

AECON GROUP INC.
THIRD QUARTER

**INTERIM CONDENSED
CONSOLIDATED
FINANCIAL
STATEMENTS**

September 30, 2017

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

TABLE OF CONTENTS

MANAGEMENT REPORT	2
CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF INCOME	4
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	5
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	8
1. CORPORATE INFORMATION	8
2. DATE OF AUTHORIZATION FOR ISSUE	8
3. BASIS OF PRESENTATION	8
4. CRITICAL ACCOUNTING ESTIMATES	9
5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	12
6. FUTURE ACCOUNTING CHANGES	13
7. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH	16
8. TRADE AND OTHER RECEIVABLES	16
9. UNBILLED REVENUE AND DEFERRED REVENUE	17
10. INVENTORIES	17
11. PROJECTS ACCOUNTED FOR USING THE EQUITY METHOD	18
12. PROPERTY, PLANT AND EQUIPMENT	20
13. INTANGIBLE ASSETS	21
14. BANK INDEBTEDNESS	22
15. TRADE AND OTHER PAYABLES	22
16. PROVISIONS	22
17. LONG-TERM DEBT AND NON RECOURSE PROJECT DEBT	23
18. CONVERTIBLE DEBENTURES	24
19. CONCESSION RELATED DEFERRED REVENUE	24
20. INCOME TAXES	25
21. EMPLOYEE BENEFIT PLANS	25
22. CONTINGENCIES	26
23. CAPITAL STOCK	26
24. EXPENSES	29
25. OTHER INCOME	29
26. FINANCE COSTS	30
27. EARNINGS PER SHARE	30
28. SUPPLEMENTARY CASH FLOW INFORMATION	31
29. FINANCIAL INSTRUMENTS	32
30. CAPITAL DISCLOSURES	34
31. OPERATING SEGMENTS	34

MANAGEMENT REPORT

October 25, 2017

Notice to Reader

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

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

(signed) John M. Beck, President and Chief Executive Officer

(signed) David Smales, Executive Vice-President and Chief Financial Officer

CONSOLIDATED BALANCE SHEETS

AS AT SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

(in thousands of Canadian dollars) (unaudited)

	Note	September 30 2017	December 31 2016
ASSETS			
Current assets			
Cash and cash equivalents	7	\$ 298,077	\$ 231,858
Restricted cash	7	273,398	-
Trade and other receivables	8	571,234	604,759
Unbilled revenue	9	721,088	492,848
Inventories	10	26,648	28,460
Income tax recoverable		6,105	19,275
Prepaid expenses		9,041	12,100
		1,905,591	1,389,300
Non-current assets			
Long-term financial assets		3,194	2,633
Projects accounted for using the equity method	11	35,041	27,618
Deferred income tax assets		34,882	23,908
Property, plant and equipment	12	450,446	450,368
Intangible assets	13	275,813	111,658
		799,376	616,185
TOTAL ASSETS		\$ 2,704,967	\$ 2,005,485
LIABILITIES			
Current liabilities			
Bank indebtedness	14	\$ 145,000	\$ 7,476
Trade and other payables	15	703,686	577,333
Provisions	16	12,654	20,530
Deferred revenue	9	185,998	201,408
Income taxes payable		7,255	6,449
Current portion of long-term debt	17	46,772	51,568
		1,101,365	864,764
Non-current liabilities			
Provisions	16	5,772	5,096
Non-recourse project debt	17	351,059	-
Long-term debt	17	88,230	86,403
Convertible debentures	18	167,677	164,778
Concession related deferred revenue	19	117,732	7,111
Deferred income tax liabilities		115,375	119,767
Other liabilities		4,647	3,967
		850,492	387,122
TOTAL LIABILITIES		1,951,857	1,251,886
EQUITY			
Capital stock	23	361,504	346,770
Convertible debentures	18	8,674	8,674
Contributed surplus		43,352	43,060
Retained earnings		342,301	357,218
Accumulated other comprehensive loss		(2,721)	(2,123)
TOTAL EQUITY		753,110	753,599
TOTAL LIABILITIES AND EQUITY		\$ 2,704,967	\$ 2,005,485

Contingencies (Note 22)

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

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

	Note	For the three months ended		For the nine months ended	
		September 30 2017	September 30 2016	September 30 2017	September 30 2016
Revenue		\$ 759,684	\$ 838,069	\$ 2,120,714	\$ 2,368,082
Direct costs and expenses	24	(660,396)	(742,039)	(1,898,810)	(2,157,185)
Gross profit		99,288	96,030	221,904	210,897
Marketing, general and administrative expenses	24	(46,445)	(42,451)	(140,173)	(132,073)
Depreciation and amortization	24	(24,506)	(14,308)	(69,579)	(47,766)
Income from projects accounted for using the equity method	11	3,220	2,115	6,200	4,282
Other income	25	1,538	1,755	2,782	3,841
Operating profit		33,095	43,141	21,134	39,181
Finance income		157	119	605	193
Finance costs	26	(6,012)	(5,615)	(17,357)	(16,490)
Profit before income taxes		27,240	37,645	4,382	22,884
Income tax recovery (expense)	20	(2,605)	(10,279)	2,714	(5,219)
Profit for the period		\$ 24,635	\$ 27,366	\$ 7,096	\$ 17,665
Basic earnings per share	27	\$ 0.42	\$ 0.48	\$ 0.12	\$ 0.31
Diluted earnings per share	27	\$ 0.37	\$ 0.42	\$ 0.11	\$ 0.29

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars) (unaudited)

	For the three months ended		For the nine months ended	
	September 30 2017	September 30 2016	September 30 2017	September 30 2016
Profit for the period	\$ 24,635	\$ 27,366	\$ 7,096	\$ 17,665
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences - foreign operations	(919)	(402)	(1,507)	(402)
Cash flow hedges - equity-accounted investees	2,021	(612)	1,237	(2,137)
Income taxes on the above	(536)	160	(328)	564
Total other comprehensive income (loss) for the period	566	(854)	(598)	(1,975)
Comprehensive income for the period	\$ 25,201	\$ 26,512	\$ 6,498	\$ 15,690

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

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

	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Shareholders' equity
					Currency translation differences	Actuarial gains and losses	Cash flow hedges	
Balance as at January 1, 2017	\$ 346,770	\$ 8,674	\$ 43,060	\$ 357,218	\$ (173)	\$ (720)	\$ (1,230)	\$ 753,599
Profit for the period	-	-	-	7,096	-	-	-	7,096
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	(1,507)	-	-	(1,507)
Cash flow hedges - equity-accounted investees	-	-	-	-	-	-	1,237	1,237
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	-	(328)	(328)
Total other comprehensive income (loss) for the period	-	-	-	-	(1,507)	-	909	(598)
Total comprehensive income (loss) for the period	-	-	-	7,096	(1,507)	-	909	6,498
Dividends declared	-	-	-	(22,013)	-	-	-	(22,013)
Common shares issued on exercise of options	2,610	-	(698)	-	-	-	-	1,912
Stock-based compensation	-	-	13,114	-	-	-	-	13,114
Shares issued to settle LTIP/Director DSU obligations	12,124	-	(12,124)	-	-	-	-	-
Balance as at September 30, 2017	\$ 361,504	\$ 8,674	\$ 43,352	\$ 342,301	\$ (1,680)	\$ (720)	\$ (321)	\$ 753,110

	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Shareholders' equity
					Currency translation differences	Actuarial gains and losses	Cash flow hedges	
Balance as at January 1, 2016	\$ 332,275	\$ 8,674	\$ 41,546	\$ 336,910	\$ 249	\$ (328)	\$ (1,274)	\$ 718,052
Profit for the period	-	-	-	17,665	-	-	-	17,665
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	(402)	-	-	(402)
Cash flow hedges - equity-accounted investees	-	-	-	-	-	-	(2,137)	(2,137)
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	-	564	564
Total other comprehensive loss for the period	-	-	-	-	(402)	-	(1,573)	(1,975)
Total comprehensive income (loss) for the period	-	-	-	17,665	(402)	-	(1,573)	15,690
Dividends declared	-	-	-	(19,779)	-	-	-	(19,779)
Common shares issued on exercise of options	1,491	-	(390)	-	-	-	-	1,101
Other LTIP settlements	-	-	(856)	-	-	-	-	(856)
Stock-based compensation	-	-	10,129	-	-	-	-	10,129
Shares issued to settle LTIP/Director DSU obligations	7,269	-	(7,269)	-	-	-	-	-
Balance as at September 30, 2016	\$ 341,035	\$ 8,674	\$ 43,160	\$ 334,796	\$ (153)	\$ (328)	\$ (2,847)	\$ 724,337

During the nine months ended September 30, 2017, the Company declared dividends amounting to \$0.375 per share (September 30, 2016 - \$0.345 per share).

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(in thousands of Canadian dollars) (unaudited)

	Note	September 30 2017	September 30 2016
CASH PROVIDED BY (USED IN)			
Operating activities			
Loss before income taxes		\$ 4,382	\$ 22,884
Income taxes paid		(4,716)	(2,065)
Defined benefit pension		147	422
Items not affecting cash:			
Depreciation and amortization		69,579	47,766
Income from projects accounted for using the equity method		(6,200)	(4,282)
Gain on sale of assets		(1,197)	(1,224)
Income from leasehold inducements		(520)	(277)
Unrealized foreign exchange gain (loss)		(1,111)	53
Increase in provisions		13,128	3,525
Notional interest representing accretion		3,190	3,366
Other LTIP settlements		-	(856)
Stock-based compensation		13,114	10,129
Change in other balances relating to operations	28	(70,594)	(145,914)
		19,202	(66,473)
Investing activities			
Increase in restricted cash balances		(286,279)	-
Purchase of property, plant and equipment		(23,681)	(21,818)
Proceeds on sale of property, plant and equipment		6,297	6,252
Investment in concession rights		(104,819)	-
Increase in intangible assets		(1,977)	(1,847)
Increase in long-term financial assets		(852)	(127)
Distributions from (advances to) projects accounted for using the equity method		(314)	9,456
		(411,625)	(8,084)
Financing activities			
Increase in bank indebtedness		137,524	40,000
Issuance of long-term debt		8,767	12,718
Issuance of non-recourse long-term debt		374,407	-
Repayments of long-term debt		(42,272)	(42,360)
Increase in other liabilities		1,066	1,428
Issuance of capital stock		1,912	1,101
Dividends paid		(21,305)	(18,873)
		460,099	(5,986)
Increase (decrease) in cash and cash equivalents during the period		67,676	(80,543)
Effects of foreign exchange on cash balances		(1,457)	89
Cash and cash equivalents - beginning of period		231,858	282,732
Cash and cash equivalents - end of period	7	\$ 298,077	\$ 202,278

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

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

1. CORPORATE INFORMATION

Aecon Group Inc. (“Aecon” or the “Company”) is a publicly traded construction and infrastructure development company incorporated in Canada. Aecon and its subsidiaries provide services to private and public sector clients throughout Canada and on a selected basis internationally. Its registered office is located in Toronto, Ontario at 20 Carlson Court, Suite 800, M9W 7K6.

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

2. DATE OF AUTHORIZATION FOR ISSUE

The interim condensed consolidated financial statements of the Company were authorized for issue on October 25, 2017 by the Board of Directors of the Company.

3. BASIS OF PRESENTATION

Basis of presentation

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

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The interim condensed consolidated financial statements do not include all the information and disclosures required in the Company’s annual consolidated financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2016.

Seasonality

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

Basis of measurement

The interim condensed 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 interim condensed 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 interim condensed 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 interim condensed consolidated financial statements also include the Company’s investment in and share of the earnings of projects accounted for using the equity method.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

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

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*" in the Company's annual consolidated financial statements for the year ended December 31, 2016. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

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

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 29, "*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 20, "*Employee Benefit Plans,*" in the Company's annual consolidated financial statements for the year ended December 31, 2016, 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

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

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 13, "*Intangible Assets*", in the Company's annual consolidated financial statements for the year ended December 31, 2016, for further details regarding goodwill as well as the impact on the financial results of a change in the assumptions used in the impairment assessment calculations.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

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

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 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

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

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 Note 5.1 in the Company's annual consolidated financial statements for the year ended December 31, 2016).

(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 Note 5.1 in the Company's annual consolidated financial statements for the year ended December 31, 2016).

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

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

6. FUTURE ACCOUNTING CHANGES

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, the Standard 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 implementation of IFRS 15 and assess the impacts on the Company's business processes, systems and controls. Initially a qualitative assessment was made of the new standard, analyzing the standard's 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

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

Based on the results of our procedures to-date, the Company does not anticipate a material difference in the measurement of revenue or operating profit as a result of adopting the new standard. The Company continues to closely monitor industry specific interpretative issues and International Accounting Standards Board (“IASB”) activity related to the new standard as it finalizes its conclusions. The Company expects to have certain reclassifications in the Consolidated Balance Sheets as well as additional disclosures related to revenue in the Consolidated Financial Statements. The Company is currently assessing these potential presentation and disclosure impacts.

In addition, the Company is in the process of identifying and implementing appropriate changes to business processes, systems and internal controls to support recognition and disclosure under the new standard. In the coming months, the Company will be drafting a detailed accounting policy to support ongoing compliance with IFRS 15.

Any potential 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. Further updates will be provided as the Company advances its assessment.

The Company may apply the new standard either retrospectively to each prior reporting period, using the practical expedients available, or retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company is currently evaluating which transition method to use.

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 its preliminary analysis, 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 its preliminary analysis, 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 its preliminary analysis, the Company does not expect any material impact from its current practice given the limited number of designated hedges in place but is working to update existing documentation to ensure alignment with IFRS 9 hedging requirements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

IFRS 16, Leases

IFRS 16 was issued in January 2016 and 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

7. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

	September 30 2017	December 31 2016
Cash balances excluding joint operations	\$ 21,800	\$ -
Cash balances of joint operations	276,277	231,858
	\$ 298,077	\$ 231,858
Restricted cash	\$ 273,398	\$ -
	\$ 273,398	\$ -

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.

8. TRADE AND OTHER RECEIVABLES

	September 30 2017	December 31 2016
Trade receivables	\$ 364,726	\$ 379,275
Allowance for doubtful accounts	(879)	(1,645)
	363,847	377,630
Holdbacks receivable	193,228	193,913
Other	14,159	33,216
	207,387	227,129
Total	\$ 571,234	\$ 604,759
Amounts receivable beyond one year	\$ 48,648	\$ 34,495

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

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

	September 30 2017	December 31 2016
Balance - beginning of period	\$ (1,645)	\$ (1,840)
Additional amounts provided for during period	(411)	(573)
Amounts recovered	1,177	768
Balance - end of period	\$ (879)	\$ (1,645)

9. 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:

	September 30 2017	December 31 2016
Earned revenue on projects to date	\$ 9,459,059	\$ 7,769,624
Less: Billings on projects to date	8,923,969	7,478,184
Net consolidated balance sheet position	\$ 535,090	\$ 291,440
Reported as:		
Unbilled revenue	\$ 721,088	\$ 492,848
Deferred revenue	(185,998)	(201,408)
	\$ 535,090	\$ 291,440

10. INVENTORIES

	September 30 2017	December 31 2016
Raw materials and supplies	\$ 12,037	\$ 12,129
Finished goods	14,611	16,331
	\$ 26,648	\$ 28,460

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

11. PROJECTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

	September 30, 2017			December 31, 2016		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Cash and cash equivalents	\$ 23,189	\$ 6,077	\$ 29,266	\$ 3,882	\$ 8,326	\$ 12,208
Other current assets	51,872	3,403	55,275	33,015	4,030	37,045
Total current assets	75,061	9,480	84,541	36,897	12,356	49,253
Non-current assets	291,076	-	291,076	271,168	-	271,168
Total assets	366,137	9,480	375,617	308,065	12,356	320,421
Trade and other payables and provisions	55,314	2,984	58,298	77,029	4,037	81,066
Total current liabilities	55,314	2,984	58,298	77,029	4,037	81,066
Non-current financial liabilities	281,490	-	281,490	210,948	-	210,948
Other non-current liabilities	788	-	788	789	-	789
Total non-current liabilities	282,278	-	282,278	211,737	-	211,737
Total liabilities	337,592	2,984	340,576	288,766	4,037	292,803
Net assets	\$ 28,545	\$ 6,496	\$ 35,041	\$ 19,299	\$ 8,319	\$ 27,618

	For the three months ended					
	September 30, 2017			September 30, 2016		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Revenue	\$ 80,649	\$ 486	\$ 81,135	\$ 42,538	\$ 7,084	\$ 49,622
Depreciation and amortization	(114)	-	(114)	(110)	-	(110)
Other costs	(74,871)	(392)	(75,263)	(38,455)	(6,037)	(44,492)
Operating profit	5,664	94	5,758	3,973	1,047	5,020
Finance costs	(2,538)	-	(2,538)	(2,193)	-	(2,193)
Income tax expense	-	-	-	(431)	(281)	(712)
Profit for the period	3,126	94	3,220	1,349	766	2,115
Other comprehensive income (loss)	1,485	-	1,485	(452)	-	(452)
Total comprehensive income	\$ 4,611	\$ 94	\$ 4,705	\$ 897	\$ 766	\$ 1,663

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

	For the nine months ended					
	September 30, 2017			September 30, 2016		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Revenue	\$ 197,541	\$ 4,650	\$ 202,191	\$ 127,718	\$ 17,084	\$ 144,802
Depreciation and amortization	(334)	-	(334)	(314)	-	(314)
Other costs	(184,217)	(3,698)	(187,915)	(118,176)	(14,481)	(132,657)
Operating profit	12,990	952	13,942	9,228	2,603	11,831
Finance costs	(7,812)	-	(7,812)	(6,157)	-	(6,157)
Income tax (expense) recovery	70	-	70	(692)	(700)	(1,392)
Profit for the period	5,248	952	6,200	2,379	1,903	4,282
Other comprehensive income (loss)	909	-	909	(1,573)	-	(1,573)
Total comprehensive income	\$ 6,157	\$ 952	\$ 7,109	\$ 806	\$ 1,903	\$ 2,709

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

	For the nine months ended		For the year ended	
	September 30 2017		December 31 2016	
Projects accounted for using the equity method - as at beginning of period	\$ 27,618	\$	25,631	\$
Share of profit for the period	6,200		12,401	
Share of other comprehensive income (loss) for the period	909		(44)	
Advances to (distributions from) projects accounted for using the equity method	314		(10,370)	
Projects accounted for using the equity method - as at end of period	\$ 35,041	\$	27,618	\$

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

Name	Joint Venture or Associate	Years included
Yellowline Asphalt Products Ltd.	Joint Venture	2017, 2016
Lower Mattagami Project	Associate	2017, 2016
Waterloo LRT Concessionaire	Joint Venture	2017, 2016
Eglinton Crosstown LRT Concessionaire	Joint Venture	2017, 2016
New Post Creek Project	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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

12. 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	-	5,504	409	29,205	602	7,121	7,298	50,139
Disposals	(409)	-	-	(9,680)	(10)	(5,009)	(3,705)	(18,813)
Balance as at September 30, 2017	\$ 33,480	\$ 95,515	\$ 54,011	\$ 284,952	\$ 31,888	\$ 68,188	\$ 271,050	\$ 839,084
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	-	4,141	1,016	17,125	2,613	6,155	13,908	44,958
Disposals	-	-	-	(6,146)	(10)	(4,806)	(2,748)	(13,710)
Balance as at September 30, 2017	\$ -	\$ 45,875	\$ 17,903	\$ 152,902	\$ 26,585	\$ 47,323	\$ 98,050	\$ 388,638
Net book value as at September 30, 2017	\$ 33,480	\$ 49,640	\$ 36,108	\$ 132,050	\$ 5,303	\$ 20,865	\$ 173,000	\$ 450,446
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 September 30, 2017	\$ -	\$ -	\$ 75	\$ 53,123	\$ 4	\$ 17,549	\$ 13,481	\$ 84,232

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

13. 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	197,811	-	1,977	199,788
Foreign currency translation adjustments	(11,848)	-	-	(11,848)
Balance as at September 30, 2017	\$ 185,963	\$ 49,373	\$ 85,944	\$ 321,280
Accumulated amortization and impairment				
Balance as at January 1, 2017	-	-	21,682	21,682
Amortization	18,585	-	6,036	24,621
Foreign currency translation adjustments	(836)	-	-	(836)
Balance as at September 30, 2017	\$ 17,749	\$ -	\$ 27,718	\$ 45,467
Net book value as at September 30, 2017	\$ 168,214	\$ 49,373	\$ 58,226	\$ 275,813
Net book value as at January 1, 2017	\$ -	\$ 49,373	\$ 62,285	\$ 111,658

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

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 Airport 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 \$92,992 (US\$69,871) at the date of financial close in 2017. As at September 30, 2017, this concession right had a remaining carrying amount of \$69,450. 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.

As at September 30, 2017, the concession right for the New Airport Terminal, representing the costs to construct the New Airport Terminal, had a carrying amount of \$98,764. Amortization of this concession right will commence after construction of the new airport terminal is completed.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

14. BANK INDEBTEDNESS

The Company maintains a committed revolving credit facility of \$500,000 (December 31, 2016 - \$400,000). Bank indebtedness as at September 30, 2017 of \$145,000 (December 31, 2016 - \$7,476) represents borrowings on the Company's revolving credit facility. Letters of credit amounting to \$67,073 were also issued against the credit facility as at September 30, 2017 (December 31, 2016 - \$71,708). Cash drawings under the facility bear interest rates between prime and prime plus 1.2% per annum. Letters of credit reduce the amount available-for-use under the facility.

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 \$258,570 was utilized as at September 30, 2017 (December 31, 2016 - \$227,532).

15. TRADE AND OTHER PAYABLES

	September 30 2017	December 31 2016
Trade payables and accrued liabilities	\$ 619,281	\$ 494,833
Holdbacks payable	84,405	82,500
	\$ 703,686	\$ 577,333
Amounts payable beyond one year	\$ 2,064	\$ 2,064

16. PROVISIONS

	Contract related obligations	Asset decommissioning costs	Tax assessments	Other	Total
Balance as at January 1, 2017	\$ 4,208	\$ 3,720	\$ 12,169	\$ 5,529	\$ 25,626
Additions made	3,614	326	1,474	9,284	14,698
Amounts used	(3,702)	(194)	(5,000)	(10,769)	(19,665)
Unused amounts reversed	(95)	-	(2,187)	-	(2,282)
Other changes	(15)	78	-	(14)	49
Balance as at September 30, 2017	\$ 4,010	\$ 3,930	\$ 6,456	\$ 4,030	\$ 18,426
Reported as:					
Current	\$ 2,787	\$ -	\$ 6,456	\$ 3,411	\$ 12,654
Non-current	1,223	3,930	-	619	5,772
	\$ 4,010	\$ 3,930	\$ 6,456	\$ 4,030	\$ 18,426

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

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

	September 30 2017	December 31 2016
Long-term debt:		
Finance leases	\$ 68,417	\$ 59,480
Equipment and other loans	66,585	78,491
Total long-term debt	\$ 135,002	\$ 137,971
Reported as:		
Current liabilities:		
Current portion of long-term debt	\$ 46,772	\$ 51,568
Non-current liabilities:		
Long-term debt	88,230	86,403
	\$ 135,002	\$ 137,971

	September 30 2017	December 31 2016
Non-recourse project debt:		
Bermuda International Airport Redevelopment Project financing (a)	\$ 351,059	\$ -
Total non-recourse project debt	\$ 351,059	\$ -
Reported as:		
Non-current liabilities:		
Non-recourse project debt	\$ 351,059	\$ -
	\$ 351,059	\$ -

(a) Included in the Company's consolidated balance sheets as at September 30, 2017 is debt, net of transaction costs, of \$351,059 (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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

18. CONVERTIBLE DEBENTURES

Convertible subordinated debentures consist of:

	September 30 2017	December 31 2016
Debt component:		
Debenture maturing on December 31, 2018	\$ 167,677	\$ 164,778
Total convertible debentures	\$ 167,677	\$ 164,778
Reported as:		
Non-current liabilities:		
Convertible debentures	167,677	164,778
	\$ 167,677	\$ 164,778
	September 30 2017	December 31 2016
Equity component:		
Debenture maturing on December 31, 2018	\$ 8,674	\$ 8,674

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.

	For the three months ended		For the nine months ended	
	September 30 2017	September 30 2016	September 30 2017	September 30 2016
Interest expense on face value	\$ (2,372)	\$ (2,372)	\$ (7,116)	\$ (7,116)
Notional interest representing accretion	(972)	(950)	(2,899)	(2,832)
	\$ (3,344)	\$ (3,322)	\$ (10,015)	\$ (9,948)

19. CONCESSION RELATED DEFERRED REVENUE

As part of acquiring, in 2017, the rights to operate the Existing Bermuda Airport (see Note 13), \$87,199 is included in concession related deferred revenue at September 30, 2017. Concession related deferred revenue represents the estimated value of the "inducement" received by Skyport to develop, finance and operate the New Airport Terminal.

Concession related deferred revenue also includes \$24,537 received in 2017 as development funds related to the Bermuda International Airport Redevelopment Project.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

20. INCOME TAXES

	For the nine months ended	
	September 30 2017	September 30 2016
Profit before income taxes	\$ 4,382	\$ 22,884
Statutory income tax rate	26.75%	26.75%
Expected income tax expense	(1,172)	(6,122)
Effect on income taxes of:		
Projects accounted for using the equity method	340	1,145
Impact of change in enacted tax rates on deferred tax balances	(732)	-
Provincial and foreign rate differences	3,838	286
Non-deductible stock-based compensation expense	-	(2,519)
Other non-deductible expenses	(737)	(708)
Reversal of tax provision from prior year	1,177	1,950
Other tax credits	-	749
	3,886	903
Income tax recovery (expense)	\$ 2,714	\$ (5,219)

21. EMPLOYEE BENEFIT PLANS

Employee future benefit expenses for the period are as follows:

	For the three months ended		For the nine months ended	
	September 30 2017	September 30 2016	September 30 2017	September 30 2016
Defined benefit pension expense:				
Company sponsored pension plans	\$ 262	\$ 316	\$ 764	\$ 948
Defined contribution pension expense:				
Company sponsored pension plans	1,722	1,683	5,073	4,859
Multi-employer pension plans	19,410	26,546	55,727	81,002
Total employee future benefit expenses	\$ 21,394	\$ 28,545	\$ 61,564	\$ 86,809

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

22. 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 16, "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/or letters of credit outstanding:

	Project	September 30 2017
Letters of credit:		
In support of the Company's equity obligations	Bermuda International Airport Redevelopment Project	\$ 86,599
Financial and performance - issued in the normal course of business	Various	\$ 239,044

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 September 30, 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 \$4,906,211, 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.

23. CAPITAL STOCK

	For the nine months ended September 30, 2017		For the year ended December 31, 2016	
	Number	Amount	Number	Amount
Number of common shares outstanding - beginning of period	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
Equity settled shares	881,138	12,124	945,660	13,004
Number of common shares outstanding - end of period	58,894,155	\$ 361,504	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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

For the three and nine months ended September 30, 2017, the Company recorded LTIP compensation charges of \$3,300 (2016 - \$3,181) and \$12,183 (2016 - \$9,488), respectively.

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 nine months ended September 30, 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 period	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 period	120,000	11.92	270,000	12.38
Options exercisable - end of period	120,000	\$ 11.92	270,000	\$ 12.38

Share options outstanding as at September 30, 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

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 three and nine months ended September 30, 2017, the Company recorded Director DSU compensation charges of \$117 (2016 - \$14) and \$931 (2016 - \$641), respectively.

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

	For the nine months ended September 30, 2017		For the nine months ended September 30, 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 period	3,399,388	\$ 11.93	156,786	\$ 13.83
Granted	774,626	15.88	55,021	15.79
Dividend equivalent rights	80,157	12.51	4,341	14.23
Settled	(881,138)	11.87	-	-
Forfeited	(90,630)	14.18	-	-
Balance outstanding - end of period	3,282,403	\$ 12.83	216,148	\$ 14.33

Amounts included in contributed surplus in the consolidated balance sheets as at September 30, 2017 in respect of LTIP and Director DSUs were \$36,166 (December 31, 2016 - \$36,107) and \$3,098 (December 31, 2016 - \$2,168), respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

24. EXPENSES

	For the three months ended		For the nine months ended	
	September 30 2017	September 30 2016	September 30 2017	September 30 2016
Personnel	\$ 259,881	\$ 282,623	\$ 799,633	\$ 984,244
Subcontractors	211,903	282,625	660,302	740,301
Materials	184,443	161,110	437,861	418,142
Equipment costs	43,762	54,254	122,685	130,299
Depreciation of property, plant and equipment and amortization of intangible assets	24,506	14,308	69,579	47,766
Other expenses	6,852	3,878	18,502	16,272
Total expenses	\$ 731,347	\$ 798,798	\$ 2,108,562	\$ 2,337,024

Reported as:

	For the three months ended		For the nine months ended	
	September 30 2017	September 30 2016	September 30 2017	September 30 2016
Direct costs and expenses	\$ 660,396	\$ 742,039	\$ 1,898,810	\$ 2,157,185
Marketing, general and administrative expenses	46,445	42,451	140,173	132,073
Depreciation and amortization	24,506	14,308	69,579	47,766
Total expenses	\$ 731,347	\$ 798,798	\$ 2,108,562	\$ 2,337,024

25. OTHER INCOME

	For the three months ended		For the nine months ended	
	September 30 2017	September 30 2016	September 30 2017	September 30 2016
Foreign exchange gain	\$ 2	\$ 1,298	\$ 2,542	\$ 2,618
Gain on sale of property, plant and equipment	1,532	457	1,197	1,223
Gain (loss) on other assets	4	-	(957)	-
Total other income	\$ 1,538	\$ 1,755	\$ 2,782	\$ 3,841

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

26. FINANCE COSTS

	For the three months ended		For the nine months ended	
	September 30 2017	September 30 2016	September 30 2017	September 30 2016
Interest on long-term debt and debentures	\$ 4,090	\$ 4,007	\$ 12,511	\$ 11,758
Interest on finance leases	418	849	1,341	2,760
Interest on short-term debt	1,492	697	3,403	1,837
Notional interest on provisions	12	62	102	135
Total finance costs	\$ 6,012	\$ 5,615	\$ 17,357	\$ 16,490

27. EARNINGS PER SHARE

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

	For the three months ended		For the nine months ended	
	September 30 2017	September 30 2016	September 30 2017	September 30 2016
Profit attributable to shareholders	\$ 24,635	\$ 27,366	\$ 7,096	\$ 17,665
Interest on convertible debentures, net of tax ⁽¹⁾	2,449	2,441	7,336	7,312
Diluted net earnings	\$ 27,084	\$ 29,807	\$ 14,432	\$ 24,977
Average number of common shares outstanding	58,789,876	57,431,995	58,394,737	57,254,576
Effect of dilutive securities: ⁽¹⁾				
Options	33,347	87,764	31,737	68,367
Convertible debentures ⁽¹⁾	10,999,973	9,901,326	11,204,364	10,955,194
Long-term incentive plan	3,498,551	4,000,186	3,498,551	4,000,186
Weighted average number of diluted common shares outstanding	73,321,747	71,421,271	73,129,389	72,278,323
Basic earnings per share	\$ 0.42	\$ 0.48	\$ 0.12	\$ 0.31
Diluted earnings per share ⁽¹⁾	\$ 0.37	\$ 0.42	\$ 0.11	\$ 0.29

⁽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 per share.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

28. SUPPLEMENTARY CASH FLOW INFORMATION

Change in other balances relating to operations

	For the nine months ended	
	September 30 2017	September 30 2016
Decrease (increase) in:		
Trade and other receivables	\$ 32,311	\$ (99,970)
Unbilled revenue	(228,348)	(116,839)
Inventories	1,812	312
Prepaid expenses	2,968	3,140
Increase (decrease) in:		
Trade and other payables	126,387	70,993
Provisions	(14,665)	(5,649)
Deferred revenue	(15,980)	2,099
Concession related deferred revenue	24,921	-
	\$ (70,594)	\$ (145,914)

Cash flows from interest

	For the nine months ended	
	September 30 2017	September 30 2016
Operating activities		
Cash interest paid	\$ (11,322)	\$ (10,889)
Cash interest received	605	193

	For the nine months ended	
	September 30 2017	September 30 2016
Non-cash transactions		
Property, plant and equipment acquired and financed by finance leases	\$ 26,458	\$ 12,092

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

29. 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 September 30, 2017, the Company had outstanding contracts to sell US\$700 (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 \$25 (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 September 30, 2017			
	Total	Level 1	Level 2	Level 3
Financial assets (liabilities) measured at fair value:				
Cash flow hedge	\$ (437)	\$ -	\$ (437)	\$ -
Financial assets (liabilities) disclosed at fair value:				
Long-term financial assets	3,194	-	3,194	-
Current portion of long-term debt	(49,925)	-	(49,925)	-
Long-term debt	(88,606)	-	(88,606)	-
Non-recourse project debt	(351,059)	-	(351,059)	-
Convertible debentures	(178,969)	(178,969)	-	-

During the nine-month period ended September 30, 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

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.

As at September 30, 2017, the Company had \$63,658 in trade receivables that were past due. Of this amount, \$56,480 was over 60 days past due, against which the Company has recorded an allowance for doubtful accounts of \$879.

Liquidity risk

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

Contractual maturities for financial liabilities as at September 30, 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	\$ -	\$ 145,000	\$ -	\$ 145,000	\$ -	\$ 145,000
Trade and other payables	\$ 701,622	\$ 2,064	\$ -	\$ 703,686	\$ -	\$ 703,686
Finance leases Equipment and other loans	\$ 24,698 26,524 51,222	\$ 44,909 44,055 88,964	\$ 5,859 4,434 10,293	\$ 75,466 75,013 150,479	\$ (7,049) (8,428) (15,477)	\$ 68,417 66,585 135,002
Non-recourse project debt	20,985	86,823	629,406	737,214	(386,155)	351,059
Convertible debentures	9,488	179,615	-	189,103	(21,426)	167,677
Long-term financial liabilities	\$ 81,695	\$ 355,402	\$ 639,699	\$ 1,076,796	\$ (423,058)	\$ 653,738

Interest rate risk

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

For the nine months ended September 30, 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.

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 September 30, 2017 to profit or loss for currency exposures would be \$2,817. The sensitivity analysis includes foreign currency denominated monetary items but excludes all investments in joint ventures and hedges and adjusts their translation at year-end for the above 10% change in foreign currency rates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

30. CAPITAL DISCLOSURES

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

Although the Company monitors capital on a number of bases, including liquidity and working capital, total debt (excluding non-recourse debt and drawings on the Company's credit facility presented as bank indebtedness) as a percentage of total capitalization (debt to capitalization percentage) is considered to be the most important metric in measuring the strength and flexibility of its consolidated balance sheets. As at September 30, 2017, the debt to capitalization percentage including convertible debentures as debt was 29% (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 September 30, 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 September 30, 2017, the Company complied with all of its financial debt covenants.

31. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

For the three months ended September 30, 2017						
	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total
Statement of income						
External customer revenue	\$ 288,593	\$ 378,996	\$ 59,392	\$ 32,703	\$ -	\$ 759,684
Inter-segment revenue	20,835	369	4,724	-	(25,928)	-
Total revenue	309,428	379,365	64,116	32,703	(25,928)	759,684
Which includes:						
Construction revenue	309,428	379,365	64,116	-	(25,928)	726,981
Concession revenue	-	-	-	32,703	-	32,703
Expenses	\$ (294,214)	\$ (365,898)	\$ (57,881)	\$ (26,825)	\$ 13,471	\$ (731,347)
Which include:						
Depreciation and amortization	(5,254)	(5,714)	(4,956)	(8,569)	(13)	(24,506)
Other income (loss):						
Foreign exchange gain (loss)	\$ 271	\$ (112)	\$ 29	\$ 147	\$ (333)	\$ 2
Gain on sale of other assets	4	-	-	-	-	4
Gain on sale of property, plant and equipment	617	755	158	-	2	1,532
Income from projects accounted for using the equity method	\$ 1,723	\$ -	\$ -	\$ 1,497	\$ -	\$ 3,220
Operating profit (loss)	\$ 17,829	\$ 14,110	\$ 6,422	\$ 7,522	\$ (12,788)	\$ 33,095
Finance income (cost):						
Finance income						\$ 157
Finance cost						(6,012)
Profit before income taxes						\$ 27,240
Income tax expense						(2,605)
Profit for the period						\$ 24,635
Balance sheet						
Segment assets	\$ 762,666	\$ 834,570	\$ 420,176	\$ 576,576	\$ 110,979	\$ 2,704,967
Which include:						
Projects accounted for using the equity method	23,626	177	2,043	9,195	-	35,041
Segment liabilities	\$ 516,787	\$ 364,328	\$ 171,187	\$ 483,982	\$ 415,573	\$ 1,951,857
Additions to non-current assets:						
Property, plant and equipment	\$ 7,943	\$ 10,308	\$ 1,825	\$ 1,699	\$ 2	\$ 21,777
Intangible assets	\$ -	\$ -	\$ -	\$ 28,039	\$ 579	\$ 28,618

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

							For the nine months ended September 30, 2017	
	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total		
Consolidated Statements of Income								
External customer revenue	\$ 603,701	\$ 1,071,539	\$ 338,854	\$ 106,620	\$ -	\$ 2,120,714		
Inter-segment revenue	89,236	4,917	8,987	-	(103,140)	-		
Total revenue	692,937	1,076,456	347,841	106,620	(103,140)	2,120,714		
Which includes:								
Construction revenue	692,937	1,076,456	347,841	-	(103,140)	2,014,094		
Concession revenue	-	-	-	106,620	-	106,620		
Expenses	\$ (696,268)	\$ (1,046,565)	\$ (335,321)	\$ (99,115)	\$ 68,707	\$ (2,108,562)		
Which include:								
Depreciation and amortization	(15,013)	(16,404)	(19,276)	(18,717)	(169)	(69,579)		
Other income (loss):								
Foreign exchange gain (loss)	\$ 565	\$ 2,364	\$ 39	\$ 226	\$ (652)	\$ 2,542		
Gain (loss) on sale of other assets	38	(1,000)	5	-	-	(957)		
Gain (loss) on sale of property, plant and equipment	1,223	1,060	(1,090)	-	4	1,197		
Income from projects accounted for using the equity method	\$ 2,691	\$ -	\$ -	\$ 3,509	\$ -	\$ 6,200		
Operating profit (loss)	\$ 1,186	\$ 32,315	\$ 11,474	\$ 11,240	\$ (35,081)	\$ 21,134		
Finance income (cost):								
Finance income						\$ 605		
Finance costs						(17,357)		
Profit before income taxes						\$ 4,382		
Income tax recovery						2,714		
Profit for the year						\$ 7,096		
Consolidated Balance Sheets								
Additions to non-current assets:								
Property, plant and equipment	\$ 16,672	\$ 22,684	\$ 8,612	\$ 1,699	\$ 472	\$ 50,139		
Intangible assets	-	-	-	197,811	1,977	\$ 199,788		

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

							For the three months ended September 30, 2016	
	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total		
Statement of income								
External customer revenue	\$ 316,151	\$ 314,550	\$ 206,569	\$ 799	\$ -	\$ 838,069		
Inter-segment revenue	6,232	9,928	2,439	-	(18,599)	-		
Total revenue	322,383	324,478	209,008	799	(18,599)	838,069		
Which includes:								
Construction revenue	322,383	324,478	209,008	-	(18,599)	837,270		
Concession revenue	-	-	-	799	-	799		
Expenses	\$ (303,133)	\$ (312,527)	\$ (192,351)	\$ (1,311)	\$ 10,524	\$ (798,798)		
Which include:								
Depreciation and amortization	(4,917)	(5,145)	(3,978)	(37)	(231)	(14,308)		
Other income (loss):								
Foreign exchange gain (loss)	\$ (155)	\$ 728	\$ 580	\$ (15)	\$ 160	\$ 1,298		
Gain (loss) on sale of property, plant and equipment	77	106	274	-	-	457		
Income from projects accounted for using the equity method	\$ 1,674	\$ -	\$ -	\$ 441	\$ -	\$ 2,115		
Operating profit (loss)	\$ 20,846	\$ 12,785	\$ 17,511	\$ (86)	\$ (7,915)	\$ 43,141		
Finance income (cost):								
Finance income						\$ 119		
Finance cost						(5,615)		
Profit before income taxes						\$ 37,645		
Income tax expense						(10,279)		
Profit for the period						\$ 27,366		
	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total		
Balance sheet								
Segment assets	\$ 731,424	\$ 648,159	\$ 429,887	\$ 93,272	\$ 76,441	\$ 1,979,183		
Which include:								
Projects accounted for using the equity method	18,245	47	1,458	(866)	-	18,884		
Segment liabilities	\$ 507,039	\$ 254,636	\$ 201,119	\$ 10,136	\$ 281,916	\$ 1,254,846		
Additions to non-current assets:								
Property, plant and equipment	\$ 2,456	\$ 3,900	\$ 35	\$ -	\$ 2,238	\$ 8,629		
Intangible assets	\$ -	\$ -	\$ -	\$ -	\$ 760	\$ 760		

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

							For the nine months ended September 30, 2016
	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total	
Consolidated Statements of Income							
External customer revenue	\$ 737,980	\$ 972,602	\$ 661,586	\$ 2,556	\$ (6,642)	\$ 2,368,082	
Inter-segment revenue	8,015	10,682	3,664	-	(22,361)	-	
Total revenue	745,995	983,284	665,250	2,556	(29,003)	2,368,082	
Which includes:							
Construction revenue	745,995	983,284	665,250	-	(29,003)	2,365,526	
Concession revenue	-	-	-	2,556	-	2,556	
Expenses	\$ (745,534)	\$ (964,397)	\$ (618,360)	\$ (5,062)	\$ (3,671)	\$ (2,337,024)	
Which include:							
Depreciation and amortization	(14,783)	(15,997)	(17,492)	(125)	631	(47,766)	
Other income (loss):							
Foreign exchange gain (loss)	\$ 256	\$ 2,394	\$ (145)	\$ (65)	\$ 178	\$ 2,618	
Gain (loss) on sale of property, plant and equipment	1,380	630	(787)	-	-	1,223	
Income from projects accounted for using the equity method	\$ 3,244	\$ -	\$ -	\$ 1,038	\$ -	\$ 4,282	
Operating profit (loss)	\$ 5,341	\$ 21,911	\$ 45,958	\$ (1,533)	\$ (32,496)	\$ 39,181	
Finance income (cost):							
Finance income						\$ 193	
Finance costs						(16,490)	
Profit before income taxes						\$ 22,884	
Income tax expense						(5,219)	
Profit for the period						\$ 17,665	
Consolidated Balance Sheet							
Additions to non-current assets:							
Property, plant and equipment	\$ 12,423	\$ 10,127	\$ 7,383	\$ -	\$ 3,977	\$ 33,910	
Intangible assets	\$ -	\$ -	\$ -	\$ -	\$ 1,847	\$ 1,847	