AECON GROUP INC.

We **ARE** Aecon

Second Quarter Report 2017

Dear Fellow Shareholders,

Aecon's solid second quarter results demonstrate the strength of our diverse business model and related growth in Adjusted EBITDA margin. For the three months ended June 30, 2017, Adjusted EBITDA of $33 million (margin of 4.8 per cent) improved from $29 million (margin of 3.5 per cent) in the second quarter of 2016. Backlog as at June 30, 2017 of $4.4 billion compares to backlog of $4.4 billion at the end of the first quarter. We continue to be very active bidding on the robust pipeline of opportunities in front of us that will drive revenue growth in 2018 and beyond.

In the Infrastructure segment, increased infrastructure investment to address both the significant infrastructure deficit in Canada and slower economic growth is a key area of focus for federal, provincial, and municipal governments. Aecon is well positioned to successfully bid on, secure, and deliver these projects, as larger projects with longer procurement cycles roll out during 2017 and 2018. Bidding activity continues to be robust and Aecon expects to be a beneficiary of this increased infrastructure investment, which will drive growth in this segment in 2018 and beyond.

In the Energy segment, Aecon expects increased backlog and ongoing demand for gas distribution facilities, utilities work, pipelines, and power, while growing nuclear refurbishment in 2017 will continue to offset lower oil related volume. Aecon's capability in the nuclear refurbishment sector, combined with the approximately fifteen-year refurbishment project at the Bruce Power Nuclear Plant in Ontario currently in the development and procurement phase, provides a significant long-term growth opportunity for Aecon in nuclear work.

In the Mining segment, although Aecon is involved in several pursuits related to potential projects, the timing of when these projects may move into construction is uncertain as commodity prices remain generally soft. Contract mining, which is primarily recurring revenue work over and above what is reported as backlog for the segment, is expected to grow with a new operating site coming on line during the second half of 2017.

The Concessions segment continues to play a significant role in driving value at Aecon. The Concessions group continues to partner with Aecon's other segments to focus on the significant number of Public-Private-Partnership ("P3") opportunities in Canada and is actively pursuing several large-scale infrastructure projects that require private finance solutions. It is also participating as a concessionaire on the Waterloo and Eglinton Crosstown LRT projects as well as the Bermuda International Airport Redevelopment Project.

Based on lower revenue in the first half of the year, driven by lower activity in the Mining segment, and an expectation of lower Mining revenue in the second half of the year when compared to 2016, Aecon expects lower overall revenue in 2017. This is offset by an expectation that Adjusted EBITDA margin improvement in 2017 will result in an overall increase in Adjusted EBITDA this year.

Thank you for your continued support.

Sincerely,

(Signed) Brian V. Tobin	(Signed) John M. Beck
Chairman	President and Chief Executive Officer

July 27, 2017

Aecon Group Inc.

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

June 30, 2017

Management's Discussion And Analysis Of Operating Results And Financial Condition ("MD&A")

The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. ("Aecon" or the "Company") should be read in conjunction with the Company's June 30, 2017 interim condensed consolidated financial statements and notes, which have not been reviewed by the Company's external auditors, and in conjunction with the Company's annual MD&A for the year ended December 31, 2016. This MD&A has been prepared as of July 27, 2017. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and includes the Company's Annual Information Form and other securities and continuous disclosure filings.

Introduction

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

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

FORWARD-LOOKING INFORMATION

The information in this Management's Discussion and Analysis includes certain forward-looking statements. Although these forward-looking statements are based on currently available competitive, financial and economic data and operating plans, they are subject to risks and uncertainties. In addition to general global events outside Aecon's control, there are factors which could cause actual results, performance or achievements to vary from those expressed or inferred herein including risks associated with an investment in the common shares of Aecon and the risks related to Aecon's business, including Large Project Risk and Contractual Factors. Risk factors are discussed in greater detail in the section on "Risk Factors" included in the Company's Annual Information Form dated March 27, 2017 and available through SEDAR at www.sedar.com. Forward-looking statements include information concerning possible or assumed future results of Aecon's operations and financial position, as well as statements preceded by, followed by, or that include the words "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" or similar expressions. Other important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause its results to differ materially from those expressed in any forward-looking statements. Aecon assumes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

FINANCIAL REPORTING STANDARDS

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting".

NON-GAAP AND ADDITIONAL GAAP FINANCIAL MEASURES

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

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

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

Non-GAAP Financial Measures

Non-GAAP financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with GAAP in the consolidated financial statements.

- **"Adjusted EBITDA"** represents operating profit (loss) adjusted to exclude depreciation and amortization, the gain (loss) on sale of assets and investments, gain (loss) on mark-to-market adjustments related to the Company's long-term incentive plan ("LTIP") program, and net income (loss) from projects accounted for using the equity method, but including "Equity Project EBITDA" from projects accounted for using the equity method.
- **"Equity Project EBITDA"** represents Aecon's proportionate share of the earnings or losses from projects accounted for using the equity method before depreciation and amortization, net financing expense and income taxes.
- **"Adjusted EBITDA margin"** represents Adjusted EBITDA as a percentage of revenue.
- **"Backlog"** means the total value of work that has not yet been completed that: (a) has a high certainty of being performed as a result of the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to Aecon, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and where the finalization of a formal contract in respect of such work is reasonably assured. Operations and maintenance ("O&M") activities are provided under contracts that can cover a period of up to 30 years. In order to provide information that is comparable to the backlog of other categories of activity, Aecon limits backlog for O&M activities to the earlier of the contract term and the next five years.

Additional GAAP Financial Measures

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

- **"Gross profit"** represents revenue less direct costs and expenses. Not included in the calculation of gross profit are marketing, general and administrative expenses ("MG&A"), depreciation and amortization, income or losses from construction projects accounted for using the equity method, foreign exchange, interest, gains or losses on the sale of assets, income taxes, and non-controlling interests.
- **"Gross profit margin"** represents gross profit as a percentage of revenue.
- **"Operating profit (loss)"** represents the profit (loss) from operations, before net financing expense, income taxes and non-controlling interests.
- **"Operating margin"** represents operating profit (loss) as a percentage of revenue.

BUSINESS STRATEGY

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

CONSOLIDATED FINANCIAL HIGHLIGHTS

$ millions (except per share amounts)	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Revenue	**$ 686.2**	$ 839.3	**$ 1,361.0**	$ 1,530.0
Gross profit	71.6	69.8	122.6	114.9
Marketing, general and administrative expenses	(45.1)	(45.2)	(93.7)	(89.6)
Income from projects accounted for using the equity method	2.1	1.9	3.0	2.2
Foreign exchange gain (loss)	1.4	(0.1)	2.5	1.3
Gain (loss) on sale of assets	(0.2)	0.4	(1.3)	0.8
Depreciation and amortization	(24.4)	(14.4)	(45.1)	(33.5)
Operating profit (loss)	**5.3**	**12.3**	**(12.0)**	**(4.0)**
Financing expense, net	(5.9)	(5.8)	(10.9)	(10.8)
Profit (loss) before income taxes	**(0.6)**	**6.6**	**(22.9)**	**(14.8)**
Income tax recovery	1.4	0.5	5.3	5.1
Profit (loss)	**$ 0.8**	**$ 7.1**	**$ (17.5)**	**$ (9.7)**
Gross profit margin	**10.4%**	**8.3%**	**9.0%**	**7.5%**
MG&A as a percent of revenue	**6.6%**	**5.4%**	**6.9%**	**5.9%**
Adjusted EBITDA	**33.0**	**29.4**	**39.8**	**33.6**
Adjusted EBITDA margin	**4.8%**	**3.5%**	**2.9%**	**2.2%**
Operating margin	**0.8%**	**1.5%**	**(0.9)%**	**(0.3)%**
Earnings (loss) per share - basic	**$ 0.01**	**$ 0.12**	**$ (0.30)**	**$ (0.17)**
Earnings (loss) per share - diluted	**$ 0.01**	**$ 0.12**	**$ (0.30)**	**$ (0.17)**
Backlog			**$ 4,365**	**$ 4,889**

Revenue for the three months ended June 30, 2017 of $686 million was lower by $153 million, or 18%, compared to the same period in 2016. The largest decrease occurred in the Mining segment ($103 million) where higher revenue in contract mining ($10 million) was more than offset by decreased site installation work in the commodity mining sector ($108 million) and lower revenue from civil and foundations projects ($5 million). Revenue in the Energy segment was lower ($28 million) as an increase in utilities operations ($6 million) was offset by lower revenue in industrial operations ($34 million). In the Infrastructure segment, revenue was lower ($35 million) as an increase in social infrastructure operations ($14 million) was more than offset by lower volume in transportation ($46 million) and heavy civil operations ($3 million). Higher revenue in the Concessions segment ($36 million) was largely offset by higher inter-segment eliminations ($30 million) related to revenue between the Concessions and Infrastructure segments.

Revenue in the first half of 2017 of $1,361 million was lower by $169 million, or 11%, compared to the first half of 2016. Revenue was higher in the Energy segment ($38 million) with increases in both utilities ($29 million) and industrial operations ($9 million). Offsetting this increase was lower revenue in the Mining segment ($173 million) where decreases in the commodity mining sector ($165 million) and civil and foundations ($19 million) offset an increase in contract mining ($11 million). Revenue in the Infrastructure segment was also lower ($40 million) as an increase in social infrastructure work ($24 million) was more than offset by lower volume in transportation ($56 million) and heavy civil operations ($8 million). Higher revenue in the Concessions segment

($72 million) was offset by higher inter-segment eliminations ($73 million) primarily related to revenue between the Concessions and Infrastructure segments.

Operating profit of $5.3 million for the second quarter of 2017 decreased by $7.0 million compared to operating profit of $12.3 million in 2016, despite an increase in gross profit of $1.8 million. Gross profit increases occurred in: Concessions ($12.4 million), from the commencement of the Bermuda Airport Redevelopment Project in 2017; at the Corporate level as part of Other and Eliminations ($6.7 million), due to the cost of a legal dispute that was settled in the second quarter of 2016; and in the Infrastructure segment ($3.1 million), primarily from an increase in volume and gross profit margin in heavy civil operations partially offset by lower volume and gross profit margin on roadbuilding work in transportation operations. Gross profit in the Mining segment decreased in the quarter ($15.0 million) due primarily to lower volume and gross profit margin in the commodity mining sector. Gross profit was also lower in the Energy segment ($5.3 million) due primarily to lower industrial volume in Western Canada, and lower gross profit margin in the utilities sector in Ontario.

Operating loss of $12.0 million for the first six months of 2017 increased by $8.0 million compared to an operating loss of $4.0 million in the same period in 2016, despite an improvement in gross profit of $7.7 million. Gross profit increased in the Concessions segment ($13.4 million) and in Other and Eliminations ($6.7 million), for the same reasons cited for the second quarter. Gross profit also increased in the Energy segment ($6.3 million) largely from volume driven gross profit increases in both industrial and utilities operations. Gross profit was also higher in the Infrastructure segment ($4.4 million) with gross profit margin increases in heavy civil and the impact of higher volume in social infrastructure operations offsetting a decrease in gross profit in the transportation sector. These increases were partially offset by lower gross profit in the Mining segment ($23.0 million), primarily in the commodity mining sector.

Marketing, general and administrative expenses (“MG&A”) decreased by $0.1 million in the second quarter of 2017 compared to the same period in 2016. MG&A in the second quarter of 2017 includes severance expenses of $2.9 million primarily related to restructuring in Western Canada. MG&A as a percentage of revenue increased from 5.4% in the second quarter of 2016 to 6.6% in the second quarter of 2017. The higher MG&A percentage reflects the impact of lower revenue in the second quarter of 2017. For the six months ended June 30, 2017, MG&A expenses increased by $4.1 million over the same period in 2016, while MG&A as a percentage of revenue increased from 5.9% to 6.9%. Higher MG&A for the six-month period in 2017 was due primarily to severance expenses of $9.7 million incurred in the first half of 2017. The increase in MG&A as a percentage of revenue reflects higher MG&A expenses as well as lower revenue year-to-date in 2017.

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 $2.1 million in the second quarter of 2017 from projects accounted for using this method of accounting, compared to $1.9 million in the same period in 2016, and income of $3.0 million year-to-date in 2017 compared to $2.2 million in 2016. The higher income in both the quarter and first half of the year, was driven by an increase in the Concessions segment ($0.8 million and $1.4 million, respectively) from light rail transit projects in Ontario, and offset partially by a decrease in the Infrastructure segment ($0.6 million in each period).

Depreciation and amortization expense of $24.4 million and $45.1 million in the second quarter and six months ended June 30, 2017, respectively, was $10.0 million and $11.6 million higher than the comparative periods in 2016. The increases for both periods occurred primarily in the Concessions segment from amortization related to the existing airport concession assumed as part of the Bermuda International Airport Redevelopment Project.

Financing expenses, net of interest income, of $5.9 million in the second quarter of 2017, and $10.9 million year-to-date in 2017, were both $0.1 million higher than the same periods in 2016.

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

Reported backlog as at June 30, 2017 of $4,365 million compares to backlog of $4,889 million as at June 30, 2016. New contract awards of $686 million and $1,522 million were booked in the second quarter and year-to-date 2017, respectively, compared to $1,120 million and $3,158 million in the same periods in the prior year.

Backlog **$ millions**	**As at June 30** **2017**	2016
Infrastructure	**$ 2,034**	$ 2,121
Energy	**2,254**	2,540
Mining	**63**	228
Concessions	**14**	-
Consolidated	**$ 4,365**	$ 4,889

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

Estimated backlog duration **$ millions**	**As at June 30** **2017**		2016	
Next 12 months	**$ 1,432**	**33%**	$ 1,685	34%
Next 13-24 months	**880**	**20%**	677	14%
Beyond	**2,053**	**47%**	2,527	52%
	$ 4,365	**100%**	$ 4,889	100%

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

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

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

REPORTING SEGMENTS

INFRASTRUCTURE

Financial Highlights

$ millions	Three months ended June 30				Six months ended June 30			
	2017		2016		**2017**		2016	
Revenue	**$**	**234.8**	$	269.4	**$**	**383.5**	$	423.6
Gross profit	**$**	**21.8**	$	18.7	**$**	**22.0**	$	17.6
Adjusted EBITDA	**$**	**8.4**	$	8.6	**$**	**(7.4)**	$	(6.3)
Operating profit (loss)	**$**	**3.3**	$	3.5	**$**	**(16.6)**	$	(15.5)
Gross profit margin		**9.3%**		6.9%		**5.7%**		4.2%
Adjusted EBITDA margin		**3.6%**		3.2%		**(1.9)%**		(1.5)%
Operating margin		**1.4%**		1.3%		**(4.3)%**		(3.7)%
Backlog					**$**	**2,034**	$	2,121

For the three months ended June 30, 2017, revenue in the Infrastructure segment of $235 million was $35 million, or 13%, lower than the same period in 2016. Revenue was higher in social infrastructure ($14 million) primarily due to the Bermuda International Airport Redevelopment Project, which commenced construction in the first quarter of 2017. Offsetting this increase was lower revenue in transportation operations ($46 million) due to lower roadbuilding volume in Ontario which was impacted by unusually wet weather in the quarter. Revenue also decreased in heavy civil operations ($3 million) as lower volume in Western Canada more than offset increased civil construction work in Ontario.

For the six months ended June 30, 2017, revenue of $384 million, was $40 million, or 9%, lower than the first half of 2016. Similar to the results in the second quarter, revenue was higher in social infrastructure ($24 million) but lower in transportation operations ($56 million) and heavy civil operations ($8 million), all for the same reasons driving the second quarter revenue variances.

In the second quarter of 2017, operating profit in the Infrastructure segment of $3.3 million decreased by $0.2 million compared to an operating profit of $3.5 million in the same period in 2016. Operating profit increased in heavy civil operations by $4.9 million driven by an increase in volume and gross profit margin on projects in Eastern Canada. Operating profit decreased in transportation operations ($4.8 million) due primarily to lower volume and gross profit margin in roadbuilding work in Ontario with wet weather impacting productivity of roadbuilding work in the second quarter as well as overall volume.

For the six months ended June 30, 2017, operating loss of $16.6 million increased by $1.1 million compared to an operating loss of $15.5 million a year earlier. Operating profit increased in heavy civil operations by $1.8 million, as higher gross profit margin offset increased bid related costs. Operating profit decreased by $2.9 million in the transportation sector for the same reasons cited above for the second quarter. Operating profit in social infrastructure operations was consistent with the first six months of 2016.

Infrastructure backlog as at June 30, 2017 was $2,034 million, $87 million lower than the same time in 2016. The largest year-over-year decrease in backlog occurred in heavy civil operations ($395 million) as the execution of existing projects, particularly in the transportation and hydroelectric sectors, outpaced new awards. Also, contributing to this decrease was lower backlog in the transportation sector primarily from roadbuilding projects in Ontario ($66 million). Partially offsetting these decreases was higher backlog in social infrastructure ($374 million) primarily from the award of the Bermuda International Airport Redevelopment Project, as well as from new awards in the water treatment sector. New contract awards totalled $160 million in the second quarter of 2017 and $754 million year-to-date, compared to $198 million and $350 million, respectively, in the same periods last year.

As discussed in the Consolidated Financial Highlights section, the Infrastructure segment's effective backlog at any given time is greater than what is reported.

ENERGY

Financial Highlights

$ millions	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Revenue	$ **329.5**	$ 357.5	$ **697.1**	$ 658.8
Gross profit	$ **28.8**	$ 34.1	$ **53.1**	$ 46.9
Adjusted EBITDA	$ **17.7**	$ 19.0	$ **29.6**	$ 19.4
Operating profit	$ **12.5**	$ 14.0	$ **18.2**	$ 9.1
Gross profit margin	**8.8%**	9.5%	**7.6%**	7.1%
Adjusted EBITDA margin	**5.4%**	5.3%	**4.2%**	3.0%
Operating margin	**3.8%**	3.9%	**2.6%**	1.4%
Backlog			$ **2,254**	$ 2,540

Revenue in the second quarter of 2017 of $330 million in the Energy segment was $28 million, or 8%, lower than the same period in 2016. Higher revenue in the utilities sector ($6 million) was more than offset by lower revenue ($34 million) from industrial operations. The increase in utilities was driven primarily by higher gas distribution volume in Eastern Canada. Higher industrial revenue in Eastern Canada ($50 million), largely from increased nuclear power work, was more than offset by lower revenue in Western Canada ($84 million), where a higher volume of pipeline facilities work was offset by lower fabrication, module assembly, and field construction activity in Alberta.

For the six months ended June 30, 2017, Energy segment revenue of $697 million was $38 million, or 6%, higher than the same period in the prior year. Revenue was higher in utilities operations ($29 million) from increased hydro, telecommunication, gas distribution, and pipeline volume. Revenue from industrial operations was also higher ($9 million) due to higher volume in Eastern Canada ($160 million) driven by an increase in nuclear work, but partially offset by decreased fabrication, module assembly and field construction activity in the oil sands in Western Canada ($151 million).

For the three months ended June 30, 2017, operating profit of $12.5 million decreased by $1.5 million compared to operating profit of $14.0 million in the same period of the prior year. Operating profit increased in industrial operations by $0.2 million as an increase in gross profit in Eastern Canada and lower MG&A costs as a result of restructuring initiatives combined to more than offset the impact of lower gross profit in Western Canada. Operating profit from utilities operations decreased by $1.7 million due primarily to lower gross profit margin in Ontario.

For the six months ended June 30, 2017, operating profit of $18.2 million increased by $9.1 million when compared to the same period in 2016. Operating profit increased in industrial operations by $9.0 million driven by the same factors cited for operating profit in the second quarter. Operating profit from utilities operations improved by $0.1 million due to higher volume in the first six months of the year.

Backlog as at June 30, 2017 of $2,254 million was $286 million lower than the same time in 2016, driven by a decrease in industrial operations ($508 million), primarily in Eastern Canada ($476 million) due to the continued execution of significant projects in the nuclear and gas sectors. Backlog in Western Canada industrial operations was also down year-over-year ($32 million) due to fewer new awards in the oil sector. Partially offsetting these decreases was higher backlog in utilities operations ($222 million) due to higher awards in the telecommunications and gas distribution sectors in Ontario. New contract awards of $426 million in the second quarter of 2017 were $262 million lower than in the same period in 2016, and new awards of $579 million for the first six months of 2017 were $1,931 million lower compared to 2016 due in large part to the Darlington Nuclear Refurbishment Project, which was awarded in the first quarter of 2016.

As discussed in the Consolidated Financial Highlights section, the Energy segment's effective backlog at any given time is greater than what is reported.

MINING

Financial Highlights

$ millions	Three months ended June 30				Six months ended June 30			
		2017		2016		**2017**		2016
Revenue	$	**116.9**	$	220.0	$	**283.7**	$	456.2
Gross profit	$	**8.4**	$	23.4	$	**33.7**	$	56.7
Adjusted EBITDA	$	**1.4**	$	16.9	$	**20.6**	$	43.0
Operating profit (loss)	$	**(4.7)**	$	11.8	$	**5.1**	$	28.4
Gross profit margin		**7.2%**		10.7%		**11.9%**		12.4%
Adjusted EBITDA margin		**1.2%**		7.7%		**7.3%**		9.4%
Operating margin		**(4.0)%**		5.4%		**1.8%**		6.2%
Backlog					$	**63**	$	228

Mining segment revenue in the second quarter of 2017 of $117 million was $103 million, or 47%, lower than the same period a year earlier. Most of the decrease was due to lower volume in the commodity mining sector ($108 million), as a large site installation project achieved substantial completion in the second quarter of 2017. Revenue from civil and foundations work related to mining projects was also lower ($5 million). Contract mining revenue was higher quarter-over-quarter ($10 million) as traditional contract mining work increased compared to 2016 when operations were negatively impacted by the Alberta wildfires.

For the six months ended June 30, 2017, revenue of $284 million was $173 million, or 38%, lower than the first six months of 2016. For the same reasons noted in the second quarter, contract mining revenue increased ($11 million), while lower revenue was recognized from both the commodity mining sector ($165 million) and from civil and foundations projects ($18 million).

For the quarter ended June 30, 2017, operating profit in the Mining segment decreased by $16.5 million, from operating profit of $11.8 million in the second quarter of 2016 to an operating loss of $4.7 million in 2017. The majority of the decrease was the result of lower volume and lower gross profit margin in the commodity mining sector ($16.4 million), as well as from higher depreciation and increased equipment fleet maintenance costs in contract mining ($1.9 million). Operating profit from civil and foundations projects increased due to higher gross profit margin on work in Ontario ($1.8 million).

For the six months ended June 30, 2017, operating profit in the Mining segment of $5.1 million decreased by $23.3 million compared to operating profit of $28.4 million in the same period in 2016. The decrease in operating profit followed the same pattern as the second quarter with an increase in civil and foundations work ($0.7 million), more than offset by lower operating profit from the commodity mining sector ($21.8 million) and contract mining ($2.2 million) for the reasons stated above for operating profit results in the second quarter.

Backlog as at June 30, 2017 of $63 million was $165 million lower than at the same time last year. Backlog was lower in both the commodity mining ($160 million), and contract mining ($5 million) sectors, as the execution of existing work outpaced new awards in each area, while civil and foundations backlog was unchanged over the previous year. New contract awards of $93 million in the second quarter of 2017, and $178 million year-to-date 2017, respectively, were $148 million and $129 million lower than in the same periods in 2016.

As discussed in the Consolidated Financial Highlights section, the Mining segment's effective backlog at any given time is greater than what is reported.

CONCESSIONS

Financial Highlights

$ millions	Three months ended June 30				Six months ended June 30			
	2017		2016		**2017**		2016	
Revenue	$	**37.3**	$	1.0	$	**73.9**	$	1.8
Gross profit	$	**12.4**	$	-	$	**13.6**	$	0.2
Income from projects accounted for using the equity method	$	**1.0**	$	0.2	$	**2.0**	$	0.6
Adjusted EBITDA	$	**15.4**	$	1.7	$	**19.1**	$	2.8
Operating profit (loss)	$	**4.4**	$	(0.7)	$	**3.7**	$	(1.4)
Backlog					$	**14**	$	-

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

Revenue in the Concessions segment for the second quarter and first half of 2017 was $37 million and $74 million respectively, an increase of $36 million and $72 million, compared to the same periods in 2016. The higher revenue in both periods was driven primarily by Skyport, which was awarded the Bermuda International Airport Redevelopment Project in the first quarter of 2017. Included in Skyport's revenue for the second quarter and first half of 2017 was $17 million and $50 million, respectively, of construction revenue that was eliminated on consolidation as inter-segment revenue.

For the three and six-month periods ended June 30, 2017, operating profit of $4.4 million and $3.7 million, respectively, increased by $5.1 million in both reporting periods compared to the same periods in 2016. The higher operating profit resulted from the Bermuda airport redevelopment project and LRT concession projects in Ontario.

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

Quarterly Financial Data

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

$ millions (except per share amounts)

	2017		2016				2015	
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
Revenue	$ 686.2	$ 674.9	$ 845.1	$ 838.1	$ 839.3	$ 690.7	$ 874.3	$ 874.9
Adjusted EBITDA	33.0	6.9	64.7	60.0	29.4	4.2	57.3	76.1
Earnings (loss) before income taxes	(0.6)	(22.3)	42.6	37.6	6.6	(21.3)	78.9	47.8
Profit (loss)	0.8	(18.3)	29.1	27.4	7.1	(16.8)	47.7	25.6
Earnings (loss) per share:								
Basic	0.01	(0.32)	0.51	0.48	0.12	(0.29)	0.84	0.45
Diluted	0.01	(0.32)	0.43	0.42	0.12	(0.29)	0.68	0.35

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

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

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

$ millions

	2017		2016				2015	
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
Operating profit (loss)	$ 5.3	$ (17.3)	$ 47.9	$ 43.1	$ 12.3	$ (16.3)	$ 85.6	$ 55.4
Depreciation and amortization	24.4	20.6	16.3	14.3	14.4	19.0	17.0	17.3
(Gain) loss on sale of assets	0.2	1.1	(0.6)	(0.5)	(0.4)	(0.3)	(0.4)	(1.3)
Gain on sale of Quito airport concession investment	-	-	-	-	-	-	(48.8)	-
(Gain) loss on mark-to-market of LTIP program	-	-	-	-	-	-	-	2.2
Income from projects accounted for using the equity method	(2.1)	(0.9)	(8.1)	(2.1)	(1.9)	(0.2)	(3.1)	(3.9)
Equity Project EBITDA	5.1	3.3	9.1	5.1	5.0	2.0	7.1	6.4
Adjusted EBITDA	$ 33.0	$ 6.9	$ 64.7	$ 60.0	$ 29.4	$ 4.2	$ 57.3	$ 76.1

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

$ millions

	2017		2016				2015	
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	$ 5.0	$ 3.2	$ 9.0	$ 5.0	$ 4.9	$ 1.9	$ 7.0	$ 6.3
Depreciation and amortization	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Equity Project EBITDA	5.1	3.3	9.1	5.1	5.0	2.0	7.1	6.4

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

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

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

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

For further information, see Note 11 to the June 30, 2017 interim condensed consolidated financial statements.

Cash and Debt Balances

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

$ millions		**June 30, 2017**		
		Balances excluding Joint Operations	**Joint Operations**	**Consolidated Total**
Cash and cash equivalents	(1)	**$ 23**	**$ 255**	**$ 278**
Restricted cash	(2)	**301**	**-**	**301**
Bank indebtedness	(3)	**(130)**	**-**	**(130)**
		December 31, 2016		
		Balances excluding Joint Operations	**Joint Operations**	**Consolidated Total**
Cash and cash equivalents	(1)	$ -	$ 232	$ 232
Bank indebtedness	(3)	(7)	-	(7)

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

Total long-term recourse debt of $294.5 million as at June 30, 2017 compares to $302.8 million as at December 31, 2016, the composition of which is as follows:

$ millions				
		June 30, 2017		**December 31, 2016**
Current portion of long-term debt - recourse	**$**	**46.0**	$	51.6
Long-term debt - recourse		**81.8**		86.4
Convertible debentures		**166.7**		164.8
Total long-term debt	**$**	**294.5**	$	302.8
Long-term project debt - non-recourse	**$**	**365.0**	$	-

Most of the $8.3 million net decrease in total long-term recourse debt results from a decrease in finance leases and equipment loans in the first six months of 2017 of $10.2 million, offset partly by an increase in convertible debentures of $1.9 million related to the accretion of notional interest.

The $365.0 million increase in non-recourse project debt is related to financing of the Bermuda International Airport Redevelopment Project.

Aecon's liquidity position and capital resources are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future. Aecon's liquidity position is strengthened by its ability to draw on a committed revolving credit facility of $400 million of which $199 million was unutilized as at June 30, 2017. When combined with an additional $700 million letter of credit facility provided by Export Development Canada ("EDC"), Aecon's total committed credit facilities for working capital and letter of credit requirements total $1,100 million. As at June 30, 2017, Aecon was in compliance with all debt covenants related to its revolving credit facility.

In the first quarter of 2017, Aecon's Board of Directors approved an increase in the dividend to be paid to all holders of Aecon common shares. Annual dividends increased to $0.50 per share, to be paid in four quarterly payments of $0.125 per share. Prior to this increase, Aecon paid an annual dividend of $0.46 per share ($0.115 each quarter). The first quarterly dividend payment of $0.125 per share was paid on April 3, 2017.

Summary Of Cash Flows

$ millions	**Consolidated Cash Flows**			
	Six months ended June 30			
		2017		2016
Cash provided by (used in):				
Operating activities	**$**	**(17.4)**	$	(122.4)
Investing activities		**(399.9)**		(2.1)
Financing activities		**464.2**		29.2
Increase (decrease) in cash and cash equivalents		**46.9**		(95.3)
Effects of foreign exchange on cash balances		**(0.8)**		0.1
Cash and cash equivalents - beginning of period		**231.9**		282.7
Cash and cash equivalents - end of period	**$**	**277.9**	$	187.5

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

Operating Activities

Cash used by operating activities of $17 million in the first six months of 2017 compares with cash used by operating activities of $122 million in the same period in 2016. Most of the $105 million period-over-period reduction in cash used by operating activities resulted from lower working capital requirements.

Investing Activities

In the first six months of 2017, investing activities resulted in cash used of $400 million, which compares to cash used of $2 million in the same period in 2016. Of the cash used in the first six months of 2017, $77 million represents expenditures made by Skyport related to the construction of the new airport terminal in Bermuda (i.e. increase in concession rights of $77 million), and $310 million represents an increase in restricted cash balances. This restricted cash reflects the increase in Skyport's cash balances during the period, but is cash that cannot be accessed by Aecon other than to finance the Bermuda International Airport Project. In addition, $14 million of cash was used for expenditures (net of disposals) on property, plant and equipment and intangible assets in the first six months of 2017 compared to $10 million of cash used for such expenditures in the first six months of 2016. Also, cash distributions from projects accounted for using the equity method decreased from $7.5 million in the first six months of 2016 to $0.4 million in the first six months of 2017.

In the first six months of 2017, Aecon acquired, either through purchase or finance leases, property, plant and equipment totalling $28 million. Most of this investment in property, plant and equipment related to the purchase of new machinery and construction equipment as part of normal ongoing business operations in each operating segment. In the first six months of 2016, investments in property, plant and equipment totalled $25 million.

Financing Activities

In the first six months of 2017, cash provided by financing activities amounted to $464 million, compared to cash provided of $29 million in the same period in 2016. The higher cash provided in the first six months of 2017 was due largely to the addition of non-recourse project debt of $374 million in relation to the Bermuda airport redevelopment project and $3 million of other long-term debt borrowings, while repayments of debt totalled $24 million, for a net inflow of $353 million. The majority of the net debt repayment related to equipment financing arrangements. In the first six months of 2016, net debt repayments totalled $20 million, relating primarily to equipment financing arrangements. In addition, in the first six months of 2017, an increase in bank indebtedness associated with borrowings under the Company's revolving credit facility totalled $123 million compared to $60 million during the same period in 2016. Dividends of $14 million were paid in the first six months of 2017, compared to $12 million in the same period in 2016. There was also $2 million of cash provided by the exercise of stock options in the first six months of 2017 compared to $1 million of cash provided in the first quarter of 2016.

NEW ACCOUNTING STANDARDS

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

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

SUPPLEMENTAL DISCLOSURES

Disclosure Controls and Procedures

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

Changes in Internal Controls over Financial Reporting

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

Contractual Obligations

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

At June 30, 2017, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was $4,365 million.

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

Off-Balance Sheet Arrangements

Aecon's defined benefit pension plans had a combined deficit of $2.7 million at June 30, 2017 (December 31, 2016 - $2.6 million). The defined benefit obligations and benefit cost levels will change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future experience gains or losses, none of which have been anticipated at this time. Emerging experience, differing from assumptions, will result in gains or losses that will be disclosed in future accounting valuations. Refer to the Company's 2016 Annual Report for further details regarding Aecon's defined benefit plans.

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

Related Party Transactions

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

Critical Accounting Estimates and Judgements

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

RISK FACTORS

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

Outstanding Share Data

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

In thousands of dollars (except share amounts)		**July 27, 2017**
Number of common shares outstanding		58,739,432
Outstanding securities exchangeable or convertible into common shares:		
Number of stock options outstanding		120,000
Number of common shares issuable on exercise of stock options		120,000
Increase in paid-up capital on exercise of stock options	$	1,430
Principal amount of convertible debentures outstanding (see Note 18 to the June 30, 2017 consolidated financial statements)	$	175,379
Number of common shares issuable on conversion of convertible debentures		8,625,000
Increase in paid-up capital on conversion of convertible debentures	$	175,379

OUTLOOK

Based on lower revenue in the first half of the year, driven by lower activity in the Mining segment, and an expectation of lower Mining revenue in the second half of the year when compared to 2016, Aecon expects lower overall revenue in 2017. This is offset by an expectation that Adjusted EBITDA margin improvement in 2017 will result in an overall improvement in Adjusted EBITDA in the year.

Infrastructure segment backlog at the end of the second quarter of 2017 was $2,034 million compared to $2,121 million at the same time last year. Increased infrastructure investment to address both the significant infrastructure deficit in Canada and slower economic growth is a key area of focus for federal, provincial, and municipal governments and Aecon is well positioned to successfully bid on, secure, and deliver these projects, as larger projects with longer procurement cycles roll out during 2017 and 2018. Bidding activity continues to be robust and Aecon expects to be a beneficiary of this increased infrastructure investment, which will drive growth in this segment in 2018 and beyond.

Backlog in the Energy segment was $2,254 million at the end of the second quarter of 2017 compared to $2,540 million at the same time last year. Revenue from Aecon's fabrication and modular assembly services in Western Canada will be lower in 2017 compared to the prior year due to the completion of fabrication and field work on a major project in Alberta. Aecon expects increased backlog and ongoing demand for gas distribution facilities, utilities work, pipelines, power, and nuclear refurbishment in 2017 will offset lower oil related fabrication and modular assembly volume. Aecon's capability in the nuclear refurbishment sector, combined with the approximately fifteen-year refurbishment project at the Bruce Power Nuclear Plant in Ontario currently in the development and procurement phase, provides a significant long-term growth opportunity for Aecon in nuclear work.

Backlog in the Mining segment at the end of the second quarter of 2017 was $63 million compared to $228 million at the end of the second quarter of 2016 in large part due to the completion of a large potash process installation project. Commodity prices generally remain soft, which is reducing the number of new projects under construction. Although Aecon is involved in a number of pursuits related to potential projects, the timing of when these projects may move into construction is uncertain. Contract mining, which is primarily recurring revenue work over and above what is reported as backlog for the segment, is expected to improve with a new operating site coming on line during the second half of 2017.

The Concessions segment continues to play a significant role in driving value at Aecon. The Concessions group continues to partner with Aecon's other segments to focus on the significant number of Public-Private-Partnership ("P3") opportunities, in Canada and is actively pursuing a number of large-scale infrastructure projects that require private finance solutions. It is also participating as a concessionaire on the Waterloo and Eglinton Crosstown LRT projects as well as the Bermuda Airport Redevelopment Project.

The second half of 2017 is expected to be stronger than the first half of 2017 reflecting the typical seasonality of Aecon's work.

AECON GROUP INC.
SECOND QUARTER

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

TABLE OF CONTENTS

MANAGEMENT REPORT
July 27, 2017

Notice to Reader

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

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

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

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

CONSOLIDATED BALANCE SHEETS

AS AT JUNE 30, 2017 AND DECEMBER 31, 2016
(in thousands of Canadian dollars)

	Note	June 30 2017	December 31 2016
ASSETS			
Current assets			
Cash and cash equivalents	7	$ 277,912	$ 231,858
Restricted cash	7	301,129	-
Trade and other receivables	8	529,427	604,759
Unbilled revenue	9	673,624	492,848
Inventories	10	25,760	28,460
Income tax recoverable		11,820	19,275
Prepaid expenses		16,386	12,100
		1,836,058	1,389,300
Non-current assets			
Long-term financial assets		2,329	2,633
Projects accounted for using the equity method	11	29,605	27,618
Deferred income tax assets		31,213	23,908
Property, plant and equipment	12	443,189	450,368
Intangible assets	13	264,782	111,658
		771,118	616,185
TOTAL ASSETS		$ 2,607,176	$ 2,005,485
LIABILITIES			
Current liabilities			
Bank indebtedness	14	$ 130,000	$ 7,476
Trade and other payables	15	615,448	577,333
Provisions	16	15,442	20,530
Deferred revenue	9	209,523	201,408
Income taxes payable		4,248	6,449
Current portion of long-term debt	17	46,044	51,568
		1,020,705	864,764
Non-current liabilities			
Provisions	16	5,222	5,096
Non-recourse project debt	17	365,040	-
Long-term debt	17	81,797	86,403
Convertible debentures	18	166,705	164,778
Concession related deferred revenue	19	120,875	7,111
Deferred income tax liabilities		110,351	119,767
Other liabilities		4,626	3,967
		854,616	387,122
TOTAL LIABILITIES		1,875,321	1,251,886
EQUITY			
Capital stock	23	359,408	346,770
Convertible debentures	18	8,674	8,674
Contributed surplus		42,032	43,060
Retained earnings		325,028	357,218
Accumulated other comprehensive loss		(3,287)	(2,123)
TOTAL EQUITY		731,855	753,599
TOTAL LIABILITIES AND EQUITY		$ 2,607,176	$ 2,005,485

Contingencies (Note 22)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(in thousands of Canadian dollars, except per share amounts) (unaudited)

	Note	For the three months ended		For the six months ended	
		June 30 2017	June 30 2016	**June 30 2017**	June 30 2016
Revenue		**$ 686,164**	$ 839,314	**$ 1,361,030**	$ 1,530,013
Direct costs and expenses	24	**(614,593)**	(769,563)	**(1,238,414)**	(1,415,146)
Gross profit		**71,571**	69,751	**122,616**	114,867
Marketing, general and administrative expenses	24	**(45,060)**	(45,161)	**(93,728)**	(89,622)
Depreciation and amortization	24	**(24,428)**	(14,431)	**(45,073)**	(33,458)
Income from projects accounted for using the equity method	11	**2,098**	1,930	**2,980**	2,167
Other income	25	**1,159**	251	**1,244**	2,086
Operating profit (loss)		**5,340**	12,340	**(11,961)**	(3,960)
Finance income		**143**	26	**448**	74
Finance costs	26	**(6,064)**	(5,788)	**(11,345)**	(10,875)
Profit (loss) before income taxes		**(581)**	6,578	**(22,858)**	(14,761)
Income tax recovery	20	**1,388**	508	**5,319**	5,060
Profit (loss) for the period		**$ 807**	$ 7,086	**$ (17,539)**	$ (9,701)
Basic earnings (loss) per share	27	**$ 0.01**	$ 0.12	**$ (0.30)**	$ (0.17)
Diluted earnings (loss) per share	27	**$ 0.01**	$ 0.12	**$ (0.30)**	$ (0.17)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(in thousands of Canadian dollars) (unaudited)

	For the three months ended		For the six months ended	
	June 30 2017	June 30 2016	**June 30 2017**	June 30 2016
Profit (loss) for the period	**$ 807**	$ 7,086	**$ (17,539)**	$ (9,701)
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences - foreign operations	**(468)**	-	**(588)**	-
Cash flow hedges - equity-accounted investees	**(767)**	(1,287)	**(784)**	(1,525)
Income taxes on the above	**203**	341	**208**	404
Total other comprehensive loss for the period	**(1,032)**	(946)	**(1,164)**	(1,121)
Comprehensive income (loss) for the period	**$ (225)**	$ 6,140	**$ (18,703)**	$ (10,822)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

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

	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss): Currency translation differences	Actuarial gains and losses	Cash flow hedges	Shareholders' equity
Balance as at January 1, 2017	**$ 346,770**	**$ 8,674**	**$ 43,060**	**$ 357,218**	**$ (173)**	**$ (720)**	**$ (1,230)**	**$ 753,599**
Loss for the period	-	-	-	(17,539)	-	-	-	**(17,539)**
Other comprehensive income (loss):								
Currency translation differences - foreign operations	-	-	-	-	(588)	-	-	**(588)**
Cash flow hedges - equity-accounted investees	-	-	-	-	-	-	(784)	**(784)**
Taxes with respect to above items included in other comprehensive income	-	-	-	-	-	-	208	**208**
Total other comprehensive loss for the period	**-**	**-**	**-**	**-**	**(588)**	**-**	**(576)**	**(1,164)**
Total comprehensive loss for the period	**-**	**-**	**-**	**(17,539)**	**(588)**	**-**	**(576)**	**(18,703)**
Dividends declared	-	-	-	(14,651)	-	-	-	**(14,651)**
Common shares issued on exercise of options	2,610	-	(698)	-	-	-	-	**1,912**
Stock-based compensation	-	-	9,698	-	-	-	-	**9,698**
Shares issued to settle LTIP/Director DSU obligations	10,028	-	(10,028)	-	-	-	-	**-**
Balance as at June 30, 2017	**$ 359,408**	**$ 8,674**	**$ 42,032**	**$ 325,028**	**$ (761)**	**$ (720)**	**$ (1,806)**	**$ 731,855**

	Capital stock	Convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss): Currency translation differences	Actuarial gains and losses	Cash flow hedges	Shareholders' equity
Balance as at January 1, 2016	**$ 332,275**	**$ 8,674**	**$ 41,546**	**$ 336,910**	**$ 249**	**$ (328)**	**$ (1,274)**	**$ 718,052**
Loss for the period	**-**	-	-	(9,701)	-	-	-	**(9,701)**
Other comprehensive income (loss):								
Cash flow hedges - equity-accounted investees	**-**	-	-	-	-	-	(1,525)	**(1,525)**
Taxes with respect to above items included in other comprehensive income	**-**	-	-	-	-	-	404	**404**
Total other comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(1,121)**	**(1,121)**
Total comprehensive loss for the period	**-**	**-**	**-**	**(9,701)**	**-**	**-**	**(1,121)**	**(10,822)**
Dividends declared	-	-	-	(13,168)	-	-	-	**(13,168)**
Common shares issued on exercise of options	1,491	-	(390)	-	-	-	-	**1,101**
Other LTIP settlements	-	-	(856)	-	-	-	-	**(856)**
Stock-based compensation	-	-	6,933	-	-	-	-	**6,933**
Shares issued to settle LTIP/Director DSU obligations	6,336	-	(6,336)	-	-	-	-	**-**
Balance as at June 30, 2016	**$ 340,102**	**$ 8,674**	**$ 40,897**	**$ 314,041**	**$ 249**	**$ (328)**	**$ (2,395)**	**$ 701,240**

During the six months ended June 30, 2017, the Company declared dividends amounting to $0.25 per share (June 30, 2016 - $0.23 per share).

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(in thousands of Canadian dollars) (unaudited)

	Note	June 30 2017	June 30 2016
CASH PROVIDED BY (USED IN)			
Operating activities			
Loss before income taxes		$ (22,858)	$ (14,761)
Income taxes paid		(9,439)	(4,100)
Defined benefit pension		(17)	64
Items not affecting cash:			
Depreciation and amortization		45,073	33,458
Income from projects accounted for using the equity method		(2,980)	(2,167)
Loss (gain) on sale of assets		1,296	(766)
Income from leasehold inducements		(244)	(96)
Unrealized foreign exchange gain (loss)		(292)	53
Increase in provisions		6,073	3,061
Notional interest representing accretion		2,211	2,192
Other LTIP settlements		-	(856)
Stock-based compensation		9,698	6,933
Change in other balances relating to operations	28	(45,956)	(145,370)
		(17,435)	(122,355)
Investing activities			
Increase in restricted cash balances		(309,529)	-
Purchase of property, plant and equipment		(16,877)	(15,820)
Proceeds on sale of property, plant and equipment		4,203	7,265
Investment in concession rights		(76,780)	-
Increase in intangible assets		(1,398)	(1,087)
Decrease in long-term financial assets		110	-
Distributions from projects accounted for using the equity method		417	7,535
		(399,854)	(2,107)
Financing activities			
Increase in bank indebtedness		122,524	60,000
Issuance of long-term debt		2,995	9,491
Issuance of non-recourse long-term debt		374,407	-
Repayments of long-term debt		(24,610)	(29,124)
Increase in other liabilities		921	-
Issuance of capital stock		1,911	1,101
Dividends paid		(13,962)	(12,274)
		464,186	29,194
Increase (decrease) in cash and cash equivalents during the period		46,897	(95,268)
Effects of foreign exchange on cash balances		(843)	61
Cash and cash equivalents - beginning of period		231,858	282,732
Cash and cash equivalents - end of period	7	$ 277,912	$ 187,525

The accompanying notes are an integral part of these consolidated financial statements.

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

1. CORPORATE INFORMATION

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

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

2. DATE OF AUTHORIZATION FOR ISSUE

The interim condensed consolidated financial statements of the Company were authorized for issue on July 27, 2017 by the Board of Directors of the Company.

3. BASIS OF PRESENTATION

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

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

Seasonality
The construction industry in Canada is seasonal in nature for companies like Aecon 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 profits than the second half of the year. Therefore, results in any one quarter are not necessarily indicative of results in any other quarter, or for the year as a whole.

Basis of measurement
The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including derivative instruments and available-for-sale investments.

Principles of consolidation
The interim condensed consolidated financial statements include the accounts of the Company and all of its subsidiaries. In addition, the Company’s participation in joint arrangements classified as joint operations is accounted for in the interim condensed consolidated financial statements by reflecting, line by line, the Company’s share of the assets held jointly, liabilities incurred jointly, and revenue and expenses arising from the joint operations. The interim condensed consolidated financial statements also include the Company’s investment in and share of the earnings of projects accounted for using the equity method.

4. CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying value of the asset or liability affected.

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results were a different estimate or assumption used.

Estimates and underlying assumptions are reviewed on an ongoing basis. These estimates and assumptions are subject to change at any time based on experience and new information. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Except as disclosed, there have been no material changes to critical accounting estimates related to the below mentioned items in the past two fiscal years. Critical accounting estimates are also not specific to any one segment unless otherwise noted below.

The Company's significant accounting policies are described in Note 5, "*Summary of Significant Accounting Policies*" in the Company's annual consolidated financial statements for the year ended December 31, 2016. The following discussion is intended to describe those judgments and key assumptions concerning major sources of estimation uncertainty at the end of the reporting period that have the most significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

4.1 MAJOR SOURCES OF ESTIMATION UNCERTAINTY

REVENUE AND GROSS PROFIT RECOGNITION

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

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

A change order results from a change to the scope of the work to be performed compared to the original contract that was signed. Unpriced change orders are change orders that have been approved as to scope but unapproved as to price. For such change orders, contract revenue is recognized to the extent of costs incurred or, if lower, to the extent to which recovery is probable. Therefore, to the extent that actual costs recovered are different from expected cost recoveries, significant swings in revenue and profitability can occur from one reporting period to another.

Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that Aecon seeks to collect from clients or others for client-caused delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. In accordance with the Company's accounting policy, claims are recognized in revenue only when resolution is probable. Therefore, it is possible for the Company to have substantial contract costs recognized in one accounting period with associated revenue recognized in a later period.

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

FAIR VALUING FINANCIAL INSTRUMENTS
From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for speculative trading purposes. The Company is required to measure certain financial instruments at fair value, using the most readily available market comparison data and where no such data is available, using quoted market prices of similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated.

Further information with regard to the treatment of financial instruments can be found in Note 29, *"Financial Instruments."*

MEASUREMENT OF RETIREMENT BENEFIT OBLIGATIONS
The Company's obligations and expenses related to defined benefit pension plans, including supplementary executive retirement plans, are determined using actuarial valuations and are dependent on many significant assumptions. The defined benefit obligations and benefit cost levels will change as a result of future changes in actuarial methods and assumptions, membership data, plan provisions, legislative rules, and future experience gains or losses, which have not been anticipated at this time. Emerging experience, differing from assumptions, will result in gains or losses that will be disclosed in future accounting valuations. Refer to Note 20, "*Employee Benefit Plans*," in the Company's annual consolidated financial statements for the year ended December 31, 2016, for further details regarding the Company's defined benefit plans as well as the impact to the financial results of a 0.5% change in the discount rate assumption used in the calculations.

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

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

IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets with finite lives are amortized over their useful lives. Goodwill, which has an indefinite life, is not amortized. Management evaluates intangible assets that are not amortized at the end of each reporting period to determine whether events and circumstances continue to support an indefinite useful life. Intangible assets with finite lives are tested for impairment whenever events or circumstances indicate the carrying value may not be recoverable. Goodwill and intangible assets with indefinite lives, if any, are tested for impairment by applying a fair value test in the fourth quarter of each year and between annual tests if events occur or circumstances change, which suggest the goodwill or intangible assets should be evaluated.

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

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

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

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

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

4.2 JUDGMENTS

The following are critical judgments management has made in the process of applying accounting policies and that have the most significant effect on how certain amounts are reported in the consolidated financial statements.

BASIS FOR CONSOLIDATION AND CLASSIFICATION OF JOINT ARRANGEMENTS

Assessing the Company's ability to control or influence the relevant financial and operating policies of another entity may, depending on the facts and circumstances, require the exercise of significant judgment to determine whether the Company controls, jointly controls, or exercises significant influence over the entity performing the work. This assessment of control impacts how the operations of these entities are reported in the Company's consolidated financial statements (i.e., full consolidation, equity investment or proportional share).

The Company performs the majority of its construction projects through wholly owned subsidiary entities, which are fully consolidated. However, a number of projects, particularly some larger, multi-year, multi-disciplinary projects, are executed through partnering agreements. As such, the classification of these entities as a subsidiary, joint operation, joint venture, associate or financial instrument requires judgment by management to analyze the various indicators that determine whether control exists. In particular, when assessing whether a joint arrangement should be classified as either a joint operation or a joint venture, management considers the contractual rights and obligations, voting shares, share of board members and the legal structure of the joint arrangement. Subject to reviewing and assessing all the facts and circumstances of each joint arrangement, joint arrangements contracted through agreements and general partnerships would generally be classified as joint operations whereas joint arrangements contracted through corporations would be classified as joint ventures. The majority of the current partnering agreements are classified as joint operations.

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

SERVICE CONCESSION ARRANGEMENTS

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 SERVICE CONCESSION ARRANGEMENTS

The Company accounts for Service Concession Arrangements in accordance with "IFRIC 12".

IFRIC 12 provides guidance on the accounting for certain qualifying public-private partnership arrangements, whereby the grantor (i.e., usually a government) (a) controls or regulates what services the operator (i.e. "the concessionaire") must provide with the infrastructure, to whom it must provide those services, and at what price; and (b) controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

Under such concession arrangements, the concessionaire accounts for the infrastructure asset by applying one of the following accounting models depending on the allocation of the demand risk through the usage of the infrastructure between the grantor and the concessionaire:

Accounting Model

(a) Financial Asset Model

Applicable when the concessionaire does not bear demand risk through the usage of the infrastructure (i.e., it has an unconditional right to receive cash irrespective of the usage of the infrastructure, for example through availability payments).

When the Company delivers more than one category of activity in a service concession arrangement, the consideration received or receivable is allocated by reference to the relative fair values of the activity delivered, when the amounts are separately identifiable.

Revenue recognized by the Company under the financial asset model is recognized in "Long Term Receivables", a financial asset that is recovered through payments received from the grantor.

(b) Intangible Asset Model

Applicable when the concessionaire bears demand risk (i.e., it has a right to charge fees for usage of the infrastructure).

The Company recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. The intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition. Borrowing costs, if any, are capitalized until the infrastructure is ready for its intended use as part of the carrying amount of the intangible asset.

The intangible asset is then amortized over its expected useful life, which is the concession period in a service concession arrangement. The amortization period begins when the infrastructure is available for use.

Revenues from service concession arrangements accounted for under IFRIC 12 are recognized as follows:

(a) Construction or upgrade activities when a service concession arrangement involves the construction or upgrade of the public service infrastructure:

Revenues relating to construction or upgrade services under a service concession arrangement are recognized based on the stage of completion of the work performed, consistent with the Company's accounting policy on recognizing revenue applicable to any construction contract (see Note 5.1 in the Company's annual consolidated financial statements for the year ended December 31, 2016).

(b) Operations and maintenance activities may include maintenance of the infrastructure and other activities provided directly to the grantor or the users:

Operations and maintenance revenues are recognized in the period in which the activities are performed by the Company, consistent with the Company's accounting policy on recognizing revenue applicable to any operations and maintenance contract (see Note 5.1 in the Company's annual consolidated financial statements for the year ended December 31, 2016).

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

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

6. FUTURE ACCOUNTING CHANGES

IFRS 15, Revenue from Contracts with Customers
IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18, *"Revenue,"* and IAS 11*, "Construction Contracts,"* and the related interpretations when it becomes effective. IFRS 15 is effective for years beginning on or after January 1, 2018.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Furthermore, extensive disclosures are required by IFRS 15.

The Company is currently evaluating the impact of adopting this standard on its financial statements. The majority of construction contracts are currently accounted for under the percentage-of-completion method and are expected to meet the IFRS 15 requirements for revenue recognition. We are currently assessing whether the new standard will result in an adjustment to revenue recognition in respect of certain variable consideration such as change orders, disputes and claims.

Any potential changes will impact the timing of revenue and margin recognition, and will result in an adjustment to equity at transition. However, there will be no changes to the treatment of cash flows and cash will continue to be collected in line with contractual terms. Further updates will be provided during 2017 as the Company advances its assessment. However, until the Company completes a detailed review, it is not practicable to provide a reasonable estimate of the effect of IFRS 15.

IFRS 9, Financial Instruments

IFRS 9 introduces new requirements for classifying and measuring financial instruments and is a partial replacement of IAS 39, *"Financial Instruments: Recognition and Measurement."* The standard is effective for accounting periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of adopting this standard on its financial statements.

IFRS 16, Leases

IFRS 16 was issued in January 2016 and establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 will supersede the current lease recognition guidance including IAS 17 "Leases" and the related interpretations when it becomes effective.

Under IFRS 16, the lessee recognizes a right-of-use asset and a lease liability upon lease commencement for leases with a lease term of greater than one year. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Subsequent measurement is determined based on the nature of the underlying asset.

The lease liability is initially measured at the present value of the lease payments payable over the lease term and discounted at the implied lease rate. If the implied lease rate cannot be readily determined, the lessee shall use their incremental borrowing rate. Subsequent re-measurement is allowed under specific circumstances.

The standard is effective for accounting periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting this standard on its financial statements.

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

7. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

	June 30 2017	December 31 2016
Cash balances excluding joint operations	$ 22,759	$ -
Cash balances of joint operations	255,153	231,858
	$ 277,912	$ 231,858
Restricted cash	$ 301,129	$ -
	$ 301,129	$ -

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

Restricted cash is cash held by Bermuda Skyport Corporation Limited. This cash cannot be used by the Company other than to finance the Bermuda airport redevelopment project.

8. TRADE AND OTHER RECEIVABLES

	June 30 2017	December 31 2016
Trade receivables	$ 325,701	$ 379,275
Allowance for doubtful accounts	(791)	(1,645)
	324,910	377,630
Holdbacks receivable	188,256	193,913
Other	16,261	33,216
	204,517	227,129
Total	$ 529,427	$ 604,759
Amounts receivable beyond one year	$ 42,741	$ 34,495

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

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

		June 30 2017		December 31 2016
Balance - beginning of period	$	(1,645)	$	(1,840)
Additional amounts provided for during period		(282)		(573)
Amounts recovered		1,136		768
Balance - end of period	$	(791)	$	(1,645)

9. UNBILLED REVENUE AND DEFERRED REVENUE

Costs incurred and estimated earnings (i.e. earned revenue), net of billings, on uncompleted contracts is presented in the consolidated balance sheets under the following captions:

		June 30 2017		December 31 2016
Earned revenue on projects to date	$	7,655,814	$	7,769,624
Less: Billings on projects to date		7,191,713		7,478,184
Net consolidated balance sheet position	$	464,101	$	291,440
Reported as:				
Unbilled revenue	$	673,624	$	492,848
Deferred revenue		(209,523)		(201,408)
	$	464,101	$	291,440

10. INVENTORIES

		June 30 2017		December 31 2016
Raw materials and supplies	$	9,795	$	12,129
Finished goods		15,965		16,331
	$	25,760	$	28,460

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

11. PROJECTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

	June 30, 2017			December 31, 2016		
	Joint Ventures	Associates	**Total**	Joint Ventures	Associates	Total
Cash and cash equivalents	$ 16,565	$ 7,869	**$ 24,434**	$ 3,882	$ 8,326	$ 12,208
Other current assets	50,014	4,026	**54,040**	33,015	4,030	37,045
Total current assets	66,579	11,895	**78,474**	36,897	12,356	49,253
Non-current assets	272,976	-	**272,976**	271,168	-	271,168
Total assets	339,555	11,895	**351,450**	308,065	12,356	320,421
Trade and other payables and provisions	77,707	2,924	**80,631**	77,029	4,037	81,066
Total current liabilities	77,707	2,924	**80,631**	77,029	4,037	81,066
Non-current financial liabilities	240,425	-	**240,425**	210,948	-	210,948
Other non-current liabilities	789	-	**789**	789	-	789
Total non-current liabilities	241,214	-	**241,214**	211,737	-	211,737
Total liabilities	318,921	2,924	**321,845**	288,766	4,037	292,803
Net assets	$ 20,634	$ 8,971	**$ 29,605**	$ 19,299	$ 8,319	$ 27,618

	For the three months ended					
	June 30, 2017			June 30, 2016		
	Joint Ventures	Associates	**Total**	Joint Ventures	Associates	**Total**
Revenue	$ 65,675	$ 2,068	**$ 67,743**	$ 48,163	$ 7,010	**$** 55,173
Depreciation and amortization	(112)	-	**(112)**	(103)	-	(103)
Other costs	(61,030)	(1,645)	**(62,675)**	(44,311)	(5,880)	(50,191)
Operating profit	4,533	423	**4,956**	3,749	1,130	4,879
Finance costs	(2,690)	-	**(2,690)**	(2,302)	-	(2,302)
Income tax expense	(168)	-	**(168)**	(342)	(305)	(647)
Profit for the period	1,675	423	**2,098**	1,105	825	1,930
Other comprehensive loss	(564)	-	**(564)**	(946)	-	(946)
Total comprehensive income	$ 1,111	$ 423	**$ 1,534**	$ 159	$ 825	**$** 984

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

	For the six months ended					
	June 30, 2017			June 30, 2016		
	Joint Ventures	Associates	**Total**	Joint Ventures	Associates	Total
Revenue	$ 116,892	$ 4,164	**$ 121,056**	$ 85,180	$ 10,000	$ 95,180
Depreciation and amortization	(220)	-	**(220)**	(204)	-	(204)
Other costs	(109,346)	(3,306)	**(112,652)**	(79,721)	(8,444)	(88,165)
Operating profit	7,326	858	**8,184**	5,255	1,556	6,811
Finance costs	(5,274)	-	**(5,274)**	(3,964)	-	(3,964)
Income tax (expense) recovery	70	-	**70**	(261)	(419)	(680)
Profit for the period	2,122	858	**2,980**	1,030	1,137	2,167
Other comprehensive loss	(576)	-	**(576)**	(1,121)	-	(1,121)
Total comprehensive income (loss)	$ 1,546	$ 858	**$ 2,404**	$ (91)	$ 1,137	$ 1,046

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

	For the six months ended	For the year ended
	June 30 2017	December 31 2016
Projects accounted for using the equity method - as at beginning of period	**$ 27,618**	$ 25,631
Share of profit for the period	**2,980**	12,401
Share of other comprehensive loss for the period	**(576)**	(44)
Distributions from projects accounted for using the equity method	**(417)**	(10,370)
Projects accounted for using the equity method - as at end of period	**$ 29,605**	$ 27,618

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

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

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

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

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and leasehold improvements	Aggregate properties	Machinery and construction equipment	Office equipment, furniture and fixtures, and computer hardware	Vehicles	Heavy equipment	Total
Cost								
Balance as at January 1, 2017	$ 33,889	$ 90,011	$ 53,602	$ 265,427	$ 31,296	$ 66,076	$ 267,457	**$ 807,758**
Additions	-	3,388	409	14,985	599	3,359	5,622	**28,362**
Disposals	(409)	-	-	(7,398)	(10)	(2,803)	(3,175)	**(13,795)**
Balance as at June 30, 2017	$ 33,480	$ 93,399	$ 54,011	$ 273,014	$ 31,885	$ 66,632	$ 269,904	**$ 822,325**
Accumulated depreciation and impairment								
Balance as at January 1, 2017	-	41,734	16,887	141,923	23,982	45,974	86,890	**357,390**
Depreciation	-	2,762	482	11,400	1,798	4,116	10,444	**31,002**
Disposals	-	-	-	(4,263)	(10)	(2,733)	(2,250)	**(9,256)**
Balance as at June 30, 2017	$ -	$ 44,496	$ 17,369	$ 149,060	$ 25,770	$ 47,357	$ 95,084	**$ 379,136**
Net book value as at June 30, 2017	**$ 33,480**	**$ 48,903**	**$ 36,642**	**$ 123,954**	**$ 6,115**	**$ 19,275**	**$ 174,820**	**$ 443,189**
Net book value as at January 1, 2017	**$ 33,889**	**$ 48,277**	**$ 36,715**	**$ 123,504**	**$ 7,314**	**$ 20,102**	**$ 180,567**	**$ 450,368**
Net book value of assets under finance lease as at June 30 2017	**$ -**	**$ -**	**$ 75**	**$ 44,726**	**$ 5**	**$ 16,376**	**$ 14,089**	**$ 75,271**

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

13. INTANGIBLE ASSETS

	Concession rights	Goodwill	Licences, software and other rights	Total
Cost				
Balance as at January 1, 2017	$ -	$ 49,373	$ 83,967	$ 133,340
Additions				
Acquired separately	169,772	-	1,398	171,170
Foreign currency translation adjustments	(4,247)	-	-	(4,247)
Balance as at June 30, 2017	**$ 165,525**	**$ 49,373**	**$ 85,365**	**$ 300,263**
Accumulated amortization and impairment				
Balance as at January 1, 2017	-	-	21,682	21,682
Amortization	10,060	-	4,011	14,071
Foreign currency translation adjustments	(272)	-	-	(272)
Balance as at June 30, 2017	**$ 9,788**	**$ -**	**$ 25,693**	**$ 35,481**
Net book value as at June 30, 2017	**$ 155,737**	**$ 49,373**	**$ 59,672**	**$ 264,782**
Net book value as at January 1, 2017	**$ -**	**$ 49,373**	**$ 62,285**	**$ 111,658**

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

Concession rights – Bermuda Airport Project

The Company holds a 100% interest in Bermuda Skyport Corporation Limited (“Skyport”), a Bermudian company undertaking the L.F. Wade International Airport Redevelopment Project in Bermuda (“Bermuda Airport Project”).

Skyport’s main operations consist of:

(a) managing and operating the existing L.F. Wade International Airport (the “Existing Bermuda Airport”); and

(b) managing the development, financing, construction, operation and maintenance of the new airport terminal and associated infrastructure (“New Airport Terminal “) under a 30-year concession arrangement.

The right to operate the Existing Bermuda Airport was initially recognized at fair value and assigned an estimated value of $92,992 (US$69,871) at the date of financial close in 2017. As at June 30, 2017, this concession right had a remaining carrying amount of $80,884. Skyport amortizes this concession right over the remaining term of the right to operate the Existing Bermuda Airport with amortization based on usage (estimated traffic volumes). The New Airport Terminal is expected to open in July 2020.

As at June 30, 2017, the concession right for the New Airport Terminal, representing the costs to construct the New Airport Terminal, had a carrying amount of $74,853. Amortization of this concession right will commence after construction of the new airport terminal is completed.

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

14. BANK INDEBTEDNESS

The Company maintains a committed revolving credit facility of $400,000 (December 31, 2016 - $400,000). Bank indebtedness as at June 30, 2017 of $130,000 (December 31, 2016 - $7,476) represents borrowings on the Company's revolving credit facility. Letters of credit amounting to $70,765 were also issued against the credit facility as at June 30, 2017 (December 31, 2016 - $71,708). Cash drawings under the facility bear interest rates between prime and prime plus 1.2% per annum. Letters of credit reduce the amount available-for-use under the facility.

The Company also maintains an additional letter of credit facility of $700,000 (December 31, 2016 - $500,000) provided by Export Development Canada of which $280,353 was utilized as at June 30, 2017 (December 31, 2016 - $227,532).

15. TRADE AND OTHER PAYABLES

	June 30 2017	December 31 2016
Trade payables and accrued liabilities	$ 532,877	$ 494,833
Holdbacks payable	82,571	82,500
	$ 615,448	$ 577,333
Amounts payable beyond one year	$ 2,064	$ 2,064

16. PROVISIONS

	Contract related obligations	Asset decommissioning costs	Tax assessments	Other	Total
Balance as at January 1, 2017	$ 4,208	$ 3,720	$ 12,169	$ 5,529	$ 25,626
Additions made	2,622	296	1,474	3,156	7,548
Amounts used	(1,790)	-	(5,000)	(5,760)	(12,550)
Other changes	16	27	-	(3)	40
Balance as at June 30, 2017	**$ 5,056**	**$ 4,043**	**$ 8,643**	**$ 2,922**	**$ 20,664**
Reported as:					
Current	**$ 3,877**	**$ -**	**$ 8,643**	**$ 2,922**	**$ 15,442**
Non-current	**1,179**	**4,043**	**-**	**-**	**5,222**
	$ 5,056	**$ 4,043**	**$ 8,643**	**$ 2,922**	**$ 20,664**

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

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

		June 30 2017	December 31 2016
Long-term debt:			
Finance leases		**$ 54,477**	$ 59,480
Equipment and other loans		**73,364**	78,491
Total long-term debt		**$ 127,841**	$ 137,971
Reported as:			
Current liabilities:			
Current portion of long-term debt		**$ 46,044**	$ 51,568
Non-current liabilities:			
Long-term debt		**81,797**	86,403
		$ 127,841	$ 137,971

		June 30 2017	December 31 2016
Non-recourse project debt:			
Bermuda Airport Redevelopment Project financing	(a)	**$ 365,040**	$ -
Total non-recourse project debt		**$ 365,040**	$ -
Reported as:			
Non-current liabilities:			
Non-recourse project debt		**$ 365,040**	$ -
		$ 365,040	$ -

(a) Included in the Company's consolidated balance sheets as at June 30, 2017 is debt, net of transaction costs, of $365,040 (US$281,298) (2016 –$nil) representing the debt of Skyport. This debt is secured by the assets of Skyport and is without recourse to the Company.

The financing is denominated in US dollars and bears interest at 5.9% annually. Debt repayments commence in 2022 and are scheduled to continue until 2042.

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

18. CONVERTIBLE DEBENTURES

Convertible subordinated debentures consist of:

	June 30 2017	December 31 2016
Debt component:		
Debenture maturing on December 31, 2018	$ 166,705	$ 164,778
Total convertible debentures	$ 166,705	$ 164,778
Reported as:		
Non-current liabilities:		
Convertible debentures	166,705	164,778
	$ 166,705	$ 164,778

	June 30 2017	December 31 2016
Equity component:		
Debenture maturing on December 31, 2018	$ 8,674	$ 8,674

Interest expense on the debentures is composed of the interest calculated on the face value of the debentures and notional interest representing the accretion of the carrying value of the debentures.

	For the three months ended		For the six months ended	
	June 30 2017	June 30 2016	June 30 2017	June 30 2016
Interest expense on face value	$ (2,372)	$ (2,372)	$ (4,744)	$ (4,744)
Notional interest representing accretion	(966)	(944)	(1,927)	(1,883)
	$ (3,338)	$ (3,316)	$ (6,671)	$ (6,627)

19. CONCESSION RELATED DEFERRED REVENUE

As part of acquiring, in 2017, the rights to operate the Existing Bermuda Airport (see Note 13), the Company recorded concession related deferred revenue of $90,672. Concession related deferred revenue represents the estimated value of the “inducement” received by Skyport to develop, finance and operate the New Airport Terminal.

Concession related deferred revenue also includes $24,205 received in 2017 as development funds related to the Bermuda Airport Project.

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

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

20. INCOME TAXES

	For the six months ended	
	June 30 2017	June 30 2016
Loss before income taxes	**$ (22,858)**	$ (14,761)
Statutory income tax rate	**26.75%**	26.75%
Expected income tax recovery	**6,115**	3,949
Effect on income taxes of:		
Projects accounted for using the equity method	**(52)**	539
Impact of change in enacted tax rates on deferred tax balances	**(725)**	-
Provincial and foreign rate differences	**1,647**	213
Non-deductible stock-based compensation expense	**-**	(1,680)
Other non-deductible expenses	**(548)**	(660)
Reversal of tax provision from prior year	**(1,118)**	1,950
Other tax credits	**-**	749
	(796)	1,111
Income tax recovery	**$ 5,319**	$ 5,060

21. EMPLOYEE BENEFIT PLANS

Employee future benefit expenses for the period are as follows:

	For the three months ended		For the six months ended	
	June 30 2017	June 30 2016	**June 30 2017**	June 30 2016
Defined benefit pension expense:				
Company sponsored pension plans	**$ 251**	$ 316	**$ 502**	$ 632
Defined contribution pension expense:				
Company sponsored pension plans	**1,718**	1,653	**3,351**	3,169
Multi-employer pension plans	**17,622**	30,522	**36,317**	54,455
Total employee future benefit expenses	**$ 19,591**	$ 32,491	**$ 40,170**	$ 58,256

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

22. CONTINGENCIES

The Company is involved in various disputes and litigation both as plaintiff and defendant. In the opinion of management, the resolution of disputes against the Company, including those provided for (see Note 16, *"Provisions"*), will not result in a material effect on the consolidated financial position of the Company.

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

	Project	June 30 2017
Letters of credit:		
In support of the Company's equity obligations	Bermuda Airport Project	$ 90,047
Financial and performance - issued in the normal course of business	Various	$ 261,070

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 June 30, 2017, the value of uncompleted work for which the Company's associate and joint arrangement partners are responsible, and which the Company could be responsible for assuming, amounted to approximately $4,975,914, a substantial portion of which is supported by performance bonds. In the event the Company assumed this additional work, it would have the right to receive the partner's share of billings to the project owners pursuant to the respective associate or joint arrangement contract.

23. CAPITAL STOCK

	For the six months ended June 30, 2017		For the year ended December 31, 2016	
	Number	**Amount**	**Number**	**Amount**
Number of common shares outstanding - beginning of period	**57,863,017**	**$ 346,770**	56,817,357	$ 332,275
Common shares issued on exercise of share options	150,000	2,610	100,000	1,491
Equity settled shares	726,415	10,028	945,660	13,004
Number of common shares outstanding - end of period	**58,739,432**	**$ 359,408**	57,863,017	$ 346,770

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

STOCK−BASED COMPENSATION

Long-Term Incentive Plan

In 2005 and 2014, the Company adopted Long-Term Incentive Plans (collectively "LTIP" or individually "2005 LTIP" or "2014 LTIP") to provide a financial incentive for its senior executives to devote their efforts to the long-term success of the Company's business. Awards to participants are based on the financial results of the Company and are made in the form of Deferred Share Units ("DSUs") or in the form of Restricted Share Units ("RSUs"). Awards made in the form of DSUs will vest only on the retirement or termination of the participant. Awards made in the form of RSUs will vest annually over three years. Compensation charges related to the LTIP are expensed over the estimated vesting period of the awards in marketing, general and administrative expenses. Awards made to individuals who are eligible to retire under the plan are assumed, for accounting purposes, to vest immediately.

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

For the three and six months ended June 30, 2017, the Company recorded LTIP compensation charges of $3,300 (2016 - $3,141) and $8,884 (2016 - $6,933), respectively.

Stock option plans

The aggregate number of common shares that can be issued under the 2005 Stock Option Plan shall not exceed 5,000,000. Each share option issuance under the 2005 Stock Option Plan specifies the period during which the share option thereunder is exercisable (which in no event shall exceed ten years from the date of grant) and the date the share option will expire. The Company's Board of Directors determines the vesting period on the dates of share option grants. The exercise price of share option grants equals the market price of the common shares on the grant date. The Company issues common shares on exercise of the options.

Details of common shares issued on the exercise of share options as well as details of changes in the balance of options outstanding are detailed below:

	For the six months ended June 30, 2017		For the year ended December 31, 2016	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Balance outstanding - beginning of period	**270,000**	**$ 12.38**	420,000	$ 11.81
Expired	**-**	**-**	(50,000)	10.41
Exercised	**(150,000)**	**12.74**	(100,000)	11.00
Balance outstanding - end of period	**120,000**	**11.92**	270,000	12.38
Options exercisable - end of period	**120,000**	**$ 11.92**	270,000	$ 12.38

Share options outstanding as at June 30, 2017 had the following exercise prices and expiry dates:

Share options granted in	**Number of shares**	**Exercise price**	**Expiry date**
2013	120,000	11.92	March 14, 2018
	120,000	$ 11.92	

Unless subsequently modified, all option grants have a term of five years from the date of grant and vest immediately or over a three-year period.

Other Stock-based Compensation – Director DSU Awards

In May 2014, the Board of Directors modified the director compensation program by replacing stock option grants to non-management directors with a director deferred share unit plan (the "Director DSU Plan"). A DSU is a right to receive an amount from the Company equal to the value of one common share. Commencing in 2014, directors have the option of receiving up to 50% of their annual retainer fee, that is otherwise payable in cash, in the form of DSUs pursuant to the Director DSU Plan. The number of DSUs awarded to a director is equal to the value of the compensation that a director elects to receive in DSUs or the value awarded by the Company on an annual basis divided by the volume weighted average trading price of a common share on the TSX for the five trading days prior to the date of the award. DSUs are redeemable on the first business day following the date the director ceases to serve on the Board.

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

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

For the three and six months ended June 30, 2017, the Company recorded Director DSU compensation charges of $722 (2016 - $17) and $814 (2016 - $628), respectively.

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

	For the six months ended June 30, 2017		For the six months ended June 30, 2017	
	LTIP Share Units	**Weighted Average Grant Date Fair Value Per Unit**	**Director DSU**	**Weighted Average Grant Date Fair Value Per Unit**
Balance outstanding - beginning of period	**3,399,388**	**$ 11.93**	**156,786**	$ **13.83**
Granted	**774,626**	**15.88**	**49,177**	**15.76**
Dividend equivalent rights	**53,164**	**12.37**	**2,722**	**14.16**
Settled	**(726,415)**	**12.04**	**-**	**-**
Forfeited	**(30,415)**	**12.52**	**-**	**-**
Balance outstanding - end of period	**3,470,348**	**$ 12.79**	**208,685**	$ **14.29**

Amounts included in contributed surplus in the consolidated balance sheets as at June 30, 2017 in respect of LTIP and Director DSUs were $34,963 (December 31, 2016 - $36,107) and $2,981 (December 31, 2016 - $2,168), respectively.

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

24. EXPENSES

	For the three months ended		For the six months ended	
	June 30 2017	June 30 2016	**June 30 2017**	June 30 2016
Personnel	**$ 266,152**	$ 377,507	**$ 539,752**	$ 701,621
Subcontractors	**214,171**	232,192	**448,399**	457,676
Materials	**140,591**	158,276	**253,418**	251,077
Equipment costs	**32,600**	31,351	**78,923**	76,045
Depreciation of property, plant and equipment and amortization of intangible assets	**24,428**	14,431	**45,073**	33,458
Other expenses	**6,139**	15,398	**11,650**	18,349
Total expenses	**$ 684,081**	$ 829,155	**$ 1,377,215**	$ 1,538,226

Reported as:

	For the three months ended		For the six months ended	
	June 30 2017	June 30 2016	**June 30 2017**	June 30 2016
Direct costs and expenses	**$ 614,593**	$ 769,563	**$ 1,238,414**	$ 1,415,146
Marketing, general and administrative expenses	**45,060**	45,161	**93,728**	89,622
Depreciation and amortization	**24,428**	14,431	**45,073**	33,458
Total expenses	**$ 684,081**	$ 829,155	**$ 1,377,215**	$ 1,538,226

25. OTHER INCOME

	For the three months ended		For the six months ended	
	June 30 2017	June 30 2016	**June 30 2017**	June 30 2016
Foreign exchange gain (loss)	**$ 1,389**	$ (131)	**$ 2,540**	$ 1,320
Gain (loss) on sale of property, plant and equipment	**(263)**	382	**(335)**	766
Gain (loss) on other assets	**33**	-	**(961)**	-
Total other income (loss)	**$ 1,159**	$ 251	**$ 1,244**	$ 2,086

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

26. FINANCE COSTS

	For the three months ended		For the six months ended	
	June 30 2017	June 30 2016	**June 30 2017**	June 30 2016
Interest on long-term debt and debentures	**$ 4,365**	$ 3,892	**$ 8,421**	$ 7,751
Interest on finance leases	**446**	967	**923**	1,911
Interest on short-term debt	**1,213**	898	**1,911**	1,140
Notional interest on provisions	**40**	31	**90**	73
Total finance costs	**$ 6,064**	$ 5,788	**$ 11,345**	$ 10,875

27. EARNINGS (LOSS) PER SHARE

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

	For the three months ended		For the six months ended	
	June 30 2017	June 30 2016	**June 30 2017**	June 30 2016
Profit attributable to shareholders	**$ 807**	$ 7,086	**$ (17,539)**	$ (9,701)
Interest on convertible debentures, net of tax[(1)]	**2,445**	2,437	**4,886**	4,870
Diluted net earnings (loss)	**$ 3,252**	$ 9,523	**$ (12,653)**	$ (4,831)
Average number of common shares outstanding	**58,593,786**	57,366,554	**58,374,224**	57,217,868
Effect of dilutive securities:[(1)]				
Options	**29,164**	72,975	**30,956**	58,623
Convertible debentures[(1)]	**11,530,914**	10,704,818	**11,303,533**	11,484,601
Long-term incentive plan	**3,679,032**	4,045,705	**3,679,032**	4,045,705
Weighted average number of diluted common shares outstanding	**73,832,896**	72,190,052	**73,387,745**	72,806,797
Basic earnings (loss) per share	**$ 0.01**	$ 0.12	**$ (0.30)**	$ (0.17)
Diluted earnings (loss) per share[(1)]	**$ 0.01**	$ 0.12	**$ (0.30)**	$ (0.17)

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

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

28. SUPPLEMENTARY CASH FLOW INFORMATION

Change in other balances relating to operations

	For the six months ended	
	June 30 2017	June 30 2016
Decrease (increase) in:		
Trade and other receivables	**$ 74,696**	$ (41,063)
Unbilled revenue	**(180,233)**	(102,412)
Inventories	**2,700**	(4,239)
Prepaid expenses	**(4,333)**	377
Increase (decrease) in:		
Trade and other payables	**36,767**	37,395
Provisions	**(7,550)**	(3,632)
Deferred revenue	**7,636**	(31,796)
Concession related deferred revenue	**24,361**	-
	$ (45,956)	$ (145,370)

Cash flows from interest

	For the six months ended	
	June 30 2017	June 30 2016
Operating activities		
Cash interest paid	**$ (8,894)**	$ (8,702)
Cash interest received	**448**	83

	For the six months ended	
	June 30 2017	June 30 2016
Non-cash transactions		
Property, plant and equipment acquired and financed by finance leases	**$ 11,485**	$ 9,291

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

29. FINANCIAL INSTRUMENTS

Fair value

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for speculative trading purposes. As at June 30, 2017, the Company had outstanding contracts to sell US$3,650 (December 31, 2016 – buy EUR€88, sell US$6,800 and buy US$3,393) on which there was a net unrealized exchange loss of $38 (December 31, 2016 - loss of $355). The net unrealized exchange gain or loss represents the estimated amount the Company would have received/paid if it terminated the contracts at the end of the respective periods, and is included in other income (loss) in the consolidated statements of income.

IFRS 13, *"Fair Value Measurement"*, enhances disclosures about fair value measurements. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs. The first two levels are considered observable and the last unobservable. These levels are used to measure fair values as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

- Level 2 – Inputs, other than Level 1 inputs, that are observable for assets and liabilities, either directly or indirectly. Level 2 inputs include: quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

	As at June 30, 2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets (liabilities) measured at fair value:				
Cash flow hedge	$ (2,458)	$ -	$ (2,458)	$ -
Financial assets (liabilities) disclosed at fair value:				
Long-term financial assets	2,329	-	2,329	-
Current portion of long-term debt	(47,650)	-	(47,650)	-
Long-term debt	(82,787)	-	(82,787)	-
Non-recourse project debt	(365,040)	-	(365,040)	-
Convertible debentures	(177,330)	(177,330)	-	-

During the six-month period ended June 30, 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Risk management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. These risks arise from exposures that occur in the normal course of business and are managed on a consolidated Company basis.

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

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 June 30, 2017, the Company had $64,629 in trade receivables that were past due. Of this amount, $34,857 was over 60 days past due, against which the Company has recorded an allowance for doubtful accounts of $791.

Liquidity risk

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

Contractual maturities for financial liabilities as at June 30, 2017 are as follows:

	Due within one year	Due between one and five years	Due after five years	Total undiscounted cash flows	Effect of interest	Carrying value
Bank indebtedness	$ -	$ 130,000	$ -	$ 130,000	$ -	$ 130,000
Trade and other payables	$ 613,384	$ 2,064	$ -	$ 615,448	$ -	$ 615,448
Finance leases	$ 21,961	$ 34,306	$ 822	$ 57,089	$ (2,612)	$ 54,477
Equipment and other loans	25,938	46,152	4,526	76,616	(3,252)	73,364
	47,899	80,458	5,348	133,705	(5,864)	127,841
Non-recourse project debt	21,991	87,964	669,963	779,918	(414,878)	365,040
Convertible debentures	9,488	177,244	-	186,732	(20,027)	166,705
Long-term financial liabilities	$ 79,378	$ 345,666	$ 675,311	$ 1,100,355	$ (440,769)	$ 659,586

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 six months ended June 30, 2017, a 1% increase or a 1% decrease in interest rates applied to the Company's variable rate long-term debt would not have a significant impact on net earnings or comprehensive income.

Currency risk

The Company operates internationally and is exposed to risk from changes in foreign currency rates. The Company is mainly exposed to fluctuations in the US dollar.

The Company's sensitivity to a 10% change in the US dollar against the Canadian dollar as at June 30, 2017 to profit or loss for currency exposures would be $1,932. The sensitivity analysis includes foreign currency denominated monetary items but excludes all investments in joint ventures and hedges and adjusts their translation at year-end for the above 10% change in foreign currency rates.

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 June 30, 2017, the debt to capitalization percentage including convertible debentures as debt was 29% (December 31, 2016 - 29%). If the convertible debentures were to be excluded from debt and added to equity on the basis that they could be redeemed for equity, either at the Company's option or at the holder's option, then the adjusted debt to capitalization percentage would be 13% as at June 30, 2017 (December 31, 2016 - 13%). While the Company believes this debt to capitalization percentage is acceptable, because of the cyclical nature of its business, the Company will continue its current efforts to maintain a conservative capital position.

As at June 30, 2017, the Company complied with all of its financial debt covenants.

31. OPERATING SEGMENTS

Segment reporting is based on the Company's divisional operations. The breakdown by division mirrors the Company's internal reporting systems.

The Company operates in four principal segments within the construction and infrastructure development industry: Infrastructure, Energy, Mining and Concessions. The other costs and eliminations category in the summary below includes corporate costs and other activities not directly allocable to segments and also includes inter-segment eliminations.

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

										For the three months ended June 30, 2017	
		Infrastructure		**Energy**		**Mining**		**Concessions**		**Other and eliminations**	**Total**
Statement of income											
External customer revenue	$	207,853	$	327,361	$	113,606	$	37,344	$	-	**$ 686,164**
Inter-segment revenue		26,921		2,134		3,283		-		(32,338)	**-**
Total revenue		234,774		329,495		116,889		37,344		(32,338)	**686,164**
Which includes:											
Construction revenue		234,774		329,495		116,889		-		(32,338)	**648,820**
Concession revenue		-		-		-		37,344		-	**37,344**
Expenses	$	(233,039)	$	(318,309)	$	(120,907)	$	(34,163)	$	22,337	**$ (684,081)**
Which include:											
Depreciation and amortization		(5,081)		(5,328)		(5,431)		(8,306)		(282)	**(24,428)**
Other income (loss):											
Foreign exchange gain (loss)	$	175	$	1,192	$	21	$	193	$	(192)	**$ 1,389**
Gain on sale of other assets		28		-		5		-		-	**33**
Gain (loss) on sale of property, plant and equipment		293		128		(686)		-		2	**(263)**
Income from projects accounted for using the equity method	$	1,042	$	-	$	-	$	1,056	$	-	**$ 2,098**
Operating profit (loss)	$	3,273	$	12,506	$	(4,678)	$	4,430	$	(10,191)	**$ 5,340**
Finance income (cost):											
Finance income											**$ 143**
Finance cost											**(6,064)**
Loss before income taxes											**$ (581)**
Income tax recovery											**1,388**
Profit for the period											**$ 807**

		Infrastructure		**Energy**		**Mining**		**Concessions**		**Other and eliminations**	**Total**
Balance sheet											
Segment assets	$	729,054	$	722,788	$	424,920	$	584,307	$	146,107	**$ 2,607,176**
Which include:											
Projects accounted for using the equity method		24,470		177		2,043		2,915		-	**29,605**
Segment liabilities	$	496,316	$	308,984	$	179,779	$	499,363	$	390,879	**$ 1,875,321**
Additions to non-current assets:											
Property, plant and equipment	$	6,331	$	9,236	$	2,567	$	-	$	464	**$ 18,598**
Intangible assets	$	-	$	-	$	-	$	4,817	$	723	**$ 5,540**

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

For the six months ended June 30, 2017	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total
Consolidated Statements of Income						
External customer revenue	$ 315,108	$ 692,543	$ 279,462	$ 73,917	$ -	**$ 1,361,030**
Inter-segment revenue	68,401	4,548	4,263	-	(77,212)	**-**
Total revenue	383,509	697,091	283,725	73,917	(77,212)	**1,361,030**
Which includes:						
Construction revenue	383,509	697,091	283,725	-	(77,212)	**1,287,113**
Concession revenue	-	-	-	73,917	-	**73,917**
Expenses	$ (402,054)	$ (680,667)	$ (277,440)	$ (72,290)	$ 55,236	**$ (1,377,215)**
Which include:						
Depreciation and amortization	(9,759)	(10,690)	(14,320)	(10,148)	(156)	**(45,073)**
Other income (loss):						
Foreign exchange gain (loss)	$ 294	$ 2,476	$ 10	$ 79	$ (319)	**$ 2,540**
Gain (loss) on sale of other assets	34	(1,000)	5	-	-	**(961)**
Gain (loss) on sale of property, plant and equipment	606	305	(1,248)	-	2	**(335)**
Income from projects accounted for using the equity method	$ 968	$ -	$ -	$ 2,012	$ -	**$ 2,980**
Operating profit (loss)	$ (16,643)	$ 18,205	$ 5,052	$ 3,718	$ (22,293)	**$ (11,961)**
Finance income (cost):						
Finance income						**$ 448**
Finance costs						**(11,345)**
Loss before income taxes						**$ (22,858)**
Income tax recovery						**5,319**
Loss for the year						**$ (17,539)**

	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total
Consolidated Balance Sheets						
Additions to non-current assets:						
Property, plant and equipment	$ 8,729	$ 12,376	$ 6,787	$ -	$ 470	**$ 28,362**
Intangible assets	$ -	$ -	$ -	$ 169,772	$ 1,393	**$ 171,165**

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

For the three months ended June 30, 2016

	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total
Statement of income						
External customer revenue	$ 268,360	$ 357,043	$ 219,596	$ 957	$ (6,642)	**$ 839,314**
Inter-segment revenue	1,055	416	434	-	(1,905)	**-**
Total revenue	269,415	357,459	220,030	957	(8,547)	**839,314**
Which includes:						
Construction revenue	269,415	357,459	220,030	-	(8,547)	**838,357**
Concession revenue	-	-	-	957	-	**957**
Expenses	$ (268,210)	$ (344,221)	$ (207,219)	$ (1,832)	$ (7,673)	**$ (829,155)**
Which include:						
Depreciation and amortization	(5,146)	(5,414)	(4,299)	(44)	472	**(14,431)**
Other income (loss):						
Foreign exchange gain (loss)	$ (109)	$ 331	$ (237)	$ (68)	$ (48)	**$ (131)**
Gain (loss) on sale of property, plant and equipment	718	411	(747)	-	-	**382**
Income from projects accounted for using the equity method	$ 1,685	$ -	$ -	$ 245	$ -	**$ 1,930**
Operating profit (loss)	$ 3,499	$ 13,980	$ 11,827	$ (698)	$ (16,268)	**$ 12,340**
Finance income (cost):						
Finance income						**$ 26**
Finance cost						**(5,788)**
Profit before income taxes						**$ 6,578**
Income tax recovery						**508**
Profit for the period						**$ 7,086**

	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total
Balance sheet						
Segment assets	$ 660,784	$ 615,138	$ 392,987	$ 95,782	$ 146,795	**$ 1,911,486**
Which include:						
Projects accounted for using the equity method	18,503	47	1,457	(865)	-	**19,142**
Segment liabilities	$ 452,962	$ 230,757	$ 178,721	$ 11,463	$ 336,343	**$ 1,210,246**
Additions to non-current assets:						
Property, plant and equipment	$ 5,593	$ 2,834	$ 1,294	$ -	$ 291	**$ 10,012**
Intangible assets	$ -	$ -	$ -	$ -	$ 525	**$ 525**

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

For the six months ended June 30, 2016

	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total
Consolidated Statements of Income						
External customer revenue	$ 421,829	$ 658,052	$ 455,018	$ 1,756	$ (6,642)	**$ 1,530,013**
Inter-segment revenue	1,783	754	1,225	-	(3,762)	**-**
Total revenue	423,612	658,806	456,243	1,756	(10,404)	**1,530,013**
Which includes:						
Construction revenue	423,612	658,806	456,243	-	(10,404)	**1,528,257**
Concession revenue	-	-	-	1,756	-	**1,756**
Expenses	$ (442,400)	$ (651,872)	$ (426,007)	$ (3,750)	$ (14,197)	**$ (1,538,226)**
Which include:						
Depreciation and amortization	(9,865)	(10,852)	(13,514)	(88)	861	**(33,458)**
Other income (loss):						
Foreign exchange gain (loss)	$ 411	$ 1,666	$ (725)	$ (50)	$ 18	**$ 1,320**
Gain (loss) on sale of property, plant and equipment	1,303	524	(1,061)	-	-	**766**
Income from projects accounted for using the equity method	$ 1,569	$ -	$ -	$ 598	$ -	**$ 2,167**
Operating profit (loss)	$ (15,505)	$ 9,124	$ 28,450	$ (1,446)	$ (24,583)	**$ (3,960)**
Finance income (cost):						
Finance income						**$ 74**
Finance costs						**(10,875)**
Loss before income taxes						**$ (14,761)**
Income tax recovery						**5,060**
Loss for the period						**$ (9,701)**

	Infrastructure	Energy	Mining	Concessions	Other and eliminations	Total
Consolidated Balance Sheet						
Additions to non-current assets:						
Property, plant and equipment	$ 9,796	$ 6,227	$ 7,348	$ -	$ 1,740	**$ 25,111**
Intangible assets	$ -	$ -	$ -	$ -	$ 1,087	**$ 1,087**

INVESTOR RELATIONS INQUIRIES
EMAIL ir@aecon.com

MEDIA RELATIONS INQUIRIES
EMAIL corpaffairs@aecon.com

REGISTRAR AND TRANSFER AGENT
Computershare Investor Services Inc.
PHONE 514 982 7888
TOLL FREE 1 800 564 6253
EMAIL service@computershare.com

CONNECT WITH OUR ONLINE COMMUNITY

www.instagram.com/aecongroupinc

www.linkedin.com/company/aecon

@AeconGroup

www.youtube.com/aecongroup

We **ARE**
Aecon

AECON EAST HEADQUARTERS
20 Carlson Court, Suite 800
Toronto, Ontario M9W 7K6

PHONE 416 293 7004
TOLL FREE 1 877 232 2677
EMAIL aecon@aecon.com

AECON WEST HEADQUARTERS
110 9th Avenue SW, Suite 300
Calgary, Alberta T2P 0T1

PHONE 403 695 3085
TOLL FREE 1 800 787 5008
EMAIL aecon@aecon.com

AECON PACIFIC HEADQUARTERS
1055 Dunsmuir Street
Four Bentall Centre, Suite 2124
Vancouver, BC V7X 1G4

PHONE 604 235 1398
EMAIL aecon@aecon.com

AECON