |                 |
| Financial and performance - issued by Export Development Canada      | Various joint arrangement projects | \$ 666,948      |
| Financial and performance - issued in the normal conduct of business | Various                            | \$ 32,514       |

Under the terms of many of the Company's associate and joint arrangement contracts with project owners, each of the partners is jointly and severally liable for performance under the contracts. At June 30, 2024, the value of uncompleted work for which the Company's associate and joint arrangement partners are responsible, and which the Company could be responsible for assuming, amounted to approximately \$4,980,920. In the event the Company assumed this additional work, it would have the right to receive the partner's share of billings to the project owners pursuant to the respective associate or joint arrangement contract.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

## 21. CAPITAL STOCK

|  | For the six months ended<br>June 30, 2024 |                   | For the year ended<br>December 31, 2023 |            |
|--|---|-------------------|---|------------|
|  | Number                                    | Amount            | Number                                  | Amount     |
| <b>Number of common shares outstanding - beginning of period</b> | <b>62,266,403</b>                         | <b>\$ 430,709</b> | 61,535,925                              | \$ 419,357 |
| Common shares issued on conversion of 5.0% Debentures            | -   | -                 | 86                                      | 2          |
| Shares issued to settle LTIP/ESU/Director DSU obligations        | 182,398                                   | 2,841             | 730,392                                 | 11,350     |
| <b>Number of common shares outstanding - end of period</b>       | <b>62,448,801</b>                         | <b>\$ 433,550</b> | 62,266,403                              | \$ 430,709 |

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

## STOCK-BASED COMPENSATION

### Long-Term Incentive Plans

The Company maintains various long-term incentive plans (collectively "LTIP") to further focus senior executives on the achievement of the Company's strategic plan, serve as a retention tool for select executives, and better align the interests of senior executives with those of shareholders. Awards to participants are based on the financial results of the Company and are made in the form of Deferred Share Units ("DSU") and Restricted Share Units ("RSU"). DSU and RSU awards represent the right to receive one common share of the Company. Commencing in 2024, the Company also adopted a new Performance Share Unit ("PSU") plan. Each PSU award specifies the applicable performance period, performance criteria, and a performance multiplier that may range from 50% to 200% applied to each performance criteria. Each PSU award represents the right to receive the market value of one common share in cash.

DSU awards vest only on the retirement or termination of the participant, RSU awards vest annually over three years, and PSU awards vest after a three-year period. Compensation charges related to the LTIP are expensed over the estimated vesting period of the awards in marketing, general and administrative expense in the consolidated statements of income. DSU and RSU awards are accounted for as equity-settled stock-based transactions. PSU awards are accounted for as cash-settled stock-based transactions with the related liability revalued to fair value at the end of each reporting period. All LTIP awards have accompanying dividend equivalent rights, which are also expensed as earned in marketing, general and administrative expense.

For the three and six months ended June 30, 2024, the Company recorded LTIP compensation charges of \$4,139 (2023 - \$4,248) and \$6,207 (2023 - \$8,773) respectively.

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

In February 2021, the Board of Directors modified its director compensation program by replacing the 2014 Director DSU Plan (as defined below) with a director deferred share unit plan that provides for the settlement of DSUs in cash only (the "2021 Director DSU Plan") for future grants. A DSU is a right to receive an amount from the Company equal to the value of one common share. In addition to the discretionary award of DSUs, directors have an option to elect to receive 50% or 100% of their Board annual retainer fee that is otherwise payable in cash in the form of DSUs. The number of DSUs awarded to a director is equal to the value of the compensation that a director elects to receive in DSUs or the value awarded by the Company on an annual basis divided by the volume weighted average trading price of a common share on the TSX for the five trading days prior to the date of the award. DSUs are redeemable on the first business day following the date the director ceases to serve on the Board.

The Board of Directors will no longer issue new DSUs under the director deferred share unit plan dated May 2014 (the "2014 Director DSU Plan"). The last award of DSUs under the 2014 Director DSU Plan was made on March 12, 2020.

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DSUs granted under the 2014 Director DSU Plan will continue to be governed by the terms of the 2014 Director DSU Plan.

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

For the three and six months ended June 30, 2024, the Company recorded Director DSU compensation (income)/expense, net of fair value adjustments, of \$111 and \$2,613, respectively (2023 - \$(224) and \$1,952, respectively).

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

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

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

For the three and six months ended June 30, 2024, the Company recorded an ESU compensation expense of \$230 (2023 - \$406) and \$378 (2023 - \$713), respectively.

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

|   | For the six months ended June 30, 2024 |               |          |
|---|--|---------------|----------|
|   | LTIP                                   | Director DSUs | ESUs     |
|   | Share Units                            |               |          |
| Balance outstanding - beginning of period | 3,480,411                              | 585,448       | 295,733  |
| Granted                                   | 900,164                                | 76,023        | 13,650   |
| Dividend equivalent rights                | 93,444                                 | 15,567        | 14,752   |
| Settled                                   | (100,593)                              | (81,805)      | (10,239) |
| Forfeited                                 | (323,436)                              | -             | (13,322) |
| Balance outstanding - end of period       | 4,049,990                              | 595,233       | 300,574  |

|   | Weighted Average Grant Date Fair Value Per Unit |          |          |
|---|---|----------|----------|
| Balance outstanding - beginning of period             | \$ 14.39  | \$ 14.70 | \$ 16.92 |
| Granted including Director DSU fair value adjustments | 16.67   | 31.18    | 14.75    |
| Dividend equivalent rights                            | 14.64   | 15.58    | 16.90    |
| Settled   | 14.48   | 15.53    | 18.03    |
| Forfeited   | 13.77   | -        | 15.20    |
| Balance outstanding - end of period                   | \$ 14.95  | \$ 16.71 | \$ 16.86 |

Amounts included in Contributed Surplus in the Consolidated Balance Sheets at June 30, 2024 in respect of LTIP, Director DSUs, and ESUs were \$48,524 (December 31, 2023 - \$45,881), \$3,903 (December 31, 2023 - \$5,047), and \$4,999 (December 31, 2023 - \$4,803), respectively. Amounts included in Trade and Other Payables in the Consolidated

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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Balance Sheets at June 30, 2024 in respect of LTIP and Director DSUs were \$2,107 (December 31, 2023 - \$nil) and \$2,486 (December 31, 2023 - \$3,558).

### 22. EXPENSES

|  | For the three months ended |                     | For the six months ended |                     |
|--|----------------------------|---------------------|--------------------------|---------------------|
|  | June 30<br>2024            | June 30<br>2023     | June 30<br>2024          | June 30<br>2023     |
| Personnel  | \$ 243,540                 | \$ 393,054          | \$ 540,251               | \$ 746,929          |
| Subcontractors   | 499,685                    | 505,719             | 880,194                  | 946,488             |
| Materials  | 205,332                    | 195,437             | 321,844                  | 433,554             |
| Equipment costs  | 90,396                     | 59,956              | 128,129                  | 114,461             |
| Depreciation of property, plant and equipment<br>and amortization of intangible assets | 19,784                     | 21,241              | 38,627                   | 44,165              |
| Other expenses   | 960                        | 10,714              | 5,376                    | 18,008              |
| <b>Total expenses</b>  | <b>\$ 1,059,697</b>        | <b>\$ 1,186,121</b> | <b>\$ 1,914,421</b>      | <b>\$ 2,303,605</b> |

#### Reported as:

|   | For the three months ended |                     | For the six months ended |                     |
|---|----------------------------|---------------------|--------------------------|---------------------|
|   | June 30<br>2024            | June 30<br>2023     | June 30<br>2024          | June 30<br>2023     |
| Direct costs and expenses                     | \$ 991,686                 | \$ 1,121,775        | \$ 1,775,492             | \$ 2,162,097        |
| Marketing, general and administrative expense | 48,227                     | 43,105              | 100,302                  | 97,343              |
| Depreciation and amortization                 | 19,784                     | 21,241              | 38,627                   | 44,165              |
| <b>Total expenses</b>                         | <b>\$ 1,059,697</b>        | <b>\$ 1,186,121</b> | <b>\$ 1,914,421</b>      | <b>\$ 2,303,605</b> |

### 23. OTHER INCOME

|  | For the three months ended |                  | For the six months ended |                  |
|--|----------------------------|------------------|--------------------------|------------------|
|  | June 30<br>2024            | June 30<br>2023  | June 30<br>2024          | June 30<br>2023  |
| Foreign exchange gain (loss)                                   | \$ (515)                   | \$ 466           | \$ 59                    | \$ 848           |
| Gain on sale of property, plant and equipment                  | 9,939                      | 31,627           | 11,023                   | 43,881           |
| Gain on sale of subsidiaries                                   | 18,412                     | 38,000           | 18,412                   | 38,000           |
| Gain on change in fair value of other financial<br>instruments | 210                        | -                | 210                      | -                |
| <b>Total other income</b>                                      | <b>\$ 28,046</b>           | <b>\$ 70,093</b> | <b>\$ 29,704</b>         | <b>\$ 82,729</b> |

On May 1, 2023, the Company completed the sale of its Aecon Transportation East ("ATE") roadbuilding, aggregates and materials businesses in Ontario to Green Infrastructure Partners Inc. Gross cash proceeds received on closing, net of debt assumed by the purchaser, were \$162,657. Cash on hand in ATE subsidiaries at the closing date of \$7,341 was transferred to the purchaser. ATE provided roadbuilding infrastructure solutions throughout Ontario to the provincial government, municipalities, and private clients. The financial results of ATE prior to its sale were reported in the construction segment. During the second quarter of 2024, the Company received additional cash proceeds of \$11,494 from the sale of ATE. As a result, for both the three and six months ended June 30, 2024, a gain on sale of \$12,518 (for

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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both the three and six months ended June 2023 - \$38,000) was included in other income in the consolidated income statements.

On September 20, 2023, the Company completed the sale of a 49.9% interest in Skyport to CC&L Infrastructure and as a result lost control for accounting purposes of Skyport (see Note 10, "Projects Accounted For Using The Equity Method"). Gross cash proceeds received on closing were \$162,316 (US\$120,000). For the year ended December 31, 2023, the Company recorded a gain on sale of \$139,025, including \$80,409 relating to the remeasurement of the retained interest in Skyport in other income in the consolidated income statements, and inclusive of foreign currency gains of \$1,594 that were reclassified from accumulated other comprehensive income to the consolidated income statements. During the second quarter of 2024, the Company earned additional sale proceeds of \$5,894 from the sale of Skyport. As a result, for both the three and six months ended June 30, 2024, a gain on sale of \$5,894 (for both the three and six months ended June 30, 2023 - \$nil) was included in other income in the consolidated income statements.

### 24. FINANCE COST

|  | For the three months ended |                  | For the six months ended |                  |
|--|----------------------------|------------------|--------------------------|------------------|
|  | June 30<br>2024            | June 30<br>2023  | June 30<br>2024          | June 30<br>2023  |
| Interest and notional interest on long-term debt, non-recourse project debt and debentures | \$ 677                     | \$ 9,770         | \$ 1,395                 | \$ 19,689        |
| Interest on leases   | 1,316                      | 1,155            | 2,551                    | 2,469            |
| Interest on bank indebtedness  | 3,375                      | 5,150            | 6,557                    | 10,744           |
| Dividend on Preferred Shares of Aecon Utilities  | 4,888                      | -                | 9,634                    | -                |
| Gain on change in fair value of Preferred shares of Aecon Utilities                        | (3,738)                    | -                | (8,004)                  | -                |
| Notional interest on provisions  | 54                         | 52               | 111                      | 149              |
| <b>Total finance cost</b>  | <b>\$ 6,572</b>            | <b>\$ 16,127</b> | <b>\$ 12,244</b>         | <b>\$ 33,051</b> |

On December 29, 2023, convertible debentures were redeemed for a total principal amount of \$183,998 and convertible debentures with a face value of \$2 were converted at \$23.21 per share by the holders into 86 common shares. Finance cost associated with the convertible debentures consisting of interest expense on face value and notional interest representing accretion was \$nil and \$nil respectively for the three and six months ended June 30, 2024 (2023 - \$3,576 and \$7,143 respectively).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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## 25. EARNINGS PER SHARE

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

|   | For the three months ended |                 | For the six months ended |                 |
|---|----------------------------|-----------------|--------------------------|-----------------|
|   | June 30<br>2024            | June 30<br>2023 | June 30<br>2024          | June 30<br>2023 |
| Profit (loss) attributable to shareholders                    | \$ (123,894)               | \$ 28,208       | \$ (130,011)             | \$ 18,770       |
| Interest on convertible debentures, net of tax <sup>(1)</sup> | -                          | 2,628           | -                        | 5,250           |
| Diluted net earnings (loss)                                   | \$ (123,894)               | \$ 30,836       | \$ (130,011)             | \$ 24,020       |
| Average number of common shares outstanding                   | 62,312,018                 | 61,627,625      | 62,289,210               | 61,581,944      |
| Effect of dilutive securities: <sup>(1)</sup>                 |                            |                 |                          |                 |
| Convertible debentures <sup>(1)</sup>                         | -                          | 14,929,733      | -                        | 15,812,073      |
| Long-term incentive plan                                      | 4,289,263                  | 4,588,481       | 4,289,263                | 4,588,481       |
| Weighted average number of diluted common shares outstanding  | 66,601,281                 | 81,145,839      | 66,578,473               | 81,982,498      |
| Basic earnings (loss) per share                               | \$ (1.99)                  | \$ 0.46         | \$ (2.09)                | \$ 0.30         |
| Diluted earnings (loss) per share <sup>(1)</sup>              | \$ (1.99)                  | \$ 0.38         | \$ (2.09)                | \$ 0.28         |

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

<sup>(2)</sup> The convertible debentures were fully repaid on December 29, 2023.

## 26. SUPPLEMENTARY CASH FLOW INFORMATION

### Change in other balances relating to operations

|                             | For the six months ended |                 |
|-----------------------------|--------------------------|-----------------|
|                             | June 30<br>2024          | June 30<br>2023 |
| Decrease (increase) in:     |                          |                 |
| Trade and other receivables | \$ (16,153)              | \$ (102,071)    |
| Unbilled revenue            | 30,185                   | (74,157)        |
| Inventories                 | (10,348)                 | (6,392)         |
| Prepaid expenses            | 4,561                    | (46,841)        |
| Increase (decrease) in:     |                          |                 |
| Trade and other payables    | 21,491                   | 94,095          |
| Provisions                  | (11,896)                 | (1,957)         |
| Deferred revenue            | 78,971                   | (69,900)        |
|                             | \$ 96,811                | \$ (207,223)    |

### Cash flows from interest

|                        | For the six months ended |                 |
|------------------------|--------------------------|-----------------|
|                        | June 30<br>2024          | June 30<br>2023 |
| Operating activities   |                          |                 |
| Cash interest paid     | \$ (9,452)               | \$ (30,024)     |
| Cash interest received | 5,296                    | 3,175           |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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## 27. FINANCIAL INSTRUMENTS

### Fair value

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar but does not hold or issue such financial instruments for speculative trading purposes. At June 30, 2024, the Company had contracts to buy US\$nil, sell US\$nil, and sell €nil (December 31, 2023 – buy US\$2,200, sell US\$14,920, and sell €1,200, respectively), on which there was a cumulative net unrealized exchange gain of \$nil recorded in the consolidated statements of income at that date (December 31, 2023 - gain \$526). In addition, at June 30, 2024, outstanding contracts to buy US\$4,380 (December 31, 2023 – buy US\$29,724) were designated as cash flow hedges on which there was a cumulative unrealized gain recorded in other comprehensive income of \$393 (December 31, 2023 – gain \$784). The net unrealized exchange gain or loss represents the estimated amount the Company would have received/paid if it terminated the contracts at the end of the respective periods.

In addition, some of the Company's investments in projects accounted for using the equity method enter into derivative financial instruments, namely interest rate swaps, to hedge the variability of interest rates related to non-recourse project debt. At June 30, 2024, for these derivative financial instruments designated as cash flow hedges, there was a cumulative unrealized gain recorded in other comprehensive income of \$5,857 (December 31, 2023 - gain \$8,371).

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

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

The following table summarizes the fair value hierarchy under which the Company's fair value disclosures of financial instruments are calculated.

|  | At June 30, 2024 |         |           |           |
|--|------------------|---------|-----------|-----------|
|  | Total            | Level 1 | Level 2   | Level 3   |
| <b>Financial assets (liabilities) measured at fair value:</b>  |                  |         |           |           |
| Cash flow hedges   | \$ 6,250         | \$ -    | \$ 6,250  | \$ -      |
| Long-term financial assets                                     | 15,471           | -       | 15,471    | -         |
| Preferred Shares of Aecon Utilities                            | (158,150)        | -       | -         | (158,150) |
| <b>Financial assets (liabilities) disclosed at fair value:</b> |                  |         |           |           |
| Long-term financial assets                                     | 5,714            | -       | 5,714     | -         |
| Long-term debt   | (148,481)        | -       | (148,481) | -         |

During the six months ended June 30, 2024, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

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## Preferred Shares of Aecon Utilities

The Preferred Shares are designated as fair value through profit or loss and is classified as level 3 in the fair value hierarchy as there are significant unobservable inputs used in the valuation. Management uses a lattice model to estimate the fair value of the preferred shares. It utilizes the binomial tree method to project the stock price movements, determine optimal timing to exercise the conversion feature and other optionalities included in the instrument, and calculates the possible payoffs of the instruments. The key inputs in determining fair value include credit spread, risk-free rate, market volatility, underlying share price and conversion price, and assumptions related to the probability of events that would trigger mandatory conversions.

Methodologies and procedures regarding Level 3 fair value measurements are determined by the Company's management. The calculation of Level 3 fair values is derived based on the underlying contractual terms of the Preferred Shares as well as observable and unobservable inputs. Development of unobservable inputs requires the use of significant judgment. Level 3 fair value measurements are reviewed and validated by the Company's management to ensure reasonability and accuracy on a quarterly basis.

The Preferred Shares were measured at fair value using the following significant unobservable inputs:

The Company used an underlying share price of Aecon Utilities at June 30, 2024 of \$1.00. If the Company had used an underlying share price that was higher or lower by 10%, the potential effect would be an increase of \$13,454 or a decrease of \$12,990 to the fair value of the Preferred Shares through the income statement. The Company used a market volatility of 38.89%. If the Company had used a market volatility that was higher or lower by 10%, the potential effect would be an increase of \$2,010 or a decrease of \$2,320 to the fair value of the preferred shares through the income statement. The Company used a credit spread of 14.53%. If the Company had used a credit spread that was higher or lower by 10%, the potential effect would be a decrease of \$3,093 or an increase of \$5,258 to the fair value of the preferred shares through other comprehensive income.

## Risk management

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

### Credit risk

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

At June 30, 2024, the Company had \$102,640 in trade receivables that were past due. Of this amount, \$79,834 was over 60 days past due, against which the Company has recorded an allowance for expected credit losses of \$1,111.

### Liquidity risk

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



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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Contractual maturities for financial liabilities at June 30, 2024 are as follows:

|  | Due within<br>one year | Due<br>between<br>one and<br>five years | Due after<br>five years | Total<br>undiscounted<br>cash flows | Effect of<br>interest | Fair value<br>adjustment | Carrying<br>value |
|--|------------------------|---|-------------------------|-------------------------------------|-----------------------|--------------------------|-------------------|
| Bank indebtedness                                  | \$ -                   | \$ 98,427                               | \$ -                    | \$ 98,427                           | \$ -                  | \$ -                     | \$ 98,427         |
| Trade and other payables                           | \$ 1,044,498           | \$ -                                    | \$ -                    | \$ 1,044,498                        | \$ -                  | \$ -                     | \$ 1,044,498      |
| Leases   | \$ 39,068              | \$ 83,492                               | \$ 11,398               | \$ 133,958                          | \$ (14,521)           | \$ -                     | \$ 119,437        |
| Equipment and other loans                          | 6,142                  | 15,404                                  | 6,394                   | 27,940                              | (3,500)               | -                        | 24,440            |
|  | 45,210                 | 98,896                                  | 17,792                  | 161,898                             | (18,021)              | -                        | 143,877           |
| Preferred Shares of Aecon Utilities <sup>(1)</sup> | -                      | -                                       | 381,256                 | 381,256                             | (213,425)             | (9,681)                  | 158,150           |
| Long-term financial liabilities                    | \$ 45,210              | \$ 98,896                               | \$ 399,048              | \$ 543,154                          | \$ (231,446)          | \$ (9,681)               | \$ 302,027        |

(1) The Preferred Shares of Aecon Utilities have no fixed repayment terms (see Note 16 "Preferred Shares of Aecon Utilities"). The Preferred Shares are assumed to have a contractual maturity of 7 years from issuance in this summary.

### Interest rate risk

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

For the six months ended June 30, 2024, a 1% increase or a 1% decrease in interest rates applied to the Company's variable rate long-term debt would not have a significant impact on net earnings or comprehensive income.

### Currency risk

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

At June 30, 2024, a 10% change in the US dollar against the Canadian dollar would have impacted the Company's profit or loss in the current period by \$4,460 because of currency exposures. The sensitivity analysis includes foreign currency denominated monetary items but excludes all investments in joint ventures and hedges and adjusts their translation at year-end for the above 10% change in foreign currency rates.

## 28. CAPITAL DISCLOSURES

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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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 June 30, 2024, the debt to capitalization percentage was 25% (December 31, 2023 - 22%). While the Company believes this debt to capitalization percentage is acceptable, because of the cyclical nature of its business, and due to the uncertainties described in Note 4, "Critical Accounting Estimates" and Note 20, "Contingencies", the Company will continue its current efforts to maintain a conservative capital position.

At June 30, 2024, the Company complied with all of its financial debt covenants.

## 29. OPERATING SEGMENTS

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

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

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

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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| For the three months ended June 30, 2024                                 |                       |                   |                           |                       |
|--|-----------------------|-------------------|---------------------------|-----------------------|
|  | Construction          | Concessions       | Other and<br>eliminations | Total                 |
| <b>Consolidated statements of income</b>                                 |                       |                   |                           |                       |
| External customer revenue  | \$ 851,503            | \$ 2,276          | \$ -                      | \$ 853,779            |
| Inter-segment revenue  | (39)                  | -                 | 39                        | -                     |
| <b>Total revenue</b>   | <b>851,464</b>        | <b>2,276</b>      | <b>39</b>                 | <b>853,779</b>        |
| <b>Expenses</b>  | <b>\$ (1,045,881)</b> | <b>\$ (3,492)</b> | <b>\$ (10,324)</b>        | <b>\$ (1,059,697)</b> |
| Which include:   |                       |                   |                           |                       |
| Depreciation and amortization  | (19,467)              | (66)              | (251)                     | (19,784)              |
| <b>Other income (loss):</b>  |                       |                   |                           |                       |
| Foreign exchange gain (loss)   | \$ (149)              | \$ 22             | \$ (388)                  | \$ (515)              |
| Gain on sale of property, plant and equipment                            | 9,939                 | -                 | -                         | 9,939                 |
| Gain on sale of subsidiaries   | -                     | 5,895             | 12,517                    | 18,412                |
| Gain on change in fair value of other financial instruments              | -                     | 210               | -                         | 210                   |
| <b>Income (loss) from projects accounted for using the equity method</b> | <b>\$ (337)</b>       | <b>\$ 11,892</b>  | <b>\$ -</b>               | <b>\$ 11,555</b>      |
| <b>Operating profit (loss)</b>   | <b>\$ (184,964)</b>   | <b>\$ 16,803</b>  | <b>\$ 1,844</b>           | <b>\$ (166,317)</b>   |
| <b>Finance income (cost):</b>  |                       |                   |                           |                       |
| Finance income   |                       |                   |                           | \$ 2,138              |
| Finance cost   |                       |                   |                           | (6,572)               |
| <b>Loss before income taxes</b>  |                       |                   |                           | <b>\$ (170,751)</b>   |
| <b>Income tax recovery</b>   |                       |                   |                           | <b>46,857</b>         |
| <b>Loss for the period</b>   |                       |                   |                           | <b>\$ (123,894)</b>   |
| <b>Revenue by contract type</b>  |                       |                   |                           |                       |
| Fixed price  | \$ 357,808            | \$ -              | \$ -                      | \$ 357,808            |
| Cost plus/unit price   | 493,656               | -                 | 39                        | 493,695               |
| Concession operations  | -                     | 2,276             | -                         | 2,276                 |
| <b>Total revenue</b>   | <b>851,464</b>        | <b>2,276</b>      | <b>39</b>                 | <b>853,779</b>        |
| <b>Revenue by service type</b>   |                       |                   |                           |                       |
| Construction revenue   | \$ 851,464            | \$ -              | \$ 39                     | \$ 851,503            |
| Concession revenue   | -                     | 2,276             | -                         | 2,276                 |
| <b>Total revenue</b>   | <b>851,464</b>        | <b>2,276</b>      | <b>39</b>                 | <b>853,779</b>        |
|  | Construction          | Concessions       | Other and<br>eliminations | Total                 |
| <b>Consolidated balance sheets</b>                                       |                       |                   |                           |                       |
| <b>Segment assets</b>  | \$ 2,566,830          | \$ 242,488        | \$ 330,764                | \$ 3,140,082          |
| Which include:   |                       |                   |                           |                       |
| Projects accounted for using the equity method                           | 6,570                 | 239,162           | -                         | 245,732               |
| <b>Segment liabilities</b>   | \$ 1,386,190          | \$ (103,434)      | \$ 938,227                | \$ 2,220,983          |
| <b>Additions to non-current assets:</b>                                  |                       |                   |                           |                       |
| Property, plant and equipment  | \$ 31,881             | \$ 39             | \$ 112                    | \$ 32,032             |
| Intangible assets  | \$ -                  | \$ 59             | \$ 225                    | \$ 284                |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

| For the six months ended June 30, 2024                                   |                       |                   |                           |                       |
|--|-----------------------|-------------------|---------------------------|-----------------------|
|  | Construction          | Concessions       | Other and<br>eliminations | Total                 |
| <b>Consolidated statements of income</b>                                 |                       |                   |                           |                       |
| External customer revenue  | \$ 1,695,144          | \$ 5,227          | \$ -                      | \$ 1,700,371          |
| Inter-segment revenue  | 149                   | -                 | (149)                     | -                     |
| <b>Total revenue</b>   | <b>1,695,293</b>      | <b>5,227</b>      | <b>(149)</b>              | <b>1,700,371</b>      |
| <b>Expenses</b>  | <b>\$ (1,883,755)</b> | <b>\$ (7,599)</b> | <b>\$ (23,067)</b>        | <b>\$ (1,914,421)</b> |
| Which include:   |                       |                   |                           |                       |
| Depreciation and amortization  | (38,055)              | (132)             | (440)                     | (38,627)              |
| <b>Other income (loss):</b>  |                       |                   |                           |                       |
| Foreign exchange gain (loss)   | \$ 139                | \$ 49             | \$ (129)                  | \$ 59                 |
| Gain on sale of property, plant and equipment                            | 11,023                | -                 | -                         | 11,023                |
| Gain on sale of subsidiaries   | -                     | 5,895             | 12,517                    | 18,412                |
| Gain on change in fair value of other financial instruments              | -                     | 210               | -                         | 210                   |
| <b>Income (loss) from projects accounted for using the equity method</b> | <b>\$ (235)</b>       | <b>\$ 14,083</b>  | <b>\$ -</b>               | <b>\$ 13,848</b>      |
| <b>Operating profit (loss)</b>   | <b>\$ (177,535)</b>   | <b>\$ 17,865</b>  | <b>\$ (10,828)</b>        | <b>\$ (170,498)</b>   |
| <b>Finance income (cost):</b>  |                       |                   |                           |                       |
| Finance income   |                       |                   |                           | \$ 5,297              |
| Finance cost   |                       |                   |                           | (12,244)              |
| <b>Loss before income taxes</b>  |                       |                   |                           | <b>\$ (177,445)</b>   |
| <b>Income tax recovery</b>   |                       |                   |                           | <b>47,434</b>         |
| <b>Loss for the period</b>   |                       |                   |                           | <b>\$ (130,011)</b>   |
| <b>Revenue by contract type</b>  |                       |                   |                           |                       |
| Fixed price  | \$ 750,579            | \$ -              | \$ -                      | \$ 750,579            |
| Cost plus/unit price   | 944,714               | -                 | (149)                     | 944,565               |
| Concession operations  | -                     | 5,227             | -                         | 5,227                 |
| <b>Total revenue</b>   | <b>1,695,293</b>      | <b>5,227</b>      | <b>(149)</b>              | <b>1,700,371</b>      |
| <b>Revenue by service type</b>   |                       |                   |                           |                       |
| Construction revenue   | \$ 1,695,293          | \$ -              | \$ (149)                  | \$ 1,695,144          |
| Concession revenue   | -                     | 5,227             | -                         | 5,227                 |
| <b>Total revenue</b>   | <b>1,695,293</b>      | <b>5,227</b>      | <b>(149)</b>              | <b>1,700,371</b>      |
|  | Construction          | Concessions       | Other and<br>eliminations | Total                 |
| <b>Consolidated balance sheets</b>                                       |                       |                   |                           |                       |
| <b>Additions to non-current assets:</b>                                  |                       |                   |                           |                       |
| Property, plant and equipment  | \$ 52,254             | \$ 115            | \$ 1,166                  | \$ 53,535             |
| Intangible assets  | -                     | 625               | 225                       | 850                   |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

| For the three months ended June 30, 2023                                 |                       |                    |                           |                       |  |
|--|-----------------------|--------------------|---------------------------|-----------------------|--|
|  | Construction          | Concessions        | Other and<br>eliminations | Total                 |  |
| <b>Consolidated statements of income</b>                                 |                       |                    |                           |                       |  |
| External customer revenue  | \$ 1,139,614          | \$ 27,304          | \$ -                      | \$ 1,166,918          |  |
| Inter-segment revenue  | (214)                 | -                  | 214                       | -                     |  |
| <b>Total revenue</b>   | <b>1,139,400</b>      | <b>27,304</b>      | <b>214</b>                | <b>1,166,918</b>      |  |
| <b>Expenses</b>  | <b>\$ (1,160,249)</b> | <b>\$ (17,778)</b> | <b>\$ (8,094)</b>         | <b>\$ (1,186,121)</b> |  |
| Which include:   |                       |                    |                           |                       |  |
| Depreciation and amortization  | (15,089)              | (5,629)            | (523)                     | (21,241)              |  |
| <b>Other income (loss):</b>  |                       |                    |                           |                       |  |
| Foreign exchange gain (loss)   | \$ (353)              | \$ (2)             | \$ 821                    | \$ 466                |  |
| Gain on sale of property, plant and equipment                            | 13,809                | -                  | 17,818                    | 31,627                |  |
| Gain on sale of subsidiaries   | -                     | -                  | 38,000                    | 38,000                |  |
| <b>Income (loss) from projects accounted for using the equity method</b> | <b>\$ (89)</b>        | <b>\$ 4,839</b>    | <b>\$ -</b>               | <b>\$ 4,750</b>       |  |
| <b>Operating profit (loss)</b>   | <b>\$ (7,482)</b>     | <b>\$ 14,363</b>   | <b>\$ 48,759</b>          | <b>\$ 55,640</b>      |  |
| <b>Finance income (cost):</b>  |                       |                    |                           |                       |  |
| Finance income   |                       |                    |                           | \$ 1,757              |  |
| Finance cost   |                       |                    |                           | (16,127)              |  |
| <b>Profit before income taxes</b>  |                       |                    |                           | <b>\$ 41,270</b>      |  |
| <b>Income tax expense</b>  |                       |                    |                           | <b>(13,062)</b>       |  |
| <b>Profit for the period</b>   |                       |                    |                           | <b>\$ 28,208</b>      |  |
| <b>Revenue by contract type</b>  |                       |                    |                           |                       |  |
| Fixed price  | \$ 490,432            | \$ -               | \$ -                      | \$ 490,432            |  |
| Cost plus/unit price   | 648,968               | -                  | 214                       | 649,182               |  |
| Concession operations  | -                     | 27,304             | -                         | 27,304                |  |
| <b>Total revenue</b>   | <b>1,139,400</b>      | <b>27,304</b>      | <b>214</b>                | <b>1,166,918</b>      |  |
| <b>Revenue by service type</b>   |                       |                    |                           |                       |  |
| Construction revenue   | \$ 1,139,400          | \$ -               | \$ 214                    | \$ 1,139,614          |  |
| Concession revenue   | -                     | 27,304             | -                         | 27,304                |  |
| <b>Total revenue</b>   | <b>1,139,400</b>      | <b>27,304</b>      | <b>214</b>                | <b>1,166,918</b>      |  |
|  | Construction          | Concessions        | Other and<br>eliminations | Total                 |  |
| <b>Consolidated balance sheets</b>                                       |                       |                    |                           |                       |  |
| <b>Segment assets</b>  | \$ 2,819,576          | \$ 693,692         | \$ 15,316                 | \$ 3,528,584          |  |
| Which include:   |                       |                    |                           |                       |  |
| Projects accounted for using the equity method                           | 10,790                | 78,675             | -                         | 89,465                |  |
| <b>Segment liabilities</b>   | \$ 1,088,888          | \$ 408,809         | \$ 1,082,440              | \$ 2,580,137          |  |
| <b>Additions to non-current assets:</b>                                  |                       |                    |                           |                       |  |
| Property, plant and equipment  | \$ 10,042             | \$ 36              | \$ 4,223                  | \$ 14,301             |  |
| Intangible assets  | -                     | 1,934              | 179                       | 2,113                 |  |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023

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

| For the six months ended June 30, 2023                                   |                       |                    |                           |    |                       |
|--|-----------------------|--------------------|---------------------------|----|-----------------------|
|  | Construction          | Concessions        | Other and<br>eliminations |    | Total                 |
| <b>Consolidated statements of income</b>                                 |                       |                    |                           |    |                       |
| External customer revenue  | \$ 2,229,793          | \$ 44,280          | \$ -                      |    | \$ 2,274,073          |
| Inter-segment revenue  | 74                    | -                  | (74)                      |    | -                     |
| <b>Total revenue</b>   | <b>2,229,867</b>      | <b>44,280</b>      | <b>(74)</b>               |    | <b>2,274,073</b>      |
| <b>Expenses</b>  | <b>\$ (2,246,886)</b> | <b>\$ (35,848)</b> | <b>\$ (20,871)</b>        |    | <b>\$ (2,303,605)</b> |
| Which include:   |                       |                    |                           |    |                       |
| Depreciation and amortization  | (32,072)              | (11,297)           | (796)                     |    | (44,165)              |
| <b>Other income (loss):</b>  |                       |                    |                           |    |                       |
| Foreign exchange gain (loss)   | \$ (62)               | \$ (2)             | \$ 912                    |    | \$ 848                |
| Gain on sale of property, plant and equipment                            | 26,063                | -                  | 17,818                    |    | 43,881                |
| Gain on sale of subsidiaries   | -                     | -                  | 38,000                    |    | 38,000                |
| <b>Income (loss) from projects accounted for using the equity method</b> | <b>\$ (312)</b>       | <b>\$ 8,349</b>    | <b>\$ -</b>               |    | <b>\$ 8,037</b>       |
| <b>Operating profit</b>  | <b>\$ 8,670</b>       | <b>\$ 16,779</b>   | <b>\$ 35,785</b>          |    | <b>\$ 61,234</b>      |
| <b>Finance income (cost):</b>  |                       |                    |                           |    |                       |
| Finance income   |                       |                    |                           | \$ | 3,175                 |
| Finance cost   |                       |                    |                           |    | (33,051)              |
| <b>Profit before income taxes</b>  |                       |                    |                           | \$ | 31,358                |
| <b>Income tax expense</b>  |                       |                    |                           |    | (12,588)              |
| <b>Profit for the period</b>   |                       |                    |                           | \$ | 18,770                |
| <b>Revenue by contract type</b>  |                       |                    |                           |    |                       |
| Fixed price  | \$ 1,006,370          | \$ -               | \$ -                      |    | \$ 1,006,370          |
| Cost plus/unit price   | 1,223,497             | -                  | (74)                      |    | 1,223,423             |
| Concession operations  | -                     | 44,280             | -                         |    | 44,280                |
| <b>Total revenue</b>   | <b>2,229,867</b>      | <b>44,280</b>      | <b>(74)</b>               |    | <b>2,274,073</b>      |
| <b>Revenue by service type</b>   |                       |                    |                           |    |                       |
| Construction revenue   | \$ 2,229,867          | \$ -               | \$ (74)                   |    | \$ 2,229,793          |
| Concession revenue   | -                     | 44,280             | -                         |    | 44,280                |
| <b>Total revenue</b>   | <b>2,229,867</b>      | <b>44,280</b>      | <b>(74)</b>               |    | <b>2,274,073</b>      |
| <b>Consolidated balance sheets</b>                                       |                       |                    |                           |    |                       |
| <b>Additions to non-current assets:</b>                                  |                       |                    |                           |    |                       |
| Property, plant and equipment  | \$ 15,890             | \$ 110             | \$ 4,590                  |    | \$ 20,590             |
| Intangible assets  | -                     | 2,616              | 660                       |    | 3,276                 |

## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023**

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

### **30. SUBSEQUENT EVENT**

On July 2, 2024, the Company through its subsidiary, Aecon Utilities acquired a majority interest in Xtreme Powerline Construction ("Xtreme"), an electrical distribution utility contractor headquartered in Port Huron, Michigan. The base purchase price is approximately \$99,988 (US\$73,000) in cash, with the potential for additional contingent payments. Previously a privately owned company, Xtreme is a full-service powerline constructor specialized in overhead distribution line repair, maintenance, and expansion services throughout the Eastern United States. Xtreme management will retain a minority ownership in Xtreme. Xtreme expands Aecon Utilities' electrical distribution capabilities in the U.S. and enhances its diverse utility infrastructure service offering.

The preliminary purchase price allocations for the above acquisition have not been finalized pending final determination of the fair values of assets acquired and liabilities assumed.