

FOCUSED

2018 ANNUAL REPORT



AECON



FOCUSED

- Taking Care of our People
- Investing in Tomorrow's Growth
- Improving Project Efficiency and Maximizing Profitability
- Balancing Agility and Process

Cover: Bermuda Airport
Redevelopment Project
This page: Eglinton
Crosstown LRT Project



Dear Fellow Shareholders,

We are incredibly proud of all that was accomplished in 2018 – a banner year for Aecon with records on many fronts including year-end backlog of \$6.8 billion, revenue of \$3.3 billion, Adjusted EBITDA of \$207 million, and new contract awards of \$5.8 billion. As a further illustration of the confidence in Aecon's continued performance, Aecon's Board of Directors approved an increase of 16% to the quarterly dividend to 14.5 cents per share from 12.5 cents per share previously.

Over the course of the last few years, we have made substantial progress to deliver consistent performance through scale in core capabilities, end-market diversity and operational excellence. Aecon's roster of projects is diversified across our key market sectors and well-balanced by both size and duration. Projects awarded in 2018 include:

- The Second Narrows Water Supply Tunnel, Coastal GasLink Pipeline, and Site C Generating Station and Spillways civil works projects all in British Columbia;
- The Peace River Bridge Twinning project in Alberta;
- Spreads 8 and 9 of the Enbridge Line 3 Replacement project in Manitoba;
- The Fuel Channel and Feeder Replacement (FCFR) at the Bruce Nuclear Generating Station, Gordie Howe International Bridge, F.G. Gardiner Expressway Rehabilitation (Section 1) and the Finch West Light Rail Transit (LRT) projects all in Ontario; and
- The Réseau express métropolitain (REM) LRT project in Quebec.

This past year saw Aecon teams across the country and abroad expertly executing some of the most complex projects underway in our industry, including the Bermuda International Airport, the Eglinton Crosstown LRT and the Darlington Nuclear Refurbishment in Ontario, as well as the Annacis Island Wastewater project and the Kemano Generating Station Second Tunnel project, both in British Columbia.

If we were to define the year forward and beyond for Aecon, it would be about **FOCUS**. Focus on four key priority areas:

1. **Taking care of our people:** Ensuring a safe work environment for all of our people while promoting and living Aecon's core values with a focus on career development, performance and accountability.
2. **Improving project efficiency and maximizing profitability:** Tackling project complexity, ensuring continuous risk management while maximizing profitability.
3. **Investing in tomorrow's growth:** Steadily and profitably building our international portfolio, augmenting our services with specialty offerings, while leveraging our ability to self-perform work.
4. **Balancing agility and process:** Ensuring exceptional delivery across projects of all sizes with a focus on executing with precision and enhancing project efficiencies.

As a Canadian leader in construction and infrastructure development with global expertise, we are focused on being the **#1 Canadian Infrastructure Company**. Simply put, this means we will be the preferred contractor for our clients and the top employer for our people.

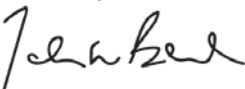
Aecon employees are incredibly proud – proud of the projects we build, proud of Aecon's storied heritage, proud of the positive impact we make in the communities in which we operate, and proud of our first-rate safety culture.

Moving forward, Aecon is well positioned to successfully bid on and deliver major projects stemming from all levels of government and the private sector, and expect steady demand for nuclear refurbishment, utilities, pipelines and conventional industrial work. The Concessions group continues to partner with Aecon's other segments to focus on the significant number of Public-Private-Partnership opportunities in Canada, and abroad.

For Aecon, the overall outlook remains solid, as our current strong backlog, robust pipeline of future opportunities, and ongoing concessions are expected to lead to an improved Adjusted EBITDA margin.

We remain committed to developing our strong team of people, an unwavering dedication to safety, successful project execution, strong corporate governance, a commitment to social and environmental responsibility, and improving profitability – all focused on increased shareholder value.

Sincerely,



John M. Beck
Executive Chairman



Jean-Louis Servranckx
President and Chief Executive Office

Aecon Group Inc.

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

December 31, 2018

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 December 31, 2018 consolidated financial statements and notes. This MD&A has been prepared as at March 5, 2019. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com and includes the Company’s Annual Information Form and other securities and continuous disclosure filings.

Introduction

Commencing in 2018, Aecon’s Energy and Mining segments were combined into an Industrial segment to align with Aecon’s operating management structure at that time and to build on the “One Aecon” business strategy to capitalize on and combine the strengths and synergies of the Aecon group. Prior year comparative figures have been restated to conform to the presentation adopted in the current year.

Throughout 2018 Aecon operated in three principal segments within the construction and infrastructure development industry: Infrastructure, Industrial, and Concessions.

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

INFRASTRUCTURE	
Sector	Service Focus
Transportation	<ul style="list-style-type: none">• Roads and bridges• Rail and transit• Municipal road construction• Asphalt production and aggregates• Material engineering and design• Foundations
Major Projects	<ul style="list-style-type: none">• Hydroelectric• Tunnels and transit stations• Marine• Major civil transportation infrastructure• Water treatment facilities• Mechanical systems• Airports

The Industrial segment encompasses a full suite of service offerings, primarily to energy and mining markets, including conventional industrial construction and manufacturing activities such as in-plant construction, site construction, fabrication, module assembly and, until its sale in November 2018, contract mining. The Industrial segment offers turnkey services consolidating Aecon’s industrial and manufacturing capabilities and services across Canada, with a focus on delivering construction services that span the scope of a project’s life cycle from site preparation, overburden removal, and resource extraction to processing and environmental reclamation. The activities of the Industrial segment are concentrated predominantly in Canada and focus primarily on the following sectors:

INDUSTRIAL	
Sector	Service Focus
Conventional Industrial	<ul style="list-style-type: none"> • Steam Assisted Gravity Drainage (SAGD) operations in the oil sands • Turnkey well pad construction and field facilities • Liquefied natural gas (LNG) plants • Gas compression facilities • Thermal and hydro • Natural gas • Renewables • Fabrication (pipe fabrication, custom steel) • Modularization and field installation • Plant maintenance turnaround • Mine site development including overburden removal and piling services • Environmental reclamation services • Ore storage facilities • Heavy mechanical works • Complete process installations
Nuclear	<ul style="list-style-type: none"> • Full EPC project services • Reactor component replacement • Plant system overhaul, upgrades and modifications • Maintenance and outage support • Nuclear waste management sites and facilities • Fabrication of engineered modules, waste containers and flasks, plant equipment and components • Structural and pipe fabrication • CANDU single or multiple fuel channel replacements • Turbine generator maintenance/overhaul • Facility construction and maintenance • Facility decommissioning
Utilities	<ul style="list-style-type: none"> • Oil and gas pipeline construction and integrity programs • Telecom infrastructure • Power transmission and distribution networks • Water and sewer construction • District energy • Locate services • High voltage transmission

Activities within the Concessions segment include the development, financing, construction and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer and other public-private partnership contract structures. The Concessions segment focuses primarily on the following activities:

CONCESSIONS	
Activities	Service Focus
Project Financing	<ul style="list-style-type: none"> • Development of domestic and international Public-Private Partnership (“P3”) projects • Private finance solutions
Development	<ul style="list-style-type: none"> • Developing effective strategic partnerships • Leading and/or actively participating in development teams
Construction and Operation	<ul style="list-style-type: none"> • Seamlessly integrating the services of all project participants • Harnessing strengths and capabilities of Aecon

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, 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.

FORWARD-LOOKING INFORMATION

The information in this Management's Discussion and Analysis includes certain forward-looking statements. Although these forward-looking statements are based on currently available competitive, financial and economic data and operating plans, they are subject to risks and uncertainties. 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 risks associated with an investment in the common shares of Aecon and the risks related to Aecon's business, including, but not limited to, the timing of projects, unanticipated costs and expenses, general market and industry conditions and operational and reputational risks, including Large Project Risk and Contractual Factors.

Risk factors are discussed in greater detail in the section on "Risk Factors" later in this MD&A. 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. Forward-looking statements may in some cases be identified by words such as "will", "plans", "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" or the negative of these terms, or similar expressions. Other important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause its results to differ materially from those expressed in any forward-looking statements. 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 statements, whether as a result of new information, future events or otherwise.

FINANCIAL REPORTING STANDARDS

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES

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

Management uses these non-GAAP and additional GAAP measures to analyze and evaluate operating performance. Aecon also believes the non-GAAP and additional GAAP financial measures below are commonly used by the investment community for valuation purposes, and are useful complementary measures

of profitability, and provide metrics useful in the construction industry. The most directly comparable measures calculated in accordance with GAAP are profit (loss) attributable to shareholders or earnings (loss) per share.

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

Non-GAAP Financial Measures

Non-GAAP financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with GAAP in the consolidated financial statements.

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

Additional GAAP Financial Measures

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

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

RECENT DEVELOPMENTS

Jean-Louis Servranckx Appointed President and Chief Executive Officer

On September 4, 2018, Jean-Louis Servranckx assumed the role of President and Chief Executive Officer of the Company. Mr. Servranckx has over 30 years of experience in the construction industry and was most recently President and CEO of Eiffage Civil Works Division, now known as Eiffage Infrastructures Branch, a business with over \$6 billion in revenue and operations throughout Europe, Africa and in Canada. Mr. Servranckx graduated from École des Mines de Paris, holds an MBA from INSEAD and is fluent in English, French and Spanish.

On October 25, 2018, Aecon announced the appointment of Jean-Louis Servranckx to Aecon's Board of Directors.

Aecon Sells Contract Mining Business to North American Construction Group

On November 23, 2018, Aecon completed the sale of its contract mining business to North American Construction Group ("NACG"), whereby substantially all of the assets and operations related to Aecon's contract mining business were sold to NACG for a purchase price of \$199.1 million, subject to customary closing adjustments.

Aecon's contract mining business provided overburden removal and environmental reclamation services through a fleet of earth-moving equipment, primarily in the oil sands in Fort McMurray, Alberta.

As part of the transaction, cash of \$150.8 million was received in 2018, \$12.9 million of debt related to certain equipment sold was assumed by the purchaser, and the remaining balance of the purchase price (\$35.4 million) will be paid in instalments over eighteen months following closing, secured by a charge over certain assets that are the subject of the transaction. The deferred payments are not subject to conditions.

The sale of the contract mining business did not generate a gain or loss in the 2018 financial results.

Proposed Arrangement Not to Proceed

On October 26, 2017, the Company entered into an arrangement agreement (the "Arrangement Agreement") with CCCC International Holding Limited and 10465127 Canada Inc. (together, "CCCI"), pursuant to which CCCI agreed, subject to satisfaction of customary conditions, to acquire all of the issued and outstanding Common Shares of Aecon for \$20.37 per Common Share in cash by way of a statutory plan of arrangement under the Canada Business Corporations Act (the "Arrangement").

On May 23, 2018, the Company was informed that the Governor in Council had issued an order under the Investment Canada Act directing CCCI not to implement its proposed acquisition of Aecon. As a result, the Arrangement did not proceed.

BUSINESS STRATEGY

Aecon's overall strategic goal is to clearly be Canada's number one infrastructure development and construction company that safely, profitably, and sustainably delivers integrated services, products and solutions to meet its customers' needs.

Current Position

Aecon has made significant progress over the past ten years, initially building scale in core markets, then achieving geographic and end-market diversity, and, in more recent years, focusing on a strategic path that builds a culture of operating excellence and consistent performance using a "One Aecon" strategy in executing large, sophisticated turnkey projects for clients. This is highlighted by investment in, and deployment of, a common management and systems platform and enhanced project risk management and controls. Looking forward, the core of Aecon's strategy continues to be to differentiate its service offering in its key end-markets, which will lead to opportunities to secure higher-return projects by increasing the sophistication of the work being performed and limiting the ability of others to match what Aecon delivers to its clients.

The progress Aecon has made in recent years with respect to the "One Aecon" strategy has increasingly allowed for the seamless transition of resources, project management, and systems from one sector to another, allowing Aecon to capitalize on those markets providing the greatest opportunity at any point in time. This trend is expected to continue going forward, seeing Aecon's services and resources becoming increasingly mobile between end markets. Aecon is currently migrating its overall management and operating structure to reflect this increasingly flexible model.

Aecon's strategic path is comprised of five core elements:

a) Invest in Aecon's People and their Safety

The Company is committed to the development of its employees to build upon its leadership position in the sector and drive to clearly be Canada's number one infrastructure development and construction company. This cornerstone is especially important as competition in Canada for skilled workers, engineers and project managers can be intense.

A company's ability to demonstrate that it has industry leading safety programs, and a culture that puts safety first, is an important competitive differentiator in the construction industry. For many clients, most notably in the industrial sector, and, with respect to resource and commodity-related projects in particular, a contractor's demonstrated commitment to safety throughout the organization is as important to selecting a contractor as their commitment to schedule, quality and price. This focus on safety is one of the reasons that maintaining and strengthening our industry-leading safety program and culture is a key element of Aecon's business strategy.

b) Operational Diversity and Self Perform Capability Contributing to Enhanced Profitability

Aecon is one of the most diverse companies in its industry within Canada, able to self-perform a wide variety of construction, contracting and infrastructure development services. Aecon is able to offer clients a single solution to their needs, with turnkey capabilities embodied in the "One Aecon" strategy. This approach allows Aecon to focus on enhancing client value and competing for business on the basis of more than just price.

A key component of Aecon’s operational diversity strategy is the development of its vertical and horizontal integration capabilities. The ability to self-perform services required at virtually every stage of a project, from site clearing to final construction, often including complete procurement services, is a competitive advantage for Aecon.

The depth and breadth of Aecon’s capabilities also allow it to participate in projects beyond the scope of any one discipline or division. Further, leveraging capabilities and ensuring collaboration across diverse businesses allows for synergies and cost savings for both Aecon and its clients through economies of scale and resource sharing.

The Company has set a goal of ongoing Adjusted EBITDA margin improvement with a focus on the bottom line, rather than just top-line growth. A goal centred around world-class margins, combined with a focus on operational metrics, cash management, and capital discipline, is designed to deliver superior shareholder value.

c) Building Partnerships and Alliances

Aecon has developed a strategy of building strong partnerships and alliances, including joint arrangements and public-private partnerships. The importance within the industry of a company’s ability to develop and manage creative relationships and alliances has provided opportunities for innovative companies such as Aecon to grow their businesses. For Aecon, this has resulted in revenue from joint arrangements and associates representing approximately forty percent of total revenue in 2018.

Aecon’s partnering skills have enabled it to lead partnerships and capitalize on a number of opportunities such as its participation in the Eglinton Crosstown and Finch Light Rail Transit (“LRT”) projects in Ontario and the Réseau express métropolitain (“REM”) Montreal LRT project in Quebec, the execution phase of the Darlington Refurbishment project in Ontario, and the Site C Generating Station and Spillways Civil Works project in British Columbia. These and other alliances have given Aecon access to projects that are beyond any one contractor’s capabilities to deliver alone. These partnerships also provide Aecon and its partners with an opportunity to exchange and optimize best operating practices with others in the industry, including with large international construction companies who have significantly increased their presence and participation in the Canadian market over the last decade.

d) Focus on Execution, Performance, Operational Discipline and Risk Management

The ability to effectively identify, mitigate and manage the construction risk inherent in every project the Company undertakes, and the ability to deliver those projects in a manner that appropriately protects the safety of employees, stakeholders and the public, are key elements of success in the construction industry. Developing industry leading capabilities in these areas is a fundamental part of Aecon’s strategy.

Aecon has established a detailed set of project criteria and risk management practices that are continuously reviewed, updated and improved. From the criteria set for selecting the projects it bids, to the evaluation of project risks and appropriate mitigation measures, to project pricing and the senior management approval processes a bid must go through, risk management is a strategic and operational priority for Aecon.

An important element of Aecon's risk management strategy is the ongoing monitoring of projects under construction to ensure the risk management plan established at the bid stage of the project remains sufficient and is being effectively implemented. To assist in this effort, Aecon has established a project controls team, consisting of some of Aecon's most experienced and knowledgeable staff, whose mandate is to ensure complex projects are provided with state-of-the-art management controls for contract administration, cost control, scheduling and other best practices. This team also reviews the status of key projects against a set of predetermined criteria, and ensures the project is meeting its financial and risk management objectives.

e) Selective International Growth

Aecon has historically participated in the design, build, finance, maintenance and operations of a select number of international infrastructure development opportunities, through both its construction and concession capabilities. Aecon intends to selectively increase the number of such international project opportunities going forward and is in the process of establishing a small, focused international development team to bring Aecon's construction and concession capabilities to an increasing number of such opportunities. In addition, Aecon views the U.S. infrastructure development and construction market as an important long-term opportunity to continue to diversify the business and provide both growth and earnings stability through long term economic cycles. As such, Aecon intends to assess opportunities to establish a longer-term presence in the U.S. market over time.

Particular Focus for 2019 – The Company is focusing on a number of programs and key initiatives to advance its overall strategy this year, including:

- 1) Aecon's CEO and leadership team are working with the Board on the development of a 4-year strategic plan to become clearly the number one infrastructure development and construction company in Canada;
- 2) realigning of services and resources to capitalize on the synergies provided by the Company's "One Aecon" approach by combining the management and operating structure of the Infrastructure and Industrial segments into a consolidated Construction segment;
- 3) establishing of a dedicated "Urban Transportation Systems" function to seamlessly provide Aecon's construction and concessions resources and capabilities to bid and execute the significant number of rail and transit related projects within Canada;
- 4) building on Aecon's P3 expertise by successfully participating in targeted strategic concession opportunities in Canada and on a select basis internationally in conjunction with the Company's construction capabilities;
- 5) continuing to monitor cost and schedule performance, including evaluation of all major projects by Aecon's senior management team (Operational Risk Committee) and by Aecon's Board of Directors (Risk Committee);
- 6) increasing employee retention and connection to the Company through increased participation in employee share programs in conjunction with initiatives to drive employee engagement to preferred employer status;
- 7) continuing to enhance standardized core operating and transactional processes and maximizing utilization of an integrated Enterprise Resource Planning ("ERP") system to drive operational excellence using timely and insightful data; and
- 8) establishing an international business development team and assessing U.S. opportunities to diversify Aecon's geographical presence over time.

CONSOLIDATED FINANCIAL HIGHLIGHTS

\$ millions (except per share amounts)	Three months ended		Year ended	
	December 31		December 31	
	2018	2017	2018	2017
Revenue	\$ 948.5	\$ 685.0	\$ 3,266.3	\$ 2,805.7
Gross profit	105.6	97.1	357.1	319.0
Marketing, general and administrative expenses	(44.3)	(46.4)	(178.5)	(186.5)
Income from projects accounted for using the equity method	6.2	2.2	13.2	8.4
Other income	0.4	3.5	1.5	6.3
Depreciation and amortization	(25.3)	(24.0)	(103.8)	(93.5)
Operating profit	42.6	32.5	89.4	53.6
Financing expense, net	(6.9)	(6.1)	(22.4)	(22.8)
Profit before income taxes	35.7	26.4	67.0	30.8
Income tax expense	(7.9)	(5.4)	(8.0)	(2.6)
Profit	\$ 27.9	\$ 21.1	\$ 59.0	\$ 28.2
Gross profit margin	11.1%	14.2%	10.9%	11.4%
MG&A as a percent of revenue	4.7%	6.8%	5.5%	6.6%
Adjusted EBITDA	72.4	58.0	207.0	156.5
Adjusted EBITDA margin	7.6%	8.5%	6.3%	5.6%
Operating margin	4.5%	4.7%	2.7%	1.9%
Earnings per share - basic	\$ 0.46	\$ 0.36	\$ 0.99	\$ 0.48
Earnings per share - diluted	\$ 0.41	\$ 0.33	\$ 0.94	\$ 0.46
Backlog			\$ 6,821	\$ 4,247

Revenue for the year ended December 31, 2018 of \$3,266 million was \$461 million, or 16%, higher compared to 2017. The largest increase occurred in the Infrastructure segment (\$358 million), driven by higher revenue in major projects (\$298 million) and transportation operations (\$60 million). Revenue was also higher in the Industrial segment (\$63 million), driven by higher volume in utilities (\$119 million) and conventional industrial operations (\$54 million), offset partially by lower revenue in nuclear operations (\$110 million). Revenue was also higher in the Concessions segment (\$88 million), which was partially offset by inter-segment revenue eliminations that increased by \$48 million primarily due to revenue between the Concessions and Infrastructure segments related to the Bermuda International Airport Redevelopment Project.

Operating profit of \$89.4 million for the year ended December 31, 2018 increased by \$35.8 million compared to operating profit of \$53.6 million in 2017, driven by higher gross profit of \$38.1 million. The largest gross profit increase occurred in the Infrastructure segment (\$19.6 million) due to the impact of higher volume which offset lower gross profit margin in transportation operations. Gross profit also increased in the Concessions segment (\$18.9 million) due to operations related to the Bermuda International Airport Redevelopment Project and management and development fees for Canadian concessions, and in the Industrial segment (\$0.5 million) primarily from a volume driven increase in utilities which offset lower gross profit from nuclear due to lower volume.

Marketing, general and administrative expenses (“MG&A”) decreased by \$8.0 million in 2018 compared to 2017, resulting largely from a decrease in expenses incurred as a result of the now discontinued sale process and subsequent proposed Arrangement (\$4.8 million decrease). MG&A as a percentage of revenue in 2018 decreased from 6.6% in 2017 to 5.5% in 2018, which reflects the impact of both lower cost and higher revenue in 2018.

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 \$13.2 million in 2018 from projects accounted for using this method of accounting, compared to \$8.4 million in 2017. The higher income in 2018 was driven by an increase in the Concessions segment (\$5.4 million) from light rail transit projects in Ontario and the Gordie Howe International Bridge project, and in the Industrial segment (\$0.5 million), which were partially offset by a decrease in the Infrastructure segment (\$1.1 million).

Depreciation and amortization expense of \$103.8 million in 2018 was \$10.3 million higher than 2017, driven primarily by the Industrial segment, where equipment utilization increased to support higher volume in contract mining operations, and the Concessions segment from the inclusion of twelve months of amortization expense in 2018 related to operating the existing airport concession as part of the Bermuda International Airport Redevelopment Project compared to only ten months of expense recorded in 2017 following the award of the project late in the first quarter of 2017.

Set out in Note 21 of the December 31, 2018 consolidated financial statements is a reconciliation between the expected income tax expense for 2018 and 2017 based on statutory income tax rates and the actual income tax expense reported for both these periods.

Reported backlog as at December 31, 2018 of \$6,821 million compares to backlog of \$4,247 million as at December 31, 2017. This backlog position represents the highest reported year end backlog position in Aecon’s history. New contract awards of \$5,840 million were booked in 2018 compared to \$2,849 million in 2017.

Backlog \$ millions	As at December 31	
	2018	2017
Infrastructure	\$ 4,527	\$ 1,995
Industrial	2,257	2,234
Concessions	37	18
Consolidated	\$ 6,821	\$ 4,247

Estimated backlog duration \$ millions	As at December 31			
	2018		2017	
	Next 12 months	\$ 2,012	29%	\$ 1,497
Next 13-24 months	1,771	26%	795	19%
Beyond	3,038	45%	1,955	46%
	<u>\$ 6,821</u>	<u>100%</u>	<u>\$ 4,247</u>	<u>100%</u>

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

Reported backlog includes the revenue value of backlog that relates to projects that are accounted for using the equity method. The equity method reports a single amount (revenue less expenses) on Aecon's consolidated statement of income, and as a result the revenue component of backlog for these projects is not included in Aecon's reported revenue. As at December 31, 2018, reported backlog from projects that are accounted for using the equity method was \$nil (December 31, 2017: \$nil).

Further details for each of the segments are included in the discussion below under Reporting Segments.

REPORTING SEGMENTS

INFRASTRUCTURE

Financial Highlights

\$ millions	Three months ended		Year ended	
	December 31		December 31	
	2018	2017	2018	2017
Revenue	\$ 406.8	\$ 260.1	\$ 1,319.6	\$ 961.7
Gross profit	\$ 34.6	\$ 35.0	\$ 112.3	\$ 92.6
Adjusted EBITDA	\$ 21.2	\$ 24.4	\$ 56.0	\$ 40.2
Operating profit	\$ 16.1	\$ 19.4	\$ 36.2	\$ 21.2
Gross profit margin	8.5%	13.5%	8.5%	9.6%
Adjusted EBITDA margin	5.2%	9.4%	4.2%	4.2%
Operating margin	4.0%	7.5%	2.7%	2.2%
Backlog			\$ 4,527	\$ 1,995

For the year ended December 31, 2018, revenue in the Infrastructure segment of \$1,320 million was \$358 million, or 37%, higher than in 2017. Revenue was higher in major projects (\$298 million) primarily due to increased activity on light rail transit projects and the commencement of the Gordie Howe International Bridge project in Eastern Canada, hydroelectric and waste water projects in Western Canada, and from the Bermuda International Airport Redevelopment Project. Revenue in transportation operations was also higher year-over-year (\$60 million) from increased roadbuilding activity in both Western and Eastern Canada.

Operating profit in the Infrastructure segment of \$36.2 million in 2018 increased by \$15.0 million compared to 2017. Operating profit increased in major projects by \$21.2 million, due to higher volume, while operating profit in transportation operations decreased by \$6.2 million, primarily due to lower gross profit margin in Eastern Canada.

Infrastructure backlog as at December 31, 2018 was \$4,527 million, compared to \$1,995 million a year earlier, an increase of \$2,532 million. The largest increase was reported in major projects (\$2,326 million) as several significant multi-year projects were awarded in 2018 including the Site C Generating Station and Spillways Civil Works (“Site C”), the Réseau express métropolitain Montreal LRT (“Montreal REM”), the Finch West LRT, and the Gordie Howe International Bridge. Backlog in transportation operations also increased (\$206 million) primarily related to roadbuilding projects in Eastern Canada. New contract awards totaled \$3,830 million in 2018 compared to \$1,282 million in 2017.

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

INDUSTRIAL

Financial Highlights

\$ millions	Three months ended		Year ended	
	December 31		December 31	
	2018	2017	2018	2017
Revenue	\$ 534.4	\$ 429.6	\$ 1,902.0	\$ 1,839.1
Gross profit	\$ 53.9	\$ 52.0	\$ 188.2	\$ 187.7
Adjusted EBITDA	\$ 32.7	\$ 34.2	\$ 112.3	\$ 114.1
Operating profit	\$ 19.5	\$ 22.8	\$ 56.8	\$ 66.0
Gross profit margin	10.1%	12.1%	9.9%	10.2%
Adjusted EBITDA margin	6.1%	8.0%	5.9%	6.2%
Operating margin	3.7%	5.3%	3.0%	3.6%
Backlog			\$ 2,257	\$ 2,234

Revenue in the Industrial segment in 2018 of \$1,902 million was \$63 million, or 3%, higher than in 2017. Revenue was higher in utilities (\$119 million), primarily due to increased activity on gas and electricity distribution projects in Eastern Canada and pipeline projects in Western Canada. Revenue was also higher in conventional industrial operations (\$54 million), primarily from an increase in contract mining in Western Canada and power generation work in Eastern Canada. Partially offsetting these increases was lower revenue from nuclear operations (\$110 million), driven by a reduction at the Darlington nuclear facility in Ontario, where a number of ancillary projects to the main reactor refurbishment project that Aecon is performing have now been completed, ahead of ramping up in future quarters on recent awards at the Bruce Power nuclear facility in Ontario.

For the year ended December 31, 2018, operating profit of \$56.8 million decreased by \$9.2 million when compared to operating profit of \$66.0 million in 2017. Operating profit decreased in nuclear operations by \$12.4 million, due primarily to lower volume in 2018, and decreased in conventional industrial operations by \$1.8 million due to lower gross profit margin. Operating profit in utilities improved by \$5.0 million due to the impact of higher volume.

Backlog as at December 31, 2018 of \$2,257 million was \$23 million higher than the same time last year, driven by increases in utilities (\$103 million) and conventional industrial operations (\$34 million), and partly offset by lower backlog in nuclear operations (\$114 million). New contract awards totaled \$1,946 million in 2018, compared to \$1,563 million in 2017.

As discussed in the Consolidated Financial Highlights section, the Industrial segment's anticipated future work to be performed at any given time is greater than what is reported as backlog.

CONCESSIONS

Financial Highlights

\$ millions	Three months ended		Year ended	
	December 31		December 31	
	2018	2017	2018	2017
Revenue	\$ 68.6	\$ 28.6	\$ 223.4	\$ 135.3
Gross profit	\$ 17.5	\$ 10.1	\$ 57.7	\$ 38.7
Income from projects accounted for using the equity method	\$ 5.3	\$ 1.2	\$ 10.1	\$ 4.7
Adjusted EBITDA	\$ 27.5	\$ 13.5	\$ 79.7	\$ 51.3
Operating profit	\$ 16.6	\$ 5.0	\$ 38.0	\$ 16.3
Backlog			\$ 37	\$ 18

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

Revenue in the Concessions segment in 2018 of \$223 million increased by \$88 million when compared to 2017. The higher revenue was driven primarily by the Bermuda International Airport Redevelopment Project, which was awarded late in the first quarter of 2017. Included in Skyport’s revenue for 2018 was \$134 million of construction revenue that was eliminated on consolidation as inter-segment revenue (compared to \$71 million in 2017).

For the year ended December 31, 2018, operating profit of \$38.0 million increased by \$21.7 million compared to 2017. Higher operating profit resulted primarily from increased activity related to the Bermuda International Airport Redevelopment Project and from higher management and development fees, including from the commencement of the Finch West LRT and Gordie Howe International Bridge concessions in 2018.

Except for Operations and Maintenance (“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.

Quarterly Financial Data

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

\$ millions (except per share amounts)

	2018				2017			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Revenue	\$ 948.5	\$ 1019.7	\$ 754.8	\$ 543.3	\$ 685.0	\$ 759.8	\$ 686.2	\$ 674.9
Adjusted EBITDA	72.4	89.5	41.4	3.7	58.0	58.7	33.0	6.9
Earnings (loss) before income taxes	35.7	51.0	7.4	(27.1)	26.5	27.2	(0.6)	(22.3)
Profit (loss)	27.9	42.0	8.4	(19.2)	21.1	24.6	0.8	(18.3)
Earnings (loss) per share:								
Basic	0.46	0.70	0.14	(0.32)	0.36	0.42	0.01	(0.32)
Diluted	0.41	0.60	0.13	(0.32)	0.33	0.37	0.01	(0.32)

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 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

	2018				2017			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Operating profit (loss)	\$ 42.6	\$ 56.2	\$ 12.8	\$ (22.2)	\$ 32.5	\$ 33.1	\$ 5.3	\$ (17.3)
Depreciation and amortization	25.3	29.5	25.4	23.7	24.0	24.5	24.4	20.6
(Gain) loss on sale of assets	0.1	(0.2)	(0.1)	(0.3)	(1.5)	(1.5)	0.2	1.1
Income from projects accounted for using the equity method	(6.2)	(3.9)	(2.2)	(0.8)	(2.2)	(3.2)	(2.1)	(0.9)
Equity Project EBITDA	10.6	7.9	5.5	3.3	5.2	5.8	5.1	3.3
Adjusted EBITDA	\$ 72.4	\$ 89.5	\$ 41.4	\$ 3.7	\$ 58.0	\$ 58.7	\$ 33.0	\$ 6.9

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

\$ millions

Aecon's proportionate share of projects accounted for using the equity method (1)	2018				2017			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Operating profit	\$ 10.5	\$ 7.8	\$ 5.4	\$ 3.2	\$ 5.2	\$ 5.7	\$ 5.0	\$ 3.2
Depreciation and amortization	0.1	0.1	0.1	0.1	-	0.1	0.1	0.1
Equity Project EBITDA	10.6	7.9	5.5	3.3	5.2	5.8	5.1	3.3

(1) Refer to Note 12 "Projects Accounted for Using the Equity Method" in the 2018 consolidated financial statements

Quarterly Financial Highlights

\$ millions	Three months ended			
	December 31			
	Revenue		Operating profit	
	2018	2017	2018	2017
Infrastructure	\$ 406.8	\$ 260.1	\$ 16.1	\$ 19.4
Industrial	534.4	429.6	19.5	22.8
Concessions	68.6	28.6	16.6	5.0
Other costs and eliminations	(61.3)	(33.3)	(9.6)	(14.7)
Consolidated	\$ 948.5	\$ 685.0	\$ 42.6	\$ 32.5

The analysis of operating results for each of the first three quarters of 2018 is included in Management's Discussion and Analysis incorporated in the Interim Reports to Shareholders for each respective quarter.

For the three months ended December 31, 2018, revenue in the Infrastructure segment of \$407 million was \$147 million, or 56%, higher than the fourth quarter of 2017. Revenue was higher in major projects (\$118 million), primarily due to the commencement of new LRT projects and the Gordie Howe International Bridge project during 2018, as well as higher revenue from hydroelectric, waste water and the Bermuda International Airport Redevelopment projects. Revenue in transportation operations was also higher (\$29 million) from increased roadbuilding activity in Eastern Canada.

Operating profit in the Infrastructure segment of \$16.1 million in the fourth quarter of 2018 decreased by \$3.3 million compared to the same period in 2017. Operating profit increased in major projects (\$3.9 million), primarily due to higher volume, while operating profit in transportation operations decreased (\$7.2 million), primarily due to lower gross profit margin in Eastern Canada.

Revenue in the Industrial segment in the fourth quarter of 2018 of \$534 million was \$105 million, or 24%, higher than the same period in 2017. Revenue was higher in conventional industrial operations (\$50 million), primarily from power generation work in Eastern Canada and gas compression facilities in Western Canada. Revenue was also higher in utilities (\$42 million), primarily due to increased activity on electricity distribution projects in Eastern Canada and pipeline projects in Western Canada. Higher revenue from nuclear operations (\$13 million), was driven by increases at the Darlington and Bruce Power nuclear facilities in Ontario.

Operating profit in the Industrial segment of \$19.5 million in the fourth quarter of 2018 decreased by \$3.3 million compared to the same period in 2017. Operating profit decreased in conventional industrial operations (\$1.8 million), primarily due to lower operating profit from the contract mining business in Western Canada which was sold on November 23, 2018. Operating profit also decreased in nuclear (\$1.1 million) and utilities operations (\$0.4 million).

Revenue in the Concessions segment in the fourth quarter of 2018 of \$69 million increased by \$40 million when compared to the same period in 2017. The higher revenue was driven primarily by operations related to the Bermuda International Airport Redevelopment Project. Included in Skyport's revenue for the fourth quarter of 2018 was \$43 million of construction revenue that was eliminated on consolidation as inter-segment revenue (compared to \$11 million in 2017).

For the fourth quarter of 2018, operating profit in the Concessions segment of \$16.6 million increased by \$11.6 million compared to the same period in 2017. Higher operating profit resulted primarily from management and development fees related to Canadian concessions, including from the commencement of the Finch West LRT and Gordie Howe International Bridge concessions in 2018.

MG&A expenses decreased in the fourth quarter of 2018 by \$2.0 million compared to the same period in the prior year, resulting largely from a decrease in expenses incurred as a result of the now discontinued sale process and subsequent Arrangement (\$4.7 million decrease). MG&A as a percentage of revenue was 4.7% in the fourth quarter of 2018 compared to 6.8% in the same period of 2017 which reflects the impact of both lower cost and higher revenue in the fourth quarter of 2018.

Aecon reported income from projects accounted for using the equity method of \$6.2 million in the fourth quarter of 2018, compared to \$2.2 million in the same period in 2017. The higher income in 2018 was driven by an increase in the Concessions segment (\$4.1 million) that is part of the operating profit increase in Concessions in 2018 discussed above.

Depreciation and amortization expense of \$25.3 million in the fourth quarter of 2018 was \$1.3 million higher than the same period in 2017, driven primarily by the Concessions segment (\$0.9 million) from higher amortization related to operating the existing airport concession as part of the Bermuda International Airport Redevelopment Project.

Financing expense, net of interest income, of \$6.9 million in the fourth quarter of 2018 was \$0.8 million higher than the same period in 2017, primarily due to an increase in interest expense related to convertible debentures after the 5.0% Debentures were issued approximately one month before the 5.5% Debentures were redeemed.

New contract awards for the three months ended December 31, 2018 were \$765 million compared to \$613 million in the same period in 2017, with increases in each of the Infrastructure and Industrial segments.

Selected Annual Information

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

(\$ millions, except per share amounts)	2018	2017	2016
Total revenue	\$ 3,266.3	\$ 2,805.7	\$ 3,213.1
Adjusted EBITDA	207.0	156.5	158.3
Operating profit	89.4	53.6	87.1
Profit	59.0	28.2	46.8
Per share:			
Basic	0.99	0.48	0.82
Diluted	0.94	0.46	0.77
Total assets	2,932.7	2,485.2	1,978.5
Total long-term financial liabilities	843.7	654.7	375.6
Cash dividends declared per common share	0.50	0.50	0.46

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

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

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

For further information, see Note 12 to the December 31, 2018 consolidated financial statements.

During the second quarter of 2018, the Company filed a statement of claim in the Court of Queen's Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking \$180 million in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately \$14 million in damages. The Company has recorded \$135 million of unbilled revenue and accounts receivable as at December 31, 2018. 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 believes that it will be successful in its claim and considers KSPC's claim to be without merit. These claims may not be resolved for several years. The Company does not expect that the resolution of these claims will cause a material impact to its financial position.

Cash and Debt Balances

Cash balances at December 31, 2018 and 2017 are as follows:

\$ millions		December 31, 2018		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	\$ 158	\$ 473	\$ 631
Restricted cash	(2)	193	-	193
		December 31, 2017		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	\$ 19	\$ 286	\$ 305
Restricted cash	(2)	280	-	280
Bank indebtedness	(3)	(18)	-	(18)

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

(2) Restricted cash is cash held by Bermuda Skyport Corporation Limited.

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

Total long-term debt of \$262.0 million as at December 31, 2018 compares to \$304.2 million as at December 31, 2017, the composition of which is as follows:

\$ millions	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current portion of long-term debt – recourse	\$ 32.5	\$ 44.5
Current portion of convertible debentures	-	168.5
Long-term debt – recourse	69.7	91.2
Long-term portion of convertible debentures	159.8	-
Total long-term recourse debt	\$ 262.0	\$ 304.2
Long-term project debt - non-recourse	\$ 383.7	\$ 352.9

The \$42.2 million net decrease in total long-term recourse debt results from a decrease in finance leases and equipment loans during 2018 of \$33.5 million, as well as a decrease in convertible debentures of \$8.7 million. The decrease in convertible debentures during 2018 primarily results from the repayment of 5.5% convertible debentures and the issuance of 5.0% convertible debentures as discussed below.

On September 26, 2018, the Company issued \$160 million of unsecured subordinated convertible debentures maturing December 31, 2023 (the “5.0% Debentures”). On October 1, 2018, an additional \$24 million of 5.0% Debentures were issued pursuant to the exercise of an over-allotment option granted to the syndicate of underwriters, bringing the total aggregate gross proceeds from the offering to \$184 million. The 5.0% Debentures bear interest at a rate of 5.0% per annum payable on a semi-annual basis. 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 date at a conversion price of \$24.00 for each common share of the Company, subject to adjustment in certain circumstances. The 5.0% Debentures will not be redeemable before December 31, 2021. The Company may, at its option, redeem the 5.0% Debentures from December 31, 2021 to December 31, 2022, in whole or in part, at par plus accrued and unpaid interest, provided that the volume weighted average trading price of the Company’s common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price. From December 31, 2022 through to the maturity date, the Company, at its option, may redeem the 5.0% Debentures, in whole or in part, at par plus accrued and unpaid interest. For accounting purposes, at issuance, the conversion rights related to the \$184 million of 5.0% Debentures issued were assigned a value of \$17.3 million (\$12.7 million after-tax), which is included in shareholders’ equity, and \$158.6 million (after transaction costs of \$8.1 million) was assigned to the debt component of such debentures.

In 2013, the Company issued \$172.5 million of unsecured subordinated convertible debentures maturing December 31, 2018 (the “5.5% Debentures”). These convertible debentures bore interest at a rate of 5.5%, payable on a semi-annual basis. On October 26, 2018, the remaining 5.5% Debentures were redeemed for a total principal amount of \$169.0 million plus accrued and unpaid interest of \$3.8 million.

The \$30.8 million increase in long-term non-recourse project debt, which all relates to the financing of the Bermuda International Airport Redevelopment Project, is due to the impact of the change in the US:Canadian dollar exchange rate since December 31, 2017.

Aecon’s liquidity position and capital resources are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future. Aecon’s liquidity position is strengthened by its ability

to draw on a committed revolving credit facility of \$500 million of which \$384 million was unutilized as at December 31, 2018. When combined with an additional \$700 million letter of credit facility provided by Export Development Canada (“EDC”), Aecon’s total committed credit facilities for working capital and letter of credit requirements total \$1,200 million. As at December 31, 2018, Aecon was in compliance with all debt covenants related to its credit facility.

In the first quarter of 2018, Aecon’s Board of Directors approved an annual dividend of \$0.50 per share, unchanged from the prior year, to be paid in four quarterly payments of \$0.125 per share.

Summary of Cash Flows

\$ millions	Consolidated Cash Flows	
	Year ended	
	December 31	
	2018	2017
Cash provided by (used in):		
Operating activities	\$ 368.7	\$ 197.4
Investing activities	39.0	(443.0)
Financing activities	(85.1)	317.8
Increase (decrease) in cash and cash equivalents	322.6	72.2
Effects of foreign exchange on cash balances	3.5	0.8
Cash and cash equivalents - beginning of year	304.9	231.9
Cash and cash equivalents - end of year	\$ 631.0	\$ 304.9

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.

Operating Activities

Cash provided by operating activities of \$369 million in 2018 compares with cash provided by operating activities of \$197 million in 2017. Most of the \$172 million year-over-year increase in cash provided by operating activities resulted from lower investments in working capital and higher earnings in 2018.

Investing Activities

In 2018, investing activities resulted in cash provided of \$39 million, which compares to cash used of \$443 million in 2017. Of the cash provided in 2018, \$105 million represents a draw down of restricted cash, offset by \$164 million of expenditures made by Skyport related to the construction of the new airport terminal in Bermuda (i.e. increase in concession rights of \$164 million). Restricted cash reflects Skyport’s cash balance and is cash that cannot be accessed by Aecon other than to finance the Bermuda International Airport Redevelopment Project. Of the cash used in 2017, \$127 million represents construction expenditures by Skyport, and \$289 million represents an increase in Skyport’s restricted cash balance. In 2018, the sale of

Aecon's contract mining business resulted in cash provided of \$151 million. In addition, \$43 million of cash was used for expenditures (net of disposals) on other property, plant and equipment and intangible assets in 2018 compared to \$33 million of cash used for such expenditures in 2017. Also, cash distributions from projects accounted for using the equity method of \$0.2 million in 2018 compares to \$6 million of such distributions in 2017. Furthermore, \$10 million of cash was used for investments in long-term financial assets in 2018.

In 2018, Aecon acquired, either through purchase or finance leases, property, plant and equipment totalling \$71 million. Most of this investment in property, plant and equipment related to the purchase of new machinery and construction equipment as part of normal ongoing business operations in the Infrastructure and Industrial operating segments. In 2017, investments in property, plant and equipment totalled \$75 million.

Financing Activities

In 2018, cash used by financing activities amounted to \$85 million, compared to cash provided of \$318 million in 2017. The higher cash provided in 2017 was due largely to the issuance of long-term non-recourse project debt of \$374 million in relation to the Bermuda International Airport Redevelopment Project, whereas no such borrowings in relation to the Bermuda International Airport Redevelopment Project were made in 2018. In 2018, the Company issued \$184 million of convertible debentures resulting in a cash inflow of \$176 million after transaction costs, while redemptions of convertible debentures used \$169 million of cash in 2018, whereas no such issuances or repayments occurred in 2017. The addition of \$13 million of recourse long-term debt borrowings in 2018 compares to \$18 million in 2017. Repayments of recourse long-term debt in 2018 of \$57 million compares to \$58 million in 2017, and relates primarily to equipment financing arrangements. In addition, in 2018, a decrease in bank indebtedness associated with borrowings under the Company's revolving credit facility totalled \$18 million compared to an increase of \$10 million in 2017. Dividends of \$30 million were paid in 2018, compared to \$29 million in 2017. There was also cash provided of \$1 million by the exercise of stock options in 2018, compared to \$2 million of cash provided by the exercise of stock options in 2017.

NEW ACCOUNTING STANDARDS

Note 6 to the 2018 consolidated financial statements includes new IFRS standards that became effective for the Company on January 1, 2018, and Note 7 discusses IFRS standards and interpretations that are issued, but not yet effective as at December 31, 2018.

SUPPLEMENTAL DISCLOSURES

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with management, evaluated the design and operating effectiveness of the Company's disclosure controls and procedures as at the financial year ended December 31, 2018. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2018 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities and that information required to be

disclosed by the Company in its annual and interim filings and other reports submitted under securities legislation was recorded, processed, summarized and reported within the periods specified in securities legislation.

Internal Controls over Financial Reporting

The CEO and CFO, together with management, evaluated the design and operating effectiveness of the Company's internal controls over financial reporting as at the financial year ended December 31, 2018. Based on that evaluation, the CEO and the CFO concluded that the design and operation of internal controls over financial reporting were effective as at December 31, 2018 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. In designing and implementing such controls, it should be recognized that any system of internal control over financial reporting, no matter how well designed and operated, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation and may not prevent or detect all misstatements due to error or fraud.

See also the section on “*Internal and Disclosure Controls*” in the Risk Factors section of this MD&A.

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Contractual Obligations

Aecon has commitments for equipment and premises under operating leases and has principal repayment obligations under long-term debt as follows:

\$ millions	Lease payments	Other long- term debt	Convertible debentures ⁽¹⁾
2019	\$ 9.6	\$ 34.9	\$ 9.2
2020 - 2023	28.5	67.8	220.8
Beyond	18.7	5.3	-
	<u>\$ 56.8</u>	<u>\$ 108.0</u>	<u>\$ 230.0</u>

⁽¹⁾ Assumes all convertible debentures are redeemed at maturity for cash.

Commitments related to non-recourse project debt are as follows:

\$ millions	Non- recourse project debt
2019	\$ 22.9
2020 - 2023	103.0
Beyond	634.1
	<u>\$ 760.0</u>

As at December 31, 2018, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was \$6,821 million.

Off-Balance Sheet Arrangements

Aecon's defined benefit pension plans (the "Pension Plans") had a combined surplus of \$nil as at December 31, 2018 (2017 – a combined deficit of \$1.2 million). Details relating to Aecon's defined benefit plans are set out in Note 22 to the 2018 consolidated financial statements.

The latest actuarial valuation of the Pension Plans for statutory and contribution purposes was completed as at December 31, 2017. Under current pension benefits regulations, the next actuarial valuation of the Pension Plans must be performed with a valuation date of no later than December 31, 2020. Accordingly, unless an earlier valuation date is adopted, no change in contributions will be required before 2021 and any changes thereafter will reflect December 31, 2020 market conditions.

The defined benefit obligations and benefit cost levels will change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future remeasurement gains or losses, none of which have been anticipated at this time. Emerging experience, differing from the assumptions, will result in gains or losses that will be revealed in future accounting valuations. Consequently, the accounting for Pension Plans involves a number of assumptions including those that are disclosed in Note 22 to the 2018 consolidated financial statements. As a result of the uncertainty associated with these estimates, there is no assurance that the Pension Plans will be able to earn the assumed rate of return on plan assets, and furthermore, market driven changes may result in changes to discount rates and other variables which would result in Aecon being required to make contributions to the Pension Plans in the future that may differ significantly from estimates. As a result, there is a significant amount of measurement uncertainty involved in the actuarial valuation process. This measurement uncertainty may lead to potential fluctuations in financial results attributable to the selection of actuarial assumptions and other accounting estimates involved in the determination of pension expense and obligations. A significant actuarial and accounting assumption impacting the reporting of Pension Plans is the discount rate assumption. As at December 31, 2018, Aecon used a discount rate of 3.75% in its Pension Plan calculations for consolidated financial statement purposes. The impact of a 0.5% decrease in the discount rate assumption would have resulted in an increase in the pension benefit obligation of approximately \$1.9 million as at December 31, 2018 and an increase in the estimated 2019 pension expense of approximately \$0.1 million.

Further details of contingencies and guarantees are included in the 2018 consolidated financial statements.

Related Party Transactions

There were no significant related party transactions in 2018.

Critical Accounting Estimates and Judgements

The reader is referred to the detailed discussion on critical accounting estimates and judgements found in Note 4 to the 2018 consolidated financial statements.

RISK FACTORS

The following risk factors, and the information incorporated by reference herein, should be considered carefully. 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.

Large Project Risk

A substantial portion of Aecon's revenue is derived from large projects, some of which are conducted through joint ventures. These projects provide opportunities for significant revenue and profit contributions but, by their nature, carry significant risk and, as such, can result and have occasionally resulted in significant losses. In addition to a growing involvement in large projects in response to changing market conditions, Aecon is also active in the P3 market in Canada. The P3 procurement model typically involves a transfer of certain risks to a contractor beyond those contained in a conventional fixed price contract. As such, a failure to properly execute and complete a P3 project may subject Aecon to significant losses. The risks associated with such large-scale infrastructure and industrial projects are often proportionate to their size and complexity, thereby placing a premium on risk assessment and project execution.

Joint ventures are often formed to undertake a specific project, jointly controlled by the partners, and are dissolved upon completion of the project. Aecon selects its joint venture partners based on a variety of criteria including relevant expertise, past working relationships, as well as analysis of prospective partners' financial and construction capabilities. Joint venture agreements spread risk between the partners and they generally state that companies supply their proportionate share of operating funds and that they share profits and losses in accordance with specified percentages. Nevertheless, each participant in a joint venture is usually liable to the client for completion of the entire project in the event of a default by any of its partners. Therefore, in the event that a joint venture partner fails to perform its obligations due to financial or other difficulties or is disallowed from performing or is otherwise unable to perform its obligations as a result of the client's determination, whether pursuant to the relevant contract or because of modifications to government or agency procurement policies or rules or for any other reason, Aecon may be required to make additional investments or provide additional services which may reduce or eliminate profit, or even subject Aecon to significant losses with respect to the joint venture. As a result of the complexity and size of such projects that Aecon has pursued in recent years or is likely to pursue going forward, the failure of a joint venture partner on a larger, more complex project could have a more significant impact on Aecon's results.

The contract price on large projects is based on cost estimates using a number of assumptions. Given the size of these projects, if these assumptions prove incorrect, whether due to faulty estimates, unanticipated circumstances, or a failure to properly assess risk, profit may be materially lower than anticipated or, in a worst-case scenario, result in a significant loss.

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

Aecon has a number of commitments and contingencies. If Aecon was called upon to honour these contingent obligations, its financial results could be adversely affected. For additional details, see Note 23 "Contingencies"

and Note 24 “Commitments Under Non-Cancellable Operating Leases” to the Company’s December 31, 2018 consolidated financial statements filed on Aecon’s SEDAR profile at www.sedar.com.

The failure to replace the revenue generated from these large projects on a going forward basis could adversely affect Aecon.

Contractual Factors

Aecon performs construction activities under a variety of contracts including lump sum, fixed price, guaranteed maximum price, cost reimbursable, design-build, design-build-finance, design-build-finance-maintain and design-build-finance-operate-maintain. Some forms of construction contracts carry more risk than others. Aecon attempts to maintain a diverse mix of contracts to prevent overexposure to the risk profile of any particular contractual structure; however, conditions influencing both private sector and public authority clients may alter the desired mix of available projects and contractual structures that Aecon undertakes.

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

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

In certain instances, Aecon guarantees to a customer that it will complete a project by a scheduled date or that the facility will achieve certain performance standards. If the project or facility subsequently fails to meet the schedule or performance standards, Aecon could incur additional costs or penalties commonly referred to as liquidated damages. Although Aecon attempts to negotiate waivers of consequential or liquidated damages, on some contracts the Company is required to undertake such damages for failure to meet certain contractual provisions. Such penalties may be significant and could impact Aecon’s financial position or results of future operations. Furthermore, schedule delays may also reduce profitability because staff may be prevented from pursuing and working on new projects. Project delays may also reduce customer satisfaction which could impact future awards.

Aecon is also involved in design-build, design-build-finance, design-build-finance-maintain and design-build-finance-operate-maintain contracts or certain contracts for owners such as Infrastructure Ontario and Partnerships British Columbia where, in addition to the responsibilities and risks of a unit price or lump sum construction contract, Aecon is responsible for certain aspects of the design of the facility being constructed. This form of contract adds the risk of Aecon’s liability for design errors as well as additional construction costs that might result from such design errors.

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

Change orders, which modify the nature or quantity of the work to be completed, are frequently issued by clients. Final pricing of these change orders is often negotiated after the changes have been started or completed. As such, disputes regarding the quantum of unpriced change orders could impact Aecon's profitability on a particular project, its ability to recover costs or, in a worst-case scenario, result in significant project losses. Until pricing has been agreed, these change orders are referred to as "unpriced change orders." Revenues from unpriced change orders are recognized to the extent of the costs incurred on executing the change order or, if lower, to the extent to which recovery is probable. Consequently, profit on such change orders is recognized only when pricing is agreed. If, ultimately, there are disputes with clients on the pricing of change orders or disputes regarding additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions, Aecon's accounting policy is to record all costs for these changes but not to record any revenues anticipated from these disputes until resolution is probable. The timing of the resolution of such events can have a material impact on income and liquidity and thus can cause fluctuations in the revenue and income of Aecon in any one reporting period.

Aecon Operates in a Highly Competitive Industry

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

Resources and Commodities Sector

Delays, scope reductions and/or cancellations in previously announced or anticipated projects in the Alberta oil sands and commodities mining sector demonstrated that economic activity in the resources and commodities sector could be impacted by a variety of factors. General factors include but are not limited to: the pricing of oil, potash and other commodities; market volatility; the impact of global economic conditions affecting demand or the worldwide financial markets; cost overruns on announced projects; efforts by owners to contractually shift risk for cost overruns to contractors; fluctuations in the availability of skilled labour; lack of sufficient governmental infrastructure to support growth; the introduction or repeal of "green" legislation; negative perception of the Alberta oil sands and their potential environmental impact; and a shortage of sufficient pipeline capacity to transport production to major markets.

The prices of oil, natural gas and other commodities are determined based on world demand, supply, production, speculative activities and other factors, all of which are beyond the control of the Company. Investment decisions by some of Aecon's clients are dependent on the clients' outlook on the long-term price of commodities. If that outlook is unfavourable it may cause delay, reduction or cancellation of current and future projects, including pipeline projects. The decline in the prices of oil and commodities beginning in late 2014 and continuing through 2018, combined with potential further declines in prices, could result in a material reduction in the oil and gas development activities and capital expenditure plans of some of the Company's clients, which could in turn have a negative effect on the frequency, number and size of the projects for which the Company would bid.

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

Economic Factors

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

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

Concessionaire Risk

In addition to providing design, construction, procurement, operation and other services on a given project, Aecon will sometimes invest as a concessionaire in an infrastructure asset. In such instances, Aecon assumes a degree of risk (essentially equity risk) associated with the performance of the asset during the concession period. The Bermuda International Airport Redevelopment Project is a current example of such a project.

The financing arrangements on concession projects are typically based on a set of projections regarding the cash flow to be generated by the asset during the life of the concession. The ability of the asset to generate the cash flows required to provide a return to the concessionaire can be influenced by a number of factors, some of which are partially beyond the concessionaire's control, such as, among others, political or legislative changes, traffic demand and thus operating revenues, collection success and operating cost levels.

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

On a going forward basis, a future economic downturn may directly or indirectly impact the ability of Aecon to make the necessary financing arrangements to pursue all of the concession opportunities it would otherwise be interested in.

Dependence on the Public Sector

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

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

Labour Factors

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

The Company's future prospects depend to a significant extent on its ability to attract sufficient skilled workers. The construction industry is faced with an increasing shortage of skilled labourers in some areas and disciplines, particularly in remote locations that require workers to live in temporary "camp" environments. The resulting competition for labour may limit the ability of the Company to take advantage of opportunities otherwise available or alternatively may impact the profitability of such endeavours on a going forward basis. The Company believes that its union status, size and industry reputation will help mitigate this risk but there can be no assurance that the Company will be successful in identifying, recruiting or retaining a sufficient number of skilled workers.

Subcontractor Performance

The profitable completion of some contracts depends to a large degree on the satisfactory performance of the subcontractors as well as design and engineering consultants who complete different elements of the work. If these subcontractors do not perform to accepted standards, Aecon may be required to hire different subcontractors to complete the tasks, which may impact schedule, add costs to a contract, impact profitability on a specific job and, in certain circumstances, lead to significant losses. A major subcontractor default or failure to properly manage subcontractor performance could materially impact results.

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. In view of the quantum of the amounts claimed and the insurance coverage maintained by the Company in respect of these matters, management of the Company does not believe that any of the legal actions or proceedings that are presently known or anticipated by the Company are likely to have a material impact on the Company's financial position. However, there is no assurance that the Company's insurance arrangements will be sufficient to cover any particular claim or claims that may arise in the future. Furthermore, the Company is subject to the risk of claims and legal actions for various commercial and contractual matters, primarily arising from construction disputes, in respect of which insurance is not available. There can be no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact Aecon's results.

Risk of Non-Payment

Credit risk of non-payment with private owners under construction contracts is to a certain degree minimized by statutory lien rights which give contractors a high priority in the event of foreclosures as well as progress payments based on percentage completion. However, there is no guarantee that these measures will in all circumstances mitigate the risk of non-payment from private owners and a significant default or bankruptcy by a private owner may impact results. A greater incidence of default (including cash flow problems) or corporate bankruptcy amongst clients, subcontractors or suppliers related to economic conditions could also impact results.

Credit risk is typically less with public (government) owners, who generally account for a significant portion of Aecon's business, as funds have generally been appropriated prior to the award or commencement of the project. Please see "Dependence on the Public Sector" under "Risk Factors" herein for additional discussion of the risks associated with this type of contract.

Ongoing Financing Availability

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

One or more third parties drawing on letters of credit or guarantees could have a material adverse effect on Aecon's cash position and operations.

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

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

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

Insurance Risk

Aecon maintains insurance in order to both satisfy the requirements of its various construction contracts as well as a corporate risk management strategy. Insurance products from time to time experience market fluctuations that can impact pricing and availability. Therefore, senior management, through Aecon's insurance broker, monitors developments in the insurance markets to ensure that the Company's insurance needs are met. Insurance risk entails inherent unpredictability that can arise from assuming long-term policy liabilities or from uncertainty of future events. Although Aecon has been able to meet its insurance needs, there can be no assurances that Aecon will be able to secure all necessary or appropriate insurance on a going forward basis. Failure to do so could lead to uninsured losses or limit Aecon's ability to pursue some construction contracts, both of which could impact results.

Environmental and Safety Factors

Unfavourable weather conditions represent one of the most significant uncontrollable risks for Aecon to the extent that such risk is not mitigated through contractual terms. Construction projects are susceptible to delays as a result of extended periods of poor weather, which can have an adverse effect on profitability arising from either late completion penalties imposed by the contract or from the incremental costs arising from loss of productivity, compressed schedules, or from overtime work utilized to offset the time lost due to adverse weather.

During its history, Aecon has experienced a number of incidents, emissions or spills of a non-material nature in the course of its construction activities. Although none of these environmental incidents to date have resulted in a material liability to the Company, there can be no guarantee that any future incidents will also be of a non-material nature.

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

Aecon is also subject to, and complies with, health and safety legislation in all of its operations in the jurisdictions in which it operates. The Company recognizes that it must conduct all of its business in such a manner as to ensure the protection of its workforce and the general public. Aecon has developed a comprehensive health and safety program. Nevertheless, given the nature of the industry, accidents will inevitably occur from time to time. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact, taken as a whole, on any of its operations, capital expenditure requirements or competitive position. Nevertheless, there can be no guarantee with respect to the impact of future legislation or accidents. Increasingly across the construction industry safety standards, records and culture are an integral component of winning new work. Should Aecon fail to maintain its safety standards, such failure may impact future job awards, or in a worst case scenario impact financial results.

Cyclical Nature of the Construction Industry

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

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

Failure of Clients to Obtain Required Permits, Licences and Approvals

The development of construction projects requires Aecon’s clients to obtain regulatory and other permits, licences and approvals from various governmental licencing bodies. Aecon’s clients may not be able to obtain all necessary permits, licenses and approvals required for the development of their projects, in a timely manner or at all. These delays are generally outside the Company’s control. The major costs associated with these delays are personnel and associated overhead that is designated for the project which cannot be reallocated effectively to other work. If the client’s project is unable to proceed, it may adversely impact the demand for the Company’s services.

International/Foreign Jurisdiction Factors

Aecon is from time to time engaged in large international projects in foreign jurisdictions. International projects can expose Aecon to risks beyond those typical for its activities in its home market, including without limitation, economic, geopolitical, geotechnical, military, repatriation of undistributed profits, currency and foreign exchange risks, and other risks beyond the Company's control including the duration and severity of the impact of global economic downturns.

Aecon continually evaluates its exposure to unusual risks inherent in international projects and, where deemed appropriate in the circumstances, mitigates these risks through specific contract provisions, insurance coverage and forward exchange agreements. However, there are no assurances that such measures would offset or materially reduce the effects of such risks.

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

Internal and Disclosure Controls

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

Interruption or Failure of Information Systems

Aecon relies extensively on information systems, data and communication networks to effectively manage its operations. Complete, accurate, available and secure information is vital to the Company's operations and any compromise in such information could result in improper decision making, inaccurate or delayed operational and/or financial reporting, delayed resolution to problems, breach of privacy and/or unintended disclosure of confidential materials. Failure in the completeness, accuracy, availability or security of Aecon's information systems, the risk of system interruption or failure during system upgrades or implementation, or a breach of data security could adversely affect the Company's operations and financial results.

Cybersecurity Threats

Aecon has established and continues to enhance security controls which protect its information systems and infrastructure, and which meet or exceed its obligations under applicable law or professional standards. The Company's Information Services Security Group oversees the cybersecurity and risk mitigation strategy in coordination with Information Services and in consultation with the Company's Board of Directors. Aecon is IT general controls (ITGC) certified and governed by the National Institute of Standards and Technology (NIST) Cybersecurity Framework. Aecon annually conducts a comprehensive assessment with third party auditors in order to re-certify its compliance with the ITGC principles. While audits occur annually, information security risk reviews and assessments are conducted more frequently in accordance with established processes to ensure that Aecon's security controls are protecting the Company's information systems and infrastructure on an ongoing basis. Aecon has also established safeguards to ensure that appropriate physical access controls are in place to protect the Company's facilities and information technology resources from unauthorized access. The Company has a cyber insurance policy which provides broad coverage of cyber incidents as well as third party costs as a result of breaches and costs to restore, recreate or recollect electronic data.

Aecon relies on information technology systems to manage its operations, including for reporting its results of operations, collection and storage of client data, personal data of employees and other stakeholders, and various other processes and transactions. Some of these systems are managed by third-party service providers. Aecon has similar exposure to security risks faced by other large companies that have data stored on their information technology systems. Given the rapid evolution and sophisticated level of cyber incidents, all the foregoing security measures and controls may not be sufficient to prevent third party access of digital data from Aecon's or its third-party service providers' systems with the intent to misappropriate information, corrupt data or cause operational disruptions. Such incidents could cause delays in the Company's operations and construction projects, result in lost revenues due to a disruption of activities, lead to the loss, destruction, inappropriate use or theft of confidential data, or result in theft of confidential information, including the Company's or its clients' or joint venture partners' intellectual property. If any of the foregoing events occurs, the Company may be exposed to a number of consequences, including potential litigation or regulatory actions and reputational damage, which could have a material adverse effect on the Company.

Integration and Acquisition Risk

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

Loss of Key Management and Inability to Attract and Retain Key Staff

The Company's future prospects depend to a significant extent on the continued service of its key executives and staff. Furthermore, the Company's continued growth and future success depends on its ability to identify, recruit, assimilate and retain key management, technical, project and business development personnel. The

competition for such employees, particularly during periods of high demand in certain sectors, is intense and there can be no assurance that the Company will be successful in identifying, recruiting or retaining such personnel.

Adjustments in Backlog

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

Tax Accrual Risks

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

Public Procurement Laws and Regulations

As part of its business dealings with governmental bodies, Aecon must comply with public procurement laws and regulations aimed at ensuring that public sector bodies award contracts in a transparent, competitive, efficient, ethical and non-discriminatory way. Although Aecon has adopted control measures and implemented policies and procedures to mitigate such risks, these control measures, policies and procedures may not always be sufficient to protect the Company from the consequences of acts prohibited by public procurement laws and regulations committed by its directors, officers, employees and agents. If Aecon fails to comply with these laws and regulations it could be subject to administrative or civil liabilities and to mandatory or discretionary exclusion or suspension, on a permanent or temporary basis, from contracting with governmental bodies in addition to other penalties and sanctions that could be incurred by the Company.

Reputation in the Construction Industry

Reputation and goodwill play an important role in the long-term success of any company in the construction industry. Negative opinion may impact long-term results and can arise from a number of factors including competence, losses on specific projects, questions concerning business ethics and integrity, corporate governance, changing environmental awareness, the accuracy and quality of financial reporting and public disclosure as well as the quality and timing of the delivery of key products and services. Aecon has implemented various procedures and policies to help mitigate this risk including the adoption of a

comprehensive Code which all employees are expected to review and abide by. Nevertheless, the adoption of corporate policies and training of employees cannot guarantee that a future breach or breaches of the Code or other corporate policies will not occur which may or may not impact the financial results of the Company.

Increases in the Cost of Raw Materials

The cost of raw materials represents a significant component of Aecon's operating expenses. As contractors are not always able to pass such risks on to their customers, unexpected increases in the cost of raw materials may negatively impact the Company's results. At times, the global availability of basic construction materials such as cement and steel can be impacted by high periods of demand which can result in significant price fluctuations, price escalation and periodic supply shortages. Tariffs on raw materials between nations may also impact the cost of raw materials from time to time. Unanticipated fluctuations in the costs of raw materials may add a significant risk to many vendors and subcontractors, some of whom may respond by no longer guaranteeing price or availability on long-term contracts which in turn increases the risk for contractors who are not always able to pass this risk on to their customers.

Impact of Extreme Weather Conditions and Natural Disasters

Much of Aecon's construction activities are performed outdoors. Extreme weather conditions or natural or other disasters, such as earthquakes, fires, floods, epidemics or pandemics and similar events, may cause delays in the progress of Aecon's projects, which to the extent that such risk is not mitigated through contractual terms, may result in loss of revenues that otherwise would be recognized while certain costs continue to be incurred. Delays in the completion of Aecon's services may also lead to incurring additional non-compensable costs, including overtime work, that are necessary to meet clients' schedules. Delays in the commencement or completion of a project may also result in penalties or sanctions under contracts or even the cancellation of contracts.

Climate Change

Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. The failure to recognize and adequately respond to climate change concerns or public and governmental expectations on climate matters may have a material adverse effect on Aecon's profitability and financial condition. See "Risk Factors – Climate Change Laws and Regulations" under "Risk Factors" herein.

Climate Change Laws and Regulations

Global climate change continues to attract considerable public, scientific and regulatory attention, and greenhouse gas emission regulation is becoming more commonplace and stringent. Government action to address climate change may involve both economic instruments such as carbon taxation as well as restrictions on economic sectors such as cap-and-trade. Aecon is subject to carbon taxation and cap-and-trade systems in some of the jurisdictions in which it operates and there is a possibility in other jurisdictions in the future. The Company's cost of business may rise and the Company may be required to purchase new equipment to reduce emissions in order to comply with new regulatory standards or to mitigate the financial impact of carbon taxation. In addition, Aecon's inability to comply with climate change laws and regulations could result in penalties, lawsuits and potential harm to its reputation. Cap-and-trade programs and other government restrictions on certain market sectors can also impact current or potential clients in industries such as petroleum crude oil.

Impairment in the Value of Aecon's Assets

New events or circumstances may lead Aecon to reassess the value of goodwill, property, plant and equipment, and other non-financial assets, and record a significant impairment loss, which could have a material adverse effect on its financial position. Aecon's financial assets, other than those accounted for at fair value, are assessed for indicators of impairment quarterly. Financial assets are considered impaired when there is objective evidence that estimated future cash flows of the investment have been affected by one or more events that occurred after the initial recognition of the financial asset. In such a case, Aecon may be required to reduce carrying values to their estimated fair value. Aecon's estimates of future cash flows are inherently subjective which could have a significant impact on the analysis. Further, there could be a material adverse effect on Aecon's financial position from any future write-offs or write-downs of Aecon's assets or in the carrying value of its investments.

Outsourced Software

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

Protection of Intellectual Property and Proprietary Rights

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

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

Outstanding Share Data

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

In thousands of dollars (except share amounts)	March 5, 2019
Number of common shares outstanding	60,478,564
Outstanding securities exchangeable or convertible into common shares:	
Principal amount of convertible debentures outstanding (see Note 19 to the December 31, 2018 consolidated financial statements)	\$ 172,482
Number of common shares issuable on conversion of convertible debentures	7,666,667
Increase in paid-up capital on conversion of convertible debentures	\$ 172,482

OUTLOOK

Commitments to increase infrastructure investment by all levels of government across Canada, as well as significant opportunities in utilities, pipelines, and power, including nuclear, align with Aecon's strengths and has allowed Aecon to be successful in 2018 in building backlog to record levels while maintaining a strong list of significant project pursuits going forward. The Company's 2019 record opening backlog of \$6.8 billion is 61% higher than 2018's opening backlog. While this strong program of work supports an expectation of like for like revenue and EBITDA growth in 2019, this will be offset to some extent by the sale of the contract mining business on November 23, 2018 for \$199.1 million. This business contributed \$209 million of revenue in 2018.

Infrastructure segment backlog at the end of 2018 was \$4,527 million compared to \$1,995 million at the same time last year. Increased infrastructure investment to address the significant infrastructure deficit in Canada is a key area of focus for federal, provincial, and municipal governments, and Aecon continues to be well positioned to successfully bid on, secure, and deliver these major projects. Bidding activity is expected to be solid in 2019 although new awards are not likely to match the level of 2018. With strong backlog in hand, the focus has shifted to the ramp up and execution of these projects, leading to higher revenue and Adjusted EBITDA in 2019.

Backlog in the Industrial segment was \$2,257 million at the end of 2018 compared to \$2,234 million a year earlier. Aecon expects steady demand for nuclear refurbishment, utilities, pipelines, and conventional industrial work in 2019, while the sale of the contract mining business near the end of 2018 will have an offsetting impact on revenue in 2019. Aecon's capability in the nuclear refurbishment sector, combined with the work secured to-date, and the ongoing fifteen-year and ten-year refurbishment projects at the Bruce Power Nuclear Generating Station and at Ontario Power Generation's Darlington facility, respectively, provides a significant long-term growth opportunity for Aecon in nuclear work. Work on Bruce Power's Unit 6 FCFR is scheduled to begin in 2020. Aecon's capabilities in utilities continues to be a strength that should lead to growth from the increased demand for utility services, pipelines and power work over the long-term, although timing of pipeline work remains susceptible to delays given the political and regulatory environment for major pipeline development in Canada. While oil and commodity prices are improving, they have not yet reached a level to support a pick up in significant new oil and mining construction projects. As a result, it is expected that 2019 conventional industrial fabrication and field work revenue will be similar to 2018.

The Concessions group continues to partner with Aecon's other segments to focus on the significant number of P3 opportunities in Canada and is actively pursuing a number of large-scale infrastructure projects that require private finance solutions. Concessions is also participating as a concessionaire on the Finch West LRT, Waterloo LRT, Eglinton Crosstown LRT, and Gordie Howe International Bridge projects as well as the Bermuda International Airport Redevelopment Project.

The overall outlook for 2019 remains solid, as our current strong backlog, robust pipeline of future opportunities, and ongoing concessions are expected to lead to an improved Adjusted EBITDA margin. 2019 capital expenditures are expected to remain relatively consistent with 2018 levels.

AECON GROUP INC.

**CONSOLIDATED
FINANCIAL
STATEMENTS**

December 31, 2018

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	42
CONSOLIDATED BALANCE SHEETS	45
CONSOLIDATED STATEMENTS OF INCOME	46
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME.....	47
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	48
CONSOLIDATED STATEMENTS OF CASH FLOWS	49
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	50
1. CORPORATE INFORMATION	50
2. DATE OF AUTHORIZATION FOR ISSUE	50
3. BASIS OF PRESENTATION	50
4. CRITICAL ACCOUNTING ESTIMATES	51
5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	54
6. NEW ACCOUNTING STANDARDS	68
7. FUTURE ACCOUNTING CHANGES	70
8. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH.....	72
9. TRADE AND OTHER RECEIVABLES.....	73
10. UNBILLED REVENUE AND DEFERRED REVENUE	74
11. INVENTORIES	74
12. PROJECTS ACCOUNTED FOR USING THE EQUITY METHOD.....	75
13. PROPERTY, PLANT AND EQUIPMENT	77
14. INTANGIBLE ASSETS	78
15. BANK INDEBTEDNESS.....	80
16. TRADE AND OTHER PAYABLES	80
17. PROVISIONS	81
18. LONG-TERM DEBT AND NON-RECOURSE PROJECT DEBT	82
19. CONVERTIBLE DEBENTURES.....	83
20. CONCESSION RELATED DEFERRED REVENUE.....	84
21. INCOME TAXES.....	85
22. EMPLOYEE BENEFIT PLANS.....	87
23. CONTINGENCIES.....	90
24. COMMITMENTS UNDER NON-CANCELLABLE OPERATING LEASES.....	91
25. CAPITAL STOCK.....	91
26. EXPENSES	93
27. OTHER INCOME.....	94
28. FINANCE COSTS	94
29. EARNINGS PER SHARE	95
30. SUPPLEMENTARY CASH FLOW INFORMATION	96
31. FINANCIAL INSTRUMENTS	97
32. CAPITAL DISCLOSURES	101
33. OPERATING SEGMENTS	102
34. REMAINING PERFORMANCE OBLIGATIONS	105
35. RELATED PARTIES	106



Independent auditor's report

To the Shareholders of Aecon Group Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Aecon Group Inc. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017 and January 1, 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2018 and December 31, 2017 and January 1, 2017;
 - the consolidated statements of income for the years ended December 31, 2018 and 2017;
 - the consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017;
 - the consolidated statements of changes in equity for the years ended December 31, 2018 and 2017;
 - the consolidated statements of cash flows for the years ended December 31, 2018 and 2017; and
 - the notes to the consolidated financial statements, which include a summary of significant accounting policies.
-

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Daniel D'Archivio.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 5, 2019

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2018, DECEMBER 31, 2017 AND JANUARY 1, 2017
(in thousands of Canadian dollars)

	Note	December 31 2018	December 31 2017	January 1 2017 (Note 6)
ASSETS				
Current assets				
Cash and cash equivalents	8	\$ 630,976	\$ 304,882	\$ 231,858
Restricted cash	8	193,369	279,581	-
Trade and other receivables	9	697,611	499,462	604,759
Unbilled revenue	10	573,678	554,039	465,848
Inventories	11	20,751	22,997	28,460
Income taxes recoverable		3,980	8,110	19,275
Prepaid expenses		26,448	12,024	12,100
		2,146,813	1,681,095	1,362,300
Non-current assets				
Long-term financial assets		12,055	2,260	2,633
Projects accounted for using the equity method	12	39,475	32,610	27,618
Deferred income tax assets	21	22,507	18,196	23,908
Property, plant and equipment	13	266,199	457,151	450,368
Intangible assets	14	445,643	293,878	111,658
		785,879	804,095	616,185
TOTAL ASSETS		\$ 2,932,692	\$ 2,485,190	\$ 1,978,485
LIABILITIES				
Current liabilities				
Bank indebtedness	15	\$ -	\$ 17,940	\$ 7,476
Trade and other payables	16	705,760	621,863	577,333
Provisions	17	14,695	11,546	20,530
Deferred revenue	10	508,306	206,681	201,408
Income taxes payable		2,644	3,544	6,449
Current portion of long-term debt	18	32,505	44,472	51,568
Convertible debentures	19	-	168,466	-
		1,263,910	1,074,512	864,764
Non-current liabilities				
Provisions	17	5,514	5,812	5,096
Non-recourse project debt	18	383,746	352,888	-
Long-term debt	18	69,707	91,211	86,403
Convertible debentures	19	159,775	-	164,778
Concession related deferred revenue	20	106,330	97,780	1,111
Deferred income tax liabilities	21	117,626	104,219	114,267
Other liabilities		1,022	2,793	3,967
		843,720	654,703	375,622
TOTAL LIABILITIES		2,107,630	1,729,215	1,240,386
EQUITY				
Capital stock	25	386,453	367,612	346,770
Convertible debentures	19	12,707	8,664	8,674
Contributed surplus		47,006	39,604	43,060
Retained earnings		369,505	340,470	341,718
Accumulated other comprehensive income (loss)		9,391	(375)	(2,123)
TOTAL EQUITY		825,062	755,975	738,099
TOTAL LIABILITIES AND EQUITY		\$ 2,932,692	\$ 2,485,190	\$ 1,978,485

Contingencies and commitments (Notes 23 and 24)

Approved by the Board of Directors


John M. Beck, Director


Anthony P. Franceschini, Director

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

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	Note	December 31 2018	December 31 2017
Revenue		\$ 3,266,291	\$ 2,805,728
Direct costs and expenses	26	(2,909,171)	(2,486,705)
Gross profit		357,120	319,023
Marketing, general and administrative expenses	26	(178,522)	(186,538)
Depreciation and amortization	26	(103,832)	(93,548)
Income from projects accounted for using the equity method	12	13,150	8,417
Other income	27	1,506	6,281
Operating profit		89,422	53,635
Finance income		1,256	895
Finance costs	28	(23,651)	(23,704)
Profit before income taxes		67,027	30,826
Income tax expense	21	(8,013)	(2,650)
Profit for the year		\$ 59,014	\$ 28,176
Basic earnings per share	29	\$ 0.99	\$ 0.48
Diluted earnings per share	29	\$ 0.94	\$ 0.46

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(in thousands of Canadian dollars)

	December 31 2018	December 31 2017
Profit for the year	\$ 59,014	\$ 28,176
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Actuarial gain - employee benefit plans	1,067	1,591
Income taxes on the above	(285)	(426)
	782	1,165
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences - foreign operations	5,408	(1,487)
Cash flow hedges - equity-accounted investees	(6,085)	2,816
Cash flow hedges - joint operations	10,949	-
Income taxes on the above	(1,288)	(746)
Total other comprehensive income for the year	9,766	1,748
Comprehensive income for the year	\$ 68,780	\$ 29,924

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	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	
Balance as at January 1, 2018	\$ 367,612	\$ 8,664	\$ 39,604	\$ 340,470	\$ (1,660)	\$ 445	\$ 840	\$ 755,975
Profit for the year	-	-	-	59,014	-	-	-	59,014
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	5,408	-	-	5,408
Actuarial gain - employee benefit plans	-	-	-	-	-	1,067	-	1,067
Cash flow hedges - equity-accounted investees	-	-	-	-	-	-	(6,085)	(6,085)
Cash flow hedges - joint operations	-	-	-	-	-	-	10,949	10,949
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	(285)	(1,288)	(1,573)
Total other comprehensive income for the year	-	-	-	-	5,408	782	3,576	9,766
Total comprehensive income for the year	-	-	-	59,014	5,408	782	3,576	68,780
Dividends declared	-	-	-	(29,979)	-	-	-	(29,979)
Common shares issued on exercise of options	1,751	-	(319)	-	-	-	-	1,432
Repayment of 5.5% Debentures	-	(8,499)	8,499	-	-	-	-	-
Issuance of 5.0% Debentures	-	12,707	-	-	-	-	-	12,707
Common shares issued on conversion of 5.5% Debentures	3,379	(165)	-	-	-	-	-	3,214
Stock-based compensation	-	-	14,222	-	-	-	-	14,222
Shares issued to settle LTIP/Director DSU obligations	13,711	-	(13,711)	-	-	-	-	-
Other LTIP settlements	-	-	(1,289)	-	-	-	-	(1,289)
Balance as at December 31, 2018	\$ 386,453	\$ 12,707	\$ 47,006	\$ 369,505	\$ 3,748	\$ 1,227	\$ 4,416	\$ 825,062

	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	
Balance as at January 1, 2017	\$ 346,770	\$ 8,674	\$ 43,060	\$ 341,718	\$ (173)	\$ (720)	\$ (1,230)	\$ 738,099
Profit for the year	-	-	-	28,176	-	-	-	28,176
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	(1,487)	-	-	(1,487)
Actuarial gain - employee benefit plans	-	-	-	-	-	1,591	-	1,591
Cash flow hedges - equity-accounted investees	-	-	-	-	-	-	2,816	2,816
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	(426)	(746)	(1,172)
Total other comprehensive income (loss) for the year	-	-	-	-	(1,487)	1,165	2,070	1,748
Total comprehensive income (loss) for the year	-	-	-	28,176	(1,487)	1,165	2,070	29,924
Dividends declared	-	-	-	(29,424)	-	-	-	(29,424)
Common shares issued on exercise of options	2,610	-	(698)	-	-	-	-	1,912
Common shares issued on conversion of 5.5% Debentures	198	(10)	-	-	-	-	-	188
Stock-based compensation	-	-	16,437	-	-	-	-	16,437
Shares issued to settle LTIP/Director DSU obligations	18,034	-	(18,034)	-	-	-	-	-
Other LTIP Settlements	-	-	(1,161)	-	-	-	-	(1,161)
Balance as at December 31, 2017	\$ 367,612	\$ 8,664	\$ 39,604	\$ 340,470	\$ (1,660)	\$ 445	\$ 840	\$ 755,975

During the year ended December 31, 2018, the Company declared dividends amounting to \$0.50 per share (December 31, 2017 - \$0.50 per share).

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(in thousands of Canadian dollars)

	Note	December 31 2018	December 31 2017
CASH PROVIDED BY (USED IN)			
Operating activities			
Profit before income taxes		\$ 67,027	\$ 30,826
Income taxes paid		(1,821)	(5,601)
Defined benefit pension		(226)	49
Items not affecting cash:			
Depreciation and amortization		103,832	93,548
Income from projects accounted for using the equity method		(13,150)	(8,417)
Gain on sale of assets		(466)	(2,689)
Income from leasehold inducements		(478)	(561)
Unrealized foreign exchange loss (gain)		985	(8,187)
Increase in provisions		11,526	13,408
Notional interest representing accretion		5,328	4,276
Stock-based compensation		14,222	16,437
Change in other balances relating to operations	30	181,900	64,328
		368,679	197,417
Investing activities			
Decrease (increase) in restricted cash balances		105,135	(289,264)
Purchase of property, plant and equipment		(47,353)	(37,327)
Proceeds on sale of contract mining assets		150,828	-
Proceeds on sale of property, plant and equipment and other		7,669	9,858
Investment in concession rights		(163,872)	(127,281)
Increase in intangible assets		(3,347)	(5,160)
Increase in long-term financial assets		(10,229)	(22)
Distributions from projects accounted for using the equity method		200	6,241
		39,031	(442,955)
Financing activities			
(Decrease) increase in bank indebtedness		(17,940)	10,464
Issuance of long-term debt		12,813	17,735
Issuance of non-recourse long-term debt		-	374,407
Repayments of long-term debt		(57,232)	(57,855)
Repayment of 5.5% Debentures		(169,022)	-
Increase in other liabilities		-	930
Issuance of capital stock		1,432	1,912
Settlement of LTIP		(1,289)	(1,161)
Dividends paid		(29,831)	(28,667)
Issuance of 5.0% Debentures		175,940	-
		(85,129)	317,765
Increase in cash and cash equivalents during the year		322,581	72,227
Effects of foreign exchange on cash balances		3,513	797
Cash and cash equivalents - beginning of year		304,882	231,858
Cash and cash equivalents - end of year	8	\$ 630,976	\$ 304,882

See Note 30 for additional disclosures relating to the Consolidated Statements of Cash Flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

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 800, M9W 7K6.

The Company operates in three principal segments within the construction and infrastructure development industry: Infrastructure, Industrial and Concessions.

On October 26, 2017, the Company entered into an arrangement agreement (the “Arrangement Agreement”) with CCC International Holding Limited and 10465127 Canada Inc. (together, “CCCI”), pursuant to which CCCI agreed, subject to satisfaction of customary conditions, to acquire all of the issued and outstanding Common Shares of Aecon for \$20.37 per Common Share in cash by way of a statutory plan of arrangement under the Canada Business Corporations Act (the “Arrangement”).

On May 23, 2018, the Company was informed that the Governor in Council had issued an order under the Investment Canada Act directing CCCI not to implement its proposed acquisition of Aecon. As a result, the Arrangement did not proceed.

Refer to Note 35 “*Related Parties*,” for further details on the Company’s subsidiaries and significant joint arrangements and associates.

2. DATE OF AUTHORIZATION FOR ISSUE

The consolidated financial statements of the Company were authorized for issue on March 5, 2019 by the Board of Directors of the Company.

3. BASIS OF PRESENTATION

Basis of presentation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”).

Statement of compliance

These consolidated financial statements have been prepared in accordance with and comply with IFRS as issued by the International Accounting Standards Board (“IASB”).

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 and available-for-sale investments.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

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.

Except as disclosed, there have been no material changes to critical accounting estimates related to the below mentioned items in the past two fiscal years. 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*". The following discussion is intended to describe those judgments and key assumptions concerning major sources of estimation uncertainty at the end of the reporting period that have the most significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

4.1 MAJOR SOURCES OF ESTIMATION UNCERTAINTY

REVENUE AND GROSS PROFIT RECOGNITION

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

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

A change order results from a change to the scope of the work to be performed compared to the original contract that was signed. Unpriced change orders are change orders that have been approved as to scope but unapproved as to price. Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that the Company seeks to collect from clients for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. In accordance with the Company's accounting policy, unpriced change orders and claims are recognized in revenue at the most likely amount the Company expects to be entitled, and to the extent 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

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 23, “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 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 these matters may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

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

FAIR VALUING FINANCIAL INSTRUMENTS

From time to time, the Company 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. 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 31, “Financial Instruments.”

MEASUREMENT OF RETIREMENT BENEFIT OBLIGATIONS

The Company’s obligations and expenses related to defined benefit pension plans, including supplementary executive retirement plans, are determined using actuarial valuations and are dependent on many significant assumptions. The defined benefit obligations and benefit cost levels will change as a result of future changes in actuarial methods and assumptions, membership data, plan provisions, legislative rules, and future experience gains or losses, which have not been anticipated at this time. Emerging experience, differing from assumptions, will result in gains or losses that will be disclosed in future accounting valuations. Refer to Note 22, “Employee Benefit Plans”, for further details regarding the Company’s defined benefit plans as well as the impact to the financial results of a 0.5% change in the discount rate assumption used in the calculations.

INCOME TAXES

The Company is subject to income taxes in both Canada and several foreign jurisdictions. Significant estimates and judgments are required in determining the Company’s worldwide provision for income taxes. In the ordinary course of business, there are transactions and calculations where the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Management estimates income taxes for each jurisdiction the Company operates in, taking into consideration different income tax rates, non-deductible expenses, valuation allowances, changes in tax laws, and management’s expectations

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

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 reporting units under the fair value less cost to disposal approach are: weighted average cost of capital used to discount the projected cash flows; cash flows generated from new work awards; and projected operating margins.

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

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

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

Refer to Note 14, "*Intangible Assets*", 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

of control impacts how the operations of these entities are reported in the Company's consolidated financial statements (i.e., full consolidation, equity investment or proportional share).

The Company performs the majority of its construction projects through wholly owned subsidiary entities, which are fully consolidated. However, a number of projects, particularly some larger, multi-year, multi-disciplinary projects, are executed through partnering agreements. As such, the classification of these entities as a subsidiary, joint operation, joint venture, associate or financial instrument requires judgment by management to analyze the various indicators that determine whether control exists. In particular, when assessing whether a joint arrangement should be classified as either a joint operation or a joint venture, 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 2018, the Company sold substantially all of the assets related to Aecon's contract mining business in the Alberta oil sands (see Note 27, "*Other Income (Loss)*"). In management's judgment, this operation does not meet the criteria for classification as a discontinued operation. In making such determination, management examined all the lines of business the Company currently operates in, and the geographic markets the Company participates in. With respect to contract mining, the Company continues to provide numerous construction related services to the oil and gas industry across Canada, including earthworks, foundations, and site installation services in the mining sector; utility construction services across Canada including gas pipeline construction for distribution and transmission; and earthworks on various roadbuilding and tunneling projects on an on-going basis. As such, Aecon continues to operate in mining and related businesses and services the same clients as well as others in the industry, both in Alberta and across Canada.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 REVENUE RECOGNITION

Identification of a contract with a customer

A construction contract is a contract specifically negotiated for the construction of an asset or combination of assets, including contracts for the rendering of services directly related to the construction of the asset. Such contracts include fixed-price and cost-plus contracts.

When determining the proper revenue recognition method for contracts, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or to separate a single contract into multiple performance obligations could affect the amount of revenue and profit recorded in a given period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

The Company accounts for a contract when it has commercial substance, the parties have approved the contract in accordance with customary business practices and are committed to their obligations, the rights of the parties and payment terms are identified, and collectability of consideration is probable.

Identifying performance obligations in a contract

For most of the Company's contracts, the customer contracts with the Company to provide a significant service of integrating a complex set of tasks and components into a single project. Consequently, the entire contract is accounted for as one performance obligation. Less frequently, however, the Company may provide several distinct goods or services as part of a contract, in which case the Company separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the total transaction price is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. The expected cost plus a margin approach is typically used to estimate the standalone selling price of each performance obligation. On occasion, the Company will sell standard products, such as aggregates and other materials, with observable standalone sales. In these cases, the observable standalone sales are used to determine the standalone selling price.

Performance obligations satisfied over time

The Company typically transfers control of goods or services, and satisfies performance obligations, over time. Therefore, the Company recognizes revenue over time as these performance obligations are satisfied. This continuous transfer of control to the customer is often supported by the customer's physical possession or legal title to the work in process, as well as contractual clauses that provide the Company with a present right to payment for work performed to date plus a reasonable profit in the event a customer unilaterally terminates the contract for convenience.

As a result of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Company generally uses the cost-to-cost measure of progress for its contracts because it best reflects the transfer of an asset to the customer which occurs as costs are incurred on the contract. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred. Costs to fulfill contracts may include labour, materials, subcontractor, equipment costs, and other direct costs, as well as an allocation of indirect costs.

Determining the transaction price

It is common for the Company's contracts to contain incentive fees or other provisions that can either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or cost targets and can be based upon customer discretion. Variable consideration also includes change orders that have not been approved as to price, as well as claims. 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. The Company estimates variable consideration at the most likely amount it expects to be entitled. The Company includes these estimated amounts in the transaction price to the extent 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. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Company's anticipated performance and all information, historical, current and forecasted, that is reasonably available.

Contracts are often modified to account for changes in contract specifications and requirements. Contract modifications exist when the change either creates new, or changes existing, enforceable rights and obligations. Most of the Company's contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of these contract modifications on the transaction price and the measure of progress for the performance obligation to which it relates, is recognized as a cumulative adjustment to revenue as either an increase or decrease in revenue. However, if a contract modification is for distinct goods and services from the existing contract and the pricing of the contract modification reflects the standalone selling pricing of the additional goods or services, then the contract modification is treated as a separate contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

Due to the nature of many of the Company's performance obligations, the estimation of total revenue and costs at completion is complex, subject to many variables, and requires significant judgment. These areas of measurement uncertainty are discussed further in Note 4.1, "Major Sources of Estimation Uncertainty". Any changes to the estimates of forecasted revenue and total costs are recognized on a cumulative basis, which recognizes in the current period the cumulative effect of the changes based on a performance obligation's percentage of completion. A significant change in one or more of these estimates could affect the profitability of one or more of the Company's performance obligations. When estimates of total costs to be incurred on a performance obligation exceed the total estimated revenue to be earned, a provision for the entire loss on the performance obligation is recognized in the period the loss is determined.

Revenue recognition – other

Upfront costs are those costs that the Company incurs to pursue a contract with a customer that it would not have incurred if the contract had not been awarded. The Company recognizes upfront costs as an asset if it expects to recover those costs. Costs to pursue a contract that would have been incurred regardless of whether the contract was awarded are recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Mobilization costs are non-recurring set up costs incurred to facilitate performance obligations under customer contracts. Mobilization costs are expensed as incurred unless they are capital in nature, in which case they are capitalized in accordance with the relevant accounting standard, or there is a contractual entitlement to recover such costs from the customer, in which case the costs are capitalized and amortized to the income statement over the contract period.

Contract revenues are measured at the fair value of the consideration received or receivable. Where deferral of payment has a material effect on the determination of such fair value, the amount at which revenues are recognized is adjusted to account for the time-value-of-money.

Trade and other receivables include amounts billed and currently due from customers. The amounts due are stated at their net estimated realizable value. The Company maintains an allowance for doubtful accounts to provide for the estimated amount of receivables that will not be collected. The allowance is based upon an assessment of creditworthiness of the portfolio of customers, historical payment experience, the age of outstanding receivables and collateral to the extent applicable.

Unbilled revenue represents revenue earned in excess of amounts billed on uncompleted contracts. Unbilled revenue typically results from sales under construction contracts when the cost-to-cost method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer. Unbilled revenue amounts may not exceed their net realizable value and are classified as current assets.

Deferred revenue represents the excess of amounts billed to customers over revenue earned on uncompleted contracts. Where advance payments are received from customers for the mobilization of project staff, equipment and services, the Company recognizes these amounts as liabilities and includes them in deferred revenue. Deferred revenue on construction contracts is classified as a current liability.

Unbilled revenue and deferred revenue are accounted for on a contract-by-contract basis at the end of each reporting period.

The operating cycle, or duration, of many of the Company's contracts exceeds one year. All contract related assets and liabilities are classified as current as they are expected to be realized or satisfied within the operating cycle of the contract.

Other revenue types

Revenue related to the sale of aggregates and other materials is recognized at a point in time, and the performance obligation is typically satisfied on the delivery of the product to the customer.

Remaining performance obligations

Backlog (i.e. remaining performance obligations) is 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 the Company, as evidenced by an executed binding letter of intent or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

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, the Company limits backlog for O&M activities to the earlier of the contract term and the next five years.

5.2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash at banks and on hand, cash in joint operations, demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value. The Company considers investments purchased with original maturities of three months or less to be cash equivalents.

5.3 RESTRICTED CASH

Restricted cash is cash where specific restrictions exist on the Company’s ability to use this cash.

Restricted cash consists of cash held by Bermuda Skyport Corporation Limited (“Skyport”). Proceeds from non-recourse project debt and equity in Skyport, as well as net cash generated from Skyport’s operations, are available to fund airport construction activities and to fund reserves required by the non-recourse project debt agreement. Skyport is not permitted to declare dividends during construction of the new airport terminal.

5.4 FINANCIAL INSTRUMENTS – CLASSIFICATION AND MEASUREMENT

Effective January 1, 2018, the Company adopted IFRS 9 “*Financial Instruments*” and the related amendments to IFRS 7 – “*Financial Instruments: Disclosures*”. IFRS 9 introduces new requirements for 1) classification and measurement of financial assets and financial liabilities; 2) impairment for financial assets; and 3) general hedge accounting. This represents a significant change from IAS 39, “*Financial Instruments: Recognition and Measurement*”.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit and loss (“FVTPL”). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables, and available-for-sale.

Recognition and initial measurement

Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes party to the contractual provisions of a financial instrument. All financial instruments are measured at fair value on initial recognition. Financial instruments are considered non-current if they are expected to be realized more than 12 months after the reporting period.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net income.

Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company’s business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

- (a) Amortized cost; and
- (b) Fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

When assets are measured at fair value, gains and losses are either recognized entirely in profit or loss (i.e. FVTPL), or recognized in other comprehensive income (i.e. FVTOCI).

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL:

- (a) the financial asset is held within a business whose objective is to hold financial assets to collect contractual cash flows; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL. These financial liabilities are subsequently measured at fair value with changes in fair value recorded in net income in the period in which they arise to the extent they are not part of a designated hedging relationship.

The following table outlines the classification of financial instruments under IAS 39 and the revised classification on the adoption of IFRS 9:

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Unbilled revenue	Loans and receivables	Amortized cost
Long-term financial assets- derivative assets	Held to maturity financial asset	FVTOCI
Long-term financial assets- other receivables	Loans and receivables	Amortized cost
Financial liabilities		
Bank indebtedness	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Current portion of long-term debt	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost
Non-recourse project debt	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost
Other liabilities- derivative liabilities	FVTOCI	FVTOCI

The convertible debentures are accounted for as a compound financial instrument with a debt component and a separate equity component. The debt component of these compound financial instruments is measured at fair value on initial recognition by discounting the stream of future interest and principal payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk. The debt component is subsequently deducted from the total carrying value of the compound instrument to derive the equity component. The debt component is subsequently measured at amortized cost using the effective interest rate method. Interest expense based on the coupon rate of the debenture and the accretion of the liability component to the amount that will be payable on redemption are recognized through profit or loss as a finance cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

5.5 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

A financial liability is derecognized from the balance sheet when it is extinguished, that is, when the obligation specified in the contract is either discharged, cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognized in profit or loss.

5.6 IMPAIRMENT OF FINANCIAL ASSETS

The Company uses an expected credit loss (“ECL”) model. The new impairment model applies to financial assets measured at amortized cost, and contract assets, but not to investments in equity instruments. The loss allowances are measured on either of the following bases:

- 12-month ECLs – these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs – these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company is using the simplified approach to recognize lifetime expected credit losses for its trade receivables and contract assets that are within the scope of IFRS 15 and that do not have a significant financing component. For long-term receivables under service concession arrangements that have a significant financing component, the Company is recognizing loss allowances using 12-month expected credit losses, or lifetime expected credit losses if there has been a significant increase in the credit risk on the instrument.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the asset.

5.7 DERIVATIVE FINANCIAL INSTRUMENTS – HEDGE ACCOUNTING

The Company enters into derivative financial instruments, namely interest rate swaps to hedge the variability of interest rates related to the long-term debt of its concession projects and foreign currency forward contracts to hedge foreign currency exposures on select construction projects. For designated hedges, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking these hedge transactions, and regularly assesses the effectiveness of these hedges.

Derivative financial instruments designated as cash flow hedges are measured at fair value established by using valuation techniques based on observable market data and taking into account the credit quality of the instruments. The effective portion of the change in fair value of the derivative financial instrument is recorded in other comprehensive income, while the ineffective portion, if any, of such change is recognized in net income. When ineffective, gains or losses from cash

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

flow hedges included in other comprehensive income are reclassified to net income as an offset to the losses or gains recognized on the underlying hedged items.

5.8 INVENTORIES

Inventories are recorded at the lower of cost and net realizable value, with the cost of materials and supplies determined on a first-in, first-out basis and the cost of aggregate inventories determined at weighted average cost. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity.

Inventories are written down to net realizable value ("NRV") if their NRV is less than their carrying amount at the reporting date. If the NRV amount subsequently increases, the amount of the write-down is reversed and recognized as a reduction in materials expense. The NRV of inventory is its estimated selling price in the ordinary course of business less applicable selling costs.

5.9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at historical cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes the purchase price and the directly attributable costs of acquisition or construction costs required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management. Property, plant and equipment under finance lease, where the Company has substantially all the risks and rewards of ownership, are recorded at the lower of the fair value of the leased item or the present value of the minimum lease payments at the inception of the lease.

In subsequent periods, property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value, with the exception of land and assets under construction, which are not depreciated but are stated at cost less any impairment in value.

Depreciation is recorded to allocate the cost, less estimated residual values of property, plant and equipment over their estimated useful lives on the following bases:

Aggregate properties are depreciated using the unit of extraction method based on estimated economically recoverable reserves, which results in a depreciation charge proportional to the depletion of reserves.

All other assets, excluding assets under construction, are depreciated on a straight-line basis over periods that approximate the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Term</u>
Land	Not depreciated
Buildings and leasehold improvements	10 to 40 years
Machinery and equipment	2 to 15 years
Heavy mining equipment	12,000 - 60,000 hours
Office equipment	3 to 5 years
Vehicles	1 to 5 years

Assets under construction are not depreciated until they are brought into use, at which point they are transferred into the appropriate asset category.

The Company reviews the residual value, useful lives and depreciation method of depreciable assets on an annual basis and, where revisions are required, the Company applies such changes in estimates on a prospective basis.

The net carrying amounts of property, plant and equipment assets are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate the carrying amount may not be

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

recoverable. To the extent these carrying amounts exceed their recoverable amounts, that excess is fully recognized in profit or loss in the financial year in which it is determined.

When significant parts of property, plant and equipment are required to be replaced and it is probable that future economic benefits associated with the item will be available to the Company, the expenditure is capitalized and the carrying amount of the item replaced is derecognized. Similarly, maintenance and inspection costs associated with major overhauls are capitalized and depreciated over their useful lives where it is probable that future economic benefits will be available and any remaining carrying amounts of the cost of previous overhauls are derecognized. All other costs are expensed as incurred.

5.10 BORROWING COSTS

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets for periods preceding the dates the assets are available for their intended use. All other borrowing costs are recognized as interest expense in the period in which they are incurred.

5.11 GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill relating to the acquisition of subsidiaries is included on the consolidated balance sheets in intangible assets. Goodwill relating to the acquisition of associates is included in the investment of the associate and therefore tested for impairment in conjunction with the associate investment balance. Goodwill is not amortized but is reviewed for impairment at least annually and whenever events or circumstances indicate the carrying amount may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Company's cash-generating units generally represent either individual business units, or groups of business units that are all below the level of the Company's operating segments.

In a business combination, when the fair value attributable to the Company's share of the net identifiable assets acquired exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

Internally generated goodwill is not recognized.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets

Intangible assets acquired as part of a business combination are recorded at fair value at the acquisition date if the asset is separable or arises from contractual or legal rights and the fair value can be measured reliably on initial recognition. Separately acquired intangible assets are recorded initially at cost and thereafter are carried at cost less accumulated amortization and impairment if the asset has a finite useful life.

Intangible assets are amortized over their estimated useful lives. Intangible assets under development are not amortized until put into use.

Estimated useful lives are determined as the period over which the Company expects to use the asset and for which the Company retains control over benefits derived from use of the asset.

For intangible assets with a finite useful life, the amortization method and period are reviewed annually and impairment testing is undertaken when circumstances indicate the carrying amounts may not be recoverable.

Amortization expense on intangible assets with finite lives is recognized in profit or loss as an expense item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

The major types of intangible assets and their amortization periods are as follows:

Assets	Amortization basis
Acquired customer backlog	Pro rata basis as backlog revenue is worked off
Licences, software and other rights	1 - 10 years
Aggregate permits	Units of extraction

5.12 SERVICE CONCESSION ARRANGEMENTS

The Company accounts for Service Concession Arrangements in accordance with “IFRIC 12”.

IFRIC 12 provides guidance on the accounting for certain qualifying public-private partnership arrangements, whereby the grantor (i.e., usually a government) (a) controls or regulates what services the operator (i.e. “the concessionaire”) must provide with the infrastructure, to whom it must provide those services, and at what price; and (b) controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

Under such concession arrangements, the concessionaire accounts for the infrastructure asset by applying one of the following accounting models depending on the allocation of the demand risk through the usage of the infrastructure between the grantor and the concessionaire:

Accounting Model

(a) Financial Asset Model

Applicable when the concessionaire does not bear demand risk through the usage of the infrastructure (i.e., it has an unconditional right to receive cash irrespective of the usage of the infrastructure, for example through availability payments).

When the Company delivers more than one category of activity in a service concession arrangement, the consideration received or receivable is allocated by reference to the relative fair values of the activity delivered, when the amounts are separately identifiable.

Revenue recognized by the Company under the financial asset model is recognized in “Long Term Receivables”, a financial asset that is recovered through payments received from the grantor.

(b) Intangible Asset Model

Applicable when the concessionaire bears demand risk (i.e., it has a right to charge fees for usage of the infrastructure).

The Company recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. The intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Borrowing costs, if any, are capitalized until the infrastructure is ready for its intended use as part of the carrying amount of the intangible asset.

The intangible asset is then amortized over its expected useful life, which is the concession period in a service concession arrangement. The amortization period begins when the infrastructure is available for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

Revenues from service concession arrangements accounted for under IFRIC 12 are recognized as follows:

(a) Construction or upgrade activities when a service concession arrangement involves the construction or upgrade of the public service infrastructure:

Revenues relating to construction or upgrade services under a service concession arrangement are recognized based on the stage of completion of the work performed, consistent with the Company's accounting policy on recognizing revenue applicable to any construction contract (see Section 5.1, "Revenue Recognition").

(b) Operations and maintenance activities may include maintenance of the infrastructure and other activities provided directly to the grantor or the users:

Operations and maintenance revenues are recognized in the period in which the activities are performed by the Company, consistent with the Company's accounting policy on recognizing revenue applicable to any operations and maintenance contract (see Section 5.1, "Revenue Recognition").

(c) Financing (applicable when the financial asset model is applied)

Finance income generated on financial assets is recognized using the effective interest method.

5.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and intangible assets that are subject to amortization are reviewed for impairment at the end of each reporting period. If there are indicators of impairment, a review is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less costs to sell and its value-in-use. Such reviews are undertaken on an asset-by-asset basis, except where assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash-generating unit ("CGU") level.

Where a CGU, or group of CGUs, has goodwill allocated to it, or includes intangible assets that are either not available-for-use or that have an indefinite useful life (and can only be tested as part of a CGU), an impairment test is performed at least annually or whenever there is an indication the carrying amounts of such assets may be impaired. Corporate assets, where material to the carrying value of a CGU in computing impairment calculations, are allocated to CGUs based on the benefits received by the CGU.

If the carrying amount of an individual asset or CGU exceeds its recoverable amount, an impairment loss is recorded in profit or loss to reflect the asset at the lower amount. In assessing the value-in-use, the relevant future cash flows expected to arise from the continuing use of such assets and from their disposal are discounted to their present value using a market determined pre-tax discount rate, which reflects current market assessments of the time-value-of-money and asset-specific risks. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

Similarly, a reversal of a previously recognized impairment loss is recorded in profit or loss when events or circumstances indicate the estimates used to determine the recoverable amount have changed since the prior impairment loss was recognized and the recoverable amount of the asset exceeds its carrying amount. The carrying amount is increased to the recoverable amount but not beyond the carrying amount net of amortization, which would have arisen if the prior impairment loss had not been recognized. After such a reversal, the amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. Goodwill impairments are not reversed.

5.14 JOINT ARRANGEMENTS

Under IFRS 11, "*Joint Arrangements*," a joint arrangement is a contractual arrangement wherein two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement when the strategic, financial and operating decisions relating to the arrangement require the unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each party. Refer to Note 4 “*Critical Accounting Estimates*” for significant judgments affecting the classification of joint arrangements as either joint operations or joint ventures.

The parties to a joint operation have rights to the assets, and obligations for the liabilities, relating to the arrangement whereas joint ventures have rights to the net assets of the arrangement. In accordance with IFRS 11, the Company accounts for joint operations by recognizing its share of any assets held jointly and any liabilities incurred jointly, along with its share of the revenue from the sale of the output by the joint operation, and its expenses, including its share of any expenses incurred jointly.

Joint ventures are accounted for using the equity method of accounting in accordance with IAS 28, “*Investments in Associates and Joint Ventures*.”

Under the equity method of accounting, the Company’s investments in joint ventures and associates are carried at cost and adjusted for post-acquisition changes in the net assets of the investment. Profit or loss reflects the Company’s share of the results of these investments. Distributions received from an investee reduce the carrying amount of the investment. The consolidated statements of comprehensive income also include the Company’s share of any amounts recognized by joint ventures and associates in OCI.

Where there has been a change recognized directly in the equity of the joint venture or associate, the Company recognizes its share of that change in equity.

The financial statements of the joint ventures and associates are generally prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist in the underlying records of the joint venture and/or associate. Adjustments are made in the consolidated financial statements to eliminate the Company’s share of unrealized gains and losses on transactions between the Company and its joint ventures and associates.

Transactions with joint operations

Where the Company contributes or sells assets to a joint operation, the Company recognizes only that portion of the gain or loss that is attributable to the interests of the other parties.

Where the Company purchases assets from a joint operation, the Company does not recognize its share of the profit or loss of the joint operation from the transaction until it resells the assets to an independent party.

The Company adjusts joint operation financial statement amounts, if required, to reflect consistent accounting policies.

5.15 ASSOCIATES

Entities in which the Company has significant influence and which are neither subsidiaries, nor joint arrangements, are accounted for using the equity method of accounting in accordance with IAS 28, “*Investments in Associates and Joint Ventures*.” This method of accounting is described in Section 5.13, “*Joint Arrangements*.”

The Company discontinues the use of the equity method from the date on which it ceases to have significant influence, and from that date accounts for the investment in accordance with IFRS 9, “*Financial Instruments*,” (its initial costs are the carrying amount of the associate on that date), provided the investment does not then qualify as a subsidiary or a joint arrangement.

5.16 PROVISIONS

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset when reimbursement is virtually certain. The

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

expense relating to any provision is presented in profit or loss net of any reimbursement. Where material, provisions are discounted using a current pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Decommissioning liabilities

The Company has legal obligations associated with the retirement of pits and quarries utilized in aggregate mining operations. As a result, a provision is made for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related environmental disturbance occurs, based on estimated future costs using information available at the consolidated balance sheet dates. The provision is discounted using a current market-based pre-tax discount rate that reflects the average life of the obligations and the risks specific to the liability. An increase in the provision due to the passage of time is recognized as a finance cost and the provision is reduced by actual rehabilitation costs incurred. The present value of the legal obligations incurred is recognized as an inventory production cost and is included in the cost of the aggregates produced.

The provision is reviewed at each reporting date for changes to obligations, legislation or discount rates that impact estimated costs or lives of operations. Changes in the amount or timing of the underlying future cash flows or changes in the discount rate are immediately recognized as an increase or decrease in the carrying amounts of related assets and the provision.

5.17 LEASES

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to income on a straight-line basis over the term of the lease.

Finance leases

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in obligations under finance leases on the consolidated balance sheets. The interest element of the finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

5.18 EMPLOYEE BENEFIT PLANS

The Company recognizes the cost of retirement benefits over the periods in which employees are expected to render services in return for the benefits.

The Company sponsors defined benefit pension plans (which had their membership frozen as at January 1, 1998) and defined contribution pension plans for its salaried employees. The Company matches employee contributions to the defined contribution plans, which are based on a percentage of salaries. For the defined contribution pension plans the contributions are recognized as an employee benefit expense when they are earned.

For the defined benefit pension plans, current service costs are charged to operations as they accrue based on services rendered by employees during the year. Pension benefit obligations are determined annually by independent actuaries using management's best estimate assumptions. The plans' assets are measured at fair value. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. Actuarial gains and losses are recognized in other comprehensive income as they arise. Past service costs are recognized immediately in profit or loss unless the changes to the pension plan are conditional on the employees remaining in service for a specified

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

5.19 CURRENT AND DEFERRED INCOME TAXES

Current income tax is calculated on the basis of tax laws enacted or substantively enacted at the consolidated balance sheet dates in the countries where the Company operates and generates taxable income. Current tax includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred income tax is provided using the asset and liability method on all temporary differences at the consolidated balance sheet dates between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred income taxes are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax is provided on temporary differences associated with investments in subsidiaries, associates or joint ventures, except where the timing of the reversal of temporary differences can be controlled and it is probable the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilized.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the consolidated balance sheet dates.

The carrying amount of deferred income tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. To the extent that an asset not previously recognized fulfills the criteria for recognition, a deferred income tax asset is recorded.

Current and deferred taxes relating to items recognized directly in equity and other comprehensive income are recognized in equity and other comprehensive income and not in profit or loss.

Current income tax assets and liabilities or deferred income tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the income taxes relate to the same taxable entity and the same tax authority.

5.20 DIVIDENDS

A provision is not recorded for dividends unless the dividends have been declared by the Board of Directors on or before the end of the year and not distributed at the reporting date.

5.21 STOCK-BASED COMPENSATION

The Company has stock-based compensation plans, as described in Note 25, "*Capital Stock*." All transactions involving stock-based payments are recognized as an expense over the vesting period.

Equity-settled stock-based payment transactions, such as stock option awards and the Company's long-term incentive plan, are measured at the grant date fair value of employee services received in exchange for the grant of options or share awards and for non-employee transactions, at the fair value of the goods or services received at the date on which the entity recognizes the goods or services. The total amount of the expense recognized in profit or loss is determined by reference to the fair value of the share awards or options granted, which factors in the number of options expected to vest. Equity-settled share-based payment transactions are not remeasured once the grant date fair value has been determined, except in cases where the stock-based payment is linked to non-market related performance conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

Cash-settled stock-based payment transactions are measured at the fair value of the liability. The liability is remeasured at each consolidated balance sheet date and at the date of settlement, with changes in fair value recognized in profit or loss.

5.22 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is determined by dividing profit attributable to shareholders of the Company, excluding, if applicable, preferred dividends after-tax, amortization of discounts and premiums on issuance, premiums on repurchases, inducements to convert relating to convertible debentures and any costs of servicing equity other than common shares, by the weighted average number of common shares outstanding during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential common shares and the weighted average number of shares assumed to have been issued in relation to dilutive potential common shares.

Dilutive potential common shares result from issuances of stock options and convertible debentures.

5.23 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in thousands of Canadian dollars, which is the Company's presentation currency.

Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and resulting from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except when deferred in other comprehensive income for qualifying cash flow hedges and for qualifying net investment hedges.

All foreign exchange gains and losses presented in profit or loss are presented within other income.

Changes in the fair value of monetary securities denominated in a foreign currency classified as available-for-sale are separated between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

Translation of foreign entities

Assets and liabilities are translated from the functional currency to the presentation currency at the closing rate at the end of the reporting period. The consolidated statements of income are translated at exchange rates at the dates of the transactions or at the average rate if it approximates the actual rates. All resulting exchange differences are recognized in other comprehensive income.

On disposal, or partial disposal, of a foreign entity, or repatriation of the net investment in a foreign entity, resulting in a loss of control, significant influence or joint control, the cumulative translation account balance recognized in equity relating to that particular foreign entity is recognized in profit or loss as part of the gain or loss on sale. On a partial disposition of a subsidiary that does not result in a loss of control, the amounts are reallocated to the non-controlling interest in the foreign operation based on its proportionate share of the cumulative amounts recognized in AOCI. On partial dispositions of jointly controlled foreign entities or associates, the proportionate share of translation differences previously recognized in AOCI is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

5.24 BUSINESS COMBINATIONS

The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary includes the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date. For each acquisition, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this amount is less than the fair value of the net assets of the subsidiary acquired, such as in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to a parent and are presented in equity in the consolidated balance sheets, separately from the parent's shareholders' equity.

5.25 OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing the performance of the operating segments and has been identified as the Executive Committee that makes strategic decisions.

6. NEW ACCOUNTING STANDARDS

The following IFRS standards became effective for the Company on January 1, 2018.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the previous revenue recognition guidance including IAS 18, "Revenue," and IAS 11, "Construction Contracts," and the related interpretations.

The core principle of IFRS 15 is that an entity should recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, IFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue from contract modifications, including change orders and claims, was previously recognized in accordance with IAS 11 only when certain conditions were met, including the fact that it was probable that the customer would approve the modification and the amount of revenue arising from it. Under IFRS 15, contract modifications are now included in estimated revenue when, among other factors, management believes the Company has an enforceable right to payment, the amount can be estimated reliably, and realization is highly probable. Consequently, in some instances the timing of when revenue from contract modifications is recognized will be delayed under IFRS 15. As a result of adopting the new standard, the cumulative impact to the Company's opening retained earnings as at January 1, 2017 from the cumulative

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

reversal of revenue recognized under IAS 11 is \$15,500 after taxes. Revenue from these contract modifications will be recognized when, and if, the IFRS 15 guidance is met.

The Company has applied the requirements of IFRS 15 using the full retrospective method with the cumulative effect of initially applying the standard recognized at the date of initial application (i.e. January 1, 2017). The Company elected to utilize the following practical expedients on adoption: (a) for completed contracts, the Company did not restate contracts that began and ended within the same annual reporting period; and (b) for completed contracts that have variable consideration, the Company used the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods. The following table reconciles the impact of the IFRS 15 adjustments to the Company's previously reported Consolidated Balance Sheets as at December 31, 2017 and January 1, 2017.

	As at December 31, 2017		
	As reported	Impacts from the adoption of IFRS 15	As restated
Unbilled revenue	\$ 595,639	(41,600)	\$ 554,039
Concession related deferred revenue	118,380	(20,600)	97,780
Deferred income tax liabilities	109,719	(5,500)	104,219
Retained earnings	355,970	(15,500)	340,470

	As at January 1, 2017		
	As reported	Impacts from the adoption of IFRS 15	As restated
Unbilled revenue	\$ 492,848	(27,000)	\$ 465,848
Concession related deferred revenue	7,111	(6,000)	1,111
Deferred income tax liabilities	119,767	(5,500)	114,267
Retained earnings	357,218	(15,500)	341,718

The adoption of IFRS 15 did not impact the consolidated statements of income, comprehensive income, or earnings per share for the year ended December 31, 2017.

IFRS 9, Financial Instruments

IFRS 9 introduces new requirements for classifying and measuring financial instruments and replaces IAS 39, "Financial Instruments: Recognition and Measurement." The standard is effective for accounting periods beginning on or after January 1, 2018. IFRS 9 mainly affects the classification and measurement of financial assets and financial liabilities; the recognition of expected credit losses; and hedge accounting.

- (i) **Classification and measurement of financial assets.** The classification of financial assets is based on the Company's assessment of its business models for holding financial assets. The standard introduces new classification categories for financial assets. The main classification categories are: financial assets measured at amortized cost (assets held to maturity in order to collect contractual cash flows: principal and interest), financial assets at fair value through profit or loss (assets held for trading) and financial assets at fair value through other comprehensive income (trade, manage on a fair value basis, or maximize cash through sale). The IAS 39 available-for-sale category of financial instruments has been eliminated. The IFRS 9 accounting model for financial liabilities is broadly the same as that in IAS 39, except that in relation to the fair value option, any changes in fair value of a financial liability attributable to the Company's credit risk must be recognized in other comprehensive income (provided this does not give rise to an accounting mismatch).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

- (ii) **Impairment of financial assets.** IFRS 9 replaces the incurred loss model of IAS 39 with a model based on expected credit losses. The new impairment model requires entities to recognize expected credit losses in profit or loss for all financial assets, even those that are newly originated or acquired. Although IFRS 9 does not require the loss allowance to be recognized at initial recognition of the new financial asset but rather at the next reporting date, the effect is the same as recognizing a day one loss. Under IAS 39, an impairment loss was not recognized unless and until a loss event occurred after the initial recognition of a financial asset. Under IFRS 9, the impairment is measured as either: i) an amount equal to 12-month expected credit losses; or ii) an amount equal to lifetime expected credit losses. The Company is using the simplified approach to recognize lifetime expected credit losses for its trade receivables and contract assets that are within the scope of IFRS 15 and that do not have a significant financing component. For long-term receivables under service concession arrangements that have a significant financing component, the Company is recognizing loss allowances using 12-month expected credit losses, or lifetime expected credit losses if there has been a significant increase in the credit risk on the instrument.
- (iii) **Hedge accounting.** IFRS 9 attempts to align hedge accounting more closely with risk management, and the new requirements establish a principle-based approach.

The transitional provisions of IFRS 9 require the standard to be applied in accordance with IAS 8, *Accounting Policies, Change in Accounting Estimates and Errors*. IFRS 9 is applicable retrospectively, subject to certain exemptions and exceptions. As per the available exemption in IFRS 9, the Company elected not to restate comparative figures. IFRS 9 is not applied to financial assets and financial liabilities that have been derecognized at the date of initial application, being January 1, 2018.

The adoption of IFRS 9 had no impact on the Company's financial position or results of operations.

7. FUTURE ACCOUNTING CHANGES

IFRS standards and interpretations that are issued, but not yet effective as at December 31, 2018, are disclosed below. The Company intends to adopt these standards, as applicable, when they become effective.

IFRS 16, Leases

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 will supersede the current lease recognition guidance including IAS 17 "Leases" and the related interpretations when it becomes effective. IFRS 16 is effective for accounting periods beginning on or after January 1, 2019.

The main changes to current lease accounting as a result of IFRS 16 when it becomes effective include the following:

- The definition of a lease will change under the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration;
- Under IFRS 16, the lessee recognizes a right-of-use asset and a lease liability upon lease commencement for leases with a lease term of greater than one year. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Subsequent measurement is determined based on the nature of the underlying asset. The lease liability is initially measured at the present value of the lease payments payable over the lease term and discounted at the implied lease rate. If the implied lease rate cannot be readily determined, the lessee uses its incremental borrowing rate. Subsequent re-measurement is required under specific circumstances;
- IFRS 16 provides detailed guidance on determining the lease term when the Company has an option to extend the lease; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

- The new standard includes extensive disclosure requirements that differ from current requirements.

A comprehensive change management plan was developed to guide the Company's implementation of IFRS 16 and assess the impacts on business processes, systems and controls. Initially a qualitative assessment was made of the new standard, analyzing the standard's impact on the Company's lease portfolio, comparing historical accounting policies and practices to the requirements of the new standard, and identifying potential impacts on reporting systems. In addition, the Company gathered detailed information about its property and equipment rentals that will be accounted for as finance leases under the new standard.

At this time, the following consequences of the new standard are anticipated:

- The amount of total assets and total liabilities in the consolidated balance sheets will increase due to the recognition of right-of-use assets and financial liabilities for future payment obligations from leases previously classified as operating leases.
- Operating lease payments previously reported as an operating expense in the consolidated statements of income will be replaced with depreciation expense from the right of use asset and interest expense from the lease liability.
- As a result of adopting the new standard, the Company has estimated as at January 1, 2019 that property, plant and equipment will increase by approximately \$46,000, long-term debt will increase by \$44,000, and the cumulative impact to the Company's opening retained earnings will be approximately \$2,000 after taxes. The Company has not finalized its quantification of the effect of the new standard. The above amounts are based on lease information gathered to date, but is subject to change.

The Company expects to implement the standard retrospectively with the cumulative effect of initially applying the Standard recognized at the date of initial application. Also, the Company expects to adopt the recognition exemptions permitted for short-term leases (less than twelve months) and leases for which the underlying asset has a low value, as well as the following practical expedients permitted on initial adoption, under the standard:

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Use the Company's previous assessment of impairment under IAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*" for onerous contracts instead of re-assessing the right-of-use asset for impairment on January 1, 2019;
- Account for leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases;
- Exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Use hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

IFRS 3, Business Combinations and IFRS 11, Joint Arrangements

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. The amendments are effective for annual periods beginning on or after January 1, 2019. The Company does not anticipate any material impact to the Company's financial position or results of operations as a result of these amendments.

IAS 12, Income Taxes

The amendments to IAS 12 clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises. The amendments are effective for annual periods beginning on or after January 1, 2019. The Company does not anticipate any material impact to the Company's financial position or results of operations as a result of these amendments.

IAS 23, Borrowing Costs

The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendments are effective for annual periods beginning on or after January

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

1, 2019. The Company does not anticipate any material impact to the Company's financial position or results of operations as a result of these amendments.

IAS 19, Employee Benefits

The amendments to IAS 19, Plan Amendment, Curtailment or Settlement, specify how an entity determines pension expenses when changes to a defined benefit pension plan occur. The amendments require an entity to:

- Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The amendments are effective for annual periods beginning on or after January 1, 2019. The Company does not anticipate any material impact to the Company's financial position or results of operations as a result of these amendments.

IFRIC 23, Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

The interpretation is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted. Entities can apply the interpretation either retrospectively by applying IAS 8 or retrospectively with the cumulative effect of initially applying the interpretation recognized at the date of initial application. The Company does not anticipate any material impact to the Company's financial position or results of operations from this interpretation.

8. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

	December 31 2018	December 31 2017
Cash balances excluding joint operations	\$ 158,452	\$ 19,381
Cash balances of joint operations	472,524	285,501
	\$ 630,976	\$ 304,882
Restricted cash	\$ 193,369	\$ 279,581
	\$ 193,369	\$ 279,581

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

Restricted cash is cash held by Bermuda Skyport Corporation Limited ("Skyport"). This cash cannot be used by the Company other than to finance the Bermuda International Airport Redevelopment Project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

9. TRADE AND OTHER RECEIVABLES

	December 31 2018	December 31 2017
Trade receivables	\$ 443,571	\$ 334,738
Allowance for expected credit losses	(762)	(764)
	442,809	333,974
Holdbacks receivable	185,526	155,879
Other	69,276	9,609
	254,802	165,488
Total	\$ 697,611	\$ 499,462
Amounts receivable beyond one year	\$ 78,909	\$ 51,353

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

	December 31 2018	December 31 2017
Balance - beginning of year	\$ (764)	\$ (1,645)
Additional amounts provided for during year	(724)	(616)
Trade receivables written off during year	726	8
Amounts recovered	-	1,489
Balance - end of year	\$ (762)	\$ (764)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

10. UNBILLED REVENUE AND DEFERRED REVENUE

A reconciliation of the beginning and ending carrying amounts of unbilled revenue and deferred revenue is as follows:

	For the year ended December 31, 2018		For the year ended December 31, 2017	
	Unbilled revenue	Deferred revenue	Unbilled revenue	Deferred revenue
Balance outstanding - beginning of year	\$ 554,039	\$ (206,681)	\$ 465,848	\$ (201,408)
Revenue earned in the year	2,173,177	1,093,114	1,889,710	916,018
Billings in the year	(2,153,538)	(1,394,739)	(1,801,519)	(921,291)
Balance outstanding - end of year	\$ 573,678	\$ (508,306)	\$ 554,039	\$ (206,681)

In addition, revenue earned during the year ended December 31, 2018, from performance obligations satisfied in previous periods, was reduced by \$3,600. This amount primarily related to the impact of an adjustment to forecasted revenue and cost.

11. INVENTORIES

	December 31 2018	December 31 2017
Raw materials and supplies	\$ 5,287	\$ 6,510
Finished goods	15,464	16,487
	\$ 20,751	\$ 22,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

12. 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:

	December 31, 2018			December 31, 2017		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Cash and cash equivalents	\$ 9,181	\$ 2,150	\$ 11,331	\$ 5,144	\$ 2,901	\$ 8,045
Other current assets	69,743	1,296	71,039	48,822	910	49,732
Total current assets	78,924	3,446	82,370	53,966	3,811	57,777
Non-current assets	522,900	-	522,900	289,411	-	289,411
Total assets	601,824	3,446	605,270	343,377	3,811	347,188
Trade and other payables and provisions	59,493	936	60,429	19,218	1,479	20,697
Total current liabilities	59,493	936	60,429	19,218	1,479	20,697
Non-current financial liabilities	504,199	-	504,199	292,920	-	292,920
Other non-current liabilities	1,167	-	1,167	961	-	961
Total non-current liabilities	505,366	-	505,366	293,881	-	293,881
Total liabilities	564,859	936	565,795	313,099	1,479	314,578
Net assets	\$ 36,965	\$ 2,510	\$ 39,475	\$ 30,278	\$ 2,332	\$ 32,610

	For the year ended					
	December 31, 2018			December 31, 2017		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Revenue	\$ 544,739	\$ 2,344	\$ 547,083	\$ 262,017	\$ 1,550	\$ 263,567
Depreciation and amortization	(420)	-	(420)	(365)	-	(365)
Other costs and expenses	(517,578)	(2,158)	(519,736)	(244,936)	856	(244,080)
Operating profit	26,741	186	26,927	16,716	2,406	19,122
Finance costs	(13,202)	-	(13,202)	(10,470)	-	(10,470)
Income tax expense	(575)	-	(575)	(235)	-	(235)
Profit for the year	12,964	186	13,150	6,011	2,406	8,417
Other comprehensive (loss) income	(6,085)	-	(6,085)	2,816	-	2,816
Total comprehensive income	\$ 6,879	\$ 186	\$ 7,065	\$ 8,827	\$ 2,406	\$ 11,233

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

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

	For the year ended	
	December 31 2018	December 31 2017
Projects accounted for using the equity method - as at January 1	\$ 32,610	\$ 27,618
Share of profit for the year	13,150	8,417
Share of other comprehensive (loss) income for the year	(6,085)	2,816
Distributions from projects accounted for using the equity method	(200)	(6,241)
Projects accounted for using the equity method - as at December 31	\$ 39,475	\$ 32,610

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

Name	Ownership interest	Joint Venture or Associate	Years included
Yellowline Asphalt Products Ltd.	50%	Joint Venture	2018, 2017
Lower Mattagami Project	20%	Associate	2018, 2017
Waterloo LRT Concessionaire	10%	Joint Venture	2018, 2017
Eglinton Crosstown LRT Concessionaire	25%	Joint Venture	2018, 2017
New Post Creek Project	20%	Associate	2018, 2017
Finch West LRT Concessionaire	33%	Joint Venture	2018
Gordie Howe International Bridge Concessionaire	20%	Joint Venture	2018

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and leasehold improvements	Aggregate properties	Machinery and construction equipment	Office equipment, furniture and fixtures, and computer hardware	Vehicles	Heavy equipment	Total
Cost								
Balance as at January 1, 2018	\$ 33,480	\$ 97,732	\$ 55,952	\$ 293,802	\$ 33,003	\$ 69,415	\$ 269,585	\$ 852,969
Additions	600	10,839	284	31,741	1,719	9,721	16,276	71,180
Disposals	(a) (5,600)	(11,158)	-	(43,993)	(852)	(15,864)	(285,726)	(363,193)
Foreign currency translation adjustments	-	17	-	314	61	64	-	456
Balance as at December 31, 2018	\$ 28,480	\$ 97,430	\$ 56,236	\$ 281,864	\$ 33,931	\$ 63,336	\$ 135	\$ 561,412
Accumulated depreciation and impairment								
Balance as at January 1, 2018	-	47,137	18,184	155,463	27,032	48,058	99,944	395,818
Depreciation	-	4,976	1,099	25,008	3,184	8,279	23,894	66,440
Disposals	(a) -	(6,736)	-	(21,584)	(850)	(14,206)	(123,703)	(167,079)
Foreign currency translation adjustments	-	2	-	3	15	14	-	34
Balance as at December 31, 2018	\$ -	\$ 45,379	\$ 19,283	\$ 158,890	\$ 29,381	\$ 42,145	\$ 135	\$ 295,213
Net book value as at December 31, 2018	\$ 28,480	\$ 52,051	\$ 36,953	\$ 122,974	\$ 4,550	\$ 21,191	\$ -	\$ 266,199
Net book value as at January 1, 2018	\$ 33,480	\$ 50,595	\$ 37,768	\$ 138,339	\$ 5,971	\$ 21,357	\$ 169,641	\$ 457,151
Net book value of assets under finance lease as at December 31, 2018	\$ -	\$ -	\$ 75	\$ 50,946	\$ -	\$ 19,068	\$ -	\$ 70,089

(a) In 2018, the Company sold the assets of its contract mining business (see Note 27).

	Land	Buildings and leasehold improvements	Aggregate properties	Machinery and construction equipment	Office equipment, furniture and fixtures, and computer hardware	Vehicles	Heavy equipment	Total
Cost								
Balance as at January 1, 2017	\$ 33,889	\$ 90,011	\$ 53,602	\$ 265,427	\$ 31,296	\$ 66,076	\$ 267,457	\$ 807,758
Additions	-	7,862	2,350	43,113	2,170	9,895	9,767	75,157
Disposals	(409)	(137)	-	(14,735)	(441)	(6,539)	(7,639)	(29,900)
Foreign currency translation adjustments	-	(4)	-	(3)	(22)	(17)	-	(46)
Balance as at December 31, 2017	\$ 33,480	\$ 97,732	\$ 55,952	\$ 293,802	\$ 33,003	\$ 69,415	\$ 269,585	\$ 852,969
Accumulated depreciation and impairment								
Balance as at January 1, 2017	-	41,734	16,887	141,923	23,982	45,974	86,890	357,390
Depreciation	-	5,535	1,297	24,184	3,494	8,243	18,411	61,164
Disposals	-	(132)	-	(10,644)	(441)	(6,157)	(5,357)	(22,731)
Foreign currency translation adjustments	-	-	-	-	(3)	(2)	-	(5)
Balance as at December 31, 2017	\$ -	\$ 47,137	\$ 18,184	\$ 155,463	\$ 27,032	\$ 48,058	\$ 99,944	\$ 395,818
Net book value as at December 31, 2017	\$ 33,480	\$ 50,595	\$ 37,768	\$ 138,339	\$ 5,971	\$ 21,357	\$ 169,641	\$ 457,151
Net book value as at January 1, 2017	\$ 33,889	\$ 48,277	\$ 36,715	\$ 123,504	\$ 7,314	\$ 20,102	\$ 180,567	\$ 450,368
Net book value of assets under finance lease as at December 31, 2017	\$ -	\$ -	\$ 75	\$ 60,478	\$ 3	\$ 17,812	\$ 13,266	\$ 91,634

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

14. INTANGIBLE ASSETS

	Concession rights	Goodwill	Licences, software and other rights	Total
Cost				
Balance as at January 1, 2018	\$ 208,642	\$ 49,373	\$ 89,112	\$ 347,127
Additions				
Acquired separately	147,302	-	3,474	150,776
Interest capitalized	16,570	-	-	16,570
Disposals	-	(1,528)	(749)	(2,277)
Foreign currency translation adjustments	26,857	-	34	26,891
Balance as at December 31, 2018	\$ 399,371	\$ 47,845	\$ 91,871	\$ 539,087
Accumulated amortization and impairment				
Balance as at January 1, 2018	23,404	-	29,845	53,249
Amortization	27,921	-	9,471	37,392
Disposals	-	-	(622)	(622)
Foreign currency translation adjustments	3,413	-	12	3,425
Balance as at December 31, 2018	\$ 54,738	\$ -	\$ 38,706	\$ 93,444
Net book value as at December 31, 2018	\$ 344,633	\$ 47,845	\$ 53,165	\$ 445,643
Net book value as at January 1, 2018	\$ 185,238	\$ 49,373	\$ 59,267	\$ 293,878

	Concession rights	Goodwill	Licences, software and other rights	Total
Cost				
Balance as at January 1, 2017	\$ -	\$ 49,373	\$ 83,967	\$ 133,340
Additions				
Acquired separately	207,265	-	5,160	212,425
Interest capitalized	13,010	-	-	13,010
Foreign currency translation adjustments	(11,633)	-	(15)	(11,648)
Balance as at December 31, 2017	\$ 208,642	\$ 49,373	\$ 89,112	\$ 347,127
Accumulated amortization and impairment				
Balance as at January 1, 2017	-	-	21,682	21,682
Amortization	24,215	-	8,169	32,384
Foreign currency translation adjustments	(811)	-	(6)	(817)
Balance as at December 31, 2017	\$ 23,404	\$ -	\$ 29,845	\$ 53,249
Net book value as at December 31, 2017	\$ 185,238	\$ 49,373	\$ 59,267	\$ 293,878
Net book value as at January 1, 2017	\$ -	\$ 49,373	\$ 62,285	\$ 111,658

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

Concession rights – Bermuda International Airport Redevelopment Project

The Company holds a 100% interest in Bermuda Skyport Corporation Limited (“Skyport”), a Bermudian company undertaking the L.F. Wade International Redevelopment Project in Bermuda (“Bermuda International Airport Redevelopment Project”).

Skyport’s main operations consist of:

- (a) managing and operating the existing L.F Wade International Airport (the “Existing Bermuda Airport”); and
- (b) managing the development, financing, construction, operation and maintenance of the new airport terminal and associated infrastructure (“New Airport Terminal”) under a 30-year concession arrangement.

The right to operate the Existing Bermuda Airport was initially recognized at fair value and assigned an estimated value of \$92,994 (US\$69,871) at the date of financial close in 2017. As at December 31, 2018 this concession right had a remaining carrying amount of \$40,580 (2017 - \$64,250). Skyport amortizes this concession right over the remaining term of the right to operate the Existing Bermuda Airport with amortization based on usage (estimated traffic volumes). The New Airport Terminal is expected to open in July 2020.

At December 31, 2018, the concession right for the New Airport Terminal, representing the costs to construct the New Airport Terminal, had a carrying amount of \$304,053 (2017 - \$120,988). Amortization of this concession right will commence after construction of the New Airport Terminal is completed.

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

Goodwill

The following CGUs or groups of CGUs have significant amounts of goodwill allocated to them for the purposes of impairment testing:

	December 31 2018	December 31 2017
CGUs:		
Water and Waste Water	\$ 17,192	\$ 17,192
Transportation	14,063	14,063
Industrial West	9,879	9,879
Other	6,711	8,239
	\$ 47,845	\$ 49,373

The recoverable amounts of the above listed CGUs were determined based on fair value less costs to sell calculations. Fair value less costs to sell calculations use post-tax cash flow projections expected to be generated by the CGU based on financial budgets approved by management covering a two-year period. For the CGUs noted above, cash flows beyond the two-year period were extrapolated as at December 31, 2018 using a growth rate of 2% (2017 – 2%), which does not exceed the long-term average growth rate for the business in which the CGUs operate. The discount rate applied to cash flow projections as at December 31, 2018 was 9.25% (2017 – 9.5%) based on the Company’s post-tax weighted average cost of capital. Detailed sensitivity analyses were conducted to assess the impact of changes in growth rates, costs of capital and cash flows on the recoverable amount, which has not indicated that the carrying amount of the CGU exceeds the recoverable amount. Budgeted cash flows were determined by management based on the Company’s past performance, backlog currently on hand and future revenue prospects.

In 2018, the Company sold the assets of its contract mining business (see Note 27). As a result of this transaction, goodwill was reduced by \$1,528 in 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

15. BANK INDEBTEDNESS

The Company maintains a committed revolving credit facility of \$500,000 (December 31, 2017 - \$500,000). Bank indebtedness representing borrowings on the Company's revolving credit facility, as at December 31, 2018 was \$nil (December 31, 2017 - \$17,940). Letters of credit amounting to \$115,957 were issued against the credit facility as at December 31, 2018 (December 31, 2017 - \$69,314). Cash drawings under the facility bear interest rates between prime and prime plus 1.20% per annum. Letters of credit reduce the amount available-for-use under the facility.

Drawings on the facility are secured by a general security agreement which provides the lenders with a first priority ranking security interest, subject to existing encumbrances, over certain existing and future assets of the Company. Security is also provided by way of a \$90,000 collateral mortgage, subject to existing encumbrances, over certain aggregate properties owned by the Company, and by guarantees from all entities that are required to provide security under the general security agreement.

The Company also maintains an additional letter of credit facility of \$700,000 (December 31, 2017 - \$700,000) provided by Export Development Canada of which \$519,561 was utilized as at December 31, 2018 (December 31, 2017 - \$258,275).

16. TRADE AND OTHER PAYABLES

	December 31 2018	December 31 2017
Trade payables and accrued liabilities	\$ 631,231	\$ 534,607
Holdbacks payable	74,529	87,256
	\$ 705,760	\$ 621,863
Amounts payable beyond one year	\$ 1,608	\$ 592

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

17. PROVISIONS

	Contract related obligations	Asset decommissioning costs	Tax assessments	Other	Total
	(a)	(b)	(c)		
Balance as at January 1, 2018	\$ 3,701	\$ 4,127	\$ 6,456	\$ 3,074	\$ 17,358
Additions made	3,067	173	-	8,057	11,297
Amounts used	(2,382)	(72)	-	(6,221)	(8,675)
Other changes	57	172	-	-	229
Balance as at December 31, 2018	\$ 4,443	\$ 4,400	\$ 6,456	\$ 4,910	\$ 20,209
Reported as:					
Current	3,329	-	6,456	4,910	14,695
Non-current	1,114	4,400	-	-	5,514
	\$ 4,443	\$ 4,400	\$ 6,456	\$ 4,910	\$ 20,209

(a) Contract related obligations are made up of contract warranty obligations and litigation risks relating to construction operations. Contract warranty obligations relate to warranties provided by the Company in respect of its construction contracts. If not used during the warranty period, these amounts will be reversed into income. Warranty periods range from one to seven years.

(b) Asset decommissioning costs relate to future legal and constructive obligations associated with the retirement of pits and quarries engaged in aggregate mining operations in Ontario and Alberta. Decommissioning obligations are expected to be settled between 2019 and 2108 at which point the amount of the liability will reverse. A 1.75% inflation factor has been applied to obtain the future value of the decommissioning costs, which has been discounted at a rate of 4.64% to obtain the present value of the obligation.

(c) Tax assessments include provisions for specific income tax exposures faced by the Company. Although final federal and provincial reassessments have not yet been issued for certain years, the Company believes that it has adequate provisions to cover the ultimate outcome of this and other tax reassessments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

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

	December 31 2018	December 31 2017
Long-term debt:		
Finance leases	\$ 72,772	\$ 73,974
Equipment and other loans	29,440	61,709
Total long-term debt	\$ 102,212	\$ 135,683
Reported as:		
Current liabilities:		
Current portion of long-term debt	\$ 32,505	\$ 44,472
Non-current liabilities:		
Long-term debt	69,707	91,211
	\$ 102,212	\$ 135,683

The following describes the components of long-term debt:

- (a) As at December 31, 2018, finance leases of \$72,772 (2017 - \$73,974) bore interest at fixed and floating rates averaging 3.15% (2017 - 2.78%) per annum, with specific equipment provided as security.
- (b) As at December 31, 2018, equipment and other loans of \$29,440 (2017 - \$61,709) bore interest at fixed and floating rates averaging 3.10% (2017 - 2.92%) per annum, with specific equipment provided as security.

The weighted average interest rate on total long-term debt outstanding (excluding convertible debentures and non-recourse project debt) as at December 31, 2018 was 3.14% (2017 - 2.84%).

	December 31 2018	December 31 2017
Non-recourse project debt:		
Bermuda International Airport Redevelopment Project financing (a)	\$ 383,746	\$ 352,888
Total non-recourse project debt	\$ 383,746	\$ 352,888
Reported as:		
Non-current liabilities:		
Non-recourse project debt	\$ 383,746	\$ 352,888
	\$ 383,746	\$ 352,888

- (a) Included in the Company's consolidated balance sheets as at December 31, 2018 is debt, net of transaction costs, of \$383,746 (US\$281,298) (2017 - \$352,888, US\$281,298) representing the debt of Skyport. This debt is secured by the assets of Skyport and is without recourse to the Company.

The financing is denominated in US dollars and bears interest at 5.9% annually. Debt repayments commence in 2022 and are scheduled to continue until 2042.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

The movements in net debt for 2018 are presented below:

Net debt reconciliation

	Cash	Bank indebtedness	Long-term debt	Convertible debentures	Total
Balance as at January 1, 2018	\$ 304,882	\$ (17,940)	\$ (135,683)	\$ (168,466)	\$ (17,207)
Cash flows	322,581	17,940	44,419	(6,918)	378,022
Foreign exchange adjustments	3,513	-	-	-	3,513
Other non-cash movements	-	-	(10,948)	15,609	4,661
Balance as of December 31, 2018	\$ 630,976	\$ -	\$ (102,212)	\$ (159,775)	\$ 368,989

19. CONVERTIBLE DEBENTURES

Convertible subordinated debentures consist of:

	December 31 2018	December 31 2017
Debt component:		
Debenture maturing on December 31, 2018 - 5.5% Debentures	\$ -	\$ 168,466
Debenture maturing on December 31, 2023 - 5.0% Debentures	159,775	-
Total convertible debentures	\$ 159,775	\$ 168,466
Reported as:		
Current liabilities:		
Convertible debentures	-	168,466
Non-current liabilities:		
Convertible debentures	159,775	-
	\$ 159,775	\$ 168,466
Equity component:		
Debenture maturing on December 31, 2018 - 5.5% Debentures	\$ -	\$ 8,664
Debenture maturing on December 31, 2023 - 5.0% Debentures	12,707	-
	\$ 12,707	\$ 8,664

On September 26, 2018, the Company issued \$160,000 of unsecured subordinated convertible debentures maturing December 31, 2023 and bearing interest at 5.0% per annum payable on a semi-annual basis (the "5.0% Debentures"). On October 1, 2018, an additional \$24,000 of debentures were issued pursuant to the exercise of the over-allotment option granted to the syndicate of underwriters, bringing the total aggregate gross proceeds from the offering to \$184,000.

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 \$24.00 for each common share, subject to adjustment in certain circumstances. The 5.0% Debentures will not be redeemable before December 31, 2021. The Company may, at its option, redeem the 5.0% Debentures from December 31, 2021 to December 31, 2022, in whole or in part, at par plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price. From December 31, 2022 through to the maturity date, the Company, at its option, may redeem the 5.0% Debentures, in whole or in part, at par plus accrued and unpaid interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

In 2013, the Company issued \$172,500 of unsecured subordinated convertible debentures maturing December 31, 2018 and bearing interest at 5.5% per annum payable on a semi-annual basis (the "5.5% Debentures"). For the years ended December 31, 2018 and 2017, 5.5% Debentures with a face value of \$3,285 and \$198, respectively, were converted at \$19.71 per share by the holders into 166,664 and 9,790 common shares, respectively. On October 26, 2018, the remaining 5.5% Debentures were redeemed for a total principal amount of \$169,022 plus accrued and unpaid interest of \$3,769.

As at December 31, 2018, the face value of the 5.0% Debentures and 5.5% Debentures, which remain outstanding, were \$184,000 (December 31, 2017 – \$nil) and \$nil (December 31, 2017 - \$172,307), respectively.

For the 5.0% Debentures, subject to specified conditions, the Company has the right to repay the outstanding principal amount of the convertible debentures, on maturity or redemption, through the issuance of common shares of the Company. The Company also has the option to satisfy its obligation to pay interest through the issuance and sale of additional common shares of the Company. The 5.0% Debentures do not contain a cash settlement feature on conversion into common shares of the Company.

The debt component of the 5.0% Debentures was measured at fair value on initial recognition. To determine the initial amount of the respective debt and equity components of the 5.0% Debentures issued during 2018, the carrying amount of the financial liability was first calculated by discounting the stream of future principal and interest payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk. The debt component was then deducted from the total carrying amount of the compound instrument to derive the equity component. The debt component was assigned a value of \$166,711 (less transaction costs of \$8,060) and the equity component was assigned a value of \$17,289 (less income taxes of \$4,582). The debt component is subsequently accounted for at amortized cost using the effective interest rate method.

Finance costs associated with the debentures consists of:

	December 31 2018	December 31 2017
Interest expense on face value	\$ 10,015	\$ 9,488
Notional interest representing accretion	4,894	3,876
	\$ 14,909	\$ 13,364

20. CONCESSION RELATED DEFERRED REVENUE

Concession related deferred revenue consists of:

	December 31 2018	December 31 2017
Bermuda International Airport Redevelopment Project	\$ 106,330	\$ 97,780
	\$ 106,330	\$ 97,780

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 will be amortized to earnings over the term of the New Airport Terminal concession period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

21. INCOME TAXES

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

	December 31 2018	December 31 2017
Profit before income taxes	\$ 67,027	\$ 30,826
Statutory income tax rate	26.75%	26.75%
Expected income tax expense	(17,930)	(8,246)
Effect on income taxes of:		
Projects accounted for under the equity method	428	198
Impact of change in enacted tax rates on deferred tax balances	-	(929)
Provincial and foreign rate differences	9,403	5,955
Non-taxable portion of capital gains	470	-
Other non-deductible expenses	(1,534)	(1,689)
Adjustments in respect of prior years	721	1,882
Other tax credits	(100)	707
Other	529	(528)
	9,917	5,596
Income tax expense	\$ (8,013)	\$ (2,650)

Deferred taxes have been re-measured to reflect statutory enacted future tax rates.

Income taxes were comprised of the following:

	December 31 2018	December 31 2017
Current income tax	\$ (5,053)	\$ (13,871)
Deferred income tax	(2,939)	5,508
Other tax (provisions)/credits	(21)	5,713
Income tax expense	\$ (8,013)	\$ (2,650)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

The movement in the components of deferred income taxes is as follows:

	2018					2017				
	January 1	(Charged) credited to the income statement	(Charged) credited to other comprehensive income	(Charged) credited to equity	December 31	January 1	(Charged) credited to the income statement	(Charged) credited to other comprehensive income	December 31	
Canadian components:										
Net operating and capital losses carried forward	\$ 105,832	\$ (12,603)	\$ -	\$ -	\$ 93,229	\$ 93,239	\$ 12,593	\$ -	\$ -	\$ 105,832
Reserves expensed for financial statement purposes and deducted for income tax purposes when paid	2,396	1,014	-	-	3,410	3,270	(874)	-	-	2,396
Other temporary differences	(8)	(134)	-	-	(142)	(164)	156	-	-	(8)
Other long-term differences	1,982	(1,005)	-	-	977	3,696	(1,714)	-	-	1,982
Actuarial and hedging gains and losses	1,987	-	(1,573)	-	414	3,159	-	(1,172)	-	1,987
Property, plant and equipment: net book value in excess of tax basis	(51,157)	20,592	-	-	(30,565)	(55,323)	4,166	-	-	(51,157)
Long-term contracts, including joint ventures (1)	(146,415)	(11,639)	-	-	(158,054)	(136,956)	(9,459)	-	-	(146,415)
Discounting convertible debentures	(640)	836	-	(4,584)	(4,388)	(1,280)	640	-	-	(640)
Deferred income tax asset (liability), net	\$ (86,023)	\$ (2,939)	\$ (1,573)	\$ (4,584)	\$ (95,119)	\$ (90,359)	\$ 5,508	\$ (1,172)	\$ (1,172)	\$ (86,023)
Reported on the consolidated balance sheets as follows:										
Deferred income tax asset					\$ 22,507					\$ 18,196
Deferred income tax liability					(117,626)					(104,219)
Deferred income tax liability, net					\$ (95,119)					\$ (86,023)

⁽¹⁾ Results from the difference between the use of the percentage of completion method of reporting for consolidated financial statement purposes and use of the uncompleted contracts and billings less costs, excluding contractual holdbacks, for tax purposes.

Deferred tax assets are offset against deferred tax liabilities within each legal entity.

The operations of the Company are complex and related tax interpretations, regulations and legislation are subject to change. The Company believes the amounts reported as deferred income tax liabilities adequately reflect management's current best estimate of its income tax exposures (see Note 17 "Provisions").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

22. EMPLOYEE BENEFIT PLANS

The Company has defined benefit pension plans including supplementary executive retirement plans and defined contribution plans covering substantially all employees, other than union employees who are covered by multi-employer pension plans administered by the unions. Benefits under the defined benefit plans are generally based on the employee's years of service and level of compensation near retirement. Benefits are not indexed for inflation, except for a supplementary executive retirement plan, which is fully indexed for changes in the consumer price index. The Company does not provide post-employment benefits other than pensions.

The measurement date used for financial reporting purposes of the pension plan assets and benefit obligation is December 31. The most recent actuarial valuation filed for funding purposes for the principal defined benefit pension plan was completed as at December 31, 2017 and the next required actuarial valuation will be prepared with an effective date no later than December 31, 2020.

The defined benefit pension asset (obligation) is presented as part of Long-term financial assets (Other liabilities) on the consolidated balance sheets as applicable.

The financial position and other selected information related to the employee defined benefit pension plans is presented in the tables below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

	December 31 2018	December 31 2017
Change in fair value of plan assets:		
Fair value of plan assets - beginning of year	\$ 41,388	\$ 39,797
Return on plan assets greater (less) than discount rate	(1,239)	1,786
Net interest income	1,301	1,350
Plan administration costs	(112)	(70)
Company contributions	825	937
Plan participant contributions	60	69
Benefits paid	(2,549)	(2,481)
Fair value of plan assets - end of year	\$ 39,674	\$ 41,388
Change in benefit obligation:		
Benefit obligation - beginning of year	\$ 42,597	\$ 42,548
Current service cost	527	840
Actuarial (gain) due to actuarial experience	(102)	(1,243)
Actuarial (gain) loss due to financial assumption changes	(2,204)	1,139
Actuarial loss due to demographic assumption changes	-	299
Net interest cost	1,324	1,426
Benefits paid	(2,549)	(2,481)
Plan participant contributions	60	69
Benefit obligation - end of year	\$ 39,653	\$ 42,597
Funded status:		
Fair value of plan assets	\$ 39,674	\$ 41,388
Defined benefit obligation	(39,653)	(42,597)
Pension assets (liabilities)	\$ 21	\$ (1,209)
Weighted average assumptions used to calculate benefit obligation:		
Discount rate	3.75%	3.25%
Rate of increase in future compensation	3.00%	3.00%
Asset categories of pension assets:		
Debt securities	63.58%	45.07%
Equity securities	28.45%	45.50%
Cash and short-term notes	7.97%	9.43%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

	December 31 2018	December 31 2017
Defined benefit pension expense:		
Current service cost	\$ 527	\$ 840
Net interest cost	23	76
Plan administration costs	112	70
Defined benefit pension expense recognized in profit or loss	662	986
Actuarial gain recognized in other comprehensive income	(1,067)	(1,592)
Defined benefit pension expense	\$ (405)	\$ (606)
Other pension expense:		
Defined contribution pension expense	\$ 6,874	\$ 6,691
Multi-employer pension plan expense	77,913	72,524
Other pension expense	\$ 84,787	\$ 79,215
Weighted average assumptions used to calculate defined benefit pension expense:		
Discount rate	3.25%	3.50%
Rate of increase in future compensation	3.00%	3.00%

During 2019, the Company expects to make contributions of \$747 to the defined benefit plans.

	December 31 2018	December 31 2017
Total cash contribution for employee pension plans:		
Defined benefit plans	\$ 825	\$ 937
Defined contribution plans	6,874	6,691
Multi-employer pension plans	77,913	72,524
	\$ 85,612	\$ 80,152

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 the assumptions, will result in gains or losses that will be revealed in future accounting valuations. As a result of the uncertainty associated with these estimates, there is no assurance that the plans will be able to earn the assumed rate of return on plan assets. Furthermore, market driven changes may result in changes to discount rates and other variables, which would result in the Company being required to make contributions to the plans in the future that may differ significantly from estimates. As a result, there is a significant amount of measurement uncertainty involved in the actuarial valuation process. This measurement uncertainty may lead to potential fluctuations in financial results attributable to the selection of actuarial assumptions and other accounting estimates involved in the determination of pension expense and obligations. A significant actuarial and accounting assumption impacting the reporting of pension plans is the discount rate assumption. As at December 31, 2018, the Company used a discount rate of 3.75% in its pension plan calculations for consolidated financial statement purposes. The impact of a 0.5% decrease in the discount rate assumption would have resulted in an increase in the pension benefit obligation of approximately \$1,990 as at December 31, 2018 and an increase in the estimated 2019 pension expense of approximately \$95.

The weighted average duration of the defined benefit obligation is 9.6 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

23. CONTINGENCIES

During the second quarter of 2018, the Company filed a statement of claim in the Court of Queen's Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking \$180,000 in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately \$14,000 in damages. The Company has recorded \$135,000 of unbilled revenue and accounts receivable as at December 31, 2018. 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 believes that it will be successful in its claim and considers KSPC's claim to be without merit. See Note 4, "Critical Accounting Estimates".

The Company is involved in various disputes and litigation both as plaintiff and defendant. In the opinion of management, the resolution of disputes against the Company, including those provided for (see Note 17, "Provisions"), will not result in a material effect on the consolidated financial position of the Company.

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

	Project	December 31 2018
Letters of credit:		
In support of the Company's equity obligations	Bermuda International Airport Redevelopment Project	\$ 94,662
Financial and performance - issued by Export Development Canada	Various joint arrangement projects	\$ 424,899
Financial and performance - issued in the normal conduct of business	Various	\$ 115,957

Under the terms of many of the Company's associate and joint arrangement contracts with project owners, each of the partners is jointly and severally liable for performance under the contracts. As at December 31, 2018, 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 \$12,505,000, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

24. COMMITMENTS UNDER NON-CANCELLABLE OPERATING LEASES

The Company has commitments for equipment and premises under operating leases, which require the following future minimum payments:

	Future minimum lease payments
	December 31 2018
Due within one year	\$ 9,567
Due beyond one and up to five years	28,476
Due beyond five years	18,760
	\$ 56,803

In 2018, minimum lease payments recognized as an operating lease expense were \$9,362.

25. CAPITAL STOCK

	For the year ended December 31, 2018		For the year ended December 31, 2017	
	Number	Amount	Number	Amount
Number of common shares outstanding - beginning of year	59,298,857	\$ 367,612	57,863,017	\$ 346,770
Common shares issued on exercise of share options	120,000	1,750	150,000	2,610
Common shares issued on conversion of 5.5% Debentures	166,664	3,379	9,790	198
Shares issued to settle LTIP/Director DSU obligations	893,043	13,712	1,276,050	18,034
Number of common shares outstanding - end of year	60,478,564	\$ 386,453	59,298,857	\$ 367,612

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

STOCK-BASED COMPENSATION

Long-Term Incentive Plan

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

In 2018, the Company recorded LTIP compensation charges of \$13,105 (2017 - \$15,484).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

Stock option plans

Details of common shares issued on the exercise of share options as well as details of changes in the balance of options outstanding are detailed below:

	For the year ended December 31, 2018		For the year ended December 31, 2017	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Balance outstanding - beginning of year	120,000	\$ 11.92	270,000	\$ 12.38
Exercised	(120,000)	11.92	(150,000)	12.74
Balance outstanding - end of year	-	-	120,000	11.92
Options exercisable - end of year	-	\$ -	120,000	\$ 11.92

Other Stock-based Compensation – Director DSU Awards

In May 2014, the Board of Directors modified the director compensation program by replacing stock option grants to non-management directors with a director deferred share unit plan (the “Director DSU Plan”). A DSU is a right to receive an amount from the Company equal to the value of one common share. Commencing in 2014, directors have the option of receiving up to 50% of their annual retainer fee, that is otherwise payable in cash, in the form of DSUs pursuant to the Director DSU Plan. 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.

As equity settled awards, Director DSUs are expensed in full on the date of grant and recognized in marketing, general and administrative expenses in the consolidated statements of income. Director DSUs have accompanying dividend equivalent rights, which are also expensed as earned in marketing, general and administrative expenses.

For the year ended December 31, 2018, the Company recorded Director DSU compensation charges of \$1,117 (2017 - \$953).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

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

	For the year ended December 31, 2018		For the year ended December 31, 2018	
	LTIP Share Units	Weighted Average Grant Date Fair Value Per Unit	Director DSU	Weighted Average Grant Date Fair Value Per Unit
Balance outstanding - beginning of year	2,844,449	\$ 12.54	217,676	\$ 14.33
Granted	666,181	19.08	53,782	18.71
Dividend equivalent rights	91,524	13.59	7,390	15.09
Settled	(960,694)	14.70	-	-
Forfeited	(119,077)	15.90	-	-
Balance outstanding - end of year	2,522,383	\$ 13.33	278,848	\$ 15.20

Amounts included in contributed surplus in the consolidated balance sheets as at December 31, 2018 in respect of LTIP and Director DSUs were \$30,500 (December 31, 2017 - \$32,396) and \$4,238 (December 31, 2017 - \$3,120), respectively.

26. EXPENSES

	For the year ended	
	December 31 2018	December 31 2017
Personnel	\$ 894,793	\$ 927,905
Subcontractors	1,115,411	858,692
Materials	889,649	688,413
Equipment costs	156,600	169,152
Depreciation of property, plant and equipment and amortization of intangible assets	103,832	93,548
Other expenses	31,240	29,081
Total expenses	\$ 3,191,525	\$ 2,766,791

Reported as:

	For the year ended	
	December 31 2018	December 31 2017
Direct costs and expenses	\$ 2,909,171	\$ 2,486,705
Marketing, general and administrative expenses	178,522	186,538
Depreciation and amortization	103,832	93,548
Total expenses	\$ 3,191,525	\$ 2,766,791

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

27. OTHER INCOME

	For the year ended	
	December 31 2018	December 31 2017
Foreign exchange gain	\$ 1,040	\$ 2,745
Gain on sale of property, plant and equipment	466	2,689
Insurance proceeds	-	1,800
Loss on other assets	-	(953)
Total other income	\$ 1,506	\$ 6,281

On November 23, 2018, the Company completed the sale of its contract mining business to North American Construction Group ("NACG"), whereby substantially all of the assets related to Aecon's contract mining business were sold to NACG for proceeds of \$199,100, subject to customary closing adjustments (see Note 13).

Aecon's contract mining business provided overburden removal and environmental reclamation services through a fleet of earthmoving equipment, primarily in the oil sands in Fort McMurray, Alberta.

As part of the transaction, cash of \$150,800 was received in 2018, \$12,900 of debt related to certain equipment sold was assumed by the purchaser, and the remaining balance of the purchase price (\$35,400) will be paid in instalments over eighteen months following closing, secured by a charge over certain assets that are the subject of the transaction. The deferred payments are not subject to conditions.

No gain or loss on sale was included in the 2018 operating results as a result of the sale of the contract mining assets.

28. FINANCE COSTS

	For the year ended	
	December 31 2018	December 31 2017
Interest and notional interest on long-term debt and debentures	\$ 16,724	\$ 16,608
Interest on finance leases	1,952	1,827
Interest on short-term debt	4,746	5,107
Notional interest on provisions	229	162
Total finance costs	\$ 23,651	\$ 23,704

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

29. EARNINGS PER SHARE

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

	For the year ended	
	December 31 2018	December 31 2017
Profit attributable to shareholders	\$ 59,014	\$ 28,176
Interest on convertible debentures, net of tax ⁽¹⁾	10,921	9,789
Diluted net earnings	\$ 69,935	\$ 37,965
Average number of common shares outstanding	59,802,209	58,637,456
Effect of dilutive securities: ⁽¹⁾		
Options	-	37,259
Convertible debentures ⁽¹⁾	11,322,018	10,495,151
Long-term incentive plan	2,801,231	3,062,125
Weighted average number of diluted common shares outstanding	73,925,458	72,231,991
Basic earnings per share	\$ 0.99	\$ 0.48
Diluted earnings per share ⁽¹⁾	\$ 0.94	\$ 0.46

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

30. SUPPLEMENTARY CASH FLOW INFORMATION

Change in other balances relating to operations

	For the year ended	
	December 31 2018	December 31 2017
Decrease (increase) in:		
Trade and other receivables	\$ (161,609)	\$ 104,511
Unbilled revenue	(19,231)	(103,105)
Inventories	352	5,463
Prepaid expenses	(13,896)	76
Increase (decrease) in:		
Trade and other payables	83,742	43,675
Provisions	(8,675)	(15,963)
Deferred revenue	301,217	4,378
Concession related deferred revenue	-	25,293
	\$ 181,900	\$ 64,328

Cash flows from interest

	For the year ended	
	December 31 2018	December 31 2017
Operating activities		
Cash interest paid	\$ (38,173)	\$ (28,031)
Cash interest received	5,182	5,321

	For the year ended	
	December 31 2018	December 31 2017
Non-cash transactions		
Property, plant and equipment acquired and financed by finance leases	\$ 23,876	\$ 37,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

31. FINANCIAL INSTRUMENTS

Fair value

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for speculative trading purposes. As at December 31, 2018, the Company had no outstanding contracts (December 31, 2017 – sell US\$600) and therefore there were no unrealized exchange gains or losses as at that date (December 31, 2017 - gain of \$11). 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, and is included in other income (loss) in the consolidated statements of income. As at December 31, 2018, the Company's joint operations had outstanding contracts to buy US\$173,500 (December 31, 2017 - \$nil), representing the Company's pro-rata share, on which there was an unrealized gain recorded in other comprehensive income of \$10,949 (December 31, 2017 - \$nil).

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 financial instruments are valued.

	As at December 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets (liabilities) measured at fair value:				
Cash flow hedge	\$ 6,008	\$ -	\$ 6,008	\$ -
Financial assets (liabilities) disclosed at fair value:				
Long-term financial assets	12,055	-	12,055	-
Current portion of long-term debt	(34,514)	-	(34,514)	-
Long-term debt	(68,990)	-	(68,990)	-
Non-recourse project debt	(383,746)	-	(383,746)	-
Convertible debentures	(189,520)	(189,520)	-	-

During the year ended December 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Risk management

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

Credit risk

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, short-term deposits and marketable securities, accounts receivable, holdbacks receivable, unbilled revenues, and foreign exchange contracts.

Credit risk associated with cash and short-term deposits is minimized by ensuring these financial assets are placed with financial institutions with investment grade credit ratings and by placing a limit on the amount that can be invested with any single financial institution.

The credit risk associated with foreign exchange contracts arises from the possibility the counterparty to one of these contracts fails to perform according to the terms of the contract. Credit risk associated with foreign exchange contracts is minimized by entering into such transactions with major Canadian financial institutions.

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. The credit quality of the Company's significant customers is monitored on an ongoing basis and allowances are provided for potential losses that have been incurred at the consolidated balance sheet date. Receivables that are neither past due nor impaired are considered by management to have no significant collection risk. The liquidity of customers and their ability to pay receivables are considered in the impairment of such assets. No collateral is held in respect of impaired assets or assets that are past due but not impaired. The Company provides an allowance for credit losses in the year in which there is objective evidence of impairment on a case by case basis when they are over 60 days past due or if there is an indication a customer will not be satisfying their payment obligation.

As at December 31, 2018, the Company had \$95,000 in trade receivables that were past due. Of this amount, \$65,000 was over 60 days past due, against which the Company has recorded an allowance for expected credit losses of \$762.

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.

The Company's approach is to ensure it will have sufficient liquidity to meet operational, tax, capital and regulatory requirements and obligations, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed quarterly by the Board of Directors to ensure a sufficient continuity of funding. Long-term debt maturities are spread over a range of dates, thereby ensuring the Company is not exposed to excessive refinancing risk in any one year. The Company's cash and cash equivalents, short-term deposits and restricted cash are invested in highly liquid interest bearing investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

Contractual maturities for financial liabilities as at December 31, 2018 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
Trade and other payables \$	704,152 \$	1,608 \$	- \$	705,760 \$	- \$	705,760
Finance leases	\$ 23,356 \$	48,666 \$	5,143 \$	77,165 \$	(4,393) \$	72,772
Equipment and other loans	11,528	19,170	182	30,880	(1,440)	29,440
	34,884	67,836	5,325	108,045	(5,833)	102,212
Non-recourse project debt	22,939	102,950	634,088	759,977	(376,231)	383,746
Convertible debentures	9,200	220,800	-	230,000	(70,225)	159,775
Long-term financial liabilities	\$ 67,023 \$	391,586 \$	639,413 \$	1,098,022 \$	(452,289) \$	645,733

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.

As at December 31, 2018, the interest rate profile of the Company's long-term debt and non-recourse project debt was as follows:

Fixed rate instruments	\$ 102,212
Total long-term debt	\$ 102,212
Fixed rate non-recourse project debt	\$ 383,746
Fixed rate convertible debentures	\$ 159,775

For the year ended December 31, 2018, 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.

Changes in interest rates related to fixed rate long-term debt instruments, non-recourse project debt and convertible debentures would not have had an impact on net earnings or comprehensive income in the current period.

Cash and cash equivalents, restricted cash and short-term deposits have limited interest rate risk due to their short-term nature.

Currency risk

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

The Company's sensitivity to a 10% change in the US dollar against the Canadian dollar as at December 31, 2018 to profit or loss for currency exposures would be \$6,517. 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 CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

Additional information on financial instruments:

	Amortized cost	Fair value through profit or loss	Fair value through OCI	Total carrying amount	Total fair value
Cash and cash equivalents	\$ 630,976	\$ -	\$ -	\$ 630,976	\$ 630,976
Restricted cash	193,369	-	-	193,369	193,369
Trade and other receivables	697,611	-	-	697,611	697,611
Unbilled revenue	573,678	-	-	573,678	573,678
Long-term financial assets	2,617	-	9,438	12,055	12,055
	\$ 2,098,251	\$ -	\$ 9,438	\$ 2,107,689	\$ 2,107,689
Trade and other payables	705,760	-	-	705,760	705,760
Current portion of long-term debt	32,505	-	-	32,505	34,514
Convertible debentures	159,775	-	-	159,775	189,520
Non-recourse project debt	383,746	-	-	383,746	383,746
Long-term debt	69,707	-	-	69,707	68,990
	\$ 1,351,493	\$ -	\$ -	\$ 1,351,493	\$ 1,382,530

Cash and cash equivalents, restricted cash, marketable securities, trade receivables, trade payables and accrued liabilities approximate their fair values on a discounted cash flow basis because of the short-term nature of these instruments. In general, investments with original maturities of greater than three months and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year may be classified as current based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations.

Other financial instruments held or issued by the Company include holdbacks receivable, non-interest bearing project advances payable or holdbacks payable, which are amounts directly related to construction contracts. These amounts, by their nature, do not bear interest and consideration for the time value of money is thus negotiated into the price of the contracts. The Company does not have plans to sell these financial instruments to third parties and will realize or settle them in the normal course of business. No quoted market price exists for these instruments because they are not traded in an active and liquid market. Accordingly, the fair values of holdbacks receivable, non-interest bearing project advances payable or holdbacks payable, which are due within one year, are considered to approximate their carrying values. For those financial instruments that are due beyond one year, the Company has valued them to reflect the time value of money and the credit risk or the borrowing risk associated with these financial instruments.

The fair value of long-term debt is derived by discounting the remaining principal and interest payments at interest rates reflective of the Company's current cost of borrowing for similar debt. These interest rates were calculated by using the Canadian interest rate swap yield at year-end and adjusting for the credit spread that reflects the Company's cost of secured credit. The fair value of the convertible debentures was obtained from quoted prices observable on the Toronto Stock Exchange.

Convertible debentures are discussed further in Note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

32. 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.

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 satisfactory returns to shareholders;
- to maintain a strong capital base so as to maintain client, investor, creditor and market confidence;
- to provide a superior rate of return 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 amount 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 to be the most important metric in measuring the strength and flexibility of its consolidated balance sheets. As at December 31, 2018, the debt to capitalization percentage including convertible debentures as debt was 24% (December 31, 2017 - 28%). 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 9% as at December 31, 2018 (December 31, 2017 - 13%). While the Company believes this debt to capitalization percentage is acceptable, because of the cyclical nature of its business, the Company will continue its current efforts to maintain a conservative capital position.

As at December 31, 2018, the Company complied with all of its financial debt covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

33. OPERATING SEGMENTS

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

Commencing in 2018, the Company's Energy and Mining segments were combined into an Industrial segment to align with the Company's operating management structure at that time and to build on the "One Aecon" business strategy to capitalize on and combine the strengths and synergies of the Aecon group. Prior year comparative figures have been restated to conform to the presentation adopted in the current year.

Throughout 2018 the Company operated in three principal segments within the construction and infrastructure development industry: Infrastructure, Industrial, and Concessions.

The **Infrastructure segment** includes all aspects of the construction of both public and private infrastructure, primarily in Canada, and on a selected basis, internationally.

The **Industrial segment** encompasses a full suite of service offerings, primarily to the energy and mining markets including conventional industrial construction and manufacturing activities such as in-plant construction, site construction, fabrication, module assembly and contract mining. The Industrial segment offers turnkey services consolidating the Company's industrial and manufacturing capabilities and services across Canada, with a focus on delivering construction services that span the scope of a project's life cycle from site preparation, overburden removal, and resource extraction to processing and environmental reclamation.

Activities within the **Concessions segment** include the development, financing, construction and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer and other public-private partnership contract structures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

For the year ended December 31, 2018					
	Infrastructure	Industrial	Concessions	Other and eliminations	Total
Consolidated Statements of Income					
External customer revenue	\$ 1,157,778	\$ 1,885,160	\$ 223,353	\$ -	\$ 3,266,291
Inter-segment revenue	161,802	16,794	-	(178,596)	-
Total revenue	1,319,580	1,901,954	223,353	(178,596)	3,266,291
Expenses	\$ (1,286,222)	\$ (1,846,642)	\$ (195,023)	\$ 136,362	\$ (3,191,525)
Which include:					
Depreciation and amortization	(20,161)	(54,642)	(28,493)	(536)	(103,832)
Other income (loss):					
Foreign exchange gain (loss)	\$ (946)	\$ 1,712	\$ (370)	\$ 644	\$ 1,040
Gain (loss) on sale of property, plant and equipment	1,276	(810)	-	-	466
Income from projects accounted for using the equity method	\$ 2,469	\$ 605	\$ 10,076	\$ -	\$ 13,150
Operating profit (loss)	\$ 36,157	\$ 56,819	\$ 38,036	\$ (41,590)	\$ 89,422
Finance income (cost):					
Finance income					\$ 1,256
Finance costs					(23,651)
Profit before income taxes					\$ 67,027
Income tax expense					(8,013)
Profit for the year					\$ 59,014
Revenue by contract type					
Lump sum	\$ 826,175	\$ 462,168	\$ 215,732	\$ (135,372)	\$ 1,368,703
Cost plus/unit price	493,405	1,439,786	7,621	(43,224)	1,897,588
Total revenue	1,319,580	1,901,954	223,353	(178,596)	3,266,291
Revenue by service type					
Construction revenue	\$ 1,319,580	\$ 1,901,954	\$ -	\$ (44,054)	\$ 3,177,480
Concession revenue	-	-	223,353	(134,542)	88,811
Total revenue	1,319,580	1,901,954	223,353	(178,596)	3,266,291
	Infrastructure	Industrial	Concessions	Other and eliminations	Total
Consolidated Balance Sheets					
Segment assets	\$ 1,034,497	\$ 1,427,180	\$ 678,915	\$ (207,900)	\$ 2,932,692
Which include:					
Projects accounted for using the equity method	22,382	1,119	15,974	-	39,475
Segment liabilities	\$ 868,350	\$ 440,220	\$ 537,949	\$ 261,111	\$ 2,107,630
Additions to non-current assets:					
Property, plant and equipment	\$ 23,230	\$ 43,170	\$ 303	\$ 4,477	\$ 71,180
Intangible assets	\$ -	\$ 360	\$ 163,876	\$ 3,110	\$ 167,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

For the year ended December 31, 2017					
	Infrastructure	Industrial	Concessions	Other and eliminations	Total
Consolidated Statements of Income					
External customer revenue	\$ 840,114	\$ 1,830,356	\$ 135,258	\$ -	\$ 2,805,728
Inter-segment revenue	121,574	8,713	-	(130,287)	-
Total revenue	961,688	1,839,069	135,258	(130,287)	2,805,728
Expenses	\$ (946,005)	\$ (1,777,926)	\$ (123,873)	\$ 81,013	\$ (2,766,791)
Which include:					
Depreciation and amortization	(19,843)	(48,431)	(24,592)	(682)	(93,548)
Other income (loss):					
Foreign exchange gain (loss)	\$ 457	\$ 2,635	\$ 172	\$ (519)	\$ 2,745
Gain on sale of property, plant and equipment	1,414	322	-	-	1,736
Proceeds from insurance	-	1,800	-	-	1,800
Income from projects accounted for using the equity method	\$ 3,603	\$ 100	\$ 4,714	\$ -	\$ 8,417
Operating profit (loss)	\$ 21,157	\$ 66,000	\$ 16,271	\$ (49,793)	\$ 53,635
Finance income (cost):					
Finance income					\$ 895
Finance costs					(23,704)
Profit before income taxes					\$ 30,826
Income tax expense					(2,650)
Profit for the year					\$ 28,176
Revenue by contract type					
Lump sum	\$ 511,380	\$ 221,686	\$ 135,257	\$ (84,373)	\$ 783,950
Cost plus/unit price	450,308	1,617,383	1	(45,914)	2,021,778
Total revenue	961,688	1,839,069	135,258	(130,287)	2,805,728
Revenue by service type					
Construction revenue	\$ 961,688	\$ 1,839,069	\$ -	\$ (57,731)	\$ 2,743,026
Concession revenue	-	-	135,258	(72,556)	62,702
Total revenue	961,688	1,839,069	135,258	(130,287)	2,805,728
	Infrastructure	Industrial	Concessions	Other and eliminations	Total
Consolidated Balance Sheets					
Segment assets	\$ 611,575	\$ 1,194,774	\$ 594,491	\$ 84,350	\$ 2,485,190
Which include:					
Projects accounted for using the equity method	19,921	707	11,982	-	32,610
Segment liabilities	\$ 500,444	\$ 464,040	\$ 481,626	\$ 283,105	\$ 1,729,215
Additions to non-current assets:					
Property, plant and equipment	\$ 25,640	\$ 47,050	\$ 1,293	\$ 1,174	\$ 75,157
Intangible assets	\$ 206	\$ -	\$ 220,676	\$ 4,553	\$ 225,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

Geographic segment information:

	December 31 2018	December 31 2017
Revenue from external customers:		
Canada	\$ 3,045,727	\$ 2,662,372
USA	9,337	13,311
International	211,227	130,045
	\$ 3,266,291	\$ 2,805,728

Property, plant, equipment and intangible assets

Canada	\$ 359,396	\$ 564,055
USA	6,332	293
International	346,114	186,681
	\$ 711,842	\$ 751,029

Revenue from external customers has been attributed to individual countries on the basis of the customer's location.

Revenue from the Company's largest customer accounted for approximately 13% of consolidated revenue for the year ended December 31, 2018. The customer and its affiliated entities are located in Canada, with revenue recorded primarily in the Industrial segment.

34. REMAINING PERFORMANCE OBLIGATIONS

Backlog (i.e. 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 the company, 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, the Company limits backlog for O&M activities to the earlier of the contract term and the next five years.

Reported backlog as at December 31, 2018 of \$6,821,291 compares to backlog of \$4,246,844 as at December 31, 2017. New contract awards of \$5,840,238 were booked in 2018 compared to \$2,848,867 in 2017.

Backlog	As at December 31	
	2018	2017
Infrastructure	\$ 4,527,068	\$ 1,995,076
Industrial	2,257,544	2,233,861
Concessions	36,679	17,907
Consolidated	\$ 6,821,291	\$ 4,246,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

Backlog duration, representing the expected period during which backlog on hand will be converted into revenue, is set out in the table below:

Estimated backlog duration	As at December 31			
	2018		2017	
Next 12 months	\$ 2,011,500	29%	\$ 1,496,945	35%
Next 13-24 months	1,771,490	26%	794,970	19%
Beyond	3,038,301	45%	1,954,929	46%
	\$ 6,821,291	100%	\$ 4,246,844	100%

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

Reported backlog includes the revenue value of backlog that relates to projects that are accounted for using the equity method. The equity method reports a single amount (revenue less expenses) on the Company's consolidated statement of income, and as a result the revenue component of backlog for these projects is not included in the Company's reported revenue. As at December 31, 2018, reported backlog from projects that are accounted for using the equity method was \$nil (December 31, 2017 - \$291).

35. RELATED PARTIES

The Company conducts its business principally through the following subsidiary companies, all of which are wholly owned:

<u>Subsidiary</u>	<u>Jurisdiction of Incorporation</u>
Aecon Construction Group Inc.	Canada
Aecon Construction and Materials Limited	Ontario
Aecon Infrastructure Management Inc.	Alberta
Aecon Industrial Management Corp.	Alberta
Groupe Aecon Quebec Ltee.	Quebec
Bermuda Skyport Corporation Limited	Bermuda

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

The Company also conducts its business through the following significant joint arrangements and associates:

Joint arrangements and associates	Country of operations	Ownership interests	Nature of activities
Lower Mattagami Project	Canada	20.0%	Construction
OPG Darlington RFR Project	Canada	50.0%	Construction
OPG Darlington D20 Project	Canada	60.0%	Construction
Eglinton Tunnel	Canada	50.0%	Construction
John Hart Generating Station Project	Canada	60.0%	Construction
Waterloo LRT Project	Canada	51.0%	Construction
Waterloo LRT Concessionaire	Canada	10.0%	Concession
Eglinton Crosstown Light Rail Transit Project	Canada	25.0%	Construction
Eglinton Crosstown LRT Concessionaire	Canada	25.0%	Concession
Yellowline Asphalt Products Ltd.	Canada	50.0%	Construction
SA Energy Group	Canada	50.0%	Construction
Bruce Power Steam Generator Replacement	Canada	40.0%	Construction
Bruce Power Unit 6 FCFR	Canada	40.0%	Construction
Réseau express métropolitain Montreal LRT	Canada	24.0%	Construction
Finch West LRT Project	Canada	33.0%	Construction
Finch West LRT Concessionaire	Canada	33.0%	Concession
Gordie Howe International Bridge Project	Canada and USA	20.0%	Construction
Gordie Howe International Bridge Concessionaire	Canada and USA	20.0%	Concession
Second Narrows Water Supply Tunnel Project	Canada	40.0%	Construction
Site C Generating Station and Spillways Civil Works	Canada	30.0%	Construction

Key management includes the Company's Board of Directors and Executive Committee. Compensation awarded to key management is as follows:

	December 31 2018		December 31 2017
Short-term employee compensation	\$ 11,285	\$	5,007
Post-employment benefits	96		72
Stock-based payments	4,585		4,241
	\$ 15,966	\$	9,320

BOARD OF DIRECTORS

John M. Beck

Michael A. Butt

Joseph A. Carrabba

Anthony P. Franceschini

J.D. Hole

Susan Wolburgh Jenah ICD.D

Eric Rosenfeld

Jean-Louis Servranckx

Monica Sloan ICD.D

EXECUTIVE COMMITTEE

John M. Beck
Executive Chairman

Michael Derksen
Senior Vice President and
Executive Lead, Civil West

Yonni Fushman
Executive Vice President,
Chief Legal Officer and Secretary

Marty Harris
Senior Vice President and
Executive Lead, Civil East

Steve Nackan
Executive Vice President,
President, Concessions

Manuel Rivaya
Senior Vice President,
Urban Transportation Systems

Mark Scherer
Executive Vice President, Industrial

Jean-Louis Servranckx
President and Chief Executive Officer

David Smales
Executive Vice President
and Chief Financial Officer

Gordana Terkalas
Senior Vice President, Human Resources



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VANCOUVER

1055 Dunsmuir Street, Suite 2124
Vancouver, BC V7X 1G4
PHONE 604 235 1398

CALGARY

110 9th Avenue SW, Suite 300
Calgary, Alberta T2P 0T1
PHONE 403 695 3085

TORONTO

20 Carlson Court, Suite 105
Toronto, Ontario M9W 7K6
PHONE 416 297 2600

MONTREAL

2015 rue Peel, Bureau 600
Montreal, Quebec H3A 1T8
PHONE 514 352 0100

TOLL FREE 1 877 232 2677

EMAIL aecon@aecon.com

INVESTOR RELATIONS INQUIRIES

EMAIL ir@aecon.com

MEDIA RELATIONS INQUIRIES

EMAIL corpaffairs@aecon.com

**REGISTRAR AND
TRANSFER AGENT**

Computershare Investor Services Inc.

PHONE 514 982 7555

TOLL FREE 1 800 564 6253

EMAIL service@computershare.com

AECON

