



# **TERVITA**

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

***September 30, 2017***

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE PROFIT OR LOSS

<i>(millions of dollars) (unaudited)</i>	<i>Note</i>	Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
<b>NET PROFIT (LOSS)</b>					
Revenue		437	512	1,723	1,463
Operating expenses					
Direct expenses		(384)	(471)	(1,570)	(1,350)
General and administrative expenses		(11)	(17)	(45)	(54)
Depreciation and amortization		(22)	(34)	(61)	(90)
Operating profit (loss)		20	(10)	47	(31)
Impairment expense		(1)	(73)	(2)	(202)
Finance costs	5	(13)	(101)	(38)	(239)
Other income (expense)	6	(8)	(35)	(24)	76
Gain (loss) on debt restructuring		-	(8)	-	(16)
Profit (loss) before tax		(2)	(227)	(17)	(412)
Income taxes recovery (expense)		-	-	-	8
Profit (loss) from continuing operations		(2)	(227)	(17)	(404)
Profit (loss) from discontinued operations, net of tax		-	(20)	1	(21)
<b>NET PROFIT (LOSS)</b>		<b>(2)</b>	<b>(247)</b>	<b>(16)</b>	<b>(425)</b>
Profit (loss) attributable to parent		(2)	(247)	(16)	(425)
<b>NET PROFIT (LOSS)</b>		<b>(2)</b>	<b>(247)</b>	<b>(16)</b>	<b>(425)</b>
Items that are or may be subsequently reclassified to net profit (loss):					
Foreign operations - foreign currency translation differences		1	(5)	-	(4)
Net gain (loss) on cash flow hedges		4	-	7	-
<b>OTHER COMPREHENSIVE PROFIT (LOSS), NET OF TAX</b>		<b>5</b>	<b>(5)</b>	<b>7</b>	<b>(4)</b>
<b>TOTAL COMPREHENSIVE PROFIT (LOSS)</b>		<b>3</b>	<b>(252)</b>	<b>(9)</b>	<b>(429)</b>

See accompanying notes

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at

<i>(millions of dollars) (unaudited)</i>	<b>Note</b>	September 30, <b>2017</b>	December 31, 2016
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		129	89
Trade and other receivables		133	129
Assets held for sale		3	6
Other current assets		15	11
		<b>280</b>	235
Property, plant and equipment		593	626
Intangible assets		8	8
Goodwill		376	376
<b>TOTAL ASSETS</b>		<b>1,257</b>	1,245
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables		77	57
Income taxes payable		13	13
Interest payable		12	2
Liabilities held for sale		-	5
Current portion of decommissioning liabilities		3	4
Current portion of provisions		10	12
		<b>115</b>	93
Long-term debt	7	434	466
Decommissioning liabilities		241	246
Provisions		29	21
Derivative liabilities		34	6
Other long-term liabilities		6	7
<b>TOTAL LIABILITIES</b>		<b>859</b>	839
<b>EQUITY</b>			
Share capital		837	837
Share based compensation reserve		1	-
Accumulated earnings (deficit)		(454)	(438)
Accumulated other comprehensive profit (loss)		14	7
<b>TOTAL EQUITY</b>		<b>398</b>	406
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,257</b>	1,245

See accompanying notes

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(millions of dollars) (unaudited)</i>	<i>Note</i>	Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
<b>Operating activities</b>					
Profit (loss) from continuing operations		(2)	(227)	(17)	(404)
Adjustments for:					
Finance costs	5	13	101	38	239
Impairment expense		1	73	2	202
Depreciation and amortization		22	34	61	90
Income taxes (recovery) expense		-	-	-	(8)
Share-based compensation		2	-	2	-
Cash settlement of provisions		(3)	(4)	(8)	(7)
Unrealized foreign exchange (gain) loss	6	1	34	2	225
Realized foreign exchange (gain) loss on debt and derivatives	6	-	-	-	(287)
Realized foreign exchange (gain) loss - other	6	1	-	1	(3)
Other		1	(3)	13	(13)
Changes in:					
Trade and other receivables		(25)	(25)	(5)	19
Other current assets		(2)	-	(3)	2
Trade and other payables		4	(4)	7	(6)
<b>Cash provided by (used in) operating activities</b>		<b>13</b>	<b>(21)</b>	<b>93</b>	<b>49</b>
<b>Financing activities</b>					
Proceeds on settlement of debt-related derivatives		-	-	-	304
Repayment of long-term debt		-	-	-	(73)
Debt issue costs		-	-	(1)	-
Interest paid		(1)	(2)	(20)	(119)
Employee Trust unit redemptions		-	-	-	(1)
<b>Cash provided by (used in) financing activities</b>		<b>(1)</b>	<b>(2)</b>	<b>(21)</b>	<b>111</b>
<b>Investing activities</b>					
Additions to property, plant and equipment and intangible assets		(17)	(15)	(36)	(37)
Proceeds from sale of property, plant and equipment		1	-	3	12
<b>Cash provided by (used in) investing activities</b>		<b>(16)</b>	<b>(15)</b>	<b>(33)</b>	<b>(25)</b>
Effect of exchange rate changes on cash and cash equivalents		-	3	-	(17)
<b>Increase (decrease) in cash and cash equivalents from continuing operations</b>		<b>(4)</b>	<b>(35)</b>	<b>39</b>	<b>118</b>
Cash provided by (used in) discontinued operations		-	45	1	48
Cash and cash equivalents, beginning of period		133	345	89	189
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>		<b>129</b>	<b>355</b>	<b>129</b>	<b>355</b>

See accompanying notes

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

<i>(millions of dollars) (unaudited)</i>	Share capital	Share-based compensation reserve	Accumulated earnings (deficit)	Foreign currency translation reserve	Cash flow hedge reserve	Accumulated other comprehensive profit (loss)	Non- controlling interest	Total equity
<b>As at January 1, 2017</b>	837	-	(438)	6	1	7	-	406
Net profit (loss)	-	-	(16)	-	-	-	-	(16)
Effective portion of cash flow hedges	-	-	-	-	(28)	(28)	-	(28)
Reclassified to net profit (loss)	-	-	-	(1)	35	34	-	34
Foreign currency translation differences	-	-	-	1	-	1	-	1
Share-based compensation	-	1	-	-	-	-	-	1
<b>As at September 30, 2017</b>	<b>837</b>	<b>1</b>	<b>(454)</b>	<b>6</b>	<b>8</b>	<b>14</b>	<b>-</b>	<b>398</b>
<b>As at January 1, 2016</b>	1,841	-	(2,930)	10	-	10	(3)	(1,082)
Net profit (loss)	-	-	(425)	-	-	-	-	(425)
Reclassified to net profit (loss)	-	-	-	(4)	-	(4)	-	(4)
<b>As at September 30, 2016</b>	1,841	-	(3,355)	6	-	6	(3)	(1,511)

*See accompanying notes*

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2017 and 2016

(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.

The Executive Committee (“Ex Comm”) was comprised of the following officers at the date of the release of the Financial Statements:

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

Ex Comm is responsible for strategic decision making, resource allocation, and assessing financial performance, and 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.

Some costs included in general and administrative expenses in the Interim Condensed Consolidated Statements of Comprehensive Profit or Loss (“Statement of Profit or Loss”) are related to various support functions, including finance, human resources, information technology, legal, supply chain management, and pricing, are considered shared services costs, and are not allocated to the operating segments.

### ENERGY SERVICES

Energy Services provides a number of services to the oil and gas sector, including the processing, recovering and disposing of fluids used in, and generated by, natural resource and industrial production at its treatment, recovery and disposal facilities (“TRDs”) and disposal of oilfield waste at its caverns and water disposal wells. The segment also provides clients with processing, recovery and disposal of solid materials generated predominately as waste streams in natural resource and industrial operations at its engineered landfill facilities. In conjunction with 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, and recycling services. The 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, classification and tracking services.

## 2. BASIS OF PRESENTATION

These Financial Statements for the three and nine months ended September 30, 2017 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, 2016 (“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 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.

These Financial Statements were approved by the Audit Committee on behalf of the Board of Directors on November 9, 2017.

### 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

#### ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

*Significant judgments* Tervita exercises judgment in aggregating certain operating segment information to determine its reportable segments based on shared economic characteristics. The reportable operating segment information is consistent with how the CODM reviews the segments in order to assess performance and make resource allocation decisions.

In 2017, Tervita reorganized the reporting structure into two operating segments: Energy Services and Industrial Services. The segment information for the three and nine months ended September 30, 2016 has been restated to conform to the current segment composition.

#### FINANCIAL INFORMATION FOR OPERATING SEGMENTS

	Three months ended September 30, 2017			Three months ended September 30, 2016		
	Energy Services	Industrial Services	Total	Energy Services	Industrial Services	Total
External revenue	373	64	437	448	64	512
Inter-segment revenue	3	-	3	4	-	4
Segment revenue	376	64	440	452	64	516
Depreciation and amortization	(20)	(1)	(21)	(26)	(3)	(29)
Segment operating profit (loss) before tax	23	9	32	7	5	12
Impairment expense	(1)	-	(1)	(68)	-	(68)
Assets - as at September 30, 2017 and December 31, 2016	951	146	1,097	981	139	1,120
Cash outflow for property, plant and equipment and intangible assets	14	3	17	15	-	15

  

	Nine months ended September 30, 2017			Nine months ended September 30, 2016		
	Energy Services	Industrial Services	Total	Energy Services	Industrial Services	Total
External revenue	1,562	161	1,723	1,304	159	1,463
Inter-segment revenue	7	-	7	5	1	6
Segment revenue	1,569	161	1,730	1,309	160	1,469
Depreciation and amortization	(53)	(5)	(58)	(74)	(8)	(82)
Segment operating profit (loss) before tax	75	20	95	23	8	31
Impairment expense	(2)	-	(2)	(196)	(1)	(197)
Assets - as at September 30, 2017 and December 31, 2016	951	146	1,097	981	139	1,120
Cash outflow for property, plant and equipment and intangible assets	31	5	36	33	4	37

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

## RECONCILIATION OF INFORMATION ON OPERATING SEGMENTS TO IFRS MEASURES

	Note	Three months ended		Nine months ended	
		September 30,		September 30,	
		2017	2016	2017	2016
<b>Revenue</b>					
Total revenue for operating segments		440	516	1,730	1,469
Elimination of inter-segment revenue		(3)	(4)	(7)	(6)
Consolidated revenue		437	512	1,723	1,463
<b>Profit (Loss) Before Tax</b>					
Total segment operating profit (loss) before tax		32	12	95	31
Unallocated general and administrative		(11)	(17)	(45)	(54)
Unallocated depreciation and amortization		(1)	(5)	(3)	(8)
Operating profit (loss)		20	(10)	47	(31)
Operating segment impairment expense		(1)	(68)	(2)	(197)
Unallocated impairment expense		-	(5)	-	(5)
Unallocated finance costs	5	(13)	(101)	(38)	(239)
Unallocated other income (expense)	6	(8)	(35)	(24)	76
Unallocated gain (loss) on debt restructuring		-	(8)	-	(16)
Profit (loss) before tax		(2)	(227)	(17)	(412)

	September 30,	December 31,
As at	2017	2016
<b>Total Assets</b>		
Total assets for operating segments	1,097	1,120
Unallocated assets	160	125
Consolidated total assets	1,257	1,245

## 5. FINANCE COSTS

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Interest expense	10	73	31	203
Amortization of debt issue costs	1	27	3	32
Accretion of decommissioning liabilities	2	1	4	4
Finance costs	13	101	38	239

## 6. OTHER INCOME (EXPENSE)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Gain (loss) on puttable non-controlling interest	-	-	-	14
Gain (loss) on sale of assets	-	(1)	(1)	7
Share-based compensation	(2)	-	(2)	-
Provisions	(4)	-	(18)	(10)
Realized foreign exchange gain (loss) on debt and derivatives	-	-	-	287
Realized foreign exchange gain (loss) - other	(1)	-	(1)	3
Unrealized foreign exchange gain (loss) on debt and derivatives	-	(37)	-	(207)
Unrealized foreign exchange gain (loss) - other	(1)	3	(2)	(18)
Total other income (expense)	(8)	(35)	(24)	76

For the nine months ended September 30, 2016, Tervita settled swap agreements for total cash proceeds of \$304 million and realized a net foreign exchange gain of \$304 million.

## 7. LONG-TERM DEBT

### 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. As at September 30, 2017, Tervita was in compliance with all covenants.



## LETTERS OF CREDIT

Outstanding letters of credit at September 30, 2017 totalled \$79 million (December 31, 2016 - \$153 million). The outstanding letters of credit reduce the borrowing availability under the revolving credit facility.

## 8. FINANCIAL INSTRUMENTS

### ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

#### *Sources of estimation uncertainty*

The fair value of Level 2 financial instruments is determined using discounted cash flows. For derivative liabilities, estimates include contractual payments under the swaps, forward foreign exchange and forward interest rate swaps, and the credit ratings of Tervita and counterparties. Estimates with respect to future commodity prices, cavern capacity, cash flows and discount rates may impact the fair value of contingent consideration.

### FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instrument	Classification	Level	Carrying Value As At		Estimated Fair Value As At	
			September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Cash and cash equivalents	FVTPL	1	129	89	129	89
Trade and other receivables	Loans and receivables	-	133	129	133	129
Trade and other payables	Other financial liabilities	-	(77)	(57)	(77)	(57)
Interest payable	Other financial liabilities	-	(12)	(2)	(12)	(2)
Long-term debt	Other financial liabilities	-	(434)	(466)	(454)	(494)
Derivative liabilities	Designated hedge	2	(34)	(6)	(34)	(6)
Contingent consideration	FVTPL	2	(9)	(10)	(9)	(10)

There were no transfers between levels of the fair value hierarchy in either 2017 or 2016.

## 9. SUBSEQUENT EVENTS

Subsequent to September 30, 2017, Tervita acquired the share capital of an oily by-product storage structure, landfill, and waste water well operation in Saskatchewan at a purchase price of \$19 million.