

2017 Annual Report - Management's Discussion and Analysis

March 6, 2018

TABLE OF CONTENTS

Restatement of Comparative Results.....	2	Capital Resources	22
About Stuart Olson Inc.	2	Dividends	23
2017 Overview.....	4	Off-Balance Sheet Arrangements	24
Strategy	6	Quarterly Financial Information	24
Outlook	8	Critical Accounting Estimates	26
Results of Operations	9	Changes in Accounting Policies.....	32
Consolidated Annual Results	9	Financial Instruments	36
Consolidated Q4 Results.....	11	Risks.....	38
Results of Operations by Group	13	Non-IFRS Measures	43
Liquidity.....	20	Forward-Looking Information	51

The following Management's Discussion and Analysis ("MD&A") of the operating performance and financial condition of Stuart Olson Inc. ("Stuart Olson", the "Company", "we", "us", or "our") for the three and twelve months ended December 31, 2017, dated March 6, 2018, should be read in conjunction with the December 31, 2017 Audited Consolidated Annual Financial Statements and related notes thereto, the December 31, 2016 Audited Consolidated Annual Financial Statements and related notes thereto, and the December 31, 2016 MD&A. Additional information relating to Stuart Olson is available under the Company's SEDAR profile at www.sedar.com and on our website at www.stuartolson.com. Unless otherwise specified all amounts are expressed in Canadian dollars. The information presented in this MD&A, including information relating to comparative periods in 2016 and 2015, is presented in accordance with International Financial Reporting Standards ("IFRS") unless otherwise noted.

Certain measures in this MD&A do not have any standardized meaning as prescribed by IFRS and, therefore, are considered non-IFRS measures. These non-IFRS measures are commonly used in the construction industry, and by management of Stuart Olson Inc., as alternative methods for assessing operating results and to provide a consistent basis of comparison between periods. These measures are not in accordance with IFRS, and do not have any standardized meaning. Therefore, the non-IFRS measures in this MD&A are unlikely to be comparable to similar measures used by other entities. Non-IFRS measures include: contract income margin; work-in-hand; backlog; active backlog; book-to-bill ratio; working capital; adjusted free cash flow ("FCF"); adjusted free cash flow per share; adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA"); adjusted EBITDA margin; earnings before tax ("EBT"); long-term indebtedness; indebtedness to capitalization; net long-term indebtedness to adjusted EBITDA; interest coverage; dividend payout ratio; available liquidity; additional borrowing capacity; and debt to EBITDA. Further information regarding these measures can be found in the "Non-IFRS Measures" section of this MD&A.

We encourage readers to read the "Forward-Looking Information" section at the end of this document.

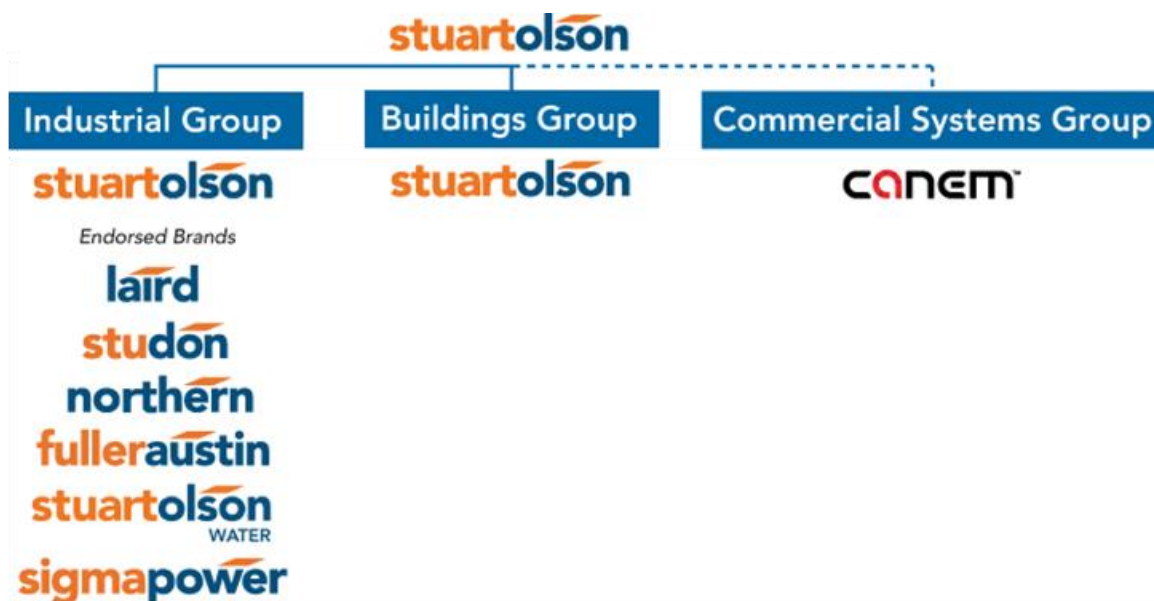
RESTATEMENT OF COMPARATIVE RESULTS

Please note that comparative results in this MD&A have been restated as a result of a change in our intersegment eliminations accounting policy and a change in our definition of adjusted EBITDA in 2017. Please refer to the “Changes in Accounting Policies” section in this document and *Note 3* of our December 31, 2017 Audited Consolidated Annual Financial Statements for further information, and the “Quarterly Financial Information” section in this document for our restated consolidated quarterly results for the last two years.

ABOUT STUART OLSON INC.

Stuart Olson provides public, private and industrial construction services to a diverse range of customers from Ontario to British Columbia.

The branding of our three operating groups is organized as follows:



Industrial Group

The Industrial Group operates under the general contracting brand of Stuart Olson and under our endorsed brands of Laird, Studon, Northern, Fuller Austin, Stuart Olson Water and Sigma Power. The Industrial Group executes projects in a wide range of industrial sectors including oil and gas, petrochemical, refining, water and wastewater, pulp and paper, mining, and power. With Industrial Group offices and projects across Western Canada, Ontario and the territories, we have developed a national platform to deliver industrial services.

The Industrial Group increasingly operates as an integrated industrial contractor, capable of self-performing larger projects in the industrial construction and maintenance, repairs and operations (“MRO”) space. The Industrial Group provides full-service general contracting, including mechanical, process insulation, metal siding and cladding, heating, ventilating and air conditioning (“HVAC”), asbestos abatement, electrical and instrumentation, high voltage testing and commissioning, as well as power line construction and maintenance services.

Buildings Group

Our Buildings Group provides services to clients in the public and private sectors. It operates offices and executes projects from Ontario to British Columbia.

Projects undertaken by the Buildings Group include the construction, expansion and renovation of buildings ranging from schools, post-secondary institutions, hospitals and sports arenas, to high-rise office towers, retail and high technology facilities. The Buildings Group focuses on alternative methods of project delivery such as construction management (“CM”) and design-build approaches. These methods provide cost reductions for clients as a result of the project efficiencies we are able to generate. These approaches also support our ability to deliver on-time and on-budget project completion, assist us in building long-term relationships with clients, reduce project execution risk and improve our contract margins. The group adds value to projects through its state-of-the-art Centre for Building Performance, which positions the Buildings Group on the cutting edge of building technology and enables the delivery of value by design.

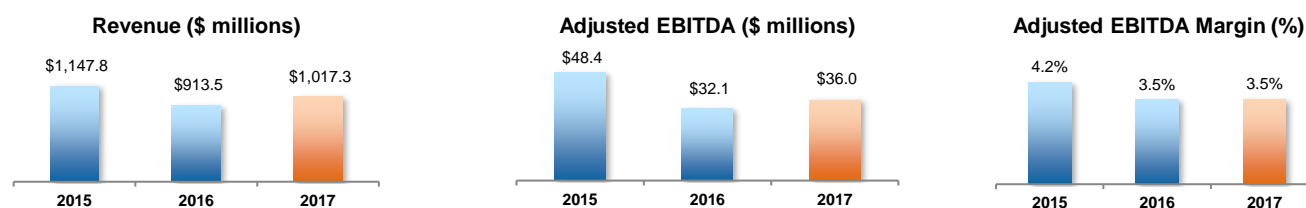
The majority of the revenue generated by the Buildings Group is from repeat clients or arises through pre-qualification processes and select invitational tenders. The Buildings Group’s business model is to pursue and negotiate larger construction management contracts rather than hard-bid projects. The Buildings Group subcontracts approximately 85% of its project work to subcontractors and suppliers and closely manages the construction process to deliver on its commitments.

Commercial Systems Group

The Commercial Systems Group is one of the largest electrical and data system contractors in Western Canada with offices and projects in British Columbia, Alberta, Saskatchewan, Manitoba and most recently, Ontario. The group is an industry leader in the provision of complex systems used in today’s high-tech, high performance buildings. It not only designs, builds and installs a building’s core electrical infrastructure, it also provides the services and systems that support information management, building systems integration, energy management, green data centres, security and risk management and lifecycle services. Additionally, the Commercial Systems Group provides ongoing maintenance and on-call service to customers, and manages regional and national multi-site installations and roll outs.

The Commercial Systems Group focuses primarily on large, complex projects that contain both data and electrical components, or that require extensive logistical expertise. The group’s strategy is to deliver these services on a tendered (hard-bid) basis and as part of an integrated project delivery process that includes close involvement with customers from the earliest stages of design. It is also an industry leader in the use of off-site assembly of pre-fabricated modularized system components, which significantly improves worksite productivity.

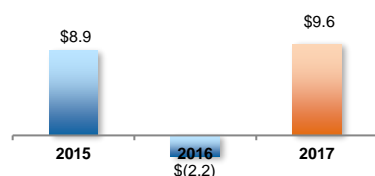
2017 OVERVIEW



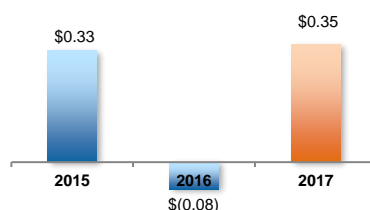
Financial Overview

- Consolidated revenue grew 11.4% to \$1,017.3 million in 2017, from \$913.5 million in 2016. The year-over-year improvement reflects higher activity construction phases for the Buildings Group on a number of large projects and increased activity on Industrial Group mining and power projects outside of Alberta. These gains were partially offset by an increase in intersegment revenue eliminated on consolidation and the Commercial Systems Group being in the very early stages of construction on several significant new projects awarded in 2017.
- Adjusted EBITDA grew to \$36.0 million (adjusted EBITDA margin of 3.5%), from \$32.1 million (adjusted EBITDA margin of 3.5%) in 2016. The improvement in adjusted EBITDA reflects higher revenue, partially offset by increased expenses associated with our investment in organic growth initiatives, the impact of an increase in our share price in 2017 on share-based compensation expense and an increase in performance plan accruals resulting from stronger consolidated financial results in the year.
- Net earnings increased by \$11.8 million to \$9.6 million (diluted earnings per share of \$0.35), from a net loss of \$2.2 million (diluted loss per share of \$0.08) in 2016. This significant gain was largely driven by the improvement in our adjusted EBITDA. It also reflects the recognition of restructuring costs in 2016. Some of these restructuring costs were reversed in 2017 when we reassessed our facilities strategy and consolidated operations from multiple facilities into a single larger space. These improvements were partially offset by increased tax expense associated with improved financial results.
- Our net long-term indebtedness to adjusted EBITDA ratio improved sharply to 1.7x as at December 31, 2017 from 2.7x a year earlier. This improvement reflects the increase in 2017 adjusted EBITDA, together with the use of adjusted free cash flow and cash collected from working capital to repay indebtedness under our Revolving Credit Facility (“Revolver”).
- We ended 2017 with a cash balance of \$31.7 million and additional borrowing capacity of approximately \$122.1 million, providing us with combined available liquidity of \$153.8 million. This reflects an increase of \$67.6 million or 78.4% compared to combined available liquidity of \$86.2 million (\$31.5 million of cash, \$54.7 million of additional borrowing capacity) as at December 31, 2016.
- Adjusted free cash flow grew to an inflow of \$23.9 million (inflow of \$0.88 per share) in 2017 from an outflow of \$0.2 million (outflow of \$0.01 per share) in 2016. Higher year-over-year adjusted EBITDA, lower capital expenditures and tax payments, together with the settlement of provisions in 2016 that did not repeat at the same scale in 2017 were the key factors in this \$24.1 million (\$0.89 per share) improvement.
- We achieved a dividend payout ratio of 44.8% in 2017.
- On March 6, 2018, our Board of Directors (“Board”) declared a quarterly common share dividend of \$0.12 per share. The dividend is designated as an eligible dividend under the *Income Tax Act* (Canada) and is payable April 17, 2018 to shareholders of record on March 29, 2018.
 - Since the introduction of a quarterly dividend in June 2011, we have consistently paid \$0.12 per share for twenty-eight consecutive quarters. Including the dividend declared today, this represents \$3.36 per share or \$86.2 million returned to shareholders.

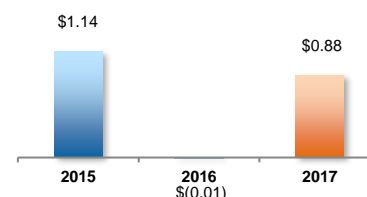
Net Earnings (\$ millions)



Diluted EPS (\$ per share)



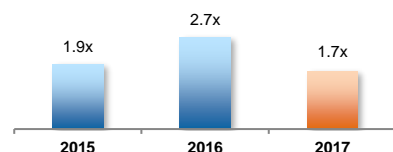
Adjusted FCF (\$ per share)



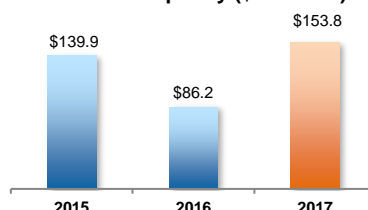
Operational Highlights

- We ended the year with a backlog of \$1.7 billion. Our backlog includes a diverse mix of public, private and industrial projects from Ontario to British Columbia and is predominantly made up of low-risk contract arrangements.
- On March 20, 2017, we announced the appointment of John Krill as President and Chief Operating Officer, Commercial Systems Group. Mr. Krill brings over 30 years' experience in the Canadian commercial and industrial sectors and previously served as the Chief Operating Officer of a large integrated multi-trade company.
- The Commercial Systems Group continued to grow its backlog achieving a new record of \$250.4 million at December 31, 2017. This reflects the award of numerous projects throughout the year, including:
 - a signature health care facility in Alberta,
 - a mental health and treatment facility in British Columbia,
 - a facility for a charitable organization and a large mixed-use tower project in Alberta,
 - two mixed use office and residential towers in Saskatchewan, and
 - a number of strategic wins in the Ontario market, both with new and existing Western Canadian customers that have operations in the East. Ontario was a new market for the Commercial Systems Group in 2017.
- The Industrial Group achieved important strategic wins during the year to continue expanding its MRO business and diversify across geographies and sectors. These include:
 - a project in British Columbia in the growing water/wastewater sector,
 - an industrial project in Alberta that will involve fully self-performing all trades, including mechanical, and
 - a five-year MRO contract, valued at an estimated \$30.0 million, with a longstanding mining customer on a new project site in Saskatchewan.
- Subsequent to the year-end, the Buildings Group announced two additional construction management contracts in Southern Ontario with a combined value of \$120.0 million. The projects include the construction of a thirty-storey student residence for a large post-secondary institution and the construction of an eight-storey seniors retirement residence. Fourth quarter ("Q4") 2017 backlog included \$40.0 million related to these projects, with the balance to be added in the first quarter of 2018.

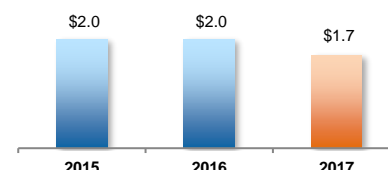
Net Long-term Indebtedness to Adjusted EBITDA



Available Liquidity (\$ millions)



Backlog (\$ billions)



STRATEGY

Vision

Our vision is to become a top five construction and services company in Canada. We will have the size, scope and scale to respond to and withstand market shifts and challenging economic conditions. This will also increase our participation in the largest and most complex projects in Canada.

As we work towards achieving our vision, we will continue to be a top-tier construction and services provider in the sectors and geographic regions we serve, both in size and in reputation. We will also continue to attract top talent as a result of our inspiring, people-first culture, company-wide values and best-in-class safety environment, which are all rooted in our commitment to our “Promise” to positively impact the businesses we serve, the communities in which we operate, and the lives we touch. We are “People Creating Progress”.

Foundation is Built

During the last three years, we have worked to redefine our organization and position our business for long-term success. The result is a company and culture that is better equipped to service the ever-changing needs of our core clients, target new opportunities and effectively respond to the volatility of the marketplace and emerging trends.

In 2014, we recognized that it was critical to streamline our brand and simplify our organization in order to strengthen our competitive advantage and ensure that the marketplace had a better understanding of who we are and what we do. Accordingly in 2014, we changed our name to Stuart Olson Inc. and began to rebrand all of our major subsidiaries.

Since 2014, we have become a more focused and integrated organization under one name, and have taken the important and necessary steps to refocus and rebrand our organization both internally and externally. At the same time, we have been steadily diversifying our business, both geographically and by sector, to reduce volatility and create new opportunities. At the end of 2017, our foundation was firmly in place and our momentum was beginning to build.

Growth Strategy

Going forward, we will continue to build a business that can adapt to changing market conditions, industry drivers and client needs. To stay abreast of market conditions and create value for shareholders, we plan to execute a growth strategy that will target the addition of complementary trade services into either or both of the Industrial Group and Commercial Systems Group. This initiative is a two-pronged approach. In addition to investing internally in the organic growth of services, we have an active corporate development function that is pursuing the addition of services via accretive acquisitions. Ensuring we are able to capitalize on the right opportunity to complete our service offerings and increase our competitive advantage is critical to our growth strategy.

Investment Proposition

Our planned national platform, sector-diversified portfolio and full suite of services, together with a focus on operational excellence, will provide the size, scope, and scale necessary to deliver meaningful adjusted EBITDA growth that will unlock shareholder value, both through share price appreciation and an attractive quarterly dividend - all supported by a strong balance sheet.

Strategic Priorities

Grow the Core and Expand into New Markets

- Industrial Group – Integrated Solutions Provider: The Industrial Group is a national MRO service provider and industrial general contractor. The group plans to drive growth by expanding its market share through the diversification of its business, including into new sectors such as water and wastewater, and through the addition of complimentary trade services.
- Buildings Group – Leverage Growth Platform: The Buildings Group is a leading provider of CM services for public and private developers from British Columbia to Ontario. The group's strategic priorities are focused on increasing market share in existing regions by leveraging its proven expertise as a leader in CM and design-build delivery methods. In addition, the group plans to grow market access through a calculated expansion of its delivery models into Public, Private Partnership ("P3") and Design-Build-Finance projects, and execute a targeted entry into the horizontal infrastructure sector.
- Commercial Systems Group – Electrical & Mechanical Contractor: The Commercial Systems Group is a top-tier provider of electrical services from British Columbia to Ontario. This group's growth strategy is to further expand its geographic reach in existing core regions in Western Canada, as well as in its new market of Ontario. The group also plans growth through the pairing of complimentary mechanical capabilities to its industry leading electrical base business.

OUTLOOK

Stuart Olson Consolidated

As compared to fiscal 2017, we expect 2018 consolidated contract revenue to be modestly higher, and adjusted EBITDA to be meaningfully higher, based on the outlook for each of our groups. We expect 2018 adjusted EBITDA margin to remain stable year-over-year.

We expect capital expenditures for 2018 to be between \$5.5 million and \$6.5 million.

Industrial Group

Revenue and adjusted EBITDA from the Industrial Group are expected to be meaningfully higher in 2018 than in 2017. This outlook reflects an anticipated increase in activity levels in the oil sands, as project owners plan to complete increased scopes of maintenance and turnaround work that had been deferred in recent years. The group's financial results are also expected to be supported by the completion of two large projects outside Alberta in the power and mining sectors. Industrial Group adjusted EBITDA margin is expected to remain stable year-over-year.

We expect to execute approximately \$230.0 million of the Industrial Group's December 31, 2017 backlog in 2018. New contract awards and changes in scope are expected to supplement the Industrial Group's 2018 revenue from year end backlog.

Buildings Group

With a greater proportion of projects nearing completion in 2018 compared to 2017, the Buildings Group anticipates modestly lower revenue year-over-year, paired with stable adjusted EBITDA and slightly higher adjusted EBITDA margin. Buildings Group results as a whole will continue to be supported by predominantly public projects in multiple provinces, including the group's growing activity in Ontario.

We expect to execute approximately \$400.0 million of the Buildings Group's December 31, 2017 backlog in 2018. Longer term, we see a continued pipeline of public projects arising from increased infrastructure spending at both the provincial and federal levels across Canada.

Commercial Systems Group

Commercial Systems Group revenue is expected to be meaningfully higher in 2018, while adjusted EBITDA is expected to be significantly higher, as the group begins to see material benefits from the substantial number of project awards it secured in 2017. The group's adjusted EBITDA margin is expected to remain stable year-over-year.

During 2018, the Commercial Systems Group expects to execute approximately \$140.0 million of its December 31, 2017 backlog. New awards, short-duration projects, building maintenance and tenant improvement work on existing projects are expected to supplement the secured projects in backlog.

RESULTS OF OPERATIONS

Consolidated Annual Results

Year ended December 31

<i>\$millions, except percentages and per share amounts</i>	2017	2016 ⁽³⁾	2015 ⁽³⁾
Contract revenue	1,017.3	913.5	1,147.8
Contract income	103.9	92.4	118.1
Contract income margin ⁽¹⁾	10.2%	10.1%	10.3%
Administrative costs	83.1	86.5	94.4
Adjusted EBITDA ^{(1) (2)}	36.0	32.1	48.4
Adjusted EBITDA margin ^{(1) (2)}	3.5%	3.5%	4.2%
Net earnings (loss)	9.6	(2.2)	8.9
Earning (loss) per share			
Basic earnings (loss) per share	0.35	(0.08)	0.34
Diluted earnings (loss) per share	0.35	(0.08)	0.33
Dividends declared per share	0.48	0.48	0.48
Adjusted free cash flow ⁽¹⁾	23.9	(0.2)	30.0
Adjusted free cash flow per share ⁽¹⁾	0.88	(0.01)	1.14
<i>\$millions</i>	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Backlog ⁽¹⁾	1,721.4	1,995.1	1,960.9
Working capital ⁽¹⁾	33.1	37.4	56.4
Long-term debt (excluding current portion)	6.0	32.8	46.6
Convertible debentures (excluding equity portion)	76.2	74.3	72.5
Total assets	630.3	602.2	646.8

Notes: (1) "Contract income margin", "adjusted EBITDA", "adjusted EBITDA margin", "adjusted free cash flow", "adjusted free cash flow per share", "backlog" and "working capital" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.

(2) Adjusted EBITDA for the years ended December 31, 2016 and December 31, 2015 is calculated based on our current definition. Please refer to the "Non-IFRS Measures" section for more information on our definition and the calculation.

(3) Certain comparative results have been restated as a result of a change in our intersegment eliminations accounting policy. Please refer to the "Changes in Accounting Policies" section in this MD&A and Note 3 of our December 31, 2017 Audited Consolidated Annual Financial Statements for further information.

Consolidated Annual Results

For the year ended December 31, 2017, consolidated contract revenue increased to \$1,017.3 million, up \$103.8 million or 11.4%, from \$913.5 million in 2016. This improvement reflects a \$101.6 million or 23.1% increase in Buildings Group revenue and a \$38.8 million or 13.1% increase in Industrial Group revenue, partially offset by a \$12.0 million or 6.0% year-over-year decrease in Commercial Systems Group revenue. We also recorded intersegment revenue eliminations of \$45.5 million during 2017, up \$24.6 million or 117.7% from the same period in 2016. The higher intersegment revenue eliminations were the result of increased activity between our operating groups.

Contract income increased to \$103.9 million in 2017, an improvement of \$11.5 million or 12.4% from \$92.4 million in 2016. The stronger results reflect contract income gains by all three business groups, including an \$8.5 million or 28.2% improvement in the Industrial Group, a \$2.3 million or 5.9% increase in the Buildings Group, and a \$0.8 million or 3.4% gain in the Commercial Systems Group. Contract income margin of 10.2% was stable year-over-year.

Full-year administrative costs were lower by \$3.4 million or 3.9% to \$83.1 million in 2017, from \$86.5 million in 2016. This primarily reflects benefits from our 2016 cost realignment measures and a year-over-year reduction in related restructuring costs. On a segmented basis, we were successful in reducing administrative expenses by \$8.0 million or 28.6% in the Buildings Group, by \$3.6 million or 14.8% in the Industrial Group and by \$1.4 million or 9.8% in the Commercial Systems Group. These improvements were partially offset by a \$9.5 million or 48.2% increase in Corporate Group administrative expenses as a result of an increase in share-based compensation expense associated with the impact of marking-to-market our share-based compensation plans for changes in our share price, combined with an increase in performance plan accruals associated with improved financial results.

Adjusted EBITDA increased by 12.1% to \$36.0 million in 2017, from \$32.1 million last year. This \$3.9 million improvement primarily reflects the higher contract income, partially offset by an increase in administrative costs (excluding depreciation, amortization and restructuring charges). Full-year adjusted EBITDA margin of 3.5% was stable year-over-year.

Consolidated net earnings increased to \$9.6 million in 2017 (diluted earnings per share of \$0.35), from a consolidated net loss of \$2.2 million (diluted loss per share of \$0.08) last year. This \$11.8 million increase was largely driven by the improvement in our adjusted EBITDA. It also reflects the recognition of restructuring costs in 2016, some of which were reversed in 2017 when we reassessed our facilities strategy and consolidated operations from multiple facilities into a single larger space. These improvements were partially offset by increased tax expense associated with improved financial results.

Full-year adjusted free cash flow increased to an inflow of \$23.9 million (inflow of \$0.88 per share) in 2017, from an outflow of \$0.2 million (outflow of \$0.01 per share) in 2016. The \$24.1 million (\$0.89 per share) improvement reflects the reduction in restructuring costs, lower capital expenditures and a decrease in cash payments in 2017 to settle final 2016 tax balances, together with the settlement of provisions in 2016 that did not repeat at the same scale in 2017.

Consolidated Q4 Results

<i>\$millions, except percentages and per share amounts</i>	Three months ended December 31	
	2017	2016 ⁽³⁾
Contract revenue	282.6	219.1
Contract income	34.7	20.1
<i>Contract income margin⁽¹⁾</i>	12.3%	9.2%
Administrative costs	25.2	20.1
Adjusted EBITDA ^{(1) (2)}	11.5	5.8
<i>Adjusted EBITDA margin^{(1) (2)}</i>	4.1%	2.6%
Net earnings (loss)	5.7	(1.7)
Earnings (loss) per share		
Basic earnings (loss) per share	0.21	(0.06)
Diluted earnings (loss) per share	0.18	(0.06)
Dividends declared per share	0.12	0.12
Adjusted free cash flow ⁽¹⁾	10.4	0.8
Adjusted free cash flow per share ⁽¹⁾	0.38	0.03

Notes: (1) "Contract income margin", "adjusted EBITDA", "adjusted EBITDA margin", "adjusted free cash flow", "adjusted free cash flow per share", "backlog" and "working capital" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.

(2) Adjusted EBITDA for the three months ended December 31, 2016 is calculated based on our current definition. Please refer to the "Non-IFRS Measures" section for more information on our definition and the calculation.

(3) Certain comparative results have been restated as a result of a change in our intersegment eliminations accounting policy. Please refer to the "Changes in Accounting Policies" section in this MD&A and Note 3 of our December 31, 2017 Audited Consolidated Annual Financial Statements for further information.

Three-Month Results

For the three months ended December 31, 2017, consolidated contract revenue increased by 29.0% to \$282.6 million, from \$219.1 million in Q4 2016. The \$63.5 million improvement was driven by a \$39.4 million or 64.2% increase in revenue from the Industrial Group, a \$20.2 million or 52.3% increase from the Commercial Systems Group, and a \$10.7 million or 8.6% increase from the Buildings Group. These gains were partially offset by a \$6.8 million or 117.2% increase in intersegment revenue eliminated on consolidation to \$12.5 million, reflecting higher levels of intersegment activity in Q4 2017.

Fourth quarter 2017 contract income grew to \$34.7 million, a \$14.6 million or 72.6% increase from \$20.1 million in the same period last year. The stronger contract income result included a \$7.8 million or 152.9% increase from the Industrial Group, a \$5.4 million or 120.0% increase from the Commercial Systems Group, and a \$1.4 million or 13.3% increase in contract income from the Buildings Group.

Fourth quarter 2017 administrative costs increased by \$5.1 million or 25.4% to \$25.2 million, from \$20.1 million in Q4 2016. While Buildings Group administrative costs were \$3.1 million or 47.0% lower than a year ago, this improvement was more than offset by a \$0.2 million or 6.2% increase in administrative costs in the Commercial Systems Group and a \$8.1 million or 180.0% increase in Corporate Group administrative costs. The Corporate Group costs for the period reflect an increase in share-based compensation expense associated with the impact of marking-to-market our share-based compensation plans for changes in our share price, combined with an increase in performance plan accruals associated with improved financial results.

For the three months ended December 31, 2017, adjusted EBITDA increased to \$11.5 million, a \$5.7 million or 98.3% improvement from the \$5.8 million generated in Q4 2016. This improvement reflects higher contract income, partially offset by increased administrative costs (excluding depreciation and restructuring costs). Adjusted EBITDA margin of 4.1% improved from the 2.6% achieved in the same period last year.

Fourth quarter consolidated net earnings increased \$7.4 million to \$5.7 million (diluted earnings per share of \$0.18), from a loss of \$1.7 million (diluted loss per share of \$0.06) in the same period in 2016. The improvement primarily reflects the increase in adjusted EBITDA. It also reflects that a portion of prior year restructuring costs were reversed in Q4 2017 when we reassessed our facilities strategy and consolidated operations from multiple facilities into a single larger space. These improvements were partially offset by increased tax expense associated with improved financial results.

Adjusted free cash flow climbed sharply to \$10.4 million (\$0.38 per share) in the fourth quarter of 2017, from \$0.8 million (\$0.03 per share) in the fourth quarter of 2016. The \$9.6 million (\$0.35 per share) improvement was driven primarily by the improvement in financial results and lower cash capital expenditures.

Consolidated Backlog

<i>\$millions, except percentages</i>	Dec. 31, 2017	Dec. 31, 2016
Industrial Group	668.7	822.9
Buildings Group	802.3	1,048.5
Commercial Systems Group	250.4	123.7
Consolidated backlog	1,721.4	1,995.1
Construction management	40.2%	44.0%
Cost-plus	36.0%	38.2%
Design-build	3.0%	5.3%
Tendered (hard-bid)	20.8%	12.5%

Consolidated backlog as at December 31, 2017 was \$1,721.4 million, a decrease of \$273.7 million or 13.7% from backlog of \$1,995.1 million as at December 31, 2016. As at December 31, 2017, backlog consisted of work-in-hand of \$853.3 million (December 31, 2016 - \$986.9 million) and active backlog of \$868.1 million (December 31, 2016 - \$1,008.2 million). The backlog consists of approximately 40.2% construction management contracts, 36.0% cost-plus arrangements, 3.0% design-build contracts and 20.8% tendered (hard-bid) work. Net new contract awards and increases in contract values of \$227.2 million and \$938.4 million were added to work-in-hand in the fourth quarter and full-year 2017, respectively.

Our book-to-bill ratios for the fourth quarter and fiscal 2017 were 0.89 and 0.73 to 1.00, respectively. Revenue exceeded backlog additions in both periods primarily due to the Industrial Group working through its long-term MRO contracts and the impact on the Buildings Group of the slow rollout of new infrastructure opportunities. Partially offsetting these negative impacts has been the Commercial Systems Group's significant project awards throughout 2017, which lifted the group's backlog to a record level at December 31, 2017.

Subsequent to the year-end, the Buildings Group announced two additional construction management contracts in Southern Ontario with a combined value of \$120.0 million. The projects include the construction of a thirty-storey student residence for a large post-secondary institution and the construction of an eight-storey seniors retirement residence. Fourth quarter 2017 backlog included \$40.0 million related to these projects, with the balance to be added in the first quarter of 2018.

RESULTS OF OPERATIONS BY GROUP

Industrial Group Results

<i>\$millions, except percentages</i>	Three months ended		Year ended	
	December 31		December 31	
	2017	2016	2017	2016
Contract revenue	100.8	61.4	335.2	296.4
Contract income	12.9	5.1	38.6	30.1
<i>Contract income margin⁽¹⁾</i>	12.8%	8.3%	11.5%	10.2%
Administrative costs	5.7	5.7	20.8	24.4
Adjusted EBITDA ⁽¹⁾	8.7	1.2	23.2	14.0
<i>Adjusted EBITDA margin⁽¹⁾</i>	8.6%	2.0%	6.9%	4.7%
EBT ⁽¹⁾	7.3	(0.7)	18.1	5.8
Backlog ⁽¹⁾			668.7	822.9

Notes: (1) "Contract income margin", "adjusted EBITDA", "adjusted EBITDA margin", "EBT" and "backlog" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.

Three-Month Results

For the three months ended December 31, 2017, Industrial Group revenue grew to \$100.8 million, a \$39.4 million or 64.2% increase from \$61.4 million in Q4 2016. The year-over-year improvement was primarily driven by increased activity on a power project in Manitoba and a mining project in Ontario.

Contract income from the Industrial Group climbed to \$12.9 million, from \$5.1 million in Q4 2016. The \$7.8 million or 152.9% increase reflects the higher revenue, together with an increase in contract income margin to 12.8% from 8.3% in Q4 2016. The higher contract income margin reflects the release of project contingencies on large projects during Q4 2017, which did not occur at the same magnitude in Q4 2016.

Fourth quarter administrative costs remained unchanged despite higher revenue and increased investments in organic growth initiatives made during 2017. These added expenses were fully offset by the realization of benefits from the 2016 realignment of the group's business.

Adjusted EBITDA climbed 625.0% to \$8.7 million (8.6% adjusted EBITDA margin) in the fourth quarter of 2017, from \$1.2 million (2.0% adjusted EBITDA margin) during the same period in 2016. The significant \$7.5 million increase in adjusted EBITDA primarily reflects the higher contract income.

Fourth quarter earnings before tax increased to \$7.3 million, from a loss before tax of \$0.7 million in Q4 2016. The \$8.0 million improvement was primarily due to higher adjusted EBITDA.

Twelve-Month Results

For the year ended December 31, 2017, the Industrial Group generated revenue of \$335.2 million, a \$38.8 million or 13.1% improvement compared to revenue of \$296.4 million in full year 2016. Increased activity levels on projects in the Manitoba power and Ontario mining sectors were the primary contributors to the revenue increase.

Full-year contract income increased by 28.2% to \$38.6 million, from \$30.1 million in 2016. The \$8.5 million gain was driven by the combination of higher revenue and improved contract income margin. Contract income as a percentage of revenue increased to 11.5%, from 10.2% in 2016, reflecting the release of contingencies on large projects in late stages of completion during the 2017 year.

Fiscal 2017 administrative costs decreased by \$3.6 million or 14.8% to \$20.8 million, from \$24.4 million during 2016. This improvement reflects realized benefits from the Industrial Group's 2016 realignment initiatives, administrative restructuring charges incurred in 2016 that did not repeat at the same scale in 2017, and the scheduled reduction in amortization attributable to intangibles acquired as part of an acquisition.

Adjusted EBITDA from the Industrial Group increased by \$9.2 million or 65.7% to \$23.2 million (6.9% adjusted EBITDA margin), from \$14.0 million (4.7% adjusted EBITDA margin) during 2016. This significant increase was primarily driven by the combination of higher contract income and lower core administrative costs (administrative costs excluding depreciation, amortization and restructuring costs).

The Industrial Group's earnings before tax increased by \$12.3 million or 212.1% to \$18.1 million in 2017, from \$5.8 million last year. This strong improvement reflects the increase in adjusted EBITDA, together with the year-over-year reduction in restructuring charges and amortization expense.

Backlog

As at December 31, 2017, Industrial Group backlog declined to \$668.7 million, from a backlog of \$822.9 million as at December 31, 2016. The decline reflects the group working through its long-term MRO agreements. As at December 31, 2017, 89.0% of the Industrial Group's backlog was composed of cost-plus projects and 11.0% was tendered (hard-bid) projects. The December 31, 2017 backlog consisted of \$235.2 million of work-in-hand and \$433.5 million of active backlog, compared to \$334.2 million of work-in-hand and \$488.7 million of active backlog as at December 31, 2016. With respect to work-in-hand, the Industrial Group contracted \$245.5 million of new awards during the year and executed \$335.2 million of contract revenue.

Buildings Group Results

<i>\$millions, except percentages</i>	Three months ended		Year ended	
	December 31		December 31	
	2017	2016	2017	2016
Contract revenue	135.6	124.9	540.8	439.2
Contract income	11.9	10.5	41.3	39.0
<i>Contract income margin⁽¹⁾</i>	8.8%	8.4%	7.6%	8.9%
Administrative costs	3.5	6.6	20.0	28.0
Adjusted EBITDA ⁽¹⁾	6.4	4.8	20.5	17.3
<i>Adjusted EBITDA margin⁽¹⁾</i>	4.7%	3.8%	3.8%	3.9%
EBT ⁽¹⁾	8.6	4.0	21.8	11.2
Backlog ⁽¹⁾			802.3	1,048.5

Notes: (1) "Contract income margin", "adjusted EBITDA", "adjusted EBITDA margin", "EBT" and "backlog" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.

Three-Month Results

For the three months ended December 31, 2017, Buildings Group revenue increased by 8.6% to \$135.6 million, from \$124.9 million in Q4 2016. The primary driver of the \$10.7 million revenue increase was a change in project stage of completion, with projects in Alberta, Saskatchewan and Ontario moving into higher activity construction phases. By contrast, a number of projects in Q4 2016 were in later project stages and contributed relatively less revenue to that period.

Fourth quarter contract income increased by \$1.4 million or 13.3% to \$11.9 million, from \$10.5 million during the same period in 2016. The year-over-year increase reflects the higher revenue, together with a stronger contract income margin of 8.8%, compared to 8.4% in Q4 2016, as a result of a change in project mix.

Administrative costs in the fourth quarter of 2017 were lower by \$3.1 million or 47.0% to \$3.5 million, from \$6.6 million in Q4 2016. The year-over-year improvement primarily reflects savings resulting from our realignment of the business in 2016, combined with the recognition of related restructuring costs in the 2016 quarter. A portion of this group's prior year restructuring costs were reversed in Q4 2017 when we reassessed our facilities strategy and consolidated operations from multiple facilities into a single larger space.

The Buildings Group generated fourth quarter adjusted EBITDA of \$6.4 million, a \$1.6 million or 33.3% increase from \$4.8 million in the same period last year. This increase reflects the higher contract income.

Fourth quarter earnings before tax from the Buildings Group increased to \$8.6 million, up \$4.6 million from EBT of \$4.0 million in 2016. The year-over-year improvement was primarily due to the higher adjusted EBITDA and the year-over-year change in restructuring costs.

Twelve-Month Results

For the year ended December 31, 2017, the Buildings Group increased revenue by 23.1% to \$540.8 million, from \$439.2 million during 2016. The \$101.6 million improvement reflects increased activity levels in the Alberta and Ontario markets, as a number of projects moved into higher-activity construction phases.

Full-year contract income increased by 5.9% to \$41.3 million, from \$39.0 million in 2016. The \$2.3 million improvement was principally driven by higher revenue, partially offset by a lower contract income margin of 7.6%, compared to 8.9% in the same period last year. Changes in project mix and project stage of completion were the key factors in the year-over-year reduction in contract income margin, with additional profit having been recognized in the 2016 period as significant projects moved into final completion phases.

Buildings Group administrative costs decreased by \$8.0 million or 28.6% to \$20.0 million in 2017, from \$28.0 million in 2016. The decrease is primarily due to 2017 savings resulting from the realignment of the business in 2016, combined with the recognition of related restructuring costs in 2016. Some of these restructuring costs were reversed in 2017 when we reassessed our facilities strategy and consolidated operations from multiple facilities into a single larger space.

Adjusted EBITDA for the year ended December 31, 2017 increased 18.5% to \$20.5 million (3.8% adjusted EBITDA margin), from \$17.3 million (3.9% adjusted EBITDA margin) in 2016. This \$3.2 million improvement reflects the increase in contract income, together with core administrative cost savings (administrative costs excluding depreciation, amortization and restructuring costs).

Earnings before tax in 2017 increased 94.6% to \$21.8 million, from \$11.2 million in 2016. The significant \$10.6 million increase primarily reflects the improvement in adjusted EBITDA, together with the year-over-year changes in restructuring charges.

Backlog

As at December 31, 2017, the Buildings Group's backlog was \$802.3 million, compared to \$1,048.5 million as at December 31, 2016. The \$246.2 million or 23.5% decrease primarily reflects declines across the business as a result of the slow rollout of new infrastructure opportunities. As at December 31, 2017, 86.3% of the Buildings Group's backlog was composed of CM assignments, 5.1% was design-build contracts and 8.6% was tendered (hard-bid) projects. The December 31, 2017 backlog consisted of \$379.8 million of work-in-hand and \$422.5 million of active backlog, compared to \$536.6 million of work-in-hand and \$511.9 million of active backlog as at December 31, 2016. The Buildings Group added \$384.0 million to work-in-hand in 2017 and executed \$540.8 million of contract revenue.

Subsequent to the year-end, the Buildings Group announced two additional construction management contracts in Southern Ontario with a combined value of \$120.0 million. The projects include the construction of a thirty-storey student residence for a large post-secondary institution and the construction of an eight-storey seniors retirement residence. Fourth quarter 2017 backlog included \$40.0 million related to these projects, with the balance to be added in the first quarter of 2018.

Commercial Systems Group Results

<i>\$millions, except percentages</i>	Three months ended		Year ended	
	December 31		December 31	
	2017	2016	2017	2016
Contract revenue	58.8	38.6	186.8	198.8
Contract income	9.9	4.5	24.1	23.3
<i>Contract income margin⁽¹⁾</i>	16.8%	11.7%	12.9%	11.7%
Administrative costs	3.4	3.2	12.9	14.3
Adjusted EBITDA ⁽¹⁾	6.9	2.0	13.1	12.1
<i>Adjusted EBITDA margin⁽¹⁾</i>	11.7%	5.2%	7.0%	6.1%
EBT ⁽¹⁾	6.6	1.4	11.4	9.3
Backlog ⁽¹⁾			250.4	123.7

Notes: (1) "Contract income margin", "adjusted EBITDA", "adjusted EBITDA margin", "EBT" and "backlog" are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these terms.

Three-Month Results

For the three months ended December 31, 2017, Commercial Systems Group revenue climbed to \$58.8 million, from \$38.6 million in Q4 2016. This \$20.2 million or 52.3% increase was achieved as the group began to benefit from the significant project awards it secured in 2017.

Fourth quarter contract income increased 120.0% to \$9.9 million, from \$4.5 million in Q4 2016. The \$5.4 million improvement reflects the increase in revenue, combined with the increase in contract income margin to 16.8%, compared to 11.7% in 2016. The increase in contract income margin reflects a shift in project stage of completion, with a number of projects moving towards completion in Q4 2017.

Administrative costs in the fourth quarter increased slightly to \$3.4 million, from \$3.2 million in Q4 2016. This \$0.2 million or 6.2% increase reflects investments in the group's expansion into new geographic regions, including Ontario.

Adjusted EBITDA from the Commercial Systems Group increased 245.0% to \$6.9 million (11.7% adjusted EBITDA margin) in the fourth quarter of 2017, from \$2.0 million (5.2% adjusted EBITDA margin) in Q4 2016. The \$4.9 million improvement primarily reflects higher contract income, partially offset by slightly higher administrative costs.

The Commercial Systems Group increased fourth quarter earnings before tax by 371.4% to \$6.6 million, from \$1.4 million during the same period in 2016. The \$5.2 million increase was mainly due to the increase in adjusted EBITDA.

Twelve-Month Results

For the year ended December 31, 2017, the Commercial Systems Group generated revenue of \$186.8 million, compared to \$198.8 million in 2016. The \$12.0 million or 6.0% reduction reflects the completion of a number of larger projects in Alberta that contributed significant revenue to 2016 results, partially offset by increased activity in British Columbia, Manitoba and, during the latter part of 2017, the group's new Ontario market.

The Commercial Systems Group generated full-year contract income of \$24.1 million, which was \$0.8 million, or 3.4% higher than the \$23.3 million achieved in 2016. Fiscal 2017 contract income margin increased to 12.9% from 11.7% in 2016. The increase in contract income and contract income margin year-over-year is primarily due to changes in project mix and stage of completion, and customer-driven productivity issues on a large project that reached substantial completion in 2016 that did not repeat in 2017.

Full-year 2017 administrative costs decreased 9.8% to \$12.9 million, from \$14.3 million in 2016. This reflects restructuring charges incurred in 2016 that did not repeat at the same level in 2017, as well as 2017 savings realized as a result of the realignment of the group's business undertaken in 2016. These benefits were partially offset by investment in the group's expansion into new geographic regions, including Ontario.

Adjusted EBITDA from the Commercial Systems Group increased to \$13.1 million in 2017, from \$12.1 million in 2016. The \$1.0 million or 8.3% increase primarily reflects the higher contract income.

The group generated full-year earnings before tax of \$11.4 million. This was \$2.1 million or 22.6% higher than the \$9.3 million achieved during 2016. The improvement is attributable to the higher adjusted EBITDA and restructuring costs incurred in 2016 that did not repeat at the same level this year.

Backlog

As at December 31, 2017, the Commercial Systems Group's backlog was a record \$250.4 million, up \$126.7 million or 102.4% from \$123.7 million as at December 31, 2016. The significant increase was due to the group securing a number of projects during 2017, including a large healthcare facility in Alberta and a number of projects in the group's new Ontario market. As at December 31, 2017, the Commercial Systems Group's backlog was composed of 9.3% CM and cost-plus projects, 4.6% design-build projects and 86.1% tendered (hard-bid) projects. The December 31, 2017 backlog consisted of \$238.3 million of work-in-hand and \$12.1 million of active backlog compared to \$116.1 million of work-in-hand and \$7.6 million of active backlog as at December 31, 2016. With respect to work-in-hand, the group contracted \$309.0 million of new awards during the year and executed \$186.8 million of construction activity during 2017.

Corporate Group Results

<i>\$millions</i>	Three months ended		Year ended	
	December 31		December 31	
	2017	2016	2017	2016
Administrative costs	12.6	4.5	29.2	19.7
Finance costs	2.2	2.1	8.8	8.5
Adjusted EBITDA ^{(1) (2)}	(10.5)	(2.3)	(21.0)	(11.4)
EBT ⁽¹⁾	(14.7)	(6.7)	(37.9)	(28.0)

Notes: (1) "Adjusted EBITDA" and "EBT" are non-IFRS measures. Refer to "Non-IFRS Measures" for the definition of the term.
(2) Corporate Group adjusted EBITDA for the three months and year ended December 31, 2016 is presented as calculated based on our current definition. Please refer to the "Non-IFRS Measures" section for more information on our definition and the calculation.

Three-Month Results

For the three months ended December 31, 2017, Corporate Group administrative costs were \$12.6 million, compared to \$4.5 million in the fourth quarter of 2016. This \$8.1 million or 180.0% increase is primarily related to higher share-based compensation expense associated with the impact of marking-to-market our share-based compensation plans for changes in our share price, combined with an increase in performance plan accruals associated with improved financial results.

Fourth quarter 2017 Corporate Group finance costs were \$2.2 million, similar to the \$2.1 million incurred during the same period last year.

The Corporate Group recorded a fourth quarter adjusted EBITDA loss of \$10.5 million, compared to a loss of \$2.3 million in Q4 2016. The \$8.2 million or 356.5% decline primarily reflects the increase in administrative costs.

The Corporate Group incurred a fourth quarter 2017 loss before tax of \$14.7 million, compared to a loss before tax of \$6.7 million in the comparable period in 2016. The year-over-year \$8.0 million decline was primarily due to the decrease in adjusted EBITDA.

Twelve-Month Results

For the year ended December 31, 2017, Corporate Group administrative expenses increased to \$29.2 million, from \$19.7 million in 2016. The \$9.5 million or 48.2% change is primarily related to an increase in share-based compensation expense associated with the impact of marking-to-market our share-based compensation plans for changes in our share price, combined with an increase in performance plan accruals associated with improved financial results.

Finance costs for 2017 increased by \$0.3 million to \$8.8 million, from \$8.5 million during the same period last year, reflecting the increases to the prime interest rate charged on our Revolver during 2017.

Adjusted EBITDA declined to a loss of \$21.0 million, from a loss of \$11.4 million in 2016. The \$9.6 million or 84.2% decrease reflects the increase in Corporate Group administrative costs.

The Corporate Group incurred a loss before tax of \$37.9 million, a decrease of \$9.9 million or 35.4%, compared to a loss before tax of \$28.0 million in the comparable period in 2016. This reflects the decrease in adjusted EBITDA, together with the increase in finance costs.

LIQUIDITY

Cash and Borrowing Capacity

We monitor our liquidity principally through cash and cash equivalents and available borrowing capacity under the Revolver.

Current cash and cash equivalents as at December 31, 2017 were \$31.7 million, similar to the \$31.5 million held at December 31, 2016.

As at December 31, 2017, we had additional borrowing capacity under the Revolver of \$122.1 million, as compared to available capacity of \$54.7 million as at December 31, 2016. The \$67.6 million increase reflects the improvement in last-twelve-month EBITDA (as calculated in accordance with our Revolver agreement), an amendment to our Revolver to increase our debt to EBITDA financial covenant ratio to be not less than 3.25:1.00 and the application of 2017 cash flow generated by operating activities to reduce the balance drawn on the Revolver.

Debt and Capital Structure

Long-term indebtedness, including the current portion of long-term debt and convertible debentures, decreased to \$91.1 million as at December 31, 2017, from \$116.9 million as at December 31, 2016. The decrease reflects a decline in our Revolver balance, as cash flow generated by operating activities in 2017 was applied to reduce the balance drawn. Long-term indebtedness consists of \$80.5 million (December 31, 2016 - \$80.5 million) principal value at maturity of outstanding convertible debentures and the principal value of long-term debt of \$10.6 million (December 31, 2016 - \$36.4 million) before the deduction of deferred financing fees.

The current portion of long-term debt as at December 31, 2017 was \$2.5 million (December 31, 2016 - \$1.2 million).

We monitor our capital structure through the use of indebtedness to capitalization and net long-term indebtedness to adjusted EBITDA metrics. Indebtedness to capitalization as at December 31, 2017 was 30.6%, lower than the 36.0% ratio as at December 31, 2016 and in line with our long-term targeted range of 20.0% to 40.0%.

<i>\$millions, except percentages</i>	Year ended	Year ended
	Dec. 31, 2017	Dec. 31, 2016
Long-term debt, principal amount	10.6	36.4
Add: Convertible debentures, principal amount	80.5	80.5
Total long-term indebtedness	91.1	116.9
Total long-term indebtedness	91.1	116.9
Add: Total equity	206.4	207.8
Divided by: Total capitalization	297.5	324.7
Indebtedness to capitalization percentage	30.6%	36.0%

As at December 31, 2017, our net long-term indebtedness to adjusted EBITDA (“net debt to adjusted EBITDA”) ratio was 1.7x, well below the 2.7x ratio as at December 31, 2016. This improvement reflects the use of adjusted free cash flow and cash collected from working capital in the last twelve months to repay indebtedness under our Revolver, combined with an increase in year-over-year adjusted EBITDA. This metric is currently below our three-to-five year planning range of 2.0x to 3.0x.

<i>\$millions, except ratio</i>	Year ended	Year ended
	Dec. 31, 2017	Dec. 31, 2016
Total long-term indebtedness	91.1	116.9
Less: Cash on hand	31.7	31.5
Net long-term indebtedness	59.4	85.4
Divided by: Last-twelve-month (“LTM”) adjusted EBITDA	36.0	32.1
Net long-term indebtedness to adjusted EBITDA	1.7x	2.7x

As at December 31, 2017, we were in full compliance with covenants under the Revolver agreement.

<i>Ratio</i>	Covenant	Actual as at Dec. 31, 2017
Interest coverage ⁽¹⁾	>2.50:1.00	4.46
Debt to EBITDA ⁽²⁾	<3.25:1.00	0.16

Note: (1) For fiscal quarters ending after March 31, 2018, the interest coverage ratio shall not be less than 3.00:1.00.
(2) On July 20, 2017, we negotiated an amendment to the Revolver to increase the debt to EBITDA financial covenant ratio by 0.25, such that it shall not exceed 3.25:1.00.
(3) Our Revolver agreement and its related amendments, including the definition of EBITDA for covenant purposes, can be found under Stuart Olson’s SEDAR profile at www.sedar.com.

The outstanding balance under the Revolver fluctuates from quarter-to-quarter as it is drawn to finance working capital requirements, capital expenditures and acquisitions, and is repaid with funds from operations, dispositions or financing activities.

Summary of Cash Flows

<i>\$millions</i>	Year ended December 31	
	2017	2016 ⁽²⁾
Operating activities	34.5	24.8
Investing activities	(2.1)	(5.6)
Financing activities	(32.2)	(25.6)
Decrease in cash	0.2	(6.4)
Cash and cash equivalents, beginning of period ⁽¹⁾	31.5	37.9
Cash and cash equivalents, end of period ⁽¹⁾	31.7	31.5

Notes: (1) Cash and cash equivalents includes restricted cash.
(2) Certain comparative results have been restated as a result of a change in our intersegment eliminations accounting policy. Please refer to the “Changes in Accounting Policies” section in this MD&A and Note 3 of our December 31, 2017 Audited Consolidated Annual Financial Statements for further information.

For the year ended December 31, 2017, cash generated from operating activities increased to \$34.5 million, from \$24.8 million in 2016. This \$9.7 million improvement was driven primarily by the year-over-year improvement in adjusted EBITDA, the settlement of provisions in 2016 that did not repeat at the same scale in 2017, a reduction in cash tax payments associated with lower prior-year tax balances due in 2017 as compared to 2016, and a decrease in payments related to share-based liabilities. This year-over-year increase in cash generated from operating activities was partially offset by a \$10.9 million decline in cash provided by changes in “non-cash working capital” in 2017. This year-over-year change in “non-cash working capital” is due to investments in working capital to fund increasing activity levels in 2017, as well as the resolution and collection of a number of significant aged receivables in 2016, which has not repeated at the same scale in 2017.

Cash used by investing activities declined to \$2.1 million in 2017, from \$5.6 million used in 2016. The \$3.5 million improvement primarily reflects a decrease in 2017 capital expenditures related to property, equipment and intangible assets.

Cash used by financing activities totalled \$32.2 million in 2017, up from \$25.6 million in 2016. The \$6.6 million increase reflects our use of improved year-over-year operating cash flow to reduce the balance drawn on our Revolver. This use of cash was partially offset by the collection of a long-term service provider deposit in 2017.

External Factors Impacting Liquidity

Please refer to the “Risks” section of this document for a description of circumstances that could affect our sources of funding.

CAPITAL RESOURCES

Our objectives in managing capital are to ensure that we have sufficient liquidity to pursue growth objectives while maintaining a prudent amount of financial leverage.

Capital is comprised of equity and long-term indebtedness, including convertible debentures. Our primary uses of capital are to finance operations, execute our growth strategies and fund capital expenditure programs.

Capital expenditures, including property, equipment and intangible assets, are associated with our need to maintain and support existing operations. We expect capital expenditures for 2018 to be between \$5.5 million and \$6.5 million.

Working Capital

As at December 31, 2017, we had working capital of \$33.1 million compared to \$37.4 million as at December 31, 2016. The \$4.3 million decrease primarily reflects a change in operational working capital requirements as a result of a shift in project mix and stage of completion.

On the basis of current cash and cash equivalents, our ability to generate cash from operations and the undrawn portion of the Revolver, we believe we have the capital resources and liquidity necessary to meet our commitments, support operations, finance capital expenditures, support growth strategies and fund declared dividends.

Contractual Obligations

The following are our contractual financial obligations as at December 31, 2017. Interest payments on the Revolver have not been included in the table below as they are subject to variability based upon outstanding balances at various points throughout the year. Further information is included in *Note 28(b)(iii)* of the December 31, 2017 Audited Consolidated Annual Financial Statements.

<i>\$thousands</i>	Carrying amount	Contractual cash flows	Not later than 1 year	Later than 1 year and less than 3 years	Later than 3 years and less than 5 years	Later than 5 years
Trade and other payables	\$ 222,590	\$ 222,590	\$ 222,590	\$ nil	\$ nil	\$ nil
Provisions, including current portion	7,575	8,432	6,517	769	359	787
Convertible debentures (debt portion)	76,170	90,160	4,830	85,330	nil	nil
Long-term debt, including current portion	8,452	10,991	2,691	2,150	6,150	nil
Operating lease commitments	nil	52,308	8,618	12,911	12,911	17,868
	\$ 314,787	\$ 384,481	\$ 245,246	\$ 101,160	\$ 19,420	\$ 18,655

Scheduled long-term debt principal repayments due within one year of December 31, 2017 were \$2.5 million (December 31, 2016 - \$1.2 million).

Share Data

As at December 31, 2017, we had 27,370,727 common shares issued and outstanding and 2,173,088 options convertible into common shares (December 31, 2016 - 26,921,371 common shares and 1,995,134 options). Please refer to *Note 25* and *Note 26* of the December 31, 2017 Audited Consolidated Annual Financial Statements for further details. On January 16, 2018, we issued 86,459 shares pursuant to our Dividend Reinvestment Plan ("DRIP"). The details pertaining to our DRIP are available on our website at www.stuartolson.com. As at March 6, 2018, we had 27,457,186 common shares issued and outstanding and 2,173,088 options convertible into common shares.

The \$80.5 million of 6.0% convertible debentures issued in September 2014 are convertible into 5,689,046 common shares, based on a conversion price of \$14.15 per share.

As at December 31, 2017, shareholders' equity was \$206.4 million, compared to \$207.8 million as at December 31, 2016. This \$1.4 million decrease reflects \$13.1 million of dividends declared and a \$0.7 million defined benefit plan actuarial loss, net of tax. These effects were offset by an \$9.6 million increase from 2017 net earnings, \$2.3 million related to shares issued pursuant to the DRIP and \$0.5 million related to an increase in the share-based payment reserve.

DIVIDENDS

Declaration of Common Share Dividend

On March 6, 2018, our Board of Directors declared a common share dividend of \$0.12 per share. The dividend is designated as an eligible dividend under the *Income Tax Act* (Canada) and is payable April 17, 2018 to shareholders of record on March 29, 2018. The declaration of this dividend reflects the Board's confidence in our ability to generate cash flows adequate to support our growth strategy, while providing a certain amount of income to our shareholders.

We also maintain a DRIP, details of which are available on our website (www.stuartolson.com). Future dividend payments may vary depending on a variety of factors and conditions, including overall profitability, debt service requirements, operating costs and other factors affecting cash flow.

OFF-BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements in place as at December 31, 2017.

QUARTERLY FINANCIAL INFORMATION

The following table sets out our selected quarterly financial information for the eight most recent quarters:

<i>\$millions, except per share amounts</i>	2017 Quarter Ended:				2016 Quarter Ended ⁽²⁾ :			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Contract revenue	282.6	268.1	246.4	220.1	219.1	221.9	227.1	245.5
Adjusted EBITDA ⁽¹⁾	11.5	11.7	7.1	5.7	5.8	10.0	7.2	9.1
Net earnings (loss)	5.7	3.6	0.5	(0.2)	(1.7)	2.3	(3.5)	0.7
Net earnings (loss) per common share								
Basic earnings (loss) per share	0.21	0.13	0.02	(0.01)	(0.06)	0.08	(0.13)	0.03
Diluted earnings (loss) per share	0.18	0.11	0.02	(0.01)	(0.06)	0.08	(0.13)	0.03

Notes: (1) Adjusted EBITDA is a non-IFRS measure, please refer to the “Non-IFRS Measures” section for the definition. Adjusted EBITDA is presented as calculated based on our current definition. Please refer to the “Non-IFRS Measures” section for more information on our definition and the calculation.

(2) Certain comparative results have been restated as a result of a change in our intersegment eliminations accounting policy. Please refer to the “Changes in Accounting Policies” section in this MD&A and Note 3 of our December 31, 2017 Audited Consolidated Annual Financial Statements for further information.

Second quarter 2016 results were negatively impacted by the Northern Alberta wildfires which disrupted Industrial Group operations. Further, restructuring costs were also recognized in all of our groups as we aligned our cost structure for the economic environment. Partially offsetting these negative impacts were an increase in Buildings Group activity and a decrease in share-based compensation expense. The latter reflects the impact of a decrease in our share price in the second quarter of 2016, compared to share price appreciation in the first quarter of 2016.

Adjusted EBITDA and net earnings improved in the third quarter of 2016 on stable revenues, as compared to the second quarter. The improvement was driven primarily by a lessened impact of the Northern Alberta wildfires on our third quarter results. Partially offsetting this benefit was a share-based compensation recovery recognized in the second quarter of 2016 as a result of a decline in our share price, as compared to slight share price appreciation in the third quarter of 2016. Net earnings also increased in the third quarter of 2016 as a result of significant restructuring costs reflected in the second quarter results that did not repeat to the same extent in the third quarter.

Financial results for the fourth quarter of 2016 declined compared to the third quarter of 2016 primarily reflecting the release in the third quarter of 2016 of one-time project contingencies on two Industrial Group projects that did not repeat in the fourth quarter of 2016. This impact was partially offset by lower share-based compensation expense in the fourth quarter than in the third quarter. This reflects a decline in our share price in the fourth quarter of 2016, as compared to slight share price appreciation in the third quarter.

Revenue increased slightly in the first quarter of 2017 as compared to the fourth quarter of 2016, primarily reflecting a higher level of activity in our Buildings Group as a number of projects shifted from pre-construction to construction phases. Adjusted EBITDA remained stable quarter-over-quarter, reflecting similar profitability levels. The improvement in first quarter net earnings was a result of restructuring costs recognized in the fourth quarter of 2016 that did not repeat in the 2017 period.

Financial results for the second quarter of 2017 improved compared to the first quarter of 2017, driven by seasonal activity level increases for the Industrial Group, together with a decrease in share-based compensation expense. The lower share-based compensation expense reflects a decline in our share price in the second quarter of 2017, as compared to slight share price appreciation in the first quarter. Partially offsetting the improvement in overall financial performance was lower adjusted EBITDA and earnings from the Buildings Group as a result of a change in project stage of completion.

Third quarter 2017 revenue increased compared to the second quarter (“Q2”) of 2017, reflecting seasonal activity level increases for the Industrial Group, together with projects in our Buildings Group entering peak construction phases and our Commercial Systems Group entering early stages of construction on their significant 2017 project awards. Adjusted EBITDA and net earnings increased materially quarter-over-quarter, primarily due to the increase in revenue and the release of Industrial Group project contingencies in the third quarter (“Q3”) at a greater scale than in Q2 as a result of a number of projects entering later stages.

Revenue for the fourth quarter of 2017 increased compared to Q3 2017 due to higher building activity levels for our Industrial Group and Commercial Systems Group. Notwithstanding the improved revenue, adjusted EBITDA declined slightly as a result of incentive compensation accruals by the Corporate Group, including marking-to-market of share-based compensation liabilities. Net earnings improved during the quarter, with a recovery related to the reversal of the remaining balance of a 2016 onerous lease provision, offsetting the decline in adjusted EBITDA.

For a more detailed discussion and analysis of quarterly results prior to December 31, 2017, please review our 2017 and 2016 Interim, as well as our 2016 Annual Report.

CRITICAL ACCOUNTING ESTIMATES

Our financial statements include estimates and assumptions made by management in respect of operating results, financial condition, contingencies, commitments and related disclosures. Actual results may vary from these estimates. The following are, in the opinion of management, the more significant estimates that have an impact on our financial condition and results of operations:

- Convertible debentures;
- Income taxes;
- Revenue recognition;
- Estimates used to determine costs in excess of billings and contract advances;
- Estimates used to determine allowances for doubtful accounts or ongoing litigation;
- Measurement of defined benefit pension obligations;
- Estimates related to the useful lives and residual value of property and equipment;
- Estimates in impairment of property and equipment, goodwill and intangible assets;
- Estimates in amounts and timing of provisions; and
- Assumptions used in share-based payment arrangements.

Convertible Debentures

Convertible debentures issued by Stuart Olson are a compound financial instrument that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, losses and gains relating to the financial liability component are recognized in profit or loss. Distributions to the equity holders are recognized in equity, net of any tax benefit.

Income Taxes

Income tax provisions, including deferred income tax assets and liabilities, may require estimates and interpretations of federal and provincial tax rules and regulations, and judgments as to their interpretation and application to our specific situation. Income tax provisions are estimated each quarter, updated each year end to reflect actual differences and the impact of revenue recognition estimates, and then finalized during the preparation of the tax returns. Any changes between the quarterly estimates, the year end provision, and the final filing position, may impact income tax expense, as well as the income taxes recoverable, income taxes payable, deferred tax asset and deferred tax liability categories.

Revenue Recognition

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract at the end of the reporting period. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that costs incurred to date bear to the estimated total costs of completing the contract. The stage of completion may also be assessed by reference to a survey of work performed. Where there is uncertainty that the economic benefits associated with the contract will flow to Stuart Olson or where the total contract costs cannot be identified and measured, revenue is recognized only to the extent of contract costs incurred where it is probable those costs will be recoverable.

During the very early stages of significant multi-year contracts, the outcome of the contract cannot always be estimated reliably. In those circumstances where the outcome cannot be reliably estimated, contract revenue is recognized only to the extent contract costs are incurred and expected to be recoverable until such time that the outcome of the contract can be reliably estimated.

Contract costs include costs that relate directly to a specific contract, costs that are attributable to contract activity in general and can be allocated to individual contracts, and such other costs as are specifically chargeable to the customer under the terms of the contract. Contract costs exclude general administration costs (unless reimbursement is specified in the construction contract), selling costs, as well as research and development costs (unless reimbursement is specified in the construction contract). Contract costs are recognized as expenses in the period in which they are incurred.

Where current estimates indicate that total contract costs will exceed total contract revenue, the full amount of the expected loss is recognized immediately in contract costs.

Revenue from services rendered where the final outcome of the contract can be estimated reliably is recognized in profit or loss in proportion to the stage of completion of the contract at the reporting date. The stage of completion is assessed by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract. Revenue from time and material contracts where the work scope is not definitive is recognized (at the contractual rates) as labour hours and direct expenses are incurred.

We recognize revenue from the sale of materials that are fabricated to customer specifications under specifically negotiated contracts.

Estimates Used to Determine Costs in Excess of Billings and Contract Advances

Costs in excess of billings represent unbilled amounts expected to be collected from customers for contract work performed to date. The amount is measured at cost plus profit recognized to date, less progress billings and recognized losses. Costs include all expenditures directly related to specific projects. Costs in excess of billings are presented as a current asset in the Consolidated Statements of Financial Position for all contracts in which costs incurred plus recognized profits exceeds the progress billings and the amounts are expected to be billed and recovered within 12 months.

If progress billings exceed costs incurred plus recognized profits, the difference represents amounts collected in advance for contract work yet to be performed and is presented as contract advances and unearned income in the Consolidated Statements of Financial Position.

Estimates Used to Determine Allowance for Doubtful Accounts

We assess trade and other receivables for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. We take into consideration the customer's payment history, credit worthiness and the current economic environment in which the customer operates to assess impairment.

Prior to accepting new customers, we assess the customer's credit quality and establish the customer's credit limit. We account for specific bad debt provisions when management considers that the expected recovery is less than the actual amount of the accounts receivable.

Measurement of Defined Benefit Pension Obligations

Fluctuations in the valuation of our defined benefit pension plans expose us to additional risk. Economic factors such as expected long-term rates-of-return on plan assets, discount rates and future salary and bonus increases will cause volatility in the accrued benefit obligation. Please refer to *Note 3(d) and Note 12* to the Audited Consolidated Annual Financial Statements for further information.

Estimates Related to the Useful Lives and Residual Value of Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets are also capitalized as part of property and equipment.

Borrowing costs that are directly attributable to the acquisition and construction or production of a qualifying asset form part of the costs of the asset. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the net carrying amount of property and equipment and are recognized within other income in profit or loss.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to our company and its cost can be reliably measured. The carrying amount of the part replaced is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss when incurred.

Depreciation is calculated based on the cost of an asset (or deemed cost) less its residual value. Depreciation is recognized for each significant component of an item of property and equipment.

Depreciation is recognized in the Consolidated Statements of Earnings (Loss) on a straight-line basis over the estimated useful life of each asset. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives, unless it is reasonably certain that we will obtain ownership by the end of the lease term. The chosen method of depreciation has been selected based on the expected pattern of consumption of the economic benefits of the asset.

The estimated useful lives of each class of property and equipment are as follows:

Asset	Basis	Useful Life
Land improvements	Straight-line	30 years
Buildings and improvements	Straight-line	10 to 25 years
Leasehold improvements	Straight-line	Lesser of estimated useful life or lease term
Construction equipment	Straight-line	5 to 20 years
Automotive equipment	Straight-line	5 years
Office furniture and equipment	Straight-line	3 to 5 years
Computer Hardware	Straight-line	1 to 4 years

Depreciation commences when the asset is available for use and ceases on the earliest of when the asset is derecognized or classified as held-for-sale. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted where appropriate.

Estimates in Impairment of Property and Equipment, Goodwill and Intangible Assets

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination. Goodwill is not amortized and is tested for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset may be impaired.

Goodwill arose as a result of multiple past acquisitions. The Industrial Group's goodwill stems from the Laird Electric Inc. acquisition in 2003 and the Studon acquisition in 2015. Goodwill associated with the Buildings Group and the Commercial Systems Group arose from the Seaclyff Construction Corp. acquisition in 2010. Additional goodwill was attributed to the Commercial Systems Group through the McCaine Electric Ltd. acquisition in 2011. Goodwill recognized on all of these acquisitions was attributable mainly to revenue growth, future market development, the assembled workforce and the synergies achieved from the integration of acquired companies into existing construction, commercial and industrial services.

During the fourth quarter of 2017, Stuart Olson performed its annual goodwill impairment test. The calculated business enterprise value for each of the Cash Generating Units ("CGUs") incorporated the financial projections set out in the respective CGU's strategic plans. The annual impairment review resulted in no impairment charge in the current year.

The recoverable amounts of the CGUs' assets were determined based on a value-in-use calculation. There is a significant amount of uncertainty with respect to the estimates of the recoverable amounts of the CGUs' assets given the necessity of making key economic assumptions about the future. The value-in-use calculation uses discounted cash flow projections which employ the following key assumptions: future cash flows, present and future discount rates, growth assumptions, including economic risk assumptions, and estimates of achieving key operating metrics and drivers. Stuart Olson management uses its best estimate to determine which key assumptions to use in the analysis.

Key Impairment Assessment Assumptions

The key assumptions in the value-in-use calculations to determine the recoverable amounts by CGU have been prepared using a four-year discounted cash flow analysis with a terminal value. The financial projections used for the discounted cash flow analysis were derived from Stuart Olson's December 2017 strategic plan.

A four-year period for the discounted cash flow analysis was used since financial projections beyond a four-year time period are generally best represented by a terminal value. This period is appropriate given the timing of the project backlog and the predictability of CGU cash flows. Cash flows from growth opportunities are probability-weighted and relate to initiatives management expects to progress on in the medium-to long-term time frame. These cash flows require assumptions to be made regarding the likelihood of projects progressing and the future economics of those projects.

The terminal value was calculated using an after-tax discount rate of 11.0% (2016 – 11.0%) and a steady annual growth rate of 2.0% (2016 – 2.0%) in the terminal year. The same discount rate was used in each of our CGUs given that each entity has access to the same source of debt and each CGU is ultimately governed by management at the parent company. In addition, entity specific risks were separately factored into each CGU forecast. They take into consideration market rates of return, capital structure, company size, industry risk and after-tax cost of debt and equity.

Sensitivity of Impairment Assessment Assumptions

Stuart Olson management and its Board believe that any reasonable change to the key assumptions used to determine each CGU's recoverable amount would not cause its carrying value to exceed its recoverable amount.

Estimates Associated with Amounts and Timing of Provisions

Provisions for the expected cost of construction warranty obligations under construction contracts are recognized upon completion or substantial performance under the construction contract and represent the best estimate of the expenditure required to settle our obligation.

Restructuring provisions relate to both ongoing operations, and acquisitions and are accrued when we demonstrate our commitment to implement a detailed restructuring plan. The amounts provided represent management's best estimate of the costs of restructuring.

Provisions related to claims and disputes arising on our contracts are included in this category. The timing and measurement of the related cash flows are, by nature, uncertain and the amounts recorded reflect the best estimate of the expenditure required to settle the obligations.

Subcontractor default provisions relate to management's best estimate of exposures and costs associated with prior or existing subcontractor performance and the risk of potential default. We conduct a thorough review of the liability every reporting period and take into consideration our experience to date with those subcontractors, some of which are enrolled in our subcontractor default insurance program, and the changes to factors that tend to affect the construction sector.

A provision for onerous contracts is recognized when the expected benefit from a contract is lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Impairment losses on assets associated with the onerous contract are recognized prior to the provision being established.

Assumptions Used in Share-Based Payment Arrangements

The grant date fair value of equity-settled share-based payment awards, or stock options, granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The fair value of the amount payable to employees and Directors in respect of Medium Term Incentive Plans ("MTIPs") and Deferred Share Units ("DSUs"), for which the participants are eligible to receive an equivalent cash value of the common shares at a future date, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees provide the related service and Directors become entitled to payment. The liability is re-measured at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized as compensation expense in profit or loss.

Bridging Restricted Share Units ("BRSUs") track the value of a common share and provide eligible participants with an equivalent cash value of common shares. Each grant vests 20% in the first year, 30% in the second year and the remaining 50% in the third year.

Restricted Share Units ("RSUs") track the value of a common share and provide eligible participants with an equivalent cash value of common shares. Each grant cliff vests at the end of three years.

Performance Share Units ("PSUs") track the value of a common share and provide eligible participants with an equivalent cash value of common shares. Each grant cliff vests at the end of three years and the payout can be 0% to 200% of the vested units, subject to the achievement of certain corporate objectives as approved by the Board. Each grant of PSUs is individually evaluated regularly with regard to vesting and payout assumptions.

The RSUs and PSUs granted in April 2017 differ from previous grants in that additional units are granted each time Stuart Olson pays a common share dividend.

We will settle the BRSUs, RSUs and PSUs (collectively, the “MTIPs”) in cash within 20 business days after vesting. The original cost of the MTIPs is equal to the fair market value at the date of grant. Changes in the amount of the liability due to fair value changes after the initial grant date are recognized as a compensation expense in the period in which the changes occur.

Information about the vesting conditions for share-based payments is disclosed in *Note 25* of the Audited Consolidated Annual Financial Statements.

CHANGES IN ACCOUNTING POLICIES

Change in Intersegment Eliminations Accounting Policy

Effective January 1, 2017, we changed our accounting policy for the elimination of intersegment revenue and expenses on consolidation. Previously, on projects where one or more of our reporting segments worked together, we eliminated the amount of cost incurred by the prime contractor segment and the revenue recognized by the subcontractor segment, based on the prime contractor's assessment of subcontractor percentage completion. As a result of internal differences between the prime contractor's estimation of percentage completion for the project as a whole and the subcontractor's estimated percentage of completion for its portion of the project, the previous accounting policy often resulted in temporary profit and/or loss arising on elimination, which would reverse in later periods.

The new policy provides a more precise determination of intersegment eliminations so that equivalent amounts of project revenue and costs, based on the subcontractor's estimated percentage of completion for its portion of the project, are eliminated, resulting in \$nil or minimal impact on the consolidated contract income for each period. The inputs required under the new policy can be reliably measured using internal project information and this change increases the predictive value of intersegment eliminations by reducing volatility in contract income and net earnings between periods.

The change in accounting policy has not had an impact on our ability to meet debt covenants, nor has it had any other material impact on our business. Please refer to *Note 3* of our December 31, 2017 Audited Consolidated Annual Financial Statements for further information, and the "Quarterly Financial Information" section in this document for our restated consolidated quarterly results for the last two years.

The change in accounting policy is not material and has been applied retrospectively, resulting in the following restatements to our December 31, 2017 Audited Consolidated Annual Financial Statements:

Consolidated Statements of Earnings (Loss)	Three months ended	Year ended
	Dec. 31, 2016	Dec. 31, 2016
<i>\$millions, except per share amounts</i>		
Increase in contract revenue	0.3	3.9
Increase in adjusted EBITDA	0.3	3.9
Increase in deferred income tax expense	(0.1)	(1.3)
Increase in net earnings	0.2	2.6
Increase in basic and diluted earnings per share	0.01	0.10

Consolidated Statements of Financial Position

<i>\$millions</i>	Dec. 31, 2016	Jan. 1, 2016
<u>ASSETS</u>		
Increase in accounts receivable	nil	nil
<u>LIABILITIES</u>		
Increase in contract advances and unearned revenue	4.1	8.0
Decrease in deferred tax liability	(1.1)	(2.4)
<u>EQUITY</u>		
Decrease to retained earnings	(3.0)	(5.6)

Consolidated Statements of Cash Flow

<i>\$millions, except per share amounts</i>	Year ended Dec. 31, 2016
Increase in net earnings	2.6
Increase in income tax expense	1.3
Decrease in the change in non-cash working capital balances	(3.9)
Net cash generated in operating activities	nil

Future Changes in Accounting Standards

We have reviewed new and revised accounting pronouncements that have been issued, but are not yet effective. See below and *Note 4* of the December 31, 2017 Audited Consolidated Annual Financial Statements for further information.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly issued IFRS 15, which supersedes IAS 11 – *Construction Contracts* and IAS 18 – *Revenue, and related interpretations*. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services by applying the following five steps: (i) Identify the contract with a customer; (ii) Identify the performance obligations in the contract; (iii) Determine the transaction price; (iv) Allocate the transaction price to the performance obligations in the contract; (v) Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. We are required to retrospectively apply IFRS 15 to all contracts that are not complete on the date of initial application and have the option to adopt using either:

- Full retrospective approach – restate all prior periods presented and recognize the cumulative effect of initial application of IFRS 15 to the opening balance of equity at the beginning of the earliest period presented; or
- Modified retrospective approach – retain prior period figures as reported under the previous standards and recognize the cumulative effect of initial application of IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application.

We expect to adopt IFRS 15 using the full retrospective approach and are assessing the impact of the adoption of this standard on the classification and timing of revenue recognition, the measurement of contract costs, and the recognition of contract assets (costs in excess of billings) and contract liabilities (contract advances and unearned revenue).

We expect that the adoption of this standard will have a significant impact on the level of additional disclosures required, which includes:

- Disaggregation of revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. We are still evaluating the appropriate categories for this requirement but expects that the information may be presented differently from what is currently required under IFRS 8 – *Operating Segments* (Note 5). Disaggregation by contract type (construction management, cost-plus, design-build or tendered/hard-bid) or by type of customer (public, private or industrial) may be appropriate;
- Transaction price, including estimates of variable consideration resulting from penalties, claims, vacations or incentives, allocated to the remaining performance obligations that are unsatisfied at the end of the reporting period and the timing of when we expect to recognize these as revenue. For construction management and tendered/hard-bid contracts, we would disclose our most recent estimate of the total transaction price based on the value stated in the original contract, adjusted for any contract modifications or vacation. For cost-plus contracts (time-and-materials), we would be required to disclose the transaction price to the extent that we can reasonably estimate the amount of fixed and variable consideration secured from these contracts as at the end of each reporting period; and
- Enhanced continuities and detailed explanations to describe the relationship between significant changes in the contract asset and contract liability balances and the satisfaction of performance obligations during each reporting period.

During the period, we completed the evaluation of our systems, processes and controls, identified areas where modifications were required and implemented changes necessary to ensure we comply with the new requirements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single principle based approach replaces existing rule based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single impairment model being applied to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements. IFRS 9 introduces a new expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timelier basis. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Our current policies and procedures surrounding the identification of credit risk and the recognition of credit losses are sufficient to comply with the requirements of this standard. We do not expect this standard to have any material impact to our Consolidated Financial Statements.

IFRS 16 – Leases

On January 13, 2016, the IASB issued IFRS 16 to replace IAS 17 – *Leases*. IFRS 16 will bring most leases onto the Consolidated Statement of Financial Position for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. While we continue to assess all potential impacts and transition provisions of this standard, we believe that the most significant impact will relate to the accounting for operating leases associated with yard space, office space, automotive and construction equipment. At this time, a quantitative estimate of the effect of the new standard has not been determined, but we anticipate a material impact to our Statements of Financial Position due to the recognition of the present value of unavoidable future lease payments as lease assets and lease liabilities. The measurement of the total lease expense over the term of the lease is unaffected by the new standard; however, the required presentation on the Consolidated Statements of Earnings (Loss) will result in lease expenses being presented as amortization of leased assets and finance costs instead of being fully recognized as administrative costs.

IFRS 2 – Share-based Payment

On June 20, 2016, the IASB issued amendments to IFRS 2 – *Share-based Payment*, providing clarification on the classification and measurement of certain types of share-based payment transactions. The amendments to IFRS 2 clarify that the accounting for the effects of vesting and non-vesting conditions on cash-settled share-based payments should follow the same approach as for equity-settled share-based payments. The amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2018. The amendments impact the disclosure surrounding Performance Share Units (“PSU”s) outstanding, adjusting the number of units disclosed to factor in performance conditions that modify the vested value. Presently, these units are disclosed based on actual units granted, excluding the impact of performance modifiers. Please refer to Note 25(b) of our December 31, 2017 Audited Consolidated Annual Financial Statements for further details on PSUs. We do not expect this standard to have any other material impact to our consolidated financial statements.

FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of receivables and other like amounts that will result in future cash receipts, as well as accounts payable, borrowings and any other amounts that will result in future cash outlays. The fair value of our short-term financial assets and liabilities approximates their respective carrying amounts on the Statement of Financial Position because of the short-term maturity of those instruments. The fair value of our interest-bearing financial liabilities, including capital leases, financed contracts and the Revolver, also approximates their respective carrying amounts due to the floating-rate nature of the debt.

The financial instruments we use expose us to credit, interest rate and liquidity risks. Our Board has overall responsibility for the establishment and oversight of our risk management framework and reviews corporate policies on an ongoing basis. We do not actively use financial derivatives, nor do we hold or use any derivative instruments for trading or speculative purposes.

We are exposed to credit risk through accounts receivable. This risk is minimized by the number of customers in diverse industries and geographical centres. We further mitigate this risk by performing an assessment of our customers as part of our work procurement process, including an evaluation of financial capacity.

Allowances are provided for potential losses as at the Statement of Financial Position date. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. We take into consideration the customer's payment history, creditworthiness and the current economic environment in which the customer operates to assess impairment.

We establish a specific bad debt provision when we consider that the expected recovery will be less than the actual accounts receivable. The provision for doubtful accounts has been included in administrative costs in the December 31, 2017 Audited Annual Statements of Earnings (Loss) and Comprehensive (Loss) Earnings, and is net of any recoveries that were provided for in a prior period. Allowance for doubtful accounts as at December 31, 2017 was \$0.3 million (December 31, 2016 - \$1.0 million).

In determining the quality of trade receivables, we consider any change in credit quality of customers from the date credit was initially granted up to the end of the reporting period. As at December 31, 2017, we had \$20.3 million of trade receivables (December 31, 2016 - \$14.0 million) which were greater than 90 days past due, with \$20.0 million not provided for as at December 31, 2017 (December 31, 2016 - \$13.0 million). Management is not concerned about the credit quality and collectability of these accounts as the concentration of credit risk is limited due to its large and unrelated customer base.

Financial risk is the risk to our earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. We do not use derivative instruments to reduce exposure to this risk. On an annualized basis as at December 31, 2017, a change in 100 basis points in interest rates would have increased or decreased equity and profit or loss by \$0.2 million (December 31, 2016 - \$0.2 million) related to financial assets and by \$0.1 million (December 31, 2016 - \$0.2 million) related to financial liabilities.

Liquidity risk is the risk that we will encounter difficulties in meeting our financial obligations. We manage this risk through cash and debt management. We invest our cash with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations. We invest cash and cash equivalents with counterparties that are of high credit quality as assessed by reputable rating agencies. Given these high credit ratings, we do not expect any counterparties to fail to meet their obligations. In managing liquidity risk, we have access to committed short and long-term debt facilities as well as equity markets, the availability of which is dependent on market conditions.

Under our risk management policy, derivative financial instruments are used only for risk management purposes and not for generating trading profits.

Please refer to *Note 28* of the December 31, 2017 Audited Consolidated Annual Financial Statements for further detail.

Controls & Procedures

The controls and procedures set out below encompass all Stuart Olson companies.

Disclosure Controls & Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), on a timely basis, so that appropriate decisions can be made regarding public disclosure. The CEO and CFO together are responsible for establishing and maintaining our disclosure controls and procedures. They are assisted in this responsibility by the Disclosure Committee, which is comprised of members of our senior management team.

An evaluation of the effectiveness of the design of our disclosure controls and procedures was carried out under the supervision of management, including our CEO and CFO, with oversight by the Board of Directors and Audit Committee, as at December 31, 2017. Based on this evaluation, our CEO and CFO have concluded that the design and operation of our disclosure controls and procedures, as defined in NI 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings, was effective as at December 31, 2017.

Internal Controls over Financial Reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Absolute assurance cannot be provided that all misstatements have been detected because of inherent limitations in all control systems. Management is responsible for establishing and maintaining adequate internal controls appropriate to the nature and size of the business, and to provide reasonable assurance regarding the reliability of our financial reporting.

Under the oversight of the Board of Directors and our Audit Committee, Stuart Olson management, including our CEO and CFO, evaluated the design and operation of our internal controls over financial reporting using the control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control – Integrated Framework (2013). The evaluation included documentation review, enquiries, testing and other procedures considered by management to be appropriate in the circumstances. As at December 31, 2017, our CEO and CFO have concluded that the design and operation of the internal controls over financial reporting as defined in NI 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings, was effective.

Material Changes to Internal Controls over Financial Reporting

There were no changes to our internal controls over financial reporting and the environment in which they operated during the period beginning on January 1, 2017 and ending on December 31, 2017 that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

RISKS

Stuart Olson is subject to certain risks and uncertainties that are common in the construction industry and that may affect future performance. The risks described below are not exhaustive. We operate in a very competitive and ever-changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can we assess the impact of all such risk factors on our business. Readers are also encouraged to review the “Forward-Looking Information” section of this MD&A.

The Operations of Stuart Olson are Dependent on the Price of Oil and Natural Gas

Macro-economic and geopolitical factors associated with oil and natural gas supply and demand are prime drivers for pricing and profitability within the oil and natural gas industry. Generally, when oil and natural gas prices are relatively high, demand for our services is high, while the opposite is true when oil and natural gas prices are low.

Some of our accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be impacted by fluctuations in oil and natural gas prices. The collection of receivables may be adversely affected by any prolonged weakness in oil and natural gas prices.

Regional Concentration

A large percentage of our revenue originates in Alberta. This regional concentration makes our performance sensitive to impacts of localized factors, such as, weather conditions, major disasters, provincial rules and regulations, provincial and municipal governments, available workforce, economic dependencies and trends, and other factors that are local to Alberta.

Potential for Non-Payment and Credit Risk and Ongoing Financing Availability

During the term of a contract, we may be required to use our working capital to fund construction costs until payments are collected from clients. If a client defaults in making its payments on a project, we would generally have a right to register a lien against the project. If the client were ultimately unable or unwilling to pay the amounts owing to us, a lien against the property would normally provide some security that we could ultimately realize what is owed; however, in these situations our ability to ultimately collect what it is owed cannot be assured. A greater incidence of payment default by clients could result in a financial loss that could have a material adverse effect on our operating results and financial position.

Our operations, and particularly industrial operations, require a significant amount of working capital due to the requirement for large workforces on many projects. Our ability to obtain additional capital is a significant factor in achieving our strategy of expansion in the industrial services industry. There can be no assurance that our current working capital will be sufficient to enable us to implement all of our objectives. As well, there can be no assurance that, if, as and when we seek equity or debt financing, we will be able to obtain the required funding on favourable commercial terms, or at all. Any such future financing may also result in dilution to existing shareholders.

Regulations

The operations of our clients are subject to or impacted by a wide array of regulations in the jurisdictions in which they operate, such as applicable environmental laws. As a result of changes in regulations and laws relating to these industries, client operations could be disrupted or curtailed by governmental authorities. The high cost of compliance with applicable regulations may cause clients to discontinue or limit their operations or may discourage companies from continuing further development activities. As a result, demand for our services could be substantially affected by regulations adversely impacting these industries.

Dependence on the Public Sector

A significant portion of the Buildings Group's revenue is derived from contracts with various governments or their agencies. Consequently, any reduction in demand for the Buildings Group's services by the public sector, whether from funding constraints, changing capital spending plans or changing political priorities, would likely have an adverse effect on us if that business could not be replaced from within the private sector.

Client Concentration

The Commercial Systems Group does a significant amount of work with a small number of major general contractors. Consequently, the loss of, or a significant reduction in business with, one or more of these contractors, whether as a result of completion of a contract, early termination, or a failure or inability to pay amounts owed, could have a material adverse effect on the Commercial Systems Group's and consequently Stuart Olson's business and results of operations. Similarly, the Industrial Group has a narrow concentration of clients. The loss of, or significant reduction in business with, one or more of these clients could have a material adverse effect on the Industrial Group, and consequently on Stuart Olson's business and results of operations.

Labour Matters

Periods of high construction activity can create shortages of labour. In the past, the rapidly expanding markets in, among others, Alberta and British Columbia, have created general shortages of tradesmen and management personnel. Our operating companies attempt to mitigate labour shortages through positive union relationships, competitive remuneration, enhanced in-house training programs and expanded recruiting, both within Canada and internationally. If we are unable to recruit and retain enough employees with the appropriate skills, we may be unable to maintain our client service levels, and we may not be able to satisfy increased demand for our services. Similarly, a significant portion of our labour force is unionized and accordingly we are subject to the detrimental effects of a strike or other labour action, in addition to competitive cost factors. Any future labour shortage or disruption may lead to construction cost escalation, which could decrease contract margins, should clients not agree to absorb these additional costs. In addition, the June 2017 amendments to the Alberta Labour Relations Code could result in impacts to our labour structure in Alberta. If the current structure is impacted, it may affect our competitiveness and profitability.

Loss of Key Management; Inability to Attract and Retain Management

Our success is highly influenced by the efforts of key members of management, including our executive officers. The loss of the services of any of our key management personnel could negatively impact us. Our future success also depends heavily on our ability to attract, retain and develop high-performing personnel in all areas of our operations. Most organizations in the construction industry face this challenge, and accordingly, competition for qualified personnel is significant. If we cease to be seen by current and prospective employees as an attractive place to work, we could experience difficulty in hiring and retaining the right people. This could have an adverse effect on our current operations and would limit our prospect and impair our future success.

Industry and Inherent Project Delivery Risks

We perform construction activities under a variety of contracts including lump sum, guaranteed maximum price, cost reimbursable and design-build. Some forms of these construction contracts carry more risk than others.

Historically, a portion of our revenue has been derived from lump sum contracts pursuant to which a commitment is provided to the owner of the project to complete the project at a fixed price ("Lump Sum") or guaranteed maximum price ("GMP"). In Lump Sum and GMP projects, in addition to the risk factors of a fixed unit price contract (as described below), any errors in quantity estimates or schedule delays or productivity losses, for which contracted relief is not available, must be absorbed within the Lump Sum or GMP, thereby adding a further risk component to the contract. These contracts, given their inherent risks, have from time to time resulted in significant losses on projects. The failure to properly assess a wide variety of risks, appropriately execute these contracts or contractual disputes may have an adverse impact on financial results.

We are also involved in fixed unit price construction contracts under which we are committed to provide services and materials at a fixed unit price. While this shifts the risk of estimating the quantity of units to the contract owner, any increase in our cost over the unit price bid, whether due to estimating error, inefficiency in project execution, inclement weather, inflation or other factors, will negatively affect our profitability.

In certain instances, we commit to a customer that we will complete a project by a scheduled date or that the facility will achieve certain performance standards. If the project or facility subsequently fails to meet the schedule or performance standards, we could incur additional costs or penalties commonly referred to as liquidated damages. Although we attempt to negotiate waivers of consequential or liquidated damages, on some contracts we are required to bear the risk for failure to meet certain contractual milestones. These penalties may be significant and could materially impact our financial position or results of future operations. Furthermore, schedule delays may also reduce profitability because staff may be prevented from pursuing and working on new projects. Project delays may also reduce customer satisfaction which could impact future awards.

We occasionally participate in design-build projects pursuant to which, in addition to the responsibilities and risks of a fixed unit price or Lump Sum contract, we assume the additional risk of quality or design-related flaws or failures. This risk is managed by using external consultants for the design component as well as by the purchase of appropriate insurance protection. Design remediation work could result in additional contract costs that may not be reimbursed by the client.

Certain of our contractual requirements may also involve financing elements, where we are required to provide one or more letters of credit, performance bonds or financial guarantees. There can be no assurance that we will be able to obtain the necessary financing on favourable or commercially reasonable terms and conditions to satisfy such requirements, nor that our working capital and bonding facilities will be adequate in order to issue the required letters of credit and performance bonds.

Change orders, which modify the nature or quantity of the work to be completed, are frequently issued by clients. Final pricing of these change orders is often negotiated after the changes have been started or completed. Disputes regarding the quantum of unpriced change orders could impact our profitability on a particular project, ability to recover costs, or in a worst case scenario, result in significant project losses. The timing of the resolution of these events can have a material impact on our income and liquidity and thus can cause fluctuations in the revenue and income in any one reporting period.

Subcontractor Performance

The profitable completion of some contracts depends to a large degree on the satisfactory performance of subcontractors as well as design and engineering consultants who complete different elements of the work, especially within the Buildings Group. If these subcontractors or consultants do not perform to accepted standards, we may be required to hire different subcontractors to complete the tasks, which may impact schedule, add costs to a project, impact profitability on a specific job and, in certain circumstances, lead to significant losses. A major subcontractor default or failure to properly manage subcontractor performance could materially impact results.

Unanticipated Shutdowns

A portion of our work is generated from the development, expansion and ongoing maintenance of oil sands mining, extraction and upgrading facilities. Shutdowns of these facilities due to events outside of our control or the control of our clients, such as the cancellation of projects due to a downturn in oil and gas prices, natural disasters, mechanical breakdowns, technology failures or pressure from environmental activists, could lead to the temporary shutdown or complete cessation of projects on which we are working. These events could materially and adversely affect our business and results of operations.

Failure of Clients to Obtain Required Permits and Licenses

The development of construction projects requires our clients to obtain regulatory and other permits and licenses from various governmental licensing bodies. Our clients may not be able to obtain all necessary permits and licenses required for the development of their projects, in a timely manner or at all. These delays are generally outside our control. The major cost associated with these delays is personnel and associated overhead that is designated for the project which cannot be reallocated effectively to other work. If the client's project is unable to proceed, it may adversely impact the demand for our services.

Maintaining Safe Worksites

Our success as a contractor is highly dependent on our ability to keep our construction worksites safe. Failure to do so can have serious impacts beyond the threat to personal safety of our employees and others. It can expose us to fines, regulatory sanction and even criminal prosecution. Our safety record and worksite safety practices have a direct bearing on our ability to secure work.

Joint Venture Partners

We undertake certain contracts with joint venture partners. The success of our joint ventures depends on the satisfactory performance of our joint venture partners in their joint venture obligations. We may provide joint and several guarantees in connection with these joint venture, and in each case, seek to obtain reciprocal guarantees and assurances from our partners. The failure of the joint venture partners to perform their obligations or their insolvency could impose additional financial and performance obligations on us that could result in increased costs.

Cyber Security Risks

We use a number of information technology systems for the management and operation of our business and are subject to a variety of information technology and system risks as part of our normal operations, including potential breakdown, invasion, virus, cyber-attack, cyber fraud, security breach and destruction or interruption of our information technology systems by third parties or individuals within the organization. Although we have security measures and controls in place that are designed to mitigate these risks, a breach of our security measures and/or loss of information could occur and could lead to a number of adverse consequences, including but not limited to: the unavailability, disruption or loss of key functionalities within our control systems and the unauthorized disclosure, corruption or loss of material and confidential information, breach of privacy laws and a disruption to our business activities.

We attempt to prevent such breaches through, among other things, the implementation of various technological security measures, providing cyber security training to all personnel, segregation of control systems from our general business network, engaging skilled consultants and employees to manage our technology applications, conducting periodic audits and adopting policies and procedures as appropriate. To date, we have not been subject to a cyber security breach that has resulted in a material impact on our business or operations; however, there is no guarantee that the measures we take to protect our information technology systems will be effective in protecting against a breach in the future.

Competition and Reputation

There is strong competition in the construction industry. We compete with a broad range of companies in each market, some of which are substantially larger than us. In addition, an increase in the number of international companies entering the Canadian marketplace has also made the market more competitive. Each competitor has its own advantages and disadvantages relative to Stuart Olson. New contract awards and contract margin are dependent upon the level of competition and the general state of the markets in which we operate. Fluctuations in demand in the segments in which we operate may impact the degree of competition for new work. Competitors that have greater financial and other resources can better bear the risk of under-pricing projects, whereas smaller competitors may have lower overhead cost structures and therefore may be able to provide their services at lower rates. Our business may be adversely impacted to the extent that we are unable to successfully compete with these companies. The loss of existing clients to competitors or the failure to win new projects could materially and adversely affect our business and results of operations.

Reputation in the construction industry is a significant factor in our long-term success. Adverse opinions may impact long-term financial results and can arise from a number of factors including errors or losses on specific projects, employee sentiment, questions concerning business ethics and integrity, corporate governance, the accuracy and quality of financial reporting and public disclosure as well as the quality and timing of the delivery of key products and services. We put in place various controls and procedures to mitigate this risk; however, these controls and policies cannot guarantee that future breaches of such controls and procedures will not occur, which may or may not impact our financial results.

Limitations of Insurance

Any catastrophic occurrence in excess of insurance limits at projects where our structures are installed or services are performed could result in significant professional liability, product liability, warranty or other claims against us. Such liabilities could potentially exceed our current insurance coverage and the fees derived from those services. A partially or completely uninsured claim, if successful and of a significant magnitude, could result in substantial losses.

Litigation Risk

In the normal course of our operations, whether directly or indirectly, we have been, and in the future we may become, involved in, named as a party to, or the subject of, various legal proceedings and legal actions relating to, among other things, construction disputes for which insurance is not available, human resources matters, personal injuries, property damage and general commercial and contractual matters arising from our business activities. Litigation is inherently uncertain. Accordingly, adverse outcomes to current litigation or pending litigation are possible. These potentially adverse outcomes could include financial loss, damage to our reputation or reduction of prospects for future contract awards.

Corporate Guarantees and Letters of Credit

In the course of business operations, we may be required to guarantee the performance pursuant to a contract of one or more of our groups by way of providing guarantees or letters of credit. If our capacity to issue letters of credit under our Revolver, combined with cash on hand, are insufficient to satisfy clients and surety providers, our business and results of operations could be adversely affected. Letters of credit are issued mainly to provide security to third parties in the case of non-performance under a contract. Significant claims under letters of credit and/or corporate guarantees could materially and adversely affect our business, financial stability and operating capacity.

Performance Bonds

Our operating companies are often required to provide performance and labour and material payment bonds as assurance for contract completion. The surety industry has endured a certain degree of instability and uncertainty as a result of recent economic conditions, which may constrain the overall industry capacity. Furthermore, the issuance of bonds under our surety program is at the sole discretion of the surety companies on a project by project basis. As such, even sizable sureties may be unwilling to guarantee bonding support on every project. Although we believe that we will be able to continue to maintain adequate surety capacity under our surety program to satisfy our requirements, should those requirements be materially greater than anticipated, or should sufficient surety capacity not be available to us for any reason, this may have an adverse impact on our ability to operate our business or take advantage of all market opportunities.

Volatility of Market Trading

The market price of our securities may be volatile and could be subject to fluctuations in response to quarterly variations in operating results, changes in financial estimates by securities analysts, or other events or factors. In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many companies providing services to the commodity industry. Often these fluctuations have been unrelated to the operating performance of such companies or have resulted from the failure of the operating results of such companies to meet market expectations in a particular quarter. Broad market fluctuations, or any failure of our operating results in a particular quarter to meet market expectations, may adversely affect the market price of our securities.

Dividends

The payment of dividends on common shares is at the discretion of our Board. In establishing the amount of any dividend, the Board will take into consideration, among other things, the need to meet future requirements for increases in working capital and equity to meet contract security requirements, provide the financial capacity to withstand any downturn in the construction industry, should one occur, expand the business and the desirability of maintaining the dividend rate. There can be no assurances that the dividend rate will not be reduced or suspended in the future.

Compliance with Environmental Laws

We are subject to numerous federal, provincial and municipal environmental laws and judicial, legislative and regulatory developments relating to environmental protection on an ongoing basis. While we strive to keep informed of and to comply with all applicable environmental laws, circumstances may arise and incidents may occur that are beyond our control that could adversely affect us. During our history, we have experienced incidents, emissions and spills of a non-material nature. None of these incidents has resulted in any liability to us to date, although there can be no guarantee that any future incidents will be of a non-material nature. We are not aware of any pending environmental legislation that would be likely to have a material adverse impact on any of our operations, capital expenditure requirements or competitive position, although there can be no assurance that future legislation will not be proposed, and if implemented, may have a material adverse impact on our operations.

NON-IFRS MEASURES

Throughout this MD&A certain measures are used that, while common in the construction industry, are not recognized measures under IFRS. The measures used are “contract income margin”, “work-in-hand”, “backlog”, “active backlog”, “book-to-bill ratio”, “working capital”, “adjusted EBITDA”, “adjusted EBITDA margin”, “EBT”, “adjusted free cash flow”, “adjusted free cash flow per share”, “dividend payout ratio”, “indebtedness”, “indebtedness to capitalization”, “net long-term indebtedness to adjusted EBITDA”, “interest coverage”, “additional borrowing capacity”, “available liquidity”, and “debt to EBITDA”. These measures are used by our management to assist in making operating decisions and assessing performance. They are presented in this MD&A to assist readers in assessing the performance of Stuart Olson and our operating groups. While we calculate these measures consistently from period to period, they will likely not be directly comparable to similar measures used by other companies because they do not have standardized meanings prescribed by IFRS. Please review the discussion of these measures below.

Contract Income Margin

Contract income margin is the percentage derived by dividing contract income by contract revenue. Contract income is calculated by deducting all associated direct and indirect costs from contract revenue in the period.

Work-In-Hand

Work-in-hand is the unexecuted portion of work that has been contractually awarded to us for construction. It includes an estimate of the revenue to be generated from MRO contracts during the shorter of: (a) twelve months, or (b) the remaining life of the contract.

Backlog and Active Backlog

Backlog means the total value of work, including work-in-hand, that has not yet been completed that: (a) is assessed by us as having a high certainty of being performed by us by either the existence of a contract or work order specifying job scope, value and timing, or (b) has been awarded to us, as evidenced by an executed binding or non-binding letter of intent or agreement, describing the general job scope, value and timing of such work, and with the finalization of a formal contract respecting such work currently assessed by us as being reasonably assured.

Active backlog is the portion of backlog that is not work-in-hand (has not been contractually awarded to us). We provide no assurance that clients will not choose to defer or cancel their projects in the future.

<i>\$millions</i>	Dec. 31, 2017	Dec. 31, 2016
Work-in-hand	853.3	986.9
Active backlog	868.1	1,008.2
Consolidated backlog	1,721.4	1,995.1

Book-to-Bill Ratio

Book-to-bill ratio means the ratio of net new projects added to backlog and increases in the scope of existing projects (book) to revenue (bill), for continuing operations for a specified period of time (excluding the impact of backlog additions from acquisitions and reductions for divestitures). A book-to-bill ratio of above 1 implies that backlog additions were more than revenue for the specified time period, while a ratio below 1 implies that revenue exceeded backlog additions for the period. The following outlines the calculation of our book-to-bill ratio for the current year periods.

<i>\$millions, except book-to-bill ratio</i>	Three months ended	Year ended
	Dec. 31, 2017	Dec. 31, 2017
Ending backlog	1,721.4	1,721.4
Less: Opening backlog	(1,753.6)	(1,995.1)
Plus: Contract revenue	282.6	1,017.3
Net backlog additions	250.4	743.6
Divided by: Contract revenue	282.6	1,017.3
Book-to-bill ratio	0.89	0.73

Working Capital

Working capital is calculated as current assets less current liabilities. The calculation of working capital is provided in the table below:

<i>\$millions</i>	Dec. 31, 2017	Dec. 31, 2016 ⁽¹⁾
Current assets	339.1	289.7
Current liabilities	(306.0)	(252.3)
Working capital	33.1	37.4

Note: (1) Certain comparative results have been restated as a result of a change in our intersegment eliminations accounting policy. Please refer to the "Changes in Accounting Policies" section in this MD&A and Note 3 of our December 31, 2017 Audited Consolidated Annual Financial Statements for further information.

EBT, Adjusted EBITDA and Adjusted EBITDA Margin

We define EBT as earnings (loss) from continuing operations before income taxes.

For 2017, management has modified its definition of adjusted EBITDA to exclude equity-settled share-based compensation expense. Management uses adjusted EBITDA as a proxy for cash operating performance, and equity-settled share-based compensation is a non-cash expense reflected in our operating results under IFRS.

We define adjusted EBITDA as net earnings (loss) from continuing operations before finance costs, finance income, income taxes, capital asset depreciation and amortization, impairment charges, costs or recoveries relating to investing activities, restructuring costs, equity-settled share-based compensation expense and gains/losses on assets, liabilities and investment dispositions.

EBITDA and adjusted EBITDA are common financial measures used by investors, analysts and lenders as an indicator of cash operating performance, as well as a valuation metric and as a measure of a company's ability to incur and service debt. Our calculation of adjusted EBITDA excludes items that do not reflect our ongoing cash operations, including restructuring charges, equity-settled share-based compensation and charges related to investing decisions, and that we believe should not be reflected in a metric used for valuation and debt servicing evaluation purposes.

While EBITDA and adjusted EBITDA are common financial measures widely used by investors to facilitate an "enterprise level" valuation of an entity, they do not have a standardized definition prescribed by IFRS and therefore, other issuers may calculate EBITDA or adjusted EBITDA differently.

Adjusted EBITDA margin is the percentage derived from dividing adjusted EBITDA by contract revenue.

The following is a reconciliation of our net earnings to EBT, adjusted EBITDA and adjusted EBITDA margin for each of the periods presented in this MD&A.

Consolidated

<i>\$millions, except percentages</i>	2017 Quarter Ended:				2016 Quarter Ended ⁽¹⁾ :			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Net earnings (loss)	5.7	3.6	0.5	(0.2)	(1.7)	2.3	(3.5)	0.7
Add: Income tax expense (recovery)	1.9	1.5	0.4	(0.1)	(0.3)	1.0	(1.2)	0.8
EBT	7.6	5.1	0.9	(0.3)	(2.0)	3.3	(4.7)	1.5
Add: Depreciation and amortization	3.8	3.7	3.7	3.7	4.0	4.1	4.1	4.3
Impairment	nil	nil	nil	nil	nil	nil	0.2	nil
Finance costs	2.2	2.3	2.2	2.2	2.2	2.1	2.2	2.2
Finance income	nil	nil	nil	nil	nil	nil	nil	nil
Restructuring costs	(2.1)	0.6	0.3	nil	1.4	0.4	5.3	1.0
Equity-settled share-based compensation	0.1	0.1	0.2	0.1	0.2	0.1	0.1	0.1
Gain on asset disposal	(0.1)	(0.1)	(0.2)	nil	nil	nil	nil	nil
Adjusted EBITDA	11.5	11.7	7.1	5.7	5.8	10.0	7.2	9.1
Divided by contract revenue	282.6	268.1	246.4	220.1	219.1	221.9	227.1	245.5
Adjusted EBITDA margin	4.1%	4.4%	2.9%	2.6%	2.6%	4.5%	3.2%	3.7%

Note: (1) Certain comparative results have been restated as a result of a change in our intersegment eliminations accounting policy. Please refer to the "Changes in Accounting Policies" section in this MD&A and Note 3 of our December 31, 2017 Audited Consolidated Annual Financial Statements for further information.

<i>\$millions, except percentages</i>	Year ended December 31 ⁽¹⁾	
	2017	2016 ⁽¹⁾
Net earnings (loss)	9.6	(2.2)
Add: Income tax expense (recovery)	3.7	0.3
EBT	13.3	(1.9)
Add: Depreciation and amortization	14.8	16.6
Impairment	nil	0.2
Finance costs	8.9	8.6
Finance income	nil	nil
Restructuring costs	(1.2)	8.1
Equity-settled share-based compensation	0.5	0.5
Gain on asset disposal	(0.3)	nil
Adjusted EBITDA	36.0	32.1
Divided by contract revenue	1,017.3	913.5
Adjusted EBITDA margin	3.5%	3.5%

Note: (1) Certain comparative results have been restated as a result of a change in our intersegment eliminations accounting policy. Please refer to the "Changes in Accounting Policies" section in this MD&A and Note 3 of our December 31, 2017 Audited Consolidated Annual Financial Statements for further information.

Industrial Group

<i>\$millions, except percentages</i>	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
EBT	7.3	(0.7)	18.1	5.8
Add: Depreciation and amortization	1.2	1.5	4.5	5.9
Impairment	nil	nil	nil	nil
Finance costs	nil	nil	nil	nil
Finance income	nil	nil	nil	nil
Restructuring costs	0.3	0.4	0.9	2.3
Equity-settled share-based compensation	nil	nil	nil	nil
Gain on asset disposal	(0.1)	nil	(0.3)	nil
Adjusted EBITDA	8.7	1.2	23.2	14.0
Divided by contract revenue	100.8	61.4	335.2	296.4
Adjusted EBITDA margin	8.6%	2.0%	6.9%	4.7%

Buildings Group

<i>\$millions, except percentages</i>	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
EBT	8.6	4.0	21.8	11.2
Add: Depreciation and amortization	0.3	0.4	1.2	2.0
Impairment	nil	nil	nil	0.2
Finance costs	nil	nil	nil	nil
Finance income	nil	nil	nil	nil
Restructuring costs	(2.4)	0.4	(2.4)	3.9
Equity-settled share-based compensation	nil	nil	nil	nil
Gain on asset disposal	(0.1)	nil	(0.1)	nil
Adjusted EBITDA	6.4	4.8	20.5	17.3
Divided by contract revenue	135.6	124.9	540.8	439.2
Adjusted EBITDA margin	4.7%	3.8%	3.8%	3.9%

Commercial Systems Group

<i>\$millions, except percentages</i>	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
EBT	6.6	1.4	11.4	9.3
Add: Depreciation and amortization	0.3	0.3	1.4	1.4
Impairment	nil	nil	nil	nil
Finance costs	nil	nil	nil	nil
Finance income	nil	nil	nil	nil
Restructuring costs	nil	0.3	0.3	1.4
Equity-settled share-based compensation	nil	nil	nil	nil
Gain on asset disposal	nil	nil	nil	nil
Adjusted EBITDA	6.9	2.0	13.1	12.1
Divided by contract revenue	58.8	38.6	186.8	198.8
Adjusted EBITDA margin	11.7%	5.2%	7.0%	6.1%

Corporate Group

<i>\$millions, except percentages</i>	Three months ended December 31		Year ended December 31	
	2017	2016 ⁽¹⁾	2017	2016 ⁽¹⁾
EBT	(14.7)	(6.7)	(37.9)	(28.0)
Add: Depreciation and amortization	1.9	1.8	7.6	7.2
Impairment	nil	nil	nil	nil
Finance costs	2.2	2.1	8.9	8.6
Finance income	nil	nil	nil	nil
Restructuring costs	nil	0.3	nil	0.3
Equity-settled share-based compensation	0.1	0.2	0.4	0.5
Gain on asset disposal	nil	nil	nil	nil
Adjusted EBITDA	(10.5)	(2.3)	(21.0)	(11.4)

Note: (1) Corporate Group adjusted EBITDA for the three months and year ended December 31, 2016 is presented as calculated based on our current definition outlined above.

Adjusted Free Cash Flow and Dividend Payout Ratio

We define adjusted free cash flow as cash generated/used in operating activities, less cash expenditures on intangible and property/equipment assets (excluding business acquisitions), adjusted to exclude the impact of changes in non-cash working capital balances. Adjusted free cash flow per share is calculated as adjusted free cash flow divided by the basic weighted average number of shares outstanding for each period.

Management uses adjusted free cash flow as a measure of our operating performance, reflecting the amount of cash flow from operations that is available, after capital expenditures, to pay dividends, repay debt, repurchase shares or reinvest in the business. Adjusted free cash flow is particularly useful to management because it isolates both non-cash working capital invested during periods of growth and working capital converted to cash during seasonal declines in activity.

The following is a reconciliation of adjusted free cash flow and per share amounts for each of the periods presented in this MD&A, and the dividend payout ratio.

<i>\$millions, except per share data, number of shares and percentages</i>	Three months ended December 31		Year ended December 31	
	2017	2016 ⁽¹⁾	2017	2016 ⁽¹⁾
Net cash generated in operating activities	17.9	15.3	34.5	24.8
Less: Cash additions to intangible assets	(0.4)	(1.0)	(0.7)	(2.3)
Cash additions to property and equipment	(0.6)	(0.5)	(2.2)	(4.3)
Cash generated by changes in non-cash working capital balances	(6.5)	(13.0)	(7.7)	(18.4)
Adjusted free cash flow	10.4	0.8	23.9	(0.2)
Adjusted free cash flow per share	0.38	0.03	0.88	(0.01)
Basic shares outstanding	27,348,951	26,908,294	27,175,651	26,761,994

Note: (1) Certain comparative results have been restated as a result of a change in our intersegment eliminations accounting policy. Please refer to the "Changes in Accounting Policies" section in this MD&A and Note 3 of our December 31, 2017 Audited Consolidated Annual Financial Statements for further information.

We define dividend payout ratio as cash dividend payments divided by adjusted free cash flow generated in that period. Management uses the dividend payout ratio to monitor the proportion that our cash dividend payments represent of adjusted free cash flow. Our dividend payout ratio for fiscal 2017 is calculated as follows:

<i>\$millions, except percentages</i>	Year ended Dec. 31, 2017
Cash dividend payments	10.7
Divided by: Adjusted free cash flow	23.9
Dividend payout ratio	44.8%

Long-term Indebtedness

Long-term indebtedness is the gross value of our indebtedness. It is calculated as the principal value of long-term debt (current and non-current amounts before the deduction of deferred financing fees) and principal value at maturity of convertible debentures.

Indebtedness to Capitalization

Indebtedness to capitalization is a percentage metric we use to measure our financial leverage. It is calculated as long-term indebtedness divided by the sum of long-term indebtedness and total equity. Please refer to the “Liquidity” section of this MD&A for the calculation.

Net Long-Term Indebtedness to Adjusted EBITDA

Net long-term indebtedness to adjusted EBITDA is a ratio used by management to measure financial leverage. It is calculated as long-term indebtedness less cash and cash equivalents, and the result is divided by LTM adjusted EBITDA. Please refer to the “Liquidity” section of this MD&A for the calculation.

Interest Coverage

Interest coverage is a Revolver covenant calculated as LTM EBITDA, as defined by the Revolver agreement, divided by LTM interest expense. The Revolver agreement and related amendments, including its prescribed calculation of this covenant and the definition of EBITDA for covenant purposes, can be found under Stuart Olson’s SEDAR profile at www.sedar.com.

Debt to EBITDA

Debt to EBITDA is a Revolver covenant calculated as total debt, excluding convertible debentures, divided by LTM EBITDA, as defined by the Revolver agreement. The Revolver agreement and related amendments, including its prescribed calculation of this covenant and the definition of EBITDA for covenant purposes, can be found under Stuart Olson’s SEDAR profile at www.sedar.com.

Additional Borrowing Capacity and Available Liquidity

Available additional borrowing capacity is calculated as our LTM Revolver EBITDA, as defined by the Revolver agreement, multiplied by our maximum allowed total debt to EBITDA covenant ratio, less debt as defined by the Revolver agreement. Available liquidity is calculated as additional borrowing capacity plus cash on hand. The Revolver agreement and related amendments, including its prescribed calculation of this covenant and the definition of EBITDA for covenant purposes, can be found under Stuart Olson’s SEDAR profile at www.sedar.com.

Management uses additional borrowing capacity and available liquidity to assess our ability to fund operations, capital requirements and strategic initiatives, including investments in working capital, organic growth initiatives, capital expenditures and business acquisitions. Set out below is a reconciliation of the calculation of each metric:

	Year ended	
	December 31	
<i>\$millions, except covenant ratios</i>	2017	2016 ⁽¹⁾
LTM Revolver EBITDA	39.6	29.9
Total debt to EBITDA covenant	3.25x	3.00x
Total borrowing capacity	128.7	89.7
Less: Debt per Revolver agreement	(6.5)	(35.0)
Additional borrowing capacity on Revolver	122.1	54.7
Add: Cash on hand	31.7	31.5
Available liquidity	153.8	86.2

Note: (1) Certain comparative results have been restated as a result of a change in our intersegment eliminations accounting policy. Please refer to the “Changes in Accounting Policies” section in this MD&A and Note 3 of our December 31, 2017 Audited Consolidated Annual Financial Statements for further information.

FORWARD-LOOKING INFORMATION

Certain information contained in this MD&A may constitute forward-looking information. All statements, other than statements of historical fact, may be forward-looking information. This information relates to future events or our future performance and includes financial outlook or future-oriented financial information. Any financial outlook or future oriented financial information in the MD&A has been approved by management of Stuart Olson. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "see", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. No assurance can be given that the information will prove to be correct and such information should not be unduly relied upon by investors as actual results may vary significantly. This information speaks only as of the date of this MD&A and is expressly qualified, in its entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking information, pertaining to the following:

- Our capital expenditure program for 2018;
- Our objective to manage our capital resources so as to ensure that we have sufficient liquidity to pursue growth objectives, while maintaining a prudent amount of financial leverage;
- Our belief that we have sufficient capital resources and liquidity, and ability to generate ongoing cash flows to meet commitments, support operations, finance capital expenditures, support growth strategies and fund declared dividends;
- Our outlook on the business generally and by operating group, including, without limitation, those statements in the "Outlook" section relating to backlog execution, project mix and timing, earnings visibility, modestly higher revenue and meaningfully higher adjusted EBITDA in 2018 compared to 2017, stable overall adjusted EBITDA margins for 2018, meaningfully higher Industrial Group revenue, meaningfully higher Industrial Group adjusted EBITDA and stable adjusted EBITDA margin, modestly lower Buildings Group revenue, stable Buildings Group adjusted EBITDA and slightly higher adjusted EBITDA margin, meaningfully higher Commercial Systems Group revenue and significantly higher adjusted EBITDA in 2018, stable Commercial Systems Group adjusted EBITDA margin in 2018 as compared to 2017;
- Our ability to execute on our strategy;
- The Board's confidence in our ability to generate sufficient operating cash flows to support management's business plans, including its growth strategy, while providing a certain amount of income to shareholders;
- Our expectation that restructuring and cost cutting initiatives will deliver permanent expense reductions going forward;
- Our expectations as to future general economic conditions and the impact those conditions may have on the company and our businesses including, without limitation, the reaction of oil sands owners to the on-going low levels of oil prices; and
- Our projected use of cash resources.

With respect to forward-looking information listed above and contained in this MD&A, we have made assumptions regarding, among other things:

- The expected performance of the global and Canadian economies and the effects thereof on our businesses;
- The continuation of challenging market conditions in Alberta;
- An increased percentage of our Industrial Group revenue coming from lower-risk cost-reimbursable MRO projects;
- The ability of counterparties with whom we invest cash and equivalents to meet their obligations;
- The impact of competition on our businesses;
- The global demand for oil and natural gas, its impact on commodity prices and its related effect on capital investment projects in Western Canada; and
- Government policies.

Our actual results could differ materially from those anticipated in this forward-looking information as a result of the risk factors set forth below:

- Fluctuations in the price of oil, natural gas and other commodities;
- Unanticipated shutdowns of oil sands mining, extraction and upgrading facilities;
- Inadequate project execution;
- Unpredictable weather conditions;
- Erroneous or incorrect cost estimates;
- Unexpected adjustments and cancellations of projects;
- Subcontractor performance;
- Dependence on the public sector;
- Client concentration;
- Regional concentration;
- Failure of clients to obtain required permits and licenses;
- Competition and reputation;
- Loss of key management, and the inability to attract and retain management;
- Limitations of insurance;
- Adverse outcomes from current or pending disputes;
- Potential for non-payment and credit risk and ongoing availability of financing;
- Corporate guarantees and letters of credit;
- Availability of performance bonds;
- Volatility of market trading;
- Declaration and payment of dividends;
- Labour shortages;
- Changes in laws and regulations;
- Maintenance of safe worksites;
- Compliance with environmental laws;
- Failures of joint venture partners;
- Cyber security, or other interruptions to information technology systems;
- General global economic and business conditions including the effect, if any, of a slowdown in Canada;
- Weak capital and/or credit markets;
- Fluctuations in currency and interest rates;
- Timing of client's capital or maintenance projects;
- Action or non-action of customers, suppliers and/or partners; and

- Those other risk factors described in our most recent Annual Information Form.

The forward-looking information contained in this MD&A is provided as of the date hereof and we undertake no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.

Additional Information

Additional information regarding Stuart Olson, including our current Annual Information Form and other required securities filings, is available on our website at www.stuartolson.com and under Stuart Olson's SEDAR profile at www.sedar.com.