Aecon Group Inc.

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

September 30, 2019

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, 2019 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, 2018. This MD&A has been prepared as of October 31, 2019. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and includes the Company's Annual Information Form and other securities and continuous disclosure filings.

Introduction

Commencing in 2019, Aecon's Infrastructure and Industrial segments were combined into a Construction segment to align with Aecon's new operating management structure. The progress Aecon has made in recent years with respect to the "One Aecon" strategy has increasingly allowed for integrated project management and systems, allowing Aecon to capitalize on those markets providing the greatest opportunity at any point in time. This trend is expected to continue going forward, seeing Aecon's services and resources becoming increasingly mobile between end markets. Aecon has migrated its overall management and operating structure to reflect this increasingly flexible model. Prior year comparative figures have been restated to conform to the presentation adopted in the current year.

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

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

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

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

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

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

FORWARD-LOOKING INFORMATION

The information in this Management's Discussion and Analysis includes certain forward-looking statements. Although these forward-looking statements are based on currently available competitive, financial and economic data and operating plans, they are subject to risks and uncertainties. In addition to events beyond Aecon's control, there are factors which could cause actual or future results, performance or achievements to differ materially from those expressed or inferred herein including risks associated with an investment in the common shares of Aecon and the risks related to Aecon's business, including, but not limited to, the timing of projects, unanticipated costs and expenses, general market and industry conditions and operational and reputational risks, including Large Project Risk and Contractual Factors.

Risk factors are discussed in greater detail in the section on "Risk Factors" included in the Company's Annual Information Form dated March 26, 2019 and available through SEDAR at www.sedar.com. Forward-looking statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, ongoing objectives, strategies and outlook for Aecon. Forward-looking statements may in some cases be identified by words such as "will", "plans", "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" or the negative of these terms, or similar expressions. Other important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause its results to differ materially from those expressed in any forward-looking statements. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Aecon undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

FINANCIAL REPORTING STANDARDS

The 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 projects accounted for using the equity method, foreign exchange, net financing expense, gain (loss) on sale of assets and investments, 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 2018 Annual Report available on the Company's website at www.aecon.com or through SEDAR at www.sedar.com.

CONSOLIDATED FINANCIAL HIGHLIGHTS

$ millions (except per share amounts)	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Revenue	$ **1,025.4**	$ **1,019.7**	$ **2,543.1**	$ **2,317.8**
Gross profit	120.6	125.1	263.7	251.5
Marketing, general and administrative expenses	(40.9)	(43.1)	(130.8)	(134.2)
Income from projects accounted for using the equity method	4.3	3.9	9.0	6.9
Other income (loss)	1.6	(0.3)	3.5	1.1
Depreciation and amortization	(26.8)	(29.5)	(69.2)	(78.6)
Operating profit	**58.8**	**56.2**	**76.1**	**46.8**
Financing expense, net	(5.6)	(5.2)	(14.7)	(15.5)
Profit before income taxes	**53.2**	**51.0**	**61.5**	**31.3**
Income tax expense	(11.1)	(9.0)	(8.8)	(0.1)
Profit	$ **42.1**	$ **42.0**	$ **52.7**	$ **31.1**
Gross profit margin	**11.8%**	**12.3%**	**10.4%**	**10.9%**
MG&A as a percent of revenue	**4.0%**	**4.2%**	**5.1%**	**5.8%**
Adjusted EBITDA	**91.1**	**89.5**	**160.3**	**134.6**
Adjusted EBITDA margin	**8.9%**	**8.8%**	**6.3%**	**5.8%**
Operating margin	**5.7%**	**5.5%**	**3.0%**	**2.0%**
Earnings per share - basic	$ **0.69**	$ **0.70**	$ **0.87**	$ **0.52**
Earnings per share - diluted	$ **0.60**	$ **0.60**	$ **0.81**	$ **0.49**
Backlog			$ **6,557**	$ **7,005**

Revenue for the three months ended September 30, 2019 of $1,025 million was $6 million, or 1%, higher compared to the same period in 2018, and revenue for the nine months ended September 30, 2019 of $2,543 million, was $225 million, or 10%, higher compared to the same period in 2018. Revenue for the three and nine months ended September 30, 2019 was higher in the Construction segment ($7 million and $229 million, respectively), driven by higher revenue in civil operations and urban transportation systems ($99 million and $350 million, respectively) and nuclear operations ($32 million and $121 million, respectively). This was partially offset by lower revenue in utilities ($41 million and $57 million, respectively) and conventional industrial operations ($83 million and $185 million, respectively). The decline in revenue in conventional industrial operations was primarily caused by the sale of Aecon's contract mining business in November 2018. Lower revenue in the third quarter in the Concessions segment ($9 million) was largely offset by inter-segment revenue eliminations that decreased by $8 million primarily due to revenue between the Concessions and Construction segments related to the Bermuda International Airport Redevelopment Project. In the nine months ended September 30, 2019, revenue was higher in the Concessions segment ($25 million), which was offset by inter-segment revenue eliminations that increased by $29 million.

Operating profit of $58.8 million for the three months ended September 30, 2019, improved by $2.6 million compared to an operating profit of $56.2 million in the same period in 2018 despite a decrease in gross profit of $4.5 million. In the Construction segment, the sale of the contract mining business in November 2018 resulted in a decrease in gross profit of $8.8 million in the current quarter compared to the same period in 2018. In the balance of the Construction segment, gross profit in the period increased by $4.2 million primarily from increased volume in civil operations and urban transportation systems. In the Concessions segment, gross profit decreased by $0.6 million, primarily due to lower revenue from operations related to the Bermuda International Airport Redevelopment Project.

Operating profit of $76.1 million for the nine months ended September 30, 2019, improved by $29.3 million compared to an operating profit of $46.8 million in the same period in 2018. Contributing to this higher operating profit was an increase in gross profit of $12.2 million. In the Construction segment, the sale of the contract mining business in November 2018 reduced gross profit by $21.0 million in the current nine-month period compared to the same period in 2018. In the balance of the Construction segment, gross profit in the period increased by $31.1 million for the same reasons cited in the third quarter commentary as well as higher gross profit margin in utilities operations. In the Concessions segment, gross profit increased by $1.4 million, primarily due to operations related to the Bermuda International Airport Redevelopment Project.

Marketing, general and administrative expenses (“MG&A”) decreased by $2.2 million and $3.4 million for the three and nine-month periods ended September 30, 2019, respectively, compared to the same periods in 2018. The decrease in MG&A in both periods resulted largely from a decrease in expenses incurred as a result of the subsequently discontinued sale process and proposed arrangement with CCCC International Holdings Limited ($0.9 million decrease in the third quarter of 2019 and $4.1 million decrease in the first nine months of 2019). MG&A as a percentage of revenue for the third quarter decreased from 4.2% in 2018 to 4.0% in 2019, and for the nine-month period decreased from 5.8% in 2018 to 5.1% in 2019.

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 $4.3 million in the third quarter of 2019 from projects accounted for using this method of accounting, compared to $3.9 million in the third quarter of 2018, and income of $9.0 million in the first nine months of 2019 compared to $6.9 million in the same period of 2018. The higher income in both the third quarter and first nine months of this year was driven by an increase in the Concessions segment primarily from light rail transit (“LRT”) projects in Ontario ($0.9 million and $3.0 million, respectively), which were partially offset by a decrease in the Construction segment ($0.5 million and $0.9 million, respectively).

Depreciation and amortization expense of $26.8 million and $69.2 million in the third quarter and nine months ended September 30, 2019, respectively, was $2.7 million and $9.4 million lower than the same periods in 2018. The decreases in both periods occurred primarily in the Construction segment ($4.5 million and $13.3 million, respectively) due to the sale of the contract mining business in November 2018. In the Concessions segment, higher amortization expense for the three and nine-month periods ended September 30, 2019 of $0.4 million and $2.8 million, respectively, compared to the same periods in 2018 related to the Bermuda International Airport Redevelopment Project. Corporate depreciation and amortization expense included in “Other & Eliminations” was also higher in the three and nine-month periods ended September 30, 2019 by $1.4 million and $1.1 million, respectively, compared to the same periods in 2018.

The sale of Aecon's contract mining business in November 2018 impacted Aecon's operating results for the three and nine months ended September 30, 2019 when compared to the same periods in 2018. A summary of these impacts is included below:

$ millions		Three months ended September 30			Nine months ended September 30		
		2019	2018	Change	**2019**	2018	Change
Revenue as reported	$	**1,025.4**	1,019.7	5.7	**2,543.1**	2,317.8	225.3
Exclude: Contract Mining revenue		**-**	64.5	(64.5)	**-**	167.5	(167.5)
Revenue excluding Contract Mining	$	**1,025.4**	955.2	70.2	**2,543.1**	2,150.3	392.8
Adjusted EBITDA as reported	$	**91.1**	89.5	1.6	**160.3**	134.6	25.7
Exclude: Contract Mining Adjusted EBITDA		**-**	7.3	(7.3)	**-**	16.2	(16.2)
Adjusted EBITDA excluding Contract Mining	$	**91.1**	82.2	8.9	**160.3**	118.4	41.9
Operating profit as reported	$	**58.8**	56.2	2.6	**76.1**	46.8	29.3
Exclude: Contract Mining operating loss		**-**	(1.0)	1.0	**-**	(8.0)	8.0
Operating profit excluding Contract Mining	$	**58.8**	57.2	1.6	**76.1**	54.8	21.3
Adjusted EBITDA margin as reported		**8.9%**	8.8%	0.1%	**6.3%**	5.8%	0.5%
Adjusted EBITDA margin excluding Contract Mining		**8.9%**	8.6%	0.3%	**6.3%**	5.5%	0.8%
Operating profit margin as reported		**5.7%**	5.5%	0.2%	**3.0%**	2.0%	1.0%
Operating profit margin excluding Contract Mining		**5.7%**	6.0%	(0.3)%	**3.0%**	2.5%	0.5%

Financing expenses, net of interest income, of $5.6 million in the third quarter of 2019, were $0.4 million higher than the same period in 2018, primarily from an increase in finance leases during the period. Financing expenses, net of interest income, of $14.7 million year-to-date in 2019 were $0.8 million lower than the same period in 2018, primarily from lower borrowings on Aecon's revolving credit facility during the period.

Set out in Note 20 of the September 30, 2019 interim condensed consolidated financial statements is a reconciliation between the expected income tax expense in the first nine months of 2019 and 2018 based on statutory income tax rates and the actual income tax expense reported for both these periods.

Reported backlog as at September 30, 2019 of $6,557 million compares to backlog of $7,005 million a year earlier. New contract awards of $827 million and $2,279 million were booked in the third quarter and year-to-date in 2019, respectively, compared to $1,581 million and $5,075 million, respectively, in the same periods in 2018.

Backlog $ millions	As at September 30			
		2019		2018
Construction	**$**	**6,507**	$	6,982
Concessions		**50**		23
Consolidated	**$**	**6,557**	$	7,005

Estimated backlog duration $ millions	As at September 30					
	2019			2018		
Next 12 months	**$**	**2,482**	**38%**	$	2,038	29%
Next 13-24 months		**1,758**	**27%**		1,375	20%
Beyond		**2,317**	**35%**		3,592	51%
	$	**6,557**	**100%**	$	7,005	100%

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

Reported backlog includes the revenue value of backlog that relates to projects that are accounted for using the equity method. The equity method reports a single amount (revenue less expenses) on Aecon's consolidated statement of income, and as a result the revenue component of backlog for these projects is not included in Aecon's reported revenue. As at September 30, 2019 reported backlog from projects that are accounted for using the equity method was $nil (September 30, 2018 - $nil).

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

REPORTING SEGMENTS

CONSTRUCTION

Financial Highlights

$ millions	Three months ended September 30				Nine months ended September 30			
	2019		2018		**2019**		2018	
Revenue	**$**	**1,000.4**	$	993.4	**$**	**2,485.2**	$	2,256.0
Gross profit	**$**	**103.1**	$	107.7	**$**	**222.1**	$	212.0
Adjusted EBITDA	**$**	**73.1**	$	76.5	**$**	**124.9**	$	114.4
Operating profit	**$**	**57.7**	$	56.2	**$**	**82.5**	$	57.3
Gross profit margin		**10.3%**		10.8%		**8.9%**		9.4%
Adjusted EBITDA margin		**7.3%**		7.7%		**5.0%**		5.1%
Operating margin		**5.8%**		5.7%		**3.3%**		2.5%
Backlog					**$**	**6,507**	$	6,982

Revenue in the Construction segment for the three months ended September 30, 2019 of $1,000 million was $7 million, or 1%, higher compared to the same period in 2018. Construction segment revenue was higher in civil operations and urban transportation systems by $99 million driven by increases in both eastern and western Canada and from transportation and major projects in both regions. Revenue was also higher from nuclear operations by $32 million related to refurbishment work in Ontario. These increases were partially offset by lower volume in conventional industrial ($83 million) primarily due to a decrease of $65 million following the sale of the contract mining business in November 2018, and utilities operations ($41 million) due to decreased activity on mainline pipeline projects in western Canada in the quarter.

Revenue in the Construction segment for the nine months ended September 30, 2019 of $2,485 million, was $229 million, or 10%, higher compared to the same period in 2018. Similar to the third quarter commentary, Construction segment revenue was higher in civil operations and urban transportation systems ($350 million) and nuclear operations ($121 million). These increases were partially offset by lower volume in conventional industrial ($185 million), due primarily to the impact of the sale of contract mining of $168 million, and utilities operations ($57 million) related to mainline pipeline work.

Operating profit in the Construction segment of $57.7 million in the three months ended September 30, 2019 improved by $1.5 million compared to an operating profit of $56.2 million in the same period in 2018, largely due to the operating profit improvement resulting from the sale of the contract mining business in November 2018 which contributed an operating loss of $1.0 million in the third quarter of 2018.

Operating profit in the Construction segment of $82.5 million in the nine months ended September 30, 2019 improved by $25.2 million compared to an operating profit of $57.3 million in the same period in 2018. Similar to the third quarter, part of the operating profit improvement resulted from the sale of the contract mining business which contributed an operating loss of $8.0 million in the first nine months of 2018. An improvement in operating profit from the balance of the Construction segment in the first nine months of 2019 of $17.2 million was due to a combination of higher revenue and improved gross profit margin from civil operations in western Canada, urban transportation systems and utilities operations.

Construction backlog at September 30, 2019 was $6,507 million, which is $475 million lower than the same time last year. Backlog decreased period-over-period in civil operations and urban transportation systems ($618 million) and in nuclear operations ($166 million), while backlog was higher in utilities operations ($299 million) and conventional industrial ($10 million). New contract awards totalled $798 million in the third quarter of 2019 and $2,208 million year-to-date, compared to $1,566 million and $5,033 million respectively, in the same periods last year. The decrease in new awards in the first nine months of 2019 is due mainly to large project awards for the Site C Generating Station and Spillways Civil Works, the Réseau express métropolitain Montreal LRT, the Finch West LRT, and the Gordie Howe International Bridge projects that were awarded in the first nine months of 2018.

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

CONCESSIONS

Financial Highlights

$ millions	Three months ended September 30				Nine months ended September 30			
		2019		2018		**2019**		2018
Revenue	$	**61.5**	$	70.8	$	**179.7**	$	154.7
Gross profit	$	**17.6**	$	18.2	$	**41.6**	$	40.2
Income from projects accounted for using the equity method	$	**2.9**	$	2.0	$	**7.7**	$	4.8
Adjusted EBITDA	$	**25.2**	$	23.0	$	**63.2**	$	52.2
Operating profit	$	**9.6**	$	10.0	$	**22.4**	$	21.4
Backlog					$	**50**		23

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

For the three months ended September 30, 2019, revenue in the Concessions segment of $62 million was lower by $9 million when compared to the same period in 2018. The lower revenue was primarily a result of the Bermuda International Airport Redevelopment Project and resulted from the impact of decreased construction activity related to the new terminal at the airport. For the nine months ended September 30, 2019, revenue in the Concessions segment of $180 million increased by $25 million when compared to the same period in 2018 primarily from an increase in construction activity in Bermuda. Included in Concessions' revenue for the three and nine-month periods ended September 30, 2019 was $36 million and $114 million, respectively, of construction revenue that was eliminated on consolidation as inter-segment revenue (2018 - $44 million and $92 million, respectively).

Operating profit in the Concessions segment of $9.6 million for the three months ended September 30, 2019 decreased by $0.4 million compared to the same period in 2018 due to an increase in MG&A related to pursuit and bid costs. Operating profit of $22.4 million for the nine months ended September 30, 2019, increased by $1.0 million compared to the same period in 2018 primarily due to higher management and development fees for Canadian concessions.

Except for Operations and Maintenance ("O&M") activities under contract for the next five years and that can be readily quantified, Aecon does not include in its reported backlog expected revenue from concession agreements. As such, while Aecon expects future revenue from its concession assets, no concession backlog, other than from such O&M activities for the next five years, is reported.

Quarterly Financial Data

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

$ millions (except per share amounts)

	2019			2018				2017
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Revenue	$ 1,025.4	$ 867.3	$ 650.3	$ 948.5	$ 1,019.7	$ 754.8	$ 543.3	$ 685.0
Adjusted EBITDA	91.1	57.3	11.9	72.4	89.5	41.4	3.7	58.0
Earnings (loss) before income taxes	53.2	23.2	(14.9)	35.7	51.0	7.4	(27.1)	26.5
Profit (loss)	42.1	20.4	(9.8)	27.9	42.0	8.4	(19.2)	21.1
Earnings (loss) per share:								
Basic	0.69	0.34	(0.16)	0.46	0.70	0.14	(0.32)	0.36
Diluted	0.60	0.31	(0.16)	0.41	0.60	0.13	(0.32)	0.33

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

	2019			2018				2017
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Operating profit (loss)	$ 58.8	$ 28.1	$ (10.8)	$ 42.6	$ 56.2	$ 12.8	$ (22.2)	$ 32.5
Depreciation and amortization	26.8	23.9	18.5	25.3	29.5	25.4	23.7	24.0
(Gain) loss on sale of assets	(0.7)	(1.1)	(0.5)	0.1	(0.2)	(0.1)	(0.3)	(1.5)
Income from projects accounted for using the equity method	(4.3)	(2.2)	(2.5)	(6.2)	(3.9)	(2.2)	(0.8)	(2.2)
Equity Project EBITDA	10.6	8.6	7.2	10.6	7.9	5.5	3.3	5.2
Adjusted EBITDA	$ 91.1	$ 57.3	$ 11.9	$ 72.4	$ 89.5	$ 41.4	$ 3.7	$ 58.0

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)	2019 Quarter 3	2019 Quarter 2	2019 Quarter 1	2018 Quarter 4	2018 Quarter 3	2018 Quarter 2	2018 Quarter 1	2017 Quarter 4
Operating profit	$ 10.4	$ 8.4	$ 7.1	$ 10.5	$ 7.8	$ 5.4	$ 3.2	$ 5.2
Depreciation and amortization	0.2	0.2	0.1	0.1	0.1	0.1	0.1	-
Equity Project EBITDA	10.6	8.6	7.2	10.6	7.9	5.5	3.3	5.2

(1) Refer to Note 11 "Projects Accounted for Using the Equity Method" in the September 30, 2019 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, 2019 interim condensed consolidated financial statements.

During the second quarter of 2018, the Company filed a statement of claim in the Court of Queen's Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking $180 million in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately $14 million in damages. The Company has recorded $135 million of unbilled revenue and accounts receivable as at September 30, 2019. Offsetting this amount to some extent, the Company has accrued $45 million in trade and other payables for potential payments to third parties pending the outcome of the claim against KSPC. KSPC is seeking an order that the Company repay to KSPC approximately $195 million already paid to the Company pursuant to such agreements. The Company believes that it will be successful in its claim and considers KSPC's claim to be without merit. These claims may not be resolved for several years. The Company does not expect that the resolution of these claims will cause a material impact to its financial position.

Cash and Debt Balances

Cash balances at September 30, 2019 and December 31, 2018 are as follows:

$ millions		September 30, 2019		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	**$ 13**	**$ 473**	**$ 486**
Restricted cash	(2)	**85**	**-**	**85**
Bank indebtedness	(3)	**(23)**	**-**	**(23)**
		December 31, 2018		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	$ 158	$ 473	$ 631
Restricted cash	(2)	193	-	193

(1) Cash and cash equivalents include cash on deposit in bank accounts of joint operations which Aecon cannot access directly.
(2) Restricted cash is cash held by Bermuda Skyport Corporation Limited.
(3) Bank indebtedness represents borrowings on Aecon's revolving credit facility.

Total long-term recourse debt of $364.7 million as at September 30, 2019 compares to $262.0 million as at December 31, 2018, the composition of which is as follows:

$ millions	September 30, 2019	December 31, 2018
Current portion of long-term debt – recourse	**$ 62.7**	$ 32.5
Long-term debt – recourse	**138.8**	69.7
Long-term portion of convertible debentures	**163.2**	159.8
Total long-term recourse debt	**$ 364.7**	$ 262.0
Long-term project debt - non-recourse	**$ 373.0**	$ 383.7

The $102.7 million net increase in total long-term recourse debt primarily results from an increase in finance leases and equipment loans in the first nine months of 2019 of $99.3 million, of which $44.8 million related to new finance leases recorded as at January 1, 2019 as a result of a new IFRS standard that became effective for Aecon on January 1, 2019 (see Note 6 "*Changes in Accounting Policies*" in Aecon's September 30, 2019 interim condensed consolidated financial statements). Convertible debentures also increased by $3.4 million related to the accretion of notional interest.

The $10.7 million decrease in long-term non-recourse project debt, which all relates to the financing of the Bermuda International Airport Redevelopment Project, is due to the impact of the change in the US:Canadian dollar exchange rate between December 31, 2018 and September 30, 2019.

Aecon's liquidity position and capital resources are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future. On July 19, 2019, Aecon increased its committed revolving credit facility from $500 million to $600 million and extended its maturity to July 19, 2023, and added a new $100 million uncommitted demand letter of credit facility. Aecon's liquidity position is strengthened by its ability to draw on this committed revolving credit facility of $600 million, of which $78 million was utilized as at September 30, 2019. When combined with an additional $700 million performance security guarantee facility to support letters of credit provided by Export Development Canada ("EDC"), Aecon's total committed credit facilities for working capital and letter of credit requirements total $1,300 million. On June 28, 2019, the Company extended the maturity of the EDC facility to June 30, 2021. As at September 30, 2019, Aecon was in compliance with all debt covenants related to its credit facility.

In the first quarter of 2019, Aecon's Board of Directors approved an increase in the dividend to be paid to all holders of Aecon common shares. Quarterly dividends increased to $0.145 per share (annual dividend of $0.58 per share). Prior to this increase, Aecon paid a quarterly dividend of $0.125 per share (annual dividend of $0.50 per share). The first quarterly dividend payment of $0.145 per share was paid on April 1, 2019.

Summary Of Cash Flows

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

A summary of sources and uses of cash during the nine months ended September 30, 2019 and 2018 are as follows:

$ millions				
	Nine months ended September 30			
		2019		2018
Operating Activities				
Cash provided by (used in):				
Cash flows from operations before changes in working capital	**$**	**129.9**	$	121.1
(Higher) lower investments in working capital		**(197.2)**		245.9
Cash provided by (used in) operating activities	**$**	**(67.3)**	$	367.0
Investing Activities				
Cash provided by (used in):				
Decrease in restricted cash balances held by Skyport to finance the Bermuda International Airport Redevelopment Project	**$**	**103.3**	$	66.3
Expenditures made by Skyport related to the construction of the new airport terminal in Bermuda		**(121.7)**		(95.4)
Expenditures (net of disposals) on property, plant and equipment and intangible assets		**(28.8)**		(20.6)
Cash distributions received from projects accounted for using the equity method		**3.4**		-
Cash provided by (used for) investments in long-term financial assets		**(2.6)**		(11.3)
Cash used for other investments		**(3.8)**		-
Cash used in investing activities	**$**	**(50.2)**	$	(61.0)
Financing Activities				
Cash provided by (used in):				
Increase (decrease) in bank indebtedness associated with borrowings under the Company's revolving credit facility	**$**	**23.0**	$	(17.9)
Increase in long-term recourse debt borrowings		**15.8**		6.4
Repayments of long-term recourse debt relating primarily to equipment financing arrangements		**(40.7)**		(35.4)
Cash provided by the exercise of stock options		**-**		1.4
Cash provided by stock based compensation programs		**0.6**		-
Cash used for dividends paid		**(25.2)**		(22.3)
Issuance of convertible debentures		**-**		153.6
Cash provided by (used in) financing activities	**$**	**(26.5)**	$	85.8
Increase (decrease) in cash and cash equivalents		**(144.0)**		391.8
Effects of foreign exchange on cash balances		**(0.6)**		(0.7)
Cash and cash equivalents - beginning of period		**631.0**		304.9
Cash and cash equivalents - end of period	**$**	**486.4**	$	**696.0**

In the first nine months of 2019, Aecon acquired, either through purchase or finance leases, property, plant and equipment totaling $83 million. Most of this investment in property, plant and equipment related to the purchase or lease of new machinery and construction equipment as part of normal ongoing business operations in the Construction segment. In the first nine months of 2018, investments in property, plant and equipment totaled $40 million.

NEW ACCOUNTING STANDARDS

Note 6 *"Changes in Accounting Policies"* to Aecon's September 30, 2019 interim condensed consolidated financial statements includes new IFRS standards that became effective for the Company on January 1, 2019, and Note 7 discusses IFRS standards and interpretations that are issued, but not yet effective as at January 1, 2019.

The main changes in 2019 because of the new IFRS 16 lease accounting standard are as follows:

- The definition of a lease has changed under the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, as explained further in Note 5, *"Summary of Significant Accounting Policies"* in the September 30, 2019 interim condensed consolidated financial statements. Previously, the Company determined at contract inception if an arrangement was or contained a lease based on an assessment of whether fulfillment of the arrangement was dependent on the use of a specific asset or assets, and the arrangement had conveyed a right to use the asset.
- Under the new lease accounting standard, 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.

As a result of adopting the new lease accounting standard, as at January 1, 2019, long-term assets increased by $45 million, current liabilities and long-term liabilities increased by $7 million and $37 million respectively, while retained earnings increased by $1 million. This new accounting standard had no significant impact on profit (loss), comprehensive income or earnings per share in the first nine months of 2019.

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, 2019 and ended on September 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Contractual Obligations

At December 31, 2018, the Company had commitments totaling $395 million for equipment and premises under operating leases requiring minimum payments, and for principal repayment obligations under long-term recourse debt and convertible debentures. Other than the classification of certain operating lease obligations as long-term recourse debt under the new IFRS 16 lease accounting standard (see New Accounting Standards), there have been no material changes in total contractual obligations since December 31, 2018.

At September 30, 2019, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was $6,557 million.

Further details on Contractual Obligations are included in the Company's 2018 Annual Report.

Off-Balance Sheet Arrangements

Aecon's defined benefit pension plans had a combined surplus or deficit of $nil as at September 30, 2019 (December 31, 2018 - $nil). 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 2018 Annual Report for further details regarding Aecon's defined benefit plans.

Further details of contingencies and guarantees are included in the September 30, 2019 interim condensed consolidated financial statements and in the 2018 Annual Report.

Related Party Transactions

There were no significant related party transactions in the first nine months of 2019.

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, 2019 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 26, 2019 and available on SEDAR at 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 which management reviews on a quarterly basis, have not materially changed in the period since March 26, 2019.

Outstanding Share Data

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

In thousands of dollars (except share amounts)		October 31, 2019
Number of common shares outstanding		60,761,555
Outstanding securities exchangeable or convertible into common shares:		
Principal amount of convertible debentures outstanding (see Note 18 to the September 30, 2019 interim condensed consolidated financial statements)	$	175,902
Number of common shares issuable on conversion of convertible debentures		7,666,667
Increase in paid-up capital on conversion of convertible debentures	$	175,902
DSUs and RSUs outstanding under the Long-Term Incentive Plan and the Director DSU Plan		3,240,122

OUTLOOK

Canada continues to see significant infrastructure investment commitments by all levels of government across the country as well as by non-resource driven segments of the private sector. This investment focuses primarily on civil infrastructure, urban transportation systems, nuclear power, and utility and pipeline infrastructure, which aligns with Aecon's strengths. The Company has a strong program of work going forward, represented by backlog at the end of the third quarter of $6.6 billion and significant ongoing revenue from recurring work under long-term agreements and concession arrangements. This strong future revenue profile, new opportunities, and year-to-date performance and execution, support an expectation of like-for-like (excluding the contract mining business) revenue and Adjusted EBITDA growth in 2019 and in 2020.

Construction segment backlog at the end of the third quarter of 2019 was $6,507 million compared to $6,982 million at the same time last year. Bidding activity continues to be solid with many of the Company's larger pursuits expected to be awarded in 2020. Aecon continues to be well positioned to successfully bid on, secure and deliver major infrastructure projects for government and the private sector. The timing of mainline pipeline work remains susceptible to delays given the political and regulatory environment for major pipeline development in Canada. Provincial and federal electoral cycles could also cause investment delays as project priorities and procurement models may be re-evaluated following any change in government. With strong and diverse backlog in hand, Aecon is focused on ensuring solid execution on these increasingly complex large projects and selectively adding backlog through a disciplined bidding approach that supports continued like-for-like margin improvement in this segment.

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

Capital expenditures in 2019 are expected to be higher than in 2018 due to the development of a new asphalt plant in western Canada, project specific capital expenditures tied to the growth in revenue, and due to the impact of adopting on January 1, 2019 the new IFRS 16 leasing standard, which has led to an increase in leases requiring capitalization related to future lease payment obligations that previously would have been classified as operating leases and therefore not capitalized.

The overall outlook for 2019 remains solid as our current strong backlog, robust pipeline of future opportunities, and ongoing concessions are expected to lead to another year of improved like-for-like results compared to 2018. Aecon expects to have another strong year of results in 2020 as construction continues on a number of previously awarded projects that have ramped up during 2019.