20240710213 19

ÅRSREDOVISNING

2023-01-01--2023-12-31

för

Ovivo Europe Holding AB
556728-4004

Årsredovisningen omfattar: **Sida**

Förvaltningsberättelse	2
Resultaträkning	3
Balansräkning	4
Tilläggsupplysningar	6

FASTSTÄLLELSEINTYG

Undertecknad styrelseledamot intygar härmed, dels att denna kopia av årsredovisningen överensstämmer med originalet, dels att resultat- och balansräkningen fastställts på ordinarie bolagsstämma 2024-06-18. Stämman beslöt tillika godkänna styrelsens förslag till resultatdisposition.

Stockholm 2024-06-18

Marc Barbeau

20240710213320

Ovivo Europe Holding AB
556728-4004

ÅRSREDOVISNING FÖR OVIVO EUROPE HOLDING AB

Styrelsen för Ovivo Europe Holding AB avger härmed årsredovisning för räkenskapsåret 2023-01-01--2023-12-31.

FÖRVALTNINGSBERÄTTELSE

Verksamhetens art och inriktning

Ovivo Europe Holding AB med sitt säte i Stockholm, registrerades 2007-04-19 hos Bolagsverket. Bolaget ska äga och förvalta lös egendom samt vara ett holdingbolag.

Bolaget ingår i den Kanadensiska Ovivo-koncernen, med Ovivo Inc, Kanada som moderbolag i toppkoncernen.

Väsentliga händelser efter räkenskapsårets slut

Inga väsentliga händelser har inträffat efter räkenskapsårets slut.

Ägarförhållanden

Ovivo Inc äger samtliga aktier i bolaget, som tillika är yttersta koncernmoder.

Omsättning, resultat och ställning

	2023	2022	2020/2021	2019/2020
Nettoomsättning	0	0	0	0
Rörelseresultat	-45 002	-57 502	-58 372	-101 563
Resultat e. finansiella poster	-3 672	-624 478	-94 876	418 100
Balansomslutning	327 505 066	327 507 575	327 543 993	327 553 153
Soliditet (Summa eget kapital / Summa tillgångar)	97,7%	97,7%	97,9%	97,9%

Förslag till resultatdisposition (kronor)

Till bolagsstämmans förfogande står följande medel

Balanserade vinstmedel från föregående år	319 918 333
Årets resultat	-3 672
	319 914 661

Styrelsen föreslår att

i ny räkning balanseras	319 914 661
	319 914 661

Beträffande bolagets resultat och ställning i övrigt hänvisas till efterföljande resultat- och balansräkningar samt tilläggsupplysningar. Alla belopp uttrycks i svenska kronor där ej annat anges.

20240710213321

Ovivo Europe Holding AB
556728-4004

RESULTATRÄKNING

	Not	2023-01-01 2023-12-31	2022-04-01 2022-12-31
Rörelsens intäkter mm	1		
Nettoomsättning		0	0
Rörelsens kostnader			
Övriga externa kostnader		-45 002	-57 502
Rörelseresultat		**-45 002**	**-57 502**
Resultat från finansiella investeringar			
Övriga ränteintäkter och liknande resultatposter	2	43 840	197
Räntekostnader och liknande resultatposter	3	-2 510	-567 173
Resultat efter finansiella poster		**-3 672**	**-624 478**
Skatt på årets resultat	4	0	0
ÅRETS RESULTAT		**-3 672**	**-624 478**

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Ovivo Europe Holding AB
556728-4004

BALANSRÄKNING

	Not	2023-12-31	2022-12-31
TILLGÅNGAR			
Anläggningstillgångar			
Finansiella anläggningstillgångar			
Andelar i koncernföretag	5	327 504 824	327 504 824
		327 504 824	**327 504 824**
Summa anläggningstillgångar		**327 504 824**	**327 504 824**
Omsättningstillgångar			
Kortfristiga fordringar			
Fordringar hos koncernföretag		-	-
		0	**0**
Kortfristiga placeringar			
Andelar i koncernföretag		-	-
Övriga kortfristiga placeringar		-	-
		0	**0**
Kassa och bank		242	2 751
Summa omsättningstillgångar		**242**	**2 751**
SUMMA TILLGÅNGAR		**327 505 066**	**327 507 575**

20240710213323

Ovivo Europe Holding AB
556728-4004

BALANSRÄKNING

	Not	2023-12-31	2022-12-31
EGET KAPITAL OCH SKULDER			
Eget kapital	6		
Bundet eget kapital			
Aktiekapital (1 100 st aktier)		110 000	110 000
		110 000	**110 000**
Fritt eget kapital			
Balanserad vinst eller förlust		319 918 333	320 542 811
Årets resultat		-3 672	-624 478
		319 914 661	**319 918 333**
Summa eget kapital		**320 024 661**	**320 028 333**
Kortfristiga skulder			
Skulder till koncernföretag		7 458 681	7 405 550
Upplupna kostnader och förutbetalda intäkter		21 724	73 692
		7 480 405	**7 479 242**
SUMMA EGET KAPITAL OCH SKULDER		**327 505 066**	**327 507 575**

20240710213124

Ovivo Europe Holding AB
556728-4004

TILLÄGGSUPPLYSNINGAR

Noter

Not 1

Redovisningsprinciper

Ovivo Europe Holdning AB upprättar från och med räkenskapsåret 2014 årsredovisningen med tillämpning av årsredovisningslagen och Bokföringsnämndens allmänna råd BFNAR 2012:1 Årsredovisning och koncernredovisning (K3). Övergången har inte medfört någon förändring av redovisningsprinciper eller jämförelsesiffror.

Koncernredovisning upprättas ej med hävnvisning till ÅRL 7 kap 2§.

Fordringar har efter individuell värdering upptagits till det belopp varmed de beräknas inflyta.

Övriga tillgångar och skulder har värderats till anskaffningsvärde om ej annat anges.

Skatter

Företaget tillämpar BFNAR 2001:1 Inkomstskatter. Periodens skattekostnad eller skatteintäkt består av aktuell och uppskjuten skatt. Aktuell skatt är den skatt som beräknas på det skattepliktiga resultatet för en period. Skatteintäkter och skattekostnader redovisas i resultaträkningen utom då underliggande transaktion redovisas direkt mot eget kapital varvid tillhörande skatteeffekt redovisas i eget kapital. Uppskjutna skattefordringar avseende avdragsgilla temporära skillnader och underskottsavdrag redovisas endast i den mån det är sannolikt att dessa kommer att medföra lägre skatteutbetalningar i framtiden.

Fordringar och skulder i utländsk valuta

Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs och orealiserade kursvinster och kursförluster ingår i resultatet

Orealiserade kursvinster på långfristiga fordringar och skulder avräknas mot orealiserade kursförluster vartefter överskjutande kursvinst eller kursförlust redovisas i resultaträkningen som en finansiell intäkt eller finansiell kostnad.

Kursvinster (-förluster) på rörelserelaterade fordringar och skulder redovisas som övriga rörelseintäkter (rörelsekostnader).

Kursdifferenser avseende finansiella tillgångar och skulder redovisas under resultat från finansiella investeringar.

Not 2 Övriga ränteintäkter och liknande resultatposter

	2023	2022
Ränteintäkter	1	-
Kursdifferenser	43 839	0
Summa	**43 840**	**0**

20240710021325

Ovivo Europe Holding AB
556728-4004

Not 3 bolagsstämma 2024-05-15. Stämman beslöt tillika godkänna styrelsens förslag till

	2023	2022
Räntekostnader och övriga bankkostnader	-2 510	-4 115
Stockholm 2024-05-15	-	-563 058
bolagsstämma 2023-06-30. Stämman beslöt tillika godkänna styrelsens	**-2 510**	**-567 173**

Not 4 Skatt på årets resultat

	2023	2022
Aktuell skatt	0	0
Redovisad skatt	**0**	**0**

Not 5 Finansiella anläggningstillgångar

	Antal aktier	Kapitalandel	2023-12-31	2022-12-31
Aktier i Ovivo Aqua GmbH, Österrike Organisationsnummer: 69-107-1765	35000	100%	327 504 824	327 504 824
Summa			**327 504 824**	**327 504 824**

Not 6 Förändring i eget kapital

	Aktie-kapital	Reserv-fond	Fritt eget kapital	Årets resultat
Belopp vid årets ingång	110 000	0	320 542 811	-624 478
Resultatdisposition enligt beslut vid årsstämma			-624 478	624 478
Årets resultat				-3 672
Utgående balans	**110 000**	**0**	**319 918 333**	**-3 672**

Stockholm 2024-06-28

Marc Barbeau
Ordförande

Vincent Ferber

Mark Thomas Hodder

Vår revisionsberättelse har lämnats den 28/6 2024

Ernst & Young Aktiebolag

Tomas Karlsson
Auktoriserad revisor

20240710213326

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Revisionsberättelse

Till bolagsstämman i Ovivo Europe Holding AB, org.nr 556728-4004

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Ovivo Europe Holding AB för räkenskapsåret 2023-01-01 - 2023-12-31.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Ovivo Europe Holding AB:s finansiella ställning per den 31 december 2023 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Ovivo Europe Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som den bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. Den upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om att årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

Building a better working world

20240710213327

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning av Ovivo Europe Holding AB för räkenskapsåret 2023-01-01 - 2023-12-31 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Ovivo Europe Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Karlstad den 29/6 2024

Ernst & Young AB

Tomas Karlsson
Auktoriserad revisor

A member firm of Ernst & Young Global Limited

20240710213328

OVIVO INC.

Year ended December 31, 2023

20240710021329

Independent auditor's report

To the Shareholders of
Ovivo Inc.

Opinion

We have audited the consolidated financial statements of **Ovivo Inc.** and its subsidiaries [the "Group"], which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP [1]

Montréal, Canada
March 21, 2024

[1] CPA auditor, public accountancy permit no. A127424

20240710213331

OVIVO INC.

Consolidated Financial Statements
Years ended December 31, 2023 and 2022

Consolidated Statements of Financial Position 1

Consolidated Statements of Income 2

Consolidated Statements of Comprehensive Income 3

Consolidated Statements of Changes in Equity 4

Consolidated Statements of Cash Flows 5

Notes to Consolidated Financial Statements 6

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OVIVO INC.

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)
As at December 31

	Notes	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents		**71,743**	123,228
Trade and other receivables	**5**	**202,771**	185,511
Income taxes receivable	**13**	**166**	438
Contract assets	**6**	**249,623**	193,337
Derivative financial assets	**7**	**2,240**	8,492
Inventories	**8**	**48,716**	39,937
Prepaid expenses		**5,792**	5,660
Advances to suppliers		**23,476**	30,978
		604,527	587,581
Non-current assets			
Property, plant and equipment	**9**	**51,879**	46,096
Right-of-use assets	**10**	**36,197**	30,321

Intangible assets	11	60,609	63,488
Goodwill	12	75,889	76,732
Deferred taxes	13	8,512	949
Other assets	14	3,735	4,820
		236,821	222,406
Total assets		841,348	809,987
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	15	259,496	211,900
Provisions	16	29,312	20,316
Current portion of long-term debt	18	45	25,053
Current portion of lease liabilities	10	8,693	5,942
Income taxes payable	13	3,680	2,888
Derivative financial liabilities	7	2,350	1,755
Contract liabilities	6	181,547	231,723
		485,123	499,577
Non-current liabilities			
Provisions	16	14,397	12,104
Retirement benefits	17	15,118	14,783
Long-term debt	18	48,913	49,170
Lease liabilities	10	30,008	26,109
Deferred taxes	13	7,093	9,970
Other liabilities	19	34,466	24,605
		149,995	136,741
Total liabilities		635,118	636,318
Equity			
Share capital	20	313,851	313,851
Contributed surplus		5,618	5,618
Accumulated deficit		(137,748)	(175,777)
Accumulated other comprehensive income		24,509	29,977
Total equity		206,230	173,669
Total liabilities and equity		841,348	809,987

Guarantees (note 30)

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

On behalf of the Board,
(Signed) David McAusland, Director

(Signed) Marc Barbeau, Director

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OVIVO INC.

Consolidated Statements of Income
Years ended December 31
(In thousands of Canadian dollars)

	Notes	2023 $	2022 $
Revenues			
Capital equipment		**855,239**	632,830
Upgrading, parts and services		**158,265**	138,212
Rental services		**4,422**	3,824
Plant operations		**1,024**	1,246
Products		**7,586**	5,899
Total revenues	**22**	**1,026,536**	782,011
Cost of contracts and goods sold	**8**	**800,668**	610,715
Gross margin		**225,868**	171,296
Selling and administrative expenses		**134,885**	116,668
Earnings before the undernoted items		**90,983**	54,628
Transaction costs and other non-recurring costs	**23**	**15,241**	1,776
Amortization	**25**	**23,856**	18,374
Asset impairment (reversal)	**9**	**–**	(6)
Operating income related to continuing operations		**51,886**	34,484
Net financing expenses	**26**	**8,092**	3,789
Foreign exchange loss (gain)		**4,250**	(1,346)
Loss (gain) related to derivative financial instruments	**7**	**(2,865)**	2,204
Income before income taxes related to continuing operations		**42,409**	29,837
Income taxes	**13**	**5,130**	9,358
Net income related to continuing operations		**37,279**	20,479
Gain (loss) related to discontinued operations	**4**	**750**	(1,285)
Net income		**38,029**	19,194

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

20240710213335

OVIVO INC.

Consolidated Statements of Comprehensive Income
Years ended December 31
(In thousands of Canadian dollars)

	Notes	2023 $	2022 $
Net income		**38,029**	19,194
Item that may be reclassified to income (tax impact is nil):			
Unrealized exchange difference on translation of foreign operations		**(4,505)**	6,268
Item that will never be reclassified to income			
Retirement benefits – Remeasurements of defined benefit plans net of tax expense of $397 (tax expense of $537 for the year ended December 31, 2022)	**17**	**(963)**	9,204
		(5,468)	15,472
Comprehensive income		**32,561**	34,666

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

20240710213336

OVIVO INC.

Consolidated Statements of Changes in Equity
(In thousands of Canadian dollars)

	Attributable to shareholders of Ovivo Inc.				
	Share capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
	$	$	$	$	$
Balance as at December 31, 2021	313,851	5,618	(194,971)	14,505	139,003
Comprehensive income					
Net income	–	–	19,194	–	19,194
Unrealized exchange difference on translation of foreign operations	–	–	–	6,268	6,268
Retirement benefits – Defined benefit plan remeasurements	–	–	–	9,204	9,204
Total comprehensive income	–	–	19,194	15,472	34,666
Balance as at December 31, 2022	**313,851**	**5,618**	**(175,777)**	**29,977**	**173,669**
Comprehensive income (loss)					
Net income	–	–	**38,029**	–	**38,029**
Unrealized exchange difference on translation of foreign operations	–	–	–	**(4,505)**	**(4,505)**
Retirement benefits – Defined benefit plan remeasurements	–	–	–	**(963)**	**(963)**
Total comprehensive income (loss)	–	–	**38,029**	**(5,468)**	**32,561**
Balance as at December 31, 2023	**313,851**	**5,618**	**(137,748)**	**24,509**	**206,230**

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

20240710213337

OVIVO INC.

Consolidated Statements of Cash Flows
Years ended December 31
(In thousands of Canadian dollars)

	Notes	2023 $	2022 $
Operating activities			
Net income		**38,029**	19,194
Plus: Net loss (gain) from discontinued operations	**4**	**(750)**	1,285
Net income from continuing operations		**37,279**	20,479
Non-cash items in net income:			
Loss (gain) on disposal of property, plant and equipment[1]	**9**	**(295)**	98
Gain on investment[2]	**23**	**–**	(89)
Gain on contingent earnout[2]	**23**	**–**	(292)
Amortization of property, plant and equipment	**9**	**6,677**	5,117
Amortization of right-of-use assets	**10**	**9,075**	5,840
Amortization of intangible assets	**11**	**8,104**	7,417
Impairment of assets (reversal)	**9**	**–**	(6)
Share-based compensation	**21**	**29,128**	29,240
Deferred taxes	**13**	**(10,978)**	2,251
Changes in fair value of derivative financial instruments		**6,958**	(7,456)
Cash flows provided by operating activities related to continuing operations before net change in non-cash items		**85,948**	62,599
Net change in non-cash operating items related to continuing activities	**27**	**(85,901)**	(13,924)
Cash flows provided by operating activities related to continuing operations		**47**	48,675
Cash flows used in operating activities related to discontinued operations		**(739)**	(657)
Cash flows provided by (used in) operating activities		**(692)**	48,018
Financing activities			
Net change in syndicated revolving credit facilities and overdraft	**18**	**(24,737)**	47,533
Payment of long-term debt	**18**	**(42)**	(51)
Payment of principal portion of lease liabilities	**10**	**(8,327)**	(5,298)
Cash flows provided by (used in) financing activities related to continuing operations		**(33,106)**	42,184
Investing activities			
Acquisition of subsidiaries, net of cash acquired	**3**	**–**	(44,265)
Investment in an associate	**14**	**–**	(2,150)
Purchase of a loan receivable	**14**	**–**	(1,000)
Balance of sale receivable	**4**	**103**	571
Additions to property, plant and equipment	**9**	**(12,814)**	(15,460)
Proceeds from sale of property, plant and equipment	**9**	**641**	7,074
Proceeds from sale of assets held for sale		**–**	1,448
Additions to intangible assets	**11**	**(6,160)**	(4,443)
Proceeds from sale of intangible assets	**11**	**33**	–
Net change in other assets and other liabilities		**(597)**	(497)
Cash flows used in investing activities related to continuing operations		**(18,794)**	(58,722)
Effect of changes in foreign exchange rates on cash and cash equivalents		**1,107**	12,344
Net increase (decrease) in cash and cash equivalents		**(51,485)**	43,824
Cash and cash equivalents, beginning of period		**123,228**	79,404
Cash and cash equivalents, end of period		**71,743**	123,228

[1] Presented under Selling and administrative expenses in the Consolidated Statements of Income
[2] Presented under Transaction costs and other non-recurring costs in the Consolidated Statements of Income

Interest paid	**7,333**	3,033
Interest received	**(1,946)**	(938)
Income taxes paid	**11,917**	6,726
Income taxes received	**(343)**	(192)

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

20240710213338

1. Nature of operations and organization

Ovivo Inc. was incorporated under the *Canada Business Corporations Act* on May 15, 2007 ("Ovivo" or the "Corporation" designates, as the case may be, Ovivo Inc. and its subsidiaries and divisions or Ovivo Inc. or one of its subsidiaries and divisions).

Ovivo is a global provider of equipment, technology and systems producing pure water and treating wastewater. Ovivo delivers conventional to highly technological water treatment solutions for the industrial and municipal markets, and leverages its large installed base of equipment around the world to offer parts and services to its customers.

Ovivo operates an integrated global platform in 18 countries, with near 1,450 employees that are worldwide experts in water treatment. Ovivo is owned by SKion Water GmbH ("SKion").

The Corporation's head office is located at 1010 Sherbrooke Street West, Suite 1700, Montréal, Québec, Canada, H3A 2R7.

2. Material accounting policies

(a) Basis of presentation

The consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements are presented in Canadian dollars.

These consolidated financial statements were prepared on a historical cost basis, except for derivative financial instruments, cash-settled stock-based compensation and contingent earnout that were measured at fair value.

On March 21, 2024, the Corporation's Board of Directors approved the release of these consolidated financial statements.

(b) Scope and basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its Canadian and foreign subsidiaries. The list of the principal consolidated subsidiaries is disclosed below. The Corporation consolidates the entities over which it has control. Control exists when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All intercompany transactions and balances are eliminated on consolidation.

List of subsidiaries

The following table lists the Corporation's principal wholly owned direct and indirect subsidiaries as at December 31, 2023 and 2022 and their jurisdictions of incorporation.

Furthermore, the subsidiaries that were omitted from the list represent less than 20% of the Corporation's consolidated assets as at December 31, 2023 and 2022 and consolidated revenues from continuing operations for the years then ended. None of the subsidiaries omitted from the list individually represented more than 10% of the Corporation's consolidated assets as at December 31, 2023 and 2022 or more than 10% of consolidated revenues from continuing operations for the years then ended.

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2. Material accounting policies [Cont'd]

(b) Scope and basis of consolidation [Cont'd]

Subsidiary of the Corporation	Jurisdiction(s) of incorporation	Holder of voting power
Ovivo Aqua Austria GmbH	Austria	Christ Water Technology GmbH[(1)]
Ovivo UK Limited	England and Wales	Ovivo Inc.
Ovivo China Co., Ltd	China	Christ Water Technology GmbH[(1)]
Ovivo USA, LLC	State of Delaware	Ovivo US Holding Inc.[(1)]
Ovivo France SAS	France	Christ Water Technology GmbH[(1)]
Ovivo Hong Kong Limited	China	Ovivo Switzerland AG[(1)]
Ovivo Switzerland AG	Switzerland	Christ Water Technology GmbH[(1)]
Ovivo Singapore Pte. Ltd.	Singapore	Ovivo Inc.
Alar Water Treatment LLC	State of Delaware	Ovivo US Holding Inc.[(1)]
Wastech Controls & Engineering LLC	State of Delaware	Ovivo US Holding Inc.[(1)]

[(1)] Held by Ovivo Inc. at 100% directly or indirectly

(c) Foreign currency translation

Presentation currency of the consolidated financial statements and functional currency

The consolidated financial statements of the Corporation are presented in Canadian dollars, representing the parent company's functional currency. The functional currency of an entity is the currency of the economic environment in which the entity primarily operates. It is determined considering the currency in which the entity's revenues and expenses (purchases and labour) are denominated. Where this analysis is inconclusive, other factors are taken into consideration, such as the method of financing and the relationship of the entities with the parent company.

Translation of foreign currency transactions

Transactions denominated in foreign currencies are translated into the entity's functional currency at the average exchange rate for the relevant period. At year-end, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate. Resulting exchange differences are recognized in net income (loss) for the period. Non-monetary assets and liabilities denominated in foreign currencies are translated at historical exchange rates.

Translation of foreign currency operations

The financial statements of foreign operations whose functional currency differs from the presentation currency of the Corporation's consolidated financial statements are translated using the exchange rate at period-end for assets and liabilities, and the average exchange rates during the period for revenues and expenses and for cash flows. Gains and losses resulting from foreign currency translation are deferred and recorded in accumulated other comprehensive income (loss) under "Unrealized exchange difference on translation of foreign operations" and are reclassified into income only when there is a reduction in the net investment in foreign operations.

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2. Material accounting policies [Cont'd]

(d) Revenue recognition

The Corporation recognizes revenue when it transfers control over a product or service to a customer. Revenues are measured based on the consideration specified in the contract with a customer and exclude amounts collected on behalf of third parties.

The Corporation's revenues are derived primarily from capital equipment sales contracts, upgrades, the sale of parts and provision of services, rentals, plant operation services and sale of products. These various types of revenue are accounted for using different methods. The following specific recognition criteria must also be met before revenues are recognized. For more detailed information about the disaggregation of revenue, see Note 22 – *Disaggregation of revenue*.

i. Capital equipment contracts

Revenues from capital equipment sales contracts are generally recognized over time.

Revenue is recognized based on the extent of progress toward completion of the performance obligation. The Corporation generally uses the cost-to-cost measure of progress for capital equipment contracts. Under this method, the measure of progress towards complete satisfaction of the performance obligation is measured based on the ratio of costs incurred to date to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance.

Estimated revenues at completion are adjusted for change orders, claims and other contract terms that provide for the adjustment of prices. If it is probable that changes in revenues will occur, the amount can be measured reliably and it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur in future periods, they are included in estimated revenues at completion.

The entire amount of an expected loss on a contract is recognized immediately, when known, in net income.

Contract assets

Contract assets are recognized when goods or services are transferred to customers before consideration is received or before the Corporation has an unconditional right to payment for performance completed to date. Contract assets are subsequently transferred to receivables when the right of payment becomes unconditional. Contract assets comprise costs incurred and recorded margins in excess of advances and progress billings on capital equipment contracts.

Contract liabilities

Contract liabilities are recognized when amounts are received from customers in advance of the transfer of goods or services. Contract liabilities are related to client billings in excess of revenues recognized by the Corporation according to the revenue recognition method applied. Contract liabilities are subsequently recognized in revenue as or when the Corporation performs under contracts.

ii. Upgrades

Revenues from upgrades are generally recognized over time as the service is rendered.

iii. Sale of parts and products

Revenues from the sale of parts (or spare parts) and from the sale of products are recognized at a point in time when the control of the goods has passed on to the buyer, usually on delivery of goods.

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2. Material accounting policies [Cont'd]

(d) Revenue recognition [Cont'd]

iv. Rendering of services

Revenues from after-sales services are recognized either at a point in time or over time, depending on the nature of the service rendered.

v. Rental services

Lease revenues from operating leases are recognized on a straight-line basis over the term of the lease.

vi. Plant operations

Revenues from plant operations are generally recognized over time through the term of the plant operation contracts.

Combining sales contracts
A group of contracts entered into at or near the same time, whether with the same customer or related parties of the customer, is treated as a single contract when the group of contracts is negotiated as a single package with a single commercial objective, the price is dependent on the price or performance on another contract or goods and services promised in the contracts are considered a single performance obligation.

Contractual arrangements with multiple revenue categories
The Corporation may enter into contractual arrangements with a client whereby, for a single project, deliverables from several revenue categories may be included (i.e., construction and manufacture of numerous pieces of capital equipment, technical services, maintenance and parts). In this case, the contract may be separated into more than one performance obligation. If a contract is separated into more than one performance obligation, the total transaction price is allocated to each performance obligation based on the estimated relative standalone selling prices of the promised goods and services underlying each performance obligation. When the performance obligations consist of standard goods and services, observable selling price is used to determine the standalone selling prices. If the performance obligations consist of customized customer-specific solutions, the Corporation uses the expected cost plus a margin method to estimate the standalone selling price.

Financing component
Using the practical expedient in IFRS 15, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing component if the Corporation expects, at contract inception, that the period between when the Corporation transfers a promised good or service to a customer and when the customer pays for that good or service is one year or less.

Warranty obligations
The Corporation provides warranties on some of the products that it sells. These warranties are accounted for as warranty provisions. Refer to the accounting policy on warranty provisions in section (m).

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2. Material accounting policies [Cont'd]

(e) Financial instruments

Financial instruments are recognized in the consolidated statement of financial position when the Corporation becomes a party to the contractual provisions of the financial instruments. With the exception of trade receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient, which are measured at the transaction price, all financial instruments are initially measured at fair value. Subsequent measurement depends on their initial classification.

The table below shows the classification and measurement method that the Corporation has elected to apply to each of its financial instrument categories:

Asset/liability	Category
Cash and cash equivalents	Fair value through profit or loss
Trade and other receivables, balance of sale receivable, and loan receivable	Financial assets at amortized cost
Accounts payable and accrued liabilities, syndicated revolving credit facilities and other long-term debt	Loans and borrowings at amortized cost
Derivative financial instruments	Fair value through profit or loss

Amortized cost is determined using the effective interest method.

Transaction costs arising from the issuance of financial instruments measured at amortized cost are recognized as a reduction of the carrying amount of the related financial instruments and taken into account in determining the effective interest rate.

The Corporation recognizes an allowance for expected credit losses (ECLs) for all financial instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Corporation applies a simplified approach in calculating ECLs. Therefore, the Corporation does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Corporation has established a provision that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(f) Derivative financial instruments

Derivative financial instruments are used to hedge the Corporation's exposure to foreign exchange risk. However, the Corporation has elected not to use the hedge accounting method. Derivative financial instruments consist of foreign exchange contracts. Embedded derivatives consist of derivatives on sale or purchase contracts that are not closely related to the host contract, the currency of which differs from the functional currency of one or the other of the parties to the contract. The derivative financial instruments are accounted for at fair value with changes recognized through net income.

(g) Cash and cash equivalents

Cash and cash equivalents include cash and readily realizable short-term investments, held with investment-grade financial institutions, with maturities of three months or less at the acquisition date.

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2. Material accounting policies [Cont'd]

(h) Inventories

Raw materials and finished goods are recorded at the lower of cost and net realizable value. The cost of inventories comprises purchase, transport and handling costs, import duties and other taxes, and conversion and other costs directly incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the normal course of business less the estimated costs of completion and the estimated costs related to the sale. The cost of inventories is recognized as an expense when the inventories are used or sold. Recorded write-downs can be reversed if there is a subsequent increase in the value of the related inventories.

Raw materials

The cost of raw materials is calculated using the weighted average cost method for similar items at the beginning of a period and taking into account the cost of similar items purchased during the year.

Finished goods

The cost of finished goods is calculated using the weighted average cost method for similar items at the beginning of a period and taking into account the cost of similar items purchased and processed during the period. The cost of finished goods that are dissimilar and/or earmarked for specific projects is determined using the specific cost method.

(i) Property, plant and equipment

Property, plant and equipment are recognized at their historical acquisition or construction cost, net of accumulated amortization and recorded impairment losses. Grants for investments are accounted for as a reduction of the gross amount of property, plant and equipment for which they were received. The cost of the asset comprises, on initial recognition, the costs of dismantling the asset and restoring the site when a present obligation, legal or constructive, exists to dismantle the asset or restore the site. Amortization is calculated on a straight-line basis over the following periods:

Property, plant and equipment	Useful lives
Buildings	15 to 40 years
Equipment[1]	3 to 15 years
Leasehold improvements	Terms of leases

[1] Including equipment, moulds, furniture, fixtures and computer hardware.

The Corporation uses different amortization periods for each significant component of the same item of property, plant and equipment where at least one component's useful life differs from that of the principal item of property, plant and equipment to which it relates. The Corporation reviews amortization periods annually, and changes are accounted for prospectively.

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2. Material accounting policies [Cont'd]

(j) Intangible assets

Intangible assets include technologies, development costs, trademarks, client relationships, backlog, acquired software and internally developed software. Intangible assets are recorded at cost and amortized on a straight-line basis over the following periods:

Intangible assets	Useful lives
Technologies	10 to 20 years
Development costs	3 to 10 years
Trademarks	3 to 20 years
Client relationships	5 to 15 years
Backlog	18 months
Acquired software	3 to 10 years
Internally developed software	3 to 10 years

Development costs include costs relating to specific projects and borrowing costs, net of investment tax credits, which, in the Corporation's opinion, have a specific market in the future and meet the criteria for deferral. Amortization of development costs begins when the asset is ready for its intended use. All other research and development costs are expensed in the year they are incurred. The Corporation reviews amortization periods and methods annually, and changes are accounted for prospectively.

(k) Business acquisitions

Business acquisitions are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value. The allocation of the purchase price to net assets acquired and liabilities assumed is based on their fair values. The income (losses) of businesses acquired are included in the consolidated financial statements as of the date of acquisition. The unallocated balance of the purchase price (being the excess of the aggregate of the consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed) is attributed to goodwill.

(l) Impairment of goodwill and long-lived assets

To determine the recoverable amount, goodwill and other long-lived assets that cannot be valued on their own are grouped into cash-generating units ("CGUs"), defined as the smallest group of assets generating cash inflows that are largely independent.

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses. Goodwill is not amortized; the goodwill of each CGU is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. Goodwill impairment losses cannot be reversed in subsequent periods.

The carrying amounts of long-lived assets—property, plant and equipment and intangible assets—are reviewed at the end of each reporting period to assess whether there is any indication that an asset is impaired. Where such indication exists, the recoverable amount of the asset is estimated.

Impairment losses recognized in respect of property, plant and equipment or intangible assets may be subsequently reversed if there is an indication that previously recognized impairment losses no longer exist or have decreased. The value of the asset following the reversal of an impairment loss may not exceed the carrying amount that would have been determined if the impairment had not been recognized in prior periods, net of amortization.

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2. Material accounting policies [Cont'd]

(l) Impairment of goodwill and long-lived assets [Cont'd]

An impairment loss, representing the difference between the carrying amount of a CGU or an asset and its recoverable amount, is recognized where the carrying amount of the CGU or the asset exceeds its recoverable amount. The recoverable amount is the greater of value in use and fair value less costs to sell. The Corporation has determined the recoverable amount using fair value less costs to sell for Electronics, Municipal, Industrial and Cembrane CGUs. Fair value less costs to sell is determined using valuation multiples on expected operating income before amortization, interest and income taxes.

The Corporation has set December 31 as its annual goodwill impairment test date.

(m) Provisions

The Corporation records a provision when a present obligation (legal or constructive) to a third party exists as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation.

When the effect of the time value of money is material, provisions with maturities over twelve months are discounted. Accretion expense in respect of long-term provisions is recognized in net financing expenses.

Warranties

A provision for warranty cost is accounted for when the revenues from the sale of the related products are recognized. The provision is based on a number of factors, including the historical warranty claims rate, the type and duration of the warranty coverage and the nature of products sold.

Litigation

A provision for litigation is recognized in respect of legal actions or proceedings when it is probable that an outflow of resources will be required to settle the obligation.

Restructuring
Restructuring provisions are recognized only when the Corporation has an actual or a constructive obligation. The Corporation has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs and an appropriate timeline. Furthermore, the affected employees or worker councils must have been notified of the plan's main features.

(n) Income taxes

The Corporation applies the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income (loss) in the period in which the rates are enacted or substantively enacted. Deferred tax assets are recognized only when their realization is deemed probable.

(o) Government assistance

Government assistance is recognized when there is a reasonable assurance that the assistance will be received, and that the Corporation will comply with all relevant conditions. Government assistance received by Ovivo consists of research and development credits. Government assistance received is accounted for using the cost reduction method, whereby the assistance is netted against the related expense or capital expenditure to which it relates when there is reasonable assurance that the credits will be realized.

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2. Material accounting policies [Cont'd]

(p) Retirement benefits

The Corporation offers defined contribution and defined benefit pension plans to certain employees.

(i) Defined contribution pension plans

Under its defined contribution pension plans, the Corporation pays fixed contributions to participating employees' pension plans and has no legal or constructive obligation to pay any further amounts. Obligations for contributions to defined contribution pension plans are recognized to net income when the contributions become due.

(ii) Defined benefit pension plans

The cost of the defined benefit pension plan and the present value of the pension obligation is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Defined benefit pension plan costs, recognized in the consolidated statements of income, mainly include the following:

- Service costs provided in exchange for employee services rendered during the period;
- Prior service costs recognized at the earlier of (a) when the employee benefit plan is amended or (b) when restructuring costs are recognized;
- Curtailment or settlement gain or loss.

Interest on net defined benefit liability or asset, recognized in the consolidated statements of income as financing expenses, is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation.

Remeasurements of defined benefit plans are recognized immediately in accumulated other comprehensive income. Remeasurements comprise the following:

- Actuarial gains and losses arising from changes in financial and demographic actuarial assumptions used to determine the defined benefit obligation or from experience adjustments on liabilities;
- The difference between actual return on plan assets and interest income on plan assets calculated as part of the interest on net defined benefit liability or asset;
- Changes in the net benefit asset limit or in the liability minimum funding requirement.

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which depends primarily on the extent to which the Corporation can unilaterally reduce future contributions to the plan. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect the liability minimum funding requirement in a certain number of the Corporation's pension plans.

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2. Material accounting policies [Cont'd]

(q) Share-based compensation

Cash-settled share-based compensation

The Appreciation Share Units ("ASU") are considered cash-settled share-based compensation. The fair value of each vesting tranche of ASU is calculated using the Black-Scholes model and remeasured at the end of each reporting period until maturity. The change in fair value thus determined is recognized as a share-based compensation expense over the ASU vesting period specific to each tranche, with a corresponding entry recorded in other liabilities in the consolidated statement of financial position.

(r) Borrowing costs

The Corporation's borrowing costs consist of interest on debt and are expensed through net income as incurred, provided they are not attributable to the acquisition or construction of a long-lived asset. In such cases, borrowing costs are capitalized as part of the cost of the asset.

(s) Leases

The Corporation assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When the Corporation is a lessee

The Corporation applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

Leases are recognized as a right-of-use asset and the corresponding lease liability at the date at which the leased asset is available for use by the Corporation. Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are subject to impairment.

The lease liabilities are measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payment of penalties for termination of a lease when the lease term reflects the lessee exercising a termination option. Each lease payment is allocated between the repayment of the principal portion of lease liability and the interest portion. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period and is recorded in financing expense. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

Lease expenses associated with short-term leases and leases of low-value assets are recognized as incurred in the consolidated statement of income.

After the commencement date, the amount of lease obligations is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease obligations is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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2. Material accounting policies [Cont'd]

(s) Leases [Cont'd]

When the Corporation is the lessor

Assets subject to finance leases are initially recognized at an amount equal to the net investment in the lease and are included in *Other assets*. Net investment in the lease is defined as the lease payments receivable by a lessor under a finance lease and unguaranteed residual value accruing to the lessor discounted at the interest rate implicit in the lease. Interest income is recognized over the term of the applicable leases based on the effective interest rate method.

Assets under operating leases, are included in *Property, plant and equipment*. Lease income from operating leases is recognized on a straight-line basis over the term of the lease and is included in Rental services.

(t) Investment in associates

An associate is an entity over which the Corporation has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Company's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Corporation's share of net assets of the associate since the acquisition date. The consolidated statements of income reflect the Company's share of the results of operations of the associate. Unrealized gains and losses resulting from transactions between the Corporation and the associate are eliminated to the extent of the interest in the associate.

(u) Use of estimates and judgment

The preparation of the Corporation's consolidated financial statements in accordance with IFRS requires management to exercise judgment in developing estimates and making forward-looking assumptions that affect the amounts reported in the consolidated financial statements. Actual income could differ due to significant adjustments to the reported amounts of assets, liabilities and income (loss) in subsequent periods.

The Corporation's most significant estimates and judgments consist of the following:

- **Revenue recognition**

  To determine the proper revenue recognition method for contracts, the Corporation evaluates whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate the contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period.

  Revenues and margins from the sale of capital equipment are recognized using the percentage-of-completion method of accounting. The calculation of revenue in respect of capital equipment sales contracts requires the use of estimates, such as total revenues expected from a given contract, as well as the assessment of total costs to be incurred to complete the contract. As a result, the percentage of completion of contract work is determined by dividing total costs incurred to date by total expected costs. Estimated revenues at completion are adjusted for changes in contract scope and claims and for variable consideration. Management estimates the variable consideration at the most likely amount to which it expects to be entitled. Management includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Management's estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information that is reasonably available to the Corporation.

  Estimated contract costs at completion incorporate forecasts for material usage and costs, labour hours and costs, foreign exchange rates and labour productivity. These costs are affected by the nature and complexity of the work to be performed, as well as potential delays in delivery. If it is probable that additional costs will be realized, they are included in estimated costs on completion. In such a case, project margins could be directly affected.

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2. Material accounting policies [Cont'd]

Management performs periodic reviews of estimated costs and revenues to completion on a contract-by-contract basis to review the reasonableness of its estimates, particularly in establishing total expected costs and the amount of revenues recognized based on the percentage of work completed. The effect of any revision may be significant and is recorded by way of a cumulative catch-up adjustment in the period in which the estimates are revised.

- **Asset impairment**

To determine the recoverable amount, goodwill and other long-lived assets that cannot be valued on their own are grouped into CGUs, defined as the smallest group of assets generating cash inflows that are largely independent. An impairment loss, representing the difference between the carrying amount of a CGU or an asset and its recoverable amount, is recognized where the carrying amount of the CGU or the asset exceeds its recoverable amount. The recoverable amount of a CGU is the greater of value in use and fair value less costs to sell.

The Corporation has determined the recoverable amount using fair value less costs to sell for Electronics, Municipal, Industrial and Cembrane CGUs.

When the recoverable amount is calculated using the fair value less costs to sell, the Corporation applies valuation multiples on expected operating income before amortization, interest and income taxes. In this regard, management established projections for the year ending December 31, 2024, which were approved by the Board of Directors. The projections were prepared based on both historical data, existing backlog, expected booking of new orders and future trends anticipated by the Corporation. A valuation multiple was then applied to the projections to determine the recoverable amount. Valuation multiples are determined based on comparable market data, each CGU's specific risk exposures, the CGU's historical data and future trends as anticipated by the Corporation.

The main assumptions used in determining the recoverable amounts of the CGUs, as well as the sensitivity analyses, are disclosed in note 12 *Goodwill*.

(v) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Corporation's consolidated financial statements are disclosed below. The Corporation intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Corporation's consolidated financial statements.

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2. Material accounting policies [Cont'd]

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

The amendments are not expected to have a material impact on the Corporation's consolidated financial statements.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Corporation's consolidated financial statements.

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3. Business acquisitions

Acquisition of Norse Star

On January 1st, 2022, the Corporation acquired the remaining 83.3% of the shares of Norse Star Holding ApS and its wholly owned subsidiary Cembrane A/S ("Cembrane"). The Corporation acquired this remaining stake from SKion, which had acquired it from a third party during the nine-month period ended December 31, 2021. The Corporation has recorded this acquisition of a business under common control using the acquisition method set out in IFRS 3. The gain on remeasurement of the Corporation's existing interest is presented in note 23. Cembrane is the world's largest producer of Silicon Carbide (SiC) membranes for Original Equipment Manufacturers (OEMs)and system integrators within water and wastewater treatment. This acquisition is part of the Corporation's global strategic objective to have proprietary silicon carbide membranes and grow the production capacity to internally supply its municipal and industrial operations.

Fair value of identifiable assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities as of January 1st, 2022, the date of acquisition, was:

	$
Assets acquired	
Trade and other receivables	1,108
Inventories	834
Property, plant and equipment	8,466
Trademarks	1,448
Technologies	3,186
Customer relationship	454
Backlog	37
Total assets	**15,533**
Liabilities assumed	
Accounts payable and accrued liabilities	317
Long-term debt	938
Deferred tax liabilities	1,430
Other liabilities	1,353
Total liabilities	**4,038**
Total identifiable net assets at fair value	11,495
Goodwill arising on acquisition	5,398
	16,893
Proportionate interest acquired	83.32%
Purchase consideration	**14,075**
Comprised as follows:	
Cash payment at closing	14,976
Cash acquired	(901)
Net cash	**14,075**

The goodwill of $5.4 million comprises the value of synergies and assembled workforce arising from the acquisition. Goodwill is allocated entirely to the Cembrane CGU. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition, Cembrane contributed $5,899 of revenue and $1,210 loss to the Corporation's income before income taxes related to continuing operations for the year ended December 31, 2022.

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3. Business acquisitions [Cont'd]

Analysis of cash flows on acquisition:

Transaction costs of the acquisition (included in cash flows from operating activities)	(112)
Cash consideration transferred (included in cash flow from investing activities)	(14,075)
Net cash flow on acquisition	**(14,187)**

Acquisition of Wastech Controls & Engineering LLC

On July 6, 2022, the Corporation acquired 100% of the shares of Wastech Controls & Engineering LLC ("Wastech"). Wastech is a process system integrator offering complete facility equipment design and manufacturing, after-sale support and automation solutions in the areas of chemical handling, water and wastewater treatment to industrial customers. In addition to engineering and design competency and services, Wastech has specialized turn-key packaged systems for industrial waste treatment applications in the solar, pharmaceutical, biotechnology, semiconductor, research laboratories and hospitals, aerospace, metal finishing, power, medical devices, specialties and nanotechnology, food and beverage, industrial, manufacturing, energy, oil and chemical manufacturing industries. This acquisition is part of the Corporation's global strategic objective to build an industrial water and wastewater treatment business in North America.

Fair value of identifiable assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities as of July 6, 2022, the date of acquisition, was:

	As presented $	Adjustment $	As adjusted $
Assets acquired			
Trade and other receivables	6,190	–	6,190
Inventories	1,983	–	1,983
Contract assets	1,719	–	1,719
Property, plant and equipment	746	–	746
Software	137	–	137
Trademarks	4,121	–	4,121
Technologies	1,648	–	1,648
Customer relationship	6,272	–	6,272
Backlog	1,327	–	1,327
Right-of-use assets	5,927	–	5,927
Deferred tax assets	2,331	(1,260)	1,071
Total assets	**32,401**	**(1,260)**	**31,141**
Liabilities assumed			
Accounts payable and accrued liabilities	3,604	–	3,604
Contract liabilities	7,031	–	7,031
Lease liabilities	6,082	–	6,082
Other liabilities	40	–	40
Total liabilities	**16,757**	**–**	**16,757**
Total identifiable net assets at fair value	15,644	(1,260)	14,384
Goodwill arising on acquisition	13,075	1,260	14,335
Purchase consideration	**28,719**	**–**	**28,719**
Comprised as follows:			
Cash payment at closing	30,991	–	30,991
Purchase price adjustment receivable	(363)	–	(363)
Cash acquired	(1,909)	–	(1,909)
Net cash	**28,719**	**–**	**28,719**

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3. Business acquisitions [Cont'd]

The goodwill of $14.3 million comprises the value of synergies and assembled workforce arising from the acquisition. Goodwill is allocated entirely to the Electronics CGU. There is no allowance for doubtful accounts as the Corporation expects to fully collect the trade and other receivable balances.

From the date of acquisition, Wastech contributed $13,795 of revenue and $2,169 to the Corporation's income before income taxes related to continuing operations for the year ended December 31, 2022.

Analysis of cash flows on acquisition:

Transaction costs of the acquisition (included in cash flows from operating activities)	(321)
Cash consideration transferred (included in cash flow from investing activities)	(28,719)
Net cash flow on acquisition	**(29,040)**

Contingent earnout payments for the acquisition of Alar Water Treatment

On November 20, 2020, the Corporation acquired substantially all of the assets and assumed the liabilities of Alar Water Treatment LLC ("Alar").

As part of the purchase agreement with the previous owners of Alar, contingent earnout payments of up to US$2,000 could have been made to the previous owners of Alar if the revenues and bookings for calendar 2020 and 2021 equalled or exceeded the targeted levels established for the two respective years.

As at December 31, 2022, amounts of US$1,160 ($1,471) and US$586 ($780) were paid to the previous owners of Alar as contingent earnout for 2021 and 2020 respectively. During the year ended December 31, 2022, a gain of $292 was recognized in the Corporation's net income due to the reversal of the remaining provision for contingent earnout.

4. Business disposals

Discontinued operations

At the end of the fiscal year 2015, the Corporation announced that it was taking actions to divest of its other non-core businesses. On September 30, 2015, the Corporation disposed of its North African division and, on December 14, 2015, it announced the completion of the sale of its South African division. The results for the years ended December 31, 2023 and 2022 of these divisions for which the Corporation maintains the responsibility for certain projects are also reported under discontinued operations.

The following table shows the results of discontinued operations for the years ended December 31:

	2023	2022
	$	$
Revenues	**2,296**	615
Expenses	**1,546**	1,900
Gain (loss) related to discontinued operations	**750**	(1,285)

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5. Trade and other receivables

	2023 $	2022 $
Trade	**172,510**	148,442
Holdbacks on contracts	**17,262**	20,049
Current portion of balance of sale receivable (note 14)	**95**	105
Loan receivable (note 14)	**1,000**	-
Sales tax receivable	**2,783**	7,036
Other	**9,121**	9,879
	202,771	185,511

6. Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	2023 $	2022 $
Receivables (composed of trade receivables and holdbacks on contracts, included in "Trade and other receivables") (note 5)	**189,772**	168,491
Contract assets	**249,623**	193,337
Contract liabilities	**181,547**	231,723
Set out below is the revenue recognized in the period from:		
Amounts included in contract liabilities at the beginning of the period	**179,550**	110,961

The Corporation receives payments from customers based on a billing schedule, as established in its contracts, which generally reflects progress in contracts. Contract assets relate to the Corporation's conditional right to consideration for the completed performance under the contracts. Accounts receivables are recognized when the right to consideration becomes unconditional. Contract liabilities relate to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as (or when) the Corporation performs under the contract.

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6. Contract balances [Cont'd]

Significant changes in the contract assets and the contract liabilities balances during the periods were as follows:

	Contract assets $	Contract liabilities $
Balance as at December 31, 2022	**193,337**	**231,723**
Increases due to cash received in excess of revenue recognized during the period	**N/A**	**131,601**
Revenue recognized that was included in contract liabilities at the beginning of the period	**N/A**	**(179,550)**
Increases as a result of changes in the measure of progress	**462,007**	**N/A**
Transfers from contract assets to receivables	**(400,180)**	**N/A**
Others	**(359)**	**(86)**
Translation adjustments	**(5,182)**	**(2,141)**
Balance as at December 31, 2023	**249,623**	**181,547**

	Contract assets $	Contract liabilities $
Balance as at December 31, 2021	140,740	149,381
Increases due to cash received in excess of revenue recognized during the period	N/A	179,619
Revenue recognized that was included in contract liabilities at the beginning of the period	N/A	(110,961)
Increases as a result of changes in the measure of progress	505,540	N/A
Transfers from contract assets to receivables	(458,035)	N/A
Business acquisition (note 3)	1,719	7,031
Others	103	193
Translation adjustments	3,270	6,460
Balance as at December 31, 2022	193,337	231,723

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7. Financial instruments

As at December 31, 2023 and 2022, the fair values and carrying amounts of financial instruments and derivative financial instruments were as follows:

	2023		2022	
	Fair value	Carrying amount	Fair value	Carrying amount
	$	$	$	$
Financial assets at fair value through profit or loss				
Cash and cash equivalents	**71,743**	**71,743**	123,228	123,228
Derivatives	**2,241**	**2,241**	8,492	8,492
Financial assets at amortized cost				
Trade receivables and other receivables	**201,676**	**201,676**	185,406	185,406
Balance of sale receivable	**147**	**147**	254	254
Loan receivable	**1,000**	**1,000**	1,000	1,000
Financial liabilities at fair value through profit or loss				
Derivatives	**2,355**	**2,355**	1,779	1,779
Loans and borrowings at amortized cost				
Accounts payable and accrued liabilities	**259,496**	**259,496**	211,900	211,900
Long-term debt	**48,862**	**48,958**	73,493	74,223

The fair value of financial assets and liabilities reflects the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties, other than in the context of a forced sale or liquidation. The following methods and assumptions were used to estimate the instruments' fair values:

(i) Financial assets at fair value through profit or loss: Fair values of cash and cash equivalents approximate their carrying amounts due to their short-term maturities and high liquidity. Derivatives are discussed below.

(ii) Financial assets at amortized cost: The fair values of trade and other receivables approximate their carrying amounts due to their short-term maturities. To estimate the fair value of the balance of sale receivable and loan receivable, the Corporation uses discounted cash flows based on market data for interest rates.

(iii) Financial liabilities at fair value through profit or loss: Derivatives are discussed below.

(iv) Loans and borrowings at amortized cost: The fair values of accounts payable and accrued liabilities approximate their carrying amounts due to their short-term maturities. The fair value of fixed-rate debts is determined using the discounted cash flow method. The discount rates used reflect the prevailing market rates that would be available to the Corporation at the reporting date for loans with similar terms and conditions.

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7. *Financial instruments [Cont'd]*

The fair values of financial instruments and derivative financial instruments are measured using the following hierarchy:

Level	Description	Applied to
Level 1	Quoted prices (unadjusted) in active markets for identical assets and liabilities	Currently not applicable
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)	Trade receivables and other receivables, balance of sale receivable, loan receivable, accounts payable and accrued liabilities, and long-term debt
Level 3	Inputs for the asset or liability that are not based on observable market data	Derivatives

Derivative financial instruments are used to manage the Corporation's exposure to foreign exchange risk. The Corporation does not hold or issue derivative financial instruments for speculative purposes.

The fair values of these derivative financial instruments were detailed as follows:

	2023	2022
	$	$
Derivative financial assets:		
Foreign exchange contracts	**2,074**	8,201
Embedded derivatives in contracts	**167**	291
	2,241	8,492
Current portion	**2,240**	8,492
Non-current portion (presented under *Other assets*) (note 14)	**1**	–
Derivative financial liabilities:		
Foreign exchange contracts	**2,041**	1,489
Embedded derivatives in contracts	**314**	290
	2,355	1,779
Current portion	**2,350**	1,755
Non-current portion (presented under *Other liabilities*) (note 19)	**5**	24

The following methods and assumptions were used to estimate fair values of derivative instruments:

(i) Foreign exchange contracts: Estimated using period-end market rates and reflect the amount the Corporation would receive or pay if the instruments were closed out at the reporting date.

(ii) Embedded derivatives in contracts: Fair value determined by multiplying the change in the foreign exchange forward rate stipulated in the original contract relative to the new foreign exchange forward rate at period-end, based on the expected remaining billing period with the contract's corresponding portion to be billed. A $161 loss (a loss of $188 for the year ended December 31, 2022) is reported under *Loss related to derivative financial instruments* in the consolidated statement of income.

The Corporation does not apply hedge accounting to its foreign exchange contracts; instead, it recognizes these arrangements at fair value. This accounting policy gives rise to unrealized gains and losses that can cause some volatility in the Corporation's consolidated statement of income. Refer to note 29 *Financial risk management*.

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8. Inventories

	2023 $	2022 $
Raw materials	**25,208**	21,178
Finished goods	**23,508**	18,759
	48,716	39,937

For the years ended December 31, 2023 and 2022, the cost of raw materials and finished goods charged to costs of contracts and goods sold amounted to $554,209 and $426,864, respectively.

For the years ended December 31, 2023 and 2022, the Corporation recognized increases in the valuation allowance through costs of goods sold amounting to $444 and $82, respectively. A nil reversal in the valuation allowance was recognized ($262 in 2022) through costs of goods sold to reflect periodic remeasurements of inventories.

9. Property, plant and equipment

	Balance as at December 31, 2022 $	Additions $	Disposals $	Reclassifications $	Translation adjustment $	Balance as at December 31, 2023 $
Cost						
Land	**2,173**	**–**	**–**	**–**	**(23)**	**2,150**
Buildings	**14,525**	**769**	**–**	**125**	**50**	**15,469**
Equipment	**50,531**	**11,592**	**(3,083)**	**(1,526)**	**(67)**	**57,447**
Leasehold improvements	**4,522**	**453**	**–**	**1,401**	**206**	**6,582**
	71,751	**12,814**	**(3,083)**	**–**	**166**	**81,648**

	Balance as at December 31, 2022 $	Amortization $	Disposals $	Translation adjustment $	Balance as at December 31, 2023 $
Accumulated amortization					
Buildings	**2,451**	**699**	**–**	**(5)**	**3,145**
Equipment	**21,574**	**5,407**	**(2,737)**	**122**	**24,366**
Leasehold improvements	**1,630**	**571**	**–**	**57**	**2,258**
	25,655	**6,677**	**(2,737)**	**174**	**29,769**
Net carrying amount	**46,096**				**51,879**

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9. Property, plant and equipment [Cont'd]

	Balance as at December 31, 2021 $	Additions $	Business acquisitions (note 3) $	Disposals [3] $	Reclassifications [2] $	Translation adjustment $	Balance as at December 31, 2022 $
Cost							
Land	1,228	–	882	–	–	63	2,173
Buildings	13,354	236	855	–	–	80	14,525
Equipment	37,513	14,367	7,360	(9,491)	(122)	904	50,531
Leasehold improvements	3,329	857	115	(11)	31	201	4,522
	55,424	15,460	9,212	(9,502)	(91)	1,248	71,751

	Balance as at December 31, 2021 $	Amortization $	Impairment reversal [1] $	Disposals $	Reclassifications [2] $	Translation adjustment $	Balance as at December 31, 2022 $
Accumulated amortization							
Buildings	1,835	614	–	–	–	2	2,451
Equipment	19,384	4,162	(6)	(2,319)	(51)	404	21,574
Leasehold improvements	1,212	341	–	(11)	–	88	1,630
	22,431	5,117	(6)	(2,330)	(51)	494	25,655
Net carrying amount	32,993						46,096

[1] During the year ended December 31, 2022, the Corporation reversed a previously recognized impairment charge in the amount of $6 due to the sale of previously impaired fixed assets.

[2] During the year ended December 31, 2022, assets amounting to $40 were transferred to contract assets.

[3] The disposals include a special sale of equipment during the year ended December 31, 2022, amounting to $6,000.

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10. Leases

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Balance as at December 31, 2022	Additions	Amortization	Translation adjustment	Balance as at December 31, 2023
	$	$	$	$	$
Buildings	**28,684**	**14,675**	**(8,407)**	**(571)**	**34,381**
Automotive equipment	**1,490**	**813**	**(569)**	**15**	**1,749**
Other fixed assets	**147**	**18**	**(99)**	**1**	**67**
	30,321	**15,506**	**(9,075)**	**(555)**	**36,197**

	Balance as at December 31, 2021	Additions	Business Acquisitions (Note 3)	Amortization	Translation adjustment	Balance as at December 31, 2022
	$	$	$	$	$	$
Buildings	24,052	3,704	5,927	(5,208)	209	28,684
Automotive equipment	1,629	398	–	(529)	(8)	1,490
Other fixed assets	232	19	–	(103)	(1)	147
	25,913	4,121	5,927	5,840	200	30,321

Set out below are the carrying amounts of lease liabilities and the movements during the years ended December 31, 2023 and 2022:

	2023	2022
	$	$
Beginning balance	**32,051**	26,947
Additions	**15,583**	4,095
Business acquisitions (note 3)	**–**	6,082
Repayment of lease liabilities	**(8,327)**	(5,298)
Translation adjustment	**(606)**	225
Ending balance	**38,701**	32,051
Current portion	**8,693**	5,942
Non-current portion	**30,008**	26,109

The maturity analysis of lease liabilities is disclosed in Note 29 - *Financial risk management.*

The following are the amounts recognized in net income:

	2023	2022
	$	$
Expense related to short-term leases	**174**	156
Expense related to leases of low-value assets	**60**	31
Variable lease payments	**280**	358
Amortization expense of right-of-use assets	**9,075**	5,840
Interest expense on lease liabilities	**1,364**	795

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11. Intangible assets

	Balance as at December 31, 2022 $	Additions $	Disposals $	Translation adjustment $	Balance as at December 31, 2023 $
Cost					
Technologies	53,405	510	(124)	(12)	53,779
Development costs [1]	23,753	4,736	–	(212)	28,277
Trademarks	50,546	–	–	196	50,742
Client relationships	49,023	–	–	(270)	48,753
Backlog	3,970	–	(433)	(98)	3,439
Acquired software	2,462	914	(537)	–	2,839
Internally developed software	811	–	–	(11)	800
	183,970	6,160	(1,094)	(407)	188,629

	Balance as at December 31, 2022 $	Amortization $	Disposals $	Translation adjustment $	Balance as at December 31, 2023 $
Accumulated amortization					
Technologies	40,594	2,161	(124)	34	42,665
Development costs	9,065	417	–	(138)	9,344
Trademarks	37,825	1,896	–	443	40,164
Client relationships	27,306	2,448	–	256	30,010
Backlog	3,024	939	(433)	(91)	3,439
Acquired software	2,210	155	(504)	1	1,862
Internally developed software	458	88	–	(10)	536
	120,482	8,104	(1,061)	495	128,020
Net carrying amount	63,488				60,609

(1) During the year ended December 31, 2023, Ovivo recognized research and development credits amounting to $3,421 ($772 for the year ended December 31, 2022).

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11. Intangible assets [Cont'd]

	Balance as at December 31, 2021 $	Additions $	Business acquisition (Note 3) $	Disposals $	Translation adjustment $	Balance as at December 31, 2022 $
Cost						
Technologies	47,862	559	4,834	–	150	53,405
Development costs	19,111	3,735	–	–	907	23,753
Trademarks	44,561	–	5,569	–	416	50,546
Customer relationships	41,229	–	6,726	–	1,068	49,023
Backlog	2,383	–	1,364	–	223	3,970
Acquired software	2,206	110	137	(10)	19	2,462
Internally developed software	1,531	39	–	(723)	(36)	811
	158,883	4,443	18,630	(733)	2,747	183,970

	Balance as at December 31, 2022 $	Amortization $	Disposals $	Translation adjustment $	Balance as at December 31, 2023 $
Accumulated amortization					
Technologies	38,455	2,151	–	(12)	40,594
Development costs	8,224	505	–	336	9,065
Trademarks	36,161	1,771	–	(107)	37,825
Client relationships	25,165	2,206	–	(65)	27,306
Backlog	2,260	612	–	152	3,024
Acquired software	2,125	84	(10)	11	2,210
Internally developed software	1,130	88	(723)	(37)	458
	113,520	7,417	(733)	278	120,482
Net carrying amount	45,363				63,488

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12. Goodwill

Goodwill is allocated to the Corporation's core CGUs, namely Electronics, Municipal, Industrial and Cembrane.

	Balance as at December 31, 2022 $	Translation adjustment $	Balance as at December 31, 2023 $
Electronics	**35,602**	**383**	**35,985**
Municipal	**24,469**	**(970)**	**23,499**
Industrial	**11,284**	**(317)**	**10,967**
Cembrane	**5,377**	**61**	**5,438**
TOTAL	**76,732**	**(843)**	**75,889**

	Balance as at December 31, 2021 $	Business acquisitions (Note 3) $	Translation adjustment $	Balance as at December 31, 2022 $
Electronics	20,470	14,335	797	35,062
Municipal	23,059	–	1,410	24,469
Industrial	10,623	–	661	11,284
Cembrane	–	5,398	(21)	5,377
TOTAL	54,152	19,733	2,847	76,732

The Corporation completed its annual goodwill impairment testing for the Electronics, Municipal, Industrial and Cembrane CGUs as at December 31, 2023. The recoverable amounts of these CGUs were determined using fair value less costs to sell. The fair value was measured by the Corporation by applying valuation multiples on expected earnings before amortization, interest and income taxes. In this regard, management established cash flow projections for the next fiscal year, which were approved by the Corporation's Board of Directors. The projections were prepared based on both historical data, existing backlog, expected booking of new contracts and future trends anticipated by the Corporation. A valuation multiple was then applied to the projections to determine the recoverable amount. Valuation multiples were determined based on comparable market data, risk exposures specific to CGUs, historical data and future trends as anticipated by the Corporation.

Cash-generating unit	Valuation multiple	Observed range
Electronics	14.3	8.5 to 14.3
Municipal	14.3	8.5 to 14.3
Industrial	14.3	8.5 to 14.3
Cembrane	8.5	8.5 to 14.3

Following this analysis, management concluded that the recoverable amount of the Electronic, Municipal, Industrial and Cembrane CGUs exceeded their carrying amount and that no impairment charge was required.

Using the lower end of the valuation multiple range or a 5% reduction in expected earnings before amortization, interest and income taxes would not have resulted in the recognition of an impairment charge.

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13. Income taxes

Total income tax expense for the years ended December 31 is detailed as follows:

	2023 $	2022 $
Current income tax expense (recovery)		
Current income tax charge	**12,292**	7,851
Adjustment to prior year income taxes recorded during the year	**3,816**	(744)
	16,108	7,107
Deferred income tax expense (benefit)		
Deferred tax expense (benefit) related to the origination and reversal of temporary differences	**(10,978)**	2,251
Income taxes related to continuing operations	**5,130**	9,358

The statutory tax rate in Canada for a corporation with a permanent establishment in Québec (the "Canadian statutory rate") was 26.5% for the years ended December 31, 2023 and 2022.

The following table reconciles income taxes computed at the Canadian statutory tax rate and the total income tax expense for the years ended December 31:

	2023 $	2022 $
Income taxes computed at the Canadian statutory tax rate	**11,437**	7,566
Impact of loss related to discontinued operations	**–**	–
Impact of foreign tax rate differences	**(3,499)**	(2,228)
	7,938	5,338
Increase (decrease) resulting from:		
Permanent differences	**(4,546)**	(1,596)
Non-taxable income	**(3,709)**	(2,016)
Unrecognized tax benefits resulting from losses and temporary differences	**2,268**	5,321
Minimum tax and other tax adjustments	**3,300**	1,731
Change in uncertain tax positions	**(200)**	500
Impact of tax rate decrease	**79**	80
	(2,808)	4,020
Income taxes	**5,130**	9,358
Income taxes related to discontinued operations	**–**	–
Income taxes related to continuing operations	**5,130**	9,358

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13. *Income taxes [Cont'd]*

The significant items comprising deferred tax assets and liabilities as at December 31, 2023 and 2022 and the tax effects on the deferred income tax expense for the years then ended are as follows:

	Deferred tax assets and liabilities		Deferred tax expense	
	2023	2022	**2023**	2022
	$	$	**$**	$
Intangibles assets	**(1,583)**	(8,999)	**(6,982)**	(1,319)
Property, plant and equipment	**(7,223)**	(5,180)	**2,180**	421
Contract assets	**(2,609)**	405	**3,092**	436
Financial assets	**(3,344)**	(4,168)	**(884)**	2,056
Liabilities	**3,528**	(863)	**(3,957)**	(335)
Provisions	**6,412**	3,842	**(2,763)**	(822)
Loss carryforwards	**6,238**	5,511	**(1,649)**	1,808
Other	**–**	431	**(15)**	6
Deferred income tax expense (benefit)	N/A	N/A	**(10,978)**	2,251
Net deferred tax assets (liabilities)	**1,419**	(9,021)	**N/A**	N/A
Deferred tax assets	**8,512**	949	**N/A**	N/A
Deferred tax liabilities	**(7,093)**	(9,970)	**N/A**	N/A
Net deferred tax assets (liabilities)	**1,419**	(9,021)	**N/A**	N/A

The following table shows the reconciliation of net deferred tax liabilities for the periods ended December 31, 2023 and 2022:

	2023	2022
	$	$
Balance, beginning of year	**(9,021)**	(5,927)
Through net income	**10,978**	(2,251)
Acquired in business combinations (note 3)	**–**	(359)
Item impacting the other comprehensive income	**(397)**	(537)
Other	**(141)**	53
Net balance, end of year	**1,419**	(9,021)

As at December 31, 2023, the Corporation had operating loss carryforwards for tax purposes of $168,190 that were available to reduce future taxable income, of which $15,364 expires from 2024 to 2043 and the balance of $152,826 can be carried forward indefinitely. Of these losses, a total of $28,831 was used to reduce taxable temporary differences. The Corporation also had $21,987 in capital losses that can be carried forward indefinitely.

Apart from these tax loss carryforwards, the Corporation has not recorded deferred tax assets in respect of certain temporary differences, for a total of $88,219.

The Corporation has unrecognized deferred tax liabilities in respect of the retained earnings of its subsidiaries in current and prior years, as it does not currently expect to dispose of or repatriate funds from these investments in the foreseeable future. The total amount of taxable temporary differences for which no deferred tax liability was recognized amounted to approximately $12,089.

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14. Other assets

	2023 $	2022 $
Derivative financial assets (note 7)	1	–
Balance of sale receivable (notes 4, 5 and 7)	52	149
Investment E2metrix[1]	2,150	2,150
Loan receivable [2] (note 5)	–	1,000
Financing costs	566	693
Other	966	828
	3,735	4,820

[1] The Corporation holds an investment of 20.9% in E2metrix, a Québec-based technology company which specializes in the design, development, manufacturing and commercialization of innovative and clean electro-technologies (note 32).

[2] On December 1st, 2022, concurrently with the equity participation, the Corporation provided financing to E2metrix amounting to $1,000. The loan receivable bears interest at 10% and it is payable at maturity on August 15, 2024.

The balance of sale receivable is related to the disposition of an Ovivo entity. On June 30, 2020, the Corporation disposed of its Australian business to Tasman Environmental Services Pty Ltd ("Tasman") with a balance of sale due and owing by Tasman of AUD$600 ($564) over five years, non-interest bearing (discounted amount of $420 as at sale date). Ovivo Australia constituted a component of the "Energy" division in the Corporation's consolidated financial statements. The due dates for the balance of sale receivable are as follows: 2024: $95; 2025: $52.

15. Accounts payable and accrued liabilities

	2023 $	2022 $
Accounts payable	131,431	129,855
Accrued liabilities	90,252	63,554
Stock-based Compensation (note 21)	28,692	11,987
Other	9,121	6,504
	259,496	211,900

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16. Provisions

	Provisions for contracts $	Other $	Total $
Balance as at December 31, 2022	**30,406**	**2,014**	**32,420**
Increases	**21,973**	**15,287**	**37,260**
Utilization	**(4,611)**	**(14,834)**	**(19,445)**
Reversals	**(5,620)**	**(61)**	**(5,681)**
Effect of changes in exchange rates	**(793)**	**(52)**	**(845)**
Balance as at December 31, 2023	**41,355**	**2,354**	**43,709**
Current portion	**27,204**	**2,108**	**29,312**
Non-current portion	**14,151**	**246**	**14,397**

	Provisions for contracts $	Other $	Total $
Balance as at December 31, 2021	28,900	962	29,862
Increases	13,275	448	13,723
Utilization	(5,830)	(6)	(5,836)
Reversals	(5,540)	–	(5,540)
Transfers	(519)	519	–
Effect of changes in exchange rates	120	91	211
Balance as at December 31, 2022	30,406	2,014	32,420
Current portion	18,556	1,760	20,316
Non-current portion	11,850	254	12,104

Provisions for contracts represent the estimated warranty costs for contracts in progress and completed, as well as certain expected losses on contracts in progress. The "Other" category represents provisions for restructuring costs as well as pending claims and litigation.

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17. Retirement benefits

The Corporation offers defined contribution pension plans for certain subsidiaries. Plan costs, which are expensed as incurred, amounted to $1,378 for the year ended December 31, 2023 ($1,016 for the year ended December 31, 2022).

The Corporation maintains three defined benefit pension plans: one in the United Kingdom that is based on the average of the best three consecutive years' compensation in the last ten years, one in Switzerland that provides a lump-sum payment on retirement based on final salary and one in Austria that provides for guaranteed conversion of accrued capital to an annuity on retirement, the Austrian plan being unfunded.

The UK Defined Benefit Pension Scheme (the "Scheme") provides retirement and death benefits for members and their dependants. The Scheme, which is legally and financially separate from the employer, is constituted by a trust deed. Under applicable pension legislation, the plan administrator is a pension committee. Plan administrators are responsible for the management of plan assets and the establishment of investment policies which define investment objectives, target asset allocation, risk mitigation strategies and other elements required by pension legislation. The Scheme is registered with His Majesty's Revenue and Customs under Chapter 2 of the *Finance Act 2004* and members of the Scheme were contracted out of the earnings-related part of the UK State pension arrangements. It is a defined benefit scheme, which means that the benefits payable to members are calculated on a pre-determined basis specified in the Scheme Rules. The Scheme was closed to new entrants effective March 31, 2003 and closed to the future accrual of benefits effective March 31, 2012. Actuarial valuations are required at least every three years, and the effective date of the most recent actuarial valuation was December 31, 2022.

The Swiss Defined Benefit Pension Scheme provides retirement, disability and death benefits for members and their dependants. All benefits in accordance with the regulations are reinsured in their entirety with AXA Stiftung Berufliche Vorsorge, Winterthur, Switzerland within the framework of the corresponding contract. The technical administration and management of the savings are guaranteed by AXA on behalf of the collective foundation. Insurance benefits due are paid directly to the entitled persons by AXA in the name of and for the account of the collective foundation. Ovivo Switzerland AG has committed itself to pay the annual contributions and costs due under the pension fund regulations. For this pension plan, given that the plan is insured, it is not necessary to produce an actuarial valuation.

The risk exposures of the Corporation's pension plans are as follows:
Investment risk

Investment risk is the risk that results from fluctuations in the value of the various plan investments. This risk is managed by maintaining diversification of portfolios across regions, sectors and investment strategies.

Interest rate risk

Interest rate risk is the risk that results from fluctuations in the fair value of plan assets and liabilities due to movements in interest rates. This risk is managed by reducing the mismatch between the duration of plan assets and the duration of pension obligations. This is accomplished by having a portion of the portfolio invested in long-term bonds and interest rate hedging overlay portfolios.

Inflation risk

Inflation risk is the risk that benefits indexed to inflation increase significantly as a result of changes in inflation rates. To manage this risk, the Corporation has capped the benefit indexation in certain plans and invested a portion of plan assets in real return asset securities and real return bonds.

Longevity risk

Longevity risk is the risk that increasing life expectancy results in longer-than-expected benefit payments. This risk is mitigated by using the most recent mortality tables to set the level of contributions.

Liquidity risk

Liquidity risk is the risk stemming from holding assets which cannot be readily converted to cash when needed for the payment of benefits or to rebalance the portfolios. Liquidity risk is managed through investment in government bonds and equity futures.

The total amount paid in cash for employee future benefits contributed by the Corporation under its funded and unfunded pension plans was $2,342 for the year ended December 31, 2023 ($1,731 for the year ended December 31, 2022).

The following table reconciles changes in defined benefit obligations and the fair value of plan assets for the years ended December 31, 2023 and 2022, which are the measurement dates, and the funded status on those dates:

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17. Retirement benefits [Cont'd]

	2023	2022
Changes in defined benefit obligations	**$**	**$**
Defined benefit obligations, end of prior year	**47,661**	60,864
Service cost	**1,371**	1,225
Interest	**1,689**	681
Cash flows		
Benefits paid to members	**(2,369)**	(537)
Insurance premiums for risk benefits	**(183)**	(174)
Member contributions	**1,115**	994
Remeasurements		
Effect of changes in demographic assumptions	**(466)**	(35)
Effect of changes in financial assumptions	**1,303**	(17,164)
Effect of changes in experience adjustments	**(1,299)**	2,885
Effect of changes in exchange rates	**2,431**	(1,078)
Defined benefit obligations, end of year	**51,253**	47,661

	2023	2022
Changes in fair value of plan assets	**$**	**$**
Fair value of plan assets, end of prior year	**32,878**	36,203
Interest income	**1,054**	364
Cash flows		
Total employer contributions		
Employer contributions	**2,466**	1,731
Member contributions	**1,115**	994
Benefits paid to members	**(2,369)**	(537)
Insurance premiums for risk benefits	**(183)**	(174)
Administrative expenses paid from plan assets	**(50)**	(39)
Remeasurements		
Return on plan assets (excluding amounts included in calculating net interest)	**(680)**	(5,587)
Effect of changes in exchange rates	**1,904**	(77)
Fair value of plan assets, end of year	**36,135**	32,878

Amounts recognized in the consolidated statement of financial position	**2023**	2022
Fully and partially funded plans and unfunded plans	**$**	$
Defined benefit obligations, end of year	**51,253**	47,661
Fair value of plan assets, end of year	**36,135**	32,878
Retirement benefit liabilities	**15,118**	14,783

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17. Retirement benefits [Cont'd]

Plan assets consist of the following:

	2023		2022	
	Quoted %	**Non-quoted %**	Quoted %	Non-quoted %
Cash and cash equivalents	**1.54**	**–**	0.71	–
Equity instruments	**3.56**	**–**	3.73	–
Debt securities	**20.09**	**–**	6.76	–
Investment funds	**7.37**	**–**	25.97	–
Assets held by insurance companies	**–**	**67.44**	–	62.83
Total	**32.56**	**67.44**	37.17	62.83

Components of defined benefit pension costs are detailed as follows:

	2023	2022
	$	$
Service cost	**1,371**	1,225
Net interest income		
Interest on defined benefit obligation	**1,689**	681
Interest income from plan assets	**(1,054)**	(364)
Total net interest expense	**635**	317
Administrative expenses	**50**	39
Defined benefit pension costs reported in the consolidated statement of income	**2,056**	1,581
Remeasurements (recognized in the consolidated statement of comprehensive income)		
Effect of changes in demographic assumptions	**(466)**	(35)
Effect of changes in financial assumptions	**1,303**	(17,164)
Effect of changes in experience adjustments	**(1,299)**	2,885
Return on plan assets (excluding interest income)	**680**	5,587
Total remeasurements included in other comprehensive income	**218**	(8,727)
Total defined benefit pension costs (recovery)	**2,274**	(7,146)

Actual return on plan assets amounted to a gain of $380 for the year ended December 31, 2023 (loss of $5,223 in 2022).

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17. Retirement benefits [Cont'd]

The changes in the cumulative amount of remeasurements of net pension benefit liabilities accounted for in equity were as follows for fiscal 2023 and 2022:

	2023 $	2022 $
Remeasurements of net liabilities accounted for in equity, beginning of year	**7,924**	17,128
Remeasurements of net liabilities	**218**	(8,727)
Tax expense	**397**	537
Effect of changes in exchange rates	**348**	(1,014)
Actuarial losses accounted for in equity, end of year	**8,887**	7,924

The weighted average assumptions used to determine the Corporation's defined benefit obligations and pension cost are as follows:

	2023 %	2022 %
Defined benefit obligations		
Discount rate	**3.08**	3.53
Rate of compensation increase	**2.03**	2.19
Inflation rate	**1.72**	1.89
Rate of pension increases	**1.64**	1.86
Periodic costs for the year		
Inflation rate	**1.89**	2.10
Discount rate	**3.53**	1.21
Rate of compensation increase	**2.19**	1.58
Rate of pension increases	**1.86**	2.32

Weighted average life expectancy on post-retirement mortality table used to determine the benefit obligations of the largest pension schemes is as follows:

	United Kingdom		Switzerland	
	2023	2022	**2023**	2022
Member age 65 (current life expectancy)	**21.4**	22.1	**21.8**	22.8
Member age 40 (life expectancy at age 65)	**23.5**	24.2	**23.9**	25.6

The weighted average duration of the retirement plans is 10.7 years.

Sensitivity analysis

For the year ended December 31, 2023	**Increase in accrued benefit obligation** **$**
Impact of a 1% decrease in discount rate	**5,723**
Impact of a 1% increase in pension rate	**2,470**

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17. Retirement benefits [Cont'd]

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another, as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Based on calculations as at December 31, 2023, the Corporation's contributions to defined benefit plans for the year ending December 31, 2024 will amount to $2,359.

18. Long-term debt

	2023 $	2022 $
Syndicated revolving credit facilities		
Denominated in Canadian dollars	**300**	28,700
Denominated in U.S. dollars	**21,069**	15,511
Loan agreement with the Fonds de solidarité des travailleurs du Québec ("FTQ")	**25,000**	25,000
Overdraft denominated in euros (€)	**1,740**	4,131
Loan Nordea denominated in DKK	**849**	881
Total	**48,958**	74,223
Current	**45**	25,053
Non-current portion	**48,913**	49,170

Syndicated revolving credit facilities

On February 26, 2020, the Corporation entered into a senior secured syndicated credit agreement (the "Agreement") consisting firstly of a $85,000 syndicated revolving credit facility to support the Corporation's normal course of operations, issue letters of credit and finance business acquisitions (the "General Facility"). As part of this Agreement, the Corporation also has a $60,000 credit facility to issue letters of credit guaranteed by Export Development Canada (the "LC Facility"). The Agreement has been amended from time to time to extend its maturity and to adjust other terms and conditions. On August 11, 2022, the Agreement was further amended to extend the maturity date to July 29, 2026, to increase the size of the General Facility to $135,000, to replace the LIBOR borrowings with SOFR and SONIA borrowings, and to adjust other terms. The Agreement was further amended on September 29, 2023, to increase the size of the General Facility to $185,000 and to adjust other terms. The General Facility bears interest at Canadian or U.S. prime rates plus a margin of 0.50% to 2.00%, and bankers' acceptance rates, SOFR, Euribor or SONIA plus a margin of 1.50% to 3.00%. The SOFR and SONIA borrowings are subject to an additional positive credit adjustment spread ranging between 0.0326% and 0.2766% depending on the loan currency and duration.

As at December 31, 2023, the General Facility total utilization was of $23,369 ($44,211 as at December 31, 2022), with $21,369 drawn for cash borrowings and $2,000 used for an outstanding letter of credit, and a total of $27,124 was used under the LC Facility ($24,558 as at December 31, 2022). According to the terms and conditions of the Agreement, no principal repayment on the long-term debt is required before its maturity on July 29, 2026.

As at December 31, 2023, the Corporation was in compliance with all financial ratios and other covenants of this Agreement.

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18. Long-term debt [Cont'd]

Loan agreement - FTQ

On November 20, 2018, the Corporation entered into an unsecured debt agreement with the Fonds de solidarité des travailleurs du Québec ("FTQ") for an unsecured maximum debt facility of $25,000 with maturity on November 20, 2023. An initial tranche of $10,000 was drawn down as at November 20, 2018, bearing interest at 4.95%. The interest rate of this tranche was reduced to 3.80% on February 14, 2022. A second tranche of $15,000 was drawn down as at November 19, 2020, bearing interest at 3.20%. At the maturity date on November 20, 2023, the $25,000 loan agreement with FTQ was renewed by the Corporation until November 20, 2028, with advance repayment options starting on November 21, 2024, and the renewed loan bears interest at 7.45%.

Syndicated revolving credit facilities in Austria

The Corporation has an unsecured credit facility in Austria with Bank Austria to issue letters of credit amounting to €7,000 ($10,224) and maturing on December 31, 2022. On December 2, 2022, the maturity date of this guarantee facility was extended to December 31, 2025. As at December 31, 2023, this facility was used for €0 ($0) ($6,776 as at December 31, 2022).

The Corporation also has an overdraft facility in Austria with Bank Austria amounting to €5,000 ($7,317) to support the normal course of operations. This facility matures on December 31, 2025, is repayable on demand and was used for €1,189 ($1,740) as at December 31, 2023 ($4,131 as at December 31, 2022). The revolving credit facility bears interest at €STR rate plus a margin of 1.75% and is subject to a positive credit adjustment spread of 0.085%. The Corporation guarantees the repayment of both these credit facilities in Austria in the event of payment default.

Mortgage loan in Denmark

Following the acquisition of Cembrane, the Corporation assumed a mortgage loan in Denmark with Nordea that had an outstanding amount of 4,320 DKK ($849) as at December 31, 2023 ($881 as at December 31, 2022). The mortgage loan bears interest at CIBOR plus a margin of 0.88%. This loan is secured by Cembrane's property located in Denmark, is repayable in quarterly instalments and matures in December 2038.

Credit facilities in China

The Corporation has an unsecured credit facility in China with HSBC to issue letters of credit, amounting to CNY 160,000 ($29,772). The facility was amended on August 31, 2022, to increase the amount to CNY 240,000 ($44,658) and was further amended on July 17, 2023, to increase the amount to CNY 340,000 ($63,265). As at December 31, 2023, the HSBC facility was used for CNY 168,937 ($31,435) (CNY 165,224 ($32,220) as at December 31, 2022). The facility is repayable on demand and the Corporation guarantees the repayment to HSBC in the event of a payment default.

The Corporation has a second unsecured credit facility in China with Bank of China to issue letters of credit and support counterparty credit risk amounting to CNY 110,000 ($20,468). The facility was amended on November 16, 2022, to increase the amount to CNY 210,000 ($39,075) and was further amended on October 19, 2023, to increase the amount to CNY 310,000 ($57,683). As at December 31, 2023, the Bank of China facility was used for CNY 150,132 ($27,936) ($28,250 as at December 31, 2022). The facility is repayable on demand and is not guaranteed by the Corporation.

19. Other liabilities

	2023 $	2022 $
Share-based compensation (note 21)	**31,921**	22,102
Derivative financial liabilities (note 7)	**5**	24
Other	**2,540**	2,479
	34,466	24,605

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20. Share capital

All common shares are voting shares, carrying one vote per share, and participating.

	As at December 31, 2023 and 2022	
	Number of shares	Share capital
		$
Issued and fully paid shares	44,097,218	313,851

21. Share-based compensation

Appreciation Share Units ("ASU")

In 2020, the Board of Directors introduced a new share-based compensation known as the Appreciation Share Units ("ASU"). The ASU vest over a five-year period (in equal tranches of 20%) starting on the first anniversary of the grant date, becoming fully vested on their fifth anniversary. The ASU have a maximum term of ten years from the grant date. Under the ASU plan, participants receive, upon vesting, a cash amount equal to the difference between the ASU's fair market value and the grant price value, also known as the intrinsic value. The fair market value is calculated annually using valuation formulas approved by the Board of Directors.

	December 31, 2022	Issued	Forfeited	Exercised	December 31, 2023
ASU 2020 – $5.32	646,500	–	(9,000)	(59,500)	578,000
ASU 2021 – $5.63	4,215,500	–	(69,000)	(205,750)	3,940,750
ASU 2022 – $6.95	130,000	–	–	(8,000)	122,000
ASU 2023 – $15.13 (March)	–	100,000	–	–	100,000
ASU 2023 – $15.13 (August)	–	50,000	–	–	50,000
	4,992,000	150,000	(78,000)	(273,250)	4,790,750

The following tables summarize the share-based compensation expense of the ASU during the years ended December 31:

	2023	2022
	$	$
ASU 2020 – $5.32	3,574	4,268
ASU 2021 – $5.63	24,350	24,523
ASU 2022 – $6.95	768	459
ASU 2023 – $15.13 (March)	341	–
ASU 2023 – $15.13 (August)	95	–
	29,128	29,240

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21. Share-based compensation [Cont'd]

The following tables summarize the assumptions used in calculating the fair value of the ASU as at December 31, 2023:

	ASU 2020 $5.32	ASU 2021 $5.63	ASU 2022 $6.95	ASU 2023 $15.13 (March)	ASU 2023 $15.13 (August)
Weighted average fair value	$17.12	$17.02	$15.99	$10.45	$10.54
Risk-free interest rate	3.88%	3.88%	3.67%	3.17%	3.17%
Expected average life (years)	1.5	2.4	3.3	4.3	4.6
Expected volatility of stock price	27.2%	31.1%	29.4%	33.8%	32.5%
Expected dividend yield	0%	0%	0%	0%	0%

22. Disaggregation of revenues

In the following table, revenue is disaggregated by major types of goods and services. The table also includes a reconciliation of the disaggregated revenue with the Corporation's five strategic divisions, which are its reportable segments.

2023	Electronics $	Energy $	Municipal $	Industrial $	Cembrane $	Total $
Major types of goods and services						
Capital equipment	**647,264**	**33,085**	**160,384**	**14,506**	**–**	**855,239**
Upgrading, parts and services	**77,988**	**12,827**	**48,528**	**18,922**	**–**	**158,265**
Rental services	**–**	**–**	**710**	**3,712**	**–**	**4,422**
Plant operations	**–**	**–**	**–**	**1,024**	**–**	**1,024**
Products	**–**	**–**	**–**	**–**	**7,586**	**7,586**
	725,252	**45,912**	**209,622**	**38,164**	**7,586**	**1,026,536**

2022	Electronics $	Energy $	Municipal $	Industrial $	Cembrane $	Total $
Major types of goods and services						
Capital equipment	455,057	24,670	144,455	8,648	–	632,830
Upgrading, parts and services	58,967	10,794	49,887	18,564	–	138,212
Rental services	–	–	632	3,192	–	3,824
Plant operations	–	–	–	1,246	–	1,246
Products	–	–	–	–	5,899	5,899
	514,024	35,464	194,974	31,650	5,899	782,011

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22. Disaggregation of revenues [Cont'd]

In the following table, revenue is disaggregated by major products/service lines and timing of revenue recognition:

2023	Goods and services transferred at a point in time	Goods and services transferred over time	Total
Capital equipment	846	854,393	855,239
Upgrading, parts and services	90,960	67,305	158,265
Rental services	–	4,422	4,422
Plant operation	–	1,024	1,024
Products	7,586	–	7,586
	99,392	927,144	1,026,536

2022	Goods and services transferred at a point in time	Goods and services transferred over time	Total
Capital equipment	616	632,214	632,830
Upgrading, parts and services	79,653	58,559	138,212
Rental services	–	3,824	3,824
Plant operation	–	1,246	1,246
Products	5,899	–	5,899
	86,168	695,843	782,011

The following table includes capital equipment revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date:

December 31, 2023	Less than 12 months $	12 to 18 months $	More than 18 months $	Total $
Capital equipment	583,161	107,016	97,130	787,307

December 31, 2022	Less than 12 months $	12 to 18 months $	More than 18 months $	Total $
Capital equipment	592,986	124,005	235,877	952,868

23. Transaction costs and other non-recurring costs

For the year ended December 31, 2023, the transaction costs consisted in a reversal of $9 related to various acquisition projects.

For the year ended December 31, 2022, transaction costs consisted of $433 representing acquisition costs arising from the acquisition of Norse Star and Wastech (note 3) and $160 representing fees related to various acquisition projects.

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23. Transaction costs and other non-recurring costs [Cont'd]

For the year ended December 31, 2023, the other non-recurring costs were $1,933 and consisted of benefit expenses arising from the acquisitions of Norse Star, Wastech and Alar.

For the year ended December 31, 2022, the other non-recurring costs were $730. These costs consisted mainly in benefit expenses arising from the acquisitions of Norse Star and Wastech partly offset by the reversal of $292 representing contingent earnout not paid to the previous owners of Alar and by $89 representing the gain on the re-evaluation of the participation previously held in Norse Star at the acquisition of control date (note 3).

For the year ended December 31, 2023, non-recurring expense of $13,317 were incurred consisting of $12,436 paid as part of a settlement agreement on a major project and $881 representing legal fees related to this matter. For the year ended December 31, 2022, the non-recurring expense was $453 representing legal fees related to that same matter.

24. Compensation

The employee compensation and benefit expenses for the years ended December 31, 2023 and 2022 is detailed as follows:

	2023 $	2022 $
Salaries and other employee benefits	**163,136**	126,994
Share-based compensation (note 21)	**29,128**	29,240
	192,264	156,234

25. Amortization by function

The amortization expense by function for the years ended December 31, 2023 and 2022 is detailed as follows:

	2023 $	2022 $
Costs of contracts and goods sold	**20,500**	15,300
Selling and administrative expenses	**3,356**	3,074
	23,856	18,374

26. Net financing expenses

	2023 $	2022 $
Interest expense and other financing expenses		
Interest on long-term debt	**5,687**	2,410
Interest expense on lease liabilities (note 10)	**1,364**	795
Interest expense related to retirement benefits (note 17)	**1,689**	681
Other interest expense	**1,298**	841
	10,038	4,727
Interest and other financing income		
Interest income on pension plan assets (note 17)	**(1,054)**	(364)
Other interest income	**(892)**	(574)
	8,092	3,789

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27. Information on cash flows and results

	2023 $	2022 $
Net change in non-cash items related to continuing operations		
Trade and other receivables	**(17,994)**	(52,716)
Inventories	**(8,907)**	(11,477)
Contract assets	**(61,310)**	(47,882)
Prepaid expenses	**(188)**	(673)
Advances to suppliers	**5,989**	(20,435)
Accounts payable and accrued liabilities, provisions and net of other assets and other liabilities	**44,232**	51,373
Contract liabilities	**(48,762)**	68,076
Income taxes receivable/payable	**1,039**	(190)
	(85,901)	(13,924)

28. Compensation of key executive officers and Board members

The annual compensation of key executive officers of the Corporation and members of the Board of Directors for the years ended December 31, 2023 and 2022 was as follows:

	2023 $	2022 $
Salaries and other current benefits	**5,848**	4,642
Retirement benefits	**152**	129
Share-based compensation (note 21)	**9,573**	9,807
	15,573	14,578

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29. Financial risk management

The Corporation is primarily exposed to the three following risks as a result of holding financial instruments in the normal course of business:

Credit risk:	Risk of financial loss to the Corporation if a client or counterparty to a financial asset (for example, accounts receivable) fails to meet its contractual obligations.
Liquidity risk:	Risk that the Corporation will not be able to meet its financial obligations as they become due.
Market risk:	Risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Corporation is exposed to foreign exchange risk and interest rate risk.

Credit risk

The Corporation manages credit risk relating to the following:

(a) Cash and cash equivalents are maintained with investment-grade financial institutions.

(b) Accounts receivable:

The Corporation, in the normal course of business, continuously monitors the financial condition of its clients, reviews the credit history of each new client as needed, and does not normally require collateral. If required, the Corporation manages this risk by negotiating advances on contracts as well as by requesting letters of credit.

As at December 31, 2023, no client represented more than 10% of the Corporation's total consolidated trade accounts receivable and the Corporation's ten largest clients accounted for 26.94% (30.95% in 2022) of total consolidated trade accounts receivable. For the years ended December 31, 2023 and 2022, no client accounted for more than 10% of the Corporation's total revenues.

The Corporation has established a provision that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Changes in the Corporation's accounts receivable are monitored on a continuous basis.

As at December 31, 2023 and 2022, the aging analysis of accounts receivable (including holdbacks) was as follows:

	2023	2022
	$	$
Current	**158,873**	144,386
Over 90 days past due	**31,542**	26,117
Trade accounts receivable (including holdbacks on contracts)	**190,415**	170,503
Less: provision for ECLs	**643**	2,012
	189,772	168,491

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29. Financial risk management [Cont'd]

The following table details the change in the provision for ECLs related to trade receivables:

	2023	2022
	$	$
Balance, beginning of year	2,012	4,166
Increase in provision for ECLs	284	58
Write-offs	(1,591)	(2,026)
Recoveries	(107)	(148)
Translation adjustment	45	(38)
Balance, end of year	643	2,012

(c) Derivative financial instruments

Derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures. In the Corporation's opinion, none of the parties to the existing financial instruments are expected to default on their obligations since they are large investment-grade financial institutions.

The Corporation is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments but does not expect any counterparties to fail to meet their obligations. The Corporation is exposed to credit risk when a derivative financial instrument's fair value is positive at the reporting date (see note 7 *Financial instruments*). The maximum exposure in the event of counterparty default on derivative financial instruments with positive fair values as at December 31, 2023 amounted to $2,241 ($8,492 as at December 31, 2022).

Liquidity risk

Given the nature of its business, more specifically as it relates to large-scale projects and progress billings, the Corporation is exposed to liquidity risk during the execution of major contracts for which it has to incur costs before billing the client. The Corporation considers that this risk is mitigated by the large number of contracts, as well as their segmented and geographic diversity. In addition, the Corporation manages this risk by obtaining client advances on contracts, if necessary. Further, the Corporation prepares periodic budgets, forecasts and cash reports to ensure that it has sufficient funds to fulfill its obligations. The Corporation manages its liquidity risk by monitoring its operating requirements and uses credit lines to facilitate its financial flexibility. In recent years, the Corporation has used its syndicated revolving credit facilities to finance working capital requirements.

The following table summarizes the carrying amounts and contractual maturities, principal and interest, of significant financial liabilities as at December 31, 2023.

	Carrying amount	Contractual cash flows	Contractual maturities		
			Next 12 months	2 to 5 years	Over 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	259,496	259,496	259,496	—	—
Derivative financial liabilities	2,355	2,355	2,350	5	—
Long-term debt	48,958	58,331	1,940	55,657	734
Lease liabilities	38,701	42,448	9,808	21,833	10,807
	349,510	362,630	273,594	77,495	11,541

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29. Financial risk management [Cont'd]

Market risk – foreign exchange rates

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate with changes in foreign exchange rates. Foreign exchange risk is limited to the Corporation's commercial transactions denominated in currencies other than its functional currency.

As the Corporation carries on business in many countries, it is exposed to the risk of currency fluctuations against its functional currency. Moreover, at the time of translation, fluctuations in the Canadian dollar against other major currencies may materially impact the Corporation's consolidated financial position and operating results. Major contracts obtained by the Corporation's subsidiaries are covered by currency hedging contracts. In addition, the Corporation creates natural hedges, to the extent possible, by incurring contract expenses in the same currency as that of the underlying contracts.

The following tables show the notional amounts and terms of outstanding foreign exchange contracts as at December 31, 2023 and December 31, 2022, by currency:

	As at December 31, 2023			As at December 31, 2022		
	Average rate	Notional amount $	Fair value $	Average rate	Notional amount $	Fair value $
Currencies (sold/purchased)						
Sell contracts						
Current maturity:						
USD/CAD	**1.3312**	**2,447**	**(13)**	1.3509	11,751	(106)
USD/CAD	**1.3312**	**13,617**	**104**	1.3509	10,292	68
USD/CHF	**0.8455**	**34,391**	**524**	0.9415	61,241	2,108
USD/EUR	**0.9103**	**11,904**	**(271)**	0.9591	17,692	(456)
USD/EUR	**0.9103**	**60,074**	**810**	0.9531	82,320	3,272
SGD/CAD	**1.0058**	**5,771**	**10**	1.0010	10,484	(108)
EUR/CAD	**1.4938**	**4,611**	**98**	1.3830	5,342	(258)
Other contracts – favourable[1]		**21,422**	**55**		555	11
Other contracts – unfavourable[1]		**16,818**	**(162)**		12,169	(236)
Currencies (purchased/sold)						
Buy contracts						
Current maturity:						
GBP/CAD	**1.6996**	**15,628**	**(127)**	1.6269	6,543	71
EUR/USD	**1.1064**	**2,457**	**67**	1.0343	7,560	295
EUR/CAD	**1.4931**	**50,783**	**(1,025)**	1.4070	44,684	1,440
CHF/CAD	**1.5538**	**25,660**	**367**	1.4239	12,669	373
EUR/CNY	**7.8102**	**1,904**	**11**	7.3038	6,452	166
MYR/CAD	**0.2911**	**2,153**	**(22)**	0.2875	4,616	293
USD/CNY	**7.1885**	**3,739**	**(88)**	7.0417	4,808	(162)
JPY/USD	**0.0076**	**1,455**	**(102)**			
Other contracts – favourable[1]		**4,702**	**28**		3,695	104
Other contracts – unfavourable[1]		**34,037**	**(231)**		19,769	(163)

[1] Exchange rates as at December 31, 2023 and 2022 were used to translate amounts in foreign currencies. The other contracts represent a combination of different currencies, the fair value of which taken separately is lower than $100 in absolute value.

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29. Financial risk management [Cont'd]

Market risk – foreign exchange rates [Cont'd]

As per the sensitivity analysis performed as at December 31, 2023, based on the Corporation's foreign exchange exposure as it pertains to changes in the fair value of monetary assets and liabilities, and assuming all other variables remain constant, a 5% strengthening of the currencies listed below would have the following impacts on net income:

Currency	EURO	USD	CHF	SGD	GBP	CNY
Favourable (unfavourable)	(2,803)	(3,103)	(629)	(519)	254	286

A 5% weakening of these currencies would have the inverse effect on net income.

Market risk – interest rates

The Corporation is exposed to the risk of interest rate fluctuations on its variable-rate long-term debt and overdraft debt. The Corporation assesses interest rate risks and may, if it deems appropriate, enter into interest rate swaps.

As per the sensitivity analysis performed, assuming all other variables remain constant, a 1% increase in interest rates as at December 31, 2023 would have an unfavourable impact of $638 on net income, while a 1% decrease would have a favourable impact of $983 on net income.

30. Guarantees

The Corporation is committed under letters of credit (note 18), corporate guarantees and insurance surety bonds for the performance of its contracts in the amounts of $89,225 $157,836 and $78,297 respectively as at December 31, 2023 ($92,582, $106,257 and $67,863 respectively as at December 31, 2022).

31. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

32. Subsequent event

On February 14, 2024, the Corporation completed the acquisition of E2metrix, a technology company based in Sherbrooke, Canada, in which the Corporation previously held a 20.9% participation (note 14). The price paid to buy the remaining shares and reimburse or assume the outstanding debts on a net cash basis was $12.2 million. E2metrix specializes in innovative & clean electro-technologies that are particularly effective to destroy perfluoroalkyl and polyfluoroalkyl substances ("PFAS"), commonly called the forever chemicals, and other emerging contaminants present in water and wastewater. The acquisition will allow the Corporation to further develop an onsite commercially viable treatment system to remove and destroy PFAS present in municipal drinking water and other wastewaters leveraging E2metrix's electrochemical oxidation technology.