

**AECON**

# THIRD QUARTER REPORT

2023





**Aecon Group Inc.**

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

**September 30, 2023**

# Management’s Discussion and Analysis of Operating Results and Financial Condition

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## **Management’s Discussion and Analysis of Operating Results and Financial Condition (“MD&A”)**

The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. (“Aecon” or the “Company”) should be read in conjunction with the Company’s September 30, 2023 interim condensed consolidated financial statements and notes, and in conjunction with the Company’s annual MD&A for the year ended December 31, 2022 (the “2022 Annual MD&A”). This MD&A is dated as of October 25, 2023. Additional information on Aecon is available through the System for Electronic Data Analysis and Retrieval+ (“SEDAR+”) at [www.sedarplus.com](http://www.sedarplus.com) and includes the Company’s Annual Information Form and other securities and continuous disclosure filings.

### **1. INTRODUCTION**

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

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

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

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

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

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

### **2. FORWARD-LOOKING INFORMATION**

The information in this Management’s Discussion and Analysis includes certain forward-looking statements which may constitute forward-looking information under applicable securities laws. These forward-looking

statements are based on currently available competitive, financial and economic data and operating plans but are subject to risks and uncertainties. Forward-looking statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, ongoing objectives, strategies and outlook for Aecon, including statements regarding: expectations regarding the impact of the four fixed price legacy projects and expected timelines of such projects; the expected results from Aecon's strategic partnership agreement with GIP (defined below); backlog and estimated duration; the impact of certain contingencies on Aecon (see: Section 10.2 "Contingencies"); expectations regarding the repayment of the outstanding convertible debentures at or before maturity and other debt obligations in 2023; the uncertainties related to the unpredictability of global economic conditions; its belief regarding the sufficiency of its current liquidity position including sufficiency of its cash position, unused credit capacity, and cash generated from its operations; its strategy of seeking to differentiate its service offering and execution capability and the expected results therefrom; its efforts to maintain a conservative capital position; expectations regarding the pipeline of opportunities available to Aecon; statements regarding the various phases of projects for Aecon; its strategic focus on projects linked to decarbonization, energy transition and sustainability and the opportunities arising therefrom; expectations regarding ongoing recovery in travel through Bermuda International Airport in 2023 and opportunities to add to the existing portfolio of Canadian and international concessions in the next 12 to 24 months; Oaktree's (defined below) minority investment in Aecon Utilities (defined below), the expected benefits thereof and results therefrom, including the acceleration of growth of Aecon Utilities in Canada and the U.S.; the anticipated use of proceeds from the investment; and the expansion of Aecon Utilities' geographic reach and range of services in the U.S. Forward-looking statements may in some cases be identified by words such as "will," "plans," "schedule," "forecast," "outlook," "potential," "seek," "strategy," "may," "could," "might," "can," "believes," "expects," "anticipates," "estimates," "projects," "intends," "prospects," "targets," "occur," "continue," "should" or the negative of these terms, or similar expressions. In addition to events beyond Aecon's control, there are factors which could cause actual or future results, performance or achievements to differ materially from those expressed or inferred herein including, but not limited to: the risk of not being able to drive a higher margin mix of business by participating in more complex projects, achieving operational efficiencies and synergies, and improving margins; the risk of not being able to meet contractual schedules and other performance requirements on large, fixed priced contracts; the risk of not being able to meet its labour needs at reasonable costs; the risk of not being able to address any supply chain issues which may arise and pass on costs of supply increases to customers; the risk of not being able, through its joint ventures, to enter into implementation phases of certain projects following the successful completion of the relevant development phase; the risk of not being able to execute its strategy of building strong partnerships and alliances; the risk of not being able to execute its risk management strategy; the risk of not being able to grow backlog across the organization by winning major projects; the risk of not being able to maintain a number of open, recurring and repeat contracts; the risk of not being able to accurately assess the risks and opportunities related to its industry's transition to a lower-carbon economy; the risk of not being able to oversee, and where appropriate, respond to known and unknown environmental and climate change-related risks, including the ability to recognize and adequately respond to climate change concerns or public, governmental and other stakeholders' expectations on climate matters; the risk of not being able to meet its commitment to meeting its greenhouse gas emissions reduction targets; the risks associated with the strategy of differentiating its service offerings in key end markets; the risks associated with undertaking initiatives to train employees; the risks associated with the seasonal nature of its business; the risks associated with being able to participate in large projects; the risks associated with legal proceedings to which it is a party; the ability to successfully respond to shareholder activism; the risk that the strategic partnership with GIP will not realize the expected results and may negatively impact Aecon's existing business; the risk that Aecon will not realize the anticipated balance sheet strength while preserving capital for other long-term growth and concession

opportunities in connection with the sale of ATE (defined below) and a 49.9% equity interest in Skyport; the risk that Aecon will not realize the opportunities presented by a transition to a net-zero economy; risks associated with the COVID-19 pandemic and future pandemics and Aecon's ability to respond to and implement measures to mitigate the impact of COVID-19 and future pandemics; the risk that the strategic partnership with Oaktree will not realize the expected results and may negatively impact the existing business of Aecon Utilities; the risk that Aecon Utilities will not realize the anticipated balance sheet flexibility with the completion of the investment; and the risk that Aecon Utilities will not realize opportunities to expand its geographic reach and range of services in the U.S.

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

Risk factors are discussed in greater detail in Section 13 - "Risk Factors" in this MD&A and in the 2022 Annual MD&A which is available on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com). Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Aecon undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

### **3. FINANCIAL REPORTING STANDARDS**

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

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

### **4. NON-GAAP AND SUPPLEMENTARY FINANCIAL MEASURES**

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

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

## Non-GAAP Financial Measures

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

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

- **“Adjusted EBITDA”** represents operating profit (loss) adjusted to exclude depreciation and amortization, the gain (loss) on sale of assets and investments, and net income (loss) from projects accounted for using the equity method, but including “Equity Project EBITDA” from projects accounted for using the equity method (refer to Section 9 “Quarterly Financial Data” for a quantitative reconciliation to the most comparable financial measure).
- **“Equity Project EBITDA”** represents Aecon’s proportionate share of the earnings or losses from projects accounted for using the equity method before depreciation and amortization, finance income, finance cost and income tax expense (recovery) (refer to Section 9 “Quarterly Financial Data” for a quantitative reconciliation to the most comparable financial measure).

Management uses the above non-GAAP financial measures to analyze and evaluate operating performance. Aecon also believes the above financial measures are commonly used by the investment community for valuation purposes, and are useful complementary measures of profitability, and provide metrics useful in the construction industry. The most directly comparable measures calculated in accordance with GAAP are operating profit and profit (loss) attributable to shareholders.

## Primary Financial Statements

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

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

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

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

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

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

### **Non-GAAP Ratios**

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

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

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

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

### **Supplementary Financial Measures**

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

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

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

## 5. RECENT DEVELOPMENTS

### Economic Conditions and Certain Fixed Price Legacy Projects

Within the Construction segment, economic conditions have had varying degrees of impact since 2020 including through to the third quarter of 2023, notably from supply chain disruptions, inflation related to labour and materials, and availability of labour. Although these factors impacted most projects to some extent, in most cases the impact was not significant or has now moderated or been mitigated. However, the impacts on four large fixed price legacy projects being performed by joint ventures in which Aecon is a participant (see Section 10.2 “Contingencies” of this MD&A and Section 13 “Risk Factors” of the 2022 Annual MD&A) were more significant. Aecon recognized an operating loss of \$91.1 million in the third quarter of 2023 (operating loss of \$30.1 million in the same period of 2022) and an operating loss of \$175.2 million in the first nine months of 2023 (operating loss of \$61.1 million in the same period of 2022) from these four legacy projects. At September 30, 2023, the remaining backlog to be worked off on these projects was \$528 million compared to backlog of \$1,079 million at December 31, 2022. One of the four projects reached substantial, or mechanical, completion in the third quarter of 2023 with two of the remaining three projects currently expected to be substantially complete by dates between late 2023 and the middle of 2024, and the final one currently expected to be substantially complete during 2025. The four legacy projects comprised 14% and 17%, respectively, of consolidated revenue in the third quarter and first nine months of 2023 and 9% of backlog at September 30, 2023 compared to 16% of consolidated revenue in the full year 2022 and 17% of backlog at December 31, 2022.

Aecon and its joint venture partners remain focused on dedicating all necessary resources to drive the four legacy projects to completion and in the meantime continue to pursue fair and reasonable settlement agreements with the respective clients in each case. Based on i) expected substantial completion achieved or expected to be achieved in the next twelve months on three of these projects as noted above; ii) the most recent settlements reached and agreed to between the relevant joint ventures and the respective clients on each of the four projects, including one in the second quarter and two in the third quarter of 2023; and iii) the adjustments to forecasts made on the legacy projects in the second and third quarters of 2023 that reflect the additional clarity on schedule, compensation, construction costs, and other potential liabilities that the terms of the most recent settlement agreements and full reforecasts that incorporate those agreements and other new information that has arisen bring, Aecon believes its estimates to be reliable. However, downside risk remains in the event that assumptions, estimates, and/or circumstances change. Such downside risks include, among others, productivity not meeting expectations, potential for unforeseen supply chain delays and disruptions, unknown commissioning risks, inflation related risk, further client changes, and the level of compensation for past and future impacts, including through arbitration where appropriate.

Within the Concessions segment, COVID-19 and related travel restrictions and protocols, as well as the gradual recovery in air traffic now that those restrictions have largely been lifted, have impacted operations at the Bermuda International Airport Project since March 2020, including through to the third quarter of 2023. Passenger traffic levels, which are the primary driver of Aecon’s results from operations in Bermuda, averaged 31% in 2021 and 59% in 2022 of 2019 pre-pandemic traffic levels. In the first nine months of 2023, average traffic levels improved to 74% of 2019 pre-pandemic traffic levels compared to 56% in the first nine months of 2022. These averages reflect generally improving traffic over time as a percentage of pre-pandemic levels. Offsetting this impact on operational volume to some extent was a minimum revenue guarantee from the Government of Bermuda to cover any shortfall in cash flow for debt-service requirements related to the Bermuda International Airport Redevelopment Project.

## **Aecon Completes Sale of Road Building Business in Ontario to Green Infrastructure Partners**

On May 1, 2023, Aecon announced the closing of the previously disclosed definitive purchase agreement with Green Infrastructure Partners Inc. (“GIP”) under which Aecon sold its Aecon Transportation East (“ATE”) roadbuilding, aggregates and materials businesses in Ontario for \$235.0 million. Net cash proceeds received on closing were \$155.3 million, net of debt and other estimated closing adjustments. The transaction price remains subject to customary final closing adjustments. ATE provided roadbuilding infrastructure solutions throughout Ontario to the provincial government, municipalities, and private clients. The financial results of ATE prior to its sale were reported in the construction segment. For the three and nine months ended September 30, 2023, a loss on sale of \$1.5 million and a gain on sale of \$36.5 million, respectively, was included in other income in the consolidated income statements.

## **Aecon Completes Sale of Partial Interest in Bermuda International Airport Concessionaire**

On September 20, 2023, Aecon announced the closing of the previously disclosed agreement with Connor, Clark & Lunn Infrastructure (“CC&L Infrastructure”) to sell a 49.9% interest in the L.F. Wade International Airport (Bermuda International Airport) concessionaire, Bermuda Skyport Corporation Limited (“Skyport”). The final sale price was \$162.3 million (US\$120.0 million) in cash following certain closing adjustments.

Aecon Concessions will retain the management contract for the airport and joint control of Skyport with a 50.1% retained interest.

Skyport is a special-purpose company responsible for the airport’s operations, maintenance and commercial functions, as well as coordinating the overall delivery of the Bermuda International Airport Redevelopment Project over a 30-year concession term that commenced in 2017. Under a Government-to-Government/P3 model, Aecon worked with the Canadian Commercial Corporation and the Government of Bermuda to develop, finance, design, build, operate and maintain the new passenger terminal building, which opened in December of 2020. For the three and nine months ended September 30, 2023, Aecon recorded a gain on sale of \$139.0 million, including a fair value remeasurement gain of \$80.4 million related to Aecon’s 50.1% retained interest in Skyport, in other income in the consolidated income statements.

## **Aecon Completes \$150 Million Strategic Investment in Aecon Utilities Group by Oaktree’s Power Opportunities Fund**

Subsequent to quarter end, on October 23, 2023 Aecon announced a strategic investment by Oaktree Capital Management, L.P. (“Oaktree”) in an Aecon subsidiary, Aecon Utilities Group Inc. (“Aecon Utilities”). The investment subsequently closed on October 24, 2023. Oaktree acquired a minority ownership interest in Aecon Utilities by way of a net \$150 million convertible preferred equity investment (the “Investment”). The Investment was effected through the purchase of newly created convertible preferred equity securities (the “Preferred Equity”) of Aecon Utilities. The gross subscription amount of the Investment is \$154.6 million of Preferred Equity, which represents \$150.0 million after upfront fees (“Net Investment Amount”). The Investment is convertible at any time by Oaktree into common equity of Aecon Utilities and is mandatorily convertible upon a qualified initial public offering. Prior to conversion, the Preferred Equity will accrue a 12% annual coupon for the first three years and 14% annual coupon thereafter. At Aecon’s option, the coupon is payable in kind by accreting the principal amount or in cash.

## 6. BUSINESS STRATEGY

Refer to the discussion on Business Strategy as outlined in the 2022 Annual MD&A available on the Company's website at [www.aecon.com](http://www.aecon.com) or through SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com).

## 7. CONSOLIDATED FINANCIAL HIGHLIGHTS

\$ millions (except per share amounts)	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
<b>Revenue</b>	\$ 1,239.6	\$ 1,320.5	\$ 3,513.7	\$ 3,429.7
Gross profit	45.7	118.6	157.7	257.3
Marketing, general and administrative expense	(28.7)	(42.5)	(126.0)	(148.3)
Income from projects accounted for using the equity method	5.2	5.0	13.3	11.8
Other income	138.2	3.6	220.9	6.0
Depreciation and amortization	(20.3)	(23.8)	(64.4)	(70.2)
<b>Operating profit</b>	<b>140.1</b>	<b>61.0</b>	<b>201.3</b>	<b>56.5</b>
Finance income	2.3	0.6	5.5	0.9
Finance cost	(16.6)	(15.1)	(49.6)	(40.1)
<b>Profit before income taxes</b>	<b>125.8</b>	<b>46.5</b>	<b>157.2</b>	<b>17.2</b>
Income tax (expense) recovery	7.6	(12.0)	(5.0)	(6.5)
<b>Profit</b>	<b>\$ 133.4</b>	<b>\$ 34.5</b>	<b>\$ 152.2</b>	<b>\$ 10.7</b>
<b>Gross profit margin<sup>(3)</sup></b>	<b>3.7%</b>	<b>9.0%</b>	<b>4.5%</b>	<b>7.5%</b>
<b>MG&amp;A as a percent of revenue<sup>(3)</sup></b>	<b>2.3%</b>	<b>3.2%</b>	<b>3.6%</b>	<b>4.3%</b>
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$ 32.0</b>	<b>\$ 92.6</b>	<b>\$ 73.2</b>	<b>\$ 151.7</b>
<b>Adjusted EBITDA margin<sup>(2)</sup></b>	<b>2.6%</b>	<b>7.0%</b>	<b>2.1%</b>	<b>4.4%</b>
<b>Operating margin<sup>(3)</sup></b>	<b>11.3%</b>	<b>4.6%</b>	<b>5.7%</b>	<b>1.6%</b>
<b>Earnings per share – basic</b>	<b>\$ 2.16</b>	<b>\$ 0.57</b>	<b>\$ 2.47</b>	<b>\$ 0.18</b>
<b>Earnings per share – diluted</b>	<b>\$ 1.63</b>	<b>\$ 0.45</b>	<b>\$ 1.94</b>	<b>\$ 0.16</b>
<b>Backlog (at end of period)</b>			<b>\$ 6,202</b>	<b>\$ 6,275</b>

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

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

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

Revenue for the three months ended September 30, 2023 of \$1,240 million was \$81 million, or 6%, lower compared to the third quarter of 2022. In the Construction segment, lower revenue of \$83 million was driven by decreases in civil (\$106 million) due to the sale of ATE during the second quarter of 2023, nuclear (\$11 million), and utilities (\$2 million), partially offset by higher revenue in industrial operations (\$30 million) and urban transportation solutions (\$6 million). In the Concessions segment, higher revenue of \$4 million for the three months ended September 30, 2023 was primarily due to the increase in commercial flight operations at

the Bermuda International Airport. Intersegment revenue eliminations increased by \$2 million due to higher revenue between the Construction and Concessions segments.

Revenue for the nine months ended September 30, 2023 of \$3,514 million was \$84 million, or 2%, higher compared to the same period in 2022. Higher revenue in the Construction segment of \$71 million was driven by increased activity in industrial (\$80 million), utilities (\$17 million), urban transportation solutions (\$3 million), and civil operations (\$2 million), partially offset by lower revenue in nuclear operations (\$31 million). In the Concessions segment, higher revenue of \$15 million was primarily due to operations at the Bermuda International Airport. Additionally, intersegment revenue eliminations increased by \$2 million due to higher revenue between the Construction and Concessions segments.

Operating profit of \$140.1 million for the three months ended September 30, 2023 increased by \$79.1 million compared to an operating profit of \$61.0 million in the same period in 2022. The improvement in quarter-over-quarter operating profit was largely due to an increase in other income of \$134.6 million compared to the same period in 2022. This increase was primarily due to a gain related to the sale of a 49.9% interest in the Bermuda International Airport concessionaire of \$139.0 million, including a fair value remeasurement gain of \$80.4 million on Aecon's 50.1% retained interest in the concessionaire, partially offset by a \$1.5 million reduction in the gain on sale of ATE after certain closing adjustments, lower gains on the sale of equipment (\$1.5 million), and a decrease in foreign exchange gains (\$1.5 million).

The above increase in operating profit from an increase in other income was partially offset by lower gross profit in the third quarter of 2023 of \$72.9 million. In the Construction segment, gross profit decreased by \$75.7 million largely as a result of negative gross profit related to four fixed price legacy projects in the quarter of \$91.1 million, arising from two of the four projects, one of which was in urban transportation solutions and the other in the civil sector, compared to negative gross profit on the fixed price legacy projects of \$30.2 million in the third quarter of 2022. These four fixed price legacy projects are discussed in Section 5 "Recent Developments" and Section 10.2 "Contingencies" in this MD&A, and Section 13 "Risk Factors" in the 2022 Annual MD&A. Other than the impact of these fixed price legacy projects in the quarter, lower gross profit in the balance of the Construction segment was largely due to lower gross profit in civil operations primarily due to the sale of ATE in the second quarter of 2023. In the Concessions segment, gross profit increased by \$2.7 million, primarily from an improvement in results from airport operations at the Bermuda International Airport.

Operating profit of \$201.3 million for the nine months ended September 30, 2023 improved by \$144.8 million compared to an operating profit of \$56.5 million in the same period in 2022. Similar to the third quarter commentary, the largest driver of the period-over-period change was an increase in other income of \$214.9 million, due to gains related to the sale of a 49.9% interest in the Bermuda International Airport concessionaire of \$139.0 million, including a fair value remeasurement gain of \$80.4 million on Aecon's 50.1% retained interest in the concessionaire, and the sale of ATE (\$36.5 million), higher gains on the sale of property, buildings, and equipment (\$40.0 million of which \$22.0 million was included in the Construction segment and \$18.0 million in Corporate), partially offset by lower foreign exchange gains (\$0.6 million).

The above increase in operating profit from an increase in other income was partially offset by lower gross profit in the first nine months of 2023 of \$99.6 million. In the Construction segment, gross profit decreased by \$108.4 million due to negative gross profit related to four fixed price legacy projects in the period of \$175.2 million, arising from three of the four projects, two of which were in the civil sector and one in urban

transportations solutions, compared to negative gross profit on the fixed price legacy projects of \$61.2 million in the same period in 2022. Other than the impact of these fixed price legacy projects in the first nine months, higher gross profit in the balance of the Construction segment was largely due to improved results in urban transportation solutions. In the Concessions segment, gross profit increased by \$8.7 million primarily due to the Bermuda International Airport.

MG&A for the three and nine months ended September 30, 2023 decreased by \$13.8 million and \$22.3 million, respectively, compared to the same periods in 2022. Lower MG&A in the third quarter of 2023 was primarily due to lower personnel costs and from a decrease due to the sale of ATE in the second quarter of 2023, while lower MG&A in the first nine months of 2023 was primarily due to lower personnel, project pursuit, and bid costs as well as the impact of the sale of ATE. MG&A as a percentage of revenue for the third quarter decreased from 3.2% in 2022 to 2.3% in 2023, and for the first nine months decreased from 4.3% in 2022 to 3.6% in 2023.

Aecon's participation in projects that are classified for accounting purposes as a joint venture or an associate, as opposed to a joint operation, are accounted for using the equity method of accounting. Aecon reported income of \$5.2 million in the third quarter of 2023 from projects accounted for using this method of accounting, compared to \$5.0 million in the third quarter of 2022, and income of \$13.3 million in the first nine months of 2023 compared to \$11.8 million in the same period in 2022. The higher income in the third quarter and first nine months of 2023 was due to an increase in management and development fees in the Concessions segment (\$1.4 million and \$3.0 million, respectively) and was partially offset by lower income from civil projects in the Construction segment (\$1.2 million and \$1.5 million, respectively).

Depreciation and amortization expense of \$20.3 million and \$64.4 million for the third quarter and nine months ended September 30, 2023, respectively, was \$3.5 million and \$5.8 million lower than the same periods in 2022. The largest decrease in both periods occurred in the Construction segment (\$3.6 million and \$7.0 million, respectively) and was primarily related to a decrease in equipment deployed due to the sale of ATE in the second quarter of 2023.

Net financing expense of \$14.3 million in the third quarter of 2023 consisting of finance cost of \$16.6 million less finance income of \$2.3 million, was \$0.2 million lower than the same period in 2022, and net financing expense of \$44.1 million in the first nine months of 2023, consisting of finance cost of \$49.6 million less finance income of \$5.5 million, was \$4.9 million higher than the same period in 2022. The increase in both periods is primarily related to increased borrowings and higher interest rates on Aecon's revolving credit facility compared to the same periods in the prior year.

Set out in Note 19 of the September 30, 2023 interim condensed consolidated financial statements is a reconciliation between the expected income tax expense (recovery) for the first nine months of 2023 and 2022 based on statutory income tax rates and the actual income tax expense (recovery) reported for both these periods. In both the first nine months of 2023 and 2022, the effective income tax rate differed from the Canadian statutory income tax rate of 26.4% mainly due to the geographic mix of earnings, largely related to international projects and in particular the Bermuda International Airport Redevelopment Project, and in 2023 also due to the tax on transactions related to the disposal or partial disposal of subsidiaries and related fair value remeasurement gains.

Reported backlog at September 30, 2023 of \$6,202 million compares to backlog of \$6,275 million at September 30, 2022. New contract awards of \$591 million and \$3,420 million were booked in the third quarter and year-to-date, respectively, in 2023 compared to \$991 million and \$3,507 million in the same periods in 2022.

Backlog \$ millions	At September 30	
	2023	2022
Construction	\$ 6,100	\$ 6,179
Concessions	102	96
Consolidated	<u>\$ 6,202</u>	<u>\$ 6,275</u>

Estimated backlog duration \$ millions	At September 30			
	2023		2022	
Next 12 months	\$ 2,857	46%	\$ 3,237	52%
Next 13-24 months	1,479	24%	1,732	28%
Beyond	1,866	30%	1,306	20%
	<u>\$ 6,202</u>	<u>100%</u>	<u>\$ 6,275</u>	<u>100%</u>

The timing of work to be performed for projects in backlog at September 30, 2023 is based on current project schedules, taking into account the current estimated impacts of supply chain disruptions and availability of labour. It is possible that these estimates could change in the future based on changes in these or other factors impacting the schedule of these projects. The above backlog and estimated backlog duration balances at September 30, 2023 exclude all amounts related to ATE which was sold in the second quarter of 2023 (see Section 5 “Recent Developments” of this MD&A) at which time related backlog of \$447 million was removed.

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

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

## 8. REPORTABLE SEGMENTS FINANCIAL HIGHLIGHTS

### 8.1. CONSTRUCTION

#### Financial Highlights

\$ millions	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Revenue	\$ 1,215.4	\$ 1,298.8	\$ 3,445.3	\$ 3,374.5
Gross profit	\$ 32.5	\$ 108.2	\$ 125.8	\$ 234.2
Adjusted EBITDA <sup>(1)</sup>	\$ 16.5	\$ 82.0	\$ 34.4	\$ 135.0
Operating profit	\$ 1.3	\$ 63.4	\$ 10.0	\$ 77.3
Gross profit margin <sup>(3)</sup>	2.7%	8.3%	3.7%	6.9%
Adjusted EBITDA margin <sup>(2)</sup>	1.4%	6.3%	1.0%	4.0%
Operating margin <sup>(3)</sup>	0.1%	4.9%	0.3%	2.3%
Backlog (at end of period)			\$ 6,100	\$ 6,180

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

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

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

Revenue in the Construction segment for the three months ended September 30, 2023 of \$1,215 million was \$83 million, or 6%, lower compared to the same period in 2022. Revenue was lower in civil operations (\$106 million) driven primarily by a lower volume of roadbuilding construction work in eastern Canada of \$127 million as a result of the sale of ATE in the second quarter of 2023, and partially offset by an increase in major projects work in western Canada. Revenue was also lower in nuclear operations (\$11 million) from a lower volume of refurbishment work at nuclear generating stations located in Ontario, and in utilities operations (\$2 million). Partially offsetting these decreases was higher revenue in industrial operations (\$30 million) driven primarily by increased activity on mainline pipeline work which offset a lower volume of field construction work primarily at chemical facilities in eastern Canada, and in urban transportation solutions (\$6 million) primarily from an increase in rail expansion and electrification work in Ontario.

Revenue in the Construction segment for the nine months ended September 30, 2023 of \$3,445 million was \$71 million, or 2%, higher compared to the same period in 2022. Construction segment revenue was higher in industrial operations (\$80 million) and urban transportation solutions (\$3 million), and lower in nuclear operations (\$31 million), all for reasons consistent with the third quarter commentary. Revenue was also higher in utilities (\$17 million) from an increase in high-voltage electrical transmission and telecommunications work partially offset by a lower volume of oil and gas distribution work, and in civil operations (\$2 million) from an increase in major projects work in both eastern and western Canada largely offset by a lower volume of roadbuilding construction work in eastern Canada of \$178 million as a result of the sale of ATE in the second quarter of 2023.

Operating profit in the Construction segment of \$1.3 million in the three months ended September 30, 2023 compares to an operating profit of \$63.4 million in the same period in 2022, a decrease of \$62.1 million. This decrease was primarily driven by lower gross profit in civil operations due to negative gross profit of \$41.6 million in the third quarter of 2023 from one of the four fixed price legacy projects versus a gross profit of \$1.0 million in the same period in 2022 from the same project; in urban transportation solutions by a negative gross profit of \$49.5 million from one of the four fixed price legacy projects compared to a negative gross profit of \$22.5 million in the same period last year from the same project; and partially offset in industrial operations by gross profit of \$nil from one of the four fixed price legacy projects compared to a negative gross profit of \$8.7 million in the same period last year from the same project. The four fixed price legacy projects are discussed in Section 5 “Recent Developments” and Section 10.2 “Contingencies” in this MD&A, and Section 13 “Risk Factors” in the 2022 Annual MD&A. Other than the impact of these fixed price legacy projects in the quarter, lower operating profit in the balance of the Construction segment was driven by lower operating profit from roadbuilding construction work due to the sale of ATE in the second quarter of 2023, largely offset by higher gross profit margin in nuclear operations and urban transportation solutions and lower MG&A in utilities operations.

Operating profit in the Construction segment of \$10.0 million in the nine months ended September 30, 2023 decreased by \$67.3 million compared to an operating profit of \$77.3 million in the same period in 2022. The period-over-period decrease was driven by lower gross profit in civil operations due to a negative gross profit of \$75.7 million in the first nine months of 2023 from one of the four fixed price legacy projects versus a gross profit of \$9.2 million in the same period in 2022 from the same project; in urban transportation solutions by a negative gross profit of \$99.5 million from two of the four fixed price legacy projects compared to a negative gross profit of \$54.9 million related to one of the same projects in the same period last year; and partially offset in industrial operations by gross profit of \$nil from one of the four fixed price legacy projects compared to a negative gross profit of \$15.5 million related to the same project in the same period last year. Other than the impact of these fixed price legacy projects in the first nine months, higher operating profit in the balance of the Construction segment was driven by an increase in gross profit margin in urban transportation solutions, from higher volume and gross profit in industrial and utilities operations and lower MG&A in nuclear operations, partially offset by lower operating profit in civil operations due to the sale of ATE in the second quarter of 2023.

Construction backlog at September 30, 2023 was \$6,100 million, which was \$80 million lower than the same time last year. Backlog decreased period-over-period in civil (\$359 million), industrial operations (\$280 million), and urban transportation solutions (\$256 million), and increased in nuclear (\$717 million) and utilities (\$98 million). Backlog at September 30, 2023 excludes all amounts related to ATE which was sold in the second quarter of 2023 (see Section 5 “Recent Developments” of this MD&A) at which time related backlog of \$447 million was removed. New contract awards totaled \$563 million in the third quarter of 2023 and \$3,348 million year-to-date, compared to \$966 million and \$3,438 million, respectively, in the same periods last year. During the first nine months of 2023, Aecon was awarded a number of projects including delivery of the Deerfoot Trail Improvements project in Calgary, Alberta and an Aecon joint venture was awarded the Fuel Channel and Feeder Replacement contract for four units at the Bruce Nuclear Generating Station in Tiverton, Ontario.

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

## 8.2. CONCESSIONS

### Financial Highlights

\$ millions	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
<b>Revenue</b>	\$ 26.3	\$ 21.8	\$ 70.6	\$ 55.4
<b>Gross profit</b>	\$ 13.1	\$ 10.4	\$ 31.5	\$ 22.7
<b>Income from projects accounted for using the equity method</b>	\$ 4.8	\$ 3.4	\$ 13.2	\$ 10.2
<b>Adjusted EBITDA<sup>(1)</sup></b>	\$ 27.4	\$ 20.7	\$ 70.1	\$ 51.7
<b>Operating profit</b>	\$ 152.7	\$ 8.3	\$ 169.5	\$ 15.1
<b>Backlog (at end of period)</b>			\$ 102	\$ 96

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

On September 20, 2023, Aecon announced the closing of the previously disclosed agreement with CC&L Infrastructure to sell a 49.9% interest in Skyport. Following this transaction, Aecon 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 Project over a 30-year concession term that commenced in 2017. On December 9, 2020, Skyport opened the new passenger terminal building at the L.F. Wade International Airport. Prior to the transaction with CC&L Infrastructure, Aecon’s participation in Skyport was 100% consolidated and, as such, was accounted for in the consolidated financial statements by reflecting, line by line, the assets, liabilities, revenue and expenses of Skyport. Subsequent to the closing of the Skyport transaction during the third quarter of 2023, Aecon’s 50.1% concession participation in the Skyport joint venture is accounted for using the equity method. See Section 5 “Recent Developments” of this MD&A for details of the completed sale of a 49.9% interest in Skyport. Furthermore, Aecon’s concession participation in the Eglinton Crosstown light rail transit (“LRT”), Finch West LRT, Gordie Howe International Bridge, Waterloo LRT, and the GO Expansion On-Corridor Works projects are joint ventures that are also accounted for using the equity method.

For the three months ended September 30, 2023, revenue in the Concessions segment of \$26 million was \$4 million higher compared to the same period in 2022, while for the nine months ended September 30, 2023, revenue of \$71 million was \$15 million higher when compared to the same period in 2022. Higher revenue for both periods was primarily due to an increase in commercial flight operations at the Bermuda International Airport.

Operating profit in the Concessions segment for the three months and nine months ended September 30, 2023 improved by \$144.4 million and \$154.4 million, respectively. Higher operating profit in both periods was primarily driven by a gain related to the sale of a 49.9% interest in Skyport of \$139.0 million, including a fair value remeasurement gain of \$80.4 million on Aecon’s 50.1% retained interest in Skyport, an improvement in operating results at the Bermuda International Airport, and from an increase in management and development fees.

Except for O&M activities under contract for the next five years and that can be readily quantified, Aecon does not include in its reported backlog expected revenue from concession agreements. As such, while Aecon

expects future revenue from its concession assets, no concession backlog, other than from such O&M activities for the next five years, is reported.

## 9. QUARTERLY FINANCIAL DATA

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

\$ millions (except per share amounts)

	2023			2022				2021
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Revenue	\$ 1,239.6	\$ 1,166.9	\$ 1,107.2	\$ 1,266.8	\$ 1,320.5	\$ 1,123.2	\$ 985.9	\$ 1,088.6
Adjusted EBITDA <sup>(1)</sup>	32.0	16.7	24.6	67.5	92.6	38.5	20.6	61.3
Earnings (loss) before income taxes	125.8	41.3	(9.9)	25.8	46.5	(8.0)	(21.3)	19.0
Profit (loss)	133.4	28.2	(9.4)	19.7	34.5	(6.4)	(17.4)	12.1
Earnings (loss) per share:								
Basic	\$ 2.16	\$ 0.46	\$ (0.15)	\$ 0.32	\$ 0.57	\$ (0.10)	\$ (0.29)	\$ 0.20
Diluted	1.63	0.38	(0.15)	0.26	0.45	(0.10)	(0.29)	0.19

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

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

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

\$ millions

	2023			2022				2021
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Operating profit (loss)	\$ 140.1	\$ 55.6	\$ 5.6	\$ 40.7	\$ 61.0	\$ 5.1	\$ (9.6)	\$ 30.7
Depreciation and amortization	20.3	21.2	22.9	23.9	23.8	23.6	22.9	22.0
(Gain) loss on sale of assets	(138.6)	(69.6)	(12.2)	(7.6)	(2.5)	(0.3)	(2.1)	(1.7)
(Income) from projects accounted for using the equity method	(5.2)	(4.8)	(3.3)	(5.9)	(5.0)	(3.7)	(3.0)	(4.7)
Equity Project EBITDA <sup>(1)</sup>	15.4	14.2	11.6	16.4	15.4	13.8	12.4	15.0
Adjusted EBITDA <sup>(1)</sup>	\$ 32.0	\$ 16.7	\$ 24.6	67.5	92.6	38.5	20.6	61.3

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

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

\$ millions

	2023			2022				2021
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
<b>Aecon's proportionate share of projects accounted for using the equity method<sup>(1)</sup></b>								
<b>Operating profit</b>	\$ 15.4	\$ 14.1	\$ 11.4	\$ 16.2	\$ 15.2	\$ 13.6	\$ 12.2	\$ 14.8
<b>Depreciation and amortization</b>	-	0.1	0.2	0.2	0.2	0.2	0.2	0.2
<b>Equity Project EBITDA<sup>(2)</sup></b>	\$ 15.4	\$ 14.2	\$ 11.6	\$ 16.4	\$ 15.4	\$ 13.8	\$ 12.4	\$ 15.0

(1) Refer to Note 10 "Projects Accounted for Using the Equity Method" in the September 30, 2023 interim condensed consolidated financial statements.

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

Set out below is the calculation of Adjusted EBITDA by segment for the three months and nine months ended September 30, 2023 and 2022:

\$ millions

	Three months ended September 30, 2023				Nine months ended September 30, 2023			
	Construction	Concessions	Other costs and eliminations	Consolidated	Construction	Concessions	Other costs and eliminations	Consolidated
<b>Operating profit (loss)</b>	\$ 1.3	\$ 152.7	\$ (13.9)	\$ 140.1	\$ 10.0	\$ 169.5	\$ 21.9	\$ 201.3
<b>Depreciation and amortization</b>	14.1	5.6	0.6	20.3	46.2	16.9	1.4	64.4
<b>(Gain) loss on sale of assets</b>	(0.9)	(139.0)	1.3	(138.6)	(26.9)	(139.0)	(54.5)	(220.4)
<b>(Income) loss from projects accounted for using the equity method</b>	(0.4)	(4.8)	-	(5.2)	(0.1)	(13.2)	-	(13.3)
<b>Equity Project EBITDA<sup>(1)</sup></b>	2.4	13.0	-	15.4	5.3	35.9	-	41.2
<b>Adjusted EBITDA<sup>(1)</sup></b>	\$ 16.5	\$ 27.5	\$ (12.0)	\$ 32.0	\$ 34.5	\$ 70.1	\$ (31.2)	\$ 73.2

\$ millions

	Three months ended September 30, 2022				Nine months ended September 30, 2022			
	Other costs and				Other costs and			
	Construction	Concessions	eliminations	Consolidated	Construction	Concessions	eliminations	Consolidated
Operating profit (loss)	\$ 63.4	\$ 8.3	\$ (10.8)	\$ 60.9	\$ 77.3	\$ 15.1	\$ (35.9)	\$ 56.5
Depreciation and amortization	17.7	5.5	0.6	23.8	53.2	16.1	1.0	70.3
(Gain) on sale of assets	(2.5)	-	-	(2.5)	(4.9)	-	-	(4.9)
(Income) from projects accounted for using the equity method	(1.6)	(3.4)	-	(5.0)	(1.6)	(10.2)	-	(11.8)
Equity Project EBITDA <sup>(1)</sup>	5.0	10.4	-	15.4	10.9	30.7	-	41.6
Adjusted EBITDA <sup>(1)</sup>	\$ 82.0	\$ 20.7	\$ (10.2)	\$ 92.6	\$ 135.0	\$ 51.7	\$ (35.0)	\$ 151.7

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

Set out below is the calculation of Equity Project EBITDA by segment for the three months and nine months ended September 30, 2023 and 2022:

\$ millions

Aecon's proportionate share of projects accounted for using the equity method <sup>(1)</sup>	Three months ended September 30, 2023				Nine months ended September 30, 2023			
	Other costs and				Other costs and			
	Construction	Concessions	eliminations	Consolidated	Construction	Concessions	eliminations	Consolidated
Operating profit	\$ 2.4	\$ 13.0	\$ -	\$ 15.4	\$ 5.1	\$ 35.9	\$ -	\$ 41.0
Depreciation and amortization	-	-	-	-	0.2	-	-	0.2
Equity Project EBITDA <sup>(2)</sup>	\$ 2.4	\$ 13.0	\$ -	\$ 15.4	\$ 5.3	\$ 35.9	\$ -	\$ 41.2

\$ millions

Aecon's proportionate share of projects accounted for using the equity method <sup>(1)</sup>	Three months ended September 30, 2022				Nine months ended September 30, 2022			
	Other costs and				Other costs and			
	Construction	Concessions	eliminations	Consolidated	Construction	Concessions	eliminations	Consolidated
Operating profit	\$ 4.8	\$ 10.4	\$ -	\$ 15.2	\$ 10.4	\$ 30.7	\$ -	\$ 41.1
Depreciation and amortization	0.2	-	-	0.2	0.5	-	-	0.5
Equity Project EBITDA <sup>(2)</sup>	\$ 5.0	\$ 10.4	\$ -	\$ 15.4	\$ 10.9	\$ 30.7	\$ -	\$ 41.6

(1) Refer to Note 10 “Projects Accounted for Using the Equity Method” in the September 30, 2023 interim condensed consolidated financial statements.

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

## 10. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

### 10.1. INTRODUCTION

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

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

For further information, see Note 10 "Projects Accounted for Using the Equity Method" to the September 30, 2023 interim condensed consolidated financial statements.

## **10.2. CONTINGENCIES**

### **Coastal GasLink Pipeline, Sections 3 and 4**

The project has been delayed and impacted by various events for which SA Energy Group ("SAEG"), a partnership in which the Company holds a 50% interest, asserts Coastal GasLink ("CGL") is contractually responsible, including, but not limited to, significant scope changes and delays by CGL, unforeseen site conditions, compensable adverse weather impacts and a suspension implemented by CGL as a result of regulatory restrictions imposed due to the COVID-19 pandemic. SAEG asserts that it is entitled to additional compensation for costs associated with those delays and impacts and commenced an arbitration in the second quarter of 2021 pursuant to the terms of the contract to resolve the matter. In the third quarter of 2022, CGL issued a counterclaim, alleging breach of contract and damages arising therefrom; CGL did not articulate the amount of damages it was seeking. In the first quarter of 2023, CGL withdrew its allegations of breach of contract and related damages from its counterclaim. While this commercial dispute could result in a material impact to Aecon's earnings, cash flow, and financial position if not resolved favourably through ongoing negotiations or arbitration, the ultimate results cannot be predicted at this time.

### **Kemano Generating Station Second Tunnel Project**

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

### **K+S Potash Canada**

During the second quarter of 2018, the Company filed a statement of claim in the Court of King's Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the

Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking \$180 million in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately \$14 million in damages. The Company has recorded \$140 million of unbilled revenue and accounts receivable at September 30, 2023. Offsetting this amount to some extent, the Company has accrued \$45 million in trade and other payables for potential payments to third parties pending the outcome of the claim against KSPC. KSPC is seeking an order that the Company repay to KSPC approximately \$195 million already paid to the Company pursuant to such agreements. The Company has also been brought into two other lawsuits in the same Court between KSPC and various other contractors involved with the Legacy mine project, both relating to matters which the Company believes are materially covered by insurance coverage, to the extent of any liability. In the fourth quarter of 2022, the Court issued a decision allowing an application by Aecon to add KSPC's parent company K+S Aktiengesellschaft ("KSAG") as a defendant to the lawsuit arising from KSAG's conduct in inducing KSPC to breach its contract with Aecon. These claims may not be resolved for several years. While the Company considers KSPC's claim to be without merit and does not expect that the resolution of these claims will cause a material impact to its financial position, the ultimate results cannot be predicted at this time.

### **Critical Accounting Estimates – Certain Fixed Price Legacy Projects**

Four large fixed price legacy projects being performed by joint ventures in which Aecon is a participant (see Section 13 "Risk Factors" in the 2022 Annual MD&A), are being negatively impacted due to additional costs for which the joint ventures assert that the owners are contractually responsible, including for, among other things, unforeseeable site conditions, third party delays, impacts of COVID-19, supply chain disruptions, and inflation related to labour and materials. Revenue and income from these contracts are determined by the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs at completion of the project. The Company has a process whereby progress to completion is reviewed by management on a regular basis and estimated costs to complete are updated as necessary. Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that the relevant joint venture seeks to collect from clients for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs that the Company and the relevant joint venture believes the owner is contractually responsible. Due to unforeseen changes in estimates of the nature or cost of the work to be completed and / or changes in estimates of related revenue, contract profit can differ significantly from earlier estimates (See Section 13 "Risk Factors": "Large Project Risk", "Certain Fixed Price Legacy Projects", "Contractual Factors", "Litigation Risk and Claims Risk", "Increases in the Cost of Raw Materials", "Supply Chain Disruption", "Risks Related to the COVID-19 Pandemic and Associated Supports under Government Assistance Programs" and "Force Majeure Events" in the 2022 Annual MD&A). In the full year 2022, due to the factors discussed above that impacted these four fixed price legacy projects during the year, Aecon recognized an operating loss of \$120.0 million related to these four projects. In the three and nine-month periods ended September 30, 2023, Aecon recognized an additional operating loss of \$91.1 million and \$175.2 million, respectively, from these four legacy projects. See also Section 5 "Recent Developments" in this MD&A.

### 10.3. CASH AND DEBT BALANCES

Cash balances at September 30, 2023 and December 31, 2022 are as follows:

\$ millions		September 30, 2023		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	\$ 22	\$ 410	\$ 432
Marketable securities		-	1	1
Bank indebtedness	(3)	(30)	-	(30)
		December 31, 2022		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	\$ 20	\$ 357	\$ 377
Restricted cash	(2)	107	-	107
Marketable securities		-	1	1
Bank indebtedness	(3)	(121)	-	(121)

(1) Cash and cash equivalents include cash on deposit in bank accounts of joint operations which Aecon cannot access directly.

(2) Restricted cash is cash held by Skyport. At September 30, 2023, Aecon's 50.1% interest in Skyport is reported using the equity method of accounting (Refer to Note 10, "Projects Accounted For Using The Equity Method" in the interim condensed consolidated financial statements and Section 5 "Recent Developments" of this MD&A).

(3) Bank indebtedness represents borrowings on Aecon's revolving credit facility.

Total long-term recourse debt of \$324.9 million at September 30, 2023 compares to \$409.1 million at December 31, 2022, the composition of which is as follows:

\$ millions	September 30, 2023		December 31, 2022	
Current portion of long-term debt – recourse	\$	38.2	\$	56.6
Current portion of convertible debentures		182.7		178.9
Long-term debt – recourse		104.0		173.6
<b>Total long-term recourse debt</b>	<b>\$</b>	<b>324.9</b>	<b>\$</b>	<b>409.1</b>
Current portion of project debt – non-recourse	\$	-	\$	3.3
Long-term project debt – non-recourse		-		375.7
<b>Total project debt – non-recourse</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>379.0</b>

The \$84.2 million net decrease in total long-term recourse debt results from a decrease in equipment leases of \$53.4 million and equipment financing of \$34.6 million primarily as a result of the sale of ATE in the second quarter of 2023, partially offset by an increase in convertible debentures of \$3.8 million related to the accretion of notional interest.

The \$379.0 million decrease in long-term non-recourse project debt all relates to the financing of the Bermuda International Airport Redevelopment Project. Subsequent to the sale of a 49.9% interest in the Bermuda International Airport concessionaire in the third quarter of 2023, Aecon's remaining 50.1% interest in the long-term non-recourse project debt of this project has been included in "Projects Accounted For Using The Equity Method" in the September 30, 2023 interim condensed consolidated financial statements (See Section 5 "Recent Developments" of this MD&A and Note 10 "Projects Accounted For Using the Equity Method" to the September 30, 2023 interim condensed consolidated financial statements).

At September 30, 2023, Aecon had a committed revolving credit facility of \$600 million, of which \$30 million was drawn and \$9 million utilized for letters of credit. At September 30, 2023, cash drawings under the revolving credit facility bear interest at rates between prime and prime plus 1.85% per annum. The revolving credit facility, when combined with an additional \$900 million performance security guarantee facility to support letters of credit provided by Export Development Canada (“EDC”), brings Aecon’s committed credit facilities for working capital and letter of credit requirements to a total of \$1,500 million. On June 30, 2023, the EDC facility was extended to June 30, 2025. On December 31, 2023, convertible debentures with a face value of \$184 million will mature. The Company has no other debt or working capital credit facility maturities in 2023, except equipment and property loans and leases in the normal course. At September 30, 2023, Aecon was in compliance with all debt covenants related to its credit facility.

Aecon’s financial position, liquidity and capital resources are subject to the risks and uncertainties described in Section 10.2 “Contingencies” of this MD&A regarding certain pending legal proceedings to which Aecon is a party. Aecon and its joint venture partners also continue to advance negotiations and work towards resolution of claims for additional costs related to the four fixed price legacy projects, and in conjunction strengthen the Company’s balance sheet through reducing working capital related to these projects. While the Company believes each relevant joint venture has a strong claim to recover at least a substantial portion of these costs, the ultimate outcome of these matters cannot be predicted at this time (see Section 13 “Risk Factors”: “Certain Fixed Price Legacy Projects” of the Company’s 2022 Annual MD&A). Aecon’s operations also remain subject to uncertainties related to the unpredictability of future potential impacts related to global economic conditions, notably from supply chain disruptions, inflation related to labour and materials, and availability of labour (see Section 5 “Recent Developments” of this MD&A). As such, while the Company remains subject to risks which individually or in the aggregate, could result in material impacts to Aecon’s earnings, cash flow, liquidity and financial position, the Company believes that its current liquidity position, including its cash position, unused credit capacity, and cash generated from its operations, is sufficient to fund its operations.

In the third quarter of 2023, Aecon’s Board of Directors approved a quarterly dividend of \$0.185 per share (annual dividend of \$0.74 per share), unchanged from the prior year, to be paid to all holders of Aecon common shares. The third quarterly dividend payment of \$0.185 per share was paid on October 3, 2023.

#### **10.4. SUMMARY OF CASH FLOWS**

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

A summary of sources and uses of cash during the three and nine months ended September 30, 2023 and 2022 is as follows:

\$ millions	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
<b>Operating Activities</b>				
<b>Cash provided by (used in):</b>				
Cash flows from (used by) operations before changes in working capital	\$ 11.5	\$ 64.7	\$ (17.4)	\$ 60.5
Lower (higher) investments in working capital	99.1	(76.0)	(108.1)	(211.2)
<b>Cash provided by (used in) operating activities</b>	<b>\$ 110.6</b>	<b>\$ (11.3)</b>	<b>\$ (125.5)</b>	<b>\$ (150.7)</b>
<b>Investing Activities</b>				
<b>Cash provided by (used in):</b>				
Decrease (increase) in restricted cash balances held by Skyport to finance the Bermuda International Airport project	\$ (6.1)	\$ 1.1	\$ 2.0	\$ 10.3
Expenditures (net of proceeds) on property, plant, and equipment and intangible assets	(2.7)	(10.1)	51.6	(18.1)
Cash inflow (outflow) related to acquisitions	-	0.1	-	(5.8)
Proceeds on the sale of subsidiaries (net of cash in subsidiaries disposed)	162.3	-	317.6	-
Cash distributions received from projects accounted for using the equity method	0.1	0.3	0.5	2.0
Cash used for investments in long-term financial assets	(7.7)	-	(14.2)	-
Increase in marketable securities	-	(0.8)	-	(0.8)
<b>Cash provided by (used in) investing activities</b>	<b>\$ 145.9</b>	<b>\$ (9.4)</b>	<b>\$ 357.5</b>	<b>\$ (12.4)</b>
<b>Financing Activities</b>				
<b>Cash provided by (used in):</b>				
Increase (decrease) in bank indebtedness associated with borrowings under the Company's revolving credit facility	\$ (158.0)	\$ (10.0)	\$ (91.0)	\$ 186.7
Increase in long-term recourse debt borrowings	0.3	4.4	6.7	11.1
Repayments of long-term recourse debt relating primarily to property and equipment financing arrangements	(14.2)	(15.7)	(55.1)	(49.9)
Repayment of non-recourse project debt of the Bermuda International Airport project	(1.4)	(1.3)	(3.4)	(3.0)
Cash used for dividends paid	(11.4)	(11.3)	(34.2)	(33.2)
<b>Cash provided by (used in) financing activities</b>	<b>\$ (184.7)</b>	<b>\$ (33.9)</b>	<b>\$ (177.0)</b>	<b>\$ 111.7</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>\$ 71.8</b>	<b>\$ (54.6)</b>	<b>\$ 55.0</b>	<b>\$ (51.4)</b>
Effects of foreign exchange on cash balances	2.0	5.0	0.2	6.5
Cash and cash equivalents – beginning of period	358.6	537.4	377.2	532.7
<b>Cash and cash equivalents – end of period</b>	<b>\$ 432.4</b>	<b>\$ 487.8</b>	<b>\$ 432.4</b>	<b>\$ 487.8</b>

In the first nine months of 2023, Aecon acquired, either through purchase or lease, property, plant and equipment totaling \$28.6 million. Of this amount, \$7.0 million was largely related to office and warehouse leases in Ontario, with the balance of the investment in property, plant and equipment primarily related to the purchase or lease of new machinery and construction equipment as part of normal ongoing business operations in the Construction segment. In the first nine months of 2022, Aecon acquired, either through purchase or lease, property, plant and equipment totaling \$64.1 million. Of this amount, \$5.7 million related mainly to long-term office property leases in Alberta and Ontario and \$4.3 million related to the purchase of aggregate property in Saskatchewan, with the balance of the investment in property, plant and equipment primarily related to the

purchase or lease of new machinery and construction equipment as part of normal ongoing business operations in the Construction segment.

## 10.5. CAPITAL MANAGEMENT

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

The Company's principal objectives in managing capital are:

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

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

Although the Company monitors capital on a number of bases, including liquidity and working capital, total debt (excluding non-recourse debt and drawings on the Company's credit facility presented as bank indebtedness) as a percentage of total capitalization (debt to capitalization percentage) is considered by the Company to be the most important metric in measuring the strength and flexibility of its consolidated balance sheets. At September 30, 2023, the debt to capitalization percentage including convertible debentures as debt was 23% (December 31, 2022 - 30%). If the convertible debentures were to be excluded from debt and added to equity on the basis that they could be redeemed for equity, either at the Company's option or at the holder's option, then the adjusted debt to capitalization percentage would be 10% at September 30, 2023 (December 31, 2022 - 17%). While the Company believes these debt to capitalization percentages are acceptable, because of the cyclical nature of its business and the uncertainties described in Section 10.2 "Contingencies" and Section 5 "Recent Developments" of this MD&A, and Section 13 "Risk Factors" in the 2022 Annual MD&A, the Company will continue its efforts to maintain a conservative capital position.

Debt to capitalization percentage is presented in Note 29 "Capital Disclosures" of the Company's September 30, 2023, interim condensed consolidated financial statements.

Set out below is the calculation of the Company's debt to capitalization percentage at September 30, 2023 and December 31, 2022 using the definitions provided in the preceding paragraphs:

<b>\$ millions</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Current portion of long-term debt	\$ 38.2	\$ 56.6
Long-term debt	104.0	173.6
Current portion of convertible debentures	182.7	178.9
<b>Debt</b>	<b>\$ 324.9</b>	<b>\$ 409.1</b>
<b>Shareholder's equity</b>	<b>\$ 1,077.9</b>	<b>\$ 954.0</b>
<b>Capitalization</b>	<b>\$ 1,402.8</b>	<b>\$ 1,363.1</b>
<b>Debt to capitalization percentage</b>	<b>23%</b>	<b>30%</b>

  

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Current portion of long-term debt	\$ 38.2	\$ 56.6
Long-term debt	104.0	173.6
<b>Debt</b>	<b>\$ 142.1</b>	<b>\$ 230.2</b>
Shareholder's equity	\$ 1,077.9	\$ 954.0
Convertible debentures	182.7	178.9
<b>Shareholders' equity and convertible debentures</b>	<b>\$ 1,260.6</b>	<b>\$ 1,132.9</b>
<b>Capitalization</b>	<b>\$ 1,402.7</b>	<b>\$ 1,363.1</b>
<b>Debt (excluding convertible debentures) to capitalization percentage</b>	<b>10%</b>	<b>17%</b>

## 10.6. FINANCIAL INSTRUMENTS

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

The Company discloses information on the classification and fair value of its financial instruments, as well as on the nature and extent of risks arising from financial instruments, and related risk management in Note 28 "Financial Instruments" to the Company's September 30, 2023 interim condensed consolidated financial statements and the notes thereto.

## 11. NEW ACCOUNTING STANDARDS

Note 5 “New Accounting Standards” to Aecon’s September 30, 2023 interim condensed consolidated financial statements includes new IFRS standards and amendments that became effective for the Company on January 1, 2023, and Note 6 “Future Accounting Changes” discusses IFRS standards and amendments that are issued, but not yet effective.

The new accounting standards had no significant impact on profit (loss), comprehensive income (loss), or earnings (loss) per share in the first nine months of 2023.

## 12. SUPPLEMENTAL DISCLOSURES

### Disclosure Controls and Procedures

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

### Changes in Internal Controls over Financial Reporting

There have been no changes in the Company’s internal controls over financial reporting during the period beginning on July 1, 2023 and ended on September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

### Contractual Obligations

Aecon has obligations for equipment, premises under lease, and convertible debentures at September 30, 2023 as follows:

<b>\$ millions</b>	<b>Finance lease payments</b>	<b>Equipment and other loans</b>	<b>Convertible debentures <sup>(1)</sup></b>
Due within one year	\$ 37.9	\$ 5.3	\$ 189.4
Due between one and five years	80.6	15.0	-
Due after five years	10.6	7.9	-
	<b>\$ 129.1</b>	<b>\$ 28.2</b>	<b>\$ 189.4</b>

<sup>(1)</sup> Assumes all convertible debentures are redeemed at maturity for cash.

At September 30, 2023, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was \$6,202 million.

Further details on Contractual Obligations are included in the Company’s 2022 Annual MD&A.

### **Defined Benefit Pension Plans**

Aecon’s defined benefit pension plans (the “Pension Plans”) had a combined deficit of \$0.8 million at September 30, 2023 (December 31, 2022 a combined deficit of \$0.9 million). The defined benefit obligations and benefit cost levels will change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future experience gains or losses, none of which have been anticipated at this time. Emerging experience, differing from assumptions, will result in gains or losses that will be disclosed in future accounting valuations. Refer to the Company’s 2022 Annual MD&A for further details regarding Aecon’s Pension Plans.

Further details of contingencies and guarantees are included in the September 30, 2023 interim condensed consolidated financial statements and in the 2022 Annual MD&A.

### **Related Party Transactions**

Other than transactions with certain equity accounted investees as part of the normal course of operations, there were no significant related party transactions in the first nine months of 2023.

### **Critical Accounting Estimates and Judgments**

Refer to the detailed discussion outlined in Note 4 “Critical Accounting Estimates” of the September 30, 2023 interim condensed consolidated financial statements.

## **13. RISK FACTORS**

Refer to the detailed discussion on Risk Factors as outlined in the Company’s 2022 Annual MD&A dated February 28, 2023. These risk factors could materially and adversely affect the Company’s future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. These risks and uncertainties which management reviews on a quarterly basis, have not materially changed in the period since February 28, 2023 except as described in Section 10.2 “Contingencies” and Section 10.3 “Cash And Debt Balances” in this MD&A.

## 14. OUTSTANDING SHARE DATA

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

<b>In thousands of dollars (except share amounts)</b>	<b><u>October 25, 2023</u></b>
Number of common shares outstanding	61,776,516
Outstanding securities exchangeable or convertible into common shares:	
Principal amount of convertible debentures outstanding (See Note 17 "Convertible Debentures" to the September 30, 2023 interim condensed consolidated financial statements)	\$ 195,413
Number of common shares issuable on conversion of convertible debentures	8,017,429
Increase in paid-up capital on conversion of convertible debentures	\$ 195,413
DSUs and RSUs outstanding under the Long-Term Incentive Plan and the 2014 Director DSU Plan	4,566,356

## 15. OUTLOOK

Demand for Aecon's services across Canada continues to be strong. During the first nine months of 2023, Aecon was awarded a number of projects that were added to backlog including delivery of the Deerfoot Trail Improvements project in Calgary, Alberta and an Aecon joint venture was awarded the Fuel Channel and Feeder Replacement contract for four units at the Bruce Nuclear Generating Station in Tiverton, Ontario. In addition, during 2022, a consortium in which Aecon is a participant was selected to deliver the long-term GO Expansion On-Corridor Works project in Ontario under a progressive design, build, operate and maintain contract model which begins with a two-year development phase leading into the main construction scope and a 25-year operations and maintenance component, while another consortium in which Aecon is a participant was selected as the development partner for the Scarborough Subway Extension Stations, Rail and Systems project in Ontario to be delivered using a progressive design-build model. None of the anticipated work from these two significant long-term progressive design-build projects is yet reflected in backlog. Aecon (including joint ventures in which Aecon is a participant) is also prequalified on a number of project bids due to be awarded during the next twelve months and has a pipeline of opportunities to further add to backlog over time. With backlog of \$6.2 billion at September 30, 2023 and recurring revenue programs continuing to see robust demand, Aecon believes it is positioned to achieve further revenue growth over the next few years.

While volatile global and Canadian economic conditions are impacting inflation, interest rates, and overall supply chain efficiency, these factors have stabilized to some extent and have largely been and will continue to be reflected in the pricing and commercial terms of the Company's recent and prospective project awards and bids. However, certain ongoing joint venture projects that were bid some years ago have experienced impacts related, in part, to those factors, that will require satisfactory resolution of claims with the respective clients. Results have been negatively impacted by these four legacy projects in recent periods, undermining positive revenue and profitability trends in the balance of Aecon's business. Until these projects are complete and related claims have been resolved, there is a risk that this could also occur in future periods – see Section 5 “Recent Developments” and Section 10.2 “Contingencies” in this MD&A and Section 13 “Risk Factors” in the 2022 Annual MD&A regarding the risk on four large fixed price legacy projects entered into in 2018 or earlier by joint ventures in which Aecon is a participant.

On May 1, 2023, Aecon announced the closing of the previously disclosed definitive purchase agreement with GIP under which Aecon sold its ATE operations. Net cash proceeds received on closing, net of debt and cash assumed by the purchaser, were \$155.3 million. On September 20, 2023, Aecon announced the closing of the previously disclosed agreement with CC&L Infrastructure to sell a 49.9% interest in Skyport. The final sale price was \$162.3 million (US\$120.0 million) in cash following certain closing adjustments. Aecon plans to maintain a disciplined capital allocation approach focused on long-term shareholder value.

Subsequent to quarter end, on October 23, 2023 Aecon announced a strategic investment by Oaktree in Aecon Utilities. The investment subsequently closed on October 24, 2023. Oaktree acquired a minority ownership interest in Aecon Utilities by way of a net \$150 million convertible preferred equity investment. The Investment creates a vehicle to address attractive industry growth opportunities across utility end-markets in Canada and the U.S., provides financial flexibility to accelerate Aecon Utilities' acquisition strategy, introduces a recognized value-added partner in Oaktree with a successful track record in utilities infrastructure investing, and strengthens Aecon's consolidated balance sheet with Aecon receiving proceeds of \$150 million from the Investment. This provides Aecon the financial flexibility to fund strategic growth initiatives. In addition to Aecon Utilities' new credit facility of \$400 million, Aecon has a separate committed revolving credit facility of \$450 million that replaces its prior \$600 million facility.

In the Construction segment, with strong demand, growing recurring revenue programs, and diverse backlog in hand, Aecon is focused on achieving solid execution on its projects and selectively adding to backlog through a disciplined bidding approach that supports long-term margin improvement in this segment. In addition to the selection of consortiums in which Aecon is a participant for two large transit related projects in 2022 noted above, in early 2023, a partnership in which Aecon is a participant announced that it had executed a six-year alliance agreement with Ontario Power Generation to deliver North America's first grid-scale Small Modular Reactor through the Darlington New Nuclear Project in Clarington, Ontario. In addition, Oneida LP, a consortium in which Aecon Concessions is an 8.35% equity partner, executed an agreement with the Independent Electricity System Operator for the Oneida Energy Storage Project to deliver a 250 megawatt / 1,000 megawatt-hour energy storage facility near Nanticoke Ontario, with Aecon awarded a \$141 million Engineering, Procurement and Construction contract by Oneida LP. All of these projects further demonstrate Aecon's strategic focus in the industry with respect to projects linked to decarbonization, energy transition, and sustainability and represent more collaborative procurement models than have traditionally been used.

In the Concessions segment, in addition to expecting an ongoing recovery in travel through the Bermuda International Airport through 2023, there are a number of opportunities to add to the existing portfolio of Canadian and international concessions in the next 12 to 24 months, including projects with private sector clients that support a collective focus on sustainability and the transition to a net-zero economy. The GO Expansion On-Corridor Works project and the Oneida Energy Storage project noted above are examples of the role Aecon's Concessions segment is playing in developing, operating and maintaining assets related to this transition.

At September 30, 2023, Aecon had a committed revolving credit facility of \$600 million, of which \$30 million was drawn and \$9 million utilized for letters of credit. On December 31, 2023, convertible debentures with a face value of \$184 million will mature and the Company expects to repay these debentures at maturity or before. The Company has no other debt or working capital credit facility maturities in 2023, except equipment loans and leases in the normal course.

**AECON GROUP INC.**  
THIRD QUARTER

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

September 30, 2023

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

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# CONSOLIDATED BALANCE SHEETS

AS AT SEPTEMBER 30, 2023 AND DECEMBER 31, 2022

(in thousands of Canadian dollars) (unaudited)

	Note	September 30 2023	December 31 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	\$ 432,412	\$ 377,212
Restricted cash	7	-	107,033
Marketable securities		836	800
Trade and other receivables	8	1,042,515	1,023,578
Unbilled revenue		759,362	685,258
Inventories	9	29,680	37,620
Income tax recoverable		24,754	14,768
Prepaid expenses		100,642	76,985
		<b>2,390,201</b>	<b>2,323,254</b>
<b>Non-current assets</b>			
Long-term financial assets		16,008	3,812
Projects accounted for using the equity method	10	248,437	107,871
Deferred income tax assets		91,188	74,626
Property, plant and equipment	11	248,147	395,101
Intangible assets	12	124,644	662,353
		<b>728,424</b>	<b>1,243,763</b>
<b>TOTAL ASSETS</b>		<b>\$ 3,118,625</b>	<b>\$ 3,567,017</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank indebtedness	13	\$ 30,000	\$ 120,979
Trade and other payables	14	1,178,297	1,064,048
Provisions	15	18,950	14,579
Deferred revenue		354,400	386,560
Income taxes payable		8,865	9,508
Current portion of non-recourse project debt	16	-	3,347
Current portion of long-term debt	16	38,156	56,564
Convertible debentures	17	182,706	178,878
		<b>1,811,374</b>	<b>1,834,463</b>
<b>Non-current liabilities</b>			
Provisions	15	3,794	6,318
Non-recourse project debt	16	-	375,654
Long-term debt	16	103,979	173,638
Concession related deferred revenue	18	-	97,412
Deferred income tax liabilities		120,834	124,680
Other liabilities		767	857
		<b>229,374</b>	<b>778,559</b>
<b>TOTAL LIABILITIES</b>		<b>2,040,748</b>	<b>2,613,022</b>
<b>EQUITY</b>			
Capital stock	22	423,167	419,357
Convertible debentures	17	12,707	12,707
Contributed surplus		74,913	63,312
Retained earnings		553,105	435,305
Accumulated other comprehensive income		13,985	23,314
<b>TOTAL EQUITY</b>		<b>1,077,877</b>	<b>953,995</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 3,118,625</b>	<b>\$ 3,567,017</b>
Contingencies (Note 21)			

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

# CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022  
(in thousands of Canadian dollars, except per share amounts) (unaudited)

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

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022  
(in thousands of Canadian dollars) (unaudited)

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

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

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

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

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

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

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(in thousands of Canadian dollars) (unaudited)

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

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

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

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

## 1. CORPORATE INFORMATION

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

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

## 2. DATE OF AUTHORIZATION FOR ISSUE

The interim condensed consolidated financial statements of the Company were authorized for issue on October 25, 2023 by the Board of Directors of the Company.

## 3. BASIS OF PRESENTATION

### Basis of presentation

The Company prepares its interim condensed consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) applicable to the preparation of interim financial statements including International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The interim condensed consolidated financial statements do not include all the information and disclosures required in the Company’s annual consolidated financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2022. The accounting policies that are set out in Note 5, “*Summary of Significant Accounting Policies*” to the Company’s annual consolidated financial statements for the year ended December 31, 2022 and in the policy in the paragraph below were consistently applied to all periods presented, except for new accounting standards and amendments that became effective on January 1, 2023 as described in Note 5, “*New Accounting Standards*”.

### Accounting policy for the loss of control of a subsidiary

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

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

### Seasonality

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

### Basis of measurement

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

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

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

## Principles of consolidation

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

## 4. CRITICAL ACCOUNTING ESTIMATES

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

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

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

The Company's significant accounting policies are described in Note 5, "*Summary of Significant Accounting Policies*", in the Company's annual consolidated financial statements for the year ended December 31, 2022. The following discussion is intended to describe those judgments and key assumptions concerning major sources of estimation uncertainty at the end of the reporting period that have the most significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

## ECONOMIC CONDITIONS

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

Any estimate of the length and severity of these developments is subject to significant uncertainty, and accordingly estimates of the extent to which the ongoing economic conditions may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty. Therefore, uncertainty about judgments, estimates and assumptions made by management during the preparation of the Company's consolidated financial statements related to potential impacts of these economic conditions on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected. The major sources of estimation uncertainty and judgment affecting the Company are discussed in greater detail below.

### 4.1 MAJOR SOURCES OF ESTIMATION UNCERTAINTY

#### REVENUE AND GROSS PROFIT RECOGNITION

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of Canadian dollars, except per share amounts) (unaudited)

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

A change order results from a change to the scope of the work to be performed compared to the original contract that was signed. Unpriced change orders are change orders that have been approved as to scope but unapproved as to price. Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that the Company seeks to collect from clients for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. Management, in making judgments, estimates and assumptions that affect the contract revenue and cost amounts from unpriced change orders and claims, also considered the impacts of recent economic conditions on the Company's operations. As noted above in greater detail, Aecon's operations since 2020 were impacted at varying times by supply chain disruptions, inflation related to labour and materials, and availability of labour, or by other impacts on air traffic. These judgments, estimates and assumptions affecting the revenue and cost forecasts of individual performance obligations were based on facts and circumstances that existed at the time when such judgments, estimates and assumptions were made. In accordance with the Company's accounting policy, unpriced change orders and claims are recognized in revenue at the amount the Company expects to be entitled to, where it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Where such revenue amounts cannot be estimated with reasonable assurance, they are excluded from the revenue forecast of the related performance obligation. Therefore, it is possible for the Company to have substantial contract costs recognized in one accounting period with associated revenue recognized in a later period.

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

## LITIGATION RISK AND CLAIMS RISK

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

The Company also pursues claims against project owners for additional costs exceeding the contract price or for amounts not included in the original contract price. When these types of events occur and unresolved claims are pending, the

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of Canadian dollars, except per share amounts) (unaudited)

Company may invest significant working capital in projects to cover costs pending the resolution of the relevant claims. A failure to ultimately recover on claims could have a material effect on liquidity and financial results.

## FAIR VALUING FINANCIAL INSTRUMENTS

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

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

## INCOME TAXES

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

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

## IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of Canadian dollars, except per share amounts) (unaudited)

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

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

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

## 4.2 JUDGMENTS

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

### BASIS FOR CONSOLIDATION AND CLASSIFICATION OF JOINT ARRANGEMENTS

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

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

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

### SERVICE CONCESSION ARRANGEMENTS

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

### DISCONTINUED OPERATIONS

The determination of whether a component of the Company, that either has been disposed of or is classified as held for sale, should be classified as a discontinued operation requires the exercise of judgment by management. The classification can have a significant impact on the presentation in the consolidated financial statements. In the third quarter of 2023, the Company completed the sale of a 49.9% interest in L.F. Wade International Airport (Bermuda International Airport) concessionaire, Bermuda Skyport Corporation Limited ("Skyport"). In management's judgment,

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of Canadian dollars, except per share amounts) (unaudited)

Skyport does not meet the criteria for classification as a discontinued operation. In making such determinations, management examined all the lines of business the Company currently operates in, and the geographic markets the Company participates in. With respect to Skyport, the Company will retain the management contract for the airport and joint control of Skyport with a 50.1% retained interest. The Concessions segment also continues its role of investing, developing, financing, operating and maintaining infrastructure projects by way of contractual structures in the global marketplace for public-private partnerships (“P3”).

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

## 5. NEW ACCOUNTING STANDARDS

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

### **Disclosure of Accounting Policies (Amendments to IAS 1)**

The amendments to IAS 1 require an entity to disclose its material accounting policies instead of its significant accounting policies. The amendments clarify that accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements.

### **Definition of Accounting Estimates (Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors)**

The amendments to IAS 8 provide guidance to assist entities in distinguishing between accounting policies and accounting estimates. The amendments replace the definition of a change in accounting estimates with the definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

### **Deferred Tax on Assets and Liabilities Arising From Lease and Decommissioning Obligation Transactions (Amendments to IAS 12, Income Taxes)**

The amendments to IAS 12 provide clarifications in accounting for deferred tax on certain transactions such as leases and decommissioning obligations. The amendments clarify that the initial recognition exemption does not apply to transactions such as leases and decommissioning obligations. As a result, entities may need to recognize both a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of leases and decommissioning obligations.

### **IFRS 17, Insurance Contracts**

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

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

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

## 6. FUTURE ACCOUNTING CHANGES

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

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

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

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

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

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

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

## 7. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

	September 30 2023	December 31 2022
Cash balances excluding joint operations	\$ 22,399	\$ 19,815
Cash balances of joint operations	410,013	357,397
	<b>\$ 432,412</b>	<b>\$ 377,212</b>
Restricted cash	\$ -	\$ 107,033
	<b>\$ -</b>	<b>\$ 107,033</b>

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

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

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

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

## 8. TRADE AND OTHER RECEIVABLES

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

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

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

## 9. INVENTORIES

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

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

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

## 10. PROJECTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

	September 30, 2023			December 31, 2022		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Cash and cash equivalents	\$ 57,426	\$ -	\$ 57,426	\$ 59,236	\$ -	\$ 59,236
Other current assets	171,949	-	171,949	329,360	-	329,360
<b>Total current assets</b>	<b>229,375</b>	<b>-</b>	<b>229,375</b>	<b>388,596</b>	<b>-</b>	<b>388,596</b>
Non-current assets	1,317,461	-	1,317,461	961,538	-	961,538
<b>Total assets</b>	<b>1,546,836</b>	<b>-</b>	<b>1,546,836</b>	<b>1,350,134</b>	<b>-</b>	<b>1,350,134</b>
Trade and other payables and provisions	167,928	-	167,928	365,108	45	365,153
<b>Total current liabilities</b>	<b>167,928</b>	<b>-</b>	<b>167,928</b>	<b>365,108</b>	<b>45</b>	<b>365,153</b>
Non-current financial liabilities	1,125,308	-	1,125,308	871,630	-	871,630
Other non-current liabilities	5,163	-	5,163	5,480	-	5,480
<b>Total non-current liabilities</b>	<b>1,130,471</b>	<b>-</b>	<b>1,130,471</b>	<b>877,110</b>	<b>-</b>	<b>877,110</b>
<b>Total liabilities</b>	<b>1,298,399</b>	<b>-</b>	<b>1,298,399</b>	<b>1,242,218</b>	<b>45</b>	<b>1,242,263</b>
<b>Net assets (liabilities)</b>	<b>\$ 248,437</b>	<b>\$ -</b>	<b>\$ 248,437</b>	<b>\$ 107,916</b>	<b>\$ (45)</b>	<b>\$ 107,871</b>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and leasehold improvements	Aggregate properties	Machinery and construction equipment	Office equipment, furniture and fixtures, and computer hardware	Vehicles	Total
<b>Cost</b>							
Balance at January 1, 2023	\$ 52,283	\$ 178,749	\$ 60,499	\$ 388,230	\$ 43,464	\$ 79,375	\$ 802,600
Additions - purchased assets	120	382	1,986	5,908	2,350	501	11,247
Additions - right-of-use assets	1,400	5,136	-	3,599	-	7,246	17,381
Disposals	(a) (15,264)	(33,601)	(40,613)	(171,202)	(7,983)	(22,106)	(290,769)
Foreign currency translation adjustments	-	(2)	-	(7)	(2)	2	(9)
Balance at September 30, 2023	\$ 38,539	\$ 150,664	\$ 21,872	\$ 226,528	\$ 37,829	\$ 65,018	\$ 540,450
<b>Accumulated depreciation and impairment</b>							
Balance at January 1, 2023	1,082	81,581	21,456	213,276	39,163	50,941	407,499
Depreciation - purchased assets	-	3,807	1,139	11,064	1,673	710	18,393
Depreciation - right-of-use assets	(b) 400	6,171	-	9,280	-	6,619	22,470
Disposals	(a) (198)	(16,766)	(13,105)	(103,544)	(7,529)	(14,914)	(156,056)
Foreign currency translation adjustments	-	-	-	(1)	(1)	(1)	(3)
Balance at September 30, 2023	\$ 1,284	\$ 74,793	\$ 9,490	\$ 130,075	\$ 33,306	\$ 43,355	\$ 292,303
<b>Net book value at September 30, 2023</b>	<b>\$ 37,255</b>	<b>\$ 75,871</b>	<b>\$ 12,382</b>	<b>\$ 96,453</b>	<b>\$ 4,523</b>	<b>\$ 21,663</b>	<b>\$ 248,147</b>
<b>Net book value at January 1, 2023</b>	<b>\$ 51,201</b>	<b>\$ 97,168</b>	<b>\$ 39,043</b>	<b>\$ 174,954</b>	<b>\$ 4,301</b>	<b>\$ 28,434</b>	<b>\$ 395,101</b>

**Net book value of right-of-use assets included in property, plant & equipment at January 1, 2023**

	\$ 964	\$ 33,518	\$ 75	\$ 86,527	\$ -	\$ 25,833	\$ 146,917
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**Net book value of right-of-use assets included in property, plant & equipment at September 30, 2023**

	\$ 1,964	\$ 30,411	\$ 75	\$ 36,557	\$ -	\$ 19,505	\$ 88,512
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(a) Includes disposals of property, plant and equipment related to the sales of ATE and Skyport. See Note 24 "Other Income" for further information on the sales of ATE and a 49.9% interest in Skyport. Subsequent to the sale of a 49.9% interest in Skyport in the third quarter of 2023, Aecon's remaining 50.1% interest in the Skyport concession joint venture is accounted for using the equity method (see Note 10, "Projects Accounted For Using The Equity Method").

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

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

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

## 12. INTANGIBLE ASSETS

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

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

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

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

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

## 13. BANK INDEBTEDNESS

	September 30 2023	December 31 2022
Bank indebtedness	\$ 30,000	\$ 120,979
	<b>\$ 30,000</b>	<b>\$ 120,979</b>

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

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

## 14. TRADE AND OTHER PAYABLES

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

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

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## 15. PROVISIONS

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

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

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

### LONG-TERM DEBT

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

The following describes the components of long-term debt:

- At September 30, 2023, leases of \$117,520 (December 31, 2022 - \$170,959) bore interest at fixed rates averaging 4.08% (December 31, 2022 - 3.52%) per annum, with specific equipment provided as security.
- At September 30, 2023, equipment and other loans of \$24,615 (December 31, 2022 - \$59,243) bore interest at fixed rates averaging 3.57% (December 31, 2022 - 3.08%) per annum, with specific equipment provided as security.

The weighted average interest rate on total long-term debt outstanding (excluding convertible debentures and non-recourse project debt) at September 30, 2023 was 3.99% (December 31, 2022 - 3.41%).

Expenses relating to short-term leases and leases of low-value assets recognized in the statement of income during the three and nine months ended September 30, 2023 were \$28,243 and \$71,226 respectively (2022 - \$24,420 and \$67,143 respectively).

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

See Note 11, “*Property, Plant and Equipment*” for further details of additions to right-of-use assets and depreciation charged on right-of-use assets during the nine months ended September 30, 2023.

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

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

**NON-RECOURSE PROJECT DEBT**

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

(a) Non-recourse project debt represents the debt of Skyport. Included in the Company’s consolidated balance sheet at December 31, 2022 is debt, net of transaction costs, of \$379,001 (US\$279,829). At September 30, 2023, the Company’s 50.1% interest in the Skyport concession joint venture is accounted for using the equity method (see Note 10, “*Projects Accounted For Using The Equity Method*”). This debt is secured by the assets of Skyport and is without recourse to the Company.

The financing is denominated in US dollars and bears interest at 5.90% annually. Debt repayments, made from Restricted Cash, commenced in 2022 and are scheduled to continue until 2042.

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## 17. CONVERTIBLE DEBENTURES

Convertible subordinated debentures consist of:

	September 30 2023	December 31 2022
<b>Debt component:</b>		
Debenture maturing on December 31, 2023 - 5.0% Debentures	182,706	178,878
<b>Total convertible debentures</b>	<b>\$ 182,706</b>	<b>\$ 178,878</b>
<b>Reported as:</b>		
<b>Current liabilities:</b>		
Convertible debentures	182,706	178,878
	<b>\$ 182,706</b>	<b>\$ 178,878</b>
	September 30 2023	December 31 2022
<b>Equity component:</b>		
Debenture maturing on December 31, 2023 - 5.0% Debentures	\$ 12,707	\$ 12,707

Finance cost associated with the debentures consists of:

	For the three months ended		For the nine months ended	
	September 30 2023	September 30 2022	September 30 2023	September 30 2022
Interest expense on face value	\$ 2,300	\$ 2,300	\$ 6,900	\$ 6,900
Notional interest representing accretion	1,285	1,249	3,828	3,721
	<b>\$ 3,585</b>	<b>\$ 3,549</b>	<b>\$ 10,728</b>	<b>\$ 10,621</b>

At the holder's option, the 5.0% Debentures may be converted into common shares of the Company at any time up to the maturity dates at a conversion price of \$22.95 for each common share, subject to adjustment in certain circumstances. The 5.0% Debentures were not redeemable before December 31, 2022. From December 31, 2022 through to the maturity date, the Company, at its option, may redeem the 5.0% Debentures, in whole or in part, at par plus accrued and unpaid interest.

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

## 18. CONCESSION RELATED DEFERRED REVENUE

Concession related deferred revenue consists of:

	September 30 2023	December 31 2022
Bermuda International Airport Redevelopment Project	\$ -	\$ 97,412
	<b>\$ -</b>	<b>\$ 97,412</b>

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As part of acquiring, in 2017, the rights to operate the Existing Bermuda Airport, concession related deferred revenue includes the estimated value of the “inducement” received by Skyport to develop, finance and operate the New Airport Terminal as well as development funds related to the Bermuda International Airport Redevelopment Project. These concession deferred revenue amounts are amortized to earnings over the term of the New Airport Terminal concession period. The New Airport Terminal commenced operations on December 9, 2020. For the three and nine months ended September 30, 2023, the amounts recognized as revenue up to the date of its sale, included in the Company’s consolidated income statements were \$996 and \$3,001 respectively (2022 - \$961 and \$2,854 respectively).

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

## 19. INCOME TAXES

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

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

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

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## 20. EMPLOYEE BENEFIT PLANS

Employee future benefit expenses for the period are as follows:

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

## 21. CONTINGENCIES

### Coastal GasLink Pipeline, Sections 3 and 4

The project has been delayed and impacted by various events for which SA Energy Group ("SAEG"), a partnership in which the Company holds a 50% interest, asserts Coastal GasLink ("CGL") is contractually responsible, including, but not limited to, significant scope changes and delays by CGL, unforeseen site conditions, compensable adverse weather impacts and a suspension implemented by CGL as a result of regulatory restrictions imposed due to the COVID-19 pandemic. SAEG asserts that it is entitled to additional compensation for costs associated with those delays and impacts and commenced an arbitration in the second quarter of 2021 pursuant to the terms of the contract to resolve the matter. In the third quarter of 2022, CGL issued a counterclaim, alleging breach of contract and damages arising therefrom; CGL did not articulate the amount of damages it was seeking. In the first quarter of 2023, CGL withdrew its allegations of breach of contract and related damages from its counterclaim. While this commercial dispute could result in a material impact to Aecon's earnings, cash flow, and financial position if not resolved favourably through ongoing negotiations or arbitration, the ultimate results cannot be predicted at this time.

### Kemano Generating Station Second Tunnel Project

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

### K+S Potash Canada

During the second quarter of 2018, the Company filed a statement of claim in the Court of King's Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking \$180,000

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in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately \$14,000 in damages. The Company has recorded \$140,282 of unbilled revenue and accounts receivable at September 30, 2023. Offsetting this amount to some extent, the Company has accrued \$45,000 in trade and other payables for potential payments to third parties pending the outcome of the claim against KSPC. KSPC is seeking an order that the Company repay to KSPC approximately \$195,000 already paid to the Company pursuant to such agreements. The Company has also been brought into two other lawsuits in the same Court between KSPC and various other contractors involved with the Legacy mine project, both relating to matters which the Company believes are materially covered by insurance coverage, to the extent of any liability. In the fourth quarter of 2022, the Court issued a decision allowing an application by Aecon to add KSPC's parent company K+S Aktiengesellschaft ("KSAG") as a defendant to the lawsuit arising from KSAG's conduct in inducing KSPC to breach its contract with Aecon. These claims may not be resolved for several years. While the Company considers KSPC's claim to be without merit and does not expect that the resolution of these claims will cause a material impact to its financial position, the ultimate results cannot be predicted at this time.

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

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

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

	Project	September 30 2023
<b>Letters of credit:</b>		
Financial and performance - issued by Export Development Canada	Various joint arrangement projects	\$ 595,889
Financial and performance - issued in the normal conduct of business	Various	\$ 16,263

Under the terms of many of the Company's associate and joint arrangement contracts with project owners, each of the partners is jointly and severally liable for performance under the contracts. At September 30, 2023, the value of uncompleted work for which the Company's associate and joint arrangement partners are responsible, and which the Company could be responsible for assuming, amounted to approximately \$5,155,857 a portion of which is supported by performance bonds. In the event the Company assumed this additional work, it would have the right to receive the partner's share of billings to the project owners pursuant to the respective associate or joint arrangement contract.

## 22. CAPITAL STOCK

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

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (in thousands of Canadian dollars, except per share amounts) (unaudited)

## STOCK-BASED COMPENSATION

### Long-Term Incentive Plan

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

For the three and nine months ended September 30, 2023, the Company recorded LTIP compensation charges of \$6,256 (2022 - \$4,342) and \$15,029 (2022 - \$13,407) respectively.

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

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

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

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

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

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

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

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

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

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For the three and nine months ended September 30, 2023, the Company recorded an ESU compensation expense of \$215 (2022 - \$846) and \$928 (2022 - \$1,528), respectively.

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

	For the nine months ended September 30, 2023		
	LTIP	Director DSUs	ESUs
Share Units			
Balance outstanding - beginning of period	2,986,486	476,660	313,403
Granted	1,374,288	111,349	29,700
Dividend equivalent rights	189,833	25,864	26,110
Settled	(240,779)	(38,273)	(52,172)
Forfeited	(51,395)	-	(25,581)
Balance outstanding - end of period	4,258,433	575,600	291,460

	Weighted Average Grant Date Fair Value Per Unit			
Balance outstanding - beginning of period	\$ 15.40	\$ 13.57	\$ 17.25	
Granted including Director DSU fair value adjustments	12.72	15.48	11.51	
Dividend equivalent rights	14.85	15.90	17.14	
Settled	14.63	15.78	16.26	
Forfeited	14.11	-	15.25	
Balance outstanding - end of period	\$ 14.57	\$ 13.90	\$ 17.00	

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

## 23. EXPENSES

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

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

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

Reported as:

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

## 24. OTHER INCOME

	For the three months ended		For the nine months ended	
	September 30 2023	September 30 2022	September 30 2023	September 30 2022
Foreign exchange gain (loss)	\$ (432)	\$ 1,076	\$ 416	\$ 1,019
Gain on sale of property, plant and equipment	1,041	2,542	44,922	4,944
Gain on sale of subsidiaries	137,545	-	175,545	-
<b>Total other income</b>	<b>\$ 138,154</b>	<b>\$ 3,618</b>	<b>\$ 220,883</b>	<b>\$ 5,963</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. The transaction price remains subject to customary closing adjustments. ATE provided roadbuilding infrastructure solutions throughout Ontario to the provincial government, municipalities, and private clients. The financial results of ATE prior to its sale were reported in the construction segment. For the three and nine months ended September 30, 2023, the Company recorded a loss on sale of \$(1,480) (2022 - \$nil) and gain on sale of \$36,520 (2022 - \$nil) respectively, which were included in other income in the consolidated income statements.

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

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

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

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## 25. FINANCE COST

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

## 26. EARNINGS PER SHARE

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

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

<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.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**27. SUPPLEMENTARY CASH FLOW INFORMATION**

**Change in other balances relating to operations**

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

**Cash flows from interest**

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

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

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

## 28. FINANCIAL INSTRUMENTS

### Fair value

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar but does not hold or issue such financial instruments for speculative trading purposes. At September 30, 2023, the Company had contracts to buy US\$4,400, sell US\$13,500, and sell €1,300 (December 31, 2022 – buy US\$10,200, sell US\$nil, and sell €nil, respectively), on which there was a cumulative net unrealized exchange gain of \$574 recorded in the consolidated statements of income at that date (December 31, 2022 - gain \$713). In addition, at September 30, 2023, outstanding contracts to buy US\$42,801 (December 31, 2022 – buy US\$96,420) were designated as cash flow hedges on which there was a cumulative unrealized gain recorded in other comprehensive income of \$3,261 (December 31, 2022 – gain \$6,710). The net unrealized exchange gain or loss represents the estimated amount the Company would have received/paid if it terminated the contracts at the end of the respective periods.

In addition, some of the Company's investments in projects accounted for using the equity method enter into derivative financial instruments, namely interest rate swaps, to hedge the variability of interest rates related to non-recourse project debt. At September 30, 2023, for these derivative financial instruments designated as cash flow hedges, there was a cumulative unrealized gain recorded in other comprehensive income of \$13,619 (December 31, 2022 - gain \$19,210).

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

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

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

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

During the nine months ended September 30, 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

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

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## Risk management

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

## Credit risk

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

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

## Liquidity risk

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

Contractual maturities for financial liabilities at September 30, 2023 are as follows:

	Due within one year	Due between one and five years	Due after five years	Total undiscounted cash flows	Effect of interest	Carrying value
Bank indebtedness	\$ -	\$ 30,000	\$ -	\$ 30,000	\$ -	\$ 30,000
Trade and other payables	\$ 1,178,297	\$ -	\$ -	\$ 1,178,297	\$ -	\$ 1,178,297
Leases	\$ 37,866	\$ 80,637	\$ 10,607	\$ 129,110	\$ (11,590)	\$ 117,520
Equipment and other loans	5,348	14,973	7,906	28,227	(3,612)	24,615
	43,214	95,610	18,513	157,337	(15,202)	142,135
Convertible debentures	189,367	-	-	189,367	(6,661)	182,706
Long-term financial liabilities	\$ 232,581	\$ 95,610	\$ 18,513	\$ 346,704	\$ (21,863)	\$ 324,841

## Interest rate risk

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

For the nine months ended September 30, 2023, a 1% increase or a 1% decrease in interest rates applied to the Company's variable rate long-term debt would not have a significant impact on net earnings or comprehensive income.

## Currency risk

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

At September 30, 2023, a 10% change in the US dollar against the Canadian dollar would have impacted the Company's profit or loss in the current period by \$741 because of currency exposures. The sensitivity analysis includes foreign currency denominated monetary items but excludes all investments in joint ventures and hedges and adjusts their translation at year-end for the above 10% change in foreign currency rates.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022  
(in thousands of Canadian dollars, except per share amounts) (unaudited)**

**29. CAPITAL DISCLOSURES**

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

Although the Company monitors capital on a number of bases, including liquidity and working capital, total debt (excluding non-recourse debt and drawings on the Company's credit facility presented as bank indebtedness) as a percentage of total capitalization (debt to capitalization percentage) is considered by the Company to be the most important metric in measuring the strength and flexibility of its consolidated balance sheets. At September 30, 2023, the debt to capitalization percentage including convertible debentures as debt was 23% (December 31, 2022 - 30%). If the convertible debentures were to be excluded from debt and added to equity on the basis that they could be redeemed for equity, either at the Company's option or at the holder's option, then the adjusted debt to capitalization percentage would be 10% at September 30, 2023 (December 31, 2022 - 17%). While the Company believes these debt to capitalization percentages are acceptable, because of the cyclical nature of its business, and due to the uncertainties described in Note 4, "Critical Accounting Estimates" and Note 21, "Contingencies", the Company will continue its current efforts to maintain a conservative capital position.

At September 30, 2023, the Company complied with all of its financial debt covenants.

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

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

## 30. OPERATING SEGMENTS

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

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

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

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

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

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

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

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

	For the three months ended September 30, 2023			
	Construction	Concessions	Other and eliminations	Total
<b>Consolidated statements of income</b>				
External customer revenue	\$ 1,213,290	\$ 26,294	\$ -	\$ 1,239,584
Inter-segment revenue	2,102	-	(2,102)	-
<b>Total revenue</b>	<b>1,215,392</b>	<b>26,294</b>	<b>(2,102)</b>	<b>1,239,584</b>
<b>Expenses</b>	<b>\$ (1,215,562)</b>	<b>\$ (17,398)</b>	<b>\$ (9,883)</b>	<b>\$ (1,242,843)</b>
Which include:				
Depreciation and amortization	(14,100)	(5,609)	(565)	(20,274)
<b>Other income (loss):</b>				
Foreign exchange gain (loss)	\$ 194	\$ (44)	\$ (582)	\$ (432)
Gain on sale of property, plant and equipment	886	-	155	1,041
Gain (loss) on sale of subsidiaries	-	139,025	(1,480)	137,545
<b>Income from projects accounted for using the equity method</b>	<b>\$ 395</b>	<b>\$ 4,819</b>	<b>\$ -</b>	<b>\$ 5,214</b>
<b>Operating profit (loss)</b>	<b>\$ 1,305</b>	<b>\$ 152,696</b>	<b>\$ (13,892)</b>	<b>\$ 140,109</b>
<b>Finance income (cost):</b>				
Finance income				\$ 2,288
Finance cost				(16,556)
<b>Profit before income taxes</b>				<b>\$ 125,841</b>
<b>Income tax recovery</b>				<b>7,584</b>
<b>Profit for the period</b>				<b>\$ 133,425</b>
<b>Revenue by contract type</b>				
Fixed price	\$ 520,511	\$ -	\$ 4	\$ 520,515
Cost plus/unit price	694,881	-	(2,106)	692,775
Concession operations	-	26,294	-	26,294
<b>Total revenue</b>	<b>1,215,392</b>	<b>26,294</b>	<b>(2,102)</b>	<b>1,239,584</b>
<b>Revenue by service type</b>				
Construction revenue	\$ 1,215,392	\$ -	\$ (2,102)	\$ 1,213,290
Concession revenue	-	26,294	-	26,294
<b>Total revenue</b>	<b>1,215,392</b>	<b>26,294</b>	<b>(2,102)</b>	<b>1,239,584</b>
	Construction	Concessions	Other and eliminations	Total
<b>Consolidated balance sheets</b>				
<b>Segment assets</b>	\$ 2,629,319	\$ 245,797	\$ 243,509	\$ 3,118,625
Which include:				
Projects accounted for using the equity method	9,944	238,493	-	248,437
<b>Segment liabilities</b>	\$ 884,320	\$ (43,702)	\$ 1,200,130	\$ 2,040,748
<b>Additions to non-current assets:</b>				
Property, plant and equipment	\$ 7,491	\$ 258	\$ 289	\$ 8,038
Intangible assets	\$ -	\$ 1,586	\$ 175	\$ 1,761

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

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

For the nine months ended September 30, 2023					
	Construction	Concessions	Other and eliminations	Total	
<b>Consolidated statements of income</b>					
External customer revenue	\$ 3,443,083	\$ 70,574	\$ -	\$ 3,513,657	
Inter-segment revenue	2,176	-	(2,176)	-	
<b>Total revenue</b>	<b>3,445,259</b>	<b>70,574</b>	<b>(2,176)</b>	<b>3,513,657</b>	
<b>Expenses</b>	<b>\$ (3,462,448)</b>	<b>\$ (53,246)</b>	<b>\$ (30,754)</b>	<b>\$ (3,546,448)</b>	
Which include:					
Depreciation and amortization	(46,172)	(16,906)	(1,361)	(64,439)	
<b>Other income (loss):</b>					
Foreign exchange gain (loss)	\$ 132	\$ (46)	\$ 330	\$ 416	
Gain on sale of property, plant and equipment	26,949	-	17,973	44,922	
Gain on sale of subsidiaries	-	139,025	36,520	175,545	
<b>Income from projects accounted for using the equity method</b>	<b>\$ 83</b>	<b>\$ 13,168</b>	<b>\$ -</b>	<b>\$ 13,251</b>	
<b>Operating profit</b>	<b>\$ 9,975</b>	<b>\$ 169,475</b>	<b>\$ 21,893</b>	<b>\$ 201,343</b>	
<b>Finance income (cost):</b>					
Finance income				\$ 5,463	
Finance cost				(49,607)	
<b>Income before income taxes</b>				<b>\$ 157,199</b>	
<b>Income tax expense</b>				<b>(5,004)</b>	
<b>Profit for the period</b>				<b>\$ 152,195</b>	
<b>Revenue by contract type</b>					
Fixed price	\$ 1,526,881	\$ -	\$ 4	\$ 1,526,885	
Cost plus/unit price	1,918,378	-	(2,180)	1,916,198	
Concession operations	-	70,574	-	70,574	
<b>Total revenue</b>	<b>3,445,259</b>	<b>70,574</b>	<b>(2,176)</b>	<b>3,513,657</b>	
<b>Revenue by service type</b>					
Construction revenue	\$ 3,445,259	\$ -	\$ (2,176)	\$ 3,443,083	
Concession revenue	-	70,574	-	70,574	
<b>Total revenue</b>	<b>3,445,259</b>	<b>70,574</b>	<b>(2,176)</b>	<b>3,513,657</b>	
<b>Consolidated balance sheets</b>					
<b>Additions to non-current assets:</b>					
Property, plant and equipment	\$ 23,381	\$ 368	\$ 4,879	\$ 28,628	
Intangible assets	\$ -	\$ 4,202	\$ 835	\$ 5,037	

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

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

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

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

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

For the nine months ended September 30, 2022					
	Construction	Concessions	Other and eliminations	Total	
<b>Consolidated statements of income</b>					
External customer revenue	\$ 3,374,315	\$ 55,351	\$ -	\$ 3,429,666	
Inter-segment revenue	232	-	(232)	-	
<b>Total revenue</b>	<b>3,374,547</b>	<b>55,351</b>	<b>(232)</b>	<b>3,429,666</b>	
<b>Expenses</b>	<b>\$ (3,304,219)</b>	<b>\$ (50,466)</b>	<b>\$ (36,277)</b>	<b>\$ (3,390,962)</b>	
Which include:					
Depreciation and amortization	(53,174)	(16,097)	(973)	(70,244)	
<b>Other income:</b>					
Foreign exchange gain	\$ 432	\$ 5	\$ 582	\$ 1,019	
Gain on sale of property, plant and equipment	4,944	-	-	4,944	
<b>Income from projects accounted for using the equity method</b>	<b>\$ 1,609</b>	<b>\$ 10,190</b>	<b>\$ -</b>	<b>\$ 11,799</b>	
<b>Operating profit (loss)</b>	<b>\$ 77,313</b>	<b>\$ 15,080</b>	<b>\$ (35,927)</b>	<b>\$ 56,466</b>	
<b>Finance income (cost):</b>					
Finance income				\$ 880	
Finance cost				(40,119)	
<b>Profit before income taxes</b>				<b>\$ 17,227</b>	
<b>Income tax expense</b>				<b>(6,532)</b>	
<b>Profit for the period</b>				<b>\$ 10,695</b>	
<b>Revenue by contract type</b>					
Fixed price	\$ 1,731,108	\$ -	\$ (67)	\$ 1,731,041	
Cost plus/unit price	1,643,439	-	(165)	1,643,274	
Concession operations	-	55,351	-	55,351	
<b>Total revenue</b>	<b>3,374,547</b>	<b>55,351</b>	<b>(232)</b>	<b>3,429,666</b>	
<b>Revenue by service type</b>					
Construction revenue	\$ 3,374,547	\$ -	\$ (232)	\$ 3,374,315	
Concession revenue	-	55,351	-	55,351	
<b>Total revenue</b>	<b>3,374,547</b>	<b>55,351</b>	<b>(232)</b>	<b>3,429,666</b>	
	Construction	Concessions	Other and eliminations	Total	
<b>Consolidated balance sheets</b>					
<b>Additions to non-current assets:</b>					
Property, plant and equipment	\$ 57,797	\$ 254	\$ 6,050	\$ 64,101	
Intangible assets	\$ 5,583	\$ 2,101	\$ 920	\$ 8,604	

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**31. SUBSEQUENT EVENT**

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







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