

**AECON GROUP INC.**  
THIRD QUARTER

**INTERIM CONDENSED  
CONSOLIDATED  
FINANCIAL  
STATEMENTS**

September 30, 2020

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

## 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. NEW ACCOUNTING STANDARDS .....	13
6. FUTURE ACCOUNTING CHANGES .....	14
7. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH .....	15
8. TRADE AND OTHER RECEIVABLES .....	15
9. INVENTORIES .....	16
10. PROJECTS ACCOUNTED FOR USING THE EQUITY METHOD .....	17
11. PROPERTY, PLANT AND EQUIPMENT .....	19
12. INTANGIBLE ASSETS .....	20
13. BANK INDEBTEDNESS .....	21
14. TRADE AND OTHER PAYABLES .....	21
15. PROVISIONS .....	21
16. LONG-TERM DEBT AND NON-RECOURSE PROJECT DEBT .....	22
17. CONVERTIBLE DEBENTURES .....	23
18. CONCESSION RELATED DEFERRED REVENUE .....	24
19. BUSINESS COMBINATION .....	24
20. INCOME TAXES .....	26
21. EMPLOYEE BENEFIT PLANS .....	27
22. CONTINGENCIES .....	27
23. CAPITAL STOCK .....	28
24. EXPENSES .....	30
25. OTHER INCOME .....	31
26. FINANCE COST .....	32
27. EARNINGS PER SHARE .....	32
28. SUPPLEMENTARY CASH FLOW INFORMATION .....	33
29. FINANCIAL INSTRUMENTS .....	33
30. CAPITAL DISCLOSURES .....	35
31. OPERATING SEGMENTS .....	36

# MANAGEMENT REPORT

## October 29, 2020

### 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) Jean-Louis Servranckx, President and Chief Executive Officer

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

# CONSOLIDATED BALANCE SHEETS

AS AT SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

(in thousands of Canadian dollars) (unaudited)

	Note	September 30 2020	December 31 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	\$ 577,141	\$ 682,264
Restricted cash	7	70,555	76,595
Trade and other receivables	8	846,903	682,105
Unbilled revenue		726,659	598,858
Inventories	9	21,653	24,899
Income tax recoverable		10,160	9,576
Prepaid expenses		67,392	55,107
		2,320,463	2,129,404
<b>Non-current assets</b>			
Long-term financial assets		9,411	7,136
Projects accounted for using the equity method	10	31,734	45,513
Deferred income tax assets		29,838	26,725
Property, plant and equipment	11	373,280	351,404
Intangible assets	12	625,407	554,456
		1,069,670	985,234
<b>TOTAL ASSETS</b>		<b>\$ 3,390,133</b>	<b>\$ 3,114,638</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	990,347	773,734
Provisions	15	14,686	20,473
Deferred revenue		525,664	483,128
Income taxes payable		15,958	20,437
Current portion of long-term debt	16	60,993	60,071
		1,607,648	1,357,843
<b>Non-current liabilities</b>			
Provisions	15	5,755	6,348
Non-recourse project debt	16	375,914	365,894
Long-term debt	16	146,170	145,682
Convertible debentures	17	167,868	164,351
Concession related deferred revenue	18	104,108	101,369
Deferred income tax liabilities		117,106	115,087
Other liabilities		7	68
		916,928	898,799
<b>TOTAL LIABILITIES</b>		<b>2,524,576</b>	<b>2,256,642</b>
<b>EQUITY</b>			
Capital stock	23	389,638	394,291
Convertible debentures	17	12,707	12,707
Contributed surplus		56,710	48,858
Retained earnings		421,740	403,821
Accumulated other comprehensive loss		(15,238)	(1,681)
<b>TOTAL EQUITY</b>		<b>865,557</b>	<b>857,996</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 3,390,133</b>	<b>\$ 3,114,638</b>

Contingencies (Note 22)

# CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

	Note	For the three months ended		For the nine months ended	
		September 30 2020	September 30 2019	September 30 2020	September 30 2019
Revenue		\$ 1,039,456	\$ 1,025,435	\$ 2,566,419	\$ 2,543,086
Direct costs and expenses	24	(877,227)	(904,792)	(2,289,140)	(2,279,365)
<b>Gross profit</b>		<b>162,229</b>	<b>120,643</b>	<b>277,279</b>	<b>263,721</b>
Marketing, general and administrative expense	24	(37,868)	(40,871)	(128,698)	(130,848)
Depreciation and amortization	24	(22,329)	(26,828)	(64,504)	(69,181)
Income from projects accounted for using the equity method	10	4,353	4,260	9,894	8,984
Other income	25	394	1,565	2,384	3,463
<b>Operating profit</b>		<b>106,779</b>	<b>58,769</b>	<b>96,355</b>	<b>76,139</b>
Finance income		139	365	885	1,496
Finance cost	26	(6,816)	(5,942)	(19,561)	(16,169)
<b>Profit before income taxes</b>		<b>100,102</b>	<b>53,192</b>	<b>77,679</b>	<b>61,466</b>
Income tax expense	20	(26,478)	(11,076)	(21,632)	(8,812)
<b>Profit for the period</b>		<b>\$ 73,624</b>	<b>\$ 42,116</b>	<b>\$ 56,047</b>	<b>\$ 52,654</b>
<b>Basic earnings per share</b>	27	<b>\$ 1.23</b>	<b>\$ 0.69</b>	<b>\$ 0.93</b>	<b>\$ 0.87</b>
<b>Diluted earnings per share</b>	27	<b>\$ 0.99</b>	<b>\$ 0.60</b>	<b>\$ 0.83</b>	<b>\$ 0.81</b>

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(in thousands of Canadian dollars) (unaudited)

	For the three months ended		For the nine months ended	
	September 30 2020	September 30 2019	September 30 2020	September 30 2019
<b>Profit for the period</b>	\$ 73,624	\$ 42,116	\$ 56,047	\$ 52,654
<b>Other comprehensive income (loss):</b>				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Currency translation differences - foreign operations	(4,552)	1,210	2,929	(1,487)
Cash flow hedges - subsidiaries	(1,054)	-	(118)	-
Cash flow hedges - equity accounted investees	1,498	(2,611)	(25,689)	(9,176)
Cash flow hedges - joint operations	(4,719)	3,288	3,356	(3,636)
Income taxes on the above	1,042	611	5,965	3,229
<b>Total other comprehensive income (loss) for the period</b>	(7,785)	2,498	(13,557)	(11,070)
<b>Comprehensive income for the period</b>	\$ 65,839	\$ 44,614	\$ 42,490	\$ 41,584

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

	Accumulated other comprehensive income (loss)							Shareholders' equity
	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Currency translation differences	Actuarial gains and losses	Cash flow hedges	
<b>Balance as at January 1, 2020</b>	\$ 394,291	\$ 12,707	\$ 48,858	\$ 403,821	\$ (698)	\$ 2,174	\$ (3,157)	\$ 857,996
<b>Profit for the period</b>	-	-	-	56,047	-	-	-	56,047
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	2,929	-	-	2,929
Cash flow hedges - subsidiaries	-	-	-	-	-	-	(118)	(118)
Cash flow hedges - equity accounted investees	-	-	-	-	-	-	(25,689)	(25,689)
Cash flow hedges - joint operations	-	-	-	-	-	-	3,356	3,356
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	-	5,965	5,965
<b>Total other comprehensive income (loss) for the period</b>	-	-	-	-	2,929	-	(16,486)	(13,557)
<b>Total comprehensive income (loss) for the period</b>	-	-	-	56,047	2,929	-	(16,486)	42,490
Dividends declared	-	-	-	(28,740)	-	-	-	(28,740)
Common shares purchased under Normal Course Issuer Bid	(6,091)	-	-	(9,364)	-	-	-	(15,455)
Stock-based compensation expense	-	-	12,587	-	-	-	-	12,587
Shares issued to settle LTIP/Director DSU/ESU obligations	1,438	-	(1,414)	(24)	-	-	-	(0)
Stock-based compensation settlements and receipts	-	-	(3,321)	-	-	-	-	(3,321)
<b>Balance as at September 30, 2020</b>	\$ 389,638	\$ 12,707	\$ 56,710	\$ 421,740	\$ 2,231	\$ 2,174	\$ (19,643)	\$ 865,557

	Accumulated other comprehensive income (loss)							Shareholders' equity
	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Currency translation differences	Actuarial gains and losses	Cash flow hedges	
<b>Balance as at December 31, 2018</b>	\$ 386,453	\$ 12,707	\$ 47,006	\$ 369,505	\$ 3,748	\$ 1,227	\$ 4,416	\$ 825,062
Change in accounting policy	-	-	-	1,336	-	-	-	1,336
<b>Adjusted balance as at January 1, 2019</b>	386,453	12,707	47,006	370,841	3,748	1,227	4,416	826,398
<b>Profit for the period</b>	-	-	-	52,654	-	-	-	52,654
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	(1,487)	-	-	(1,487)
Cash flow hedges - equity accounted investees	-	-	-	-	-	-	(9,176)	(9,176)
Cash flow hedges - joint operations	-	-	-	-	-	-	(3,636)	(3,636)
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	-	3,229	3,229
<b>Total other comprehensive loss for the period</b>	-	-	-	-	(1,487)	-	(9,583)	(11,070)
<b>Total comprehensive income (loss) for the period</b>	-	-	-	52,654	(1,487)	-	(9,583)	41,584
Dividends declared	-	-	-	(26,418)	-	-	-	(26,418)
Stock-based compensation expense	-	-	10,377	-	-	-	-	10,377
Shares issued to settle LTIP/Director DSU obligations	4,138	-	(4,138)	-	-	-	-	-
Stock-based compensation settlements and receipts	-	-	627	-	-	-	-	627
<b>Balance as at September 30, 2019</b>	\$ 390,591	\$ 12,707	\$ 53,872	\$ 397,077	\$ 2,261	\$ 1,227	\$ (5,167)	\$ 852,568

During the nine months ended September 30, 2020, the Company declared dividends amounting to \$0.48 per share (September 30, 2019 - \$0.435 per share).

# CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(in thousands of Canadian dollars) (unaudited)

	Note	September 30 2020	September 30 2019
<b>CASH PROVIDED BY (USED IN)</b>			
<b>Operating activities</b>			
Profit before income taxes		\$ 77,679	\$ 61,466
Income taxes paid		(26,313)	(5,895)
Defined benefit pension		(28)	6
Stock-based compensation settlements and receipts		(3,321)	627
Items not affecting cash:			
Depreciation and amortization		64,504	69,181
Income from projects accounted for using the equity method		(9,894)	(8,984)
Gain on sale of assets and other		(3,076)	(2,385)
Unrealized foreign exchange gain		(59)	(923)
Increase in provisions		5,092	3,307
Notional interest representing accretion		3,904	3,759
Stock-based compensation expense		12,587	10,377
Change in other balances relating to operations	28	(62,186)	(208,987)
		<b>58,889</b>	<b>(78,451)</b>
<b>Investing activities</b>			
Decrease in restricted cash balances		8,322	103,279
Purchase of property, plant and equipment		(34,221)	(33,032)
Proceeds on sale of contract mining business		11,806	11,806
Proceeds on sale of property, plant and equipment		4,413	5,947
Investment in concession rights		(41,889)	(121,703)
Increase in intangible assets		(2,677)	(1,653)
Increase in long-term financial assets		(254)	(2,634)
Distributions from projects accounted for using the equity method		972	3,375
Net cash outflow on acquisition of a business	19	(29,754)	-
Increase in other investments		-	(3,751)
		<b>(83,282)</b>	<b>(38,366)</b>
<b>Financing activities</b>			
Increase in bank indebtedness		-	23,000
Issuance of long-term debt		12,603	15,764
Repayments of lease liabilities		(41,324)	(31,436)
Repayments of long-term debt		(10,072)	(9,338)
Dividends paid		(27,963)	(25,166)
Common shares purchased under NCIB		(15,455)	-
		<b>(82,211)</b>	<b>(27,176)</b>
<b>Decrease in cash and cash equivalents during the period</b>		<b>(106,604)</b>	<b>(143,993)</b>
<b>Effect of foreign exchange on cash balances</b>		<b>1,481</b>	<b>(606)</b>
<b>Cash and cash equivalents - beginning of period</b>		<b>682,264</b>	<b>630,976</b>
<b>Cash and cash equivalents - end of period</b>	7	<b>\$ 577,141</b>	<b>\$ 486,377</b>

# **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

**(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 105, M9W 7K6.

The Company operates in two segments within the infrastructure development industry: Construction and Concessions.

## **2. DATE OF AUTHORIZATION FOR ISSUE**

The interim condensed consolidated financial statements of the Company were authorized for issue on October 29, 2020 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 as issued by the International Accounting Standards Board (“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, 2019.

### **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.

### **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, 2020 AND 2019**

**(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. 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, 2019. 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.

### **COVID-19 PANDEMIC**

On March 11, 2020, the World Health Organization declared the novel coronavirus, which has the potential to cause severe respiratory illness ("COVID-19"), a global pandemic. With the majority of governments across the jurisdictions in which Aecon operates declaring a state of emergency in response to the COVID-19 pandemic, Aecon's operations in 2020 have been impacted at varying times by way of suspensions of certain of the Company's projects, either by its clients or due to a broader government directive, by disruption to the progress of projects due to the need to modify work practices to meet appropriate health and safety standards, or by other COVID-19 related impacts on the availability of labour or to the supply chain. Certain projects that were expected to be available to Aecon to bid on to secure new revenue have been delayed or suspended.

As an evolving risk, the duration and full financial effect of the COVID-19 pandemic is unknown at this time, as is the efficacy of government and central bank interventions, the Company's business continuity plan and other mitigating measures. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty. Therefore, uncertainty about judgments, estimates and assumptions made by management during the preparation of the Company's consolidated financial statements related to potential impacts of the COVID-19 outbreak on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected. The major sources of estimation uncertainty and judgment affecting the Company are discussed in greater detail below.

### **4.1 MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

#### **ASSETS AND LIABILITIES ACQUIRED IN A BUSINESS COMBINATION**

The Company assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, "Business Combinations". This assessment requires management to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3, "Business Combinations" and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business. Purchase prices related to business combinations and asset acquisitions are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value requires the Company to make assumptions, estimates and judgments regarding cash flow projections, valuation techniques, economic risk, weighted average cost of capital and future events. Significant judgments, estimates and assumptions are also required by management in estimating the amount of contingent consideration payable. The

## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of Canadian dollars, except per share amounts) (unaudited)**

measurement of the purchase consideration and allocation process is therefore inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts the Company's reported assets and liabilities (including the amounts allocated to intangible assets and goodwill), and future earnings due to the impacts on depreciation and amortization expense and impairment testing.

### **REVENUE AND GROSS PROFIT RECOGNITION**

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

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

A change order results from a change to the scope of the work to be performed compared to the original contract that was signed. Unpriced change orders are change orders that have been approved as to scope but unapproved as to price. Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that the Company seeks to collect from clients for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. In accordance with the Company's accounting policy, unpriced change orders and claims are recognized in revenue at the amount the Company expects to be entitled to, where it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Therefore, it is possible for the Company to have substantial contract costs recognized in one accounting period with associated revenue recognized in a later period.

Given the above-noted critical accounting estimates associated with the accounting for construction contracts, including change orders and claims, it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year or later could be different from the estimates and assumptions adopted and could require a material adjustment to revenue and/or the carrying amount of the asset or liability affected. The Company is unable to quantify the potential impact to the consolidated financial results from a change in estimate in calculating revenue.

### **LITIGATION RISK AND CLAIMS RISK**

Disputes are common in the construction industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial, including the legal proceedings discussed in Note 22, "Contingencies". The Company must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required. Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties. Management regularly analyzes current information about these matters, and internal and external legal counsel, as well as other claim specialists, are often used for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company,

## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of Canadian dollars, except per share amounts) (unaudited)**

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

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

### **FAIR VALUING FINANCIAL INSTRUMENTS**

From time to time, the Company, often through its subsidiaries, joint arrangements and equity accounted investees, 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 21, “*Employee Benefit Plans*,” in the Company’s annual consolidated financial statements for the year ended December 31, 2019, for further details regarding the Company’s defined benefit plans as well as the impact to the financial results of a 0.5% change in the discount rate assumption used in the calculations.

### **INCOME TAXES**

The Company is subject to income taxes in both Canada and several foreign jurisdictions. Significant estimates and judgments are required in determining the Company’s worldwide provision for income taxes. In the ordinary course of business, there are transactions and calculations where the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Management estimates income taxes for each jurisdiction the Company operates in, taking into consideration different income tax rates, non-deductible expenses, valuation allowances, changes in tax laws, and management’s expectations of future results. Management bases its estimates of deferred income taxes on temporary differences between the assets and liabilities reported in the Company’s consolidated financial statements, and the assets and liabilities determined by the tax laws in the various countries in which the Company operates. Although the Company believes its tax estimates are reasonable, there can be no assurance that the final determination of any tax audits and litigation will not be materially different from that reflected in the Company’s historical income tax provisions and accruals. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the Company’s income tax expense and current and deferred income tax assets and liabilities in the period in which such determinations are made. Although management believes it has adequately provided for any additional taxes that may be assessed as a result of an audit or litigation, the occurrence of either of these events could have an adverse effect on the Company’s current and future results and financial condition.

The Company is unable to quantify the potential future impact to its consolidated financial results from a change in estimate in calculating income tax assets and liabilities.

### **IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS**

Intangible assets with finite lives are amortized over their useful lives. Goodwill, which has an indefinite life, is not amortized. Management evaluates intangible assets that are not amortized at the end of each reporting period to determine whether events and circumstances continue to support an indefinite useful life. Intangible assets with finite lives

## **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of Canadian dollars, except per share amounts) (unaudited)**

are tested for impairment whenever events or circumstances indicate the carrying value may not be recoverable. Goodwill and intangible assets with indefinite lives, if any, are tested for impairment by applying a fair value test in the fourth quarter of each year and between annual tests if events occur or circumstances change, which suggest the goodwill or intangible assets should be evaluated.

Impairment assessments inherently involve management judgment as to the assumptions used to project these amounts and the impact of market conditions on those assumptions. The key assumptions used to estimate the fair value of reporting units under the fair value less cost to disposal approach are: weighted average cost of capital used to discount the projected cash flows; cash flows generated from new work awards; and projected operating margins.

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

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

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

Refer to Note 14, "*Intangible Assets*", in the Company's annual consolidated financial statements for the year ended December 31, 2019, for further details regarding goodwill and other intangible assets.

### **LEASES**

The application of IFRS 16 "*Leases*" requires significant judgments and certain key estimations to be made.

Critical judgments required in the application of IFRS 16 include the following:

- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Determining whether variable payments are in-substance fixed;
- Establishing whether there are multiple leases in an arrangement; and
- Determining the stand-alone selling price of lease and non-lease components.

Key sources of estimation uncertainty in the application of IFRS 16 include the following:

- Estimating the lease term;
- Determining the appropriate rate to discount lease payments; and
- Assessing whether a right-of-use asset is impaired.

Unanticipated changes in these judgments or estimates could affect the identification and determination of the value of lease liabilities and right-of-use assets at initial recognition, as well as the subsequent measurement of lease liabilities and right-of-use assets. These items could potentially result in changes to amounts reported in the consolidated statements of income and consolidated balance sheets in a given period.

Refer to Note 11, "*Property, plant and equipment*", and Note 16, "*Long-term debt and non-recourse project debt*" for further details regarding leases.

### **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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

## 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 an entity is classified as either a joint operation, joint venture or associate, management considers the contractual rights and obligations, voting shares, share of board members and the legal structure of the joint arrangement. Subject to reviewing and assessing all the facts and circumstances of each joint arrangement, joint arrangements contracted through agreements and general partnerships would generally be classified as joint operations whereas joint arrangements contracted through corporations would be classified as joint ventures. The majority of the current partnering agreements are classified as joint operations.

The application of different judgments when assessing control or the classification of joint arrangements could result in materially different presentations in the consolidated financial statements.

## SERVICE CONCESSION ARRANGEMENTS

The accounting for concession arrangements requires the application of judgment in determining if the project falls within the scope of IFRIC Interpretation 12, "*Service Concession Arrangements*", ("IFRIC 12"). Additional judgments are needed when determining, among other things, the accounting model to be applied under IFRIC 12, the allocation of the consideration receivable between revenue-generating activities, the classification of costs incurred on such activities, as well as the effective interest rate to be applied to the financial asset. As the accounting for concession arrangements under IFRIC 12 requires the use of estimates over the term of the arrangement, any changes to these long-term estimates could result in a significant variation in the accounting for the concession arrangement.

## 5. NEW ACCOUNTING STANDARDS

The same accounting policies and methods of computation were used in the preparation of the interim condensed consolidated financial statements as compared with the most recent annual financial statements except for the following amendments to standards and interpretations that became effective for the Company on January 1, 2020. The application of these amendments and interpretations had no significant impact on the Company's consolidated financial position or results of operations.

### IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

The amendments to IAS 1 and IAS 8 clarify the definition of materiality and seek to align the definition used in the Conceptual Framework with that in the standards themselves as well as ensuring the definition of materiality is consistent across all IFRS.

### IFRS 3, Business Combinations

The amendments to IFRS 3 improve the definition of a business by assisting companies in determining whether activities and assets acquired are a business or merely a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.

### IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures

The Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39, and IFRS 7 address the implications of specific hedge accounting requirements. The amendments modify specific hedge accounting requirements so that the interest rate

# **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

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

benchmark used with the hedged cash flows and the cash flows of the hedging instrument is not altered as a result of the uncertainties with the interest rate benchmark reform.

## **IFRS 16, Leases**

The amendments to IFRS 16 provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification, and instead require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications. The amendment is effective for interim and annual reporting periods beginning on or after June 1, 2020.

## **6. FUTURE ACCOUNTING CHANGES**

### **IAS 1, Presentation of Financial Statements**

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively.

### **IFRS 3, Business Combinations**

The amendments to IFRS 3 update an outdated reference in IFRS 3 without significantly changing its requirements and add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for annual periods beginning on or after January 1, 2022.

### **IFRS 7, Financial Instruments: Disclosures, IFRS 9, Financial Instruments, IFRS 16, Leases, IAS 39, Financial Instruments: Recognition and Measurement**

The Interest Rate Benchmark Reform Phase 2 amendments to IFRS 7, IFRS 9, IFRS 16, and IAS 39 address specific hedge accounting requirements and permit a practical expedient for modifications of financial assets, financial liabilities and lease liabilities required by the IBOR (interbank offered rate) reform. The amendments also require additional disclosures for users to understand the nature and extent of risks arising from the IBOR reform and how the entity manages those risks. The amendments are effective for annual periods beginning on or after January 1, 2021.

### **IFRS 9, Financial Instruments**

The amendment to IFRS 9 clarifies which fees an entity includes when it applies the “10 per cent test” in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf. The amendments are effective for annual periods beginning on or after January 1, 2022.

### **IAS 16, Property, Plant and Equipment**

The amendments to IAS 16 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

### **IAS 37, Provisions, Contingent Liabilities and Contingent Assets**

The amendments to IAS 37 provide guidance regarding the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022 with comparative figures not restated.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**  
(in thousands of Canadian dollars, except per share amounts) (unaudited)

The Company is still assessing the impact of adopting these amendments on its future financial statements.

**7. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH**

	September 30 2020	December 31 2019
Cash balances excluding joint operations	\$ 55,827	\$ 188,976
Cash balances of joint operations	521,314	493,288
	<b>\$ 577,141</b>	<b>\$ 682,264</b>
<hr/>		
Restricted cash	\$ 70,555	\$ 76,595
	<b>\$ 70,555</b>	<b>\$ 76,595</b>

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

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

**8. TRADE AND OTHER RECEIVABLES**

	September 30 2020	December 31 2019
Trade receivables	\$ 485,912	\$ 399,618
Allowance for expected credit losses	(906)	(758)
	<b>485,006</b>	<b>398,860</b>
<hr/>		
Holdbacks receivable	291,022	233,260
Other	70,875	49,985
	<b>361,897</b>	<b>283,245</b>
<b>Total</b>	<b>\$ 846,903</b>	<b>\$ 682,105</b>
<hr/>		
<b>Amounts receivable beyond one year</b>	<b>\$ 128,906</b>	<b>\$ 115,809</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(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 expected credit losses is as follows:

	September 30 2020	December 31 2019
<b>Balance - beginning of period</b>	\$ (758)	\$ (762)
Additional amounts provided for during period	(786)	(634)
Trade receivables written off during period	71	183
Amounts recovered	567	455
<b>Balance - end of period</b>	<b>\$ (906)</b>	<b>\$ (758)</b>

### 9. INVENTORIES

	September 30 2020	December 31 2019
Raw materials and supplies	\$ 9,168	\$ 7,134
Finished goods	12,485	17,765
	<b>\$ 21,653</b>	<b>\$ 24,899</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

## 10. 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, 2020			December 31, 2019		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Cash and cash equivalents	\$ 9,530	\$ 2,178	\$ 11,708	\$ 4,527	\$ 2,054	\$ 6,581
Other current assets	232,247	199	232,446	57,616	5,860	63,476
Total current assets	241,777	2,377	244,154	62,143	7,914	70,057
Non-current assets	799,211	-	799,211	691,163	-	691,163
<b>Total assets</b>	<b>1,040,988</b>	<b>2,377</b>	<b>1,043,365</b>	<b>753,306</b>	<b>7,914</b>	<b>761,220</b>
Trade and other payables and provisions	113,448	1,094	114,542	58,451	765	59,216
Other current financial liabilities	16,976	-	16,976	16,976	-	16,976
Total current liabilities	130,424	1,094	131,518	75,427	765	76,192
Non-current financial liabilities	876,108	-	876,108	635,967	-	635,967
Other non-current liabilities	4,005	-	4,005	3,548	-	3,548
Total non-current liabilities	880,113	-	880,113	639,515	-	639,515
<b>Total liabilities</b>	<b>1,010,537</b>	<b>1,094</b>	<b>1,011,631</b>	<b>714,942</b>	<b>765</b>	<b>715,707</b>
<b>Net assets</b>	<b>\$ 30,451</b>	<b>\$ 1,283</b>	<b>\$ 31,734</b>	<b>\$ 38,364</b>	<b>\$ 7,149</b>	<b>\$ 45,513</b>

	For the three months ended					
	September 30, 2020			September 30, 2019		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Revenue	\$ 199,358	\$ 279	\$ 199,637	\$ 146,853	\$ 323	\$ 147,176
Depreciation and amortization	(154)	-	(154)	(155)	-	(155)
Other costs and expenses	(185,913)	(397)	(186,310)	(136,308)	(297)	(136,605)
<b>Operating profit (loss)</b>	<b>13,291</b>	<b>(118)</b>	<b>13,173</b>	<b>10,390</b>	<b>26</b>	<b>10,416</b>
Finance cost	(8,208)	-	(8,208)	(5,631)	-	(5,631)
Income tax expense	(612)	-	(612)	(525)	-	(525)
<b>Profit (loss) for the period</b>	<b>4,471</b>	<b>(118)</b>	<b>4,353</b>	<b>4,234</b>	<b>26</b>	<b>4,260</b>
Other comprehensive income (loss)	1,423	-	1,423	(1,002)	-	(1,002)
<b>Total comprehensive income (loss)</b>	<b>\$ 5,894</b>	<b>\$ (118)</b>	<b>\$ 5,776</b>	<b>\$ 3,232</b>	<b>\$ 26</b>	<b>\$ 3,258</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

	For the nine months ended					
	September 30, 2020			September 30, 2019		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
Revenue	\$ 504,331	\$ 1,680	\$ 506,011	\$ 365,622	\$ 1,243	\$ 366,865
Depreciation and amortization	(461)	-	(461)	(464)	-	(464)
Other costs and expenses	(471,042)	(1,988)	(473,030)	(339,347)	(1,194)	(340,541)
<b>Operating profit (loss)</b>	<b>32,828</b>	<b>(308)</b>	<b>32,520</b>	<b>25,811</b>	<b>49</b>	<b>25,860</b>
Finance cost	(21,817)	-	(21,817)	(15,457)	-	(15,457)
Income tax expense	(809)	-	(809)	(1,419)	-	(1,419)
<b>Profit (loss) for the period</b>	<b>10,202</b>	<b>(308)</b>	<b>9,894</b>	<b>8,935</b>	<b>49</b>	<b>8,984</b>
Other comprehensive loss	(22,701)	-	(22,701)	(7,567)	-	(7,567)
<b>Total comprehensive income (loss)</b>	<b>\$ (12,499)</b>	<b>\$ (308)</b>	<b>\$ (12,807)</b>	<b>\$ 1,368</b>	<b>\$ 49</b>	<b>\$ 1,417</b>

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 2020		December 31 2019	
<b>Projects accounted for using the equity method - as at beginning of period</b>	<b>\$ 45,513</b>	<b>\$</b>	<b>39,475</b>	<b>\$</b>
Share of profit for the period	9,894		12,491	
Share of other comprehensive loss for the period	(22,701)		(2,109)	
Distributions from projects accounted for using the equity method	(972)		(4,889)	
Other investments	-		545	
<b>Projects accounted for using the equity method - as at end of period</b>	<b>\$ 31,734</b>	<b>\$</b>	<b>45,513</b>	<b>\$</b>

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

Name	Ownership interest	Joint Venture or Associate	Years included
Yellowline Asphalt Products Ltd.	50%	Joint Venture	2020, 2019
Lower Mattagami Project	20%	Associate	2020, 2019
Waterloo LRT Concessionaire	10%	Joint Venture	2020, 2019
Eglinton Crosstown LRT Concessionaire	25%	Joint Venture	2020, 2019
New Post Creek Project	20%	Associate	2020, 2019
Finch West LRT Concessionaire	33%	Joint Venture	2020, 2019
Gordie Howe International Bridge Concessionaire	20%	Joint Venture	2020, 2019
Sky-Tec Fibre JV	50%	Joint Venture	2020, 2019
Highway 401 Expansion Project SPV	50%	Joint Venture	2020, 2019
Pattullo Bridge Replacement Project SPV	50%	Joint Venture	2020

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

## 11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and leasehold improvements	Aggregate properties	Machinery and construction equipment	Office equipment, furniture and fixtures, and computer hardware	Vehicles	Total
<b>Cost</b>							
Balance as at January 1, 2020	\$ 37,366	\$ 152,032	\$ 56,560	\$ 324,474	\$ 36,724	64,951	\$ 672,107
Additions - purchased assets	9,765	11,245	-	12,144	1,067	-	34,221
Additions - right-of-use assets	-	8,824	-	15,053	-	7,144	31,021
Additions - business combination	-	241	-	4,056	-	2,151	6,448
Disposals	-	(3,899)	-	(10,235)	(79)	(4,631)	(18,844)
Foreign currency translation adjustments	-	54	-	176	22	17	269
Balance as at September 30, 2020	\$ 47,131	\$ 168,497	\$ 56,560	\$ 345,668	\$ 37,734	69,632	\$ 725,222
<b>Accumulated depreciation and impairment</b>							
Balance as at January 1, 2020	509	55,997	19,963	170,616	31,709	41,909	320,703
Depreciation - purchased assets	-	4,146	544	12,487	1,978	1,103	20,258
Depreciation - right-of-use assets (a)	773	5,540	-	14,869	-	6,166	27,348
Disposals	-	(2,918)	-	(8,977)	(52)	(4,457)	(16,404)
Foreign currency translation adjustments	-	7	-	13	8	9	37
Balance as at September 30, 2020	\$ 1,282	\$ 62,772	\$ 20,507	\$ 189,008	\$ 33,643	44,730	\$ 351,942
<b>Net book value as at September 30, 2020</b>	<b>\$ 45,849</b>	<b>\$ 105,725</b>	<b>\$ 36,053</b>	<b>\$ 156,660</b>	<b>\$ 4,091</b>	<b>24,902</b>	<b>\$ 373,280</b>
<b>Net book value as at January 1, 2020</b>	<b>\$ 36,857</b>	<b>\$ 96,035</b>	<b>\$ 36,597</b>	<b>\$ 153,858</b>	<b>\$ 5,015</b>	<b>23,042</b>	<b>\$ 351,404</b>
<b>Net book value of right-of-use assets included in property, plant &amp; equipment as at January 1, 2020</b>	<b>\$ 2,063</b>	<b>\$ 36,883</b>	<b>\$ 75</b>	<b>\$ 79,025</b>	<b>\$ -</b>	<b>20,877</b>	<b>\$ 138,923</b>
<b>Net book value of right-of-use assets included in property, plant &amp; equipment as at September 30, 2020</b>	<b>\$ 1,289</b>	<b>\$ 39,468</b>	<b>\$ 75</b>	<b>\$ 79,207</b>	<b>\$ -</b>	<b>21,904</b>	<b>\$ 141,943</b>

(a) Depreciation of land relates to leases of land following the adoption of IFRS 16.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

### 12. INTANGIBLE ASSETS

	Concession rights	Goodwill	Licences, software and other rights	Total
<b>Cost</b>				
Balance as at January 1, 2020	\$ 539,326	\$ 52,893	\$ 93,438	\$ 685,657
Additions				
Separately acquired or constructed	25,417	-	2,677	28,094
Interest capitalized	16,605	-	-	16,605
Business combination	-	30,896	635	31,531
Disposals	-	-	(200)	(200)
Foreign currency translation adjustments	13,782	-	11	13,793
<b>Balance as at September 30, 2020</b>	<b>\$ 595,130</b>	<b>\$ 83,789</b>	<b>\$ 96,561</b>	<b>\$ 775,480</b>
<b>Accumulated amortization and impairment</b>				
Balance as at January 1, 2020	82,333	-	48,868	131,201
Amortization	9,844	-	7,054	16,898
Disposals	-	-	(200)	(200)
Foreign currency translation adjustments	2,167	-	7	2,174
<b>Balance as at September 30, 2020</b>	<b>\$ 94,344</b>	<b>\$ -</b>	<b>\$ 55,729</b>	<b>\$ 150,073</b>
<b>Net book value as at September 30, 2020</b>	<b>\$ 500,786</b>	<b>\$ 83,789</b>	<b>\$ 40,832</b>	<b>\$ 625,407</b>
<b>Net book value as at January 1, 2020</b>	<b>\$ 456,993</b>	<b>\$ 52,893</b>	<b>\$ 44,570</b>	<b>\$ 554,456</b>

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

In 2020, goodwill and other intangible assets increased by \$30,896 and \$635, respectively, as a result of the acquisition of Voltage Power Ltd. Refer to Note 19, "Business Combination" for further details regarding goodwill and other intangible assets.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

## 13. BANK INDEBTEDNESS

As at September 30, 2020, the Company had a committed revolving credit facility of \$600,000 (December 31, 2019 - \$600,000), and a \$101,000 uncommitted demand letter of credit facility (December 31, 2019 - \$100,000). Bank indebtedness representing borrowings on the Company's revolving credit facility as at September 30, 2020 was \$nil (December 31, 2019 - \$nil). Letters of credit amounting to \$7,009 and \$31,956, respectively, were issued against the revolving credit facility and the uncommitted demand letter of credit facility as at September 30, 2020 (December 31, 2019 - \$74,772 and \$16,325, respectively). Cash drawings under the facility bear interest at rates between prime and prime plus 1.20% per annum. Letters of credit reduce the amount available-for-use under the facility. These facilities mature July 19, 2023.

The Company also maintains an additional performance security guarantee facility of \$700,000 (December 31, 2019 - \$700,000) to support letters of credit provided by Export Development Canada of which \$538,451 was utilized as at September 30, 2020 (December 31, 2019 - \$530,295). This performance security guarantee facility matures June 30, 2021.

## 14. TRADE AND OTHER PAYABLES

	September 30 2020	December 31 2019
Trade payables and accrued liabilities	\$ 868,031	\$ 674,101
Holdbacks payable	122,316	99,633
	<b>\$ 990,347</b>	<b>\$ 773,734</b>
Amounts payable beyond one year	\$ 14,979	\$ 7,557

## 15. PROVISIONS

	Contract related obligations	Asset decommissioning costs	Tax assessments	Other	Total
Balance as at January 1, 2020	\$ 6,065	\$ 4,951	\$ 7,321	\$ 8,484	\$ 26,821
Additions made	2,241	526	-	2,088	4,855
Amounts used	(2,276)	(93)	-	(9,103)	(11,472)
Other changes	112	125	-	-	237
<b>Balance as at September 30, 2020</b>	<b>\$ 6,142</b>	<b>\$ 5,509</b>	<b>\$ 7,321</b>	<b>\$ 1,469</b>	<b>\$ 20,441</b>
Reported as:					
Current	\$ 5,896	\$ -	\$ 7,321	\$ 1,469	\$ 14,686
Non-current	246	5,509	-	-	5,755
	<b>\$ 6,142</b>	<b>\$ 5,509</b>	<b>\$ 7,321</b>	<b>\$ 1,469</b>	<b>\$ 20,441</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

## 16. LONG-TERM DEBT AND NON-RECOURSE PROJECT DEBT

### LONG-TERM DEBT

	September 30 2020	December 31 2019
<b>Long-term debt:</b>		
Leases	\$ 169,897	\$ 171,357
Equipment and other loans	37,266	34,396
<b>Total long-term debt</b>	<b>\$ 207,163</b>	<b>\$ 205,753</b>
<b>Reported as:</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	\$ 60,993	\$ 60,071
<b>Non-current liabilities:</b>		
Long-term debt	146,170	145,682
	<b>\$ 207,163</b>	<b>\$ 205,753</b>

The following describes the components of long-term debt:

- (a) As at September 30, 2020, leases of \$169,897 (December 31, 2019 - \$171,357) bore interest at fixed rates averaging 3.21% (December 31, 2019 – 3.29%) per annum, with specific equipment provided as security.
- (b) As at September 30, 2020, equipment and other loans of \$37,266 (December 31, 2019 - \$34,396) bore interest at fixed rates averaging 2.84% (December 31, 2019 – 3.02%) per annum, with specific equipment provided as security.

The weighted average interest rate on total long-term debt outstanding (excluding convertible debentures and non-recourse project debt) as at September 30, 2020 was 3.14% (December 31, 2019 – 3.25%).

Expenses relating to short-term leases and leases of low-value assets recognized in the statement of income during the three and nine months ended September 30, 2020 were \$24,568 and \$62,608, respectively (2019 - \$26,974 and \$59,876, respectively).

Total cash outflow related to lease liabilities for the three and nine months ended September 30, 2020 was \$13,940 and \$41,324, respectively (2019 – \$14,217 and \$31,436, respectively).

Refer to Note 11, “*Property, plant and equipment*” for further details of additions to right-of-use assets and depreciation charged on right-of-use assets during the nine months ended September 30, 2020.

Refer to Note 26, “*Finance cost*” for further details of interest on lease liabilities recognized during the three and nine months ended September 30, 2020.

Refer to Note 29, “*Financial instruments*” for contractual maturities of lease liabilities as at September 30, 2020.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

### NON-RECOURSE PROJECT DEBT

	September 30 2020	December 31 2019
<b>Non-recourse project debt:</b>		
Bermuda International Airport Redevelopment Project financing (a)	\$ 375,914	\$ 365,894
<b>Total non-recourse project debt</b>	<b>\$ 375,914</b>	<b>\$ 365,894</b>
<b>Reported as:</b>		
<b>Non-current liabilities:</b>		
Non-recourse project debt	\$ 375,914	\$ 365,894
	<b>\$ 375,914</b>	<b>\$ 365,894</b>

(a) Included in the Company's consolidated balance sheet as at September 30, 2020 is debt, net of transaction costs, of \$375,914 (US\$281,816) (December 31, 2019 – \$365,894 (US\$281,717)) 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 5.90% annually. Debt repayments commence in 2022 and are scheduled to continue until 2042.

## 17. CONVERTIBLE DEBENTURES

Convertible subordinated debentures consist of:

	September 30 2020	December 31 2019
<b>Debt component:</b>		
Debenture maturing on December 31, 2023 - 5.0% Debentures	167,868	164,351
<b>Total convertible debentures</b>	<b>\$ 167,868</b>	<b>\$ 164,351</b>
<b>Reported as:</b>		
<b>Non-current liabilities:</b>		
Convertible debentures	167,868	164,351
	<b>\$ 167,868</b>	<b>\$ 164,351</b>

	September 30 2020	December 31 2019
<b>Equity component:</b>		
Debenture maturing on December 31, 2023 - 5.0% Debentures	\$ 12,707	\$ 12,707

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019  
(in thousands of Canadian dollars, except per share amounts) (unaudited)**

Finance cost associated with the debentures consists of:

	For the three months ended		For the nine months ended	
	September 30 2020	September 30 2019	September 30 2020	September 30 2019
Interest expense on face value	\$ 2,300	\$ 2,300	\$ 6,900	\$ 6,900
Notional interest representing accretion	1,181	1,148	3,517	3,419
	<b>\$ 3,481</b>	<b>\$ 3,448</b>	<b>\$ 10,417</b>	<b>\$ 10,319</b>

As at September 30, 2020, the face value of the 5.0% Debentures which remains outstanding was \$184,000 (December 31, 2019 - \$184,000).

**18. CONCESSION RELATED DEFERRED REVENUE**

Concession related deferred revenue consists of:

	September 30 2020	December 31 2019
Bermuda International Airport Redevelopment Project	\$ 104,108	\$ 101,369
	<b>\$ 104,108</b>	<b>\$ 101,369</b>

As part of acquiring, in 2017, the rights to operate the Existing Bermuda Airport, concession related deferred revenue includes the estimated value of the “inducement” received by Skyport to develop, finance and operate the New Airport Terminal as well as development funds related to the Bermuda International Airport Redevelopment Project. These concession deferred revenue amounts will be amortized to earnings over the term of the New Airport Terminal concession period.

**19. BUSINESS COMBINATION**

On February 3, 2020, the Company acquired 100% of the outstanding shares of Voltage Power Ltd. (“Voltage”), an electrical transmission and substation contractor headquartered in Winnipeg, Manitoba. Previously a private, employee-owned company, Voltage’s ability to self-perform key medium to high-voltage power transmission and distribution construction work complements the Company’s existing core utility capabilities and further positions the Company as a leading player in executing the strong pipeline of utility infrastructure opportunities across Canada.

The acquisition is accounted for using the purchase method and the results of its operations are included from the date of the acquisition. The purchase price allocation for this acquisition is provisional as certain fair values have not yet been finalized pending determination of all working capital adjustments, receipt of appraisals for the fair values of assets acquired and liabilities assumed including valuations for acquired customer backlog, and property, plant and equipment, as well as the finalization of management’s assessment of the amount of contingent consideration payable as part of the transaction.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019  
(in thousands of Canadian dollars, except per share amounts) (unaudited)**

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

**Purchase consideration**

Cash paid	\$	30,000
Working capital purchase price adjustment payable		8,336
Contingent consideration payable		6,707
<b>Total purchase consideration</b>	<b>\$</b>	<b>45,043</b>

The transaction also requires the Company to pay the seller additional earnout payments of up to \$45,000 based on exceeding annual minimum earnings targets over the next three years. The Company has included \$6,707 as contingent consideration related to the additional earnout payments, which represents its assessment of fair value at the date of acquisition. A working capital purchase price adjustment is also payable to (due from) the seller if the final closing working capital balance exceeds the target closing working capital balance. Management has not yet finalized its assessment of the contingent consideration and working capital payable adjustments.

**Assets and liabilities recognized as a result of the acquisition**

	<b>Fair value</b>
Cash and cash equivalents	\$ 246
Trade and other receivables	27,044
Unbilled revenue	7,087
Income tax recoverable	560
Prepaid expenses	5
Property, plant and equipment	6,448
Intangible assets	635
Trade and other payables	(23,930)
Current portion of long-term debt	(524)
Long-term debt	(1,302)
Deferred income tax liabilities	(2,122)
<b>Net identifiable assets acquired</b>	<b>\$ 14,147</b>
Add: Goodwill	30,896
<b>Net assets acquired</b>	<b>\$ 45,043</b>

Goodwill is attributed to Voltage's workforce, the future profitability of the acquired business, as well as from expected synergies arising from the complementary nature of Voltage's service offerings. This goodwill will not be deductible for tax purposes.

The fair value of trade and other receivables of \$27,044 does not include any amounts for expected credit losses.

**Revenue contribution**

Since the date of acquisition, the acquired business contributed revenue of \$59,319 and operating loss of \$1,096 to the Company for the period from February 3, 2020 to September 30, 2020.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

### Cash Outflow Presented in Statement of Cash Flows

Outflows of cash used to acquire Voltage, net of cash acquired:

Cash consideration paid	\$	30,000
Less: cash acquired		(246)
<b>Net outflow of cash in investing activities</b>	<b>\$</b>	<b>29,754</b>

## 20. INCOME TAXES

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

	For the nine months ended	
	September 30 2020	September 30 2019
Profit before income taxes	\$ 77,679	\$ 61,466
Statutory income tax rate	26.50%	26.60%
Expected income tax expense	(20,585)	(16,350)
Effect on income taxes of:		
Projects accounted for using the equity method	644	298
Provincial and foreign rate differences	(2,395)	7,012
Other non-deductible expenses	(561)	(556)
Adjustments in respect of prior years	1,265	721
Tax credits	-	63
Income tax expense	\$ (1,047)	\$ 7,538
	\$ (21,632)	\$ (8,812)

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

## 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 2020	September 30 2019	September 30 2020	September 30 2019
Defined benefit pension expense:				
Company sponsored pension plans	\$ 95	\$ 133	\$ 285	\$ 400
Defined contribution pension expense:				
Company sponsored pension plans	2,058	1,813	6,135	5,412
Multi-employer pension plans	17,627	22,464	42,332	56,592
<b>Total employee future benefit expense</b>	<b>\$ 19,780</b>	<b>\$ 24,410</b>	<b>\$ 48,752</b>	<b>\$ 62,404</b>

## 22. CONTINGENCIES

### Kemano Generating Station Second Tunnel Project

During the second quarter of 2020, Rio Tinto issued a notice of termination of contract to the joint venture in which Aecon holds a 40% interest with respect to the \$364,000 Kemano Generating Station Second Tunnel Project, an 8-kilometre tunnel project in Kitimat, British Columbia. Rio Tinto also issued notice to the joint ventures' sureties asserting a claim on the 50% performance bonds; the sureties entered into a cooperation agreement with Rio Tinto but have not taken a position on the validity of this claim on the bonds. In the third quarter of 2020, the joint venture issued a Notice of Civil Claim seeking approximately \$105,000 in damages from Rio Tinto. The joint venture has also registered and perfected a builders' lien against Project lands, providing security over approximately \$97,000 of the claimed damages. To date, Rio Tinto has not articulated any counter position or an amount of damages it may seek from the joint venture, but such amount is expected to be material. While it is possible that this commercial dispute could result in a material impact to Aecon's earnings and cash flow if not resolved, the ultimate results cannot be predicted at this time.

### K+S Potash Canada

During the second quarter of 2018, the Company filed a statement of claim in the Court of Queen's Bench for Saskatchewan (the "Court") against K+S Potash Canada ("KSPC") and KSPC filed a statement of claim in the Court against the Company. Both actions relate to the Legacy mine project in Bethune, Saskatchewan. The Company is seeking \$180,000 in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately \$14,000 in damages. The Company has recorded \$137,400 of unbilled revenue and accounts receivable as at September 30, 2020. Offsetting this amount to some extent, the Company has accrued \$45,000 in trade and other payables for potential payments to third parties pending the outcome of the claim against KSPC. KSPC is seeking an order that the Company repay to KSPC approximately \$195,000 already paid to the Company pursuant to such agreements. The Company believes that it will be successful in its claim and considers KSPC's claim to be without merit.

See also Note 4, "Critical Accounting Estimates" for judgments and estimates impacting litigation risk and claims risk.

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 15, "Provisions"), will not result in a material effect on the consolidated financial position of the Company.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019  
(in thousands of Canadian dollars, except per share amounts) (unaudited)**

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

	Project	September 30 2020
<b>Letters of credit:</b>		
In support of the Company's equity obligations	Bermuda International Airport Redevelopment Project	\$ 53,329
Financial and performance - issued by Export Development Canada	Various joint arrangement projects	\$ 485,122
Financial and performance - issued in the normal conduct of business	Various	\$ 38,965

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, 2020, 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 \$16,296,707 a portion of which is supported by performance bonds. In the event the Company assumed this additional work, it would have the right to receive the partner's share of billings to the project owners pursuant to the respective associate or joint arrangement contract.

## 23. CAPITAL STOCK

	For the nine months ended September 30, 2020		For the year ended December 31, 2019	
	Number	Amount	Number	Amount
<b>Number of common shares outstanding - beginning of period</b>	<b>60,715,625</b>	<b>\$ 394,291</b>	60,478,564	\$ 386,453
Shares issued to settle LTIP/Director DSU/ESU obligations	100,124	1,438	636,261	10,404
Common shares purchased under Normal Course Issuer Bid	(937,937)	(6,091)	(399,200)	(2,566)
<b>Number of common shares outstanding - end of period</b>	<b>59,877,812</b>	<b>\$ 389,638</b>	60,715,625	\$ 394,291

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

### Normal Course Issuer Bid

In the fourth quarter of 2019, the Company announced its intention to make a normal course issuer bid (the "NCIB") commencing on November 5, 2019 and expiring on November 4, 2020. During this period, the Company is permitted to purchase for cancellation up to a maximum of 5,975,486 common shares on the open market, representing approximately 10% of the issued and outstanding common shares at the time of the announcement of the NCIB. For the nine months ended September 30, 2020, the Company acquired 937,937 common shares for \$15,455 of which \$6,091 was recorded as a reduction in share capital and \$9,364 recorded as a reduction of retained earnings. During the period from November 5, 2019 to September 30, 2020, a total of 1,337,137 common shares were acquired for \$22,672 of which \$8,657 was recorded as a reduction in share capital and \$14,015 recorded as a reduction of retained earnings. All of the shares acquired were subsequently cancelled.

# **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (in thousands of Canadian dollars, except per share amounts) (unaudited)**

## **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 expense. Awards made to individuals who are eligible to retire under the plan are assumed, for accounting purposes, to vest immediately.

For the three and nine months ended September 30, 2020, the Company recorded LTIP compensation charges of \$4,584 (2019 - \$2,376) and \$10,484 (2019 - \$8,659), respectively.

### **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 2020, directors have the option of receiving up to 40% of their annual retainer fee, that is otherwise payable in cash, in the form of DSUs pursuant to the Director DSU Plan. The number of DSUs awarded to a director is equal to the value of the compensation that a director elects to receive in DSUs or the value awarded by the Company on an annual basis divided by the volume weighted average trading price of a common share on the TSX for the five trading days prior to the date of the award. DSUs are redeemable on the first business day following the date the director ceases to serve on the Board.

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

For the three and nine months ended September 30, 2020, the Company recorded Director DSU compensation charges of \$140 (2019 - \$148) and \$1,265 (2019 - \$1,027), respectively.

### **Other Stock-based Compensation – Employee Share Unit (ESU) Awards**

In April 2019, the Company adopted an Employee Share Unit (“ESU”) plan, an employee benefit program that enables all permanent, non-unionized, Canadian resident employees to become shareholders of the Company. The program includes ESUs gifted to eligible employees, and additional ESUs that may be purchased by eligible employees during a predetermined window each year at a discounted price.

ESU awards and purchases vest annually over three years. ESUs are equity settled awards with compensation charges related to ESU awards and purchases expensed over the estimated vesting period in marketing, general and administrative expense.

For the three and nine months ended September 30, 2020, the Company recorded an ESU compensation charge of \$199 (2019 - \$419) and \$838 (2019 - \$691), respectively.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**  
(in thousands of Canadian dollars, except per share amounts) (unaudited)

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

	For the nine months ended September 30, 2020		
	LTIP	Director DSUs	ESUs
	Share Units		
Balance outstanding - beginning of period	2,474,484	248,588	166,866
Granted	648,067	68,421	25,482
Dividend equivalent rights	91,667	9,617	11,123
Settled	(189,708)	-	(2,872)
Forfeited	(13,819)	-	(10,719)
Balance outstanding - end of period	3,010,691	326,626	189,880

	Weighted Average Grant Date Fair Value Per Unit		
Balance outstanding - beginning of period	\$ 13.59	\$ 15.91	\$ 17.65
Granted	16.25	16.24	14.38
Dividend equivalent rights	13.95	15.98	17.53
Settled	15.45	-	17.59
Forfeited	18.34	-	17.32
Balance outstanding - end of period	\$ 14.04	\$ 15.99	\$ 17.20

Amounts included in contributed surplus in the consolidated balance sheets as at September 30, 2020 in respect of LTIP, Director DSUs, and ESUs were \$36,943 (December 31, 2019 - \$31,149), \$5,221 (December 31, 2019 - \$3,956), and \$2,277 (December 31, 2019 - \$1,484), respectively.

**24. EXPENSES**

	For the three months ended		For the nine months ended	
	September 30 2020	September 30 2019	September 30 2020	September 30 2019
Personnel	\$ 163,571	\$ 220,397	\$ 525,877	\$ 552,230
Subcontractors	394,536	403,359	1,039,960	982,380
Materials	321,697	281,421	728,385	769,154
Equipment costs	24,857	32,997	97,701	79,918
Depreciation of property, plant and equipment and amortization of intangible assets	22,329	26,828	64,504	69,181
Other expenses	10,434	7,489	25,915	26,531
<b>Total expenses</b>	<b>\$ 937,424</b>	<b>\$ 972,491</b>	<b>\$ 2,482,342</b>	<b>\$ 2,479,394</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

Reported as:

	For the three months ended		For the nine months ended	
	September 30 2020	September 30 2019	September 30 2020	September 30 2019
Direct costs and expenses	\$ 877,227	\$ 904,792	\$ 2,289,140	\$ 2,279,365
Marketing, general and administrative expense	37,868	40,871	128,698	130,848
Depreciation and amortization	22,329	26,828	64,504	69,181
<b>Total expenses</b>	<b>\$ 937,424</b>	<b>\$ 972,491</b>	<b>\$ 2,482,342</b>	<b>\$ 2,479,394</b>

### Canada Emergency Wage Subsidy

The Canada Emergency Wage Subsidy ("CEWS") was enacted on April 11, 2020 and is a key measure in the Government of Canada's COVID-19 Economic Response Plan. The CEWS is designed to provide financial assistance to business entities experiencing a specified level of reduced revenue in order to support these employers in retaining or hiring employees. The subsidy reimburses a certain percentage (depending on the relevant filing period) of an employee's wages for an eligible employer during the current program period that began on March 15, 2020. The Company's entitlement, in accordance with the program's regulations, for the period from March 15 to September 26, 2020 is \$91,600. Formal applications have been filed for eligible entities for that period and the amount of \$91,600 was recognized in the third quarter of 2020 as a cost recovery within gross profit. The net benefit to gross profit from the CEWS program in the third quarter was \$69,000 after providing for increased client and employee related expenses directly attributable to the amount to be received from the CEWS. As at September 30, 2020, \$50,700 had been received in cash from this program with the remaining \$40,900 expected to be received during the fourth quarter of 2020. The Company expects to continue its participation in the CEWS throughout the program's duration, subject to meeting the applicable eligibility requirements.

CEWS are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all related conditions. CEWS for the three and nine months ended September 30, 2020 of \$91,600 and \$91,600, respectively, are recorded as a reduction of personnel expenses. There are no unfulfilled conditions attached to these subsidies.

## 25. OTHER INCOME

	For the three months ended		For the nine months ended	
	September 30 2020	September 30 2019	September 30 2020	September 30 2019
Foreign exchange gain (loss)	\$ (464)	\$ 856	\$ (692)	\$ 1,078
Gain on sale of property, plant and equipment	858	709	1,971	2,385
Other gains (loss)	-	-	1,105	-
<b>Total other income</b>	<b>\$ 394</b>	<b>\$ 1,565</b>	<b>\$ 2,384</b>	<b>\$ 3,463</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

### 26. FINANCE COST

	For the three months ended		For the nine months ended	
	September 30 2020	September 30 2019	September 30 2020	September 30 2019
Interest and notional interest on long-term debt and debentures	\$ 3,887	\$ 3,811	\$ 11,598	\$ 11,351
Interest on leases	1,207	1,041	3,564	2,858
Interest on short-term debt	1,646	1,044	4,162	1,808
Notional interest on provisions	76	46	237	152
<b>Total finance cost</b>	<b>\$ 6,816</b>	<b>\$ 5,942</b>	<b>\$ 19,561</b>	<b>\$ 16,169</b>

### 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 2020	September 30 2019	September 30 2020	September 30 2019
Profit attributable to shareholders	\$ 73,624	\$ 42,116	\$ 56,047	\$ 52,654
Interest on convertible debentures, net of tax <sup>(1)</sup>	2,558	2,535	7,656	7,585
<b>Diluted net earnings</b>	<b>\$ 76,182</b>	<b>\$ 44,651</b>	<b>\$ 63,703</b>	<b>\$ 60,239</b>
Average number of common shares outstanding	59,876,749	60,761,389	60,059,228	60,661,972
Effect of dilutive securities: <sup>(1)</sup>				
Convertible debentures <sup>(1)</sup>	13,513,900	10,093,928	12,971,988	10,360,288
Long-term incentive plan	3,337,317	3,240,122	3,337,317	3,240,122
<b>Weighted average number of diluted common shares outstanding</b>	<b>76,727,966</b>	<b>74,095,439</b>	<b>76,368,533</b>	<b>74,262,382</b>
Basic earnings per share	\$ 1.23	\$ 0.69	\$ 0.93	\$ 0.87
<b>Diluted earnings per share<sup>(1)</sup></b>	<b>\$ 0.99</b>	<b>\$ 0.60</b>	<b>\$ 0.83</b>	<b>\$ 0.81</b>

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(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 2020	September 30 2019
Decrease (increase) in:		
Trade and other receivables	\$ (147,772)	\$ (106,487)
Unbilled revenue	(114,250)	(165,991)
Inventories	3,253	(4,208)
Prepaid expenses	(12,041)	(15,149)
Increase (decrease) in:		
Trade and other payables	176,136	130,168
Provisions	(11,472)	(4,917)
Deferred revenue	43,960	(42,403)
	<b>\$ (62,186)</b>	<b>\$ (208,987)</b>

### Cash flows from interest

	For the nine months ended	
	September 30 2020	September 30 2019
<b>Operating activities</b>		
Cash interest paid	\$ (35,481)	\$ (33,374)
Cash interest received	1,426	3,360

## 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, 2020, the Company had contracts to buy US\$6,870 (December 31, 2019 - US\$974) and EUR€nil (December 31, 2019 - EUR€1,812) on which there was a cumulative net unrealized exchange loss of \$55 recorded in the consolidated statements of income as at that date (December 31, 2019 - \$135). In addition, as at September 30, 2020, outstanding contracts to buy US\$142,782 (December 31, 2019 – buy US\$151,479) were designated as cash flow hedges on which there was a cumulative unrealized gain recorded in other comprehensive income of \$6,889 (December 31, 2019 - \$3,651). 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.

In addition, some of the Company's investments in projects accounted for using the equity method enter into derivative financial instruments, namely interest rate swaps, to hedge the variability of interest rates related to non-recourse project debt. As at September 30, 2020, for these derivative financial instruments designated as cash flow hedges, there was a cumulative unrealized loss recorded in other comprehensive income of \$33,636 (December 31, 2019 - \$7,947).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019  
(in thousands of Canadian dollars, except per share amounts) (unaudited)**

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, 2020			
	Total	Level 1	Level 2	Level 3
<b>Financial assets (liabilities) measured at fair value:</b>				
Cash flow hedges	\$ (26,747)	\$ -	\$ (26,747)	\$ -
<b>Financial assets (liabilities) disclosed at fair value:</b>				
Long-term financial assets	3,865	-	3,865	-
Current portion of long-term debt	(66,509)	-	(66,509)	-
Long-term debt	(155,692)	-	(155,692)	-
Non-recourse project debt	(375,914)	-	(375,914)	-
Convertible debentures	(186,686)	(186,686)	-	-

During the nine months ended September 30, 2020, 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**

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, 2020, the Company had \$94,785 in trade receivables that were past due. Of this amount, \$74,107 was over 60 days past due, against which the Company has recorded an allowance for expected credit losses of \$906.

**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.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019  
(in thousands of Canadian dollars, except per share amounts) (unaudited)**

Contractual maturities for financial liabilities as at September 30, 2020 are as follows:

	Due within one year	Due between one and five years	Due after five years	Total undiscounted cash flows	Effect of interest	Carrying value
Trade and other payables \$	975,368 \$	14,979 \$	- \$	990,347 \$	- \$	990,347
Leases	\$ 56,133 \$	100,383 \$	28,435 \$	184,951 \$	(15,054) \$	169,897
Equipment and other loans	10,519	21,599	8,668	40,786	(3,520)	37,266
	66,652	121,982	37,103	225,737	(18,574)	207,163
Non-recourse project debt	22,430	107,749	590,490	720,669	(344,755)	375,914
Convertible debentures	9,200	207,000	-	216,200	(48,332)	167,868
Long-term financial liabilities	\$ 98,282 \$	436,731 \$	627,593 \$	1,162,606 \$	(411,661) \$	750,945

**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, 2020, 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, 2020 to profit or loss for currency exposures would be \$11,161. The sensitivity analysis includes foreign currency denominated monetary items but excludes all investments in joint ventures and hedges and adjusts their translation at period-end for the above 10% change in foreign currency rates.

**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, 2020, the debt to capitalization percentage including convertible debentures as debt was 30% (December 31, 2019 - 30%). 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 17% as at September 30, 2020 (December 31, 2019 - 17%). While the Company believes this debt to capitalization percentage is acceptable,

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019  
(in thousands of Canadian dollars, except per share amounts) (unaudited)**

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, 2020, 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 currently operates in two segments within the infrastructure development industry: Construction 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, 2020 AND 2019

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

For the three months ended September 30, 2020				
	Construction	Concessions	Other and eliminations	Total
<b>Consolidated statements of income</b>				
External customer revenue	\$ 1,030,481	\$ 8,975	\$ -	\$ 1,039,456
Inter-segment revenue	4,357	-	(4,357)	-
<b>Total revenue</b>	<b>1,034,838</b>	<b>8,975</b>	<b>(4,357)</b>	<b>1,039,456</b>
<b>Expenses</b>	<b>\$ (924,299)</b>	<b>\$ (15,143)</b>	<b>\$ 2,018</b>	<b>\$ (937,424)</b>
Which include:				
Depreciation and amortization	(17,833)	(3,995)	(501)	(22,329)
<b>Other income (loss):</b>				
Foreign exchange loss	\$ (144)	\$ (12)	\$ (308)	\$ (464)
Gain on sale of property, plant and equipment	858	-	-	858
<b>Income from projects accounted for using the equity method</b>	<b>\$ 1,373</b>	<b>\$ 2,980</b>	<b>\$ -</b>	<b>\$ 4,353</b>
<b>Operating profit (loss)</b>	<b>\$ 112,626</b>	<b>\$ (3,200)</b>	<b>\$ (2,647)</b>	<b>\$ 106,779</b>
<b>Finance income (cost):</b>				
Finance income				\$ 139
Finance cost				(6,816)
<b>Profit before income taxes</b>				<b>\$ 100,102</b>
<b>Income tax expense</b>				<b>(26,478)</b>
<b>Profit for the period</b>				<b>\$ 73,624</b>
<b>Revenue by contract type</b>				
Fixed price	\$ 650,378	\$ 3,508	\$ (3,437)	\$ 650,449
Cost plus/unit price	384,460	-	(920)	383,540
Concession operations	-	5,467	-	5,467
<b>Total revenue</b>	<b>1,034,838</b>	<b>8,975</b>	<b>(4,357)</b>	<b>1,039,456</b>
<b>Revenue by service type</b>				
Construction revenue	\$ 1,034,838	\$ -	\$ (832)	\$ 1,034,006
Concession revenue	-	8,975	(3,525)	5,450
<b>Total revenue</b>	<b>1,034,838</b>	<b>8,975</b>	<b>(4,357)</b>	<b>1,039,456</b>
	Construction	Concessions	Other and eliminations	Total
<b>Consolidated balance sheets</b>				
<b>Segment assets</b>	<b>\$ 2,910,410</b>	<b>\$ 651,615</b>	<b>\$ (171,892)</b>	<b>\$ 3,390,133</b>
Which include:				
Projects accounted for using the equity method	14,636	17,098	-	31,734
<b>Segment liabilities</b>	<b>\$ 1,581,530</b>	<b>\$ 429,958</b>	<b>\$ 513,088</b>	<b>\$ 2,524,576</b>
<b>Additions to non-current assets:</b>				
Property, plant and equipment	\$ 17,146	\$ 22	\$ 1,259	\$ 18,427
Intangible assets	\$ 1,572	\$ 11,495	\$ 48	\$ 13,115

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

For the nine months ended September 30, 2020					
	Construction	Concessions	Other and eliminations	Total	
<b>Consolidated statements of income</b>					
External customer revenue	\$ 2,521,854	\$ 44,565	\$ -	\$ 2,566,419	
Inter-segment revenue	26,139	-	(26,139)	-	
<b>Total revenue</b>	<b>2,547,993</b>	<b>44,565</b>	<b>(26,139)</b>	<b>2,566,419</b>	
<b>Expenses</b>	<b>\$ (2,430,606)</b>	<b>\$ (56,281)</b>	<b>\$ 4,545</b>	<b>\$ (2,482,342)</b>	
Which include:					
Depreciation and amortization	(53,256)	(10,391)	(857)	(64,504)	
<b>Other income (loss):</b>					
Foreign exchange gain (loss)	\$ 241	\$ 106	\$ (1,039)	\$ (692)	
Gain on sale of property, plant and equipment	1,971	-	-	1,971	
Other gains	1,105	-	-	1,105	
<b>Income from projects accounted for using the equity method</b>	<b>\$ 1,312</b>	<b>\$ 8,582</b>	<b>\$ -</b>	<b>\$ 9,894</b>	
<b>Operating profit (loss)</b>	<b>\$ 122,016</b>	<b>\$ (3,028)</b>	<b>\$ (22,633)</b>	<b>\$ 96,355</b>	
<b>Finance income (cost):</b>					
Finance income				\$ 885	
Finance cost				(19,561)	
<b>Profit before income taxes</b>				<b>\$ 77,679</b>	
<b>Income tax expense</b>				<b>(21,632)</b>	
<b>Profit for the period</b>				<b>\$ 56,047</b>	
<b>Revenue by contract type</b>					
Fixed price	\$ 1,563,179	\$ 24,050	\$ (23,053)	\$ 1,564,176	
Cost plus/unit price	984,814	-	(3,086)	981,728	
Concession operations	-	20,515	-	20,515	
<b>Total revenue</b>	<b>2,547,993</b>	<b>44,565</b>	<b>(26,139)</b>	<b>2,566,419</b>	
<b>Revenue by service type</b>					
Construction revenue	\$ 2,547,993	\$ -	\$ (2,743)	\$ 2,545,250	
Concession revenue	-	44,565	(23,396)	21,169	
<b>Total revenue</b>	<b>2,547,993</b>	<b>44,565</b>	<b>(26,139)</b>	<b>2,566,419</b>	
	Construction	Concessions	Other and eliminations	Total	
<b>Consolidated balance sheets</b>					
<b>Additions to non-current assets:</b>					
Property, plant and equipment	\$ 68,088	\$ 93	\$ 3,509	\$ 71,690	
Intangible assets	\$ 33,561	\$ 42,022	\$ 647	\$ 76,230	

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

For the three months ended September 30, 2019				
	Construction	Concessions	Other and eliminations	Total
<b>Consolidated statements of income</b>				
External customer revenue	\$ 963,974	\$ 61,461	\$ -	\$ 1,025,435
Inter-segment revenue	36,380	-	(36,380)	-
<b>Total revenue</b>	<b>1,000,354</b>	<b>61,461</b>	<b>(36,380)</b>	<b>1,025,435</b>
<b>Expenses</b>	<b>\$ (945,316)</b>	<b>\$ (54,731)</b>	<b>\$ 27,556</b>	<b>\$ (972,491)</b>
Which include:				
Depreciation and amortization	(15,401)	(10,065)	(1,362)	(26,828)
<b>Other income:</b>				
Foreign exchange gain	\$ 534	\$ 48	\$ 274	\$ 856
Gain on sale of property, plant and equipment	709	-	-	709
<b>Income from projects accounted for using the equity method</b>	<b>\$ 1,403</b>	<b>\$ 2,857</b>	<b>\$ -</b>	<b>\$ 4,260</b>
<b>Operating profit (loss)</b>	<b>\$ 57,684</b>	<b>\$ 9,635</b>	<b>\$ (8,550)</b>	<b>\$ 58,769</b>
<b>Finance income (cost):</b>				
Finance income				\$ 365
Finance cost				(5,942)
<b>Profit before income taxes</b>				<b>\$ 53,192</b>
<b>Income tax expense</b>				<b>(11,076)</b>
<b>Profit for the period</b>				<b>\$ 42,116</b>
<b>Revenue by contract type</b>				
Fixed price	\$ 503,852	\$ 36,350	\$ (35,637)	\$ 504,565
Cost plus/unit price	496,502	-	(743)	495,759
Concessions operations	-	25,111	-	25,111
<b>Total revenue</b>	<b>1,000,354</b>	<b>61,461</b>	<b>(36,380)</b>	<b>1,025,435</b>
<b>Revenue by service type</b>				
Construction revenue	\$ 1,000,354	\$ -	\$ (743)	\$ 999,611
Concession revenue	-	61,461	(35,637)	25,824
<b>Total revenue</b>	<b>1,000,354</b>	<b>61,461</b>	<b>(36,380)</b>	<b>1,025,435</b>
	Construction	Concessions	Other and eliminations	Total
<b>Consolidated balance sheets</b>				
<b>Segment assets</b>	<b>\$ 2,706,371</b>	<b>\$ 667,449</b>	<b>\$ (210,955)</b>	<b>\$ 3,162,865</b>
Which include:				
Projects accounted for using the equity method	24,002	14,060	-	38,062
<b>Segment liabilities</b>	<b>\$ 1,513,046</b>	<b>\$ 510,473</b>	<b>\$ 286,778</b>	<b>\$ 2,310,297</b>
<b>Additions to non-current assets:</b>				
Property, plant and equipment	\$ 25,318	\$ 18	\$ 3,282	\$ 28,618
Intangible assets	\$ 922	\$ 40,596	\$ 285	\$ 41,803

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

For the nine months ended September 30, 2019					
	Construction	Concessions	Other and eliminations	Total	
<b>Consolidated statements of income</b>					
External customer revenue	\$ 2,363,424	\$ 179,662	\$ -	\$ 2,543,086	
Inter-segment revenue	121,744	-	(121,744)	-	
<b>Total revenue</b>	<b>2,485,168</b>	<b>179,662</b>	<b>(121,744)</b>	<b>2,543,086</b>	
<b>Expenses</b>	<b>\$ (2,408,142)</b>	<b>\$ (164,839)</b>	<b>\$ 93,587</b>	<b>\$ (2,479,394)</b>	
Which include:					
Depreciation and amortization	(43,699)	(24,444)	(1,038)	(69,181)	
<b>Other income (loss):</b>					
Foreign exchange gain (loss)	\$ 1,828	\$ (81)	\$ (669)	\$ 1,078	
Gain on sale of property, plant and equipment	2,385	-	-	2,385	
<b>Income from projects accounted for using the equity method</b>	<b>\$ 1,279</b>	<b>\$ 7,705</b>	<b>\$ -</b>	<b>\$ 8,984</b>	
<b>Operating profit (loss)</b>	<b>\$ 82,518</b>	<b>\$ 22,447</b>	<b>\$ (28,826)</b>	<b>\$ 76,139</b>	
<b>Finance income (cost):</b>					
Finance income				\$	1,496
Finance cost					(16,169)
<b>Profit before income taxes</b>				\$	61,466
<b>Income tax expense</b>					(8,812)
<b>Profit for the year</b>				\$	52,654
<b>Revenue by contract type</b>					
Fixed price	\$ 1,132,160	\$ 116,760	\$ (114,470)	\$ 1,134,450	
Cost plus/unit price	1,353,008	-	(7,274)	1,345,734	
Concession operations	-	62,902	-	62,902	
<b>Total revenue</b>	<b>2,485,168</b>	<b>179,662</b>	<b>(121,744)</b>	<b>2,543,086</b>	
<b>Revenue by service type</b>					
Construction revenue	\$ 2,485,168	\$ -	\$ (7,266)	\$ 2,477,902	
Concession revenue	-	179,662	(114,478)	65,184	
<b>Total revenue</b>	<b>2,485,168</b>	<b>179,662</b>	<b>(121,744)</b>	<b>2,543,086</b>	
	Construction	Concessions	Other and eliminations	Total	
<b>Consolidated balance sheets</b>					
<b>Additions to non-current assets:</b>					
Property, plant and equipment	\$ 72,407	\$ 474	\$ 10,202	\$ 83,083	
Intangible assets	\$ 6,613	\$ 122,191	\$ 564	\$ 129,368	