AECON FORWARD

2017 ANNUAL REPORT

AECON

DEAR FELLOW SHAREHOLDERS

As we look back on 2017, Aecon's results point to the resilience of our business model and the stability derived from our diversified strategy. Aecon remains focused on continuing to grow backlog, further improving margins and successfully executing projects for our clients. We are excited about our future.

Cover: John Hart Generating Station
Campbell River, British Columbia

This past year proved to be a transitional one for Aecon highlighted by our proposed transaction with CCCC International Holding Limited (CCCI). Following the announcement of the transaction in October we have received strong support from Aecon's shareholders, employees, unions, clients, partners and other stakeholders. While the transaction continues to be reviewed by regulatory authorities, we remain focused on building a strong backlog and successfully executing our projects.

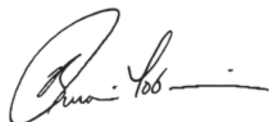
To date, the proposed transaction has received a "no action" letter from the Canadian Commissioner of Competition, received approval from China's National Development and Reform Commission and overwhelming approval from our shareholders at a special meeting of shareholders held on December 19, 2017. On December 22, 2017, the Ontario Superior Court of Justice (Commercial List) issued a final order approving the transaction. Completion of the proposed transaction remains subject only to approval under the Investment Canada Act and other customary closing conditions for a transaction of this nature. Assuming the satisfaction or waiver of these conditions, the proposed transaction is expected to close by the end of the second quarter and before the July 13, 2018 Outside Date contemplated in the Arrangement Agreement.

As we look back on 2017, Aecon's results point to the resilience of our business model and the stability derived from our diversified strategy. For 2018, Aecon remains focused on continuing to grow backlog, further improving margins and successfully executing projects for our clients. In other words, we have a solid platform that is poised for significant growth in 2018 and beyond.

While we have been involved with transaction related activities over the past several months, our focus has remained on our clients and the work we do for them every day. A testament to that is the series of major project wins we have announced recently, including the replacement of steam generators at the Bruce Nuclear Generating Station as part of the Major Component Replacement project, civil works associated with the generating station and spillways at the Site C Generating Station in British Columbia, and the construction of the Réseau express métropolitain ("REM"), a major public transit project in Greater Montréal. The Site C and REM projects will collectively add nearly $2 billion to Aecon's backlog.

We are excited about our future. Aecon continues to be a Canadian leader in an industry that is at the forefront of building critical projects for the well-being of the country. On behalf of Aecon's Board of Directors and our entire organization, we would like to thank our shareholders for the support over the years and we look forward to the great future of this company.

Sincerely,



Brian V. Tobin
Chairman

John M. Beck
Chief Executive Officer

Aecon Group Inc.

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

December 31, 2017

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, 2017 consolidated financial statements and notes. This MD&A has been prepared as at March 6, 2018. 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.

Proposed Arrangement

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 has 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").

At a meeting of shareholders held on December 19, 2017, shareholders of the Company approved the Arrangement with approximately 99.4% of the Common Shares voted at the meeting voting in favour of the Arrangement. On December 22, 2017, the Ontario Superior Court of Justice (Commercial List) issued a final order approving the Arrangement and Aecon and CCCI are working through the regulatory approvals process as planned. Completion of the proposed transaction remains subject only to approval under the Investment Canada Act and other customary closing conditions for a transaction of this nature. Assuming the satisfaction or waiver of these conditions, the proposed transaction is expected to close by the end of the second quarter and before the July 13, 2018 Outside Date of the Arrangement Agreement.

For additional details, please see the full text of the Arrangement Agreement included in Aecon's management information circular dated November 17, 2017 (the "Circular") filed under Aecon's SEDAR profile at www.sedar.com.

Introduction

Aecon operates in four principal segments within the construction and infrastructure development industry: Infrastructure, Energy, Mining 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	• Roads and bridges • Rail and transit • Asphalt production and aggregates • Municipal construction • Commercial site design • Material engineering and design

Heavy Civil	• Hydroelectric • Tunnels and transit stations • Foundations • Marine • Major civil transportation infrastructure
Social Infrastructure	• Water treatment facilities • Mechanical systems • Airports

The Energy segment encompasses a full suite of service offerings to the energy sector including industrial construction and manufacturing activities such as in-plant construction, site construction and module assembly. The activities of the Energy segment are concentrated predominantly in Canada and focus primarily on the following sectors:

ENERGY	
Sector	**Service Focus**
Oil and Gas	• 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
Power Generation	• Nuclear • Thermal and hydro • Natural gas • Renewables
Utilities	• 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
Energy Support Services	• Fabrication (pipe fabrication, custom steel) • Modularization • Field installations • Plant maintenance turnaround

The Mining segment offers turnkey services consolidating Aecon's mining capabilities and services across Canada, including both mine site installations and contract mining. This segment focuses on delivering construction services that span the scope of a project's life cycle from overburden removal and resource extraction to processing and environmental reclamation. The Mining segment focuses primarily on the following sectors:

MINING	
Sector	**Service Focus**
Mine Site Installations and Contract Mining	• Mine site development including overburden removal and piling services • Environmental reclamation services • Ore storage and management • Heavy mechanical works • Complete process installations • Full fabrication for mine site installations

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	• Development of domestic and international Public-Private Partnership ("P3") projects • Private finance solutions
Development	• Developing effective strategic partnerships • Leading and/or actively participating in development teams
Construction and Operation	• 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 general global events outside Aecon's control, there are factors which could cause actual results, performance or achievements to vary 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 Large Project Risk and Contractual Factors and the uncertainty regarding whether the Arrangement will be completed on the terms detailed in the Circular, or at all, and the corresponding risks. Risk factors are discussed in greater detail in the section on "Risk Factors" later in this MD&A. Forward-looking statements include information concerning possible or assumed future results of Aecon's operations and financial position, as well as statements preceded by, followed by, or that include the words "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" 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. Aecon assumes 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 construction 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.

BUSINESS STRATEGY

Aecon's overall strategic goal is to be a world class construction and infrastructure development 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.

Aecon's strategic path is comprised of four 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 be Canada's premier construction and infrastructure development 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) 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 one-third of total revenue.

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 Waterloo Region Light Rapid Transit projects in Ontario, the execution phase of the Darlington Refurbishment project in Ontario, the Enbridge Line 3 Replacement Program in Alberta, and the Kemano Generating Station T2 Tunnel 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 in recent years.

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.

Particular Focus for 2018 – Activities with respect to the Arrangement Agreement will be a significant focus for 2018. In addition to this, the Company is focusing on a number of programs and key initiatives to advance its overall strategy this year, including:

- hiring a new Chief Executive Officer to replace the current interim CEO once the outcome of the regulatory approval processes is concluded;
- realignment of resources to combine Energy and Mining into a consolidated Industrial business encompassing four business units focused on industrial clients (east and west), nuclear and utility clients;
- establishment of a consolidated approach to operation of all fabrication facilities under common management within the Industrial business;
- continued progress on developing resources and capabilities to service rail related opportunities within the Infrastructure segment;
- building on Aecon's expertise in the P3 space by successfully participating in targeted strategic concession opportunities in Canada and on a select basis internationally;
- achieving contractual close on the Réseau express métropolitain and Site C Generating Station and Spillways Civil Works projects;
- continuing to enhance standardized core operating and transactional processes and maximize utilization of an integrated Enterprise Resource Planning ("ERP") system to drive operational excellence using timely and insightful data; and
- continuing to monitor cost and schedule performance, and evaluation of all major projects by Aecon's senior management team (Operational Risk Committee) and by Aecon's Board of Directors (Risk Committee).

CONSOLIDATED FINANCIAL HIGHLIGHTS

$ millions (except per share amounts)	Three months ended December 31 2017	Three months ended December 31 2016	Year ended December 31 2017	Year ended December 31 2016
Revenue	**$ 685.0**	**$ 845.1**	**$ 2,805.7**	**$ 3,213.1**
Gross profit	97.1	101.6	319.0	312.5
Marketing, general and administrative expenses	(46.4)	(53.0)	(186.5)	(185.1)
Income from projects accounted for using the equity method	2.2	8.1	8.4	12.4
Other income	3.5	7.5	6.3	11.4
Depreciation and amortization	(24.0)	(16.3)	(93.5)	(64.1)
Operating profit	**32.5**	**47.9**	**53.6**	**87.1**
Financing expense, net	(6.1)	(5.3)	(22.8)	(21.6)
Profit before income taxes	**26.4**	**42.6**	**30.8**	**65.5**
Income tax expense	(5.4)	(13.5)	(2.6)	(18.8)
Profit	**$ 21.1**	**$ 29.1**	**$ 28.2**	**$ 46.8**
Gross profit margin	**14.2%**	**12.0%**	**11.4%**	**9.7%**
MG&A as a percent of revenue	**6.8%**	**6.3%**	**6.6%**	**5.8%**
Adjusted EBITDA	**58.0**	**64.7**	**156.5**	**158.3**
Adjusted EBITDA margin	**8.5%**	**7.7%**	**5.6%**	**4.9%**
Operating margin	**4.7%**	**5.7%**	**1.9%**	**2.7%**
Earnings per share - basic	**$ 0.36**	**$ 0.51**	**$ 0.48**	**$ 0.82**
Earnings per share - diluted	**$ 0.33**	**$ 0.43**	**$ 0.46**	**$ 0.77**
Backlog			**$ 4,247**	**$ 4,204**

Revenue for the year ended December 31, 2017 of $2,806 million was lower by $407 million, or 13%, compared to 2016. The largest decrease occurred in the Mining segment ($464 million) as a result of lower site installation volume in the commodity mining sector ($457 million) and lower revenue from civil and foundations projects ($23 million), offset partially by increased volume in contract mining operations ($16 million). Revenue was also lower in the Infrastructure segment ($81 million), driven by lower volume in the transportation ($78 million) and heavy civil ($14 million) sectors, offset partially by higher revenue from social infrastructure ($11 million). Energy segment revenue was higher ($115 million), as increased revenue in utilities operations ($158 million) was partially offset by lower volume from industrial operations ($43 million). Concessions revenue was higher year-over-year ($132 million) due to the Bermuda International Airport Redevelopment Project, which was partially offset by higher inter-segment eliminations ($109 million) that were mostly related to revenue between the Concessions and Infrastructure segments.

Operating profit for the year ended December 31, 2017 of $53.6 million decreased by $33.5 million compared to $87.1 million in 2016 despite an increase in gross profit of $6.5 million. Increases in gross profit occurred in the Energy ($16.5 million) and Concessions ($38.2 million) segments largely from volume driven increases in utilities operations and the Bermuda International Airport Redevelopment Project. The improvement in gross profit was also due in part to the year-over-year impact of a one-time charge ($6.7 million) in 2016 in “Other & Eliminations” that related to the resolution of a legal dispute. Partially offsetting these amounts was a decrease in gross profit in the Mining segment ($50.9 million) primarily from lower volume in the commodity mining

sector. Gross profit also decreased in the Infrastructure segment ($3.8 million) as gross profit margin increases in heavy civil and social infrastructure operations were offset by a volume-driven decrease in gross profit in the transportation sector.

Marketing, general and administrative expenses ("MG&A") increased in 2017 by $1.4 million compared to 2016. Impacting MG&A in 2017 were severance and restructuring costs ($16.1 million), as well as expenses incurred as a result of the sale process and Arrangement to sell the Company ($8.9 million), whereas in 2016 MG&A included severance expense ($6.9 million) related to the departure of the former Chief Executive Officer. After adjusting for the above items, MG&A costs were $16.7 million lower in 2017 versus 2016. The reduction was driven primarily from lower personnel costs as a result of the above noted restructuring initiatives. MG&A as a percentage of revenue was 6.6% in 2017 compared to 5.8% in 2016. However, MG&A as a percentage of revenue after adjusting for the one-time items noted above was 5.8% in 2017 compared to 5.5% in 2016, as the effect of lower revenue in 2017 more than offset the MG&A cost reductions year-over-year.

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 $8.4 million in 2017 from projects accounted for using this method of accounting, compared to $12.4 million in 2016. An increase in the Concessions segment ($2.3 million) from light rail transit projects in Ontario, was offset primarily by lower contributions from projects in the Infrastructure segment ($5.7 million) after a significant project was completed in 2017 that was ongoing throughout 2016.

Other income of $6.3 million in 2017 was $5.1 million lower than 2016, primarily due to lower insurance recoveries in 2017 compared to 2016.

For the year ended December 31, 2017, depreciation and amortization expense of $93.5 million increased by $29.4 million when compared to the prior year. The increase occurred primarily in the Concessions segment, from amortization related to the concession granted to operate the existing airport as part of the Bermuda International Airport Redevelopment Project, and to a lesser extent in the Mining segment as equipment utilization increased over the previous year when operations in Alberta were impacted by wildfires.

Financing expense, net of interest income, of $22.7 million in 2017 was $1.1 million higher than 2016, primarily due to higher borrowings on the revolving credit facility.

Set out in Note 20 of the December 31, 2017 consolidated financial statements is a reconciliation between the expected income tax expense for 2017 and 2016 based on statutory income tax rates and the actual income tax expense reported for both these periods.

Reported backlog as at December 31, 2017 of $4,247 million compares to backlog of $4,204 million as at December 31, 2016. New contract awards of $2,849 million were booked in 2017 compared to $4,156 million in 2016.

Backlog $ millions		As at December 31		
		2017		2016
Infrastructure	**$**	**1,995**	$	1,664
Energy		**2,115**		2,372
Mining		**119**		168
Concessions		**18**		-
Consolidated	**$**	**4,247**	$	4,204

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 $ millions		As at December 31				
		2017			2016	
Next 12 months	**$**	**1,497**	**35%**	$	1,304	31%
Next 13-24 months		**795**	**19%**		563	13%
Beyond		**1,955**	**46%**		2,337	56%
	$	**4,247**	**100%**	$	4,204	100%

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 effective backlog at any given time is greater than what is reported.

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.

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 December 31**		**Year ended December 31**	
	2017	2016	**2017**	2016
Revenue	**$ 257.5**	$ 285.6	**$ 950.4**	$ 1,031.6
Gross profit	**$ 33.9**	$ 39.1	**$ 90.2**	$ 94.0
Adjusted EBITDA	**$ 23.6**	$ 30.6	**$ 38.8**	$ 50.7
Operating profit	**$ 18.5**	$ 27.1	**$ 19.7**	$ 32.4
Gross profit margin	**13.2%**	13.7%	**9.5%**	9.1%
Adjusted EBITDA margin	**9.2%**	10.7%	**4.1%**	4.9%
Operating margin	**7.2%**	9.5%	**2.1%**	3.1%
Backlog			**$ 1,995**	$ 1,664

Revenue in the Infrastructure segment of $950 million in 2017 was $81 million, or 8%, lower than 2016. The largest decrease occurred in transportation operations ($78 million) as a result of lower roadbuilding activity in Ontario, which was impacted by unusually wet weather in the first half of the year and the completion of a significant project that provided higher revenue in the previous year. Heavy civil revenue was also lower than the previous year ($14 million) as increased activity in Ontario from light rail projects was more than offset by lower volume in Western Canada on hydroelectric related work. Partially offsetting these decreases was an increase in social infrastructure operations ($11 million), due mostly to the commencement of the Bermuda International Airport Redevelopment Project in early 2017, partially offset by lower volume from water treatment plant related work in Western Canada.

Operating profit in the Infrastructure segment of $19.7 million in 2017 decreased by $12.7 million compared to 2016. Operating profit decreased in heavy civil ($6.7 million) primarily as a result of lower contributions from projects accounted for using the equity method of accounting ($5.1 million) after a significant project was completed in 2017 that was ongoing throughout 2016, and increased costs related to new project pursuits. Operating profit in transportation operations also decreased ($6.7 million) due primarily to lower volume and gross profit margin on roadbuilding projects in Ontario. These decreases were slightly offset by volume and gross profit margin driven increases in social infrastructure operations ($0.7 million).

Infrastructure backlog as at December 31, 2017 was $1,995 million, which is $331 million higher than the same time last year. The increase was driven by social infrastructure ($373 million), due mostly to the award of the Bermuda International Airport Redevelopment Project and mechanical projects in Western Canada, and by transportation operations ($126 million), due to a higher backlog of road construction work in Western Canada. These increases were partially offset by a decrease in heavy civil operations ($168 million) as the execution of light rail and other existing projects in 2017 exceeded new awards in the sector. New contract awards in 2017 totalled $1,282 million compared to $501 million in the prior year. The increase in new awards year-over-year is due mainly to the areas discussed above.

As discussed in the Consolidated Financial Highlights section, the Infrastructure segment's effective backlog at any given time is greater than what is reported.

ENERGY

Financial Highlights

$ millions	Three months ended December 31		Year ended December 31	
	2017	2016	**2017**	2016
Revenue	$ **395.7**	$ 373.6	$ **1,472.2**	$ 1,356.9
Gross profit	$ **43.2**	$ 35.0	$ **130.2**	$ 113.7
Adjusted EBITDA	$ **27.4**	$ 20.4	$ **76.0**	$ 57.7
Operating profit	$ **23.1**	$ 15.8	$ **55.4**	$ 37.7
Gross profit margin	**10.9%**	9.4%	**8.8%**	8.4%
Adjusted EBITDA margin	**6.9%**	5.5%	**5.2%**	4.3%
Operating margin	**5.8%**	4.2%	**3.8%**	2.8%
Backlog			$ **2,115**	$ 2,372

Revenue in 2017 of $1,472 million in the Energy segment was $115 million, or 8%, higher than in 2016 as higher revenue in utilities ($158 million) was partially offset by lower volume in industrial operations ($43 million). The higher utilities revenue was driven primarily by an increase in pipeline projects, as well as increases in the electricity distribution and residential telecommunications sectors. Revenue was lower in industrial operations due to decreases in field construction, fabrication and module assembly volume in Western Canada ($187 million), partially offset by higher volume in Eastern Canada ($144 million) where increased activity in the nuclear sector was only partially offset by lower gas distribution and fabrication work.

For the year ended December 31, 2017, operating profit of $55.4 million increased by $17.7 million when compared to 2016. The year-over-year increase was largely driven by an increase in utilities operations ($17.8 million) from higher volume and improved gross profit margin. Operating profit from industrial operations decreased in 2017 ($0.1 million) as improvements from higher volume and gross profit in Eastern Canada, and lower MG&A costs as a result of restructuring initiatives in Western Canada, were more than offset by volume driven lower gross profit in Western Canada.

Backlog at December 31, 2017 of $2,115 million was $257 million lower than the same time last year, with a decrease in industrial operations ($275 million) and an increase in utilities operations ($18 million). Backlog was lower in industrial operations in Eastern Canada ($276 million) due to work-off of significant projects in the nuclear and gas distribution sectors, while backlog increased marginally year-over-year in Western Canada ($1 million). New awards of $1,215 million in 2017, were $1,824 million lower than the previous year, primarily as a result of the Darlington Nuclear Refurbishment project being awarded in early 2016.

As discussed in the Consolidated Financial Highlights section, the Energy segment's effective backlog at any given time is greater than what is reported.

MINING

Financial Highlights

$ millions	Three months ended December 31		Year ended December 31	
	2017	2016	**2017**	2016
Revenue	$ **48.7**	$ 195.4	$ **396.6**	$ 860.6
Gross profit	$ **10.0**	$ 27.4	$ **59.8**	$ 110.7
Adjusted EBITDA	$ **7.7**	$ 27.0	$ **39.5**	$ 91.2
Operating profit	$ **0.6**	$ 21.6	$ **12.0**	$ 67.6
Gross profit margin	**20.4%**	14.0%	**15.1%**	12.9%
Adjusted EBITDA margin	**15.8%**	13.8%	**10.0%**	10.6%
Operating margin	**1.1%**	11.1%	**3.0%**	7.9%
Backlog			$ **119**	$ 168

Mining segment revenue of $397 million in 2017 was $464 million, or 54%, lower compared to 2016, due mainly to a decrease in site construction work in the commodity mining sector ($457 million), as well as lower volume from civil and foundations projects ($23 million). Partially offsetting these decreases was higher volume from contract mining operations ($16 million) as traditional contract mining work in Alberta increased after the Alberta wildfires impacted operations in 2016.

For the year ended December 31, 2017, operating profit of $12.0 million in the Mining segment decreased by $55.6 million compared to operating profit of $67.6 million in 2016. The decrease was primarily driven by the lower volume in the commodity mining sector ($55.4 million).

Mining segment backlog as at December 31, 2017 of $119 million was $49 million lower than the same time in 2016. Backlog decreased in the commodity mining sector ($48 million) primarily due to work-off of existing site installation work outpacing new awards in the sector. Backlog from civil and foundations projects decreased by $1 million, while there was no change in contract mining backlog year-over-year. New contract awards of $348 million in 2017 were $304 million lower than 2016.

As discussed in the Consolidated Financial Highlights section, the Mining segment's effective backlog at any given time is greater than what is reported.

CONCESSIONS

Financial Highlights

$ millions	Three months ended December 31				Year ended December 31			
	2017		2016		**2017**		2016	
Revenue	$	**28.6**	$	0.9	$	**135.3**	$	3.5
Gross profit	$	**10.1**	$	0.1	$	**38.7**	$	0.5
Income from projects accounted for using the equity method	$	**1.2**	$	1.4	$	**4.7**	$	2.4
Adjusted EBITDA	$	**13.5**	$	2.6	$	**51.3**	$	7.7
Operating profit (loss)	$	**5.0**	$	0.5	$	**16.3**	$	(1.0)
Backlog					$	**18.0**	$	-

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 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 participation in the Eglinton Crosstown Light Rail Transit ("LRT") and Waterloo LRT concessions are joint ventures which are accounted for using the equity method.

Revenue in the Concessions segment of $135 million for the year ended December 31, 2017 was $132 million higher than in 2016. The higher revenue was driven primarily by Skyport, which was awarded the Bermuda International Airport Redevelopment Project in the first quarter of 2017. Included in Skyport's revenue was $71 million of construction revenue that was eliminated on consolidation as inter-segment revenue.

Operating profit of $16.3 million in 2017 increased by $17.3 million compared to the prior year. The higher operating profit resulted from the Bermuda International Airport Redevelopment Project and light rail transit concessions in Ontario.

Except for Operations and Maintenance ("O&M") activities under contract for the next five years, 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 O&M activities, is reported.

Quarterly Financial Data

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

$ millions (except per share amounts)

	2017				2016			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Revenue	$ 685.0	$ 759.7	$ 686.2	$ 674.9	$ 845.1	$ 838.1	$ 839.3	$ 690.7
Adjusted EBITDA	58.0	58.7	33.0	6.9	64.7	60.0	29.4	4.2
Earnings (loss) before income taxes	26.5	27.2	(0.6)	(22.3)	42.6	37.6	6.6	(21.3)
Profit (loss)	21.1	24.6	0.8	(18.3)	29.1	27.4	7.1	(16.8)
Earnings (loss) per share:								
Basic	0.36	0.42	0.01	(0.32)	0.51	0.48	0.12	(0.29)
Diluted	0.33	0.37	0.01	(0.32)	0.43	0.42	0.12	(0.29)

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

	2017				2016			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Operating profit (loss)	$ 32.5	$ 33.1	$ 5.3	$ (17.3)	$ 47.9	$ 43.1	$ 12.3	$ (16.3)
Depreciation and amortization	24.0	24.5	24.4	20.6	16.3	14.3	14.4	19.0
(Gain) loss on sale of assets	(1.5)	(1.5)	0.2	1.1	(0.6)	(0.5)	(0.4)	(0.3)
Income from projects accounted for using the equity method	(2.2)	(3.2)	(2.1)	(0.9)	(8.1)	(2.1)	(1.9)	(0.2)
Equity Project EBITDA	5.2	5.8	5.1	3.3	9.1	5.1	5.0	2.0
Adjusted EBITDA	$ 58.0	$ 58.7	$ 33.0	$ 6.9	$ 64.7	$ 60.0	$ 29.4	$ 4.2

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

$ millions

	2017				2016			
Aecon's proportionate share of projects accounted for using the equity method (1)	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Operating profit	$ 5.2	$ 5.7	$ 5.0	$ 3.2	$ 9.0	$ 5.0	$ 4.9	$ 1.9
Depreciation and amortization	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Equity Project EBITDA	5.2	5.8	5.1	3.3	9.1	5.1	5.0	2.0

(1) Refer to Note 12 "Projects Accounted for Using the Equity Method" in the 2017 consolidated financial statements

Quarterly Financial Highlights

$ millions	Three months ended December 31			
	Revenue		Operating profit (loss)	
	2017	2016	**2017**	2016
Infrastructure	**$ 257.5**	$ 285.6	**$ 18.5**	$ 27.1
Energy	**395.7**	373.6	**23.1**	15.8
Mining	**48.7**	195.4	**0.6**	21.6
Concessions	**28.6**	0.9	**5.0**	0.5
Other costs and eliminations	**(45.5)**	(10.5)	**(14.7)**	(17.1)
Consolidated	**$ 685.0**	$ 845.1	**$ 32.5**	$ 47.9

The analysis of operating results for each of the first three quarters of 2017 is included in Management's Discussion and Analysis incorporated in the Interim Reports to Shareholders for each respective quarter.

Infrastructure segment revenue in the fourth quarter of 2017 decreased by $28 million, or 10%, compared to the same period in 2016. Revenue was lower in all three sectors, with transportation operations decreasing quarter-over-quarter ($17 million) due to lower roadbuilding activity in Ontario, heavy civil operations decreasing ($8 million) due to lower volume on hydroelectric related work, and social infrastructure operations down ($3 million) due to lower water treatment plant volume.

Operating profit in the Infrastructure segment of $18.5 million in the fourth quarter of 2017 decreased by $8.6 million compared to the same quarter in 2016. The majority of the decrease occurred in heavy civil operations ($6.6 million), due to lower volume and the completion of a significant equity accounted project that was ongoing throughout 2016. Operating profit was also lower in the transportation sector ($2.3 million) due to lower volume in the current quarter, offset partially by higher operating profit in social infrastructure operations ($0.3 million) due to higher gross profit margin.

Energy segment revenue in the fourth quarter of 2017 was $22 million, or 6%, higher than the same quarter of 2016. This increase was driven by higher volume in utilities ($71 million) primarily from pipeline projects in Western Canada. Partially offsetting this increase was lower volume in industrial operations ($49 million), arising from a decrease in Western Canada ($19 million) in field construction work, and from lower volume in Eastern Canada ($30 million) in the gas distribution sector.

Operating profit in the Energy segment of $23.1 million in the fourth quarter of 2017 increased by $7.3 million compared to the same period in 2016. An increase in utilities operations ($10.9 million) and a decrease in industrial operations ($3.6 million), were both primarily volume driven.

Revenue in the Mining segment for the three months ended December 31, 2017 was $147 million, or 75%, lower than the same period in 2016, driven primarily by decreased site installation work in the commodity mining sector ($146 million). Volume from civil and foundations projects was also slightly lower in the quarter ($1 million), while contract mining volume was unchanged.

Mining segment operating profit of $0.6 million in the fourth quarter of 2017, compared to $21.6 million in the same period in 2016, a decrease of $21.0 million. Consistent with the lower revenue in the fourth quarter, the largest operating profit decrease occurred in the commodity mining sector ($16.0 million). A decrease also occurred in contract mining ($3.5 million) as improved gross profit margin was more than offset by higher depreciation costs, as well as the impact of lower insurance recoveries quarter-over-quarter ($4.1 million). Included in Mining segment operating profit in 2016 was $5.9 million of insurance proceeds recorded as a result of the wildfires in Fort McMurray, Alberta and the surrounding region, whereas insurances recoveries in the fourth quarter of 2017 totalled $1.8 million related to the impact of a fire at the operating facility of one of Aecon's clients. Operating profit from civil and foundation projects decreased quarter-over-quarter ($1.6 million) as a result of lower gross profit margin.

Revenue in the fourth quarter of 2017 in the Concessions segment of $29 million was $28 million higher than the fourth quarter of 2016. The increase is due to the ongoing execution of the Bermuda International Airport Redevelopment Project by Skyport, which began operations in the first quarter of 2017. Included in Skyport's revenue for the fourth quarter of 2017 was $11 million of construction revenue that was eliminated on consolidation as inter-segment revenue.

Concessions segment operating profit of $5.0 million in the fourth quarter of 2017 represents a $4.5 million increase over the prior year and was driven by the Bermuda International Airport Redevelopment Project.

MG&A expenses decreased in the fourth quarter of 2017 by $6.6 million compared to the same period in the prior year. MG&A in the fourth quarter of 2017 includes severance and restructuring expenses ($2.4 million) and expenses relating to the sale process and Arrangement ($4.7 million). Impacting MG&A in the fourth quarter of 2016 was severance expense ($6.9 million) related to the departure of the former Chief Executive Officer. Excluding these items, MG&A decreased by $6.8 million quarter-over-quarter primarily as a result of lower personnel costs. MG&A as a percentage of revenue was 6.8% in the fourth quarter of 2017 compared to 6.3% in the same period of 2016 as the effect of lower revenue in 2017 more than offset the MG&A cost reductions quarter-over-quarter.

In the fourth quarter of 2017, Aecon reported income from projects accounted for using the equity method of $2.2 million, compared to $8.1 million in the same period in 2016. The decrease occurred primarily in the Infrastructure segment as a significant project was completed in 2017 that was ongoing throughout 2016.

Depreciation and amortization expense of $24.0 million in the fourth quarter of 2017 increased by $7.7 million compared to $16.3 million in the fourth quarter of 2016. Depreciation and amortization increased in Concessions from amortization related to the Bermuda International Airport Redevelopment Project, and in the Mining segment from higher depreciation in contract mining operations.

New contract awards for the three months ended December 31, 2017 were $613 million compared to $499 million in the same period in 2016, as increases in the Energy and Infrastructure segments were partially offset by lower awards in the Mining segment.

Selected Annual Information

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

($ millions, except per share amounts)	2017	2016	2015
Total revenue	**$ 2,805.7**	$ 3,213.1	$ 2,918.1
Adjusted EBITDA	**156.5**	158.3	169.8
Operating profit	**53.6**	87.1	142.6
Profit	**28.2**	46.8	68.7
Per share:			
Basic	**0.48**	0.82	1.22
Diluted	**0.46**	0.77	1.03
Total assets	**2,526.8**	2,005.5	1,874.4
Total long-term financial liabilities	**680.8**	387.1	384.3
Cash dividends declared per common share	**0.50**	0.46	0.40

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, 2017 consolidated financial statements.

Cash and Debt Balances

Cash balances at December 31, 2017 and 2016 are as follows:

$ millions		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)**
		December 31, 2016		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	$ -	$ 232	$ 232
Bank indebtedness	(3)	(7)	-	(7)

(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 $304.2 million as at December 31, 2017 compares to $302.8 million as at December 31, 2016, the composition of which is as follows:

$ millions		December 31, 2017		December 31, 2016
Current portion of long-term debt	**$**	**44.5**	$	51.6
Current portion of convertible debentures		**168.5**		-
Long-term debt		**91.2**		86.4
Convertible debentures		**-**		164.8
Total long-term debt	**$**	**304.2**	$	302.8
Long-term project debt - non-recourse	**$**	**352.9**	$	-

The $1.4 million net increase in total long-term debt results from an increase in convertible debentures during 2017 of $3.7 million primarily related to the accretion of notional interest, offset partly by a decrease in finance leases and equipment loans of $2.3 million.

The $352.9 million increase in non-recourse project debt is related to financing of the Bermuda International Airport Redevelopment Project.

Aecon's liquidity position and capital resources are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future. During 2017, Aecon increased its committed revolving credit facility from $400 million to $500 million and extended its maturity by 11 months to September 28, 2021. Aecon's liquidity position is strengthened by its ability to draw on this facility, of which $413 million was unutilized as at December 31, 2017. 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, 2017, Aecon was in compliance with all debt covenants related to its credit facility.

In the first quarter of 2017, Aecon's Board of Directors approved an increase in the dividend to be paid to all holders of Aecon common shares. Annual dividends increased to $0.50 per share, to be paid in four quarterly payments of $0.125 per share. Prior to this increase, Aecon paid an annual dividend of $0.46 per share ($0.115 each quarter). The first quarterly dividend payment of $0.125 per share was paid on April 3, 2017.

Summary Of Cash Flows

$ millions	Consolidated Cash Flows	
	Year ended December 31	
	2017	2016
Cash provided by (used in):		
Operating activities	**$ 197.4**	$ 26.9
Investing activities	**(443.0)**	(20.4)
Financing activities	**317.8**	(57.0)
Increase (decrease) in cash and cash equivalents	**72.2**	(50.5)
Effects of foreign exchange on cash balances	**0.8**	(0.3)
Cash and cash equivalents - beginning of year	**231.9**	282.7
Cash and cash equivalents - end of year	**$ 304.9**	$ 231.9

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 $197 million in 2017 compares with cash provided by operating activities of $27 million in 2016. Most of the $170 million year-over-year increase in cash provided by operating activities resulted from lower investments in working capital.

Investing Activities

In 2017, investing activities resulted in cash used of $443 million, which compares to cash used of $20 million in 2016. Of the cash used in 2017, $127 million represents expenditures made by Skyport related to the construction of the new airport terminal in Bermuda (i.e. increase in concession rights of $127 million), and $289 million represents an increase in restricted cash balances. The restricted cash reflects the increase in Skyport's cash balances during the year, but is cash that cannot be accessed by Aecon other than to finance the Bermuda International Airport Redevelopment Project. In addition, $33 million of cash was used for expenditures (net of disposals) on property, plant and equipment and intangible assets in 2017 compared to $30 million of cash used for such expenditures in 2016. Also, cash distributions from projects accounted for using the equity method of $6 million in 2017 compares to $10 million of such distributions in 2016.

In 2017, Aecon acquired, either through purchase or finance leases, property, plant and equipment totalling $75 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 each operating segment. In 2016, investments in property, plant and equipment totalled $50 million.

Financing Activities

In 2017, cash provided by financing activities amounted to $318 million, compared to cash used of $57 million in 2016. The higher cash provided in 2017 was due largely to the addition of non-recourse project debt of $374 million in relation to the Bermuda International Airport Redevelopment Project and $18 million of other long-term debt borrowings, while repayments totalled $58 million, for a net inflow of $334 million. The majority of the net debt repayment related to equipment financing arrangements. In 2016, net debt repayments totalled $40 million, relating primarily to equipment financing arrangements. In addition, in 2017, an increase in bank indebtedness associated with borrowings under the Company's revolving credit facility totalled $10 million compared to $7 million in 2016. Dividends of $29 million were paid in 2017, compared to $26 million in 2016.

NEW ACCOUNTING STANDARDS

Note 6 to the 2017 consolidated financial statements includes new IFRS standards that became effective for the Company on January 1, 2017, and Note 7 to the 2017 consolidated financial statements discusses IFRS standards and interpretations that are issued, but not yet effective as at December 31, 2017.

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, 2017. 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, 2017 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, 2017. 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, 2017 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, 2017 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]
2018	$	9.1	$	47.7	$	182.0
2019 - 2022		25.3		86.7		-
Beyond		19.4		8.9		-
	$	**53.8**	**$**	**143.3**	**$**	**182.0**

[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
2018	$	21.1
2019 - 2022		87.3
Beyond		632.7
	$	**741.1**

As at December 31, 2017, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was $4,247 million.

Off-Balance Sheet Arrangements

Aecon's defined benefit pension plans (the "Pension Plans") had a combined deficit of $1.2 million as at December 31, 2017 (2016 - $2.8 million). Details relating to Aecon's defined benefit plans are set out in Note 22 to the 2017 consolidated financial statements.

The latest actuarial valuation of the Pension Plans for statutory and contribution purposes was completed as at December 31, 2016. 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, 2019. Accordingly, any change in contributions in 2018 and thereafter will reflect December 31, 2019 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 2017 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, 2017, Aecon used a discount rate of 3.25% 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 $3 million as at December 31, 2017 and an increase in the estimated 2018 pension expense of approximately $0.1 million.

Further details of contingencies and guarantees are included in the 2017 consolidated financial statements.

Related Party Transactions

There were no significant related party transactions in 2017.

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 2017 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.

Arrangement

For additional details regarding the risk factors related to the Arrangement Agreement and the Arrangement, please see the Circular filed under Aecon's SEDAR profile at www.sedar.com.

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, 2017 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 of new "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 many 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. The decline in the prices of oil and commodities beginning in late 2014 and continuing throughout 2015 to 2017, 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 the Company's Energy and Mining segment 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 oil sands and resource development. 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, airports, dams 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. Certain of Aecon's operating segments, particularly its Infrastructure, Mining and Energy segments, require substantial working capital during their peak busy periods. 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 surety industry has endured a certain degree of instability and uncertainty arising from weaker economic conditions, the long-term effects of which may constrain overall industry capacity. Furthermore, 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 segments 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 and Licences

The development of construction projects requires Aecon's clients to obtain regulatory and other permits and licenses from various governmental licencing bodies. Aecon's clients may not be able to obtain all necessary permits and licenses 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 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, 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 of Conduct 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 of Conduct 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. Periods of high demand or the failure to anticipate or mitigate demand fluctuations 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 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. 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 6, 2018**
Number of common shares outstanding		59,567,957
Outstanding securities exchangeable or convertible into common shares:		
Number of stock options outstanding		120,000
Number of common shares issuable on exercise of stock options		120,000
Increase in paid-up capital on exercise of stock options	$	1,430
Principal amount of convertible debentures outstanding (see Note 19 to the December 31, 2017 consolidated financial statements)	$	173,747
Number of common shares issuable on conversion of convertible debentures		8,575,444
Increase in paid-up capital on conversion of convertible debentures	$	173,747

OUTLOOK

The commitment to increase infrastructure investment by all levels of government across Canada as well as significant opportunities in utilities, P3's, and power, including nuclear, should allow Aecon to leverage its strengths in these areas and grow its backlog and revenue in 2018. This expectation is further supported by starting the year with strong backlog of $4.2 billion and from recently being named, with our JV partners, as preferred proponent on both the Site C Generating Station and Spillways Civil Works ("Site C") project in BC and the Réseau express métropolitain Montreal LRT ("REM") project in the first quarter of 2018. These two new projects should add nearly $2 billion to backlog in the Infrastructure segment.

Infrastructure segment backlog at the end of 2017 was $1,995 million compared to $1,664 million at the end of 2016. 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 is well positioned to successfully bid on, secure, and deliver these projects. Bidding activity continues to be robust and Aecon expects to be a beneficiary of this increased infrastructure investment, as demonstrated by its recent successes on the Site C and REM projects, which will drive growth in this segment in 2018 and beyond.

Backlog in the Energy segment was $2,115 million at the end of 2017 compared to $2,372 million at the end of 2016. Aecon expects increased ongoing demand for nuclear refurbishment, gas distribution facilities, utilities, pipelines, and power work in 2018. Aecon's capability in the nuclear refurbishment sector, combined with the approximately fifteen-year refurbishment project at the Bruce Power Nuclear Plant in Ontario, currently in the development and procurement phase, provides a significant long-term growth opportunity for Aecon in nuclear work. Revenue from Aecon's fabrication and modular assembly services in 2018 are expected to be similar to 2017 as fabrication and field work opportunities in Western Canada continue to be limited due to weak oil prices.

Backlog in the Mining segment at the end of 2017 was $119 million compared to $168 million at the end of 2016, due to fewer awards in 2017 in the commodity mining sector. Commodity prices, while improving, have not reached a level to support financing of significant new mining construction projects in Canada. Although Aecon is involved in a number of pursuits related to potential projects, the timing of when these projects may move into construction is uncertain. Contract mining, which is primarily recurring revenue work over and above what is reported as backlog for the segment, is expected to grow in 2018 with a new operating site coming on line and ramping up in 2018.

The Concessions segment continues to play a significant role in driving value at Aecon. The Concessions group continues to partner with Aecon's other segments to focus on the significant number of P3 opportunities and is actively pursuing a number of large-scale infrastructure projects that require private finance solutions. It is also participating as a concessionaire on the Waterloo and Eglinton Crosstown LRT projects as well as the Bermuda International Airport Redevelopment Project.

The overall outlook for 2018 remains positive with areas of strength in Aecon's business expected to outweigh the impact of fewer opportunities in commodity and oil related markets. All four segments continue to bid on opportunities that should enhance the level of backlog and support the goals of improving Adjusted EBITDA margin.

As usual the first half of 2018 is expected to be weaker than the second half of 2018 reflecting the typical seasonality of Aecon's work. Capital expenditures are expected to remain relatively consistent with 2017 levels.

On October 26, 2017, the Company entered into an Arrangement Agreement with CCCI, pursuant to which CCCI has 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.

At a meeting of shareholders held on December 19, 2017, shareholders of the Company approved the Arrangement with approximately 99.4% of the Common Shares voted at the meeting voting in favour of the Arrangement. On December 22, 2017, the Ontario Superior Court of Justice (Commercial List) issued a final order approving the Arrangement and Aecon and CCCI are working through the regulatory approvals process as planned. Completion of the proposed transaction remains subject only to approval under the Investment Canada Act and other customary closing conditions for a transaction of this nature. Assuming the satisfaction or waiver of these conditions, the proposed transaction is expected to close by the end of the second quarter and before the July 13, 2018 Outside Date of the Arrangement Agreement.

AECON GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

INDEPENDENT AUDITOR'S REPORT 43
CONSOLIDATED BALANCE SHEETS 44
CONSOLIDATED STATEMENTS OF INCOME 45
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME 46
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY 47
CONSOLIDATED STATEMENTS OF CASH FLOWS 48
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 49
1. PROPOSED ARRANGEMENT AND CORPORATE INFORMATION 49
2. DATE OF AUTHORIZATION FOR ISSUE 49
3. BASIS OF PRESENTATION 49
4. CRITICAL ACCOUNTING ESTIMATES 50
5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 53
6. NEW ACCOUNTING STANDARDS 65
7. FUTURE ACCOUNTING CHANGES 66
8. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH 69
9. TRADE AND OTHER RECEIVABLES 70
10. UNBILLED REVENUE AND DEFERRED REVENUE 71
11. INVENTORIES 71
12. PROJECTS ACCOUNTED FOR USING THE EQUITY METHOD 72
13. PROPERTY, PLANT AND EQUIPMENT 74
14. INTANGIBLE ASSETS 75
15. BANK INDEBTEDNESS 76
16. TRADE AND OTHER PAYABLES 77
17. PROVISIONS 77
18. LONG-TERM DEBT AND NON-RECOURSE PROJECT DEBT 78
19. CONVERTIBLE DEBENTURES 79
20. CONCESSION RELATED DEFERRED REVENUE 80
21. INCOME TAXES 81
22. EMPLOYEE BENEFIT PLANS 83
23. CONTINGENCIES 86
24. COMMITMENTS UNDER NON-CANCELLABLE OPERATING LEASES 86
25. CAPITAL STOCK 87
26. EXPENSES 89
27. OTHER INCOME 90
28. FINANCE COSTS 90
29. EARNINGS PER SHARE 91
30. SUPPLEMENTARY CASH FLOW INFORMATION 92
31. FINANCIAL INSTRUMENTS 93
32. CAPITAL DISCLOSURES 97
33. OPERATING SEGMENTS 98
34. RELATED PARTIES 101

March 6, 2018

Independent Auditor's Report

To the Shareholders of
Aecon Group Inc.

We have audited the accompanying consolidated financial statements of Aecon Group Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Aecon Group Inc. and its subsidiaries as at December 31, 2017 and December 31, 2016, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

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

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2017 AND 2016
(in thousands of Canadian dollars)

	Note	December 31 2017	December 31 2016
ASSETS			
Current assets			
Cash and cash equivalents	8	**$ 304,882**	$ 231,858
Restricted cash	8	**279,581**	-
Trade and other receivables	9	**499,462**	604,759
Unbilled revenue	10	**595,639**	492,848
Inventories	11	**22,997**	28,460
Income tax recoverable		**8,110**	19,275
Prepaid expenses		**12,024**	12,100
		1,722,695	1,389,300
Non-current assets			
Long-term financial assets		**2,260**	2,633
Projects accounted for using the equity method	12	**32,610**	27,618
Deferred income tax assets	21	**18,196**	23,908
Property, plant and equipment	13	**457,151**	450,368
Intangible assets	14	**293,878**	111,658
		804,095	616,185
TOTAL ASSETS		**$ 2,526,790**	$ 2,005,485
LIABILITIES			
Current liabilities			
Bank indebtedness	15	**$ 17,940**	$ 7,476
Trade and other payables	16	**621,863**	577,333
Provisions	17	**11,546**	20,530
Deferred revenue	10	**206,681**	201,408
Income taxes payable		**3,544**	6,449
Current portion of long-term debt	18	**44,472**	51,568
Convertible debentures	19	**168,466**	-
		1,074,512	864,764
Non-current liabilities			
Provisions	17	**5,812**	5,096
Non-recourse project debt	18	**352,888**	-
Long-term debt	18	**91,211**	86,403
Convertible debentures	19	**-**	164,778
Concession related deferred revenue	20	**118,380**	7,111
Deferred income tax liabilities	21	**109,719**	119,767
Other liabilities		**2,793**	3,967
		680,803	387,122
TOTAL LIABILITIES		**1,755,315**	1,251,886
EQUITY			
Capital stock	25	**367,612**	346,770
Convertible debentures	19	**8,664**	8,674
Contributed surplus		**39,604**	43,060
Retained earnings		**355,970**	357,218
Accumulated other comprehensive loss		**(375)**	(2,123)
TOTAL EQUITY		**771,475**	753,599
TOTAL LIABILITIES AND EQUITY		**$ 2,526,790**	$ 2,005,485

Commitments and contingencies (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, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts)

	Note	December 31 2017	December 31 2016
Revenue		**$ 2,805,728**	$ 3,213,133
Direct costs and expenses	26	**(2,486,705)**	(2,900,665)
Gross profit		**319,023**	312,468
Marketing, general and administrative expenses	26	**(186,538)**	(185,066)
Depreciation and amortization	26	**(93,548)**	(64,062)
Income from projects accounted for using the equity method	12	**8,417**	12,401
Other income	27	**6,281**	11,358
Operating profit		**53,635**	87,099
Finance income		**895**	282
Finance costs	28	**(23,704)**	(21,869)
Profit before income taxes		**30,826**	65,512
Income tax expense	21	**(2,650)**	(18,755)
Profit for the year		**$ 28,176**	$ 46,757
Basic earnings per share	29	**$ 0.48**	$ 0.82
Diluted earnings per share	29	**$ 0.46**	$ 0.77

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(in thousands of Canadian dollars)

	December 31 2017	December 31 2016
Profit for the year	**$ 28,176**	$ 46,757
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss:		
Actuarial gain (loss)	**1,591**	(535)
Income taxes on the above	**(426)**	143
	1,165	(392)
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences - foreign operations	**(1,487)**	(422)
Cash flow hedges - equity accounted investees	**2,816**	60
Income taxes on the above	**(746)**	(16)
Total other comprehensive income (loss) for the year	**1,748**	(770)
Comprehensive income for the year	**$ 29,924**	$ 45,987

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

					Accumulated other comprehensive income (loss)			
	Capital stock	**Convertible debentures**	**Contributed surplus**	**Retained earnings**	**Currency translation differences**	**Actuarial gains and losses**	**Cash flow hedges**	**Shareholders' equity**
Balance as at January 1, 2017	**$ 346,770**	**$ 8,674**	**$ 43,060**	**$ 357,218**	**$ (173)**	**$ (720)**	**$ (1,230)**	**$ 753,599**
Profit for the year	-	-	-	28,176	-	-	-	**28,176**
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	(1,487)	-	-	**(1,487)**
Actuarial gain	-	-	-	-	-	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 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**	**$ 355,970**	**$ (1,660)**	**$ 445**	**$ 840**	**$ 771,475**

					Accumulated other comprehensive income (loss)			
	Capital stock	**Convertible debentures**	**Contributed surplus**	**Retained earnings**	**Currency translation differences**	**Actuarial gains and losses**	**Cash flow hedges**	**Shareholders' equity**
Balance as at January 1, 2016	**$ 332,275**	**$ 8,674**	**$ 41,546**	**$ 336,910**	**$ 249**	**$ (328)**	**$ (1,274)**	**$ 718,052**
Profit for the year	**-**	-	-	46,757		-	-	**46,757**
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	(422)	-	-	**(422)**
Actuarial loss	-	-	-	-	-	(535)	-	**(535)**
Cash flow hedges - equity-accounted investees	-	-	-	-	-	-	60	**60**
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	143	(16)	**127**
Total other comprehensive income (loss) for the year	**-**	**-**	**-**	**-**	**(422)**	**(392)**	**44**	**(770)**
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**46,757**	**(422)**	**(392)**	**44**	**45,987**
Dividends declared	-	-	-	(26,449)	-	-	-	**(26,449)**
Common shares issued on exercise of options	1,491	-	(390)	-	-	-	-	**1,101**
Stock-based compensation	-	-	16,668	-	-	-	-	**16,668**
Shares issued to settle LTIP/Director DSU obligations	13,004	-	(13,004)	-	-	-	-	**-**
Other LTIP Settlements	-	-	(1,760)	-	-	-	-	**(1,760)**
Balance as at December 31, 2016	**$ 346,770**	**$ 8,674**	**$ 43,060**	**$ 357,218**	**$ (173)**	**$ (720)**	**$ (1,230)**	**$ 753,599**

During the year ended December 31, 2017, the Company declared dividends amounting to $0.50 per share (December 31, 2016 - $0.46 per share).

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(in thousands of Canadian dollars)

	Note	December 31 2017	December 31 2016
CASH PROVIDED BY (USED IN)			
Operating activities			
Profit before income taxes		$ 30,826	$ 65,512
Income taxes paid		(5,601)	(2,620)
Defined benefit pension		49	(211)
Items not affecting cash:			
Depreciation and amortization		93,548	64,062
Income from projects accounted for using the equity method		(8,417)	(12,401)
Gain on sale of property, plant and equipment		(2,689)	(1,790)
Income from leasehold inducements		(561)	(505)
Unrealized foreign exchange gain		(8,187)	(761)
Increase in provisions		13,408	9,053
Notional interest representing accretion		4,276	4,484
Stock-based compensation		16,437	16,668
Change in other balances relating to operations	30	64,328	(114,605)
		197,417	26,886
Investing activities			
Increase in restricted cash balances		(289,264)	-
Purchase of property, plant and equipment		(37,327)	(33,140)
Proceeds on sale of property, plant and equipment		9,858	9,968
Investment in concession rights		(127,281)	-
Increase in intangible assets		(5,160)	(6,849)
Increase in long-term financial assets		(22)	(799)
Distributions from projects accounted for using the equity method		6,241	10,370
		(442,955)	(20,450)
Financing activities			
Increase in bank indebtedness		10,464	7,476
Issuance of long-term debt		17,735	16,420
Issuance of non-recourse long-term debt		374,407	-
Repayments of long-term debt		(57,855)	(56,262)
Increase in other liabilities		930	1,590
Issuance of capital stock		1,912	1,101
Settlement of LTIP		(1,161)	(1,760)
Dividends paid		(28,667)	(25,568)
		317,765	(57,003)
Increase (decrease) in cash and cash equivalents during the year		72,227	(50,567)
Effects of foreign exchange on cash balances		797	(307)
Cash and cash equivalents - beginning of year		231,858	282,732
Cash and cash equivalents - end of year	30	$ 304,882	$ 231,858

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

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

1. PROPOSED ARRANGEMENT AND 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.

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 has 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”).

Completion of the Arrangement remains subject to customary closing conditions for a transaction of this nature, including regulatory approval under the Investment Canada Act. Assuming the satisfaction or waiver of these closing conditions, the arrangement is expected to close by the end of the second quarter of 2018.

Aecon operates in four principal segments within the construction and infrastructure development industry: Infrastructure, Energy, Mining and Concessions.

Refer to Note 34 *“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 6, 2018 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.

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. However, 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. For such change orders, contract revenue is recognized to the extent of costs incurred or, if lower, to the extent to which recovery is probable. Therefore, to the extent that actual costs recovered are different from expected cost recoveries, significant swings in revenue and profitability can occur from one reporting period to another.

Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that Aecon seeks to collect from clients or others for client-caused 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, claims are recognized in revenue only when resolution is probable. 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.

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 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 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 REVENUE RECOGNITION

Construction contracts
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.

Revenue recognition when the outcome of the contract can be estimated reliably
When the outcome of a construction contract can be estimated reliably, revenue from fixed priced and cost-plus construction contracts is recognized using the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs at the end of the reporting period.

Revenue recognition when the outcome of the contract cannot be estimated reliably
When the outcome of a construction contract cannot be estimated reliably, revenue is recognized to the extent of contract costs incurred where it is probable they will be recovered.

Revision of estimated total costs
On an ongoing basis, the estimated total costs for construction projects are revised based on the information available at the end of the reporting period. Changes in estimated total costs are reflected in the percentage of completion of applicable construction projects in the same period as the change in estimate occurs.

Recognition of contract costs
Contract costs are recognized as expenses in profit or loss as incurred. Contract costs include all amounts that relate directly to the specific contract, are attributable to contract activity, and are specifically chargeable to the customer under the terms of the contract. Examples of such costs include direct material, labour and equipment costs, borrowing costs and those indirect costs relating to contract performance such as indirect labour and supplies, depreciation on construction assets, tools and repairs.

Contract losses
Losses on contracts, if any, are recognized in full in the period when such losses become probable.

Change orders, disputes and claims
Contract revenues and costs are adjusted to reflect change orders that have been approved as to both price and scope.

For change orders that have not been approved as to price, contract revenues are recognized to the extent of costs incurred or, if lower, to the extent to which recovery is probable. Profit on unpriced change orders is not recognized until pricing has been approved.

If there are disputes or claims regarding additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions, the Company's accounting policy is to record all costs for these change orders but not to record any revenues anticipated from these disputes until resolution is probable.

Revenue recognition – other
Revenue on consulting contracts to manage or supervise the construction activity of others is recognized when consulting services are rendered.

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.

Unbilled revenues represent revenues earned in excess of amounts billed on uncompleted contracts.

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.

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 is recognized on delivery of the product or when the significant risks and rewards of ownership have been transferred to the customer.

Interest income is recognized using the effective interest method.

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 includes cash that has been deposited as collateral for letters of credit issued by the Company or cash deposits made to secure future equity commitments in projects.

5.4 FINANCIAL INSTRUMENTS – CLASSIFICATION AND MEASUREMENT

Financial Assets
Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. When, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, the investment is reclassified into the available-for-sale category.

Financial assets at fair value through profit or loss
The Company may designate any financial asset as fair value through profit or loss on initial recognition with transaction costs recognized in profit or loss. Financial assets are also classified as financial assets at fair value through profit or loss if they are acquired for the purpose of selling in the near term. Gains or losses on these items are recognized in profit or loss.

Derivatives that are financial assets are classified as financial assets at fair value through profit or loss unless they are designated as, and are effective, hedging instruments.

Loans and receivables
Loans and receivables (including cash and cash equivalents, restricted cash, trade, other receivables and long-term receivables and financial assets with terms of more than one year) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available-for-sale. Such assets are carried at amortized cost using the effective interest rate method, less any impairment losses, with gains and losses recognized in profit or loss when the asset is derecognized or impaired. Loans yielding interest at normal market rates are reported at face value, while non-interest bearing loans and loans not at market rates are discounted to present value using a risk adjusted discount rate.

Held-to-maturity investments
Non-derivative financial assets (including short-term deposits classified as marketable securities) with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are measured at amortized cost using the effective interest rate method, less any impairment losses. Impairment losses are recognized in profit or loss.

Available-for-sale financial assets
Available-for-sale financial assets (including equity shares classified as marketable securities) are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other three stated categories. After initial recognition, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized in other comprehensive income (“OCI”) until the asset is derecognized, or impaired, at which time the cumulative gain or loss previously reported in OCI is included in profit or loss.

Financial Liabilities
The Company determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognized initially at fair value. For trade and other payables, bank indebtedness, loans and borrowings, directly attributable transaction costs are applied against the balance of the liability. For derivative financial instruments, transaction costs are expensed in profit or loss.

After initial recognition, interest bearing loans and borrowings and, where necessary, trade payables, are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. Amortization arising from the use of the effective interest rate method is included in finance costs in the consolidated statements of income.

Convertible Debentures
The 2018 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 finance costs.

Hedging
To qualify for hedge accounting, the Company must formally designate and document a hedge relationship between a qualifying hedging instrument and a qualifying hedged item at the inception of the hedge. The Company assesses the effectiveness of the designated hedging relationships both at inception and on an ongoing basis to demonstrate the effectiveness of the hedge.

Fair value hedge: Changes of the hedging derivative are recognized in the consolidated statements of income together with any changes in the fair value of the hedged items that are attributable to the hedged risk.

Cash flow hedge/hedge of a net investment in a foreign operation: The effective portion of the change in the fair value of the hedging derivative is recognized in OCI while the ineffective portion is recognized in net income. When hedge accounting is discontinued, amounts previously recognized in Accumulated Other Comprehensive Income ("AOCI") are reclassified to net income during the periods when the variability in the cash flows of the hedged item affects net income. Gains and losses on derivatives are reclassified immediately to net income when the hedged item is sold or terminated early.

5.5 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the 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 when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. Any loss on the derecognition of the original liability is recognized in profit or loss.

5.6 IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses at each consolidated balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Financial assets carried at amortized cost
For financial assets carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

Objective evidence of impairment of financial assets carried at amortized cost exists if the counterparty is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counterparty that would not normally be granted, or it is probable the counterparty will enter into bankruptcy or a financial reorganization.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent the carrying value of the asset does not exceed its amortized cost at the reversal date.

Available-for-sale financial assets
Objective evidence of impairment of equity investments classified as available-for-sale would be a significant or prolonged decline in the fair value of the security below its cost.

Reversals of impairment in respect of equity instruments classified as available-for-sale are recognized in other comprehensive income.

For debt securities, the Company uses the criteria referred to under financial assets carried at amortized cost above.

Reversals of impairment losses on debt instruments are made through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Assets carried at cost
If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and is recognized in profit or loss for the period. Reversals of impairment losses on assets carried at cost are not permitted.

5.7 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.

5.8 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:

Assets	Term
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 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.

5.9 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.

5.10 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.

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

5.11 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.

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.

5.12 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.

5.13 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.

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.

5.14 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 IAS 39, "*Financial Instruments: Recognition and Measurement"* (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.

5.15 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

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.

5.16 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.

5.17 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

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

5.18 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.

5.19 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.

5.20 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.

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.

5.21 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 and from shares held by the trustee of the Long-Term Incentive Plan.

5.22 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.

5.23 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.

5.24 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, 2017.

IAS 7, Statement of Cash Flows
The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Company has applied these amendments for the first time in the current year. The Company’s liabilities arising from financing activities consist of cash and bank indebtedness, long-term debt and convertible debentures. A reconciliation between the opening and closing balances of these items is provided in Note 18, *“Long Term Debt and Non-Recourse Project Debt.”* Consistent with the transition provisions of the amendments, the Company is not required to disclose comparative information for the prior period. Apart from the additional disclosures in Note 18, *“Long Term Debt and Non-Recourse Project Debt”,* the application of these amendments had no impact on the Company’s consolidated financial statements.

IAS 12, Income Taxes
The amendments to the Recognition of Deferred Tax Assets for Unrealized Losses clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use or whether it is probable that the issuer will pay all the contractual cash flows;
- When an entity assesses whether taxable profits will be available against which it can utilize a deductible temporary difference, and the tax law restricts the utilization of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;

- The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
- In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments 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, 2017, are disclosed below. The Company intends to adopt these standards, as applicable, when they become effective.

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 will supersede the current revenue recognition guidance including IAS 18, "Revenue," and IAS 11, "Construction Contracts," and the related interpretations when it becomes effective. IFRS 15 is effective for years beginning on or after January 1, 2018.

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. Furthermore, extensive disclosures are required by IFRS 15.

A comprehensive change management project plan was developed to guide the Company's implementation of IFRS 15 and assess the impacts on business processes, systems and controls. Initially a qualitative assessment was made of the new standard, analyzing its impact on the Company's contract 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 analyzed a sample of construction and service contracts from each segment, contract type, market sector, service focus, and risk type to assess potential impacts of the new revenue standard.

Change orders and claims, referred to as contract modifications, are currently recognized as per the guidance provided in IAS 11, "Construction Contracts". Under such guidance, revenue is recognized on contract modifications only when certain conditions are met, including the fact that it is probable the customer will approve the modification and the amount of revenue arising from it. Under IFRS 15, contract modifications are 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. As a result of these requirements, in some instances the timing of when revenue from contract modifications is recognized may be delayed under IFRS 15.

Any measurement changes from adopting this standard will impact the timing of revenue and margin recognition, and will result in an adjustment to equity at transition. There will be no changes to the treatment of cash flows and cash will continue to be collected in line with contractual terms.

As a result of adopting the new standard, the Company has estimated the cumulative impact to the Company's opening retained earnings as at January 1, 2018 from the reversal of revenue recognized under IAS 11 to be approximately $10,000 after taxes. Revenue from these contract modifications will be recognized when, and if, the IFRS 15 guidance is met.

The Company continues to closely monitor industry specific interpretative issues and International Accounting Standards Board ("IASB") activity related to the new standard. In addition, the Company is implementing appropriate changes to policies, business processes, systems and internal controls to support recognition and disclosure under the new standard. The Company expects additional disclosures related to revenue in the Consolidated Financial Statements as well as certain reclassifications in the Consolidated Balance Sheets once IFRS 15 is effective.

The Company intends to apply the new standard retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

IFRS 9, Financial Instruments
IFRS 9 introduces new requirements for classifying and measuring financial instruments and is a partial replacement of IAS 39, "Financial Instruments: Recognition and Measurement." The standard is effective for accounting periods beginning on or after January 1, 2018, with early adoption permitted. 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). Based on the analysis performed to-date, the Company does not expect any material impact, given that most of the Company's assets and liabilities will continue to be recognized at amortized cost.

(ii) **Impairment of financial assets.** IFRS 9 replaces the incurred loss model of IAS 39 with a model based on expected credit losses. Under the new standard, the loss allowance for a financial instrument will be calculated at an amount equal to 12-month expected credit losses, or lifetime expected credit losses if there has been a significant increase in the credit risk on the instrument. Based on the analysis performed to-date, the Company does not expect any material impact from the current practice of recognizing credit losses.

(iii) **Hedge accounting.** IFRS 9 attempts to align hedge accounting more closely with risk management, and the new requirements establish a principle-based approach. Based on the analysis performed to-date, the Company does not expect any material change from its current practice.

IFRS 9 is applicable retrospectively, subject to certain exemptions and exceptions.

The Company expects that its financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

IAS 28, Investments in Associates and Joint Ventures
The amendments to IAS 28, *"Investments in Associates and Joint Ventures,"* clarify that the qualifying entity can elect to measure an investment in an associate or a joint venture at fair value through profit or loss on an investment-by-investment basis, upon initial recognition. The amendments are effective for annual periods beginning on or after January 1, 2018. The Company does not anticipate any material change to the Company's financial position or results of operations from this amendment.

IFRIC 22, Foreign Currency Transactions and Advance Consideration
IFRIC 22 addresses how to determine the "date of transaction" for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The interpretation is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. Entities can apply the interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application. The Company does not anticipate any material impact to the Company's financial position or results of operations from this amendment.

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.

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 shall use their incremental borrowing rate. Subsequent re-measurement is allowed under specific circumstances.

The standard is effective for accounting periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting this standard on its financial statements.

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 recognised 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 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.

8. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

	December 31 2017	December 31 2016
Cash balances excluding joint operations	**$ 19,381**	$ -
Cash balances of joint operations	**285,501**	231,858
	$ 304,882	$ 231,858

Restricted cash	**$ 279,581**	$ -
	$ 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. This cash cannot be used by the Company other than to finance the Bermuda International Airport Redevelopment Project.

9. TRADE AND OTHER RECEIVABLES

		December 31 2017		December 31 2016
Trade receivables	$	334,738	$	379,275
Allowance for doubtful accounts		(764)		(1,645)
		333,974		377,630
Holdbacks receivable		155,879		193,913
Other		9,609		33,216
		165,488		227,129
Total	$	499,462	$	604,759
Amounts receivable beyond one year	$	51,353	$	34,495

A reconciliation of the beginning and ending carrying amounts of the Company's allowance for doubtful accounts is as follows:

		December 31 2017		December 31 2016
Balance - beginning of year	$	(1,645)	$	(1,840)
Additional amounts provided for during year		(616)		(573)
Trade receivables written off during year		8		-
Amounts recovered		1,489		768
Balance - end of year	$	(764)	$	(1,645)

10. UNBILLED REVENUE AND DEFERRED REVENUE

Costs incurred and estimated earnings (i.e. earned revenue), net of billings, on uncompleted contracts is presented in the consolidated balance sheets under the following captions:

	December 31 2017	December 31 2016
Earned revenue on projects to date	$ 8,850,928	$ 7,769,624
Less: Billings on projects to date	8,461,970	7,478,184
Net consolidated balance sheet position	$ 388,958	$ 291,440
Reported as:		
Unbilled revenue	$ 595,639	$ 492,848
Deferred revenue	(206,681)	(201,408)
	$ 388,958	$ 291,440

11. INVENTORIES

	December 31 2017	December 31 2016
Raw materials and supplies	$ 6,510	$ 12,129
Finished goods	16,487	16,331
	$ 22,997	$ 28,460

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, 2017			December 31, 2016		
	Joint Ventures	Associates	**Total**	Joint Ventures	Associates	Total
Cash and cash equivalents	$ 5,144	$ 2,901	**$ 8,045**	$ 3,882	$ 8,326	$ 12,208
Other current assets	48,822	910	**49,732**	33,015	4,030	37,045
Total current assets	53,966	3,811	**57,777**	36,897	12,356	49,253
Non-current assets	289,411	-	**289,411**	271,168	-	271,168
Total assets	343,377	3,811	**347,188**	308,065	12,356	320,421
Trade and other payables and provisions	19,218	1,479	**20,697**	77,029	4,037	81,066
Total current liabilities	19,218	1,479	**20,697**	77,029	4,037	81,066
Non-current financial liabilities	292,920	-	**292,920**	210,948	-	210,948
Other non-current liabilities	961	-	**961**	789	-	789
Total non-current liabilities	293,881	-	**293,881**	211,737	-	211,737
Total liabilities	313,099	1,479	**314,578**	288,766	4,037	292,803
Net assets	$ 30,278	$ 2,332	**$ 32,610**	$ 19,299	$ 8,319	$ 27,618

	For the year ended					
	December 31, 2017			December 31, 2016		
	Joint Ventures	Associates	**Total**	Joint Ventures	Associates	Total
Revenue	$ 262,017	$ 1,550	**$ 263,567**	$ 202,375	$ 33,163	$ 235,538
Depreciation and amortization	(365)	-	**(365)**	(412)	-	(412)
Other costs and expenses	(244,936)	856	**(244,080)**	(188,616)	(25,627)	(214,243)
Operating profit	16,716	2,406	**19,122**	13,347	7,536	20,883
Finance costs	(10,470)	-	**(10,470)**	(8,903)	-	(8,903)
Income tax (expense) recovery	(235)	-	**(235)**	(126)	547	421
Profit for the year	6,011	2,406	**8,417**	4,318	8,083	12,401
Other comprehensive income (loss)	2,816	-	**2,816**	(44)	-	(44)
Total comprehensive income	$ 8,827	$ 2,406	**$ 11,233**	$ 4,274	$ 8,083	$ 12,357

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

	For the year ended	
	December 31 2017	December 31 2016
Projects accounted for using the equity method - as at January 1	**$ 27,618**	$ 25,631
Share of profit for the period	**8,417**	12,401
Share of other comprehensive income (loss) for the period	**2,816**	(44)
Distributions from projects accounted for using the equity method	**(6,241)**	(10,370)
Projects accounted for using the equity method - as at December 31	**$ 32,610**	$ 27,618

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

Name	**Ownership interests**	**Joint Venture or Associate**	**Years included**
Yellowline Asphalt Products Ltd.	50%	Joint Venture	2017, 2016
Lower Mattagami Project	20%	Associate	2017, 2016
Waterloo LRT Concessionaire	10%	Joint Venture	2017, 2016
Eglinton Crosstown LRT Concessionaire	25%	Joint Venture	2017, 2016
New Post Creek Project	20%	Associate	2017, 2016

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.

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, 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**

	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, 2016	$ 33,583	$ 87,512	$ 53,602	$ 252,029	$ 28,269	$ 66,493	$ 264,481	**$ 785,969**
Additions	411	4,298	-	29,841	3,193	6,930	4,864	**49,537**
Disposals	(105)	(1,799)	-	(16,443)	(166)	(7,347)	(1,888)	**(27,748)**
Balance as at December 31, 2016	$ 33,889	$ 90,011	$ 53,602	$ 265,427	$ 31,296	$ 66,076	$ 267,457	**$ 807,758**
Accumulated depreciation and impairment								
Balance as at January 1, 2016	-	36,315	15,674	130,248	19,975	44,582	73,313	**320,107**
Depreciation	-	5,523	1,213	22,750	4,012	7,992	15,385	**56,875**
Disposals	-	(104)	-	(11,075)	(5)	(6,600)	(1,808)	**(19,592)**
Balance as at December 31, 2016	$ -	$ 41,734	$ 16,887	$ 141,923	$ 23,982	$ 45,974	$ 86,890	**$ 357,390**
Net book value as at December 31, 2016	**$ 33,889**	**$ 48,277**	**$ 36,715**	**$ 123,504**	**$ 7,314**	**$ 20,102**	**$ 180,567**	**$ 450,368**
Net book value as at January 1, 2016	**$ 33,583**	**$ 51,197**	**$ 37,928**	**$ 121,781**	**$ 8,294**	**$ 21,911**	**$ 191,168**	**$ 465,862**
Net book value of assets under finance lease as at December 31, 2016	**$ -**	**$ -**	**$ 75**	**$ 44,312**	**$ 38**	**$ 17,421**	**$ 19,511**	**$ 81,357**

14. INTANGIBLE ASSETS

	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**

	Concession rights	Goodwill	Licences, software and other rights	Total
Cost				
Balance as at January 1, 2016	$ -	$ 49,373	$ 77,307	$ 126,680
Additions				
Acquired separately	-	-	6,849	6,849
Disposals	-	-	(189)	(189)
Balance as at December 31, 2016	**$ -**	**$ 49,373**	**$ 83,967**	**$ 133,340**
Accumulated amortization and impairment				
Balance as at January 1, 2016	-	-	14,684	14,684
Amortization	-	-	7,187	7,187
Disposals	-	-	(189)	(189)
Balance as at December 31, 2016	**$ -**	**$ -**	**$ 21,682**	**$ 21,682**
Net book value as at December 31, 2016	**$ -**	**$ 49,373**	**$ 62,285**	**$ 111,658**
Net book value as at January 1, 2016	**$ -**	**$ 49,373**	**$ 62,623**	**$ 111,996**

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, 2017 this concession right had a remaining carrying amount of $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, 2017, the concession right for the New Airport Terminal, representing the costs to construct the New Airport Terminal, had a carrying amount of $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 2017	December 31 2016
CGUs:		
Social Infrastructure - Mechanical Contracting	**$ 17,192**	$ 17,192
Transportation	**14,063**	14,063
Energy West	**9,879**	9,879
Other	**8,239**	8,239
	$ 49,373	$ 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, 2017 using a growth rate of 2% (2016 – 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, 2017 was 9.5% (2016 – 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.

15. BANK INDEBTEDNESS

The Company maintains a committed revolving credit facility of $500,000 (December 31, 2016 - $400,000). Bank indebtedness, representing borrowings on the Company’s revolving credit facility, as at December 31, 2017 was $17,940 (December 31, 2016 - $7,476). Letters of credit amounting to $69,314 were issued against the credit facility as at December 31, 2017 (December 31, 2016 - $71,708). Cash drawings under the facility bear interest at rates ranging from prime to 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, 2016 - $500,000) provided by Export Development Canada of which $258,275 was utilized as at December 31, 2017 (December 31, 2016 - $227,532).

16. TRADE AND OTHER PAYABLES

	December 31 2017	December 31 2016
Trade payables and accrued liabilities	**$ 534,607**	$ 494,833
Holdbacks payable	**87,256**	82,500
	$ 621,863	$ 577,333
Amounts payable beyond one year	**$ 592**	$ 2,064

17. PROVISIONS

	Contract related obligations	**Asset decommissioning costs**	**Tax assessments**	**Other**	**Total**
	(a)	(b)	(c)		
Balance as at January 1, 2017	$ 4,208	$ 3,720	$ 12,169	$ 5,529	$ 25,626
Additions made	3,234	290	1,475	10,298	15,297
Amounts used	(3,225)	-	(5,000)	(12,738)	(20,963)
Unused amounts reversed	(511)	(50)	(2,188)	-	(2,749)
Other changes	(5)	167	-	(15)	147
Balance as at December 31, 2017	**$ 3,701**	**$ 4,127**	**$ 6,456**	**$ 3,074**	**$ 17,358**
Reported as:					
Current	**2,464**	**-**	**6,456**	**2,626**	**11,546**
Non-current	**1,237**	**4,127**	**-**	**448**	**5,812**
	$ 3,701	**$ 4,127**	**$ 6,456**	**$ 3,074**	**$ 17,358**

(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 2018 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 4.50% 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.

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

	December 31 2017	December 31 2016
Long-term debt:		
Finance leases	$ 73,974	$ 59,480
Equipment and other loans	61,709	78,491
Total long-term debt	$ 135,683	$ 137,971
Reported as:		
Current liabilities:		
Current portion of long-term debt	$ 44,472	$ 51,568
Non-current liabilities:		
Long-term debt	91,211	86,403
	$ 135,683	$ 137,971

The following describes the components of long-term debt:

(a) As at December 31, 2017, finance leases of $73,974 (2016 - $59,480) bore interest at fixed and floating rates averaging 2.78% (2016 - 3.05%) per annum, with specific equipment provided as security.

(b) As at December 31, 2017, equipment and other loans of $61,709 (2016 - $78,491) bore interest at fixed and floating rates averaging 2.92% (2016 - 2.96%) 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, 2017 was 2.84% (2016 - 2.98%).

		December 31 2017	December 31 2016
Non-recourse project debt:			
Bermuda International Airport Redevelopment Project financing	(a)	$ 352,888	$ -
Total non-recourse project debt		$ 352,888	$ -
Reported as:			
Non-current liabilities:			
Non-recourse project debt		$ 352,888	$ -
		$ 352,888	$ -

(a) Included in the Company's consolidated balance sheets as at December 31, 2017 is debt, net of transaction costs, of $352,888 (US$281,298) (2016 –$nil) 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.

The movements in net debt for 2017 are presented below:

Net debt reconciliation

	Cash/ bank overdraft	Bank indebtedness	Long-term debt	Convertible debentures	Total
Balance as at January 1, 2017	$ 231,858	$ (7,476)	$ (137,971)	$ (164,778)	**$ (78,367)**
Cash flows	72,227	(10,464)	40,120		**101,883**
Foreign exchange adjustments	797	-	-	-	**797**
Other non-cash movements	-	-	(37,832)	(3,688)	**(41,520)**
Balance as of December 31, 2017	**$ 304,882**	**$ (17,940)**	**$ (135,683)**	**$ (168,466)**	**$ (17,207)**

19. CONVERTIBLE DEBENTURES

Convertible subordinated debentures consist of:

	December 31 2017	December 31 2016
Debt component:		
Debenture maturing on December 31, 2018	**$ 168,466**	$ 164,778
Total convertible debentures	**$ 168,466**	$ 164,778
Reported as:		
Current liabilities:		
Convertible debentures	**168,466**	-
Non-current liabilities:		
Convertible debentures	**-**	164,778
	$ 168,466	$ 164,778

	December 31 2017	December 31 2016
Equity component:		
Debenture maturing on December 31, 2018	**$ 8,664**	$ 8,674

On November 27, 2013 the Company issued $172,500 of unsecured subordinated convertible debentures maturing December 31, 2018. The 2018 convertible debentures bear interest at a rate of 5.50%, payable on a semi-annual basis. At the holder's option, the 2018 convertible debentures may be converted into common shares of the Company at any time up to the maturity dates at a conversion price of $19.71 for each common share, subject to adjustment in certain circumstances. The Company may, at its option, redeem the 2018 convertible debentures from December 31, 2016 to December 31, 2017, in whole or in part, at par plus accrued and unpaid interest provided the weighted average closing 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, 2017 through to the maturity date, the Company, at its option, may redeem the 2018 convertible debentures, in whole or in part, at par plus accrued and unpaid interest. As at December 31, 2017, the face value of the 2018 convertible debentures, which remains outstanding, was $172,307 (2016 - $172,500).

During the year ended December 31, 2017 $198 (2016 – nil) of debentures were converted at $19.71 per share by the holders into 9,790 common shares (2016 – nil).

For the 2018 convertible 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 2018 convertible debentures do not contain a cash settlement feature on conversion into common shares of the Company.

The debt component is accounted for at amortized cost using the effective interest rate method. Interest expense on the debentures is composed of the interest calculated on the face value of the debentures and notional interest representing the accretion of the carrying value of the debentures.

Finance costs associated with the debentures consists of:

	December 31 2017	December 31 2016
Interest expense on face value	**$ (9,488)**	$ (9,488)
Notional interest representing accretion	**(3,876)**	(3,787)
	$ (13,364)	$ (13,275)

20. CONCESSION RELATED DEFERRED REVENUE

As part of acquiring, in 2017, the rights to operate the Existing Bermuda Airport (see Note 14), $87,653 is included in concession related deferred revenue as at December 31, 2017. Concession related deferred revenue represents the estimated value of the “inducement” received by Skyport to develop and operate the New Airport Terminal.

Concession related deferred revenue also includes $24,728 received in 2017 as development funds related to the Bermuda International Airport Redevelopment Project.

All the above concession deferred revenue amounts will be amortized to earnings over the term of the New Airport Terminal concession period.

In addition, concession related deferred revenue as at December 31, 2017 also includes $5,999 (2016 - $7,111) of development funds related to other concession projects.

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 2017		December 31 2016
Profit before income taxes	$	30,826	$	65,512
Statutory income tax rate		26.75%		26.75%
Expected income tax expense		(8,246)		(17,524)
Effect on income taxes of:				
Projects accounted for under equity method		198		574
Impact of change in enacted tax rates on deferred tax balances		(929)		13
Provincial and foreign rate differences		5,955		368
Other non-deductible expenses		(1,689)		(1,139)
Non-deductible stock-based compensation expense		-		(4,025)
Non-taxable portion of capital gains		-		114
Adjustments in respect of prior years		1,882		914
Other tax credits		707		1,855
Other		(528)		95
		5,596		(1,231)
Income tax expense	$	(2,650)	$	(18,755)

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

Income taxes were comprised of the following:

		December 31 2017		December 31 2016
Current income tax	$	(13,871)	$	(660)
Deferred income tax		5,508		(19,950)
Other tax (provisions)/credits		5,713		1,855
Income tax expense	$	(2,650)	$	(18,755)

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

	2017				2016			
	January 1	(Charged) credited to the income statement	(Charged) credited to other comprehensive income	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	93,239	12,593	-	**105,832**	69,290	23,949	-	93,239
Reserves expensed for financial statement purposes and deducted for income tax purposes when paid	3,270	(874)	-	**2,396**	3,157	113	-	3,270
Other temporary differences	(164)	156	-	**(8)**	1,006	(1,170)	-	(164)
Other long-term differences	3,696	(1,714)	-	**1,982**	4,248	(552)	-	3,696
Actuarial and hedging gains and losses	3,159	-	(1,172)	**1,987**	2,572	-	587	3,159
Property, plant and equipment: net book value in excess of tax basis	(55,323)	4,166	-	**(51,157)**	(62,892)	7,569	-	(55,323)
Long-term contracts, including joint ventures (1)	(142,456)	(9,459)	-	**(151,915)**	(91,828)	(50,628)	-	(142,456)
Discounting convertible debentures	(1,280)	640	-	**(640)**	(2,049)	769	-	(1,280)
Deferred income tax asset (liability), net	(95,859)	5,508	(1,172)	**(91,523)**	(76,496)	(19,950)	587	**(95,859)**
Reported on the consolidated balance sheets as follows:								
Deferred income tax asset				**18,196**				23,908
Deferred income tax liability				**(109,719)**				(119,767)
Deferred income tax liability, net				**(91,523)**				**(95,859)**

(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"*).

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, 2016 and the next required actuarial valuation will be prepared with an effective date no later than December 31, 2019.

The defined benefit pension obligation is presented as part of Other liabilities on the consolidated balance sheets.

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

	December 31 2017	December 31 2016
Change in fair value of plan assets:		
Fair value of plan assets - beginning of year	$ 39,797	$ 39,000
Return on plan assets greater than discount rate	1,786	474
Net interest income	1,350	1,411
Plan administration costs	(70)	(53)
Company contributions	937	1,090
Plan participant contributions	69	69
Benefits paid	(2,481)	(2,194)
Fair value of plan assets - end of year	$ 41,388	$ 39,797
Change in benefit obligation:		
Benefit obligation - beginning of year	$ 42,548	$ 41,514
Current service cost	840	678
Actuarial (gain) due to actuarial experience	(1,243)	(72)
Actuarial loss due to financial assumption changes	1,139	1,080
Actuarial loss due to demographic assumption changes	299	-
Net interest cost	1,426	1,473
Benefits paid	(2,481)	(2,194)
Plan participant contributions	69	69
Benefit obligation - end of year	$ 42,597	$ 42,548
Funded status:		
Fair value of plan assets	$ 41,388	$ 39,797
Defined benefit obligation	(42,597)	(42,548)
Pension liabilities at December 31	$ (1,209)	$ (2,751)

	2017	2016
Weighted average assumptions used to calculate benefit obligation:		
Discount rate	3.25%	3.50%
Rate of increase in future compensation	3.00%	3.00%
Asset categories of pension assets:		
Debt securities	45.07%	43.54%
Equity securities	45.50%	44.46%
Cash and short-term notes	9.43%	12.00%

	December 31 2017	December 31 2016
Defined benefit pension expense:		
Current service cost, net of employee contributions	$ 840	$ 678
Net interest cost	76	62
Plan administration costs	70	53
Defined benefit pension expense recognized in profit or loss	986	793
Actuarial (gain) loss recognized in other comprehensive income	(1,592)	534
Defined benefit pension expense	$ (606)	$ 1,327
Other pension expense:		
Defined contribution pension expense	$ 6,691	$ 6,443
Multi-employer pension plan expense	72,524	105,565
Other pension expense	$ 79,215	$ 112,008
Weighted average assumptions used to calculate defined benefit pension expense:		
Discount rate	3.50%	3.50%
Rate of increase in future compensation	3.00%	3.00%

During 2018, the Company expects to make contributions of $920 to the defined benefit plans.

	December 31 2017	December 31 2016
Total cash contribution for employee pension plans:		
Defined benefit plans	$ 937	$ 1,090
Defined contribution plans	6,691	6,443
Multi-employer pension plans	72,524	105,565
	$ 80,152	$ 113,098

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, 2017, the Company used a discount rate of 3.25% 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 $2,990 as at December 31, 2017 and an increase in the estimated 2018 pension expense of approximately $118.

The weighted average duration of the defined benefit obligation is 10.7 years.

23. CONTINGENCIES

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 2017
Letters of credit:		
In support of the Company's equity obligations	Bermuda International Airport Redevelopment Project	$ 87,050
Financial and performance - issued in the normal conduct of business	Various	240,540

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, 2017, the value of uncompleted work for which the Company's associate and joint arrangement partners are responsible, and which the Company could be responsible for assuming, amounted to approximately $4,845,814, a substantial 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.

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, 2017
Due within one year	**$ 9,362**
Due beyond one and up to five years	**26,255**
Due beyond five years	**21,324**
	$ 56,941

In 2017, minimum lease payments recognized as an operating lease expense were $14,370.

25. CAPITAL STOCK

	December 31, 2017			December 31, 2016		
	Number		**Amount**	**Number**		**Amount**
Number of common shares outstanding - beginning of year	**57,863,017**	**$**	**346,770**	**56,817,357**	**$**	**332,275**
Common shares issued on exercise of share options	150,000		2,610	100,000		1,491
Common shares issued on conversion of debentures	9,790		198	-		-
Shares issued to settle LTIP/Director DSU obligations	1,276,050		18,034	945,660		13,004
Number of common shares outstanding - end of year	**59,298,857**	**$**	**367,612**	**57,863,017**	**$**	**346,770**

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 2017, the Company recorded LTIP compensation charges of $15,484 (2016 - $15,899).

Stock option plans

The aggregate number of common shares that can be issued under the 2005 Stock Option Plan shall not exceed 5,000,000. Each share option issuance under the 2005 Stock Option Plan specifies the period during which the share option thereunder is exercisable (which in no event shall exceed ten years from the date of grant) and the date the share option will expire. The Company’s Board of Directors determines the vesting period on the dates of share option grants. The exercise price of share option grants equals the market price of the common shares on the grant date. The Company issues common shares on exercise of the options.

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, 2017			For the year ended December 31, 2016		
	Number of share options		**Weighted average exercise price**	Number of share options		Weighted average exercise price
Balance outstanding - beginning of year	**270,000**	**$**	**12.38**	420,000	$	11.81
Expired	**-**		**-**	(50,000)		10.41
Exercised	**(150,000)**		**12.74**	(100,000)		11.00
Balance outstanding - end of year	**120,000**		**11.92**	270,000		12.38
Options exercisable - end of year	**120,000**	**$**	**11.92**	270,000	$	12.38

Share options outstanding as at December 31, 2017 had the following exercise prices and expiry dates:

Share options granted in	**Number of shares**		**Exercise price**	**Expiry date**
2013	120,000		11.92	March 14, 2018
	120,000	$	11.92	

Unless subsequently modified, all option grants have a term of five years from the date of grant and vest immediately or over a three-year period.

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, 2017, the Company recorded Director DSU compensation charges of $953 (2016 - $769).

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

	For the year ended December 31, 2017			**For the year ended December 31, 2017**		
	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	**3,399,388**	**$**	**11.93**	**156,786**	$	**13.83**
Granted	**774,626**		**15.88**	**55,021**		**15.79**
Dividend equivalent rights	**103,454**		**12.58**	**5,869**		**14.27**
Settled	**(1,335,342)**		**12.80**	**-**		**-**
Forfeited	**(97,677)**		**14.23**	**-**		**-**
Balance outstanding - end of year	**2,844,449**	**$**	**12.54**	**217,676**	$	**14.33**

Amounts included in contributed surplus in the consolidated balance sheets as at December 31, 2017 in respect of LTIP and Director DSUs were $32,396 (December 31, 2016 - $36,107) and $3,120 (December 31, 2016 - $2,168), respectively.

26. EXPENSES

	For the year ended			
		December 31 2017		December 31 2016
Personnel	**$**	**927,905**	$	1,210,944
Subcontractors		**858,692**		1,082,184
Materials		**688,413**		595,906
Equipment costs		**169,152**		170,896
Depreciation of property, plant and equipment and amortization of intangible assets		**93,548**		64,062
Other expenses		**29,081**		25,801
Total expenses	**$**	**2,766,791**	$	3,149,793

Reported as:

	For the year ended			
		December 31 2017		December 31 2016
Direct costs and expenses	**$**	**2,486,705**	$	2,900,665
Marketing, general and administrative expenses		**186,538**		185,066
Depreciation and amortization		**93,548**		64,062
Total expenses	**$**	**2,766,791**	$	3,149,793

27. OTHER INCOME

	For the year ended	
	December 31 2017	December 31 2016
Foreign exchange gain	**$ 2,745**	$ 3,668
Gain on sale of property, plant and equipment	**2,689**	1,790
Insurance proceeds	**1,800**	5,900
Loss on other assets	**(953)**	-
Total other income	**$ 6,281**	$ 11,358

In 2017, the Company recorded business interruption insurance proceeds of $1,800 (2016 - $5,900 in relation to the wildfires in Fort McMurray, Alberta).

28. FINANCE COSTS

	For the year ended	
	December 31 2017	December 31 2016
Interest and notional interest on long-term debt and debentures	**$ 16,608**	$ 16,066
Interest on finance leases	**1,827**	3,279
Interest on short-term debt	**5,107**	2,313
Notional interest on provisions	**162**	211
Total finance costs	**$ 23,704**	$ 21,869

29. EARNINGS PER SHARE

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

	For the year ended	
	December 31 2017	December 31 2016
Profit attributable to shareholders	**$ 28,176**	$ 46,757
Interest on convertible debentures, net of tax [1]	**9,789**	9,757
Diluted net earnings	**$ 37,965**	$ 56,514
Average number of common shares outstanding	**58,637,456**	57,361,614
Effect of dilutive securities:[1]		
Options	**37,259**	60,746
Convertible debentures [1]	**10,495,151**	11,369,273
Long-term incentive plan	**3,062,125**	3,556,174
Weighted average number of diluted common shares outstanding	**72,231,991**	72,347,807
Basic earnings per share	**$ 0.48**	$ 0.82
Diluted earnings per share [1]	**$ 0.46**	$ 0.77

[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.

30. SUPPLEMENTARY CASH FLOW INFORMATION

Change in other balances relating to operations

	For the year ended	
	December 31 2017	December 31 2016
Decrease (increase) in:		
Trade and other receivables	**$ 104,511**	$ (49,170)
Unbilled revenue	**(103,105)**	(145,391)
Inventories	**5,463**	(379)
Prepaid expenses	**76**	3,649
Increase (decrease) in:		
Trade and other payables	**43,675**	68,495
Provisions	**(15,963)**	(7,854)
Deferred revenue	**4,378**	16,045
Concession related deferred revenue	**25,293**	-
	$ 64,328	$ (114,605)

Cash flows from interest

	For the year ended	
	December 31 2017	December 31 2016
Operating activities		
Cash interest paid	**$ (28,031)**	$ (17,364)
Cash interest received	**5,321**	282

	For the year ended	
	December 31 2017	December 31 2016
Non-cash transactions		
Property, plant and equipment acquired and financed by finance leases	**$ 37,830**	$ 16,419

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, 2017, the Company had outstanding contracts to sell US$600 (December 31, 2016 – buy EUR€88, sell US$6,800 and buy US$3,393) on which there was a net unrealized exchange gain of $11 (December 31, 2016 - loss of $355). 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.

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, 2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets (liabilities) measured at fair value:				
Cash flow hedge	$ 1,143	$ -	$ 1,143	$ -
Financial assets (liabilities) disclosed at fair value:				
Long-term financial assets	2,260	-	2,260	-
Current portion of long-term debt	(47,575)	-	(47,575)	-
Long-term debt	(89,951)	-	(89,951)	-
Non-recourse project debt	(352,888)		(352,888)	
Convertible debentures	(175,950)	(175,950)	-	-

During the year ended December 31, 2017, 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.

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, 2017, the Company had $59,513 in trade receivables that were past due. Of this amount, $46,832 was over 60 days past due, against which the Company has recorded an allowance for doubtful accounts of $764.

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.

Contractual maturities for financial liabilities as at December 31, 2017 are as follows:

	Due within one year	Due between one and five years	Due after five years	Total undiscounted cash flows	Effect of interest	Carrying value
Bank indebtedness	$ -	$ 17,940	$ -	$ 17,940	$ -	$ 17,940
Trade and other payables	$ 621,271	$ 592	$ -	$ 621,863	$ -	$ 621,863
Finance leases	$ 23,114	$ 50,087	$ 5,073	$ 78,274	$ (4,300)	$ 73,974
Equipment and other loans	24,630	36,587	3,828	65,045	(3,336)	61,709
	47,744	86,674	8,901	143,319	(7,636)	135,683
Non-recourse project debt	21,094	87,275	632,685	741,054	(388,166)	352,888
Convertible debentures	181,988	-	-	181,988	(13,522)	168,466
Long-term financial liabilities	$ 250,826	$ 173,949	$ 641,586	$ 1,066,361	$ (409,324)	$ 657,037

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, 2017, the interest rate profile of the Company's long-term debt and non-recourse project debt was as follows:

Fixed rate instruments	$ 135,598
Variable rate instruments	85
Total long-term debt	$ 135,683
Fixed rate non-recourse project debt	$ 352,888
Fixed rate convertible debentures	$ 168,466

For the year ended December 31, 2017, 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, 2017 to profit or loss for currency exposures would be $2,690. 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.

Additional information on financial instruments:

	Fair value through profit or loss	Held-to-maturity	Loans and receivables	Amortized cost	Total carrying amount	Total fair value
Cash and cash equivalents	$ -	$ -	$ 304,882	$ -	**$ 304,882**	**$ 304,882**
Restricted cash	-	-	279,581	-	**279,581**	**279,581**
Trade and other receivables	-	-	499,462	-	**499,462**	**499,462**
Unbilled revenue	-	-	595,639	-	**595,639**	**595,639**
Long-term financial assets	-	1,628	632	-	**2,260**	**2,260**
	$ -	$ 1,628	$ 1,680,196	$ -	**$ 1,681,824**	**$ 1,681,824**
Bank indebtedness	$ -	$ -	$ -	$ 17,940	**$ 17,940**	**$ 17,940**
Trade and other payables	-	-	-	621,863	**621,863**	**621,863**
Current portion of long-term debt	-	-	-	44,472	**44,472**	**47,575**
Convertible debentures	-	-	-	168,466	**168,466**	**175,950**
Non-recourse project debt	-	-	-	352,888	**352,888**	**352,888**
Long-term debt	-	-	-	91,211	**91,211**	**89,951**
	$ -	$ -	$ -	$ 1,296,840	**$ 1,296,840**	**$ 1,306,167**

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.

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, 2017, the debt to capitalization percentage including convertible debentures as debt was 28% (December 31, 2016 - 29%). 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 13% as at December 31, 2017 (December 31, 2016 - 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, 2017, the Company complied with all of its financial debt covenants.

33. OPERATING SEGMENTS

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

The Company operates in four principal segments within the construction and infrastructure development industry: Infrastructure, Energy, Mining and Concessions. The other costs and eliminations category in the summary below includes corporate costs and other activities not directly allocable to segments and also includes inter-segment eliminations.

The **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 transportation, heavy civil and social infrastructure sectors.

The **Energy segment** encompasses a full suite of service offerings to the energy sector including industrial construction and manufacturing activities such as in-plant construction, site construction and module assembly. The activities of the Energy segment are concentrated predominantly in Canada. The Energy segment focuses primarily on oil and gas, power generation, utilities, and energy support services sectors.

The **Mining segment** offers turn-key services consolidating Aecon's mining capabilities and services across Canada, including both mine site installations and contract mining. This segment focuses on delivering construction services that span the scope of a project's life cycle from overburden removal and resource extraction to processing and environmental reclamation.

Activities within the **Concessions segment** include the development, financing, design, construction and operation of infrastructure projects such as toll roads, airports, and transit systems, by way of build-operate-transfer, build-own-operate-transfer and other public-private partnership contract structures.

For the year ended December 31, 2017

	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total
Consolidated Statements of Income						
External customer revenue	$ 818,575	$ 1,465,095	$ 386,800	$ 135,258	$ -	**$ 2,805,728**
Inter-segment revenue	131,817	7,106	9,775	-	(148,698)	**-**
Total revenue	950,392	1,472,201	396,575	135,258	(148,698)	**2,805,728**
Which includes:						
Construction revenue	950,392	1,472,201	396,575	-	(148,698)	**2,670,470**
Concession revenue	-	-	-	135,258	-	**135,258**
Expenses	$ (936,202)	$ (1,420,711)	$ (385,429)	$ (123,873)	$ 99,424	**$ (2,766,791)**
Which include:						
Depreciation and amortization	(19,843)	(21,927)	(26,504)	(24,592)	(682)	**(93,548)**
Other income (loss):						
Foreign exchange gain (loss)	$ 507	$ 2,576	$ 9	$ 172	$ (519)	**$ 2,745**
Gain (loss) on other assets	42	(1,000)	5	-	-	**(953)**
Gain (loss) on sale of property, plant and equipment	1,372	2,327	(1,010)	-	-	**2,689**
Proceeds from insurance	-	-	1,800	-	-	**1,800**
Income from projects accounted for using the equity method	$ 3,603	$ 18	$ 82	$ 4,714	$ -	**$ 8,417**
Operating profit (loss)	$ 19,714	$ 55,411	$ 12,032	$ 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**

	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total
Consolidated Balance Sheets						
Segment assets	$ 643,864	$ 822,231	$ 381,854	$ 594,491	$ 84,350	**$ 2,526,790**
Which include:						
Projects accounted for using the equity method	19,921	20	687	11,982	-	**32,610**
Segment liabilities	$ 508,984	$ 332,171	$ 134,340	$ 496,715	$ 283,105	**$ 1,755,315**
Additions to non-current assets:						
Property, plant and equipment	$ 25,640	$ 31,859	$ 15,191	$ 1,293	$ 1,174	**$ 75,157**
Intangible assets	$ 206	$ -	$ -	$ 207,666	$ 4,553	**$ 212,425**

						For the year ended December 31, 2016
	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total
Consolidated Statements of Income						
External customer revenue	$ 1,018,392	$ 1,344,382	$ 853,504	$ 3,497	$ (6,642)	**$ 3,213,133**
Inter-segment revenue	13,217	12,541	7,120	-	(32,878)	**-**
Total revenue	1,031,609	1,356,923	860,624	3,497	(39,520)	**3,213,133**
Which includes:						
Construction revenue	1,031,609	1,356,923	860,624	-	(39,520)	**3,209,636**
Concession revenue	-	-	-	3,497	-	**3,497**
Expenses	$ (1,010,272)	$ (1,323,696)	$ (798,521)	$ (6,831)	$ (10,473)	**$ (3,149,793)**
Which include:						
Depreciation and amortization	(19,642)	(20,725)	(22,976)	(166)	(553)	**(64,062)**
Other income (loss):						
Foreign exchange gain (loss)	$ 96	$ 3,428	$ (139)	$ (138)	$ 421	**$ 3,668**
Gain (loss) on sale of property, plant and equipment	1,733	744	(687)	-	-	**1,790**
Proceeds from insurance	-	200	5,700	-	-	**5,900**
Income from projects accounted for using the equity method	$ 9,255	$ 130	$ 585	$ 2,431	$ -	**$ 12,401**
Operating profit (loss)	$ 32,421	$ 37,729	$ 67,562	$ (1,041)	$ (49,572)	**$ 87,099**
Finance income (cost):						
Finance income						**$ 282**
Finance costs						**(21,869)**
Profit before income taxes						**$ 65,512**
Income tax expense						**(18,755)**
Profit for the year						**$ 46,757**

	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total
Consolidated Balance Sheet						
Segment assets	$ 763,918	$ 613,914	$ 427,619	$ 111,951	$ 88,083	**$ 2,005,485**
Which include:						
Projects accounted for using the equity method	23,710	177	2,043	1,688	-	**27,618**
Segment liabilities	$ 504,080	$ 217,353	179,749	$ 27,361	$ 323,343	**$ 1,251,886**
Additions to non-current assets:						
Property, plant and equipment	$ 15,701	$ 16,000	12,986	$ -	$ 4,850	**$ 49,537**
Intangible assets	$ -	$ 299	-	$ -	$ 6,550	**$ 6,849**

Geographic segment information:

	December 31 2017	December 31 2016
Revenue from external customers:		
Canada	**$ 2,590,122**	$ 3,197,628
USA	**13,311**	15,505
International	**202,295**	-
	$ 2,805,728	$ 3,213,133
Property, plant, equipment and intangible assets		
Canada	**$ 564,055**	$ 562,011
USA	**293**	15
International	**186,681**	-
	$ 751,029	$ 562,026

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 18% of consolidated revenue for the year ended December 31, 2017. The customer and its affiliated entities are located in Canada, with revenue recorded primarily in the Energy segment.

34. RELATED PARTIES

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

Subsidiary	Jurisdiction of Incorporation
Aecon Construction Group Inc.	Canada
Aecon Construction and Materials Limited	Ontario
Canonbie Contracting Limited	Alberta
Aecon Infrastructure Management Inc.	Alberta
Aecon Transportation West Ltd.	Alberta
West Carleton Sand and Gravel Inc.	Ontario
Bermuda Skyport Corporation Limited	Bermuda

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
Waneta Dam Project	Canada	60.0%	Construction
Northeast Anthony Henday Drive Project	Canada	22.5%	Construction
Lower Mattagami Project	Canada	20.0%	Construction
Port Mann Project	Canada	40.0%	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
New Post Creek Project	Canada	20.0%	Construction
SA Energy Group	Canada	50.0%	Construction
Bruce Power Steam Generator Replacement	Canada	40.0%	Construction

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

	December 31 2017	December 31 2016
Short-term employee benefits	**$ 5,007**	$ 6,522
Post-employment benefits	**72**	102
Stock-based payments	**4,241**	6,266
	$ 9,320	$ 12,890

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

Monica Sloan ICD.D

The Hon. Brian V. Tobin P.C., O.C., ICD.D
Chairman

EXECUTIVE COMMITTEE

John M. Beck
Chief Executive Officer

David Smales
Executive Vice President and
Chief Financial Officer

Yonni Fushman
Executive Vice President
Chief Legal Officer and Secretary

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.COM

Cover design: Hambly & Woolley Inc.

AECON GROUP INC.

AECON EAST HEADQUARTERS
20 Carlson Court, Suite 800
Toronto, Ontario M9W 7K6

PHONE 416 297 2600
TOLL FREE 1 877 232 2677
EMAIL aecon@aecon.com

AECON WEST HEADQUARTERS
110 9th Avenue SW, Suite 300
Calgary, Alberta T2P 0T1

PHONE 403 695 3085
TOLL FREE 1 800 787 5008
EMAIL aecon@aecon.com

AECON PACIFIC HEADQUARTERS
1055 Dunsmuir Street
Four Bentall Centre, Suite 2124
Vancouver, BC V7X 1G4

PHONE 604 235 1398
EMAIL aecon@aecon.com

AECON