# TERVITA

***INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)***

***June 30, 2018***

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE PROFIT OR LOSS

*(unaudited)*

| *(millions of dollars)* | *Note* | Three months ended June 30, 2018 | Three months ended June 30, 2017 | Six Months Ended June 30, 2018 | Six Months Ended June 30, 2017 |
|---|---|---|---|---|---|
| **NET PROFIT (LOSS)** | | | | | |
| Revenue | 2, 6 | **540** | 607 | **930** | 1,286 |
| Operating expenses | | | | | |
| Direct expenses | | **(496)** | (564) | **(840)** | (1,189) |
| General and administrative expenses | | **(11)** | (12) | **(21)** | (31) |
| Depreciation and amortization | | **(15)** | (17) | **(32)** | (39) |
| Operating profit (loss) | | **18** | 14 | **37** | 27 |
| Impairment expense | | **-** | (1) | **-** | (1) |
| Finance costs | 7 | **(15)** | (12) | **(27)** | (25) |
| Other income (expense) | 8 | **(2)** | (14) | **(6)** | (16) |
| Profit (loss) before tax | | **1** | (13) | **4** | (15) |
| Income taxes recovery (expense) | | **(1)** | - | **(1)** | - |
| Deferred income taxes recovery (expense) | | **-** | - | **-** | - |
| Profit (loss) from continuing operations | | **-** | (13) | **3** | (15) |
| Profit (loss) from discontinued operations, net of tax | | **-** | 1 | **-** | 1 |
| **NET PROFIT (LOSS)** | | **-** | (12) | **3** | (14) |
| Items that are or may be subsequently reclassified to net profit (loss): | | | | | |
| Foreign operations - foreign currency translation differences | | **-** | (1) | **(1)** | (1) |
| Net gain (loss) on cash flow hedges | | **1** | 5 | **(5)** | 3 |
| **OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX** | | **1** | 4 | **(6)** | 2 |
| **TOTAL COMPREHENSIVE PROFIT (LOSS)** | | **1** | (8) | **(3)** | (12) |
| Basic and diluted net profit (loss) per share | | **-** | (0.11) | **0.03** | (0.13) |
| Weighted average shares outstanding - basic and diluted | | **104,625,779** | 104,625,779 | **104,625,779** | 104,625,779 |

*See accompanying notes*

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*(unaudited)*

| As at *(millions of dollars)* | *Note* | June 30, 2018 | December 31, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets | | | |
| Cash and cash equivalents | *12* | **117** | 124 |
| Resricted cash | *12, 15* | **339** | - |
| Trade and other receivables | *12* | **133** | 130 |
| Inventory | | **11** | 9 |
| Other current assets | | **5** | 4 |
| | | **605** | 267 |
| Property, plant and equipment | | **603** | 615 |
| Intangible assets | | **19** | 20 |
| Goodwill | | **324** | 324 |
| Derivative assets | *11, 12* | **6** | - |
| **TOTAL ASSETS** | | **1,557** | 1,226 |
| | | | |
| **LIABILITIES** | | | |
| Current liabilities | | | |
| Trade and other payables | *12* | **99** | 94 |
| Income taxes payable | | **14** | 14 |
| Interest payable | *12* | **6** | 4 |
| Liabilities held for sale | *5* | **5** | - |
| Current portion of decommissioning liabilities | | **6** | 6 |
| Current portion of capital leases | *10, 12* | **1** | - |
| Current portion of other provisions | *12* | **7** | 7 |
| Derivative liabilities | *11, 12, 15* | **7** | - |
| | | **145** | 125 |
| Long-term debt | *10, 12* | **463** | 437 |
| Escrow notes | *10, 12, 15* | **313** | - |
| Decommissioning liabilities | | **258** | 266 |
| Other provisions | *12* | **27** | 29 |
| Derivative liabilities | *12* | **14** | 31 |
| Other long-term liabilities | | **6** | 5 |
| **TOTAL LIABILITIES** | | **1,226** | 893 |
| | | | |
| **EQUITY** | | | |
| Share capital | | **837** | 837 |
| Share based compensation reserve | | **3** | 2 |
| Accumulated earnings (deficit) | | **(516)** | (519) |
| Accumulated other comprehensive profit (loss) | | **7** | 13 |
| **TOTAL EQUITY** | | **331** | 333 |
| **TOTAL LIABILITIES AND EQUITY** | | **1,557** | 1,226 |

*See accompanying notes*

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

*(unaudited)*

| *(millions of dollars)* | Note | Three Months Ended June 30, 2018 | Three Months Ended June 30, 2017 | Six Months Ended June 30, 2018 | Six Months Ended June 30, 2017 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Profit (loss) from continuing operations | | **-** | (13) | **3** | (15) |
| Adjustments for: | | | | | |
| Finance costs | *7* | **15** | 12 | **27** | 25 |
| Impairment expense | | **-** | 1 | **-** | 1 |
| Depreciation and amortization | | **15** | 17 | **32** | 39 |
| Income taxes (recovery) expense | | **1** | - | **1** | - |
| Cash interest paid | *10* | **(19)** | (19) | **(20)** | (19) |
| Cash settlement of provisions | | **(2)** | (4) | **(4)** | (5) |
| Unrealized foreign exchange (gain) loss | | **-** | - | **-** | 1 |
| Other | *9* | **-** | 12 | **-** | 12 |
| **Funds from (used in) operations** | | **10** | 6 | **39** | 39 |
| Changes in non-cash working capital: | | | | | |
| Trade and other receivables | *12* | **(8)** | 31 | **(3)** | 20 |
| Inventory | | **(2)** | - | **(2)** | - |
| Other current assets | | **(2)** | (2) | **(1)** | (1) |
| Trade and other payables | *12* | **11** | - | **-** | 3 |
| **Changes in total non-cash working capital** | | **(1)** | 29 | **(6)** | 22 |
| **Cash provided by (used in) operating activities** | | **9** | 35 | **33** | 61 |
| **Financing activities** | | | | | |
| Issuance of escrow notes | *10, 15* | **326** | - | **326** | - |
| Debt issue costs | *10, 15* | **(8)** | - | **(8)** | (1) |
| **Cash provided by (used in) financing activities** | | **318** | - | **318** | (1) |
| **Investing activities** | | | | | |
| Additions to property, plant and equipment | | **(15)** | (10) | **(29)** | (19) |
| Business acquisitions | | **-** | - | **(1)** | - |
| Investment income | | **1** | - | **1** | - |
| Proceeds from sale of property, plant and equipment | | **4** | 1 | **4** | 2 |
| **Cash provided by (used in) investing activities** | | **(10)** | (9) | **(25)** | (17) |
| Effect of exchange rate changes on cash and cash equivalents | | **6** | - | **6** | - |
| **Increase (decrease) in cash and cash equivalents from continuing operations** | | **323** | 26 | **332** | 43 |
| Cash provided by (used in) discontinued operations | | **-** | - | **-** | 1 |
| Cash and cash equivalents, beginning of period | | **133** | 107 | **124** | 89 |
| **CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD** | | **456** | 133 | **456** | 133 |
| | | | | | |
| Cash and cash equivalents, end of period | | **117** | 133 | **117** | 133 |
| Restricted cash, end of period | | **339** | - | **339** | - |
| **CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD** | | **456** | 133 | **456** | 133 |

*See accompanying notes*

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

*(unaudited)*

| *(millions of dollars)* | **Share capital** | **Share-based compensation reserve** | **Accumulated earnings (deficit)** | Foreign currency translation reserve | Cash flow hedge reserve | **Accumulated other comprehensive profit (loss)** | **Total equity** |
|---|---|---|---|---|---|---|---|
| **As at January 1, 2018** | **837** | **2** | **(519)** | 6 | 7 | **13** | **333** |
| Net profit (loss) | **-** | **-** | **3** | - | - | **-** | **3** |
| Effective portion of cash flow hedges | **-** | **-** | **-** | - | 16 | **16** | **16** |
| Reclassified to net profit (loss) | **-** | **-** | **-** | 1 | (21) | **(20)** | **(20)** |
| Foreign currency translation differences | **-** | **-** | **-** | (2) | - | **(2)** | **(2)** |
| Share-based compensation | **-** | **1** | **-** | - | - | **-** | **1** |
| **As at June 30, 2018** | **837** | **3** | **(516)** | 5 | 2 | **7** | **331** |
| | | | | | | | |
| **As at January 1, 2017** | 837 | - | (438) | 6 | 1 | 7 | 406 |
| Net profit (loss) | - | - | (14) | - | - | - | (14) |
| Effective portion of cash flow hedges | - | - | - | - | (13) | (13) | (13) |
| Reclassified to net profit (loss) | - | - | - | (1) | 16 | 15 | 15 |
| **As at June 30, 2017** | 837 | - | (452) | 5 | 4 | 9 | 394 |

*See accompanying notes*

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**For the Three and Six Months Ended June 30, 2018 and 2017**
*(unaudited)*

## 1. CORPORATE MANAGEMENT

Tervita Corporation is incorporated under the laws of Canada. Our head office is located at 1600, 140 – 10 Avenue S.E., Calgary, Alberta, Canada. In these Interim Condensed Consolidated Financial Statements (the "Financial Statements"), "we", "us", "our", "Tervita", and "Company" mean Tervita Corporation, its subsidiaries and joint arrangements.

Tervita's executive leadership is comprised of the following:

- President and Chief Executive Officer;
- Chief Financial Officer; and
- Chief Operating Officer.

Our executive leadership is responsible for strategic decision making, resource allocation, and assessing financial performance and, as a group, is identified as our Chief Operating Decision Maker ("CODM") for the purposes of reporting segment operations under International Financial Reporting Standards ("IFRS"). The CODM reviews the results of our operations and financial position on consolidated and operating segment levels. We manage our business through two operating segments: Energy Services and Industrial Services.

Costs included in general and administrative expenses on the Interim Condensed Consolidated Statements of Comprehensive Profit or Loss ("Statement of Profit or Loss") are considered shared services or corporate costs and are not allocated to the operating segments.

### ENERGY SERVICES

Energy Services provides many services to the oil and gas sector, including the treating, recovering and disposal of fluids and the processing and disposal of solid materials used in, and generated by, natural resource and industrial production, and the disposal of oilfield waste. In conjunction with the operation of its waste processing facilities, the segment also engages in energy marketing activities.

### INDUSTRIAL SERVICES

Industrial Services provides comprehensive environmental solutions, including site remediation, facility decommissioning, environmental construction and technologies, hazardous and non-hazardous waste management, emergency response, rail services, and recycling services to oil and gas and other industrial companies. Our recycling services include the purchase and processing of ferrous and non-ferrous metals recovered from demolition sites and other locations. Other offerings include waste transportation and classification.

## 2. BASIS OF PRESENTATION

These Financial Statements for the three and six months ended June 30, 2018 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The accounting policies have been consistently applied throughout all periods presented, except where noted.

These Financial Statements should be read in conjunction with the Company's Annual Consolidated Financial Statements as at and for the year ended December 31, 2017 ("Annual Financial Statements").

These Financial Statements provide comparative information in respect of the previous year and are presented rounded to the nearest million Canadian dollars ("C$"), unless otherwise stated. They are prepared on the historical cost basis, except for certain financial instruments and share-based compensation that are measured at fair value at the end of each reporting period, and certain assets listed as held for sale, which are revalued to fair value less costs of disposal as required under IFRS.

Unless otherwise noted, these Financial Statements were prepared using the same accounting policies, critical accounting judgments, and key estimates as used in the Annual Financial Statements.

Certain prior period comparative figures have been reclassified to conform to current year presentation.

These Financial Statements were approved by the Board of Directors on August 9, 2018.

## New and Amended Standards and Interpretations

The following new standards, interpretations and amendments to existing standards were issued by the IASB and were mandatory for accounting periods beginning on or after January 1, 2018.

*Revenue from contracts with customers*

### *Transition and Application*

The IASB issued IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15") in April 2016 to replace IAS 11 "Construction Contracts" ("IAS 11"), IAS 18 "Revenue" ("IAS 18"), and any related interpretations. Tervita adopted IFRS 15 using the cumulative effect method and practical expedients, with any impact of initial application recognized in accumulated earnings (deficit) on January 1, 2018 (the "date of initial application"). Accordingly, the comparative financial results for 2017 were not restated and have been presented as previously reported under IAS 18, IAS 11, and related interpretations.

The Company applied four practical expedients upon adoption of IFRS 15:

- Revenue was recognized for certain contracts when Tervita had the right to invoice, as the value provided to the customer under such contracts corresponded directly to the work billed to date;
- The transaction price allocated to remaining performance obligations and the timing of revenue recognition related to those unsatisfied performance obligations was not disclosed on contracts where Tervita recognized revenue using the right to invoice;
- Revenue was assessed for certain revenue streams on a portfolio basis, as the contracts in the portfolio had similar characteristics and performance obligations and Tervita has determined that the effects of applying this standard to the portfolio of contracts would not differ materially from applying it to the individual contracts; and
- Restatement of the comparative period has not occurred for contracts that began and ended within the same annual reporting period or were completed contracts at the beginning of the earliest period presented (January 1, 2017).

### *Changes to the Timing and Recognition of Revenue*

The Company's accounting policies in relation to revenue recognition were not substantially impacted by the transition to IFRS 15. However, there were changes to the timing or recognition of revenue for certain energy marketing pipeline activities and lump-sum fixed price contracts.

Tervita determined that certain energy marketing pipeline activities do not qualify under IFRS 15 to be presented as gross revenue, and are now recorded on a net basis against direct expenses. This change did not result in any impact to operating profit (loss) or net profit (loss), as it decreased revenue and direct expenses by the same amount.

Tervita generates project revenue through the provision of a variety of environmental and decommissioning services. Some of these projects have multiple performance obligations but have lump-sum fixed pricing arrangements, which require allocation of the purchase price among the performance obligations. The transition to IFRS 15 resulted in a change to the timing of revenue recognition on these types of contracts from IAS 18, which used the transfer of risks and rewards to determine the amount of revenue to be recognized. Under IFRS 15, revenue for these contracts is now recorded as control of performance obligations is transferred to the customer. The change in timing of revenue recognition may result in the recognition of contract assets and liabilities. However, as at June 30, 2018, there were no contract assets and liabilities identified.

### *Impact on the Financial Statements*

Application of IFRS 15 for contracts that were not complete at January 1, 2018 did not have a material impact on the amount of revenue recognized on these projects and there was no cumulative adjustment to accumulated earnings (deficit).

The following table summarizes the impact of adopting IFRS 15 on the Company's Statement of Profit or Loss for the three and six months ended June 30, 2018 for each of the line items affected.

| | Three months ended June 30, 2018 | | | Six months ended June 30, 2018 | | |
|---|---|---|---|---|---|---|
| | Amounts Without IFRS 15 Adoption | Adjustments | **June 30, 2018 Reported** | Amounts Without IFRS 15 Adoption | Adjustments | **June 30, 2018 Reported** |
| Revenue | 834 | (294) | **540** | 1,484 | (554) | **930** |
| Direct expenses | (790) | 294 | **(496)** | (1,394) | 554 | **(840)** |

There was no material impact to the Company's Interim Condensed Consolidated Statements of Financial Position ("Statement of Financial Position") as at June 30, 2018 and its Interim Condensed Consolidated Statements of Cash Flows ("Statement of Cash Flows") for the three and six months then ended.

*Financial instruments*

### *Transition and Application*

The IASB issued IFRS 9 "Financial Instruments" ("IFRS 9") to replace IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") and IFRIC 9 "Reassessment of Embedded Derivatives". Tervita adopted IFRS 9 using retrospective application on January 1, 2018, except for hedge accounting requirements, which were adopted prospectively.

Tervita elected to exercise a transition exemption whereby prior periods were not restated for all the classification and measurement requirements of IFRS 9 that were adopted and disclosed retrospectively. Instead, any differences resulting from the transition were recognized in accumulated earnings (deficit) at the date of initial application. Accordingly, the financial results for 2017 were not restated and were presented as previously reported under IAS 39.

Application of IFRS 9 did not have a material impact on the Financial Statements, and there was no cumulative adjustment to accumulated earnings (deficit).

### *Changes to the Classification and Measurement, Derecognition, Impairment and Hedge Accounting for Financial Instruments*

Classification of Tervita's financial liabilities were not impacted by the transition to IFRS 9. However, the standard eliminated several financial asset categories: available for sale, held to maturity, and loans and receivables. Furthermore, financial assets are assessed for classification under IFRS 9 based on the contractual cash flows associated with the asset and the business model under which the asset is managed. The only impact on classification for Tervita was in relation to financial assets measured at amortized cost. Financial assets measured at amortized cost are held within a business model whose objective is to hold financial assets to collect contractual cash flows and whose contractual terms give rise on specified dates to cash flows on the principal amount outstanding that are solely payments of principal and interest. Cash and cash equivalents and trade and other receivables were classified financial assets at amortized cost under IFRS 9, and were previously disclosed under IAS 39 as fair value through profit or loss ("FVTPL") and loans and receivables, respectively.

Under IFRS 9, write-offs of all or part of a financial asset are considered a derecognition event. IAS 39 only required financial assets to be derecognized when the contractual rights to the cash flows expire or substantially all the risks and rewards related to ownership are transferred to a third party. These requirements still apply under IFRS 9.

Impairment of financial assets changed from an incurred loss model under IAS 39 to an expected credit loss ("ECL") model under IFRS 9. ECLs are a probability-weighted estimate of credit losses over the expected life of the financial instrument. Credit losses are measured as the difference between the contractual cash flows due to the Company under a contract and the cash flows that Tervita expects to receive. Tervita uses reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments are initially recognized. The Company assessed receivables for indicators of a significant increase in credit risk since initial recognition and noted no changes to the assessment previously made.

Tervita elected to adopt the new general hedge accounting model in IFRS 9. This requires the Company to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. Requirements for hedge effectiveness include the existence of an economic relationship between the hedging instrument and hedged item, that the effect of credit risk does not dominate the value changes that result from that economic relationship, and that the hedge ratio is maintained. IFRS 9 also requires that the unrecoverable amount of cash flow reserves held at a loss is recognized in profit or loss at the time of discontinuation. This compares to the hedging requirements of IAS 39, which limited the hedging relationships to specific instruments, required a retrospective analysis of hedge effectiveness, and assessed hedge effectiveness using quantitative limits. These changes had no material impact on the accounting for hedging relationships at Tervita, but required additional disclosure of qualitative assessments.

The following table summarizes the impact on financial instruments from the transition to IFRS 9 at the date of initial application:

| | Classification Under | | Carrying Value Under | |
|---|---|---|---|---|
| | IAS 39 | IFRS 9 | IAS 39 | IFRS 9 |
| Cash and cash equivalents | FVTPL | Amortized cost | 124 | 124 |
| Trade and other receivables | Loans and receivables | Amortized cost | 130 | 130 |
| Trade and other payables | Other financial liabilities | Other financial liabilities | (94) | (94) |
| Interest payable | Other financial liabilities | Other financial liabilities | (4) | (4) |
| Long-term debt | Other financial liabilities | Other financial liabilities | (437) | (437) |
| Derivative liabilities | Designated hedge | Designated hedge | (31) | (31) |
| Contingent consideration | FVTPL | FVTPL | (9) | (9) |

**Cash and cash equivalents** – Financial assets which were previously classified at FVTPL are now classified under amortized cost and subject to impairment considerations. Impairment on cash and cash equivalents is measured at an amount equal to 12-month ECLs. The credit risk on these balances is presumed to be low since deposits are held with highly-rated financial institutions. At the date of initial application, there was no impairment of cash and cash equivalents.

**Trade and other receivables** – Financial assets which were previously classified as loans and receivables are now classified under amortized cost and continue to be subject to impairment considerations. Tervita has elected to assess all receivables for impairment under the simplified method, which requires only the consideration of the impact of lifetime ECLs, or the ECLs resulting from possible default events over the life of the financial instruments. ECLs are calculated based on historical credit loss experience and relevant future industry expectations and applied to the categories of the Company's provision matrix. At the date of initial application, there was no impairment of trade and other receivables as Tervita already used a provision matrix to assess the loss allowance (previously termed allowance for doubtful accounts), and the future information included in the model did not materially change management's assessment of impairment.

**Derivative liabilities** – Financial liabilities which continue to be classified as a designated hedge are measured at fair value. Hedging relationships previously designated under IAS 39 were assessed at the initial date of application and were determined to continue to meet the criteria for hedge accounting under IFRS 9. The hedge ratio at inception of the hedge was 1:1 and remained 1:1 at the date of initial application, and no rebalancing for transition to IFRS 9 was required.

### *Impact on the Financial Statements*

Application of IFRS 9 did not have a material impact on the Financial Statements, and there was no cumulative adjustment to accumulated earnings (deficit).

The following table summarizes the impact of IFRS 9 on the loss allowance at the date of initial application (January 1, 2018):

| | Cash and cash equivalents | Trade and other receivables | Total |
|---|---|---|---|
| Loss allowance at December 31, 2017 (IAS 39) | - | 1 | 1 |
| Impairment adjustments | - | - | - |
| Loss allowance at January 1, 2018 (IFRS 9) | - | 1 | 1 |

*Share-based payments*

The IASB issued amendments to IFRS 2 "Share-Based Payment" ("IFRS 2") in June 2016, which required prospective application effective for annual periods beginning on or after January 1, 2018. The amendments provide clarification on the classification and measurement of share-based-payment transactions: accounting for cash-settled payments which include vesting requirements, classifying transactions with net settlement features, and accounting for transactions modified from cash-settled to equity-settled. Tervita has assessed there is no impact on the measurement and classification of share-based payments, as none of the share-based payments issued by the Company were cash-settled.

## 3. SEASONALITY

Activity in the oilfield service industry is influenced by seasonal weather patterns. During the spring months, the spring thaw and, at other times of the year, wet weather can make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of trucks, rigs, and other heavy equipment, reducing the activity levels and placing an increased importance on the location of the equipment prior to the imposition of the road bans. If the spring weather or wet weather causes the ground to be unstable for longer than usual, operating results may be negatively impacted. As a result, the Company tends to earn lower revenue and operating profit in the second fiscal quarter.

## 4. OPERATING SEGMENTS

### FINANCIAL INFORMATION FOR OPERATING SEGMENTS

| | Three months ended June 30, 2018 | | | Three months ended June 30, 2017 | | |
|---|---|---|---|---|---|---|
| | Energy Services | Industrial Services | Total | Energy Services | Industrial Services | Total |
| External revenue | 482 | 58 | 540 | 559 | 48 | 607 |
| Inter-segment revenue | 1 | - | 1 | 2 | - | 2 |
| Segment revenue | 483 | 58 | 541 | 561 | 48 | 609 |
| Depreciation and amortization | (12) | (3) | (15) | (14) | (2) | (16) |
| Segment operating profit (loss) before tax | 23 | 6 | 29 | 21 | 6 | 27 |
| Impairment expense | - | - | - | (1) | - | (1) |
| Finance costs | (3) | - | (3) | (2) | - | (2) |
| Other income (expense) | 2 | (1) | 1 | (1) | (1) | (2) |
| Assets - as at June 30, 2018 and December 31, 2017 | 924 | 143 | 1,067 | 930 | 143 | 1,073 |
| Purchases of property, plant and equipment, intangible assets and business acquisitions | (13) | (1) | (14) | (9) | (1) | (10) |

| | Six months ended June 30, 2018 | | | Six months ended June 30, 2017 | | |
|---|---|---|---|---|---|---|
| | Energy Services | Industrial Services | Total | Energy Services | Industrial Services | Total |
| External revenue | 831 | 99 | 930 | 1,188 | 98 | 1,286 |
| Inter-segment revenue | 2 | - | 2 | 4 | - | 4 |
| Segment revenue | 833 | 99 | 932 | 1,192 | 98 | 1,290 |
| Depreciation and amortization | (26) | (5) | (31) | (33) | (4) | (37) |
| Segment operating profit (loss) before tax | 53 | 6 | 59 | 49 | 11 | 60 |
| Impairment expense | - | - | - | (1) | - | (1) |
| Finance costs | (5) | - | (5) | (4) | - | (4) |
| Other income (expense) | 3 | (2) | 1 | (1) | (1) | (2) |
| Assets - as at June 30, 2018 and December 31, 2017 | 924 | 143 | 1,067 | 930 | 143 | 1,073 |
| Purchases of property, plant and equipment, intangible assets and business acquisitions | (25) | (3) | (28) | (17) | (2) | (19) |

Tervita's revenues and direct expenses from Energy Services and Industrial Services were primarily derived in Canada.

## Reconciliation of Information on Operating Segments to IFRS Measures

| | Note | Three months ended June 30, 2018 | 2017 | Six months ended June 30, 2018 | 2017 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Total revenue for operating segments | 2, 6 | 541 | 609 | 932 | 1,290 |
| Elimination of inter-segment revenue | | (1) | (2) | (2) | (4) |
| Consolidated revenue | | 540 | 607 | 930 | 1,286 |
| **Profit (Loss) Before Tax** | | | | | |
| Total segment operating profit (loss) before tax | | 29 | 27 | 59 | 60 |
| Unallocated general and administrative | | (11) | (12) | (21) | (31) |
| Unallocated depreciation and amortization | | - | (1) | (1) | (2) |
| Operating profit (loss) | | 18 | 14 | 37 | 27 |
| Opearting segment impairment expense | | - | (1) | - | (1) |
| Operating segment finance costs | 7 | (3) | (2) | (5) | (4) |
| Unallocated finance costs | 7 | (12) | (10) | (22) | (21) |
| Operating segment other income (expense) | 8 | 1 | (2) | 1 | (2) |
| Unallocated other income (expense) | 8 | (3) | (12) | (7) | (14) |
| Profit (loss) before tax | | 1 | (13) | 4 | (15) |

| As at | June 30, 2018 | December 31, 2017 |
|---|---|---|
| **Total Assets** | | |
| Total assets for operating segments | 1,067 | 1,073 |
| Unallocated assets | 490 | 153 |
| Consolidated total assets | 1,557 | 1,226 |

| | Three months ended June 30, 2018 | 2017 | Six months ended June 30, 2018 | 2017 |
|---|---|---|---|---|
| **Total Purchases of Property, Plant and Equipment, Intangibles and Business Acquisitions** | | | | |
| Total operating segment purchases | 14 | 10 | 27 | 19 |
| Total corporate purchases | 1 | - | 2 | - |
| Total business acquisitions | - | - | 1 | - |
| **Consolidated Purchases of Property, Plant and Equipment, Intangibles and Business Acquisitions** | 15 | 10 | 30 | 19 |

# 5. HELD FOR SALE

| As at | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Decommissioning liabilities | 5 | - |
| Total liabilities held for sale | 5 | - |

# 6. REVENUE

## Accounting Policies, Judgments and Estimates

*Accounting policies*

Revenue is measured at the fair value of the consideration received or receivable.

Payment terms are generally 30 days from invoice date, however, these terms may vary based on business unit, customer, and contract requirements. Customer creditworthiness is assessed prior to contract signing and throughout the contract period.

### *Revenue from the Sale of Inventory*

Revenue from the sale of inventory (commodity-based sales) is recognized on individual contractual terms when indicators of the transfer of control exist, including but not limited to the following: the significant risks and rewards of ownership are transferred to the buyer, Tervita has a present right to payment for the inventory, the customer has legal title to the inventory, Tervita has transferred physical possession of the inventory, and the customer has accepted the inventory. These conditions are generally satisfied when the goods are provided to the customer based on the shipping terms of the contract, as this has historically been the point at which both the customer and Tervita agree a transfer of control has occurred. Revenue earned from the sale of goods includes the marketing of crude oil and the sale of scrap metal.

### *Service Revenue Recognized at a Point in Time*

Recognition of revenue from the rendering services performed (facility-based services) occurs based on individual contractual terms when indicators of the transfer of control exist including, but not limited to, the following: the significant risks and rewards of the services provided are transferred to the buyer, Tervita has a present right to payment for the service, and the customer has accepted the services performed. These conditions are generally satisfied when the services are completed in accordance with the contract specifications. Revenue earned from the rendering of services includes the treating, recovering and disposal of fluids and the processing, recovery and disposal of solid materials used in, and generated by, natural resource and industrial production, the disposal of oilfield waste, hazardous and non-hazardous waste management, and rail services.

### *Service Revenue Recognized Over Time*

Recognition of revenue for services performed over time (project-based services) occurs when Tervita has a right to invoice, or the value provided to the customer corresponds directly to the services billed to date in accordance with the service contract, as this most closely represents the actual value provided to the customer at the time of invoicing. The transaction price typically results from fixed-fee arrangements over multiple performance obligations, each of which are allocated on a stand-alone basis. Service revenue is earned from a variety of sources, including the provision of environmental solutions for waste management, environmental remediation, and facility decommissioning and demolition.

For customer contracts involving multiple deliverables over several reporting periods, management allocates the performance obligations to the transaction price and recognizes revenue as the control of performance obligations is transferred to the customer, or Tervita has the right to invoice. The transaction price typically results from lump-sum fixed-fee arrangements over multiple performance obligations, each of which are valued on a stand-alone basis, and allocated to the total transaction price based on the stand-alone values. Criteria used to assess the performance obligations for such contracts include, but are not limited to, the number of hours worked, volume of materials handled, and project milestones achieved.

Occasionally, such contracts include an option for a customer to purchase future goods or services. Management assesses these contracts to determine if a material right exists over this option, or if the customer would not receive such a discount or other right if not for the contract. If material rights are deemed to exist, they are assessed as part of the contract's performance obligations at contract inception and an assessment of the probability of exercise is assessed by management. If the optional future goods and services are deemed likely to occur, a value is assigned to the performance obligation and the related revenue is deferred until the optional work is completed or the option expires.

Often, service contracts also include mobilization costs, or costs to fulfil the contract. Such costs are recognized as a contract asset if all the following criteria are achieved: costs relate directly to the contract and can be specifically identified, costs generate or enhance resources of Tervita that will be used in satisfying performance obligations into the future, and the costs are expected to be recovered. Contract assets are amortized on a straight-line basis over the life of the contract.

*Significant judgments*

Revenue is assessed for certain revenue streams on a portfolio basis, as the contracts in the portfolio have similar characteristics and performance obligations, and Tervita does not expect that the effects of applying IFRS 15 to the portfolio of contracts would differ materially from applying it to the individual contracts. Judgment is required in the assessment of contract characteristics and performance obligations to determine if application of IFRS 15 on a portfolio basis appropriately presents the nature and timing of those contracts on an individual basis.

Timing of the satisfaction of the performance obligations associated with revenue recognition involves an understanding of the nature of the performance obligations and contracts.

Judgment is required in determining the methods used to recognize revenue for the transfer of inventory and rendering of services. Transfer of inventory generally occurs when control of the inventory transfers to the buyer, and the Company must assess whether the indicators of a transfer of control are satisfied. Rendering of services generally occurs when Tervita has a right to invoice, and the Company must determine the appropriate criteria to use to assess achievement of performance obligations and how performance obligations are to be allocated to the contract purchase price under fixed-pricing arrangements.

Determination of the transaction price and allocation of it to each performance obligation involves an understanding of the fair value of goods and services provided. Judgment is required in determining the stand-alone selling prices for contracts under which the transaction price is a lump-sum fixed-fee arrangement.

*Sources of estimation uncertainty*

Tervita records revenues for certain services based on an estimate of the completion of the performance obligations for those services. The achievement of performance obligations and the total anticipated activity are subject to significant estimates by management.

## SUPPORTING INFORMATION

### *Disaggregation of Revenue*

The reconciliation of disaggregated revenue with the Company's reportable segments was as follows:

| | | Three months ended June 30, 2018 | | | | Three months ended June 30, 2017 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Energy Services | Industrial Services | Intersegment Eliminations | Total | Energy Services | Industrial Services | Intersegment Eliminations | Total |
| Commodity-based sales | 2 | 416 | 13 | - | 429 | 493 | 12 | - | 505 |
| Facility-based services | | 67 | 8 | (1) | 74 | 68 | 10 | (2) | 76 |
| Project-based services | | - | 37 | - | 37 | - | 26 | - | 26 |
| Disaggregated revenue | | 483 | 58 | (1) | 540 | 561 | 48 | (2) | 607 |

| | | Six months ended June 30, 2018 | | | | Six months ended June 30, 2017 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Energy Services | Industrial Services | Intersegment Eliminations | Total | Energy Services | Industrial Services | Intersegment Eliminations | Total |
| Commodity-based sales | 2 | 690 | 23 | - | 713 | 1,047 | 23 | - | 1,070 |
| Facility-based services | | 143 | 15 | (2) | 156 | 145 | 19 | (4) | 160 |
| Project-based services | | - | 61 | - | 61 | - | 56 | - | 56 |
| Disaggregated revenue | | 833 | 99 | (2) | 930 | 1,192 | 98 | (4) | 1,286 |

# 7. FINANCE COSTS

| | | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | Note | 2018 | 2017 | 2018 | 2017 |
| Interest expense | 15 | 12 | 10 | 22 | 21 |
| Amortization of debt issue costs | | 1 | 1 | 2 | 2 |
| Accretion of decommissioning liabilities | | 2 | 1 | 3 | 2 |
| Finance costs | | 15 | 12 | 27 | 25 |

# 8. OTHER INCOME (EXPENSE)

| | | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | Note | 2018 | 2017 | 2018 | 2017 |
| Gain (loss) on sale of assets | 9 | 1 | (1) | 2 | (1) |
| Share-based compensation | 9 | (1) | - | (2) | - |
| Arrangement costs | 15 | (2) | - | (5) | - |
| Gain (loss) on provisions | 9 | - | (13) | (1) | (14) |
| Unrealized foreign exchange gain (loss) | | - | - | - | (1) |
| Total other income (expense) | | (2) | (14) | (6) | (16) |

## 9. SUPPLEMENTAL CASH FLOW

| | Note | Three months ended June 30, 2018 | 2017 | Six months ended June 30, 2018 | 2017 |
|---|---|---|---|---|---|
| (Gain) loss on sale of assets | 8 | (1) | 1 | (2) | 1 |
| Share-based compensation | 8 | 1 | - | 2 | - |
| Non-cash change in provisions | | - | 11 | - | 11 |
| Total other cash adjustments | | - | 12 | - | 12 |

## 10. LONG-TERM DEBT

On June 1, 2018, Tervita closed an offering through a wholly-owned subsidiary (the "Escrow Corporation") of US$250 million aggregate principal amount of 7.625% senior secured notes due 2021 (the "Escrow Notes") plus an additional US$1 million associated bond premium, proceeds from which were classified as restricted cash. See Note 15 for further details.

| As at | Note | Principal | Maturity | June 30, 2018 | December 31, 2017 |
|---|---|---|---|---|---|
| Senior secured notes | | US$360 | Dec 2021 | 475 | 452 |
| Escrow Notes | 15 | US$250 | Dec 2021 | 329 | - |
| Unsecured debt - capital leases | | | | 2 | - |
| Long-term debt | | | | 806 | 452 |
| Bond premium on Escrow Notes | 15 | | | 2 | - |
| Unamortized debt costs | 15 | | | (31) | (15) |
| Total long-term debt | | | | 777 | 437 |
| Less: current portion | | | | (1) | - |
| Long-term portion | | | | 776 | 437 |

### DEBT COVENANTS

Under the terms of the $200 million revolving credit facility due December 2019, Tervita must comply with certain financial and non-financial covenants, as defined by its lenders. The terms of the revolving credit facility were amended in 2018 to exclude the Escrow Notes from the calculation of financial covenants. As at June 30, 2018, Tervita complied with all covenants.

### OUTSTANDING LETTERS OF CREDIT

Outstanding letters of credit at June 30, 2018 totalled $64 million (December 31, 2017 – $73 million). The outstanding letters of credit reduce the borrowing available under the revolving credit facility.

### DEBT COSTS

| As at | Note | June 30, 2018 | December 31, 2017 |
|---|---|---|---|
| Balance, beginning of period | | (15) | (18) |
| Costs associated with new debt | 15 | (18) | (1) |
| Amortization of debt issue costs | | 2 | 4 |
| Balance, end of period | | (31) | (15) |

## 11. DERIVATIVES

In May 2018, Tervita entered into swap agreements (the "swaps") and forward contract swap agreements ("forward swaps") as follows:

| Swap agreement | Inception Date | Maturity Date | Principal | Fixed Foreign Exchange rate |
|---|---|---|---|---|
| Swaps | May 2018 | Aug 2018 | 321.6 | 0.7775 |
| Forward swaps | May 2018 | Dec 2019 | 320.1 | 0.7809 |

The swaps provide a fixed USD to CAD conversion rate on cash of US$250 million, exercisable any time between inception date and August 31, 2018. For the three and six months ended June 30, 2018, an unrealized loss of $7 million associated with changes to the fair value of the swaps was included in other income (expense). On July 19, 2018 the swaps were settled in conjunction with the close of the transaction with Newalta Corporation ("Newalta"). See Note 15 for further details.

The forward swaps mitigate the foreign exchange risk on the principal amount of the Escrow Notes. For the three and six months ended June 30, 2018, an unrealized gain of $6 million associated with changes to the fair value of the forward swaps was included in other income (expense).

## 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### FAIR VALUE OF FINANCIAL INSTRUMENTS

#### *As at June 30, 2018*

| | *Note* | Classification | Level | Carrying Value | Estimated Fair Value |
|---|---|---|---|---|---|
| Cash and cash equivalents | | Amortized cost | - | **117** | **117** |
| Restricted cash | *15* | Amortized cost | - | **339** | **339** |
| Trade and other receivables | | Amortized cost | - | **133** | **133** |
| Derivative assets | *11* | FVTPL | 2 | **6** | **6** |
| Trade and other payables | | Other financial liabilities | - | **(99)** | **(99)** |
| Interest payable | | Other financial liabilities | - | **(6)** | **(6)** |
| Long-term debt | *10* | Other financial liabilities | - | **(464)** | **(486)** |
| Escrow Notes | *11, 15* | Other financial liabilities | - | **(313)** | **(336)** |
| Derivative liabilities | | Designated hedge | 2 | **(14)** | **(14)** |
| Derivative liabilities | *11, 15* | FVTPL | 2 | **(7)** | **(7)** |
| Contingent consideration | | FVTPL | 2 | **(9)** | **(9)** |

#### *As at December 31, 2017*

| | *Note* | Classification | Level | Carrying Value | Estimated Fair Value |
|---|---|---|---|---|---|
| Cash and cash equivalents | | FVTPL | - | 124 | 124 |
| Trade and other receivables | | Loans and receivables | - | 130 | 130 |
| Trade and other payables | | Other financial liabilities | - | (94) | (94) |
| Interest payable | | Other financial liabilities | - | (4) | (2) |
| Long-term debt | *10* | Other financial liabilities | - | (437) | (454) |
| Derivative liabilities | | Designated hedge | 2 | (31) | (31) |
| Contingent consideration | | FVTPL | 2 | (9) | (9) |

There were no transfers between levels of the fair value hierarchy in either 2018 or 2017.

### RISK MANAGEMENT

#### *Counterparty Credit Risk*

The Company deems that the credit risk of a financial instrument has increased significantly since initial recognition if it is more than 30 days past due. Tervita considers a financial asset to be in default when the financial asset is more than 90 days past due or there have been indications from the borrower that payment is unlikely. Financial assets are grouped together based on credit status and aging when assessed for ECLs.

Tervita performs regular reviews of accounts that are past due and adjusts the credit-impaired status of related financial assets according to these reviews. Evidence of a financial asset that is credit-impaired may include evidence or indications of financial difficulty of the counterparty, failure to make scheduled payments, the probability that the counterparty will enter bankruptcy or a similar arrangement, or general economic conditions that correlate with increased risk of defaults. Any accounts deemed uncollectible are expensed.

## 13. COMMITMENTS

| | Note | 2018 | 2019-20 | 2021-22 | Thereafter | Total |
|---|---|---|---|---|---|---|
| Long-term debt | | - | - | 475 | - | 475 |
| Escrow Notes | *15* | 329 | - | - | - | 329 |
| Interest | | 19 | 75 | 37 | - | 131 |
| Interest and redemption fee on Escrow Notes | *15* | 10 | - | - | - | 10 |
| Office and facility leases | | 6 | 25 | 25 | 76 | 132 |
| Operating leases | | 1 | 1 | - | - | 2 |
| Pipeline transportation commitment | | 10 | 25 | - | - | 35 |
| Decommissioning liabilities | | 6 | 34 | 14 | 457 | 511 |
| Contingent consideration | | - | 3 | 3 | 12 | 18 |
| Derivative liabilities | *11, 15* | 7 | - | 14 | - | 21 |
| Total commitments | | 388 | 163 | 568 | 545 | 1,664 |

### ESCROW NOTES

The Escrow Notes include the current and long-term portions of the principal, but exclude foreign currency revaluation, the effect of the forward swaps, premium on debt issuance, and unamortized debt costs.

### INTEREST AND REDEMPTION FEE ON ESCROW NOTES

The debt agreement for the Escrow Notes includes a provision for the Company to be responsible for interest up to and including September 30, 2018, or the escrow deadline date. The debt agreement also includes a special mandatory redemption price of 100.5% of the issue price of the Escrow Notes if the transaction with Newalta (Note 15) does not occur before the escrow deadline date. This amounted to an additional commitment of 0.5% of the issue price, or US$1 million.

## 14. RELATED PARTY TRANSACTIONS

Positions held in the Escrow Notes by certain equity owners and members of the Board of Directors were US$15 million. During 2018, certain equity owners earned $4 million in income related to fees for issuance of the Escrow Notes and US$1 million in interest income (6 months ended June 30, 2017 – US$1 million) related to their proportionate holdings in the senior secured notes and Escrow Notes.

## 15. NEWALTA TRANSACTION

### ARRANGEMENT OVERVIEW

On July 19, 2018 (the "acquisition date"), Tervita and Newalta completed the Plan of Arrangement (the "Arrangement"), under which Tervita acquired 100% of Newalta's issued and outstanding common shares, culminating in the amalgamation of the two companies into one publicly-traded company, Tervita Corporation.

Newalta is a full service environmental waste management company, focused primarily on adapting technologies to maximize the value inherent in oil and gas exploration and production waste streams through the processing, recovering and recycling of resources with operations based in Canada and the United States.

The completion of the Arrangement creates a leading energy-focused environmental solutions provider in Canada providing waste processing, treating, recycling and disposal services to customers in the oil and gas, mining and industrial sectors. Anticipated benefits of the Arrangement, and the justification for any goodwill recognized on the transaction, include: an extensive infrastructure footprint, scale of operations and strong asset base; significantly improved operating results which provide flexibility to fund expansion and growth opportunities; considerable opportunity to realize cost savings and operational efficiencies; an attractive portfolio of growth opportunities; strong customer relationships and a diverse customer base; significant market presence; experienced and dedicated employees; and an experienced, results-driven management team.

Under the terms of the Arrangement, each former shareholder of Newalta received 0.1467 of one common share of Tervita Corporation for each Newalta common share held and 0.03066 of one common share purchase warrant ("Warrant"), exercisable for one Tervita common share at an exercise price of $18.75 per share with an expiration date of July 19, 2020. Prior to the close of the Arrangement, Tervita shareholders exchanged their common and preferred shares for an equivalent amount of new common shares of Tervita. Immediately after close of the Arrangement, Tervita Corporation had 117,557,112 common shares and 2,702,649 Warrants issued and outstanding.

On the acquisition date, pursuant to the Arrangement, the Escrow Corporation was wound-up into Tervita and the Escrow Notes were automatically exchanged for the same principal value of additional notes issued by Tervita Corporation under the indenture governing Tervita's existing 7.625% senior secured notes due 2021. The Escrow Notes were deemed cancelled.

Although the waiting period under the Competition Act (Canada) expired prior to the transaction close, the Commissioner of Competition had not issued a clearance in the form of an advance ruling certificate or no-action letter, in respect of the Arrangement. The Competition Act (Canada) permits the Commissioner of Competition to make application to the Competition Tribunal in respect of a transaction for a period of one year after its implementation.

### Restricted Cash

In accordance with the Arrangement, proceeds from the issuance of the Escrow Notes of US$251 million (face value of the Escrow Notes plus a US$1 million premium) were held as restricted cash in the Escrow Corporation at June 30, 2018. Tervita also transferred an additional US$6 million to the Escrow Corporation on May 31, 2018, which was held at June 30, 2018 to fund expected interest costs associated with the Escrow Notes on close of the Arrangement.

### Purchase Price Allocation

The purchase price accounting for this acquisition has not been finalized. Tervita has determined the preliminary purchase consideration for the Arrangement to be $489 million, comprised of the following:

| | Consideration Transferred |
|---|---|
| Common shares | 110 |
| Warrants | 1 |
| Cash | 378 |
| Purchase consideration | 489 |

Common shares issued represents the valuation of the exchange of 88,148,148 Newalta shares for 12,931,333 Tervita shares at the Newalta volume weighted average trading price of the Newalta common shares on the TSX for the five trading days prior to the acquisition date ($1.24/share).

Warrants issued represents the valuation of 2,702,649 warrants issued to Newalta shareholders using a Black-Scholes valuation model.

Cash transferred includes the proceeds received from the US$250 million Escrow Notes and additional cash transferred from Tervita to Newalta to defease the senior unsecured debentures and settle the senior secured debt on July 19, 2018, as well as settle any related interest and early repayment fees.

There was no contingent consideration under the terms of the Arrangement.

The following presents a preliminary purchase price allocation:

| | Provisional Values |
|---|---|
| **Assets** | |
| Trade and other receivables | 42 |
| Inventory | 6 |
| Other current assets | 4 |
| Property, plant and equipment | 612 |
| Intangible assets | 4 |
| Other long-term assets | 4 |
| **Liabilities** | |
| Trade and other payables | (54) |
| Other liabilities | (9) |
| Provisions | (125) |
| **Total identifiable net assets** | 484 |
| Goodwill | 5 |
| Purchase consideration | 489 |

Provisional values are based on Newalta's unaudited Condensed Consolidated Balance Sheets as at June 30, 2018 and assume that carrying value approximates fair value. Values were adjusted for transactions associated with the Arrangement. Tervita expects there will be fluctuations from these provisional values, as well as the inclusion of additional items in the finalized purchase price allocation. Items for which Tervita was unable to determine a provisional value at August 9, 2018 included, but were not limited to, additional intangible assets, indemnification assets (liabilities), deferred tax assets (liabilities), contingencies, lease assets (liabilities), and employee benefit obligations.

Trade and other receivables consists of trade receivables and accrued revenues. Provisional values approximate fair values and gross contractual amounts receivable. At August 9, 2018, the Company was unable to estimate the contractual cash flows not expected to be collected, as the accounting for transactions from July 1 to 18, 2018 was incomplete.

None of the goodwill recognized is expected to be deductible for tax purposes.

## ACQUISITION-RELATED COSTS

During the six months ended June 30, 2018, costs incurred by Tervita to complete the Arrangement were as follows:

- Included in unamortized debt costs was $18 million of fees related to the issuance of the Escrow Notes. Of these issue costs, $11 million were also included in trade and other payables;
- Finance costs included interest expense of $2 million related to the Escrow Notes; and
- Other income (expense) included $5 million of costs incurred by Tervita for the completion of the Arrangement.

Upon completion of the Arrangement on July 19, 2018, Tervita incurred a further $6 million of transaction fees.

## PRO FORMA STATEMENT OF PROFIT (LOSS)

The following presents an unaudited pro forma statement of comprehensive profit or loss for the six months ended June 30, 2018 as if the Arrangement had been completed at January 1, 2018:

| | Tervita Historical | Newalta Historical | Pro Forma Adjustments | Pro Forma Consolidated |
|---|---|---|---|---|
| Revenue | 930 | 120 | - | 1,050 |
| Operating expenses | | | | |
| Direct operating expenses | (840) | (84) | - | (924) |
| General and administrative | (21) | (13) | - | (34) |
| Depreciation and amortization | (32) | (30) | - | (62) |
| Operating profit (loss) | 37 | (7) | - | 30 |
| Finance costs | (27) | (15) | 1 | (41) |
| Other income (expense) | (6) | (5) | 9 | (2) |
| Profit (loss) before tax | 4 | (27) | 10 | (13) |

The adjustment to finance costs represents the difference between the finance costs related to the Escrow Notes and the finance costs related to the Newalta secured and unsecured debt settled through the Arrangement.

Other income (expense) is adjusted for the elimination of expenses related to the Arrangement incurred by Tervita and Newalta.