

Aecon Group Inc.

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

June 30, 2022

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Management's Discussion and Analysis of Operating Results and Financial Condition ("MD&A")

The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. ("Aecon" or the "Company") should be read in conjunction with the Company's June 30, 2022 interim condensed consolidated financial statements and notes, which have not been reviewed by the Company's external auditors, and in conjunction with the Company's annual MD&A for the year ended December 31, 2021 (the "2021 Annual MD&A"). This MD&A has been prepared as of July 28, 2022. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and includes the Company's Annual Information Form and other securities and continuous disclosure filings.

1. INTRODUCTION

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

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

2. FORWARD-LOOKING INFORMATION

The information in this MD&A includes certain forward-looking statements. These forward-looking statements are based on currently available competitive, financial and economic data and operating plans but are subject to risks and uncertainties. Forward-looking statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, ongoing objectives, strategies and outlook for Aecon, including statements regarding the sufficiency of Aecon's liquidity and working capital requirements for the foreseeable future. Forward-looking statements may in some cases be identified by words such as "will," "plans," "believes," "expects," "anticipates," "estimates," "projects," "intends," "should" or the negative of these terms, or similar expressions. In addition to events beyond Aecon's control, there are factors which could cause actual or future results, performance or achievements to differ materially from those expressed or inferred herein including, but not limited to: the timing of projects, unanticipated costs and expenses, the failure to recognize and adequately respond to climate change concerns or public and governmental expectations on climate matters, general market and industry conditions and operational and reputational risks, including large project risk and contractual factors, and risks relating to the COVID-19 pandemic. Risk factors are discussed in greater detail in Section 13 – "Risk Factors" of this MD&A and in the 2021 Annual MD&A dated March 1, 2022 and available through SEDAR at www.sedar.com. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Aecon undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

3. FINANCIAL REPORTING STANDARDS

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”) applicable to the preparation of interim financial statements including International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

4. NON-GAAP AND SUPPLEMENTARY FINANCIAL MEASURES

The MD&A presents certain non-GAAP and supplementary financial measures, as well as non-GAAP ratios to assist readers in understanding the Company’s performance (GAAP refers to Canadian Generally Accepted Accounting Principles). These measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Management uses these non-GAAP and supplementary financial measures, as well as certain non-GAAP ratios to analyze and evaluate operating performance. Aecon also believes the financial measures defined below are commonly used by the investment community for valuation purposes, and are useful complementary measures of profitability, and provide metrics useful in the construction industry. The most directly comparable measures calculated in accordance with GAAP are profit (loss) attributable to shareholders or earnings (loss) per share.

Throughout this MD&A, the following terms are used, which are not found in the Chartered Professional Accountants of Canada Handbook and do not have a standardized meaning under GAAP.

Non-GAAP Financial Measures

A non-GAAP financial measure: (a) depicts the historical or expected future financial performance, financial position or cash flow of the Company; (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most comparable financial measure presented in the primary consolidated financial statements; (c) is not presented in the primary financial statements of the Company; and (d) is not a ratio.

Non-GAAP financial measures presented and discussed in this MD&A are as follows:

- **“Adjusted EBITDA”** represents operating profit (loss) adjusted to exclude depreciation and amortization, the gain (loss) on sale of assets and investments, and net income (loss) from projects accounted for using the equity method, but including “Equity Project EBITDA” from projects accounted for using the equity method (refer to Section 9 “Quarterly Financial Data” for a quantitative reconciliation to the most comparable financial measure).
- **“Equity Project EBITDA”** represents Aecon’s proportionate share of the earnings or losses from projects accounted for using the equity method before depreciation and amortization, finance income, finance cost and income tax expense (recovery) (refer to Section 9 “Quarterly Financial Data” for a quantitative reconciliation to the most comparable financial measure).
- **“Backlog”** means the total value of work that has not yet been completed that: (a) has a high certainty of being performed as a result of the existence of an executed contract or work order specifying job scope,

value and timing; or (b) has been awarded to Aecon, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured. Operations and maintenance (“O&M”) activities are provided under contracts that can cover a period of up to 30 years. In order to provide information that is comparable to the backlog of other categories of activity, Aecon limits backlog for O&M activities to the earlier of the contract term and the next five years.

Primary financial statements

Primary financial statements include any of the following: the consolidated balance sheets, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows.

Key financial measures presented in the primary financial statements of the Company and discussed in this MD&A are as follows:

- **“Gross profit”** represents revenue less direct costs and expenses. Not included in the calculation of gross profit are marketing, general and administrative expense (“MG&A”), depreciation and amortization, income (loss) from projects accounted for using the equity method, other income (loss), finance income, finance cost, income tax expense (recovery), and non-controlling interests.
- **“Operating profit (loss)”** represents the profit (loss) from operations, before finance income, finance cost, income tax expense (recovery), and non-controlling interests.

The above measures are presented on the face of the Company’s consolidated statements of income and are not meant to be a substitute for other subtotals or totals presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures.

Non-GAAP Ratios

A non-GAAP ratio is a financial measure presented in the form of a ratio, fraction, percentage or similar representation and that has a non-GAAP financial measure as one of its components.

A non-GAAP ratio presented and discussed in this MD&A is as follows:

- **“Adjusted EBITDA margin”** represents Adjusted EBITDA as a percentage of revenue.

Supplementary Financial Measures

A supplementary financial measure: (a) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of the Company; (b) is not presented in the financial statements of the Company; (c) is not a non-GAAP financial measure; and (d) is not a non-GAAP ratio.

Key supplementary financial measures presented in this MD&A are as follows:

- **“Gross profit margin”** represents gross profit as a percentage of revenue.
- **“Operating margin”** represents operating profit (loss) as a percentage of revenue.
- **“MG&A as a percent of revenue”** represents marketing, general and administrative expense as a percentage of revenue.

5. RECENT DEVELOPMENTS

COVID-19 Pandemic

The COVID-19 pandemic continued to disrupt global health and the economy in the first six months of 2022 and has created an indeterminate period of volatility in the markets in which Aecon operates. The COVID-19 pandemic has impacted Aecon’s operations since 2020 at varying times by way of suspensions of certain of the Company’s projects and operations, 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 air traffic, inflation, the availability of labour or to the supply chain. Aecon continues to monitor ongoing developments and mitigate risks related to the COVID-19 pandemic and the impact on Aecon’s projects, operations, supply chain, and most importantly the health and safety of its employees.

6. BUSINESS STRATEGY

Refer to the discussion on Business Strategy as outlined in the 2021 Annual MD&A available on the Company’s website at www.aecon.com or through SEDAR at www.sedar.com.

7. CONSOLIDATED FINANCIAL HIGHLIGHTS

\$ millions (except per share amounts)	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Revenue	\$ 1,123.2	\$ 971.3	\$ 2,109.2	\$ 1,725.3
Gross profit	77.5	91.9	138.6	149.2
Marketing, general and administrative expense	(52.7)	(44.3)	(105.8)	(92.0)
Income from projects accounted for using the equity method	3.7	3.8	6.8	6.4
Other income	0.1	4.7	2.3	5.0
Depreciation and amortization	(23.6)	(21.4)	(46.5)	(44.2)
Operating profit (loss)	5.1	34.6	(4.6)	24.4
Finance income	0.2	0.1	0.3	0.3
Finance cost	(13.2)	(11.1)	(25.0)	(21.8)
Profit (loss) before income taxes	(8.0)	23.7	(29.3)	2.8
Income tax (expense) recovery	1.6	(6.1)	5.5	(3.7)
Profit (loss)	\$ (6.4)	\$ 17.6	\$ (23.8)	\$ (0.8)
Gross profit margin⁽³⁾	6.9%	9.5%	6.6%	8.6%
MG&A as a percent of revenue⁽³⁾	4.7%	4.6%	5.0%	5.3%
Adjusted EBITDA⁽¹⁾	\$ 38.5	\$ 61.3	\$ 59.1	\$ 82.1
Adjusted EBITDA margin⁽²⁾	3.4%	6.3%	2.8%	4.8%
Operating margin⁽³⁾	0.5%	3.6%	(0.2)%	1.4%
Earnings (loss) per share - basic	\$ (0.10)	\$ 0.29	\$ (0.39)	\$ (0.01)
Earnings (loss) per share - diluted	\$ (0.10)	\$ 0.27	\$ (0.39)	\$ (0.01)
Backlog⁽¹⁾			\$ 6,605	\$ 6,524

(1) This is a non-GAAP financial measure. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each non-GAAP financial measure.

(2) This is a non-GAAP ratio. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each non-GAAP ratio.

(3) This is a supplementary financial measure. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each supplementary financial measure.

Revenue for the three months ended June 30, 2022 of \$1,123 million was \$152 million, or 16%, higher compared to the second quarter of 2021. In the Construction segment, higher revenue of \$150 million was driven by increases in civil (\$52 million), industrial (\$40 million), utilities (\$26 million), nuclear (\$25 million), and urban transportation solutions (\$7 million). In the Concessions segment, higher revenue of \$2 million was primarily due to an increase in commercial flight operations at the Bermuda International Airport.

Revenue for the six months ended June 30, 2022 of \$2,109 million was \$384 million, or 22%, higher compared to the same period in 2021. Higher revenue in the Construction segment of \$377 million was driven by increased activity in industrial (\$131 million), civil (\$116 million), nuclear (\$66 million), and utilities operations (\$64 million). Revenue in urban transportation solutions was unchanged period-over-period. In the Concessions segment, higher revenue of \$5 million was primarily due to operations at the Bermuda International Airport. In addition, inter-segment revenue eliminations decreased by \$2 million, primarily due to lower revenue between the Concessions and Construction segments.

Operating profit of \$5.1 million for the three months ended June 30, 2022 decreased by \$29.5 million compared to an operating profit of \$34.6 million in the same period in 2021. The largest element of the period-over-period change was lower gross profit of \$14.4 million. Included in gross profit in the second quarter of 2021 was a net positive impact from subsidy related to the Canada Emergency Wage Subsidy (“CEWS”) program (\$12.7 million in the three-month period ended June 30, 2021), recorded as cost recovery within gross profit in the Construction segment. After adjusting for the impact of CEWS amounts reported in the second quarter of 2021, gross profit in the second quarter of 2022 decreased by \$1.7 million compared to the same period in 2021. In the Construction segment, gross profit decreased by \$2.6 million primarily from lower gross profit margin in urban transportation solutions driven by an unfavourable margin adjustment on a light rail transit (“LRT”) project in the quarter, as well as from lower gross profit margin in civil and nuclear operations. These decreases were partially offset by higher volume in each operating sector within the Construction segment and higher gross profit margin in industrial and utilities operations. In the Concessions segment, gross profit increased by \$0.7 million, primarily from an improvement in results from airport operations at the Bermuda International Airport.

Operating loss of \$4.6 million for the six months ended June 30, 2022 compared to an operating profit of \$24.4 million in the same period in 2021, a reduction of \$29.0 million. Similar to the second quarter commentary, gross profit in the first six months of 2021 included a net positive impact from subsidy related to the CEWS program of \$20.5 million. After adjusting for the impact of CEWS amounts reported in the first six months of 2021, gross profit increased period-over-period by \$9.9 million. In the Construction segment, gross profit increased by \$4.3 million primarily from the impact of higher volume in civil, utilities, industrial, and nuclear operations which offset lower gross profit margin in urban transportation solutions. In the Concessions segment, gross profit increased by \$4.8 million primarily due to the Bermuda International Airport where airport operations continue to recover from the impacts of the COVID-19 pandemic on travel.

MG&A for the three and six months ended June 30, 2022 increased by \$8.4 million and \$13.8 million, respectively, compared to the same periods in 2021, primarily due to higher personnel costs, project pursuit and bid costs, and other discretionary costs. MG&A as a percentage of revenue for the second quarter increased from 4.6% in 2021 to 4.7% in 2022, and for the first six months decreased from 5.3% in 2021 to 5.0% in 2022.

Aecon’s participation in projects that are classified for accounting purposes as a joint venture or an associate, as opposed to a joint operation, are accounted for using the equity method of accounting. Aecon reported income of \$3.7 million in the second quarter of 2022 from projects accounted for using this method of accounting, compared to \$3.8 million in the second quarter of 2021, and income of \$6.8 million in the first six months of 2022 compared to \$6.4 million in the same period of 2021. The lower income in the second quarter of 2022 was due to a decrease in income from civil projects in the Construction segment (\$0.7 million) partially offset by higher management and development fees in the Concessions segment (\$0.6 million). The higher income in the first six months of 2022 was driven by higher management and development fees in the Concessions segment (\$1.1 million) partially offset by a decrease in income from civil projects in the Construction segment (\$0.7 million).

Other income of \$0.1 million and \$2.3 million for the second quarter and six months ended June 30, 2022, respectively, was \$4.6 million and \$2.7 million lower than the same periods in 2021. The decrease in both periods is primarily related to a decrease in gains on the sale of equipment and other assets.

Depreciation and amortization expense of \$23.6 million and \$46.5 million for the second quarter and six months ended June 30, 2022, respectively, was \$2.2 million and \$2.3 million higher than the same periods in 2021. The largest increase in both periods occurred in the Construction segment (\$2.2 million and \$2.4 million, respectively) due to an increase in equipment deployed to support higher volume.

Net financing expense of \$13.0 million in the second quarter of 2022 consisting of finance cost of \$13.2 million less finance income of \$0.2 million, was \$2.0 million higher than the same period in 2021, and net financing expense of \$24.7 million in the first six months of 2022, consisting of finance cost of \$25.0 million less finance income of \$0.3 million, was \$3.2 million higher than the same period in 2021. The increase in both periods is primarily related to increased borrowings on Aecon's revolving credit facility compared to the same periods in the prior year.

Set out in Note 19 of the June 30, 2022 interim condensed consolidated financial statements is a reconciliation between the expected income tax expense (recovery) for the first six months of 2022 and 2021 based on statutory income tax rates and the actual income tax expense (recovery) reported for both these periods.

Reported backlog as at June 30, 2022 of \$6,605 million compares to backlog of \$6,524 million as at June 30, 2021. New contract awards of \$1,305 million and \$2,517 million were booked in the second quarter and year-to-date, respectively, in 2022 compared to \$1,582 million and \$1,795 million in the same periods in 2021.

Backlog⁽¹⁾ \$ millions	As at June 30	
	2022	2021
Construction	\$ 6,512	\$ 6,450
Concessions	93	74
Consolidated	<u>\$ 6,605</u>	<u>\$ 6,524</u>

(1) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.

Estimated backlog duration \$ millions	As at June 30	
	2022	2021
Next 12 months	\$ 3,548 54%	\$ 2,836 43%
Next 13-24 months	1,591 24%	1,689 26%
Beyond	1,466 22%	1,999 31%
	<u>\$ 6,605 100%</u>	<u>\$ 6,524 100%</u>

The timing of work to be performed for projects in backlog as at June 30, 2022 is based on current project schedules, taking into account the current estimated impacts of COVID-19. It is possible that these schedules could change in the future as the COVID-19 pandemic evolves.

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

Further detail for each segment is included in the discussion below under Section 8 "Reportable Segments Financial Highlights".

8. REPORTABLE SEGMENTS FINANCIAL HIGHLIGHTS

8.1. CONSTRUCTION

Financial Highlights

\$ millions	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Revenue	\$ 1,104.2	\$ 954.6	\$ 2,075.8	\$ 1,698.7
Gross profit	\$ 69.5	\$ 84.7	\$ 125.9	\$ 142.1
Adjusted EBITDA⁽¹⁾	\$ 33.7	\$ 50.9	\$ 53.0	\$ 73.0
Operating profit	\$ 12.7	\$ 37.3	\$ 13.9	\$ 41.3
Gross profit margin⁽³⁾	6.3%	8.9%	6.1%	8.4%
Adjusted EBITDA margin⁽²⁾	3.1%	5.3%	2.6%	4.3%
Operating margin⁽³⁾	1.1%	3.9%	0.7%	2.4%
Backlog⁽¹⁾			\$ 6,512	\$ 6,450

(1) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this document for more information on each non-GAAP financial measure.

(2) This is a non-GAAP ratio. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP ratio.

(3) This is a supplementary financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each supplementary financial measure.

Revenue in the Construction segment for the three months ended June 30, 2022 of \$1,104 million was \$150 million, or 16%, higher compared to the same period in 2021. Revenue was higher in civil operations (\$52 million) driven by an increase in major projects work; in industrial operations (\$40 million) from a higher volume of field construction work at chemical and mining facilities and from increased activity on mainline pipeline work in western Canada; in utilities operations (\$26 million) primarily due to an increase in high-voltage electrical transmission and telecommunications work; in nuclear operations (\$25 million) driven by a higher volume of refurbishment work at nuclear generating stations primarily in the U.S., and in urban transportation solutions (\$7 million) from an increase in LRT work in Québec.

Revenue in the Construction segment for the six months ended June 30, 2022 of \$2,076 million, was \$377 million, or 22%, higher compared to the same period in 2021. Similar to the second quarter commentary, Construction segment revenue was higher in industrial (\$131 million), civil (\$116 million), nuclear (\$66 million), and utilities operations (\$64 million), all for reasons consistent with the second quarter commentary, other than in the nuclear sector where the increase was driven by a higher volume of refurbishment work in both Ontario and the U.S. Revenue was unchanged period-over-period in urban transportation solutions.

Operating profit in the Construction segment of \$12.7 million in the three months ended June 30, 2022 decreased by \$24.6 million compared to an operating profit of \$37.3 million in the same period in 2021. Construction segment operating profit in the second quarter of 2021 included a net positive impact from amounts related to the CEWS program totalling \$12.7 million recorded as cost recovery within gross profit. After adjusting for the impact of CEWS amounts reported in the second quarter of 2021, operating profit in the second quarter of 2022 decreased by \$11.9 million. This decrease resulted in part from lower gross profit (\$2.5 million after adjusting for the impact of CEWS in the second quarter of 2021), primarily due to a decrease in gross profit margin in urban transportation solutions driven by an unfavourable margin adjustment on a LRT project in the quarter, as well as from lower gross profit margin in civil and nuclear operations. These decreases were partially offset by higher volume in each operating sector within the Construction segment and higher gross profit margin in industrial and utilities operations. Also negatively impacting operating profit in the period was higher MG&A (\$1.6 million), higher depreciation and amortization expense (\$2.2 million) related to increased equipment utilization, a decrease in non-recurring gains on the sale of equipment and other assets (\$4.4 million) and lower income from equity projects and impact of foreign exchange (\$1.2 million).

Operating profit in the Construction segment of \$13.9 million in the six months ended June 30, 2022 decreased by \$27.4 million compared to an operating profit of \$41.3 million in the same period in 2021. Similar to the second quarter commentary, Construction segment operating profit in the first six months of 2021 included the operating profit impact of the CEWS program totalling \$20.5 million. After adjusting for the impact of CEWS amounts reported in the first six months of 2021, year-to-date operating profit in 2022 decreased by \$6.9 million. This decrease resulted largely from higher MG&A (\$4.2 million), and higher depreciation and amortization expense (\$2.4 million), as well as from a decrease in gains on the sale of equipment and other assets (\$3.2 million). These decreases were partially offset by an improvement in gross profit (\$4.3 million after adjusting for the impact of CEWS in the first six months of 2021), primarily from a volume driven increase in gross profit in the utilities, civil, industrial, and nuclear operations which more than offset lower gross profit in urban transportation solutions.

Construction backlog as at June 30, 2022 was \$6,512 million, which was \$62 million higher than the same time last year. Backlog increased period-over-period in civil operations (\$522 million) and industrial (\$28 million), and decreased in urban transportation solutions (\$355 million), nuclear (\$78 million), and utilities (\$55 million). New contract awards totaled \$1,279 million in the second quarter of 2022 and \$2,472 million year-to-date, compared to \$1,567 million and \$1,767 million, respectively, in the same periods last year. During the first six months of 2022, Aecon was awarded a number of projects including the Kingstown Port Modernisation Project Works, Lot 1: Primary Cargo Port in Saint Vincent and the Grenadines and the Interstate-90 / State Road-18 to Deep Creek Interchange Improvements and Widening project near Snoqualmie, Washington. In addition, an Aecon joint venture was awarded the contract for the Buffalo Pound Water Treatment Plant Renewal Project in Saskatchewan, an Aecon partnership was awarded a contract for the Montréal-Trudeau International Airport

REM Station project in Québec, and an Aecon partnership was awarded the Annacis Water Supply Tunnel project in British Columbia.

As discussed in Section 7 “Consolidated Financial Highlights”, the Construction segment’s anticipated future work to be performed at any given time is greater than what is reported as backlog.

8.2. CONCESSIONS

Financial Highlights

\$ millions	Three months ended		Six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Revenue	\$ 19.2	\$ 17.0	\$ 33.6	\$ 28.3
Gross profit	\$ 7.9	\$ 7.3	\$ 12.4	\$ 7.5
Income from projects accounted for using the equity method	\$ 3.4	\$ 2.8	\$ 6.8	\$ 5.7
Adjusted EBITDA⁽¹⁾	\$ 17.4	\$ 16.2	\$ 31.0	\$ 25.7
Operating profit	\$ 5.2	\$ 3.5	\$ 6.7	\$ 0.5
Backlog⁽¹⁾			\$ 93	\$ 74

(1) This is a non-GAAP financial measure. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each non-GAAP financial measure.

Aecon holds a 100% interest in Bermuda Skyport Corporation Limited (“Skyport”), the concessionaire responsible for the Bermuda airport's operations, maintenance and commercial functions, and the entity managing and coordinating the overall delivery of the Bermuda International Airport Redevelopment Project over a 30-year concession term that commenced in 2017. Aecon’s participation in Skyport is consolidated and, as such, is accounted for in the consolidated financial statements by reflecting, line by line, the assets, liabilities, revenue and expenses of Skyport. However, Aecon’s concession participation in the Eglinton Crosstown LRT, Finch West LRT, Gordie Howe International Bridge, and Waterloo LRT projects are joint ventures that are accounted for using the equity method.

For the three months ended June 30, 2022, revenue in the Concessions segment of \$19 million was \$2 million higher compared to the same period in 2021, while for the six months ended June 30, 2022, revenue of \$34 million was \$5 million higher when compared to the same period in 2021. Higher revenue for the three and six-month periods in 2022 was primarily due to an increase in commercial flight operations (\$3 million and \$6 million, respectively) at the Bermuda International Airport. Commercial flight operations in Bermuda continue to operate at a reduced volume due to COVID-19 compared to pre-pandemic levels but have partially recovered from the more severe impacts experienced in 2020 and 2021. Included in Concessions’ revenue for the three and six months ended June 30, 2022 was \$nil in both periods of construction revenue that was eliminated on consolidation as inter-segment revenue (2021 - \$0.2 million and \$1.4 million, for the three and six month periods respectively).

Operating profit in the Concessions segment for the three and six months ended June 30, 2022 increased by \$1.7 million and \$6.2 million, respectively, compared to the same periods in 2021. The higher operating profit in both periods occurred primarily as a result of operations at the Bermuda International Airport.

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

9. QUARTERLY FINANCIAL DATA

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

\$ millions (except per share amounts)

	2022		2021				2020	
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
Revenue	\$ 1,123.2	\$ 985.9	\$ 1,088.6	\$ 1,163.4	\$ 971.3	\$ 754.0	\$ 1,077.2	\$ 1,039.5
Adjusted EBITDA ⁽¹⁾	38.5	20.6	61.3	95.5	61.2	20.7	83.6	137.2
Earnings (loss) before income taxes	(8.0)	(21.3)	19.0	52.0	23.7	(20.9)	46.3	100.1
Profit (loss)	(6.4)	(17.4)	12.1	38.4	17.6	(18.4)	32.0	73.6
Earnings (loss) per share:								
Basic	\$ (0.10)	\$ (0.29)	\$ 0.20	\$ 0.64	\$ 0.29	\$ (0.31)	\$ 0.53	\$ 1.23
Diluted	(0.10)	(0.29)	0.19	0.56	0.27	(0.31)	0.46	0.99

(1) This is a non-GAAP financial measure. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each non-GAAP financial measure.

Earnings (loss) per share for each quarter has been computed using the weighted average number of shares issued and outstanding during the respective quarter. Any dilutive securities, which increase the earnings per share or decrease the loss per share, are excluded for purposes of calculating diluted earnings per share. Due to the impacts of dilutive securities, such as convertible debentures, and share issuances and repurchases throughout the periods, the sum of the quarterly earnings (losses) per share will not necessarily equal the total for the year.

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

\$ millions

	2022		2021				2020	
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
Operating profit (loss)	\$ 5.1	\$ (9.6)	\$ 30.7	\$ 63.7	\$ 34.6	\$ (10.2)	\$ 53.5	\$ 106.8
Depreciation and amortization	23.6	22.9	22.0	22.1	21.4	22.8	27.2	22.3
(Gain) loss on sale of assets	(0.3)	(2.1)	(1.7)	(1.0)	(4.8)	(0.9)	(5.8)	(0.9)
Income from projects accounted for using the equity method	(3.7)	(3.0)	(4.7)	(4.0)	(3.8)	(2.6)	(4.2)	(4.4)
Equity Project EBITDA ⁽¹⁾	13.8	12.4	15.0	14.7	13.8	11.7	12.9	13.4
Adjusted EBITDA ⁽¹⁾	\$ 38.5	\$ 20.6	\$ 61.3	\$ 95.5	\$ 61.2	\$ 20.8	\$ 83.6	\$ 137.2

(1) This is a non-GAAP financial measure. Refer to Section 4 “Non-GAAP and Supplementary Financial Measures” in this MD&A for more information on each non-GAAP financial measure.

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

\$ millions

	2022		2021				2020	
Aecon's proportionate share of projects accounted for using the equity method ⁽¹⁾	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
Operating profit	\$ 13.6	\$ 12.2	\$ 14.8	\$ 14.5	\$ 13.6	\$ 11.5	\$ 12.7	\$ 13.2
Depreciation and amortization	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Equity Project EBITDA ⁽²⁾	\$ 13.8	\$ 12.4	\$ 15.0	\$ 14.7	\$ 13.8	\$ 11.7	\$ 12.9	\$ 13.4

- (1) Refer to Note 10 "Projects Accounted for Using the Equity Method" in the June 30, 2022 interim condensed consolidated financial statements.
- (2) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.

Set out below is the calculation of Adjusted EBITDA by segment for the three months and six months ended June 30, 2022 and 2021:

\$ millions

	Three months ended June 30, 2022				Six months ended June 30, 2022			
	Other costs and Construction Concessions eliminations Consolidated				Other costs and Construction Concessions eliminations Consolidated			
Operating profit (loss)	\$ 12.7	\$ 5.2	\$ (12.8)	\$ 5.1	\$ 13.9	\$ 6.7	\$ (25.2)	\$ (4.6)
Depreciation and amortization	18.1	5.3	0.2	23.6	35.5	10.7	0.3	46.5
(Gain) on sale of assets	(0.3)	-	-	(0.3)	(2.3)	-	-	(2.3)
Income from projects accounted for using the equity method	(0.3)	(3.4)	-	(3.7)	-	(6.8)	-	(6.8)
Equity Project EBITDA ⁽¹⁾	3.5	10.3	-	13.8	5.9	20.3	-	26.2
Adjusted EBITDA ⁽¹⁾	\$ 33.7	\$ 17.4	\$ (12.6)	\$ 38.5	\$ 53.0	\$ 31.0	\$ (24.8)	\$ 59.1

\$ millions

	Three months ended June 30, 2021				Six months ended June 30, 2021			
	Other costs and Construction Concessions eliminations Consolidated				Other costs and Construction Concessions eliminations Consolidated			
Operating profit (loss)	\$ 37.3	\$ 3.5	\$ (6.2)	\$ 34.6	\$ 41.3	\$ 0.5	\$ (17.5)	\$ 24.3
Depreciation and amortization	15.8	5.2	0.4	21.4	33.1	10.4	0.8	44.3
(Gain) on sale of assets	(4.8)	-	-	(4.8)	(5.6)	-	-	(5.6)
Income from projects accounted for using the equity method	(1.0)	(2.8)	-	(3.8)	(0.7)	(5.7)	-	(6.4)
Equity Project EBITDA ⁽¹⁾	3.5	10.3	-	13.8	4.9	20.5	-	25.4
Adjusted EBITDA ⁽¹⁾	\$ 50.9	\$ 16.2	\$ (5.8)	\$ 61.3	\$ 73.0	\$ 25.7	\$ (16.7)	\$ 82.1

- (1) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.

Set out below is the calculation of Equity Project EBITDA by segment for the three months and six months ended June 30, 2022 and 2021:

\$ millions

Aecon's proportionate share of projects accounted for using the equity method ⁽¹⁾	Three months ended June 30, 2022				Six months ended June 30, 2022			
	Other costs and				Other costs and			
	Construction	Concessions	eliminations	Consolidated	Construction	Concessions	eliminations	Consolidated
Operating profit (loss)	\$ 3.3	\$ 10.3	\$ -	\$ 13.6	\$ 5.6	\$ 20.3	\$ -	\$ 25.9
Depreciation and amortization	0.2	-	-	0.2	0.3	-	-	0.3
Equity Project EBITDA ⁽²⁾	\$ 3.5	\$ 10.3	\$ -	\$ 13.8	\$ 5.9	\$ 20.3	\$ -	\$ 26.2

\$ millions

Aecon's proportionate share of projects accounted for using the equity method ⁽¹⁾	Three months ended June 30, 2021				Six months ended June 30, 2021			
	Other costs and				Other costs and			
	Construction	Concessions	eliminations	Consolidated	Construction	Concessions	eliminations	Consolidated
Operating profit (loss)	\$ 3.3	\$ 10.3	\$ -	\$ 13.6	\$ 4.6	\$ 20.5	\$ -	\$ 25.1
Depreciation and amortization	0.2	-	-	0.2	0.3	-	-	0.3
Equity Project EBITDA ⁽²⁾	\$ 3.5	\$ 10.3	\$ -	\$ 13.8	\$ 4.9	\$ 20.5	\$ -	\$ 25.4

(1) Refer to Note 10 "Projects Accounted for Using the Equity Method" in the June 30, 2022 interim condensed consolidated financial statements.

(2) This is a non-GAAP financial measure. Refer to Section 4 "Non-GAAP and Supplementary Financial Measures" in this MD&A for more information on each non-GAAP financial measure.

10. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

10.1. INTRODUCTION

Aecon's participation in joint arrangements classified as joint operations is accounted for in the consolidated financial statements by reflecting, line by line, Aecon's share of the assets held jointly, liabilities incurred jointly, and revenue and expenses arising from the joint operations.

Aecon's participation in joint arrangements classified as joint ventures, as well as Aecon's participation in project entities where Aecon exercises significant influence over the entity but does not control or jointly control the entity (i.e. associates), is accounted for using the equity method.

For further information, see Note 10 to the June 30, 2022 interim condensed consolidated financial statements.

10.2. CONTINGENCIES

Coastal GasLink Pipeline, Sections 3 and 4

The project has been delayed and impacted by various events for which SA Energy Group ("SAEG"), a partnership in which the Company holds a 50% interest, asserts Coastal GasLink ("CGL") is contractually responsible, including, but not limited to, significant scope changes and delays by the client, unforeseen site conditions, recoverable weather impacts and a suspension implemented by the client as a result of regulatory restrictions imposed due to the COVID-19 pandemic. SAEG asserts that it is entitled to additional compensation for costs associated with those delays and impacts and has commenced an arbitration pursuant to the terms of the contract to resolve the matter. While this commercial dispute could result in a material impact to Aecon's

earnings, cash flow, and financial position if not resolved favourably, the ultimate results cannot be predicted at this time.

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 Kemano Generating Station Second Tunnel Project. 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 million in damages from Rio Tinto. The joint venture has also registered and perfected a builders' lien against project lands, providing security over approximately \$97 million of the claimed damages. Rio Tinto has issued a counterclaim against the joint venture but has not articulated the amount of damages it may seek from the joint venture; 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. The aforementioned notice of civil claim was commenced in the Supreme Court of British Columbia between Frontier Kemper Constructors and Frontier Kemper – Aecon Joint Venture as plaintiffs/defendants by counterclaim and Rio Tinto Alcan Inc. and Aluminum Company of Canada Limited/Aluminum Du Canada Limitee as the defendants/plaintiffs by counterclaim.

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 million in payments due to it pursuant to agreements entered into between the Company and KSPC with respect to the project plus approximately \$14 million in damages. The Company has recorded \$139 million of unbilled revenue and accounts receivable as at June 30, 2022. Offsetting this amount to some extent, the Company has accrued \$45 million in trade and other payables for potential payments to third parties pending the outcome of the claim against KSPC. KSPC is seeking an order that the Company repay to KSPC approximately \$195 million already paid to the Company pursuant to such agreements. The Company has also been brought into two other lawsuits in the same Court between KSPC and various other contractors involved with the Legacy mine project, both relating to matters which the Company believes are materially covered by insurance coverage, to the extent of any liability. These claims may not be resolved for several years. While the Company considers KSPC's claim to be without merit and does not expect that the resolution of these claims will cause a material impact to its financial position, the ultimate results cannot be predicted at this time.

10.3. CASH AND DEBT BALANCES

Cash balances at June 30, 2022 and December 31, 2021 are as follows:

\$ millions		June 30, 2022		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	\$ 51	\$ 486	\$ 537
Restricted cash	(2)	90	-	90
Bank indebtedness	(3)	(220)	-	(220)
		December 31, 2021		
		Balances excluding Joint Operations	Joint Operations	Consolidated Total
Cash and cash equivalents	(1)	\$ 13	\$ 520	\$ 533
Restricted cash	(2)	98	-	98
Bank indebtedness	(3)	(23)	-	(23)

(1) Cash and cash equivalents include cash on deposit in bank accounts of joint operations which Aecon cannot access directly.

(2) Restricted cash is cash held by Bermuda Skypart Corporation Limited.

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

Total long-term recourse debt of \$409.1 million as at June 30, 2022 compares to \$398.8 million as at December 31, 2021, the composition of which is as follows:

\$ millions		June 30, 2022	December 31, 2021
Current portion of long-term debt – recourse		\$ 59.5	\$ 58.6
Long-term debt – recourse		173.2	166.3
Long-term portion of convertible debentures		176.4	173.9
Total long-term recourse debt		\$ 409.1	\$ 398.8
Current portion of project debt - non-recourse		\$ 3.2	\$ 3.0
Long-term project debt - non-recourse		358.6	354.6
Total project debt - non-recourse		\$ 361.8	\$ 357.6

The \$10.3 million net increase in total long-term recourse debt results from an increase in leases of \$9.9 million and convertible debentures of \$2.5 million related to the accretion of notional interest. These increases were partially offset by a decrease in property and equipment financing of \$2.1 million.

The \$4.2 million increase in long-term non-recourse project debt, which all relates to the financing of the Bermuda International Airport Redevelopment Project, is the net effect of debt repayments of \$1.7 million more than offset by the impact of the change in the US:Canadian dollar exchange rate since December 31, 2021.

As at June 30, 2022, Aecon had a committed revolving credit facility of \$600 million, of which \$220 million was drawn and \$3 million utilized for letters of credit. When combined with an additional \$900 million performance security guarantee facility to support letters of credit provided by Export Development Canada, Aecon's committed credit facilities for working capital and letter of credit requirements total \$1,500 million. The Company has no debt or working capital credit facility maturities until the second half of 2023, except

equipment and property loans and leases in the normal course. As at June 30, 2022, Aecon was in compliance with all debt covenants related to its credit facility. Aecon's financial position, liquidity and capital resources are subject to the risks and uncertainties described in Section 10.2 "Contingencies" regarding certain pending legal proceedings to which Aecon is a party.

In the first quarter of 2022, Aecon's Board of Directors approved an increase in the dividend to be paid to all holders of Aecon common shares. Quarterly dividends increased to \$0.185 per share (annual dividend of \$0.74 per share). Prior to this increase, Aecon paid a quarterly dividend of \$0.175 per share (annual dividend of \$0.70 per share). The first quarterly dividend payment of \$0.185 per share was paid on April 4, 2022.

10.4. SUMMARY OF CASH FLOWS

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

A summary of sources and uses of cash during the three and six months ended June 30, 2022 and 2021 is as follows:

\$ millions	Three months ended		Six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Operating Activities				
Cash provided by (used in):				
Cash flows from (used by) operations before changes in working capital	\$ 11.8	\$ 38.3	\$ (4.3)	\$ (11.2)
Lower (higher) investments in working capital	12.1	(63.9)	(135.2)	(66.0)
Cash provided by (used in) operating activities	\$ 23.9	\$ (25.6)	\$ (139.5)	\$ (77.2)
Investing Activities				
Cash provided by (used in):				
Decrease (increase) in restricted cash balances held by Skyport to finance the Bermuda International Airport Redevelopment Project	\$ (1.9)	\$ 4.1	\$ 9.2	\$ 20.5
Expenditures made by Skyport related to the construction of the new airport terminal in Bermuda	-	(3.3)	-	(3.9)
Expenditures (net of disposals) on property, plant and equipment and intangible assets	(6.7)	(5.9)	(8.0)	(18.2)
Cash outflow related to acquisitions	(3.0)	-	(5.9)	-
Cash distributions received from projects accounted for using the equity method	1.5	2.0	1.7	2.2
Cash provided by (used for) investments in long-term financial assets	-	(1.0)	-	0.3
Cash provided by (used in) investing activities	\$ (10.1)	\$ (4.1)	\$ (2.9)	\$ 0.9
Financing Activities				
Cash provided by (used in):				
Increase in bank indebtedness associated with borrowings under the Company's revolving credit facility	\$ 115.0	\$ 10.2	\$ 196.7	\$ 10.2
Increase in long-term recourse debt borrowings	3.9	26.2	6.7	27.7
Repayments of long-term recourse debt relating primarily to equipment financing arrangements	(19.5)	(15.6)	(34.2)	(33.7)
Repayment of non-recourse project debt of the Bermuda International Airport Redevelopment Project	-	-	(1.7)	-
Cash used for dividends paid	(11.3)	(10.6)	(21.9)	(20.2)
Cash provided by (used in) financing activities	\$ 88.1	\$ 10.2	\$ 145.6	\$ (16.0)
Increase (decrease) in cash and cash equivalents	\$ 101.9	\$ (19.5)	\$ 3.2	\$ (92.3)
Effects of foreign exchange on cash balances	2.1	(0.6)	1.5	(3.3)
Cash and cash equivalents - beginning of period	433.4	582.8	532.7	658.3
Cash and cash equivalents - end of period	\$ 537.4	\$ 562.7	\$ 537.4	\$ 562.7

In the first six months of 2022, Aecon acquired, either through purchase or lease, property, plant and equipment totaling \$42.5 million. Of this amount, \$5.7 million related mainly to long-term office property leases in Alberta and Ontario, with the balance of the investment in property, plant and equipment primarily related to the purchase or lease of new machinery and construction equipment as part of normal ongoing business operations in the Construction segment. In the first six months of 2021 Aecon acquired, either through purchase or lease, property, plant and equipment totaling \$48 million. Of this amount, \$11.6 million related to the purchase of equipment yards and buildings in Alberta for use by civil operations in the Construction segment, with the

balance of the investment in property, plant and equipment related to the purchase or lease of new machinery and construction equipment as part of normal ongoing business operations in the Construction segment.

11. NEW ACCOUNTING STANDARDS

Note 5, “*New Accounting Standards*”, to Aecon’s June 30, 2022 interim condensed consolidated financial statements includes new IFRS standards and amendments that became effective for the Company on January 1, 2022, and Note 6, “*Future Accounting Changes*” discusses IFRS standards and amendments that are issued, but not yet effective.

The new accounting standards had no significant impact on profit (loss), comprehensive income (loss), or earnings (loss) per share in the first six months of 2022.

12. SUPPLEMENTAL DISCLOSURES

Disclosure Controls and Procedures

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

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company’s internal controls over financial reporting during the period beginning on April 1, 2022 and ended on June 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

In response to the COVID-19 pandemic, certain physical distancing measures taken by Aecon, clients and governments have the potential to impact the design and performance of internal controls over financial reporting at the Company while these measures remain in place. While no material changes in the Company’s internal controls over financial reporting are anticipated at this time, the Company continues to monitor and mitigate any risks associated with changes to its control environment in response to COVID-19.

Contractual Obligations

At June 30, 2022, the Company had commitments totaling \$452 million for equipment and premises under leases requiring minimum payments, and for obligations under long-term recourse debt and convertible debentures.

At June 30, 2022, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was \$6,605 million.

Further details on Contractual Obligations are included in the Company's 2021 Annual Report.

Off-Balance Sheet Arrangements

Aecon's defined benefit pension plans (the "Pension Plans") had a combined surplus of \$1.2 million as at June 30, 2022 (December 31, 2021 a combined surplus of \$1.1 million). The defined benefit obligations and benefit cost levels will change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future experience gains or losses, none of which have been anticipated at this time. Emerging experience, differing from assumptions, will result in gains or losses that will be disclosed in future accounting valuations. Refer to the Company's 2021 Annual Report for further details regarding Aecon's Pension Plans.

Further details of contingencies and guarantees are included in the June 30, 2022 interim condensed consolidated financial statements and in the 2021 Annual Report.

Related Party Transactions

Other than transactions with certain equity accounted investees as part of the normal course of operations, there were no significant related party transactions in the first six months of 2022.

Critical Accounting Estimates and Judgements

Refer to the detailed discussion on Critical Accounting Estimates as outlined in Note 4 to the June 30, 2022 interim condensed consolidated financial statements.

13. RISK FACTORS

Refer to the detailed discussion on Risk Factors as outlined in the Company's 2021 Annual MD&A dated March 1, 2022. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. These risks and uncertainties which management reviews on a quarterly basis, have not materially changed in the period since March 1, 2022 except as described below and under "10.2 Contingencies" above.

Four large fixed-price legacy projects entered into in 2018 or earlier by joint ventures of which Aecon is a participant, including the CGL pipeline project, are being negatively impacted due to additional costs for which the joint ventures assert that the owners are contractually responsible, including for, among other things, unforeseeable site conditions, third party delays, COVID-19, supply chain disruptions, and inflation related to labour and materials. During the second quarter of 2022 these impacts became more pronounced and have resulted, or are now expected to result, in increased costs to the relevant joint ventures above those originally forecast, in some cases materially. Each relevant joint venture has submitted, or is in the process of developing for submission, claims for compensation for these additional costs. Other than the CGL pipeline project, none

are currently in litigation or arbitration. While Acon and its partners continue to work toward resolution of these claims for additional costs with the respective owners of these projects, delayed and/or unfavourable outcomes, whether individually or in the aggregate, could result in material impacts to Acon's earnings, cash flow, liquidity and financial position. The fact that there are four projects experiencing similar impacts concurrently elevates this risk. While the Company believes each relevant joint venture has a strong claim to recover at least a substantial portion of these costs, the ultimate outcome of these matters cannot be predicted at this time. See "Section 10.2. Contingences" of this MD&A and "Section 13. Risk Factors" of the MD&A for the year ended December 31, 2021, including under the headings "Risks Related to the COVID-19 Pandemic and Associated Supports under Government Assistance Programs", "Large Project Risk", "Contractual Factors", "Litigation Risk and Claims Risk", "Increases in the Cost of Raw Materials", "Ongoing Financing Availability", "Adjustments in Backlog" and "Force Majeure Events".

14. OUTSTANDING SHARE DATA

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

In thousands of dollars (except share amounts)		
		July 28, 2022
Number of common shares outstanding		60,954,972
Outstanding securities exchangeable or convertible into common shares:		
Principal amount of convertible debentures outstanding (See Note 17 to the June 30, 2022 interim condensed consolidated financial statements)	\$	189,077
Number of common shares issuable on conversion of convertible debentures		7,927,617
Increase in paid-up capital on conversion of convertible debentures	\$	189,077
DSUs and RSUs outstanding under the Long-Term Incentive Plan and the 2014 Director DSU Plan		4,043,641

15. OUTLOOK

Demand for Aecon's services across Canada continues to be strong, particularly in smaller and medium sized projects, as evidenced by year-to-date revenue growth of 22% and higher new project awards of 40%. In addition, during the second quarter, an Aecon consortium was selected to deliver the transformative, multi-billion-dollar long-term GO Rail Expansion On-Corridor Works project in Ontario under a progressive design, build, operate and maintain contract model which begins with a two-year development phase leading into the main construction scope, and also encompasses a 25-year operations and maintenance component. Aecon is also pre-qualified on a number of project bids due to be awarded during the next twelve months and has a strong pipeline of opportunities to further add to backlog over time. With backlog of \$6.6 billion and recurring revenue programs continuing to see robust demand, driven by the utilities sector and ongoing recovery in airport traffic in Bermuda, Aecon is confident in strong revenue growth over the next few years.

While volatile global and Canadian economic conditions are impacting inflation, interest rates, and overall supply chain efficiency, these factors have largely been and will continue to be reflected in the pricing and commercial terms of the Company's recent and prospective project awards and bids. However, certain ongoing joint venture projects that were bid some years ago have experienced impacts related, in part, to those factors, that will require satisfactory resolution of claims with the respective clients – see Section 13 "Risk Factors" regarding the risk on four large fixed-price legacy projects entered into in 2018 or earlier by joint ventures in which Aecon is a participant.

In the Construction segment, with strong demand, growing recurring revenue programs, and diverse backlog in hand, Aecon is focused on ensuring solid execution on its projects and selectively adding to backlog through a disciplined bidding approach that supports long-term margin improvement in this segment.

In the Concessions segment, in addition to expecting a gradual recovery in travel through the Bermuda International Airport during 2022 and 2023, there are a number of opportunities to add to the existing portfolio of Canadian and international concessions in the next 12 to 24 months, including in innovative projects with private sector clients that support a collective focus on sustainability and the transition to a net-zero economy.

As of June 30, 2022, Aecon had a committed revolving credit facility of \$600 million, of which \$220 million was drawn, and \$3 million was utilized for letters of credit. The Company has no debt or working capital credit facility maturities until the second half of 2023, except equipment loans and leases in the normal course.