1

Aecon Group Inc.
First Quarter Report

Three months ended March 31, 2002

Report to Shareholders

Dear Fellow Shareholders:
I am pleased to report that Aecon continued to record significant improvement in both top line and bottom line results for the first quarter of fiscal 2002, ended March 31, 2002.

For the quarter, revenues increased to a record $228.0 million, up from $188.3 million for the same period last year, while net loss decreased to $1.0 million ($0.06 per share) from a net loss of $2.1 million ($0.12 per share) in the first quarter of 2001.

Aecon has historically reported a net loss in the first quarter due to seasonal factors that typically affect the construction sector in Canada. However, over the past few years Aecon has been pursuing a diversification strategy with the objective of increasing the consistency and stability of our quarterly financial performance throughout the year. The decrease in Aecon's first quarter losses and the broadening of our revenue base indicate that this diversification strategy is beginning to bear fruit.

Aecon reports its segmented results in four categories reflecting the company's current operating structure: Infrastructure, Buildings, Industrial, and Corporate and Other. The segmented results for the quarter indicate that a decline in contribution by the Industrial segment was more than offset by improved contributions from the other three segments.

The Infrastructure segment saw a modest decline in revenues compared to the same period last year. Revenues in this segment were impacted by the completion last year of the Vancouver Sky Train project in Vancouver, British Columbia, as well as reduced performance from civil construction operations. However, contributions from international projects and from utilities construction activities produced an operating profit in the Infrastructure segment compared to an operating loss in the first quarter of 2001. In particular, $8.0 million in financing fees and cost recoveries were recorded from the Nathpa Jhakri Hydro-electric project in India. Aecon is now able to record cost recoveries from this project, as several key milestones have been successfully reached. The project is now over 70% complete and is expected to be completed in late 2003.

The Buildings segment continued its strong performance in the first quarter as revenues more than doubled from the first quarter of 2001, resulting in an 81% increase in operating profit for the quarter. The primary reason for these improved results is the expansion of Aecon's higher margin renovation and retrofit work, primarily in the Greater Toronto Area.

Driven by a slowdown in the power sector, revenue from the Industrial segment declined in the first quarter of 2002, compared to its record performance in 2001. Reduced activity in manufacturing operations, particularly the steam generator business, constricted operating margins. The slowdown in this segment is expected to continue throughout the year due to over capacity and an overall reduction in economic activity in the energy sector.

Finally, the Corporate and Other segment reduced its operating loss in the quarter as compared to the same period last year. The improvement in this segment is a result of improved margins in nuclear operations from Canatom NPM, in which Aecon owns a 38.75 percent interest. Adding to the improvement was a reduction in corporate costs for the period.

Aecon's backlog at the end of the quarter declined to $732 million and was in line with management expectations. The reduction is attributable to general economic conditions as well as project completions in the Buildings and Infrastructure segments. Aecon expects backlog to rebuild during the second half of 2002 in step with improved business confidence and increased economic activity. There is no indication that the reduced level of current backlog will have a significant impact on revenues for the year.

Major achievements and contracts signed during the first quarter of 2002 include:

- A $10.9 million contract by the Ministry of Transportation of Ontario for work on Highway 7 near Peterborough to be completed in July 2003.
- A $15 million contract for construction of an eight-storey Class "A" office building in Markham, Ontario. Construction is scheduled for completion by October 2002.
- Tenant improvements valued at more than $6 million for the new 210,000 square-foot ATI Technologies Inc. Corporate Head Office in Markham, Ontario.
- The geographic expansion, and the three year extension of the strategic alliance in Ontario of Aecon Utilities with key client Union Gas.
- The addition of senior management and business development personnel at Aecon Industrial in Western Canada given the many major energy projects to be developed there over the next decade.
- A $6.6 million contract for work on the six-lane Capilano Bridge located on Wayne Gretzky Drive over the North Saskatchewan River in Edmonton, Alberta.

Aecon has made significant progress in creating a strong and well-balanced foundation on which to grow our business and become the dominant Canadian company in our industry. From this stable base our attention is focused on improving Aecon's financial performance segment by segment through increased volumes and improved margins. Based on the first quarter of 2002 we expect another strong year, and are confident that Aecon's results this year will approximate the very strong levels achieved in 2001.

On behalf of the Board of Directors,

John M. Beck,
Chairman and Chief Executive Officer
May 27, 2002

Management's Discussion and Analysis of operating results and financial condition

The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. ("Aecon") should be read in conjunction with the Company's Interim Consolidated Financial Statements and Notes.

Results of Operations

Introduction

Aecon operates in three principal segments within the construction and infrastructure development industry – Infrastructure, Buildings and Industrial. The Company's joint venture interest in the nuclear power market, as well as its corporate activities, are included in a fourth segment titled Corporate and Other.

The construction industry in Canada is seasonal in nature due to weather conditions, with less work performed in the winter and early spring months. Accordingly, Aecon experiences a seasonal pattern in its operating results with the first quarter of the year typically reflecting the lowest revenue as well as operating losses. Results in any one quarter are therefore not indicative of results in any other quarter or for the year.

Consolidated

Revenues for the three months ended March 31, 2002 amounted to $228.0 million – an increase of $39.7 million or 21.1% from 2001. Strong growth in the buildings segment accounted for all of the improvement, as revenues from the infrastructure, industrial and corporate and other segments were each less than the same period of 2001.

Costs and expenses amounted to $213.0 million in the quarter, representing 93.4% of revenues. This compares with $175.6 million, or 93.2% of revenues in 2001. Contract margins, which are equal to revenues less costs and expenses, were 6.8% of revenues in 2001 versus 6.6% in 2002. Margins in each of the principal segments are discussed under Reporting Segments.

Marketing, general and administrative expenses ("M,G&A") for the first three months of 2002 amounted to $13.8 million, compared to $12.6 million for the same period of 2001, and, as a percentage of revenue decreased from 6.7% in 2001 to 6.1% in 2002.

Prior to 2002, MG&A included various indirect costs for items such as estimating, safety, and project accounting and management, which are principally associated, and vary, with the volume of construction projects. These items are now being classified as Costs and Expenses in the Consolidated Statements of Operations and comparative figures have been reclassified accordingly.

Depreciation and amortization amounted to $2.2 million for the quarter, up $0.6 million from the same period of 2001 due to higher expense within Infrastructure relating to Ontario road building operations.

Net interest expense amounted to $0.5 million in the quarter, compared to $1.4 million last year. Lower expense on floating rate debt due to declining prime rates of interest accounted for most of the reduction. As well, improved cash flow within the Nathpa Jhakri Hydro-electric power project Joint Venture in India resulted in Aecon's share of interest expense in the Joint Venture being $0.3 million lower than the same period of 2001.

The effective rate of tax recovery was only 30.0% in the first quarter of 2002, compared to 43.5% in the same period of 2001. The reduction was due to lower Canadian statutory tax rates applicable to those operations incurring losses and the impact of comparatively high tax rates on international income.

For the three months ended March 31, 2002 Aecon had a net loss of $1.0 million, compared to a loss of $2.1 million for the same period in 2001.

Reporting segments

Infrastructure

Financial Highlights

$ millions	2002	2001	% Change
Revenues	$ 85.2	$ 88.8	(4.0)%
Segment Operating Profit (Loss)	1.6	(1.3)	n/a
Return on Revenue	1.9%	(1.4)%	n/a

Revenues from the infrastructure segment for the three months to March 31, 2002 were lower than the same period of 2001 by $3.6 million or 4.0%. Major declines included $10.8 million in Ontario road building operations as a result of less work being tendered by Ontario's Ministry of Transportation, a $7.7 million reduction in revenues due to the completion in 2001 of the Sky Train rapid transit system project in Vancouver, British Columbia, and a $5.8 million decline in utilities services principally due to lower volume at its Traffic Technology division. Partially offsetting these declines was an increase of $18.5 million in revenues from the Nathpa Jhakri Hydro-electric power project in India (in which Aecon has a 45% interest), due to accelerated progress on the project.

The segment operating profit of $1.6 million in 2002 represented a $2.9 million improvement over the same quarter of 2001. This improvement was due to a significant contribution from the Nathpa Jhakri Hydro-electric project as $8.0 million in project related financing fees and the recovery of previous costs from this project were recorded in the current quarter, whereas there was no contributions reflected in the same quarter last year. Partially offsetting this were lower operating results of $1.4 million from Aecon's Ontario road building operations because of reduced volumes. Other civil construction operations, exclusive of the Nathpa Jhakri Hydro-electric power project, were $3.0 million below the corresponding period last year due to losses on two projects in the province of Quebec and lower earnings from the Cross Israel Highway project.

Until the fourth quarter of 2001, Aecon had not recorded any fee income from the Nathpa Jhakri Hydro-electric power project in India as there was too much uncertainty regarding the project's likely profitability. In the fourth quarter of 2001 Aecon began recording its share of fee income and booked $5.4 million of accumulated financing fees. In the three months ended March 31, 2002, with construction reaching 73% complete and continuing to progress well, and with certain critical construction milestones achieved, Aecon also began to record a contribution from this project towards the recovery of previously expensed project costs using percentage completion accounting and based on the project's current estimated results. As a result, included in Aecon's results for the quarter are cost recoveries of $7.4 million, being a portion of the costs incurred prior to 2002. Additional recoveries are expected as construction continues. Current estimated project profitability for this project excludes the potential positive impact of significant claims that the Joint Venture has made to its client for additional compensation, and similarly excludes the potential negative impact of significant possible claims that the client might make against the Joint Venture for delays in project completion. Management does not currently expect there to be any net negative impact from the settlement of these various claims with the client, however the results of these settlements cannot be accurately determined at this time.

Buildings

Financial Highlights

$ millions	2002	2001	% Change
Revenues	$ 93.9	$ 44.0	113.4%
Segment Operating Profit	1.5	0.8	81.3%
Return on Revenue	1.6%	1.9%	(15.0)%

The Buildings segment entered 2002 with a record high level of backlog of work and this is reflected in the improved operating results for the first quarter of the year. Revenues are more than double the same period of 2001, with U.S. operations up 112% and Canadian operations, which are principally within the province of Ontario, ahead by 111%. Segment operating profit is up by $0.7 million, reflecting the higher volumes. Return on revenue is lower than last year due to the favourable impact in 2001 of currency exchange rates.

Industrial

Financial Highlights

$ millions	2002	2001	% Change
Revenues	$ 38.3	$ 40.5	(5.5)%
Segment Operating Profit (Loss)	(2.2)	3.1	n/a
Return on Revenue	(5.8)%	7.5%	n/a

Operating results from the industrial segment were substantially lower than 2001 principally due to a decline in sales of once-through steam generators. Revenues from the manufacturing of this product were down $3.5 million and operating profit fell $4.5 million. These declines reflect the delay in implementation of several large power projects resulting from the general reduction in confidence and levels of capital spending within the power industry. Pipe fabrication work was also reduced from last year, resulting in the remaining decline in operating results.

Corporate and Other

Although other revenue, which is derived principally from the Company's 38.75% interest in Canatom NPM Inc., a nuclear consulting and project management firm, declined by $4.4 million to $10.7 million in the quarter, the operating loss from this segment was substantially less - $1.9 million for the three months ended March 31, 2002 compared to $4.9 million in the same period of 2001. Improved profitability from Canatom NPM Inc. accounts for $1.3 million of the improvement. Corporate costs were lower than last year by $1.7 million due to the impact of one-time charges recorded in the first quarter 2001 which included a loss on the disposal of assets and severance costs.

Financial Condition, Liquidity and Capital Resources

Cash and cash equivalents at March 31, 2002 totaled $98.6 million, compared to $107.1 million at the end of 2001. Of these amounts, $96.2 million and $103.8 million, respectively, were on deposit in joint venture and affiliate bank accounts, which the Company cannot access directly.

For the three months ended March 31, 2002, operating activities, before changes in working capital, resulted in a net use of cash amounting to $0.2 million. The first quarter of the year typically has the lowest activity of any quarter and there is a substantial seasonal reduction in both current asset balances, mainly accounts receivable, as well as current liabilities compared to the end of the previous quarter. These changes, on a net basis, resulted in a use of cash of $15.4 million. The total cash used in operating activities in the quarter totaled $15.6 million.

Purchases of property, plant and equipment were not significant in the first three months and, net of proceeds on disposals, amounted to $0.5 million.

Financing activities generated cash of $8.4 million, principally from increased bank borrowings under the Company's operating lines.

Interest bearing debt amounted to $87.0 million at March 31, 2002, compared to $78.9 million at the end of 2001, the composition of which is as follows ($ millions):

	March 31 2002	December 31 2001
Bank indebtedness	$ 41.2	$ 32.2
Current portion of long-term debt	8.6	8.7
Long-term debt	28.0	28.8
Convertible debenture	9.2	9.2
Total	$ 87.0	$ 78.9

Subsequent to March 31, 2002, the Company successfully renewed its working capital facility, with an increased facility limit of $55 million being made available until November 2002 to finance Aecon's traditionally higher working capital requirements during the spring and summer seasons, after which the facility will reduce over time to a minimum level of $35 million at the expiry date of April 30, 2003

Subsequent to March 31, 2002 the Company announced two separate issues of equity capital. On April 18 Hochtief (Canada) Inc., the Company's largest shareholder, exercised its option to convert approximately $2,209 of convertible debentures to common shares, thereby increasing its interest in Aecon, at that date, to 50% less one share.

On May 6, the Company announced the successful closing of its previously announced offering of 6,192,150 special warrants ("Special Warrants") at a price of $5.25 per Special Warrant for total proceeds of $32,509. Each Special Warrant will be exercisable, without additional consideration, for one common share of Aecon. In the event the Company has not obtained, within 90 days of closing the private placement, a receipt from applicable securities regulatory authorities for a final prospectus qualifying the distribution of the common shares, each Special Warrant, other than those to be acquired by Hocthief, will be exercisable for 1.05 common shares. Hochtief (Canada) Inc. exercised its pre-existing right to purchase, at a price of $5.25 per Special Warrant, 2,857,150 Special Warrants and, as a result, its interest in Aecon immediately after the closing was 49%. Net proceeds, after fees and expenses, are expected to amount to approximately $31,500, which will be recorded as an increase in capital stock.

Management considers that with internally generated cash flow, bank credit lines and the proceeds from the issue of Special Warrants, Aecon has sufficient capital to support its normal ongoing operations and is also now in a stronger position to selectively pursue other growth opportunities.

Outlook

The economic downturn in Canada during late 2001 and early 2002 has caused a reduction in backlog to $732 million at March 31, down from the $849 million in place at the end of 2001 and the record $1.15 billion in place at March 31, last year. Backlog from certain of Aecon's major projects (Cross Israel Highway, Nathpa Jhakri Hydro-electric project, and the Vancouver Sky Train project) is predictably lower by approximately $23 million from December 2001 and by $120 million from March 2001, as construction activity continues to progress, and in the case of the Vancouver Sky Train project, is now complete. Including the backlog reduction from major projects, backlog within the Infrastructure segment has declined by $23 million since year-end to $412 million. Backlog in the buildings segment has also declined, by $60 million to $218 million, as has backlog in the Industrial segment, by $22 million to $49 million. As economic conditions in Canada are expected to improve throughout 2002, it is expected that backlog levels will rebuild again in the second half of the year.

Overall, expectations for improved operating results within the Infrastructure and Buildings segments are expected to offset a downturn in the Industrial segment, which is likely to experience continued soft results in steam generator sales as the Enron related disruption continues in the power industry. As a result, management currently expects consolidated revenues and net income for 2002 to approximate the very strong levels achieved in 2001.

New Accounting Standards

Two new accounting standards issued by The Canadian Institute of Chartered Accountants were adopted effective January 1, 2002 - "Stock-Based Compensation and Other Stock-Based Payments" and "Goodwill and Other Intangible Assets". The impact of these new standards on the financial statements is set out in note 3 to the Consolidated Financial Statements.

Forward-Looking Information

In various places in Management's Discussion and Analysis and in other sections of this document, management's expectations regarding future performance of Aecon was discussed. These "forward-looking" statements are based on currently available competitive, financial and economic data and operating plans, but are subject to risks and uncertainties. Forward-looking statements include information concerning possible or assumed future results of operations or financial position of Aecon, as well as statements preceded by, followed by, or that include the words "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" or similar expressions. Important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause those results to differ materially from those expressed in any forward-looking statements.

Consolidated Balance Sheets

(in thousands of dollars) (unaudited)

	March 31, 2002	December 31, 2001
Assets		
Current assets		
Cash and cash equivalents	$ 98,610	$ 107,097
Accounts receivable	155,598	187,259
Holdbacks receivable	37,824	40,655
Deferred contract costs and unbilled revenue	60,563	74,211
Inventories	12,409	11,156
Prepaid expenses	3,322	3,936
Future income tax assets	25,439	34,526
	393,765	458,840
Property, plant and equipment	91,182	92,772
Future income tax assets	17,350	3,787
Other assets	33,781	33,854
	$ 536,078	$ 589,253
Liabilities		
Current liabilities		
Bank indebtedness	$ 41,141	$ 32,180
Accounts payable and accrued liabilities	161,211	215,867
Holdbacks payable	27,393	27,769
Deferred revenue	93,841	101,260
Income taxes payable	3,101	3,034
Future income tax liabilities	36,471	46,239
Current portion of long-term debt	8,579	8,752
	371,737	435,101
Long-term debt	28,025	28,791
Other liabilities	3,148	2,922
Future income tax liabilities	19,347	7,097
Redeemable preferred shares of subsidiary	6,371	6,371
Convertible debenture	9,236	9,195
	437,864	489,477
Shareholders' Equity		
Capital stock (note 4)	33,859	33,713
Convertible debenture	1,075	1,075
Retained earnings	63,280	64,988
	98,214	99,776
	$ 536,078	$ 589,253

Approved by the Board of Directors

John M. Beck, Director

Scott C. Balfour, Director

Consolidated Statements of Operations

For the Three Months ended March 31, 2002 and 2001 (in thousands of dollars, except per share amounts) (unaudited)

	2002	2001
Revenues	$ 228,045	$ 188,318
Costs and expenses	213,012	175,570
Marketing, general and administrative expenses	13,805	12,567
Depreciation and amortization	2,238	1,623
Loss (gain) on sale of assets	(28)	893
Interest expense, net	517	1,448
	229,544	192,101
Loss before income taxes	(1,499)	(3,783)
Income taxes		
Current	1,544	475
Future	(1,994)	(2,122)
	(450)	(1,647)
Net loss for the period	$ (1,049)	$ (2,136)
Loss per share		
Basic	$ (0.06)	$ (0.12)
Diluted	$ (0.06)	$ (0.12)
Average number of shares outstanding (note 4)		
Basic	18,024,610	17,924,414
Diluted	21,321,025	18,585,521

Consolidated Statements of Retained Earnings

For the Three Months ended March 31, 2002 and 2001 (in thousands of dollars) (unaudited)

	2002	2001
Retained earnings – beginning of period	$ 64,988	$ 52,617
Deduct:		
Net loss for the period	(1,049)	(2,136)
Change in accounting treatment for stock-based compensation (note 3)	(659)	
Common shares purchased in excess of carrying amount (note 4)		(15)
Retained earnings – end of period	$ 63,280	$ 50,466

Consolidated Statements of Cash Flows

For the Three Months ended March 31, 2002 and 2001 (in thousands of dollars) (unaudited)

	2002	2001
Cash provided by (used in)		
Operating activities		
Net loss for the period	$ (1,049)	$ (2,136)
Items not affecting cash –		
Depreciation and amortization	2,238	1,623
Loss (gain) on sale of assets	(28)	893
Loss (gain) on foreign exchange	579	(941)
Notional interest representing accretion	41	41
Future income taxes	(1,994)	(2,122)
	(213)	(2,642)
Change in other balances relating to operations (note 5)	(15,421)	4,007
	(15,634)	1,365
Investing activities		
Purchase of property, plant and equipment	(828)	(2,880)
Proceeds on sale of property, plant and equipment	269	868
Decrease in other assets	12	519
	(547)	(1,493)
Financing activities		
Increase in bank indebtedness	8,946	18,480
Issuance of long-term debt		1,680
Repayments of long-term debt	(939)	(1,838)
Increase (decrease) in other liabilities	226	(452)
Issuance of capital stock (note 4)	146	
Dividends paid		(1,798)
Repurchase of capital stock (note 4)		(44)
	8,379	16,028
Increase (decrease) in cash and cash equivalents	(7,802)	15,900
Effects of foreign exchange on cash balances	(685)	1,928
Cash and cash equivalents – beginning of period	107,097	57,911
Cash and cash equivalents – end of period	$ 98,610	$ 75,739

Supplementary disclosure (note 5)

Notes to Consolidated Financial Statements

For the Three Months ended March 31, 2002 and 2001 (in thousands of dollars) (unaudited)

1. Change of name

Effective June 18, 2001, the Company changed its name from Armbro Enterprises Inc. to Aecon Group Inc.

2. Summary of significant accounting policies

These interim consolidated financial statements do not include all the disclosures necessary for annual financial statements. They have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies as set out in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2001, except as described in note 3, and should be read in conjunction with those statements.

3. Adoption of new accounting standards and financial statement classification

Effective January 1, 2002 the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants for Stock-Based Compensation and Other Stock-Based Payments. In accordance with these recommendations, the liability for stock based awards that will be settled in cash, which is recognized through compensation expense, are recorded at an amount equivalent to the quoted market value of the related shares. For Aecon's stock based compensation arrangement (referred to as phantom share agreements), the new section requires that the cumulative amount that would have been recognized in prior years had this new section been in effect, less any amounts previously recognized, is to be recognized as the effect of a change in accounting policy and charged to opening retained earnings at January 1, 2002. Subsequently, at each balance sheet date before settlement, the changes in the share value will result in an adjustment to the award liability, which is recognized through compensation expense. As a result of adopting the new recommendations, retained earnings at January 1, 2002 has been reduced by $659. The new recommendations also require where fair value accounting has not been used to account for employee stock options, companies are required to disclose pro-forma net income and earnings per share as if the fair value method had been used. The Company intends to continue to account for stock options in its financial statements by crediting consideration paid by employees to share capital and not recognizing compensation expense. Since there were no options granted during the period and the Company has omitted the effect of employee stock options granted before January 1, 2002 in determining pro-forma disclosures, no pro-forma disclosures have been provided.

Effective January 1, 2002 the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants for Goodwill and Other Intangible Assets. In accordance with these recommendations, the accounting for goodwill is changed from an amortization method to an impairment-only approach. As a result, goodwill will no longer be amortized to income but will be subject to an annual impairment review and should there be an impairment, that amount would be charged to income. No impairment charge was recorded in the three months ended March 31, 2002. For the three months ended March 31, 2001 goodwill amortization amounted to $278.

Certain comparative figures have been reclassified to conform to the presentation adopted in the three months ended March 31, 2002.

4. Capital stock

			2002			2001
Authorized – Unlimited common shares	**Number of shares**		**Amount**	**Number of shares**		**Amount**
Balance – beginning of period	18,018,583	$	33,713	17,936,682	$	33,402
Common shares issued on exercise of options	40,833		146			
Common shares repurchased pursuant to normal course issuer bids				(15,500)		(29)
Balance – end of period	18,059,416	$	33,859	17,921,182	$	33,373

During the three months ended March 31, 2001 the Company repurchased 15,500 of its common shares on the open market pursuant to the terms and conditions of a Normal Course Issuer Bid at a net cost of $44. The amount in excess of the carrying value of the common shares was charged to retained earnings. All shares repurchased by the Company pursuant to its normal course issuer bid have been cancelled.

Under the terms and conditions of the 1998 Stock Option Plan (the 1998 Plan), the aggregate number of common shares, which may be reserved for issuance under the 1998 Plan, shall not exceed 2,700,000 common shares. Each option agreement shall specify the period for which the option thereunder is exercisable (which in no event shall exceed ten years from the date of grant) and shall provide that the option shall expire at the end of such period. The Company's Board of Directors will determine the vesting period on the dates of option grants.

	2002			2001		
	Shares		Weighted average exercise price	Shares		Weighted average exercise price
Balance outstanding at beginning of period	2,143,066	$	3.58	1,806,000	$	3.51
Granted				220,000		3.60
Exercised	(40,833)		3.59			
Forfeited	(20,000)		4.10	(125,367)		3.56
Balance outstanding at end of period	2,082,233	$	3.58	1,900,633	$	3.52
Options exercisable at end of period	602,400			74,000		

Options were exercised during the period for 40,833 shares (2001 – nil) for which share capital was increased by $146 (2001 – nil). Options currently outstanding have the following exercise prices and expiry dates:

Options granted in	Number of shares	Exercise price	Expiry date
1999	188,233	$ 2.90	April 15, 2004
2000	1,194,000	3.60	July 20, 2005
2001	200,000	3.60	March 4, 2006
2001	275,000	3.60	April 8, 2006
2001	225,000	4.00	May 6, 2006

The options granted have a term of five years from the date of grant and vest on the anniversary date of the grant at the rate of one-third per annum of the total number of share options granted.

In addition to stock options, the Company has phantom share agreements with certain officers and directors whereby compensation will, in the aggregate, be paid in each of 2002 and 2003 in an amount equal to the total of 165,000 shares multiplied by the average share price of the Company's shares for a specified period prior to payment (see note 3).

Details of the calculation of earnings per share are as follows:

	2002				
		Loss (numerator)	Shares (denominator)		Per share (i)
Net loss for the period	$	(1,049)	18,024,610	$	(0.06)
Effect of dilutive securities – options			643,161		
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006 (iii)		96	2,653,254		
	$	(953)	21,321,025	$	(0.06)

	2001		
	Loss (numerator)	Shares (denominator)	Per share (i)
Net loss for the period	$ (2,136)	17,924,414	$ (0.12)
Effect of dilutive securities – options (ii)		12,987	
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006 (iii)	32	648,120	
	$ (2,104)	18,585,521	$ (0.12)

(i) As the impact of dilutive securities would be to decrease the loss per share, they are excluded for purposes of the calculation of diluted loss per share.

(ii) At March 31, 2001, options to purchase 1,685,300 common shares were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

(iii) This represents the limit of the number of shares that could be issued to the holder of debentures as a result of restrictions imposed on the number of shares that the holder is able to own.

5. Cash flow information

Change in other balances relating to operations:

	2002	2001
(Increase) decrease in:		
Accounts receivable	$ 31,228	$ 33,265
Holdbacks receivable	2,822	5,897
Deferred contract costs and unbilled revenue	13,373	(4,066)
Inventories	(1,253)	809
Income taxes recoverable		1,208
Prepaid expenses	586	103
Assets held for sale		174
Increase (decrease) in:		
Accounts payable and accrued liabilities	(55,151)	(9,184)
Holdbacks payable	(214)	(10,282)
Deferred revenue	(7,294)	(13,461)
Income taxes payable	482	(456)
	$ (15,421)	$ 4,007

Other supplementary information:

	2002	2001
Cash interest paid	$ 1,079	$ 844
Cash income taxes paid	1,598	945

During the three months ended March 31, 2001, property, plant and equipment amounting to $513 was acquired and financed by means of capital leases.

6. Segmented information and business concentration

The Company has four reportable segments: Infrastructure, Buildings, Industrial and Corporate and Other.

Infrastructure

This segment includes all aspects of the construction of infrastructure including roads and highways, expressways and toll routes, dams and tunnels, bridges, airports, marine facilities, transit systems and power projects as well as utility distribution systems including natural gas, telecommunications and electrical networks, water and sewer mains, traffic signals and highway lighting. Activities within this segment also include the development, design, construction, operation and financing of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer or public-private partnership contract structures.

Buildings

Aecon Buildings is active in the construction of commercial and institutional buildings principally in Canada and the northwestern United States and selected international projects.

Industrial

This segment includes all of the Company's industrial manufacturing and industrial construction activities. These operations include the fabrication of small and large bore pipe and module assembly for the petrochemical industry, and the design and manufacture of once-through heat recovery steam generators for industrial and power plant applications. Also included is the Company's industrial construction, installation and maintenance activities where the Company has special expertise in the power, automotive and steel industries.

Corporate and Other

This segment includes the Company's 38.75% interest in Canatom NPM Inc., which provides engineering, procurement, construction and commissioning services to the Canadian and International nuclear power markets. In addition, it includes all corporate costs and other activities that are not directly allocable to other segments.

Information by reportable segments is as follows:

2002

	Infrastructure	Buildings	Industrial	Corporate and Other	Total
Revenues	$ 85,200	$ 93,907	$ 38,280	$ 10,658	$ 228,045
EBITDA	$ 3,141	$ 1,535	$ (1,764)	$ (1,656)	$ 1,256
Depreciation and amortization	1,521	39	450	228	2,238
Segment operating profit (loss)	$ 1,620	$ 1,496	$ (2,214)	$ (1,884)	$ (982)
Interest and income taxes					(67)
Net income					$ (1,049)
Total assets	$ 299,872	$ 74,644	$ 72,796	$ 88,766	$ 536,078
Capital expenditures	223	17	313	275	828
Cash flow from operations	$ 3,712	$ 1,530	$ (1,779)	$ (3,676)	$ (213)

2001					
	Infrastructure	Buildings	Industrial	Corporate and Other	Total
Revenues	$ 88,755	$ 43,997	$ 40,528	$ 15,038	$ 188,318
EBITDA	$ (371)	$ 873	$ 3,424	$ (4,639)	$ (713)
Depreciation and amortization	910	48	370	294	1,622
Segment operating profit (loss)	$ (1,281)	$ 825	3,054	(4,933)	(2,335)
Interest and income taxes					$ 199
Net income					$ (2,136)
Total assets	$ 333,345	$ 47,141	$ 54,963	$ 73,082	$ 508,531
Capital expenditures	1,511	22	642	705	2,880
Cash flow from operations	$ (1,320)	$ 873	$ 3,410	$ (5,605)	$ (2,642)

EBITDA represents earnings or loss before interest, income taxes, depreciation and amortization. Segment operating profit (loss) represents net income (loss) before interest and income taxes. Cash flow from operations is before change in other balances related to operations.

7. Subsequent Events

Subsequent to March 31, 2002 the Company announced two separate issues of equity capital. On April 18 Hochtief (Canada) Inc., the Company's largest shareholder, exercised its option to convert approximately $2,209 of convertible debentures to common shares, thereby increasing its interest in Aecon, at that date, to 50% less one share.

On May 6, the Company announced the successful closing of its previously announced offering of 6,192,150 special warrants ("Special Warrants") at a price of $5.25 per Special Warrant for total proceeds of $32,509. Each Special Warrant will be exercisable, without additional consideration, for one common share of Aecon. In the event the Company has not obtained, within 90 days of closing the private placement, a receipt from applicable securities regulatory authorities for a final prospectus qualifying the distribution of the common shares, each Special Warrant, other than those to be acquired by Hocthief, will be exercisable for 1.05 common shares. Hochtief (Canada) Inc. exercised its pre-existing right to purchase, at a price of $5.25 per Special Warrant, 2,857,150 Special Warrants. Net proceeds, after fees and expenses, are expected to amount to approximately $31,500, which will be recorded as an increase in capital stock.

Aecon Group Inc.
3660 Midland Avenue
Toronto, Ontario
Canada, M1V 4V3
Telephone 416·754·8735
Facsimile 416·754·1988
aecon@aecon.com
www.aecon.com