

**Aecon Group Inc.**

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

**September 30, 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 September 30, 2017 interim condensed consolidated financial statements and notes, which have not been reviewed by the Company's external auditors, and in conjunction with the Company's annual MD&A for the year ended December 31, 2016. This MD&A has been prepared as of October 25, 2017. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com) and includes the Company's Annual Information Form and other securities and continuous disclosure filings.

### **Introduction**

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

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. Risk factors are discussed in greater detail in the section on "Risk Factors" included in the Company's Annual Information Form dated March 27, 2017 and available through SEDAR at [www.sedar.com](http://www.sedar.com). 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 interim condensed consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

## 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**

The reader is referred to the discussion on Business Strategy as outlined in the MD&A in the 2016 Annual Report available on the Company's website at [www.aecon.com](http://www.aecon.com) or through SEDAR at [www.sedar.com](http://www.sedar.com).

## CONSOLIDATED FINANCIAL HIGHLIGHTS

| \$ millions (except per share amounts)                     | Three months ended<br>September 30 |                | Nine months ended<br>September 30 |                 |
|--|------------------------------------|----------------|-----------------------------------|-----------------|
|  | 2017                               | 2016           | 2017                              | 2016            |
| <b>Revenue</b>   | \$ 759.7                           | \$ 838.1       | \$ 2,120.7                        | \$ 2,368.1      |
| Gross profit   | 99.3                               | 96.0           | 221.9                             | 210.9           |
| Marketing, general and administrative expenses             | (46.4)                             | (42.5)         | (140.2)                           | (132.1)         |
| Income from projects accounted for using the equity method | 3.2                                | 2.1            | 6.2                               | 4.3             |
| Foreign exchange gain                                      | -                                  | 1.3            | 2.5                               | 2.6             |
| Gain on sale of assets                                     | 1.5                                | 0.5            | 0.2                               | 1.2             |
| Depreciation and amortization                              | (24.5)                             | (14.3)         | (69.6)                            | (47.8)          |
| <b>Operating profit</b>                                    | <b>33.1</b>                        | <b>43.1</b>    | <b>21.1</b>                       | <b>39.2</b>     |
| Financing expense, net                                     | (5.9)                              | (5.5)          | (16.8)                            | (16.3)          |
| <b>Profit before income taxes</b>                          | <b>27.2</b>                        | <b>37.6</b>    | <b>4.4</b>                        | <b>22.9</b>     |
| Income tax recovery (expense)                              | (2.6)                              | (10.2)         | 2.7                               | (5.2)           |
| <b>Profit</b>  | <b>\$ 24.6</b>                     | <b>\$ 27.4</b> | <b>\$ 7.1</b>                     | <b>\$ 17.7</b>  |
| <b>Gross profit margin</b>                                 | <b>13.1%</b>                       | <b>11.5%</b>   | <b>10.5%</b>                      | <b>8.9%</b>     |
| <b>MG&amp;A as a percent of revenue</b>                    | <b>6.1%</b>                        | <b>5.1%</b>    | <b>6.6%</b>                       | <b>5.6%</b>     |
| <b>Adjusted EBITDA</b>                                     | <b>58.7</b>                        | <b>60.0</b>    | <b>98.6</b>                       | <b>93.6</b>     |
| <b>Adjusted EBITDA margin</b>                              | <b>7.7%</b>                        | <b>7.2%</b>    | <b>4.6%</b>                       | <b>4.0%</b>     |
| <b>Operating margin</b>                                    | <b>4.4%</b>                        | <b>5.1%</b>    | <b>1.0%</b>                       | <b>1.7%</b>     |
| <b>Earnings per share - basic</b>                          | <b>\$ 0.42</b>                     | <b>\$ 0.48</b> | <b>\$ 0.12</b>                    | <b>\$ 0.31</b>  |
| <b>Earnings per share - diluted</b>                        | <b>\$ 0.37</b>                     | <b>\$ 0.42</b> | <b>\$ 0.11</b>                    | <b>\$ 0.29</b>  |
| <b>Backlog</b>   |                                    |                | <b>\$ 4,319</b>                   | <b>\$ 4,551</b> |

Revenue for the three months ended September 30, 2017 of \$760 million was lower by \$78 million, or 9%, compared to the third quarter of 2016. The largest decrease occurred in the Mining segment (\$145 million) where a decrease in site installation work in the commodity mining sector (\$146 million), and lower revenue from civil and foundations projects (\$4 million), was only partially offset by higher revenue from contract mining activity (\$5 million). Revenue in the Infrastructure segment was also lower (\$13 million) as lower revenue in social infrastructure (\$10 million) and transportation operations (\$4 million) were only slightly offset by higher volume on heavy civil projects (\$1 million). Revenue in the Energy segment increased (\$55 million), driven by an increase in utilities operations (\$56 million), while industrial operations were down slightly (\$1 million). Higher revenue in the Concessions segment (\$32 million), related to the Bermuda International Airport Redevelopment Project, was partially offset by higher inter-segment eliminations (\$7 million), primarily related to revenue between the Infrastructure and Concessions segments.

Revenue in the first nine months of 2017 of \$2,121 million was lower by \$247 million, or 10%, compared to the same period in 2016. Lower revenue in the Mining segment (\$317 million) was driven by decreases in commodity mining (\$311 million) and civil and foundations work (\$23 million), offset partially by an increase in contract mining (\$17 million). Revenue in the Infrastructure segment was also lower (\$53 million) as an increase in social infrastructure work (\$14 million) was more than offset by lower volume in transportation (\$60 million) and heavy civil operations (\$7 million). Revenue was higher in the Energy segment (\$93 million), with increases in both utilities (\$87 million) and industrial operations (\$6 million). Higher revenue in the Concessions segment (\$104

million) was partially offset by higher inter-segment eliminations (\$74 million), mostly related to revenue between the Infrastructure and Concessions segments.

Operating profit of \$33.1 million for the third quarter of 2017 decreased by \$10.0 million compared to operating profit of \$43.1 million in the third quarter of 2016, despite an increase in gross profit of \$3.3 million. Gross profit increases occurred in the Concessions segment (\$14.8 million) from the commencement of the Bermuda International Airport Redevelopment Project in 2017 and in the Energy segment (\$2.0 million), where an increase in the utilities sector more than offset a decrease in gross profit from industrial operations. Gross profit in the Mining segment decreased in the quarter (\$10.4 million) as lower volume and gross profit in the commodity mining sector offset higher gross profit from contract mining work. Gross profit in the Infrastructure segment decreased in the quarter (\$3.0 million), primarily from lower volume and gross profit on roadbuilding work in transportation operations.

Operating profit of \$21.1 million for the first nine months of 2017 decreased by \$18.1 million compared to an operating profit of \$39.2 million in the same period in 2016. This was despite an improvement in gross profit of \$11.0 million, which was in part due to a \$6.5 million charge in the first nine months of 2016 recorded in Corporate within "Other and Eliminations" due to the outcome of a legal dispute. Gross profit increased in the Concessions segment (\$28.2 million), for the same reasons cited for gross profit in the third quarter, in the Energy segment (\$8.3 million) largely from volume-driven gross profit increases in utilities operations, and in the Infrastructure segment (\$1.5 million) from gross profit margin increases in social infrastructure and heavy civil operations that offset lower volume and gross profit on roadbuilding work in transportation operations. Partially offsetting these increases was lower gross profit in the Mining segment (\$33.4 million), where volume-driven decreases in the commodity mining sector, and, to a lesser extent, on civil and foundations projects, offset an increase in gross profit in contract mining.

Marketing, general and administrative expenses ("MG&A") increased by \$3.9 million and \$8.1 million for the three and nine-month periods ended September 30, 2017, respectively, compared to the same periods in 2016. MG&A in the third quarter of 2017 includes severance expense of \$4.1 million and costs of \$3.2 million related to activities pursuant to the previously disclosed strategic process to explore a potential sale of the Company. MG&A for the nine-month period in 2017 includes severance expense, primarily related to restructuring in Western Canada, of \$13.8 million and the above-noted strategic process costs. MG&A as a percentage of revenue for the third quarter increased from 5.1% in 2016 to 6.1% in 2017, and for the nine-month period from 5.6% to 6.6%. The higher MG&A percentages for both periods reflects increased MG&A costs as well as the impact of lower revenue.

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 \$3.2 million in the third quarter of 2017 from projects accounted for using this method of accounting, compared to \$2.1 million in the same period in 2016. The higher income in the third quarter of 2017 was driven by an increase in the Concessions segment (\$1.1 million) from light rail transit projects in Ontario. Income of \$6.2 million for the first nine months of 2017 compared to \$4.3 million in the same period in 2016. This increase was also driven by an increase in the Concessions segment (\$2.5 million) from light rail transit projects in Ontario, but partially offset by lower contributions from projects in the Infrastructure segment (\$0.6 million).

Depreciation and amortization expense of \$24.5 million and \$69.6 million in the third quarter and nine months ended September 30, 2017, respectively, was \$10.2 million and \$21.8 million higher than the same periods in 2016. The increases for both periods occurred primarily in the Concessions segment from amortization related

to the existing airport concession granted as part of the Bermuda International Airport Redevelopment Project.

Financing expenses, net of interest income, of \$5.9 million in the third quarter of 2017, and \$16.8 million year-to-date in 2017, were \$0.4 million and \$0.5 million higher, respectively, than the same periods in 2016.

Set out in Note 20 of the September 30, 2017 interim condensed consolidated financial statements is a reconciliation between the expected income tax recovery (expense) for the first nine months of 2017 and 2016 based on statutory income tax rates and the actual income tax recovery (expense) reported for these periods.

Reported backlog as at September 30, 2017 of \$4,319 million compares to backlog of \$4,551 million as at September 30, 2016. New contract awards of \$714 million and \$2,236 million were booked in the third quarter and year-to-date 2017, respectively, compared to \$500 million and \$3,658 million in the same periods a year ago.

| Backlog<br>\$ millions | As at<br>September 30 |                 |
|------------------------|-----------------------|-----------------|
|                        | 2017                  | 2016            |
| Infrastructure         | \$ 2,083              | \$ 1,876        |
| Energy                 | 2,129                 | 2,475           |
| Mining                 | 91                    | 200             |
| Concessions            | 16                    | -               |
| Consolidated           | <u>\$ 4,319</u>       | <u>\$ 4,551</u> |

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

| Estimated backlog duration<br>\$ millions | As at<br>September 30 |             |                 |             |
|---|-----------------------|-------------|-----------------|-------------|
|   | 2017                  |             | 2016            |             |
| Next 12 months                            | \$ 1,470              | 34%         | \$ 1,523        | 33%         |
| Next 13-24 months                         | 903                   | 21%         | 609             | 13%         |
| Beyond                                    | 1,946                 | 45%         | 2,419           | 54%         |
|   | <u>\$ 4,319</u>       | <u>100%</u> | <u>\$ 4,551</u> | <u>100%</u> |

Aecon does not report as backlog the significant number of contracts and arrangements in hand where the exact amount of work to be performed cannot be reliably quantified or where a minimum number of units at the contract specified price per unit is not guaranteed. Examples include time and material and some cost-plus and unit priced contracts where the extent of services to be provided is undefined or where the number of units cannot be estimated with reasonable certainty. Other examples include the value of construction work managed under construction management advisory contracts, concession agreements, multi-year operating and maintenance service contracts where the value of the work is not specified, supplier of choice arrangements and alliance agreements where the client requests services on an as-needed basis. None of the expected revenue from these types of contracts and arrangements is included in backlog. Therefore, Aecon's 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 |          | Nine months ended |          |
|-------------------------|--------------------|----------|-------------------|----------|
|                         | September 30       |          | September 30      |          |
|                         | 2017               | 2016     | 2017              | 2016     |
| Revenue                 | \$ 309.4           | \$ 322.4 | \$ 692.9          | \$ 746.0 |
| Gross profit            | \$ 34.3            | \$ 37.3  | \$ 56.4           | \$ 54.9  |
| Adjusted EBITDA         | \$ 22.6            | \$ 26.4  | \$ 15.2           | \$ 20.1  |
| Operating profit (loss) | \$ 17.8            | \$ 20.8  | \$ 1.2            | \$ 5.3   |
| Gross profit margin     | 11.1%              | 11.6%    | 8.1%              | 7.4%     |
| Adjusted EBITDA margin  | 7.3%               | 8.2%     | 2.2%              | 2.7%     |
| Operating margin        | 5.8%               | 6.5%     | 0.2%              | 0.7%     |
| Backlog                 |                    |          | \$ 2,083          | \$ 1,876 |

For the three months ended September 30, 2017, revenue in the Infrastructure segment of \$309 million was \$13 million, or 4%, lower than the same period in 2016. The decrease was driven by lower revenue in social infrastructure (\$10 million) primarily due to a lower volume of buildings work in Ontario. In addition, revenue was lower in transportation operations (\$4 million), where higher roadbuilding volume in Western Canada was more than offset by lower roadbuilding activity in Ontario. Revenue increased slightly in heavy civil operations (\$1 million) as higher civil construction work in Ontario was largely offset by reduced activity on hydroelectric projects in Western Canada.

For the nine months ended September 30, 2017, revenue of \$693 million was \$53 million, or 7%, lower than the first nine months of 2016. Most of the period-over-period decrease was caused by lower volume in transportation operations (\$60 million) due to 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. Revenue was also lower in heavy civil operations (\$7 million) as increased light rail construction in Ontario was offset by lower volume on hydroelectric projects in Western Canada. Partially offsetting these decreases was higher revenue in social infrastructure activity (\$14 million), due primarily to the commencement of construction on the Bermuda International Airport Redevelopment Project in the first quarter of 2017.

Operating profit in the Infrastructure segment of \$17.8 million in the third quarter of 2017 decreased by \$3.0 million compared to an operating profit of \$20.8 million in the same period in 2016. Operating profit decreased in heavy civil operations by \$1.8 million, primarily from a volume-driven decrease in gross profit in Western

Canada as well as lower activity and earnings from construction projects accounted for using the equity method of accounting. Operating profit also decreased in transportation operations by \$1.6 million, due primarily to lower volume and gross profit margin on roadbuilding activity in Ontario. Operating profit in social infrastructure operations increased by \$0.4 million compared to the third quarter of 2016 as higher gross profit from buildings projects, including the Bermuda International Airport Redevelopment Project, was partially offset by lower gross profit margin on water treatment projects in Western Canada.

For the nine months ended September 30, 2017, operating profit of \$1.2 million decreased by \$4.1 million compared to an operating profit of \$5.3 million in the first nine months of the prior year. The majority of the variance was driven by a \$4.5 million decrease in the transportation sector due primarily to gross profit impacts of lower revenue in the nine-month period. Operating profit in heavy civil operations was unchanged over the previous period as an increase in gross profit from light rail projects in Eastern Canada was offset by a volume-driven decrease in gross profit in Western Canada. Operating profit in social infrastructure operations was up slightly by \$0.4 million for the same reasons cited above for operating profit in the third quarter.

Infrastructure backlog at September 30, 2017 of \$2,083 million was \$207 million higher than at the same time in 2016. The largest increase in the segment occurred in social infrastructure operations (\$371 million), primarily from the award of the Bermuda International Airport Redevelopment Project, and from new awards in the water treatment sector. Backlog in the transportation sector also increased (\$25 million) year-over-year. Partially offsetting these increases was lower backlog in heavy civil operations (\$189 million) as the execution of existing projects in the transportation and hydroelectric sectors outpaced new awards. New contract awards totaled \$357 million in the third quarter of 2017 and \$1,111 million year-to-date, compared to \$78 million and \$427 million, respectively, in the same periods in 2016.

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 |          | Nine months ended |          |
|------------------------|--------------------|----------|-------------------|----------|
|                        | September 30       |          | September 30      |          |
|                        | 2017               | 2016     | 2017              | 2016     |
| Revenue                | \$ 379.4           | \$ 324.5 | \$ 1,076.5        | \$ 983.3 |
| Gross profit           | \$ 33.9            | \$ 31.9  | \$ 87.0           | \$ 78.7  |
| Adjusted EBITDA        | \$ 19.1            | \$ 17.9  | \$ 48.7           | \$ 37.3  |
| Operating profit       | \$ 14.1            | \$ 12.8  | \$ 32.3           | \$ 21.9  |
| Gross profit margin    | 8.9%               | 9.8%     | 8.1%              | 8.0%     |
| Adjusted EBITDA margin | 5.0%               | 5.5%     | 4.5%              | 3.8%     |
| Operating margin       | 3.7%               | 3.9%     | 3.0%              | 2.2%     |
| Backlog                |                    |          | \$ 2,129          | \$ 2,475 |

Revenue in the third quarter of 2017 of \$379 million in the Energy segment was \$55 million, or 17%, higher than the same period in 2016. Most of the increase is attributable to higher revenue in the utilities sector (\$56 million),

and offset slightly by lower revenue (\$1 million) from industrial operations. The increase in utilities was driven primarily by the ramp-up of pipeline projects in Ontario and Western Canada, and, to a lesser extent, increased volume in the telecommunication and electricity distribution sectors. Higher industrial revenue in Eastern Canada (\$18 million), largely from increased nuclear power work, was offset by lower revenue in Western Canada (\$19 million), driven by lower fabrication, module assembly, and field construction activity in Alberta.

For the nine months ended September 30, 2017, Energy segment revenue of \$1,077 million was \$93 million, or 9%, higher than the same period last year, driven by higher revenue in both utilities (\$87 million) and industrial operations (\$6 million). The higher utilities revenue was driven by increases in pipeline, electricity, telecommunication, and gas distribution volume. Similar to the third quarter, revenue from industrial operations increased due to higher volume in Eastern Canada (\$174 million), driven by an increase in nuclear work, and was partially offset by decreased fabrication, module assembly and field construction activity in Alberta (\$168 million).

For the quarter ended September 30, 2017, operating profit of \$14.1 million increased by \$1.3 million compared to operating profit of \$12.8 million in the same period in 2016. Operating profit from utilities increased by \$6.9 million on the strength of volume-driven increases in gross profit. This increase was partially offset by a decrease in operating profit from industrial operations of \$5.6 million following a decrease in gross profit margin.

For the nine months ended September 30, 2017, operating profit of \$32.3 million increased by \$10.4 million compared to operating profit of \$21.9 million in the same period in 2016. Operating profit in utilities increased by \$7.0 million for the same reasons cited for operating profit in the third quarter. Also contributing to the increase in the Energy segment was a \$3.4 million increase in industrial operations where higher volume and related gross profit in Eastern Canada, and lower MG&A costs as a result of restructuring initiatives in Western Canada, were only partially offset by lower gross profit in Western Canada.

Backlog as at September 30, 2017 of \$2,129 million was \$346 million lower compared to the same time in 2016, driven by a decrease in industrial operations (\$455 million), primarily in Eastern Canada (\$445 million) due to the continued execution of significant projects in the nuclear and gas sectors. Backlog in Western Canada was also down year-over-year (\$10 million) due to fewer new awards in the oil sector. Partially offsetting these decreases was higher backlog in utilities (\$109 million) due primarily to pipeline project awards in Ontario and Western Canada, as well as higher awards in the gas distribution sector in Ontario. New contract awards of \$255 million in the third quarter of 2017 were \$4 million lower than the third quarter of 2016, and new awards of \$834 million year-to-date in 2017 were \$1,935 million lower than the same period in 2016, due mostly to the award of the Darlington Nuclear Refurbishment Project in the first quarter of 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 |          | Nine months ended |          |
|------------------------|--------------------|----------|-------------------|----------|
|                        | September 30       |          | September 30      |          |
|                        | 2017               | 2016     | 2017              | 2016     |
| Revenue                | \$ 64.1            | \$ 209.0 | \$ 347.8          | \$ 665.3 |
| Gross profit           | \$ 16.2            | \$ 26.6  | \$ 49.9           | \$ 83.3  |
| Adjusted EBITDA        | \$ 11.2            | \$ 21.2  | \$ 31.8           | \$ 64.2  |
| Operating profit       | \$ 6.4             | \$ 17.5  | \$ 11.5           | \$ 46.0  |
| Gross profit margin    | 25.2%              | 12.7%    | 14.3%             | 12.5%    |
| Adjusted EBITDA margin | 17.5%              | 10.1%    | 9.2%              | 9.7%     |
| Operating margin       | 10.0%              | 8.4%     | 3.3%              | 6.9%     |
| Backlog                |                    |          | \$ 91             | \$ 200   |

Mining segment revenue in the third quarter of 2017 of \$64 million was \$145 million, or 69%, lower than the same period a year earlier. Most of the decrease was due to lower volume in the commodity mining sector (\$146 million), as a large site installation project was completed earlier in the year. Revenue from civil and foundations work related to mining projects was also lower (\$4 million) in the quarter. Contract mining revenue was higher (\$5 million) as traditional contract mining work in Alberta increased compared to the same quarter in 2016.

For the nine months ended September 30, 2017, revenue of \$348 million was \$317 million, or 48%, lower than the comparable period in 2016. For the same reasons noted for the third quarter, revenue was lower in both the commodity mining sector (\$311 million) and from civil and foundations projects (\$23 million), while contract mining revenue increased (\$17 million).

For the quarter ended September 30, 2017, operating profit of \$6.4 million in the Mining segment decreased by \$11.1 million, when compared to the same period in 2016. Most of the decrease in the segment was the result of lower volume and gross profit in the commodity mining sector (\$17.4 million). Partially offsetting this decrease was a \$5.5 million increase in the contract mining sector due to higher volume and gross profit margin compared to 2016, which was adversely affected by the wildfires in Fort McMurray. The third quarter of 2017 also benefitted from lower equipment fleet maintenance costs compared to the same period last year. Operating profit from civil and foundations work also increased (\$0.8 million).

For the nine months ended September 30, 2017, operating profit in the Mining segment of \$11.5 million decreased by \$34.5 million compared to operating profit of \$46.0 million in the same period in 2016. The decrease in operating profit followed the same pattern as the third quarter with lower operating profit recorded in the commodity mining sector (\$39.3 million), and increases in contract mining (\$3.3 million) and civil and foundations projects (\$1.5 million).

Backlog as at September 30, 2017 of \$91 million was \$109 million lower than at the same time last year. Backlog decreased in the commodity mining (\$129 million) and contract mining (\$1 million) sectors, while backlog in civil and foundations increased over the prior year (\$21 million). New contract awards of \$92 million in the third

quarter of 2017, and \$271 million in the first nine months of 2017, were \$89 million and \$217 million lower, respectively, than the same periods in 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 |          | Nine months ended |          |
|--|--------------------|----------|-------------------|----------|
|  | September 30       |          | September 30      |          |
|  | 2017               | 2016     | 2017              | 2016     |
| Revenue  | \$ 32.7            | \$ 0.8   | \$ 106.6          | \$ 2.6   |
| Gross profit   | \$ 15.0            | \$ 0.2   | \$ 28.6           | \$ 0.4   |
| Income from projects accounted for using the equity method | \$ 1.5             | \$ 0.4   | \$ 3.5            | \$ 1.0   |
| Adjusted EBITDA  | \$ 18.6            | \$ 2.3   | \$ 37.8           | \$ 5.1   |
| Operating profit (loss)                                    | \$ 7.5             | \$ (0.1) | \$ 11.2           | \$ (1.5) |
| Backlog  |                    |          | \$ 16             | \$ -     |

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 \$33 million and \$107 million in the third quarter and nine months ended September 30, 2017, respectively, was \$32 million and \$104 million higher than the same periods in 2016. The higher revenue in both periods 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 for the third quarter and first nine months of 2017 was \$11 million and \$61 million, respectively, of construction revenue that was eliminated on consolidation as inter-segment revenue.

For the three and nine-month periods ended September 30, 2017, operating profit of \$7.5 million and \$11.2 million, respectively, increased by \$7.6 million and \$12.7 million compared to the same periods in 2016. The higher operating profit resulted from the Bermuda International Airport Redevelopment Project and LRT concession projects 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      |           |           |           | 2015<br>(see Note 1) |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------|
|  | Quarter 3 | Quarter 2 | Quarter 1 | Quarter 4 | Quarter 3 | Quarter 2 | Quarter 1 | Quarter 4            |
| <b>Revenue</b>                             | \$ 759.7  | \$ 686.2  | \$ 674.9  | \$ 845.1  | \$ 838.1  | \$ 839.3  | \$ 690.7  | \$ 874.3             |
| <b>Adjusted EBITDA</b>                     | 58.7      | 33.0      | 6.9       | 64.7      | 60.0      | 29.4      | 4.2       | 57.3                 |
| <b>Earnings (loss) before income taxes</b> | 27.2      | (0.6)     | (22.3)    | 42.6      | 37.6      | 6.6       | (21.3)    | 78.9                 |
| <b>Profit (loss)</b>                       | 24.6      | 0.8       | (18.3)    | 29.1      | 27.4      | 7.1       | (16.8)    | 47.7                 |
| <b>Earnings (loss) per share:</b>          |           |           |           |           |           |           |           |                      |
| <b>Basic</b>                               | 0.42      | 0.01      | (0.32)    | 0.51      | 0.48      | 0.12      | (0.29)    | 0.84                 |
| <b>Diluted</b>                             | 0.37      | 0.01      | (0.32)    | 0.43      | 0.42      | 0.12      | (0.29)    | 0.68                 |

(1) The sale of Aecon's investment in the Quito airport concession in December 2015, has impacted Aecon's quarterly results for 2015 when compared to the same periods in other years.

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      |           |           |           | 2015      |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|   | Quarter 3 | Quarter 2 | Quarter 1 | Quarter 4 | Quarter 3 | Quarter 2 | Quarter 1 | Quarter 4 |
| <b>Operating profit (loss)</b>                                    | \$ 33.1   | \$ 5.3    | \$ (17.3) | \$ 47.9   | \$ 43.1   | \$ 12.3   | \$ (16.3) | \$ 85.6   |
| <b>Depreciation and amortization</b>                              | 24.5      | 24.4      | 20.6      | 16.3      | 14.3      | 14.4      | 19.0      | 17.0      |
| <b>(Gain) loss on sale of assets</b>                              | (1.5)     | 0.2       | 1.1       | (0.6)     | (0.5)     | (0.4)     | (0.3)     | (0.4)     |
| <b>Gain on sale of Quito airport concession investment</b>        | -         | -         | -         | -         | -         | -         | -         | (48.8)    |
| <b>Income from projects accounted for using the equity method</b> | (3.2)     | (2.1)     | (0.9)     | (8.1)     | (2.1)     | (1.9)     | (0.2)     | (3.1)     |
| <b>Equity Project EBITDA</b>                                      | 5.8       | 5.1       | 3.3       | 9.1       | 5.1       | 5.0       | 2.0       | 7.1       |
| <b>Adjusted EBITDA</b>  | \$ 58.7   | \$ 33.0   | \$ 6.9    | \$ 64.7   | \$ 60.0   | \$ 29.4   | \$ 4.2    | \$ 57.3   |

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

**\$ millions**

| Aecon's proportionate share of projects accounted for using the equity method (1) | 2017      |           |           | 2016      |           |           |           | 2015      |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|   | Quarter 3 | Quarter 2 | Quarter 1 | Quarter 4 | Quarter 3 | Quarter 2 | Quarter 1 | Quarter 4 |
| Operating profit  | \$ 5.7    | \$ 5.0    | \$ 3.2    | \$ 9.0    | \$ 5.0    | \$ 4.9    | \$ 1.9    | \$ 7.0    |
| Depreciation and amortization   | 0.1       | 0.1       | 0.1       | 0.1       | 0.1       | 0.1       | 0.1       | 0.1       |
| Equity Project EBITDA   | 5.8       | 5.1       | 3.3       | 9.1       | 5.1       | 5.0       | 2.0       | 7.1       |

(1) Refer to Note 11 "Projects Accounted for Using the Equity Method" in the 2017 interim condensed consolidated financial statements

## **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 11 to the September 30, 2017 interim condensed consolidated financial statements.

### **Cash and Debt Balances**

Cash balances at September 30, 2017 and December 31, 2016 are as follows:

| \$ millions                   | September 30, 2017                  |                  |                    |
|-------------------------------|-------------------------------------|------------------|--------------------|
|                               | Balances excluding Joint Operations | Joint Operations | Consolidated Total |
| Cash and cash equivalents (1) | \$ 22                               | \$ 276           | \$ 298             |
| Restricted cash (2)           | 273                                 | -                | 273                |
| Bank indebtedness (3)         | (145)                               | -                | (145)              |
|                               | 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 includes cash held by Bermuda Skyport Corporation Limited.

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

Total long-term recourse debt of \$302.7 million as at September 30, 2017 compares to \$302.8 million as at December 31, 2016, the composition of which is as follows:

| \$ millions                                  | <u>September 30, 2017</u> | <u>December 31, 2016</u> |
|--|---------------------------|--------------------------|
| Current portion of long-term debt - recourse | \$ 46.8                   | \$ 51.6                  |
| Long-term debt - recourse                    | 88.2                      | 86.4                     |
| Convertible debentures                       | 167.7                     | 164.8                    |
| <b>Total long-term debt</b>                  | <b>\$ 302.7</b>           | <b>\$ 302.8</b>          |
| <b>Long-term project debt - non-recourse</b> | <b>\$ 351.1</b>           | <b>\$ -</b>              |

The \$0.1 million net decrease in total long-term recourse debt results from a decrease in finance leases and equipment loans in the first nine months of 2017 of \$3.0 million, offset partly by an increase in convertible debentures of \$2.9 million related to the accretion of notional interest.

The \$351.1 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 the quarter, 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 credit facility of which \$288 million was unutilized as at September 30, 2017. When combined with an additional \$700 million letter of credit facility provided by Export Development Canada ("EDC"), Aecon's total credit facilities for working capital and letter of credit requirements total \$1,200 million. As at September 30, 2017, Aecon was in compliance with all debt covenants related to its revolving 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           |                 |
|--|-----------------------------------|-----------------|
|  | Nine months ended<br>September 30 |                 |
|  | 2017                              | 2016            |
| <b>Cash provided by (used in):</b>               |                                   |                 |
| Operating activities                             | \$ 19.2                           | \$ (66.5)       |
| Investing activities                             | (411.6)                           | (8.1)           |
| Financing activities                             | 460.1                             | (6.0)           |
| Increase (decrease) in cash and cash equivalents | 67.7                              | (80.5)          |
| Effects of foreign exchange on cash balances     | (1.5)                             | 0.1             |
| Cash and cash equivalents - beginning of period  | 231.9                             | 282.7           |
| <b>Cash and cash equivalents - end of period</b> | <b>\$ 298.1</b>                   | <b>\$ 202.3</b> |

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 rather 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 \$19 million in the first nine months of 2017 compares with cash used by operating activities of \$67 million in the same period in 2016. Most of the \$86 million period-over-period increase in cash provided by operating activities resulted from lower investments in working capital.

### **Investing Activities**

In the first nine months of 2017, investing activities resulted in cash used of \$412 million, which compares to cash used of \$8 million in the same period in 2016. Of the cash used in the first nine months of 2017, \$105 million represents expenditures made by Skyport related to the construction of the new airport terminal in Bermuda (i.e. increase in concession rights of \$105 million), and \$286 million represents an increase in restricted cash balances. This restricted cash reflects the increase in Skyport's cash balances during the period, but is cash that cannot be accessed by Aecon other than to finance the Bermuda International Airport Redevelopment Project. In addition, \$19 million of cash was used for expenditures (net of disposals) on property, plant and equipment and intangible assets in the first nine months of 2017 compared to \$17 million of cash used for such expenditures in the first nine months of 2016. Also, cash advances to projects accounted for using the equity method of \$0.3 million compare to cash distributions of \$9 million in the first nine months of 2016.

In the first nine months of 2017 Aecon acquired, either through purchase or finance leases, property, plant and equipment totalling \$50 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 the first nine months of 2016 investments in property, plant and equipment totalled \$34 million.

## **Financing Activities**

In the first nine months of 2017, cash provided by financing activities amounted to \$460 million, compared to cash used in financing activities of \$6 million in the same period in 2016. The higher cash provided in the first nine months of 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 \$9 million of other long-term debt borrowings, while repayments of debt totalled \$42 million, for a net inflow of \$341 million. The majority of the net debt repayment related to equipment financing arrangements. In the first nine months of 2016, net debt repayments totalled \$30 million, relating primarily to equipment financing arrangements. In addition, in the first nine months of 2017, an increase in bank indebtedness associated with borrowings under the Company's revolving credit facility totalled \$138 million compared to \$40 million during the same period in 2016. Dividends of \$21 million were paid in the first nine months of 2017, compared to \$19 million in the same period in 2016. There was also \$2 million of cash provided by the exercise of stock options in the first nine months of 2017 compared to \$1 million of cash provided during the same period in 2016.

## **NEW ACCOUNTING STANDARDS**

New accounting standards impacting the Company in 2017 and beyond are described in Note 6 to the September 30, 2017 interim condensed consolidated financial statements.

These new accounting standards had no significant impact on profit (loss), comprehensive income or earnings per share in the first nine months of 2017.

## **SUPPLEMENTAL DISCLOSURES**

### **Disclosure Controls and Procedures**

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

### **Changes in Internal Controls over Financial Reporting**

There have been no changes in the Company's internal controls over financial reporting during the period beginning on July 1, 2017 and ended on September 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## **Contractual Obligations**

At December 31, 2016, the Company had commitments totaling \$362 million for equipment and premises under operating leases requiring minimum payments, and for principal repayment obligations under long-term debt and convertible debentures. There have been no material changes to these amounts since December 31, 2016.

At September 30, 2017, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was \$4,319 million.

Further details on Contractual Obligations are included in the Company's 2016 Annual Report.

## **Off-Balance Sheet Arrangements**

Aecon's defined benefit pension plans had a combined deficit of \$2.9 million at September 30, 2017 (December 31, 2016 - \$2.6 million). The defined benefit obligations and benefit cost levels will change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future experience gains or losses, none of which have been anticipated at this time. Emerging experience, differing from assumptions, will result in gains or losses that will be disclosed in future accounting valuations. Refer to the Company's 2016 Annual Report for further details regarding Aecon's defined benefit plans.

Further details of contingencies and guarantees are included in the September 30, 2017 interim condensed consolidated financial statements and in the 2016 Annual Report.

## **Related Party Transactions**

There were no significant related party transactions in the first nine months of 2017.

## **Critical Accounting Estimates and Judgements**

The reader is referred to the detailed discussion on Critical Accounting Estimates as outlined in Note 4 to the September 30, 2017 interim condensed consolidated financial statements.

## **RISK FACTORS**

The reader is referred to the detailed discussion on Risk Factors as outlined in the Company's Annual Information Form dated March 27, 2017 and available through SEDAR at [www.sedar.com](http://www.sedar.com). These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. These risks and uncertainties and risk management practices, which management reviews on a quarterly basis, have not materially changed in the period since March 27, 2017.

## Outstanding Share Data

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

| <b>In thousands of dollars (except share amounts)</b>  | <b><u>October 25, 2017</u></b> |
|--|--------------------------------|
| Number of common shares outstanding  | 58,894,155                     |
| 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 18 to the September 30, 2017 interim condensed consolidated financial statements) | \$ 176,351                     |
| Number of common shares issuable on conversion of convertible debentures   | 8,625,000                      |
| Increase in paid-up capital on conversion of convertible debentures  | \$ 176,351                     |

## OUTLOOK

Aecon expects lower overall revenue in 2017 primarily based on lower revenue in the first nine months of the year in Mining and Infrastructure and an expectation of lower revenue in Mining in the fourth quarter when compared to 2016. This is offset by an expectation that Adjusted EBITDA margin improvement in 2017 will result in an overall improvement in Adjusted EBITDA in the year.

Infrastructure segment backlog at the end of the third quarter of 2017 was \$2,083 million compared to \$1,876 million at the same time last year. Increased infrastructure investment to address the significant infrastructure deficit in Canada is a key area of focus for federal, provincial, and municipal governments, and Aecon 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, which will drive growth in this segment in 2018 and beyond.

Backlog in the Energy segment was \$2,129 million at the end of the third quarter of 2017 compared to \$2,475 million at the same time last year. Revenue from Aecon's fabrication and modular assembly services will be lower in 2017 compared to the prior year due to decreased fabrication and field work opportunities in Western Canada. Aecon expects increased ongoing demand for gas distribution facilities, utilities work, pipelines, power, and nuclear refurbishment in 2017 and 2018 will offset lower oil related fabrication and modular assembly volume. 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.

Backlog in the Mining segment at the end of the third quarter of 2017 was \$91 million compared to \$200 million at the end of the third quarter of 2016, in large part due to the completion of a large potash process installation project. Commodity prices generally remain soft, which is reducing the number of new projects under construction. 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 late in 2017.

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 Public Private Partnership ("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 the fourth quarter of 2017 and through 2018 remains positive with areas of strength in Aecon's business expected to outweigh the impact of softness in certain 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.