

2003

Aecon Group Inc. Annual Report



AECON

As Canada's largest publicly traded construction and infrastructure development company, Aecon Group Inc. serves private and public sector clients across Canada and internationally. Aecon's capabilities cover the infrastructure, civil, utilities, buildings, industrial and nuclear sectors. Services range from financing, design, construction and operation to procurement, materials engineering and fabrication.



Photos from left to right:

Completed Equipment Module being loaded for transportation to Syncrude's Heavy Oil Upgrader in Northern Alberta

The award winning Carlu theatre in Toronto is Aecon's latest accomplishment in the Interiors and Renovations sector

The Nathpa Jhakri hydro-electric dam in India is approaching completion and has started producing power

Cover Photo:

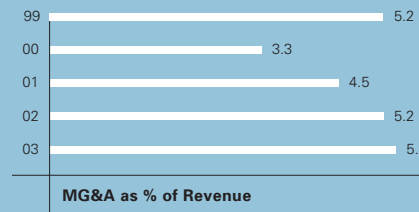
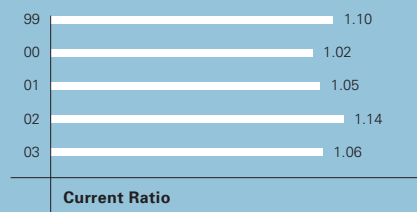
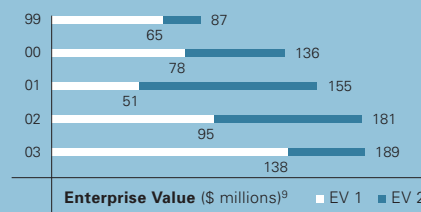
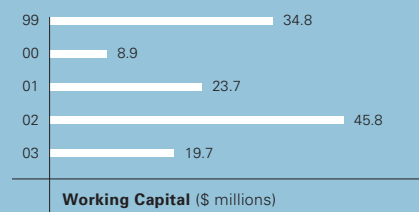
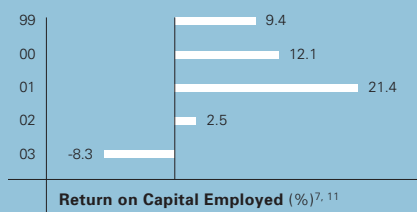
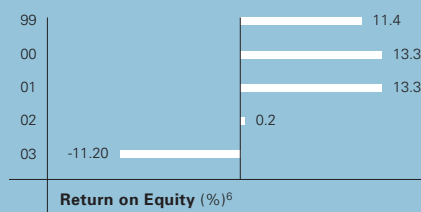
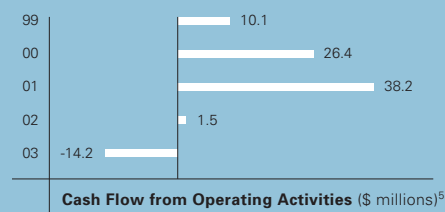
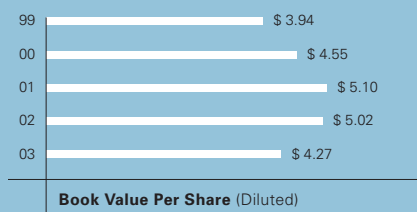
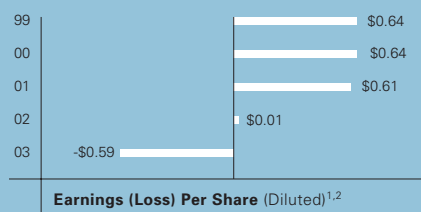
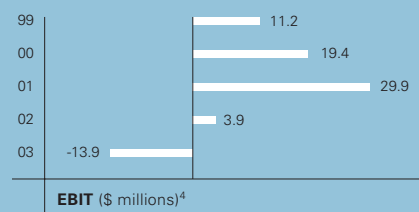
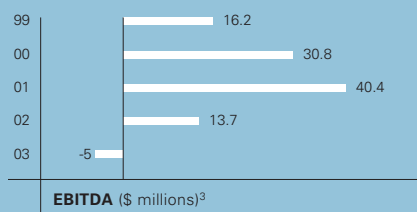
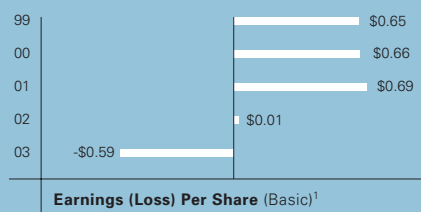
New Terminal 1 and access roads at Lester B. Pearson International Airport in Toronto – one of Aecon's largest ongoing projects

Table of Contents

Financial Highlights	1
Report to Shareholders	2
Value Beneath the Surface	5
Management's Discussion and Analysis	10
Auditors' Report	27
Consolidated Financial Statements	28
Notes to the Consolidated Financial Statements	32
Award Recipients	49
Aecon's Best Asset	50
Corporate Information	52
Aecon Offices	53

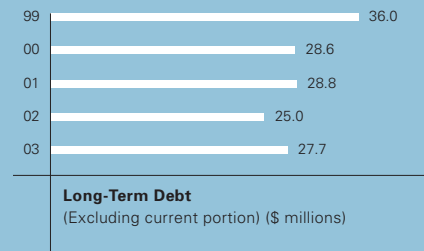
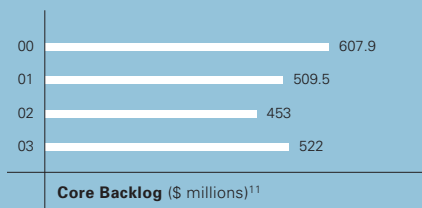
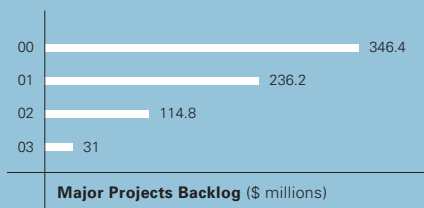
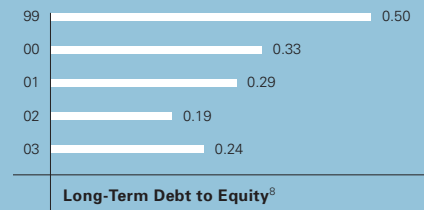
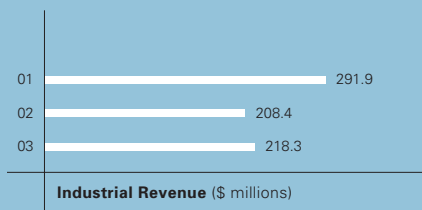
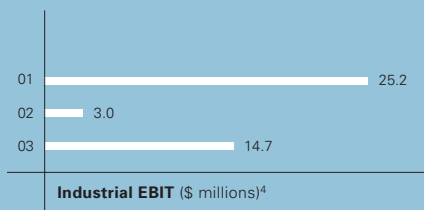
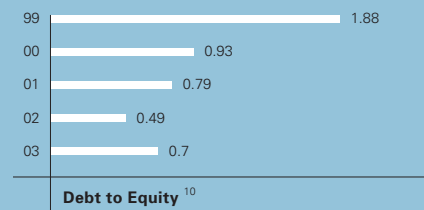
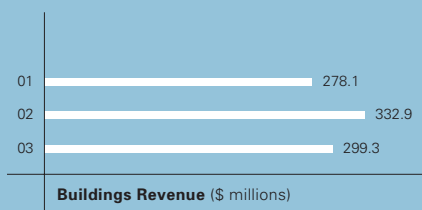
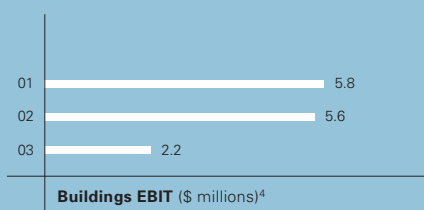
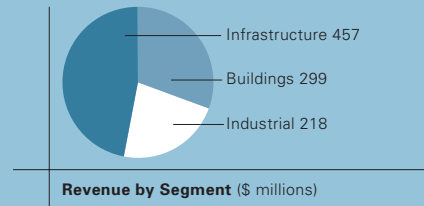
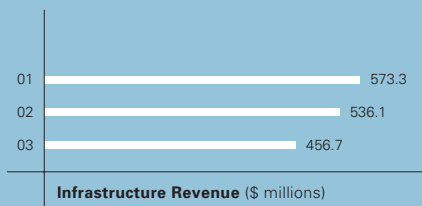
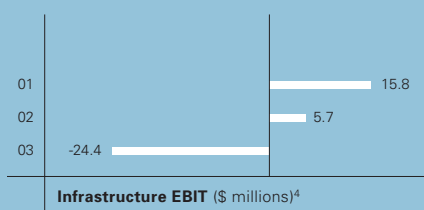
Financial Summary

The following unaudited financial data has been derived from Aecon's audited Consolidated Financial Statements and should be read in conjunction with the Management Discussion and Analysis and Consolidated Financial Statements and Notes, as well as the notes highlighted below.



Notes:

- In 2000, Aecon adopted the asset and liability method of accounting for income taxes. In 1999 and prior years, the deferral method of tax allocation was followed. The impact of the different methodologies, particularly with respect to the accounting for tax losses, can be significant.
- Diluted earnings per share from 1999 onwards are calculated using the Treasury Stock Method.
- EBITDA represents earnings before interest, income taxes, depreciation and amortization.
- EBIT represents earnings before interest and income taxes.
- Cash flow from operating activities is before changes in other balances relating to operations.
- Return on average shareholders' equity is calculated as net income divided by the average of shareholders' equity at the beginning and end of the fiscal year.



7. Return on capital employed is calculated as EBIT divided by the average of shareholders' equity, convertible debentures, redeemable preferred shares of subsidiary and long-term debt at the beginning and end of the fiscal year.

8. Long-term debt to equity ratio is calculated excluding the current portion on long-term debt.

9. Enterprise Value: EV1 = Market Capitalization + Total Debt - Cash and Marketable Securities; EV2 = Market Capitalization + Total Debt - Cash and Marketable Securities not held within joint ventures.

10. Debt includes bank indebtedness, current portion of long-term debt, long term debt and debt component of convertible debentures.

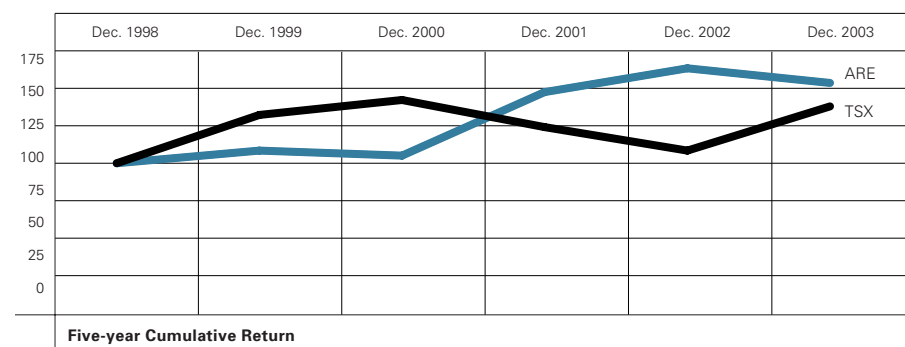
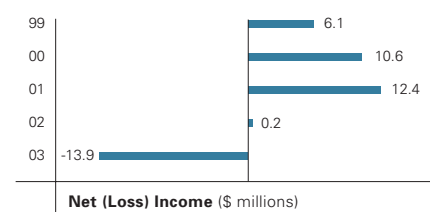
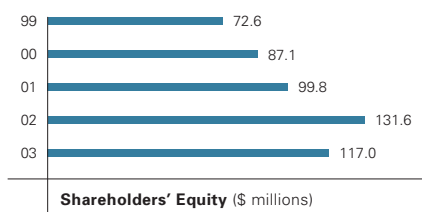
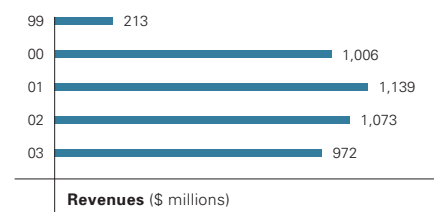
11. Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

Financial Highlights

For the years ended December 31 (in millions of dollars, except per share amounts)	2003	2002
Total Revenues	972.5	1,073.0
EBITDA*	(5.0)	13.7
Income (Loss) before Income Taxes	(17.0)	0.9
Income Taxes	(3.1)	0.7
Net (Loss) Income	(13.9)	0.2
Earnings (Loss) Per Share		
– Basic	(0.59)	0.01
– Diluted	(0.59)	0.01
Book Value Per Share		
– Basic	4.62	5.24
– Diluted	4.27	5.02
Shares Outstanding		
– Basic	25,308,542	25,111,109
– Diluted	29,013,789	27,783,680
Dividends Paid	0.00	0.03

* EBITDA and EBIT are not recognized measures under Canadian generally accepted accounting principles (GAAP). Readers should be cautioned that EBITDA and EBIT should not be construed as alternatives to net income (loss) determined in accordance with GAAP as indicators of Aecon's performance or as alternatives to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. Aecon's methods of calculating EBITDA and EBIT may differ from other companies and, accordingly, EBITDA and EBIT may not be comparable to measures used by other companies.

* EBITDA represents earnings before interest, income taxes, depreciation and amortization.



\$100 Invested in Aecon Common Shares* (ARE) vs S&P/TSX Composite Total Return Index* (TSX)

*Includes dividend payments

Report To Shareholders



Dear Fellow Shareholders,

This is the second year in a row that I have had to report unacceptable results to you, a trend that I am determined will be reversed in 2004. In 2003, Aecon's revenues fell by 9.4 per cent and we reported a net loss of \$13.9 million or 59 cents per share. This follows a net income of \$230 thousand in 2002 and \$12.4 million in 2001.

Results were negatively impacted this year by a number of factors including unrealized foreign exchange losses (which accounted for nearly half of our net loss),

decreased contributions from our major projects in India and Israel as they proceed toward completion, and a number of contract losses pending claim recoveries. These contract losses were largely incurred on projects that have now been completed and are before claim recoveries that we anticipate should begin to be realized in 2004. But rather than reflect on the factors that contributed to the disappointing results of 2003, I want to focus on the actions we've taken to reverse this trend and ensure we deliver stronger results in 2004 and thereafter.

In mid-2003 I announced that a series of strategic and structural initiatives were being undertaken as part of a plan to improve our bottom line results. These measures were designed to sharpen our focus on our core areas of expertise, improve the efficiency of our operations and establish a number of strategic partnerships in key growth areas to improve our access to new markets and reduce our risk.

Infrastructure Alliances

In our Infrastructure segment, we set out to develop a new alliance with our largest shareholder, Hochtief AG, to jointly bid and execute large civil projects in North America, particularly Canada. The strategy is to combine Hochtief's scale and worldwide experience with Aecon's expertise and knowledge of the market. This new strategic alliance has already resulted in a major contract award – the \$108 million contract awarded by the James Bay Energy Corporation to build a hydro-electric power plant in Northern Quebec.

Going forward, we anticipate that this alliance with Hochtief will become increasingly successful. The heavy civil construction market, particularly in the transportation infrastructure segment, shows strong growth as a number of long anticipated projects come on stream.

A similar alliance with Hochtief regarding joint investments in North American infrastructure development projects has been struck. This agreement will contribute significantly to our ability to build a portfolio of selected infrastructure development projects in which Aecon, in addition to earning construction revenue, also has an investment in the infrastructure asset and the revenue stream it generates (as we already have in the Cross Israel Highway). By sharing bid costs, development risk and equity funding with a trusted partner like Hochtief, we will be able to take on more of these projects without dramatically altering our cost base or our risk profile.

These new alliances allow us to combine Aecon's strong local market and partnering knowledge with Hochtief's global expertise and

financial strength. They will position us well for growth in the North American heavy civil and infrastructure development markets.

Expanding Our Buildings Business

In our Buildings segment we've made major strides toward achieving our strategic goal of expanding profitably in all major Canadian markets and becoming a truly national contractor.

In addition to opening the Aecon Atlantic office and successfully landing the contract to build Marriott's flagship hotel in Halifax, Aecon acquired the assets and business operations of Westeinde Construction, one of the leading and most respected general contractors in the Ottawa area.

At the same time, we have continued to increase our focus on growing Aecon's business in the interiors and renovations market. In 2003, work volumes in this business unit increased by over 50 per cent and we anticipate another strong year with similarly impressive growth numbers in 2004.

Industrial Initiatives

In Aecon's Industrial segment we have undertaken a number of initiatives. In addition to the substantial cost cutting, outsourcing and retooling of our production operations at Innovative Steam Technologies ("IST"), we set out to establish a licensing agreement that would allow us to reduce IST's international marketing costs and take advantage of the market presence of an established European company. In September, we concluded a ten-year licensing agreement with the German industrial company Lurgi Lentjes Standardkessel. Under the agreement, IST will continue to earn production revenues from the manufacturing of key pressure part components but will also earn license fees and future royalties from the sale of all IST units generated by Standardkessel in Europe and the former Soviet Union

countries. This agreement has already led to a significant contract in the European market where the power sector is growing rapidly.

In addition, we undertook to focus the balance of our industrial business on a more tightly defined market where Aecon can achieve a dominant market position. One such business is our pipe fabrication and module assembly business where Aecon has grown to be a market leader and has established a successful operation in Edmonton to serve northern Alberta's oil and gas industry. To build on this success, we established a joint venture company with Fabco Industries Ltd., one of Atlantic Canada's leading industrial contractors. The newly formed Aecon-Fabco joint venture, announced in early 2004, has already been awarded contracts to supply pipe spools for the Coleson Cove Project in New Brunswick and for Exxon's offshore platforms in Atlantic Canada.

These are just a few of the strategic initiatives launched in 2003 that will positively impact Aecon's financial results and provide improved returns to our shareholders. Combined with the risk management process improvements we have implemented and our strong core backlog, along with a more stable foreign exchange environment and the potential for substantial claim recoveries, I believe these initiatives bode well for a return to profitability for Aecon in 2004.

All of us at Aecon thank you for your continuing support and I look forward to reporting improved results in 2004.



John M. Beck
Chairman and
Chief Executive Officer

Value

Beneath the Surface



Aecon is a leader in adding shareholder value through innovative approaches to infrastructure development – including development of the most advanced all-electronic toll road in the world, the new Cross Israel Highway.

As one of Canada's longest standing construction companies, Aecon knows how to manage the details of complex construction projects. Over the last 100 years we've been involved in building an impressive list of national and international landmarks – from the St. Lawrence Seaway to the CN Tower – from Dorval and Pearson Airports to Place-Ville-Marie in Montreal and Vancouver's Waterfront Place – and from Toronto's subway system to the new Cross Israel Highway.

But in this industry, even the most massive construction project is balanced on delicate profit margins. And while we are continually looking for ways to improve the margins in this highly competitive business, we are also selectively building diversity into our revenue mix and durability into our earnings.

That's why today, when you look below the surface and behind the numbers at Aecon, you'll see much more than a 100-year-old



Above: Cross Israel Highway bridges at the Natuf valley near Shoham
Previous page: The Cross Israel Highway at the Ben-Shemen Interchange near Tel Aviv

construction company – you'll see innovative approaches to adding shareholder value.

A New Way to Create Infrastructure

While they're still made of asphalt and concrete, the business of building, financing and operating roads has changed dramatically in

the last two decades – almost as much as the cars that use them.

As governments seek to improve efficiency and reduce debt, they are re-evaluating how they manage big-ticket infrastructure development projects like highways. Rather than taking on all the funding obligations

and operating risks themselves, they realize that by using advanced tolling technologies they can achieve their public policy objectives by transferring these risks and obligations to the private sector in exchange for the revenue generated by the toll concession.

Aecon has been at the forefront of these innovative projects, including Canada's first modern toll highway financed through non-recourse private funding – Nova Scotia's Cobequid Pass – and the world's first all-electronic toll highway – Ontario's Highway 407. Then, in 1998, as a partner in the Derech Eretz Consortium ("DEC"), we led the development, financing, design, construction and operation of the most advanced toll road in the world – the Cross Israel Highway.

There are two facets to Aecon's economic interest in this project.



The state-of-the-art operations centre for the Cross Israel Highway

The first is the traditional revenue that we earn as a constructor. Since construction began in 1999, Aecon has earned in excess of \$265 million in revenue from the project. But that's only half the story.

As owners of the concession rights for the highway, DEC receives all tolls collected on the highway and apportions the proceeds against a predetermined schedule of debt repayment, operating expenditures and capital reserves. When each of these capital pools is filled, the DEC partners begin to earn cash returns on their investment of equity in the highway.

Aecon has invested US\$27 million to hold a 22.2 per cent economic interest in DEC. Based on the traffic volumes anticipated for the highway (72% of which are guaranteed by the government of Israel) and supported by more than one year of operation, the financial model forecasts that the partners in DEC will begin to receive cash returns on their investment of equity commencing in 2009 and escalating through to 2029 when ownership of the highway will revert to the State of Israel.



Tolling gantry showing the all-electronic tolling technology used on the Cross Israel Highway

While it is five years before Aecon will begin to receive a return on this investment, there is significant value embedded in our interest in DEC. Paradigm Capital Inc., in a recent analyst's report on the project, estimated its value at between \$1.31 and \$2.55 per share (based on an updated number of shares). As the actual traffic patterns and toll revenues from the Cross Israel Highway become more certain, we may want to crystallize our gains from this investment by

Today, with a more efficient manufacturing process, a new licensing agreement in Europe, and a patented technology that delivers better value than anything else on the market, IST is creating substantial value for Aecon shareholders.

selling all or a portion of our interest in DEC. Either way, the Cross Israel Highway is an excellent example of how investments in the development of infrastructure projects can represent significant added value to Aecon's shareholders.

A New Way to Generate Power

Steam – it's been a reliable source of power for centuries. But while producing steam is as simple as boiling water, doing so in a way that efficiently and reliably generates electricity is a somewhat more complicated matter.

For nearly 30 years, Aecon's Industrial division has been building and assembling precision components for industrial operations from automobile assembly lines to power plants. In the early 1980s, this technical and commercial expertise was called upon as part of a joint venture to commercialize a new technology, originally designed for application in



Pressure parts being installed during the final assembly of an OTSG module. Each tube connection is welded using IST's highly specialized orbital welding system.

the U.S. navy, to generate electricity by capturing the heat lost by gas-fired turbines.

To develop a commercially viable product that would efficiently and reliably generate electrical power from this excess heat, Aecon founded Innovative Steam Technologies ("IST"). Today, IST's Once-Through Steam Generators are recognized throughout the

power industry as the most advanced technology of its kind with nearly one hundred units operating around the world.

In 2001, with the expected demand for electricity in North America showing no signs of abatement, IST booked sales of more than \$82 million – capturing

about one-third of the world market in its target sector. Then, in 2002, the market for its generators fell to zero as financing for new commercial power plants dried up in the wake of the Enron collapse.

While it worked through its order backlog, IST responded to this sudden market downturn by retooling its manufacturing operations. Because these operations had grown so quickly in response to ever-escalating market demands for IST's new product, there were significant cost savings to be achieved by reengineering, right-sizing and outsourcing various elements of the company's production operations. Through these and other measures, IST cut its breakeven revenue requirements in half.

At the same time, with no new business in its pipeline, IST refocused its marketing efforts on Europe where the demand for its generators had been less negatively impacted by the downturn. In 2003, IST booked a total of \$18.4 million in new orders and made significant progress toward a return to profitability.



Three of the six OTSGs installed at the Queen Elizabeth Power Plant in Saskatoon, Saskatchewan. The units provide steam for an energy efficient and environmentally friendly cogeneration plant.

In addition, to more effectively penetrate the European market, IST concluded a ten-year licensing agreement with the German industrial company, Lurgi Lentjes Standardkessel, one of the leading technology companies in Europe. Under this agreement, IST will continue to earn production revenues associated with the manufacturing of key pressure part components. But it will also earn license fees and future royalties from the sale of all IST generators originated by Standardkessel in these markets.

Today, with North American power generation markets showing signs of recovery in IST's target market, a more efficient and cost-effective manufacturing process, a well-connected licensee in Europe, and a proven patented technology that delivers better value than anything else on the market, Innovative Steam Technologies is well positioned for the next growth cycle and is creating substantial value for Aecon's shareholders.

Management's Discussion and Analysis of operating results and financial condition ("MD&A")

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 2003 Consolidated Financial Statements and Notes. This MD&A has been prepared as of March 25, 2004. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and includes the Company's Annual Information Form and other security filings.

Results of Operations

Introduction

Aecon operates in three principal segments within the construction industry – Infrastructure, Buildings and Industrial.

The Infrastructure segment includes all aspects of the construction and development of both public and private infrastructure, including roads and highways, expressways and toll routes, dams, tunnels, bridges, airports, marine facilities, transit systems and power projects. This segment, which operates both in Canada and internationally, also encompasses the construction and/or installation of utility distribution systems for natural gas, telecommunications and electrical networks, as well as water and sewer mains, traffic signals and highway lighting. Services provided in the Infrastructure segment include conventional construction of civil infrastructure works as well as development initiatives including the development, design, construction, operation and financing of infrastructure projects in Canada and internationally. Aecon provides a full range of infrastructure services through build-operate-transfer, build-own-operate-transfer and public private partnership contract structures, as well as providing conventional construction services on a more traditional fee for service or lump sum contract basis.

The Buildings segment specializes in the construction and renovation of commercial, institutional and multi-family residential buildings, including retail complexes, office buildings, entertainment facilities, schools, embassies and high rise condominium buildings among others. Work in this segment is concentrated primarily in Canada and the northwestern United States, as well as selected international venues. Services include general contracting and fee for service construction management, as well as building renovation and facilities management.

The Industrial segment encompasses all of Aecon's industrial construction and industrial manufacturing activities as well as a joint venture interest in the nuclear power market, represented by Aecon's 38.75% interest in Canatom NPM Inc. Activities include in-plant construction and module assembly in the manufacturing, energy, petrochemical, steel and

automotive sectors as well as the fabrication of small and large diameter specialty pipe and the design and manufacture of once-through heat recovery steam generators for industrial and power plant applications. Although activity in this segment is concentrated primarily in Canada, with selected projects in the United States, Aecon sells and installs once-through steam generators throughout the world through Innovative Steam Technologies. Through Canatom NPM Inc., Aecon provides engineering, procurement, construction management and commissioning services to the Canadian and international nuclear power markets.

Consolidated

Financial Highlights

\$ millions	2003	2002	% Change
Revenues	\$ 972.5	\$1,073.0	(9.4)%
Operating profit (loss)*	(13.9)	3.9	n/a
Return on revenue	(1.4)%	0.4%	n/a
Backlog – December 31	552.9	567.5	(2.6)%

* Operating profit (loss) represents net income (loss) before interest and income taxes.

Revenues declined by \$100.5 million or 9.4% from 2002. Approximately half of the decrease was due to lower revenues from Aecon's two major international projects in Israel and India, which are both nearing completion. Most of Aecon's revenue is generated in Canada and according to the Canadian Construction Association, gross output of the Canadian construction industry is estimated to have fallen 0.3% in 2003. Excluding residential construction and repair and renovation work on existing facilities, the decline was 1.0% for non-residential building construction and a drop of 4.8% in engineering construction, which includes industrial-based construction, road building, industrial plants and similar activities that make up the majority of Aecon's revenue base.

Operating margins (revenues less costs and expenses) as a percentage of revenues fell from 6.3% in 2002 to 4.5% in 2003. Margins declined in both the Infrastructure and Buildings segments but this was somewhat mitigated by very strong results from the Industrial segment, which benefited from improved earnings from pipe fabrication, project work, nuclear operations and a reduction in losses at Innovative Steam Technologies. Results for each of the three principal segments are discussed separately under Reporting Segments. Significant to the decline in operating margins were losses related to foreign exchange.

Foreign exchange losses amounted to pre-tax \$6.6 million (after-tax \$6.3 million) in the year. This was made up of pre-tax \$0.2 million in realized gains and pre-tax \$6.8 million (after-tax \$6.4 million) of unrealized translation losses. These unrealized translation losses are principally the result of translating Aecon's investments in joint ventures in India and Israel, which are held in rupees, new Israeli shekels and U.S. dollars, into Canadian dollars and accordingly do not result in an outlay of cash or a requirement to finance. The gains or losses on foreign exchange will be realized when the accumulated profits or invested equity is repatriated to Canada from these international projects.

Marketing, general and administrative expenses ("MG&A") declined by \$4.7 million in the year, amounting to \$51.4 million in 2003, compared to \$56.1 million in 2002. The largest factor in the reduction of MG&A was lower bid costs. In addition, all divisions and the corporate office have focused during the year on reducing their MG&A burden by carefully managing salaries and office related costs. As a percentage of revenues however, MG&A increased from 5.2% in 2002 to 5.3% in 2003 because of the lower revenue base.

Bid costs expensed in the year amounted to \$3.0 million, compared to \$4.2 million in 2002, resulting in a favourable variance of \$1.2 million. Since bid costs are accounted for in both MG&A and costs and expenses, there was a favourable variance of \$1.9 million in MG&A and a negative variance of \$0.7 million reflected in operating margins. Included in the 2002 expense was \$1.2 million of bid costs related to the Quito airport project in Ecuador that were incurred prior to the date that the company in which Aecon has an interest was awarded the concession contract. Since that date all costs related to the financing of this project, consisting primarily of legal and consultancy costs, have been deferred. The total amount deferred at December 31, 2003 amounted to \$7.2 million of which \$5.8 million was spent in 2003 and \$1.4 million in 2002. Substantial progress has been made on the Quito project in arranging project financing and in attracting equity participants. Financial close is expected to occur during the third quarter of 2004.

Depreciation and amortization, which amounted to \$8.9 million for the year, declined from 2002 by \$0.9 million due to a reduction in the size of the owned equipment fleet within the utilities and roadbuilding operations. This reduction reflects not only disposals because of lower volumes but, additionally, the fact that Aecon is relying more on operating leases when obtaining equipment rather than outright purchase.

Aecon had a gain of \$3.0 million in the year from the disposal of assets, which included \$1.8 million from the sale of the Company's investment in Tanknology Canada Inc. and \$0.5 million from the sale of real estate in Barrie, Ontario. In 2002, Aecon had a gain of \$0.8 million on the sale of assets and a gain of \$1.2 million from the sale of a joint venture interest.

Subsequent to December 31, 2003, Aecon completed the sale of its interest in the grain terminal and handling facility in Gdansk, Poland as well as its subsidiary which was the general contractor on the project (the "Gdansk Project"). The purchasers included the minority shareholders in the grain terminal and a former officer of a subsidiary company of Aecon. In 2001, a pre-tax provision of \$12.9 million to write down the Company's investment in the project was recorded. With this provision, the net carrying value, representing identifiable assets and liabilities, of the Gdansk project was reduced to \$nil. Reflected on the consolidated balance sheets as discontinued operations are the carrying value of the assets being sold and the liabilities being assumed by the purchasers. Since the net carrying value of Aecon's investment in the Gdansk Project had previously been reduced to \$nil and proceeds are nominal, there is no gain or loss on disposition.

Net interest expense increased slightly from \$2.9 million in 2002 to \$3.1 million in 2003. A breakdown of the components of net interest expense is included in note 14 to the consolidated financial statements.

Aecon's effective income tax rate is distorted by a number of factors, including the impact of foreign exchange translation losses for which there is no tax recovery, foreign exchange capital losses for which the tax recovery is only 18.3%, non-deductible expenses for tax purposes, and large corporations tax. As a result of these factors the effective rate of tax recovery on losses in 2003 was only 18.2%. In 2002, the effective rate of tax expense was 75.1%. These rates compare to the combined Canadian federal and provincial (Ontario) statutory income tax rates of 36.6% in 2003 and 38.6% in 2002. A full reconciliation between the effective and statutory income tax rates for 2002 and 2003 is included in note 5 to the consolidated financial statements.

The net loss for the year amounted to \$13.9 million or \$0.59 per share, compared to a profit of \$0.2 million or \$0.01 per share in 2002.

New contract awards of \$957.9 million were recorded in the year, which compares with \$871.9 million in 2002. Backlog at December 31, 2003 was \$552.9 million, which was \$14.6 million less than the beginning of the year. All of the reduction was in the Infrastructure segment, principally because of work completed on the two major international

projects in Israel and India. Backlog on these two projects, which Aecon refers to as major project backlog, declined by \$83.9 million during 2003. The 2002 backlog levels have been restated to reflect a change in Aecon's policy regarding amounts to be included in reported backlog. Aecon no longer includes in backlog contracts where the extent of the services to be provided under the contract are undefined (such as exclusive mandate contracts where the extent of services to be provided are identified in purchase orders issued subsequent to the contract award). Previously, the estimated value of purchase orders issued under such contracts was included in backlog. This policy change had the effect of reducing reported backlog at the end of 2002 by \$60 million.

Reporting segments

Infrastructure

Financial Highlights

\$ millions	2003	2002	% Change
Revenues	\$ 456.7	\$ 536.1	(14.8)%
Segment operating profit (loss)	(24.4)	5.7	n/a
Return on revenue	(5.3)%	1.1%	n/a
Backlog – December 31	219.2	299.0	(26.7)%

Revenues in the Infrastructure segment declined by \$79.4 million or 14.8% in the year. As previously noted, the wind-down in construction on the projects in Israel and India accounted for a significant reduction in revenues and represented almost 60% of the decline in Infrastructure volumes. The Cross Israel Highway project contributed total revenues of \$81.9 million during 2002, and \$65.2 million in 2003, while the Nathpa Jhakri hydro-electric project in India contributed revenues of \$60.4 million in 2002, compared to \$29.2 million in 2003. The entire length of the Cross Israel Highway has now been opened to traffic and the tolling system successfully activated. Final completion is anticipated in the second quarter of 2004. After more than ten years of construction, the Nathpa Jhakri hydro-electric project in India began producing commercial power and final completion is anticipated in the second quarter of 2004.

Revenues from utilities operations within the Infrastructure segment fell by \$40.3 million in the year. Almost 40% of the reduction was because of a large single pipeline project that increased revenues in 2002 and was not replaced by a similar sized project in 2003. Also hurting revenues in the year was weak demand from the telecommunications sector, which is the utilities division's largest market.

Revenues from Quebec operations fell \$21.9 million as the division had fewer major construction projects in comparison with 2002.

Roadbuilding revenues however increased \$14.3 million in 2003. Volumes in 2002 had been depressed because of the disruption in the issuance of contracts caused by the Ontario civil servants strike. The increase in revenue in 2003 was expected to be much greater, but because of changes in government at both the provincial and municipal levels in Ontario and metropolitan Toronto, contract bidding opportunities, leading up to and following the elections, were suspended by these significant clients and work that had been recently secured was delayed or cancelled, all during an otherwise typically strong period in Aecon's operating season.

Operating results within the Infrastructure segment fell by \$30.1 million, from a profit of \$5.7 million in 2002 to a loss of \$24.4 million this year. The majority of the foreign exchange translation losses in the year are within the Infrastructure segment and account for \$6.4 million of the profit decline. Excluding foreign exchange losses, earnings were lower by \$23.7 million. Earnings from the Nathpa Jhakri hydro-electric project, after removing the impact of exchange, were lower by \$7.4 million. In addition to the effect of lower revenues, earnings adjustments in each of 2002 and 2003 accounted for \$3.6 million of the decrease. In 2002, which is when Aecon first began recognizing cost recovery and profits from the Nathpa Jhakri hydro-electric project, a cumulative pick-up of \$7.0 million was recorded, whereas in 2003 a revision to the forecasted project profit resulted in a cumulative earnings increase of \$3.4 million.

Earnings from the Cross Israel Highway, excluding the effect of foreign exchange, were higher by \$1.9 million. The year-over-year comparisons are affected by a \$5.6 million downward profit adjustment in 2002, which resulted from a lowering of the total estimated profit from this project. Earnings in 2003 were negatively affected by a provision for potential incremental costs of \$1.4 million relating to completion.

Operating results from utilities and roadbuilding operations were \$10.4 million lower than 2002. Utilities operations experienced depressed operating margins throughout the year as volume of available work declined and industry overcapacity increased. This was exacerbated in the first half of the year by higher construction costs caused by poor weather conditions. Although roadbuilding revenues were higher than 2002, operating earnings were lower than the year before. Hurting earnings were implementation costs of a new enterprise accounting system and the write-off of software and hardware costs of the prior system. Also negatively impacting earnings were abnormally high equipment repair expenses, reduced

profits from aggregate and asphalt material operations due to a combination of high production costs in aggregates and reduced volumes in asphalt, several large contract losses and the negative impact of the concurrent timing of the change in the Ontario provincial government and municipal elections, which eliminated otherwise anticipated margin contribution during that period.

In Quebec, earnings were \$7.7 million lower than last year primarily as a result of \$5.6 million of additional losses (compared to \$1.5 million recognized in 2002) on a highway construction project and the reversal of \$1.2 million of profit recognized in 2002 on a hydro-electric dam project. While Aecon will be filing a claim against the owners of the highway project, in accordance with the Company's accounting policy, recovery against claims is only recognized when the claims are settled. In 2002, an unrelated claim settlement contributed \$1.3 million to earnings. With respect to the hydro-electric dam project, this project has incurred cost overruns, primarily because of customer changes to the original contract scope. Aecon is currently negotiating with the owners of the project for a full recovery of these cost overruns. While management believes it will be successful in these negotiations, it was considered prudent, pending the outcome of these negotiations, to eliminate any profit recorded to date on this project.

New contract awards of \$376.9 million were recorded in the year, which compares with \$480.6 million in 2002. Backlog declined by \$79.8 million, which was more than accounted for by the \$83.9 million decline related to work completed on Aecon's projects in Israel and India.

Buildings

Financial Highlights

\$ millions	2003	2002	% Change
Revenues	\$ 299.3	\$ 332.9	(10.1)%
Segment operating profit	2.2	5.6	(61.6)%
Return on revenue	0.7%	1.7%	(57.3)%
Backlog – December 31	242.8	186.9	29.9%

Revenues in the Buildings segment declined by \$33.6 million or 10.1% from 2002. The weakness in demand for non-residential construction experienced in the second half of 2002 continued through much of 2003. This was particularly pronounced in the suburban office market, a reflection of reduced capital spending by commercial clients during the weak economic conditions. Although this work has been replaced with new contracts in interiors and renovations, institutional projects and high-rise residential contracts, much of the replacement work only began producing significant

revenues toward the latter half of 2003. Exacerbating the impact of the change in mix were harsh weather conditions in the first half of the year and the effects of the summer power blackout in Ontario, both of which delayed schedules and added to costs. Although revenues fell in each of the first three quarters of the year, volume in the fourth quarter was up \$14.5 million or 20% over 2002.

Segment operating profit of \$2.2 million fell as a percentage of revenue from 1.7% in 2002 to 0.7% this year. In addition to generally more competitive market conditions, margins were negatively impacted by the shift in mix. The institutional market in particular is characterized by tighter margins. As mentioned in the preceding paragraph, weather and the summer power blackout also added to operating costs and margin compression.

A certain amount of the work undertaken by the Buildings segment is construction management or fee based. The revenue from these contracts is recorded only to the extent of the fee income earned, and thus the full value of the construction activity that is managed is not recorded as revenues. If the value of construction that the group manages was included in revenue, its total construction volume would have been \$597.5 million for the year compared to \$555.6 million in 2002. The Buildings' segment largest construction management contract is the Pearson Airport joint venture. The first phase of the new Terminal 1 at Toronto Pearson International Airport opened to public and media previews in December. The terminal is expected to be opened for live traffic in the second quarter of 2004.

New contract awards of \$355.3 million were recorded in the year, which compares with \$241.8 million in 2002. Backlog increased by \$55.7 million.

Industrial

Financial Highlights

\$ millions	2003	2002	% Change
Revenues	\$ 218.3	\$ 208.4	4.7%
Segment operating profit	14.7	3.0	390.8%
Return on revenue	6.7%	1.4%	368.7%
Backlog – December 31	90.9	81.6	11.4%

Revenues in the Industrial segment of \$218.3 million were 4.7% higher than in 2002, though among the various sectors volumes differed significantly. Pipe fabrication and module assembly volumes increased \$36 million, which was well over double the year before. Most of this increase results from Aecon's manufacturing operations in western Canada where pipe is being supplied to Syncrude's upgrader expansion at the Mildred Lake facility in Fort McMurray. Automotive industry

work was \$12 million higher than in 2002, representing an almost 50% increase, as major contracts were completed for Toyota and Chrysler. Project work, primarily for the power and steel industries, was up \$11 million or 15%.

Nuclear revenues, derived from Aecon's 38.75% interest in Canatom NPM Inc., were down \$32 million as its major contract, the Qinshan nuclear project in China, finishes. This project has been both a financial and operational success for Canatom and the plant is now producing commercial power.

Revenues at Innovative Steam Technologies ("IST"), which sells and licenses the technology for once-through steam generators ("OTSG"), were down \$19 million in the year. The division started the year without any backlog but booked a total of \$18.4 million in new OTSG revenues on three new contracts during 2003, whereas in 2002 it started with a backlog of \$31 million but no new orders were booked. IST also successfully concluded a ten-year licensing agreement with Lurgi Lentjes Standardkessel Group in Germany ("Standardkessel") whereby Standardkessel will offer IST's technology throughout Europe and the former Soviet Union countries. In addition to receiving an upfront fee and ongoing royalties, IST, will in relation to any sales made by Standardkessel under the licensing agreement, manufacture and provide the bulk of the key pressure part components and in certain cases also provide the complete pressure part module assemblies.

Operating profit of the Industrial segment almost quintupled to \$14.7 million in the year. Substantially improved results were generated by the fabrication and project units, IST and nuclear operations. The improvement in the fabrication unit is

due to an increase in volumes, particularly from contracts in western Canada. In the project unit, several large and profitable industrial project contracts were completed during the year. IST has substantially reduced its cost structure and although it still incurred an operating loss in 2003, the amount of the loss was almost \$4 million less than last year. Profits from nuclear operations were better than 2002 by more than \$2 million as Canatom received performance bonuses from the Qinshan nuclear project and recorded additional profits as the final accounting for the project is completed.

New contract awards of \$227.5 million were recorded in the year, which compares with \$153.9 million in 2002. Backlog increased by \$9.3 million, despite a reduction of \$12.5 million at Canatom.

Corporate and Other

This category includes the elimination of inter-segment revenues, which totaled \$1.8 million in 2003 and \$4.4 million in 2002, as well as corporate expenses. Net corporate expenses amounted to \$6.4 million in the year, which was \$4.0 million less than last year. Corporate overheads were \$2.5 million lower than 2002, and other income and expense items produced a \$1.5 million favourable variance. Reductions in corporate overheads affected all departments and were across most expense categories including salaries and benefits, travel and entertainment, advertising and professional fees. The largest item within other income and expense was a gain of \$1.5 million from the sale of Aecon's interest in Tanknology Canada Inc.

Quarterly Financial Data

Set out below are revenues, net income (loss) and earnings or loss per share for each quarter in 2003 and 2002 (in millions of dollars, except per share amounts).

	2003				2002			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Revenues	\$ 184.3	\$ 241.7	\$ 269.0	\$ 277.5	\$ 228.0	\$ 236.3	\$ 299.9	\$ 308.7
Net income (loss)	(9.9)	(2.0)	0.7	(2.7)	(1.0)	(3.9)	2.7	2.4
Earnings (loss) per share:								
Basic	(0.42)	(0.08)	0.03	(0.11)	(0.06)	(0.17)	0.11	0.10
Diluted	(0.42)	(0.08)	0.03	(0.11)	(0.06)	(0.17)	0.10	0.09

As described in note 2 to the consolidated financial statements, effective January 1, 2003 Aecon adopted the new recommendations of The Canadian Institute of Chartered Accountants on accounting for share purchase loans receivable from employees. Accordingly, and notwithstanding that the Company considers the loans collectible, loans totaling \$857 thousand at January 1, 2003 which had previously been presented as loans receivable within other assets, were instead deducted from capital stock and the number of shares issued at the beginning of the year for purposes of calculating basic earnings (loss) per share was reduced by 1,522,063. For purposes of calculating diluted earnings per share, these shares are treated as options. This treatment, in relation to 2002 and prior years, has the impact of reducing the basic number of shares outstanding, and thus increasing reported basic losses or earnings per share.

Due to the impact of share issuances and redemptions throughout the periods, the sum of the quarterly earnings (losses) per share will not equal the total for the year, although generally the difference is relatively minor. However, in the second quarter of 2002 a total of 6,963,693 shares and share equivalents (special warrants) were issued and, as a result, the average number of shares for all of 2002 was substantially higher than the number for the first three months of the year. The total of the quarterly earnings (losses) per share, compared with the amounts for the full year are as follows:

	2003		2002	
	Quarterly Total	Annual Amount	Quarterly Total	Annual Amount
Earnings (losses) per share:				
Basic	\$ (0.58)	\$ (0.59)	\$ (0.02)	\$ 0.01
Diluted	(0.58)	(0.59)	(0.04)	0.01

Analysis of operating results for each of the first three quarters of 2003 was included in the Management Discussion and Analysis incorporated in the Interim Reports to Shareholders.

The year's fourth quarter revenues amounted to \$277.4 million, which was \$31.3 million or 10.1% less than the same period in 2002. All of the decline was in the Infrastructure segment as most operations within the segment suffered from weak volumes. The Buildings and Industrial segments, however, both posted improved revenues.

Operating margins, which are equal to revenues less costs and expenses, amounted to \$13.9 million or 5.0% of revenues in the fourth quarter compared to \$19.6 million or 6.3% of revenues last year. The decline in operating margins was principally due to a drop in the Infrastructure segment as each of the utilities, roadbuilding, Quebec operations and Aecon's

major joint ventures in Israel and India suffered reduced profitability. The Industrial segment had a very strong fourth quarter as volumes improved and several highly profitable jobs were completed.

Unrealized foreign exchange losses, primarily related to the international joint ventures in the Infrastructure segment, amounted to pre-tax \$2.0 million in the quarter. For the full year, unrealized foreign exchange losses, as noted in the discussion of the annual results, were pre-tax \$6.8 million.

MG&A declined by \$1.3 million to \$13.1 million in the quarter. Excluding the impact of foreign exchange in the first quarter, MG&A has declined each quarter of 2003 as all operations work to carefully control and reduce their overheads.

Revenues and operating profit (loss) by segment for the fourth quarters of 2003 and 2002 are set out in the table below (\$ millions).

	2003		2002	
	Revenue	Operating profit (loss)*	Revenue	Operating profit (loss)*
Infrastructure	\$ 125.7	\$ (11.5)	\$ 175.6	\$ (0.6)
Buildings	85.7	0.7	71.2	1.7
Industrial	67.2	12.0	62.1	3.8
Corporate	(1.1)	(2.6)	(0.2)	(2.6)
Consolidated	\$ 277.5	\$ (1.4)	\$ 308.7	\$ 2.3

* Operating profit (loss) represents net income (loss) before interest and income taxes.

The Infrastructure segment, as noted above, had weak results across most operations in the quarter. This was exacerbated by major downward earnings revisions to two projects in Quebec, amounting to approximately \$4.5 million and a provision of \$1.4 million on account of potential impacts relating to completion of the Cross Israel Highway.

The Buildings segment, which has experienced tight operating margins throughout 2003, had reduced operating profit again in the fourth quarter. In addition, the fourth quarter of 2002 had benefited from the completion of a major international project. There was not a similar project in 2003 and this accounted for \$0.5 million of the period-over-period decline.

The majority of the year's profit improvement in the Industrial segment was achieved in the fourth quarter as operating profit rose \$8.2 million in this period, compared to an improvement of \$11.7 million for the full twelve months. As discussed in the commentary for the full year, the Industrial segment completed several large and profitable contracts in 2003. Most of the work on these contracts was completed in the fourth quarter as schedules were accelerated. Three

projects in particular generated an aggregate margin of \$8.9 million in the final three months of the year.

The net loss for the quarter, after interest and income taxes, amounted to \$2.7 million or \$0.11 per share which, compares with a profit of \$2.4 million or \$0.10 per basic share and \$0.09 per diluted share in 2002.

Selected Annual Information

Set out is selected annual information for each of the last three years (in millions of dollars, except per share amounts).

	2003	2002	2001
Total revenues	\$ 972.5	\$ 1,073.0	\$ 1,138.9
Income (loss) before discontinued operations	(13.9)	0.2	23.7
Per share:			
Basic	(0.59)	0.01	1.32
Diluted	(0.59)	0.01	1.15
Net income (loss)	(13.9)	0.2	12.4
Per share:			
Basic	(0.59)	0.01	0.69
Diluted	(0.59)	0.01	0.61
Total assets	483.4	515.7	589.3
Total long-term financial liabilities	35.5	40.3	47.3
Cash dividends declared per common share*	–	0.03	0.12

* Paid in the following year.

Financial Condition, Liquidity and Capital Resources

Cash and cash equivalents at December 31, 2003 totaled \$49.6 million, which compares with \$76.0 million at the end of last year. Of these amounts, \$42.5 million and \$72.5 million, respectively, were on deposit in joint venture and affiliate bank accounts, which Aecon cannot access directly.

Cash used in operating activities, before accounting for changes in non-cash balances relating to operations, amounted to \$14.3 million in the year compared to cash generated last year of \$1.5 million. Changes in other balances, which represent operating working capital items, resulted in a use of cash of \$13.2 million in 2003 compared to a use of \$38.1 million last year. Although cash tied up in accounts receivable, inventories and other working capital assets was reduced in both years, the reduction in working capital liabilities, mainly accounts payable and deferred revenue has been much greater. A significant portion of the working capital

increase in 2003 related to the Cross Israel Highway project where prior contract advances from the owner are being applied against progress billings as the contract winds down. Increases or decreases in individual working capital components are set out in note 15 to the consolidated financial statements.

Investing activities during the year resulted in a use of cash of \$7.9 million (2002 - \$0.7 million). This was composed of \$2.0 million spent on the purchase of property, plant and equipment (2002 - \$4.9 million) and \$14.7 million on other assets (2002 - \$7.0 million), less \$8.8 million received as proceeds on the sale of assets (2002 - \$11.7 million, including proceeds on the disposition of a joint venture interest). The amount spent on equipment purchases was relatively small in 2003. Instead, Aecon is increasingly using operating leases to obtain equipment and approximately \$15.1 million worth of equipment was obtained by this means during the year. In addition, \$3.3 million was acquired by means of capital leases, which also do not require an immediate outlay of funds. Major items contributing to proceeds from sales of assets included \$2.0 million from the sale of Aecon's investment in Tanknology Canada Inc. and \$1.7 million from the sale of real estate in Barrie, Ontario. The increase in other assets includes \$8.5 million as a further deposit in trust to fund Aecon's investment in Derech Eretz Highways (1997) Ltd. ("Derech Eretz"), the concessionaire of the Cross Israel Highway. Aecon's total commitment is to invest US\$27.2 million by April 2004. To date a total of US\$17.9 million had been deposited in trust to fund this obligation and US\$9.3 million is due no later than March 27, 2004. Aecon's investment in Derech Eretz will be accounted for on a cost basis. Accordingly, income will be recognized only to the extent of dividends received from accumulated earnings. Although Derech Eretz is expected to be very profitable over the term of the remaining 25 years that it will have the right to operate and collect tolls on the Cross Israel Highway, under the terms of the financing agreements the first distribution from Derech Eretz is not expected until 2009. Also included in the increase in other assets is \$5.8 million of deferred costs related to the Quito airport project. As previously noted, a total of \$7.2 million to date has been deferred on this project.

Cash generated from financing activities amounted to \$16.4 million, compared to \$17.1 million in 2002. Issuance of long-term debt, net of repayments, provided \$13.2 million in the year and an increase in bank borrowings provided another \$3.2 million. Part of the long-term borrowings included \$9.7 million, which was received from a related party, Hochtief Canada Inc., which is Aecon's largest shareholder. Terms on this debt are described in note 8 to the consolidated financial statements.

In Aecon's international joint venture projects, a substantial amount of cash is held in foreign currencies. Due to a strengthening of the Canadian dollar against these foreign currencies there was a \$7.4 million decrease in cash and cash equivalents balances in 2003 upon translation of these foreign currencies into Canadian dollars. In 2002, the effect of foreign exchange on cash balances was a reduction of \$1.0 million.

At December 31, 2003, Aecon had the equivalent of approximately \$28 million Canadian in net foreign denominated assets and liabilities. The majority of this exposure is now in Indian rupees, which the company cannot effectively hedge. During 2003, Aecon increased its borrowings in U.S. dollars, which have effectively provided a partial hedge against foreign U.S. dollar denominated assets.

Interest bearing debt amounted to \$81.3 million at the end of 2003, compared to \$64.8 million the year before, the composition of which is as follows (\$ millions):

	2003	2002
Bank indebtedness*	\$ 30.1	\$ 30.1
Current portion of long-term debt	16.1	2.3
Long-term debt	27.7	25.0
Convertible debenture	7.4	7.4
Total	\$ 81.3	\$ 64.8

* Includes issued but uncleared cheques.

The weighted average interest rate on long-term debt at December 31, 2003 was 6.6% (2002 - 6.6%).

Aecon has a committed bank credit facility as well as a revolving term loan to fund working capital and operating requirements. The bank credit facility, which expires on June 4, 2004, is typically renegotiated and extended for periods of up to one year to meet Aecon's anticipated requirements. Availability under the working capital facility is linked to seasonally fluctuating current assets and liabilities, including accounts receivable, and certain accounts payable. The revolving term facility has a remaining maturity of 14 years and an annuity style amortization schedule. The amount of the revolving term loan was established by reference to the appraised value of certain real estate and aggregate reserve assets which serve as primary collateral for the loan. On the seventh anniversary, which is six years hence, the lender can request that a repayment be made to restore the agreed ratio between the then available loan amount and the then appraised value of the collateral assets. The revolving term loan provides Aecon with a very flexible and stable source of operating funding. The remaining availability of credit under the term revolver and bank credit facility, supplemented by the

Company's equity and cash flow from operations, is expected to be sufficient to meet operating requirements per the Company's 2004 business plan.

On March 18, 2004 the Company issued 4,600,000 common shares at \$5.25 per share after the filing of a final prospectus on March 15, 2004 with regulatory authorities in four provinces. Net proceeds, after deducting agents' fees and estimated expenses of the issue are approximately \$22,949. Hochtief Canada Inc., the Company's largest shareholder, exercised its pre-emptive right in connection with this offering and acquired 2,214,440 common shares, thus maintaining its 48.1% shareholding.

To fund investments in property, plant and equipment, Aecon has access to several committed and uncommitted equipment financing and leasing facilities. Remaining availability under these lines of credit is sufficient to meet Aecon's anticipated requirements in 2004.

New Accounting Standards

New Canadian accounting standards are being issued with increasing frequency. Those that have the most immediate relevance to Aecon are described hereunder.

Effective January 1, 2003, and as more fully described in note 2 to the consolidated financial statements, Aecon adopted the new recommendations of The Canadian Institute of Chartered Accountants related to accounting for share purchase loans receivable from employees, disposal of long-lived assets and discontinued operations and expanded disclosure of guarantees. The effect of the new accounting for share purchase loans on the calculation of earnings or loss per share is described above under the heading Quarterly Financial Data. In addition, with respect to the accounting for and the reporting of discontinued operations new rules require that the results of operations of a component of the Company that is disposed of either by sale or abandonment should be reported in discontinued operations. A component comprises operations and cash flows that can be clearly distinguished operationally and financially. Presentation of the Gdansk Project as a Discontinued Operation in the 2003 financial statements complies with these recommendations.

For Aecon's 2004 fiscal year, new rules related to hedge accounting become effective. These rules set out the conditions that must be met in order to apply hedge accounting. Each hedging relationship is also subject to an effectiveness test on a regular basis to determine whether there is reasonable assurance that the hedge will continue to be effective. Any derivative financial instrument that does not qualify for hedge accounting will be accounted for on a marked-to-market basis. The impact of not applying hedge accounting is that gains or losses on a derivative financial

instrument that is marked-to-market may not be recorded in the same accounting period as gains or losses on the hedged item. New standards dealing with Canadian generally accepted accounting principles ("GAAP"), financial statement presentation, pension and other employee benefits disclosure, and asset retirement obligations also take effect. With respect to GAAP, the most significant change is that "industry practice" cannot by itself establish GAAP. The new standards on financial statement presentation are designed to ensure that information is clear and understandable and that events or transactions, which are important to understanding the financial statements, are adequately disclosed.

Expanded pension and other employee benefits disclosure becomes effective for annual and interim periods ending after June 30, 2004. Effective January 1, 2004, the new rules related to asset retirement obligations will require that the liability associated with the ultimate rehabilitation of Aecon's aggregate properties be recognized as a liability on the consolidated balance sheet and that the asset retirement cost be capitalized, with this capitalized cost amortized over the useful life of the asset. Aecon is currently evaluating the financial reporting impact of this new requirement.

Supplemental Disclosures

Contractual Obligations

Aecon has commitments for equipment and premises under operating leases requiring minimum payments and principal repayment obligations under long-term debt (including the \$7.7 million convertible debenture described in note 10 to the consolidated financial statements) as follows (in thousands of dollars):

	Lease Payments	Long-term Debt Repayments
2004	\$ 18,769	\$ 16,090
2005	13,498	3,947
2006	9,148	11,812
2007	6,644	7,830
2008	4,696	2,451
Beyond	6,779	9,355
	\$ 59,534	\$ 51,485

In addition, Aecon is committed to invest a further US\$9.3 million by March 27, 2004 in Derech Eretz Highways (1997) Ltd., the concessionaire of the Cross Israel Highway.

At December 31, 2003, Aecon had contractual obligations to complete construction contracts which were in progress. The revenue value of these contracts, which represents backlog, was \$552.9 million.

Off-Balance Sheet Arrangements

In connection with its joint venture operations in India and Israel, Aecon has provided various financial and performance guarantees and letters of credit, which are described in note 9 to the consolidated financial statements.

Aecon's defined benefit pension plans had a combined deficit of \$5.9 million at December 31, 2003 (2002 - \$7.8 million). These deficits include experience and other actuarial gains and losses which, in accordance with Canadian generally accepted accounting principles, are not immediately recognized in the accounts of the Company but are amortized over time. At December 31, 2003, unrecognized liabilities amounted to \$6.2 million (2002 - \$6.0 million). Details relating to Aecon's defined benefit plans are set out in note 17 to the consolidated financial statements.

Aecon from time to time enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar. At December 31, 2003, the Company had net outstanding contracts to buy US\$2,479 thousand and sell EURO 3,400 thousand (2002 - sell US\$3,857 thousand) on which there was an unrealized exchange loss of \$35 thousand and exchange gain of \$13 thousand, respectively (2002 - loss of \$20 thousand). Financial instruments are discussed in note 19 to the consolidated financial statements.

Related Party Transactions

Aecon from time to time receives financial support from its largest shareholder, Hochtief Canada Inc. ("HCI"). At December 31, 2003, Aecon was indebted to HCI for a total of \$17.4 million of which \$7.7 million was in the form of a convertible subordinated debenture as described in note 10 to the consolidated financial statements and \$9.7 million was a draw-down under a stand-by facility agreement as described in note 8. Hochtief AG, the parent of HCI, has issued guarantees in support of the financial and performance related obligations of the Nathpa Jhakri hydro-electric project in India in which Aecon has a joint venture interest. Aecon paid Hochtief AG \$0.3 million in 2003 in connection with these guarantees. Aecon has also developed a new partnership agreement with Hochtief for bidding on and executing large civil projects in North America. In 2003, this partnership was successful in securing a \$108 million hydro-electric project in Quebec.

Critical Accounting Estimates

By its nature, accounting for construction contracts requires the use of estimates. Revenue and income from fixed price construction contracts, including contracts in which Aecon participates through joint ventures, are determined on the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs. Aecon has a process whereby progress on jobs is reviewed by management on a regular basis and estimated costs to complete are updated. However due to unforeseen changes in the nature or cost of the work to be completed or performance issues, contract profit can differ significantly from earlier estimates.

Change orders, which modify the nature or quantity of the work to be completed, are frequently issued by clients. Final pricing of these change orders is often negotiated after the changes have been started or completed. Aecon, in estimating job profitability, includes the estimated revenue to be derived from change orders where the scope of the work has been agreed with the client but the final price has still to be negotiated. As the amount of compensation ultimately negotiated with a client can be considerably different from that estimated by Aecon, contract profit can be significantly affected.

Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that Aecon seeks to collect from clients or others for client-caused delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both

scope and price, or other causes of unanticipated additional costs. In accordance with Aecon's accounting policy, claims are recognized in revenue only when resolved. Therefore, it is not uncommon for Aecon to have substantial contract costs recognized in one accounting period with associated revenue recognized only in a later period.

In the preparation of the consolidated financial statements, various other estimates are required, which are either subjective, could be materially different under different conditions or using different assumptions, or which require complex judgments. The more significant estimates are related to the accounting for income taxes, employee benefit plans and the accounting for pension expense, and the allocation of the purchase price to the fair value of assets acquired and liabilities assumed on acquisitions. The Company's accounting for income taxes is described in note 5 to the consolidated financial statements and under Tax Accrual Risks in the following section of the MD&A titled Risks and Uncertainties. The significant actuarial assumptions used in accounting for pension expense are set out in note 17 to the Consolidated Financial Statements. In 2003, Aecon acquired the assets and operations of Westeinde Construction Ltd. ("Westeinde") which is described in note 16 to the consolidated financial statements. Since certain post-closing adjustments are outstanding and as the determination of the fair value of certain of the intangible assets is not final, the purchase price allocation for Westeinde, as at December 31, 2003, is preliminary.

Outstanding Share Data

Aecon is authorized to issue an unlimited number of common shares. The following are details of common shares outstanding and securities that are convertible into common shares.

(in thousands of dollars, except share amounts)	December 31, 2003	March 25, 2004
Number of common shares outstanding	25,308,542	29,973,232
Paid-up capital of common shares outstanding ⁽¹⁾	\$ 68,216	\$ 91,832
Outstanding securities exchangeable or convertible into common shares:		
Number of employee stock options outstanding	1,780,400	1,632,400
Number of common shares issuable on exercise of employee stock options	1,780,400	1,632,400
Increase in paid-up capital on exercise of employee stock options	\$ 6,694	\$ 6,011
Number of compensation options outstanding	166,750	166,750
Number of common shares issuable on exercise of compensation options	166,750	166,750
Increase in paid-up capital on exercise of compensation options	\$ 875	\$ 875
Principal amount of convertible debentures outstanding (see note 10 to consolidated financial statements)	\$ 7,731	\$ 7,731
Number of common shares issuable on conversion of convertible debenture	2,061,972	2,061,972
Increase in paid-up capital on conversion of convertible debenture	\$ 7,731	\$ 7,731

(1) As described in note 2 to the consolidated financial statements, in accordance with the recommendations of The Canadian Institute of Chartered Accountants share capital has been reduced by \$857 thousand on account of share purchase loans receivable from employees.

Risks and Uncertainties

Large Contract Factors

A substantial portion of Aecon's revenues is derived from large projects, some of which are conducted through joint ventures. These large projects provide opportunities for large revenue and profit contributions but can occasionally result in significant contract losses.

Opportunities for Aecon to compete for these larger projects do not occur regularly. As a result, Aecon's ability to successfully compete for these opportunities and the length of time required to execute these projects are not predictable and therefore the Company may experience periods of irregular or reduced revenues.

The recording of the impact of large project contracts can distort revenues and incomes on both a quarterly and an annual basis and in some cases makes comparison of financial results difficult in particular reporting periods.

As described more fully in notes 9 and 11 to the consolidated financial statements, Aecon has a number of commitments and contingencies. If Aecon was called upon to honour these obligations, its financial results would be adversely affected.

The Nathpa Jhakri hydro-electric project has incurred significant delays in respect of which the joint venture, in which Aecon has a 45% interest, has submitted numerous requests for an extension of contract time as well as claims for significant compensation arising from the costs of delays and extra work resulting from changed conditions and other compensable matters. As at February 29, 2004, these claims and payment disputes amounted to approximately \$154.0 million of which \$17.8 million, at current exchange rates, has been received by the joint venture since commencing the project. The owner of the project, Satluj Jal Vidyut Nigam Ltd. ("SJVN") (formerly Nathpa Jhakri Power Corporation Limited), has granted provisional requests for extensions of contract time. In the event that SJVN denies the current request for a further extension of contract time and the joint venture is unsuccessful in its claims for additional compensation, the joint venture may be faced with potential liquidated damages claims by SJVN of up to a maximum amount equal to \$28.4 million (10% of the original contract value) for which Aecon is jointly and severally liable. If such possible claims were to materialize and were ultimately successful, the financial results and the financial position of Aecon would be adversely affected. As at February 29, 2004, the Company had outstanding guarantees and letters of credit in the amount of \$36.8 million in support of financial and performance related obligations for the Nathpa Jhakri hydro-electric project. As at December 31, 2003, the Company had accrued cost recoveries and profits of approximately \$11.6 million after income taxes relating to this project, which have not yet been distributed to the Company. Although the

Company currently anticipates that the Nathpa Jhakri hydro-electric project will be substantially completed by June 30, 2004, if such guarantees were to be called upon or if the project were not completed, whether prior to June 30, 2004 or not at all, penalties may be imposed against Aecon, and/or if Aecon were not able to collect its accrued cost recoveries and profits, Aecon's financial results and the financial position of Aecon would be adversely affected.

The Cross Israel Highway's substantial completion is being forecasted for April 27, 2004. Tolling commenced in December 2002. As of January 6, 2004, the full 86 km of highway was open to traffic and being tolled. Traffic levels are approaching anticipated levels. There are a number of claims and change (task) requests which have been issued or are in the process of being issued, both against the construction joint venture by its subcontractors and against the client by the construction joint venture. Allowances have been taken for these costs and probable recoveries on change (task) requests. The joint venture has guaranteed that a minimum level of revenue will be generated from early operations of the highway during construction, and similarly participates in any surpluses of such revenues to the extent earned. The joint venture also may be faced with liquidated damages of US\$0.2 million per day that are capped at US\$69 million if it delivers the project late. Aecon is jointly and severally liable for all of these joint venture obligations. Management believes that the joint venture has adequate provisions to cover any liabilities that could arise from its revenue guarantee during the construction period and from any assessment of liquidated damages.

As at February 29, 2004, Aecon has provided joint and several guarantees in the amount of \$74 million in support of its various performance and financial obligations in this project. Aecon has also provided two other joint and several guarantees in support of the project, a Continuous Guarantee, which guarantees the performance of the Concessionaire under the Concession Agreement and a Leakage Guarantee, which is a guarantee at the Operator level, in which the Company has a 34% interest, and covers toll capture and collection rates generated from users of the Cross Israel Highway during the operating period. These guarantees extend through to the end of the concession period which ends in 2029. The Continuous Guarantee is in the amount of \$18 million and is renewed annually to its full amount, irrespective of any drawings made thereunder. The Leakage Guarantee comes into effect once construction is complete and is renewable annually for the lesser of \$13 million or 6% of the annual toll revenue. The values of these two guarantees are indexed and the amounts used are as at February 29, 2004. If such guarantees were to be called upon, the financial results and the financial position of Aecon would be adversely affected.

In addition, a significant portion of Aecon's capital is invested, directly or indirectly, in the Cross Israel Highway. As a result, any material diminution in the value of the Cross Israel Highway would adversely affect the financial results and condition of the Company.

The Quito Airport financial close has taken longer than originally anticipated due to the complicated nature of the transaction and the multitude of international public lending agencies involved, and although Aecon expects that financial close will be achieved in 2004, there is a risk that closing may not occur, which would result in costs that were previously deferred being written off. As previously noted, as at December 31, 2003, \$7.2 million of costs incurred on the Quito project had been deferred with further costs expected to be incurred and deferred until financial close is achieved.

The Company is currently engaged in the construction in Toulouste, Quebec of a hydro-electric facility for Hydro-Québec. To date, the project has incurred cost overruns, primarily because of customer changes to the original contract scope. The Company is currently negotiating with Hydro-Québec for a full recovery of these cost overruns and expects it will be successful in doing so. Should the Company not be successful in recovering any of these cost overruns, its financial results and position would be materially impacted.

Ongoing Financing Availability

Aecon's business strategy involves the continued growth of its operations through internal growth and acquisitions. Aecon's ability to successfully bid on contracts for major projects is fundamental to its internal growth. Certain of Aecon's operating segments, including its infrastructure development and heavy civil business, require substantial working capital in order to bid on and execute large contracts. Aecon is continually seeking to enhance its access to funding in support of its growth. However, from time to time, Aecon is constrained in its ability to capitalize on new infrastructure development and other growth opportunities to the extent that financing is insufficient or unavailable. Aecon's capital base includes a revolving term loan that provides a stable and flexible financing source. However, Aecon remains highly dependent on its working capital facility, which follows a distinct seasonal pattern parallel with the seasonal changes in investments in current assets. This working capital facility is highly structured with certain financial ratios and other terms and conditions, and is subject to annual review and renewal. The renewal of this facility, which expires on June 4, 2004, is expected but is not certain.

Aecon is dependent on the continued access to working capital and equipment related financing sources to finance its day-to-day operations. Aecon's direct access to working capital

lines of credit is subject to continued compliance with certain financial ratios and other terms and conditions and annual renewal of these accommodations by Aecon's lenders. To the extent that Aecon's cash flow is generated through, and its assets reside in joint ventures, Aecon's access to financing is limited as the Company's lenders generally do not consider such cash flow and assets in their credit assessments. If Aecon's access to these credit facilities were reduced or eliminated, it would adversely impact the financial results and position of the Company.

Access to Bonding and Pre-qualification Rating

Most of Aecon's construction contracts require either sufficient bonding or pre-qualification rating. As a result of the worldwide reduction in surety capacity, the Company continually monitors the surety market through its broker and surety firm. Although the Company believes that its current surety capacity is adequate to satisfy its current requirements, should those requirements be materially greater than anticipated or should sufficient surety capacity not be available, this would have a material adverse effect on the ability of Aecon to operate its business.

International/Foreign Jurisdiction Factors

Aecon is from time to time engaged in large international projects in foreign jurisdictions. Currently Aecon is involved in projects in India, Israel, Ecuador and the United States. International projects such as the Nathpa Jhakri hydro-electric project in northern India, the Cross Israel Highway in Israel and the Quito Airport in Ecuador can expose Aecon to risks beyond those typical for its activities in its home market, including geopolitical and military risks and currency and foreign exchange risks.

The anticipated contribution of various foreign projects to the financial results of Aecon may be adversely affected by local political, military, economic and other events beyond the Company's control including several current projects that are located in regions that are, at the present time, facing heightened geopolitical tensions. Aecon continually evaluates its exposure to unusual risks inherent in international projects and, where deemed appropriate in the circumstances, mitigates these risks through specific contract provisions, insurance coverage and forward exchange agreements. However, there are no assurances that such measures would offset or materially reduce the effects of such risks.

Foreign exchange risks are actively managed and hedged where possible and considered cost effective, when directly tied to quantifiable contractual cash flows accruing directly to Aecon within periods of one or two years. Major projects executed through joint ventures generally have a longer term

and result in foreign exchange translation exposures that Aecon has not hedged. Such translation exposure will have an impact on Aecon's consolidated financial results. Practical and cost effective hedging options to fully hedge this longer term translational exposure are not generally available to Aecon. In fiscal 2003, the strengthening of the Canadian dollar against other currencies, such as the U.S. dollar, had a significant adverse impact on Aecon's consolidated financial results.

Contractual Factors

A substantial portion of Aecon's revenue is derived from lump-sum contracts pursuant to which a commitment is provided to the owner of the project to complete the project at a guaranteed maximum price ("GMP"). In GMP projects, in addition to the risk factors of a unit price contract (as described below), any errors in quantity estimates must be absorbed within the GMP, thereby adding a further risk component to the contract.

Aecon is also involved in fixed unit price construction contracts under which the Company is committed to provide services and materials at a fixed unit price (e.g., dollars per tonne of asphalt or aggregate). While this shifts the risk of estimating the quantity of units to the contract owner, any increase in Aecon's cost over the unit price bid, whether due to estimating error, inefficiency in project execution, inclement weather, inflation or other factors, will negatively affect Aecon's profitability.

In certain instances, Aecon guarantees to a customer that it will complete a project by a scheduled date or that the facility will achieve certain performance standards. If the project or facility subsequently fails to meet the schedule or performance standards, Aecon could incur additional costs or penalties commonly referred to as liquidated damages.

Aecon is increasingly involved in design-build contracts where, in addition to the responsibilities and risks of a unit price or lump-sum construction contract, Aecon is responsible for certain aspects of the design of the facility being constructed. This form of contract adds the risk of Aecon's liability for design errors as well as additional construction costs that might result from such design errors.

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

Revenues from change orders are recorded when recovery is likely to occur. However, disputes with clients resulting in claims for additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions are an unfortunate but sometimes unavoidable part of the construction process. Aecon's accounting policy is to record all costs for these changes when known and not to record the revenue anticipated from claims until they are resolved. The timing of the resolution of such events can thereby have a material impact on income and liquidity and thus can cause fluctuations in the revenue and income of Aecon in any one reporting period.

Economic Factors

Aecon's profitability is closely tied to the general state of the economy in those geographic areas in which it operates. More specifically, the demand for infrastructure, which is the principal component of Aecon's operations, is perhaps the largest single driver of the Company's growth and profitability.

In North America, which tends to have relatively sophisticated infrastructure, Aecon's profitability is dependent both on the development of basic infrastructure (highways, airports, dams, hydro-electric plants, etc.) and on the type of infrastructure that flows from commercial and population growth. Commercial growth demands incremental facilities for the movement of goods within and outside of the community, along with water and sewer systems and heat, light and power supplies. Population growth creates a need to move people to and from work, schools and other public facilities, and demands similar services to new homes. Since growth in both these areas, with the possible exception of road maintenance and construction, is directly affected by the general state of the local economy, the general strength or weakness of the economy can have a significant impact on Aecon's operations.

Internationally, Aecon is much more involved with the development of basic infrastructure, particularly in developing countries. As such, the Company's growth and profitability from this work depends largely on the pace of growth in these foreign jurisdictions and the ability of these countries to allow for the arrangement of long-term financing.

Environmental Factors

Unfavourable weather conditions represent one of the most significant uncontrollable risks for Aecon. Construction projects are susceptible to delays as a result of extended periods of poor weather, which can have an adverse effect on profitability from either late completion penalties imposed by the contract owner or from the incremental costs arising from loss of productivity, compressed schedules, or from overtime work utilized to offset the time lost due to adverse weather.

During its history, Aecon has experienced a number of incidents, emissions or spills of a non-material nature in the course of its construction activities. Although none of these environmental incidents to date have resulted in a material liability to the Company, there can be no guarantee that any future incidents will also be of a non-material nature.

Aecon is subject to and complies with federal, provincial and municipal environmental legislation in all of its manufacturing and construction operations. Aecon recognizes that it must conduct all of its business in such a manner as to both protect and preserve the environment in accordance with this legislation. At each place where work is performed, Aecon develops and implements a detailed quality control plan as the primary tool to demonstrate and maintain compliance with all environmental regulations and conditions of permits and approvals. Management is not aware of any pending environmental legislation that would be likely to have a material impact on any of its operations, capital expenditure requirements or competitive position, although there can be no guarantee that future legislation will not be proposed, and if implemented, it may have a material impact on the Company and its financial results.

Litigation Risk

In the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. In view of the quantum of the amounts claimed and the insurance coverage maintained by the Company in respect of these matters, management of the Company does not believe that any of the legal actions or proceedings that are presently known or anticipated by the Company is likely to have a material adverse effect on the Company's financial position. However, there is no assurance that the Company's insurance arrangements will be sufficient to cover any particular claim or claims that may arise in the future. Furthermore, the Company is subject to the risk of claims and legal actions for various commercial and contractual matters, primarily arising from construction disputes, in respect of which insurance is not available. The Company is currently aware of three such contractual claims or disputes, which may adversely affect its financial position if not resolved in a manner favourable to the Company. These include potential claims for liquidated damages and outstanding guarantees and letters of credit in respect of the Nathpa Jhakri hydro-electric project and the Cross Israel Highway, and potential claims in respect of the hydro-electric facility in Toulnostouc, Quebec, each of which is described above under "Large Contract Factors".

Labour Factors

A significant portion of Aecon's labour force is unionized and accordingly, Aecon is subject to the detrimental effects of a strike or other labour action, in addition to competitive cost factors.

Dependence on the Public Sector

A significant portion of Aecon's revenues is derived from contracts with various governments or their agencies. Consequently, any reduction in demand for Aecon's services by the public sector whether from funding constraints, changing political priorities, or delays in projects caused by elections would likely have an adverse effect on the Company if that business could not be replaced from within the private sector.

Large government sponsored projects typically have long and often unpredictable lead times associated with the government review and political assessment process. The time delays and pursuit costs incurred as a result of this lengthy process, as well as the often unknown political considerations that can be part of any final decision, constitute a significant risk to those pursuing such projects.

Potential Fluctuation in Financial Results

Aecon's quarterly and annual financial results may be impacted by a variety of factors including, without limitation: the recognition of revenue from existing large project contracts; the opportunity to compete for new large projects; costs or penalties associated with unanticipated delays in project completion; fluctuations in the general economic and business conditions in the markets in which Aecon operates, which may impact pricing levels of its services; actions by governmental authorities including government demand for the services provided by Aecon; government regulations and the associated expenditures required to comply with regulations; labour action involving Aecon's unionized workers; seasonal or materially adverse weather conditions; the risk associated with the use of guaranteed maximum price contracts; geopolitical risks in the foreign jurisdictions in which Aecon operates as well as risk associated with foreign currency and exchange rates; and other circumstances affecting revenue and expenses. Aecon's operating expenses are incurred throughout the year. As a result, if expected revenues are not realized as anticipated, there may be significant variations in Aecon's quarterly and annual financial results.

Protection of Intellectual Property and Proprietary Rights

The Company, particularly through its 100% interest in IST, depends, in part, on its ability to protect its intellectual property rights. Aecon relies primarily on patent, copyright, trademark

and trade secret laws to protect its proprietary technologies. The failure of any patents or other intellectual property rights to provide protection to Aecon's technologies would make it easier for competitors to offer similar products, which could result in lower sales or gross margins.

The Company's trademarks and trade names are registered in Canada and the United States and the Company intends to keep these filings current and seek protection for new trademarks to the extent consistent with business needs. The Company relies on trade secrets and proprietary know-how and confidentiality agreements to protect certain of its technologies and processes.

In addition, IST holds a number of patents on its once-through heat recovery system. Nevertheless, there remains a threat of others attempting to copy IST's proprietary technology and processes. To mitigate this risk, the normal business practice of IST includes the signing of confidentiality agreements with all parties to which confidential information is supplied including all customers and licensees.

Acceptance of Innovation Steam Technologies

IST has yet to gain wide acceptance within the industry and, consequently, earnings derived from IST can fluctuate from quarter to quarter and from year to year. The success of IST's business will depend on its ability to promote commercial acceptance of its steam generators and associated technology, its ability to successfully develop its existing and future licence agreements in key markets outside of its core North American market, and to convince its customers of the reduced life cycle costs that IST's products offer compared to its competitors' products based on more traditional technology.

Tax Accrual Risks

Aecon is subject to income taxes in both Canada and numerous foreign jurisdictions. Significant judgment is required in determining the Company's worldwide provision for income taxes. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although Aecon believes its tax estimates are reasonable, there can be no assurance that the final determination of any tax audits and litigation will not be materially different from that reflected in historical income tax provisions and accruals. Although management believes it has adequately provided for any additional taxes that may be assessed as a result of an audit or litigation, the occurrence of either of these events could have a material adverse effect on the Company's current and future results and financial condition. Aecon has accumulated a significant amount of non-capital income tax losses that may be used to reduce future

taxable income. The benefit of these tax losses has been recognized in its consolidated financial statements. Should Aecon not be able to utilize these tax losses before they expire, the resulting charge to income could have a significant negative impact on the Company's future results and financial condition.

Aecon Operates in a Highly Competitive Industry

Aecon carries on businesses in highly competitive product and geographic markets in Canada, the United States and internationally. The Company competes with many companies that have financial resources and staff larger than Aecon's and which may be able to benefit from economies of scale, pricing advantages and greater resources. Aecon has little control over and cannot otherwise affect these competitive factors. If the Company is unable to effectively respond to these competitive factors or if the competition in any of the Company's markets results in price reductions or decreased demand for Aecon's services, results of operations and financial condition will be materially impacted.

Loss of Key Management; Inability to Attract and Retain Management

The Company's future prospects depend to a significant extent on the continued service of its key executives. Furthermore, the Company's continued growth and future success depends on its ability to identify, recruit and retain key management personnel. The competition for such employees is intense and there can be no assurance that the Company will be successful in identifying, recruiting or retaining such personnel.

Outlook

Aecon ended 2003 with solid growth in both new contract awards and core backlog as compared to 2002. New project awards increased by 9.9% in 2003 to \$958 million and core backlog (defined as all backlog other than that relating to Aecon's two large projects in Israel and India) grew by 15.3% to \$522 million.

This growth in core backlog was offset by a decline in backlog at Aecon's two major international projects, the Cross Israel Highway and the Nathpa Jhakri hydro-electric project in India, as these two projects progressed toward completion. Backlog from these projects fell to \$31 million during 2003, bringing total backlog at year-end to \$553 million as compared to \$568 million at the end of 2002. As noted earlier in this MD&A, Aecon's 2002 backlog levels have been restated to reflect a change in Aecon's policy regarding calculation of backlog levels.

Major project backlog is expected to jump sharply in the third quarter when the anticipated financial close of the Quito Airport project will add approximately \$250 million to backlog (based on the current assumption, to be finalized at financial close, that Aecon will perform 50% of the project's construction).

In the Infrastructure segment (which includes the two major projects in Israel and India as well as the Quito Airport project) backlog declined by 26.7%. While this drop in backlog is expected to be replaced in the third quarter by the Quito project, the timing of financial close is likely to mean that no profit will be booked on the project in 2004. Under Aecon's accounting policy for large multi-year contracts, profit is recognized when progress reaches a stage of completion sufficient to reasonably determine the probable results, which is generally when the contract is 20% complete.

For the above reasons, 2004 is likely to be a transition year, with recognition of construction profit from the Cross Israel Highway and the Nathpa Jhakri hydro-electric project largely behind us and recognition of revenue and profit from the Quito Airport project still ahead. This temporary decline in international work is expected to be partly offset by an increase in civil construction work in Canada as the recently awarded Eastmain hydro-electric project in northern Quebec begins construction. Looking ahead, it is expected that the heavy civil construction market in Canada will show strong growth over the next few years, especially in the transportation infrastructure segment, as a number of long-anticipated projects come on-stream.

Ontario road building is expected to remain stable in 2004 at about the same level as 2003, as the anticipated softness in highway construction for the provincial government is expected to be offset by increased work for municipal and private sector clients. In the longer term, the province's commitment to highway construction and other transportation infrastructure is expected to result in significant new opportunities for Aecon as the government addresses what it has recently called the significant "infrastructure deficit" existing in the province.

While the decline of the telecommunications sector continues to affect Aecon's Utilities business, with little or no recovery in volumes anticipated in 2004, this business is expected to return to profitability in 2004 due to the significant staff reductions and operational restructuring implemented in 2003 as well as the improved contract margins anticipated as prices adjust to better reflect market realities.

In addition, the financial close of the Quito Airport project will result in a significant cash infusion as bid and closing costs are recovered and development fees received. Approximately half of these funds will be applied to previously capitalized bid and closing costs, with the balance recognized as development income over the life of the construction contract and the concession agreement. As such, the receipt of these funds, while positive for the Company, will have little impact on Aecon's reported revenue or earnings in 2004.

The infrastructure segment will also benefit from fees earned through Aecon's interest in the operation and maintenance of the Cross Israel Highway. However, no revenue is expected in 2004 from Aecon's interest in the highway's concessionaire. As noted previously, Aecon's investment in the concessionaire will be accounted for on a cost basis, meaning that income will be recognized only to the extent dividends are received. Currently, based on the terms of the concessionaire's financing arrangements, dividend payments are not anticipated until 2009. While Aecon's interest in the concessionaire is, therefore, not expected to have a direct impact on the Company's earnings over the next five years, the economic value of Aecon's equity investment is expected to increase substantially over this period.

Aecon's Buildings segment opened 2004 with a backlog of \$243 million - an increase of 29.9% over the previous year - reflecting a significant rise in new contract awards during the year from \$242 million in 2002 to \$355 million in 2003. This healthy backlog, along with a continued increase in new project awards, is expected to drive strong revenue growth in the segment during 2004.

Aecon's Interiors and Renovations business unit is anticipating its second consecutive year of revenue growth in the 50% range, and solid revenue growth is also expected in the Greater Toronto, Quebec and Atlantic Canada business units. Also adding to the segment's expected growth in 2004 will be a full year of revenues from Westeinde Construction in Ottawa, acquired by Aecon in the fourth quarter of 2003.

Offsetting some of these gains will be an expected decline in revenues from the segment's largest project, the new terminal at Pearson International Airport. Construction on phase one of the project will be winding down early in the year and a delay is expected before phase two begins in earnest later in the year. Revenues from international work and from Aecon's interest in Vancouver's Scott Management Inc. are also expected to show neutral or negative growth in 2004.

New contract awards in Aecon's Industrial segment showed strong growth in 2003, increasing by 47.8% to \$227 million from \$154 million in 2002. Over the same period backlog grew by 11.4% to \$91 million. Notably, this growth in new orders and backlog was due in part to contributions from IST, which started 2003 with zero backlog after operating for over a year with no new orders. After achieving a significant turnaround in 2003, IST expects to return to profitability in 2004 with significant increases in new orders, revenue and backlog throughout the year.

The segment's fabrication and module assembly business, which recorded very strong growth in 2003, is expected to grow further in 2004 (albeit at a slower pace than it achieved in 2003). As was the case in 2003, this growth is expected to be led by the segment's western operations on the strength of its module assembly work for Syncrude in northern Alberta.

The volume of Industrial construction work is expected to remain fairly stable in 2004, with gains in work for the power sector offsetting anticipated declines in work within the automotive sector as the focus in this sector is narrowed in light of difficult market conditions. Due to the wind-down of the Qinshan nuclear project in China, volumes in the nuclear sector are expected to fall significantly in 2004.

Two of the most significant problems faced by Aecon in 2003, unrealized foreign exchange losses and contract losses pending claims recovery, are expected to dissipate in 2004 as the Canadian dollar is projected to remain much more stable and contract claims are expected to return to more normal levels in 2004. Contract claims normally arise as a result of unforeseen cost increases that are dictated by site conditions or by evolving client needs that are not covered under the contract. There was an unusual increase in such claims in 2002 and 2003. Pursuant to Aecon's accounting policy, the increased costs that resulted in these claims were booked as they were incurred, but recoveries from the settlement of the claims will not be booked until they are certain. Recoveries from this unusual spike in claims are expected to begin in 2004.

Overall, the growth in core backlog, the projected growth in revenue (primarily in the Buildings segment), continued strength in the industrial sector and the expected return to profitability of IST, along with the more stable foreign exchange environment and the potential for substantial claim recoveries, bode well for a return to profitability for Aecon in 2004.

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.

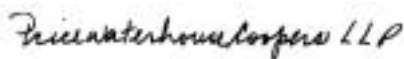
Auditors' Report

To the Shareholders of Aecon Group Inc.

We have audited the consolidated balance sheets of Aecon Group Inc. as at December 31, 2003 and 2002 and the consolidated statements of operations, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Mississauga, Ontario
March 18, 2004

Consolidated Balance Sheets

As at December 31 (in thousands of dollars)

	2003	2002
Assets		
Current assets		
Cash and cash equivalents (note 3)	\$ 49,608	\$ 76,006
Marketable securities (note 3)	8,984	12,578
Accounts receivable (note 4)	146,993	148,449
Holdbacks receivable	37,113	40,056
Deferred contract costs and unbilled revenue	46,926	58,717
Inventories	11,844	13,478
Prepaid expenses	3,625	5,276
Future income tax assets (note 5)	8,311	10,724
Discontinued operations (note 13)	19,059	6,440
	332,463	371,724
Property, plant and equipment (note 6)	59,940	68,696
Future income tax assets (note 5)	38,953	22,728
Other assets (note 7)	52,002	40,298
Discontinued operations (note 13)	-	12,274
	\$ 483,358	\$ 515,720

As at December 31 (in thousands of dollars)

	2003	2002
Liabilities		
Current liabilities		
Bank indebtedness (note 3)	\$ 30,090	\$ 30,136
Accounts payable and accrued liabilities (note 4)	152,455	161,416
Holdbacks payable	24,496	25,549
Deferred revenue	43,349	68,036
Income taxes payable	2,501	1,642
Future income tax liabilities (note 5)	24,764	24,350
Current portion of long-term debt (notes 8 and 18)	16,090	2,349
Discontinued operations (note 13)	19,059	12,484
	312,804	325,962
Long-term debt (note 8)	27,664	24,957
Employee benefit plans (note 17)	-	1,764
Other liabilities	364	-
Future income tax liabilities (note 5)	18,101	17,905
Convertible debenture (note 10)	7,457	7,348
Discontinued operations (note 13)	-	6,230
	366,390	384,166
Commitments and contingencies (note 11)		
Shareholders' Equity		
Capital stock (note 12)	68,216	68,336
Contributed surplus (note 12)	204	68
Convertible debenture (note 10)	836	836
Retained earnings	47,712	62,314
	116,968	131,554
	\$ 483,358	\$ 515,720

Approved by the Board of Directors



John M. Beck, Director



Scott C. Balfour, Director

Consolidated Statements of Operations

For the years ended December 31 (in thousands of dollars, except per share amounts)	2003	2002
Revenues	\$ 972,486	\$ 1,072,964
Costs and expenses	929,044	1,005,138
Marketing, general and administrative expenses	51,439	56,096
Depreciation and amortization	8,870	9,824
Gain on sale of assets	(2,976)	(774)
Gain on disposal of joint venture (note 4)	–	(1,169)
Interest expense, net (note 14)	3,068	2,926
	989,445	1,072,041
(Loss) income before income taxes	(16,959)	923
Income taxes (note 5)		
Current	10,115	7,045
Future	(13,202)	(6,352)
	(3,087)	693
Net (loss) income for the year	\$ (13,872)	\$ 230
(Loss) earnings per share (note 12)		
Basic	\$ (0.59)	\$ 0.01
Diluted	\$ (0.59)	\$ 0.01
Average number of shares outstanding (note 12)		
Basic	23,707,556	22,688,629
Diluted	27,412,803	25,361,200

Consolidated Statements of Retained Earnings

For the years ended December 31 (in thousands of dollars)	2003	2002
Retained earnings - beginning of year	\$ 62,314	\$ 64,988
Add (deduct):		
Net (loss) income for the year	(13,872)	230
Dividends	(757)	(2,245)
Interest received on share purchase loans (note 2)	27	–
Change in accounting policies (note 2)	–	(659)
Retained earnings - end of year	\$ 47,712	\$ 62,314

Consolidated Statements of Cash Flows

For the years ended December 31 (in thousands of dollars)	2003	2002
Cash provided by (used in)		
Operating activities		
Net (loss) income for the year	\$ (13,872)	\$ 230
Items not affecting cash		
Depreciation and amortization	8,870	9,824
Gain on sale of assets	(2,976)	(774)
Gain on disposal of joint venture (note 4)	-	(1,169)
Loss (gain) on foreign exchange	6,830	(428)
Notional interest representing accretion (note 10)	109	123
Future income taxes (note 5)	(13,202)	(6,352)
	(14,241)	1,454
Change in other balances relating to operations (note 15)	(13,211)	(38,105)
	(27,452)	(36,651)
Investing activities		
Purchase of property, plant and equipment	(2,010)	(4,855)
Proceeds on sale of property, plant and equipment	8,821	9,053
Acquisition (note 16)	-	(484)
Proceeds on sale of joint venture (note 4)	-	2,603
Increase in other assets	(14,736)	(7,045)
	(7,925)	(728)
Financing activities		
Increase (decrease) in bank indebtedness	3,157	(1,838)
Issuance of long-term debt	34,776	14,786
Repayments of long-term debt	(21,564)	(25,971)
Issuance of capital stock (note 12)	737	919
Issuance of special warrants (note 12)	-	31,495
Dividends paid	(757)	(2,245)
Interest received on share purchase loans (note 2)	27	-
	16,376	17,146
Decrease in cash and cash equivalents	(19,001)	(20,233)
Effects of foreign exchange on cash balances	(7,397)	(976)
Cash and cash equivalents - beginning of year	76,006	97,215
Cash and cash equivalents - end of year	\$ 49,608	\$ 76,006

Supplementary disclosure (note 15)

Notes to Consolidated Financial Statements

December 31, 2003 and 2002 (in thousands of dollars)

1) Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries, as well as its pro rata share of assets, liabilities, revenues, expenses, net income and cash flows of its joint ventures. Note 4 summarizes the effect of the joint ventures on these consolidated financial statements.

Use of significant accounting estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates. A certain amount of uncertainty is inherent in estimating the costs of completing construction projects. The impact on the consolidated financial statements of future changes in such estimates could be material.

Cash and cash equivalents

The Company considers investments purchased with original maturities of three months or less to be cash equivalents. Cash held by joint ventures is for the sole use of joint venture activities.

Accounting for contracts

Revenue and income from fixed price construction contracts, including contracts in which the Company participates through joint ventures, are determined on the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs. This method is used because management considers expended costs to be the best available measure of progress on these contracts. Contract costs include all direct material and labour costs and those indirect costs relating to contract performance such as indirect labour and supplies, tools and repairs. For large multi-year fixed price contracts, income is recognized when progress reaches a stage of completion sufficient to reasonably determine the probable results, which is generally when the contract is 20% complete. Consulting contracts to manage or supervise construction activity of others are recognized only to the extent of the fee revenue. Revenues from cost plus fee contracts are

recognized on the basis of costs incurred. Provision is made for anticipated contract losses as soon as they are evident.

Revenues from change orders are recorded when recovery is likely to occur. Claims for additional contract compensation are not recognized until resolved.

Deferred contract costs and unbilled revenues represent costs incurred and revenues earned in excess of amounts billed on uncompleted contracts. Deferred revenue represents the excess of amounts billed over costs incurred and revenue earned on uncompleted contracts. Contract advances are included in deferred revenue and represent advance payments received from clients for mobilization of project staff, equipment and services.

The operating cycle, or duration, of many of the Company's contracts exceeds one year. All contract related assets and liabilities of such contracts are classified as current as they are expected to be realized or satisfied within the operating cycle of the contract.

Inventories

Inventories are recorded at the lower of cost and net realizable value, with the cost of materials and supplies determined on a first-in, first-out basis and aggregate inventories determined at weighted average cost.

Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated amortization. Amortization of aggregate properties is calculated using the unit of extraction method. Depreciation of other property, plant and equipment is provided on a straight-line basis using annual rates that approximate the estimated useful lives of the assets as follows:

Buildings	20 to 40 years
Roadways and leaseholds	5 to 10 years
Construction equipment and vehicles	2 to 15 years
Computer hardware and software	3 to 5 years
Furniture and fixtures	5 to 8 years

When joint ventures are established to perform single contracts and equipment is acquired for use during the contract and disposed of upon completion of the contract, the cost of such equipment, net of estimated salvage value, is treated as a contract cost and is not included in property, plant and equipment.

Investments

Investments in entities where the Company exercises significant influence are accounted for using the equity method. These investments are recorded at cost plus the share of income or loss to date less dividends received.

Other investments, where the Company exercises neither significant influence nor control, are carried at cost. If there is other than a temporary decline in value, investments are written down to provide for the loss.

Goodwill

Goodwill represents the excess of the cost of acquisitions over the fair value of net identifiable assets acquired. Goodwill is not amortized but is subject to an annual impairment test, or earlier when circumstances indicate an impairment may exist. When the estimated fair value of goodwill is lower than its carrying amount, the difference is charged against income.

Income taxes

The Company follows the asset and liability method of tax accounting for future income taxes. Temporary differences between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using substantively enacted tax rates anticipated to apply in the periods when the temporary differences are expected to reverse.

Employee benefit plans

The Company recognizes the cost of retirement benefits over the periods in which employees render services in return for the benefits. The Company sponsors defined contribution pension plans and defined benefit pension plans (which had their membership frozen as of January 1, 1998) for its salaried employees. The Company matches employee contributions to the defined contribution plans, which are based on a percentage of earnings for services rendered by the employees. For the defined benefit pension plans, current service costs are charged to operations as they accrue based on services rendered by employees during the year. Pension benefit obligations are determined by independent actuaries using management's best estimate assumptions with accrued benefits pro-rated on service. Adjustments arising from plan amendments, changes in assumptions, experience gains and losses, and the difference between the actuarial present value of accrued benefits and the value of pension fund assets are amortized over the expected average remaining service life of the employee group (note 17).

Stock-based compensation plan

The Company has a stock-based compensation plan, as described in note 12. Stock options are issued at an exercise price no less than the market value of the Company's shares at the date of issuance. The Company has adopted fair value accounting and expensed employee stock options issued after January 1, 2002 (note 2).

Translation of foreign currencies

The accounts of the Company, its foreign subsidiaries and joint ventures stated in foreign currencies have been translated into Canadian dollars using:

- the fiscal year-end exchange rates for monetary items, which include cash, amounts receivable, accounts payable, income taxes and long-term debt;
- exchange rates in effect at the time of the transaction for non-monetary assets and liabilities; and
- average exchange rates prevailing during the year for revenue and expenses, except for depreciation, which has been translated at rates pertaining to the related assets.

All other foreign exchange gains or losses are included in the consolidated statements of operations.

Earnings (loss) per share

Basic earnings (loss) per share is calculated based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method to compute the dilutive effect of stock options and convertible debentures. Under this method, dilutive securities are assumed to be exercised only when the exercise price is below the average price of the Company's stock.

2) Adoption of new accounting standards

Effective January 1, 2003, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants ("CICA") on accounting for share purchase loans receivable from employees. Except in certain circumstances, such loans are now required to be presented as deductions from shareholders' equity. Accordingly, and notwithstanding that the Company considers the loans collectible, loans totaling \$857 as at January 1, 2003 are no longer presented as loans receivable within other assets, but as a deduction from capital stock. Also, interest received on such loans is no longer considered as income, but accounted for as a capital transaction in shareholders' equity. In the year ended

December 31, 2003, interest amounting to \$27, after provision for income taxes, was received on these loans. In accordance with the new recommendations, prior periods have not been restated.

Effective January 1, 2003, the Company adopted two new recommendations of the CICA related to the disposal of long-lived assets and discontinued operations, and guarantees. Disclosure in accordance with these guidelines is included in note 13 with respect to discontinued operations and in note 9 for guarantees.

Effective January 1, 2002, the Company adopted the new recommendations of the CICA 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 the Company's stock-based compensation arrangement, which was terminated on January 31, 2003, the new section required that the cumulative amount that would have been recognized in prior years had this new section been in effect, less any amounts previously recognized, was 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, changes in the share value resulted in an adjustment to the award liability, which was recognized through compensation expense. As a result of adopting the new recommendations, retained earnings at January 1, 2002 have been reduced by \$659.

Effective January 1, 2002, the Company adopted the new recommendations of the CICA for Goodwill and Other Intangible Assets. In accordance with these recommendations, accounting for goodwill was changed from an amortization method to an impairment only approach. As a result, goodwill is no longer amortized to income but is subject to an annual impairment review and should there be an impairment, that amount would be charged to income. An impairment of \$168 was recorded in income during the year ended December 31, 2002 (note 16). No impairment charge was recorded during the year ended December 31, 2003.

3) Cash and cash equivalents, marketable securities and bank indebtedness

- (a) Cash and cash equivalents as at December 31, 2003 include \$42,526 (2002 - \$72,484), which is on deposit in joint venture and affiliate bank accounts that the Company cannot access directly. Marketable securities of \$8,984 (2002 - \$12,578) are held within a joint venture and these securities cannot be accessed directly by the Company.
- (b) At December 31, 2003, the Company had operating lines of credit totalling \$35,000 (2002 - \$31,250), of which \$20,343 (2002 - \$21,911) was unused. Utilization amounted to \$14,657 (2002 - \$9,339) and included bank loans of \$8,759 (2002 - \$3,969) and letters of credit of \$5,898 (2002 - \$5,370). In addition, the Company has a revolving term loan facility in the amount of \$24,022 (2002 - \$25,000) of which \$7,022 (2002 - \$5,000) has been utilized (note 8(a)). In total, the Company had access to \$37,343 (2002 - \$41,911) in unused committed credit facilities as at December 31, 2003. Also included in bank indebtedness at December 31, 2003 are issued but uncleared cheques of \$7,504 (2002 - \$7,414). The operating lines of credit expire on June 4, 2004.
- (c) Interest rates on the bank loans outstanding at December 31, 2003 generally bear interest at Canadian and U.S. prime rate plus 1% (2002 - 1.25% to 1.5%).
- (d) Included in bank indebtedness is the Company's proportionate share of bank loans of the joint venture that is building the Nathpa Jhakri hydro-electric project in India amounting to \$13,827 (2002 - \$18,753), which bear interest at a weighted average rate of 4.5% (2002 - 4.0%). The full amount of the joint venture operating line and borrowings, amounting to \$30,727 (2002 - \$41,674) is secured by letters of credit which are jointly and severally guaranteed by the Company and by Hochtief AG, the parent of the Company's largest shareholder.

Of the operating lines of credit, \$35,000 (2002 - \$30,000) was secured by general security agreements that include assignments of accounts receivable, holdbacks receivable and pledges of inventory and equipment and was also secured by second position fixed and floating charge debentures over certain assets of the Company. In 2002, \$1,250 was secured by general security agreements that include assignments of accounts receivable, holdbacks receivable and pledges of inventory, and equipment of a subsidiary company.

4) Joint ventures

The Company participates in several incorporated and unincorporated joint ventures and the consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, expenses, net income and cash flows of these joint ventures.

(a) The following table sets out the Company's proportionate share of the assets, liabilities, venturer's equity, revenues, expenses, net income and cash flows of these joint ventures:

	2003	2002
Assets		
Current	\$ 94,259	\$ 158,521
Property, plant and equipment	1,141	12,633
Other	30,546	18,472
	\$ 125,946	\$ 189,626
Liabilities		
Current	\$ 71,025	\$ 130,927
Long-term	366	6,546
Venturer's equity	54,555	52,153
	\$ 125,946	\$ 189,626
Revenues	\$ 211,580	\$ 300,030
Expenses	197,864	286,748
Net income	\$ 13,716	\$ 13,282
Cash used in		
Operating activities	\$ (1,274)	\$ (4,872)
Investing activities	(5,799)	(5,800)
Financing activities	(22,885)	(7,614)
	\$ (29,958)	\$ (18,286)

(b) The Company is either contingently or directly liable for obligations of its unincorporated joint ventures (notes 9 and 11). The assets of the joint ventures are available for the purpose of satisfying such obligations.

(c) The Company enters into transactions in the normal course of operations with its joint ventures, which are measured at the exchange amount, being the amount of consideration established and agreed to by the parties involved. During the year, the Company generated revenues of \$3,031 (2002 - \$11,189) from its joint venture partners. At December 31, 2003, the Company has included in accounts receivable \$1,163 (2002 - \$3,361) owing from its joint ventures and has included in accounts payable and accrued liabilities \$2,598 (2002 - \$251) owing to its joint ventures. A company related

to the Company's largest shareholder is a partner in one of the joint ventures and \$1,210 of the amount owing to joint ventures is beneficially due to this company.

(d) During 2002, the Company received proceeds of \$2,603 and realized a pre-tax gain of \$1,169 from the sale of a joint venture interest.

5) Income taxes

The provision for income taxes differs from the result that would be obtained by applying combined Canadian federal and provincial (Ontario) statutory income tax rates to income before income taxes. This difference results from the following:

	2003	2002
(Loss) income before income taxes	\$ (16,960)	\$ 923
Statutory income tax rate	36.62%	38.62%
Expected income tax (recovery) expense	(6,211)	356
Effect on income tax of Provincial and foreign rate differential	582	570
Manufacturing and processing rate differential	106	401
Non-deductible portion of foreign exchange losses	2,096	-
Effect of enacted future rates	169	(888)
Large corporations tax	443	282
Other	(272)	(28)
Income tax (recovery) expense	\$ (3,087)	\$ 693

The Company and certain subsidiaries have accumulated non-capital income tax losses, the benefit of which has been recognized in these consolidated financial statements, of approximately \$96,329 (2002 - \$52,536), which may be used to reduce future taxable income and expire in the following years:

2004	\$ 12
2005	4,439
2006	8,971
2007	22,615
2008	1,998
2009	21,470
2010	36,824
	\$ 96,329

The components of future income tax assets and liabilities are as follows:

	Current		Long-term	
	2003	2002	2003	2002
Future income tax assets				
Net operating and capital losses carried forward	\$ 2,364	\$ -	\$ 31,507	\$ 15,538
Reserves expensed for financial statement purposes and deducted for income tax purposes when paid	-	1,722	-	-
Property, plant and equipment:				
Net book value in excess of tax basis	-	-	114	1,554
Long-term contracts including joint ventures ⁽¹⁾	3,066	8,084	-	-
Other temporary differences	2,881	918	7,332	5,636
Total future income tax assets	\$ 8,311	\$ 10,724	\$ 38,953	\$ 22,728
Future income tax liabilities				
Property, plant and equipment:				
Net book value in excess of tax basis	\$ -	\$ -	\$ 3,411	\$ 4,365
Long-term contracts including joint ventures ⁽¹⁾	24,764	24,191	-	-
Other temporary differences and reserves	-	159	14,690	13,540
Total future income tax liabilities	\$ 24,764	\$ 24,350	\$ 18,101	\$ 17,905

(1) Results from the difference between the use of percentage of completion method of reporting for financial statement purposes and use of uncompleted contracts and billings less costs, excluding contractual holdbacks, for tax purposes.

6) Property, plant and equipment

	2003		
	Cost	Accumulated depreciation and amortization	Net
Land and improvements	\$ 6,938	\$ -	\$ 6,938
Buildings	12,268	1,196	11,072
Aggregate properties	12,727	1,774	10,953
Machinery and equipment	71,886	40,909	30,977
	\$ 103,819	\$ 43,879	\$ 59,940

	2002		
	Cost	Accumulated depreciation and amortization	Net
Land and improvements	\$ 7,874	\$ -	\$ 7,874
Buildings	13,258	1,335	11,923
Aggregate properties	12,661	1,224	11,437
Machinery and equipment	75,203	37,741	37,462
	\$ 108,996	\$ 40,300	\$ 68,696

Included in property, plant and equipment is equipment of \$10,371 (2002 - \$9,846) held under capital leases, with accumulated depreciation of \$2,665 (2002 - \$2,711).

7) Other assets

	2003	2002
Goodwill	\$ 11,307	\$ 9,195
Deposits held in trust	22,629	17,511
Loans receivable	4,415	6,075
Income tax deposit (note 11(d))	5,414	5,414
Deferred costs	7,219	1,381
Other	1,018	722
	\$ 52,002	\$ 40,298

The Company is required to deposit in trust with a Canadian financial institution by April 2004 an amount of US\$27,230 to fund an investment in a company that will operate the Cross Israel Highway and collect tolls. Letters of credit have been issued by the Export Development Corporation on behalf of the Company in support of this obligation (see note 9). At December 31, 2003, short-term interest bearing deposits held in trust in respect of this obligation amounted to \$22,629 (US\$17,453) (2002 - \$17,511 (US\$11,100)).

Loans receivable include \$3,809 (2002 - \$4,472) from Capital Projects Group Inc. ("CPGI"), which is due on December 31, 2005 (note 18). This company has a 7.5% indirect interest in Strait Crossing Development Inc. ("SCDI"), which owns and operates the Confederation Bridge in eastern Canada. Security for the loan is 60 common shares of SCDI. Interest is at prime plus 1%.

Deferred costs represent development costs related to the Quito airport project in Ecuador, which have been incurred subsequent to the date of awarding of the construction contract and prior to the financial close.

Also included in loans receivable are loans to directors, senior officers and employees in the amount of \$606 (2002 - \$1,603). These loans are unsecured and bear interest, which is payable quarterly at Canada Customs and Revenue Agency's prescribed quarterly rates. Repayment terms for principal vary with some loans requiring fixed quarterly repayments and others having flexible repayment terms. As described in note 2, effective January 1, 2003, share purchase loans receivable from employees amounting to \$857 are no longer presented as loans receivable within Other Assets but as a deduction from Capital Stock.

8) Long-term debt

	Notes	2003	2002
Revolving term loan	(a)	\$ 7,022	\$ 5,000
Capital leases and equipment loans	(b)	21,120	15,788
Subordinated debt	(c)	9,678	-
Real estate financing	(d)	5,490	5,640
Other		444	878
		43,754	27,306
Less: Amounts due within one year		16,090	2,349
		\$ 27,664	\$ 24,957

The following describes the components of long-term debt:

- The Company has a \$24,022 (2002 - \$25,000) revolving term loan facility, principally secured by first position collateral mortgages over certain of the Company's real estate assets and its aggregate reserves on such properties. The loan is available in either Canadian or U.S. dollars. The maximum availability under the facility reduces annually according to a mortgage-style amortization schedule based on an assumed 7% interest rate and a fifteen-year amortization period. Interest on borrowings under the facility is based on reference rates established and re-established by the Lender on a monthly basis by reference to U.S. LIBOR, Canadian Prime or 30-day Canadian Bankers' Acceptances. At December 31, 2003, an amount of \$7,022 had been borrowed under the facility, bearing interest at 5.6%. After six years from December 31, 2003, the Lender may reduce the maximum facility amount to the extent that it exceeds 60% of the appraised value of the loan collateral. At that time, the applicable interest margins can also be re-established at the Lender's discretion up to a maximum increase of 50 basis points.
- At December 31, 2003, capital leases and equipment loans bore interest at fixed and floating rates averaging 6.8% (2002 - 7.0%) per annum, with specific equipment provided as security.
- As of September 29, 2003, the Company signed a standby facility agreement with its largest shareholder, Hochtief Canada Inc. ("HCI"). Under the facility, the Company may borrow United States ("US") dollars up to an amount equivalent to Canadian ("Cdn") \$10,000 at an interest rate of US Prime plus 1.75%. A standby fee of 1/4% per annum on the undrawn amount and an arrangement fee of 1% on each draw are also payable. Borrowings under the facility

are supported by security agreements already in place in support of existing financial arrangements between Aecon and HCI, including a General Security Agreement (“GSA”) ranking behind the GSA granted to the Company’s bankers, which includes security interests in accounts receivable, holdback receivables and pledges of inventory, equipment and property and other assets of the Company, except that HCI’s security position for the subject facility is senior to the Company’s bankers relative only to future profit distributions received from certain designated international joint ventures. Borrowings are repayable on December 31, 2004, or upon receipt of future profit distributions of certain designated international joint ventures, whichever occurs first. During 2003, the Company borrowed the equivalent of Cdn\$9,678 under this standby facility.

- (d) Mortgages are secured by certain of the Company’s real estate assets. The majority of these loans, amounting to \$5,230 (2002 - \$5,320), are for a term of ten years at a fixed rate of interest of 7.6% (2002 - 7.6%) and require monthly principal and interest payments amortized over 25 years.

The weighted average interest rate on long-term debt outstanding at the end of the year was 6.6% (2002 - 6.6%).

Repayments of long-term debt required within the next five years, including the \$7,731 convertible debenture described in note 10, are as follows:

2004	\$ 16,090
2005	3,947
2006	11,812
2007	7,830
2008	2,451
Thereafter	9,355
	\$ 51,485

9) Guarantees

The Company has outstanding guarantees and letters of credit amounting to \$38,801 (2002 - \$50,498) in support of financial and performance related obligations for the Nathpa Jhakri hydro-electric project in India, which has also been guaranteed by Hochtief AG, the parent of the Company’s largest shareholder.

In connection with the Cross Israel Highway project, the Company has provided joint and several guarantees in the amount of \$19,000 (2002 - \$38,200), net of funded deposits, in support of the requirement to invest in the project at the

completion of construction, as well as joint and several guarantees of \$42,000 (2002 - \$74,100) in support of performance and holdback related obligations during construction. The Company is also jointly and severally liable for revenue guarantees during the period of highway construction, which is expected to extend to May 2004, in the maximum amount of approximately \$16,000 (2002 - \$32,000). Management believes that the joint venture has adequate provisions to cover any liabilities that could arise from its revenue guarantee during the construction period. The Company has also provided two other joint and several guarantees in support of the project, a continuous guarantee, which guarantees the performance of the concessionaire in which the Company has a 22.2% interest and a leakage guarantee, which is a guarantee by the operator of the toll highway, in which the Company has a 34% interest, to the concessionaire and covers toll capture and collection rates generated from users of the highway during the operating period. These guarantees extend to the end of the concession period which ends in 2029. The continuous guarantee is in the amount of \$17,500 and is renewed annually to its full amount, irrespective of any drawings made thereunder. The leakage guarantee comes into effect once construction is complete and is renewable annually for the lesser of \$13,000 or 6% of annual toll revenue.

In addition, the Company has also issued, in the normal conduct of operations, guarantees amounting to \$5,898 (2002 - \$5,370) in support of financial and performance related obligations.

Under the terms of many of the Company’s joint venture contracts with project owners, each of the partners is jointly and severally liable for performance under the contracts. Circumstances that could lead to a loss include a partner’s inability to contribute additional funds to the venture in the event that the project incurs a loss or additional costs that the Company could incur should the partner fail to provide the contractually committed services and resources. At December 31, 2003, the value of uncompleted work for which Aecon’s joint venture partners are responsible, and which Aecon could be responsible for assuming, amounted to approximately \$186,000 (2002 - \$381,000), a substantial portion of which is supported by performance bonds. In the event that Aecon assumed this additional work it would have the right to receive the partner’s share of billings to the project owners pursuant to the joint venture contract.

The Company has, over time, sold portions of its business. Pursuant to the sale agreements, the Company may have to indemnify the purchaser against liabilities related to events prior to the sale, such as tax, environmental, litigation and employment matters or related to representations made by the

Company. The Company is unable to estimate the potential liability for these types of indemnification guarantees as the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. However the maximum guarantee is not to exceed the proceeds from disposal. Historically, the Company has not made any significant indemnification payments under such agreements.

10) Convertible debenture

Convertible secured subordinated debenture:

	2003	2002
Debt component	\$ 7,457	\$ 7,348
Equity component	\$ 836	\$ 836

A convertible subordinated debenture in the principal amount of \$9,940 was issued to the Company's largest shareholder and was taken out in connection with the acquisition of a subsidiary in 1999. The debenture bears interest at prime rate plus 1.0%, is convertible into common shares of the Company and matures on June 30, 2006. The conversion price for \$613 of debenture principal, representing 170,344 common shares, is equal to \$3.60 per share. The remaining principal balance shall be eligible for conversion at such price, and at such times, as common shares are issued to employees pursuant to the exercise of stock options (other than pursuant to the exercise of stock options that were outstanding at December 31, 1999), subject to a minimum conversion price of \$3.00 per common share. The debenture creates a security interest, behind the security granted to the Company's bankers, which includes assignment of accounts receivable, holdbacks receivable and pledges of inventory, equipment and property and other assets of the Company. The Company is not entitled to repay any principal amount until January 1, 2006. The lender has the right, at its option until June 30, 2006, to convert a portion of the principal amount into common shares of the Company. During the year ended December 31, 2002, the Company's largest shareholder exercised its option to convert \$2,209 of convertible debentures into common shares.

Interest expense on the debenture is composed of the interest calculated on the face value of the convertible debenture, which amounted to \$7,731 at each of December 31, 2003 and December 31, 2002, plus an annual notional interest representing the accretion of the carrying value of the debentures. Interest recorded was as follows:

	2003	2002
Interest expense on face value	\$ 440	\$ 433
Notional interest representing accretion	109	123
	\$ 549	\$ 556

The liability portion of the debenture is as follows:

	2003	2002
Financial liability component	\$ 6,895	\$ 6,895
Notional interest representing accretion	562	453
	\$ 7,457	\$ 7,348

11) Commitments and contingencies

(a) The Company has commitments for equipment and premises under operating leases, which require the following future minimum payments:

2004	\$ 18,769
2005	13,498
2006	9,148
2007	6,644
2008	4,696
Beyond	6,779
	\$ 59,534

(b) The Company is involved in various claims and litigation both as plaintiff and defendant. In the opinion of management, the resolution of claims against the Company will not result in a material effect on the financial position of the Company. Any settlements or awards will be reflected in the consolidated statements of operations, as the matters are resolved.

- (c) The Company is contingently liable for the usual contractor's obligations relating to performance and completion of construction contracts and for the obligations of its venturers in unincorporated joint ventures, the assets of which are available to settle any claims that may arise in the joint ventures.
- (d) During 2001, the Company received federal income tax reassessments relating to deductions claimed by a previously acquired company, BFC Construction Corporation and its predecessor companies, between 1993 and 1999. The reassessments, which disallow previously claimed Canadian development expense ("CDE") deductions, amounted to \$10,720 at December 31, 2003. Ontario and Alberta provincial income tax reassessments related to the disallowed CDE deductions in the amount of \$353 and \$451, respectively, were received in 2003. Although the Company has filed Notices of Objection, it is required to pay 50% of the federally assessed amounts and 100% of the Ontario provincial assessments pending resolution of the objections. At December 31, 2003, the Company had paid 50% of the federal reassessments and \$106 of the Ontario provincial assessments. The balance due under the Ontario provincial assessments will be paid in 2004. To-date, Canada Customs and Revenue Agency has not responded to the Notices of Objection. The total expected reassessments, including income taxes, interest and penalties could be up to \$16,360. The Company believes it has adequate provisions to cover the ultimate outcome of these reassessments.
- (e) The Nathpa Jhakri project in India has incurred significant delays in respect of which the joint venture, in which Aecon

has a 45% interest, has submitted numerous requests for an extension of contract time as well as claims for significant compensation arising from the costs of delays and extra work resulting from changed conditions and other compensable matters. As at December 31, 2003, these claims and payment disputes amounted to approximately \$147,600 of which \$17,100, at current exchange rates, has been received by the joint venture since commencing the project. The owner of the project, Satluj Jal Vidyut Nigam Ltd. ("SJVN") (formerly Nathpa Jhakri Power Corporation Limited), has granted a number of provisional requests for extensions of contract time. In the event that SJVN denies the current request for extension of contract time and the joint venture is unsuccessful in its claims for additional compensation, the joint venture may be faced with potential liquidated damages claims by SJVN of up to a maximum amount equal to \$27,200 (10% of the original contract value) for which the Company is jointly and severally liable. Management believes that due to the extent and nature of the significant delays to the project, which have been previously acknowledged and recognized by SJVN, no significant liquidated damages will be levied against the joint venture.

- (f) With respect to the Cross Israel Highway project the construction joint venture may be faced with liquidated damages that are capped at US\$70,700 if it delivers the project late. The Company is jointly and severally liable for all of these joint venture obligations. Management believes the joint venture has adequate provisions to cover any liabilities that could arise from any assessment of liquidated damages.

12) Capital stock

	2003		2002	
	Number of shares issued	Amount	Number of shares issued	Amount
Balance - beginning of year ⁽ⁱ⁾	25,111,109	\$ 67,479	18,018,583	\$ 33,713
Common shares issued on exercise of options	197,433	737	286,833	919
Common shares issued on the exercise of special warrants, less expenses of \$1,014 ⁽ⁱⁱ⁾	-	-	6,192,150	31,495
Common shares issued on the conversion of convertible debenture	-	-	613,543	2,209
Balance - end of year	25,308,542	\$ 68,216	25,111,109	\$ 68,336

(i) As described in note 2, in accordance with new recommendations of The Canadian Institute of Chartered Accountants, which were adopted effective January 1, 2003, share capital has been reduced by \$857 on account of share purchase loans receivable from employees.

(ii) On May 6, 2002, the Company issued 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 was exercisable, without additional consideration, for one common share of Aecon. On July 29, 2002, after filing a final prospectus with regulatory authorities qualifying the distribution of certain of the common shares, the Company issued 6,192,150 common shares. Net proceeds, after fees and expenses, amounted to \$31,495.

The Company is authorized to issue an unlimited number of common shares.

Pursuant to the loan agreement with the Company's bankers, the Company is restricted from paying dividends, except for an aggregate of \$4,000 per fiscal year provided that the financial covenants set out in the loan agreement have been satisfied.

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. At December 31, 2003, the maximum number of shares reserved for issuance under the plan, after deducting options that have been exercised, is 2,113,333, of which 1,780,400 have been issued. 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.

	2003		2002	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance - beginning of year	1,911,233	\$ 3.71	2,143,066	\$ 3.58
Granted	100,000	4.75	75,000	5.55
Exercised	(197,433)	3.73	(286,833)	3.21
Forfeited	(33,400)	4.00	(20,000)	4.10
Balance - end of year	1,780,400	\$ 3.76	1,911,233	\$ 3.71
Options exercisable at end of year	1,438,733	\$ 3.65	1,027,900	\$ 3.61

Options were exercised during the year for 197,433 shares (2002 - 286,833) for which share capital was increased by \$737 (2002 - \$919). Options currently outstanding have the following exercise prices and expiry dates:

Options granted in	Number of shares	Exercise price	Expiry date
1999	28,900	\$ 2.90	April 15, 2004
2000	976,500	3.60	July 20, 2005
2001	200,000	3.60	March 5, 2006
2001	275,000	3.60	April 9, 2006
2001	125,000	4.00	May 7, 2006
2002	75,000	5.55	April 9, 2007
2003	100,000	4.75	April 1, 2008

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.

The Company has adopted fair value accounting for options granted to employees after 2001. During the year, compensation expense of \$136 (2002 - \$68) was recognized, and contributed surplus was increased by the same amount, on account of options granted.

In connection with the issue of Special Warrants, referred to above, the Company issued to the underwriters 166,750 compensation options ("Compensation Options"). Each Compensation Option entitles the holder thereof to purchase one common share at an exercise price of \$5.25 per common share. The Compensation Options have an expiry date of May 6, 2004 and vest as follows: (i) one-third on November 6, 2002; (ii) one-third on May 6, 2003; and (iii) one-third on November 6, 2003. All of the Compensation Options were outstanding at December 31, 2003.

In addition to stock options, the Company had phantom share agreements with certain officers and with a firm in which a director of the Company is a partner whereby compensation, in the aggregate, was 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. The Company paid an amount of \$754 in 2002, and an additional final amount of \$879 in February 2003, based on the same formula.

Details of the calculation of earnings per share are set out below. In accordance with the new recommendations of The Canadian Institute of Chartered Accountants, for purposes of calculating basic earnings per share the number of common shares as of January 1, 2003 was reduced by 1,522,063 common shares on account of share purchase loans receivable from employees. For purposes of calculating diluted earnings per share, these shares have been treated as options. For purposes of calculating the weighted average number of shares outstanding (the denominator) in 2002, the Special Warrants issued on May 6, 2002 have been treated as common share equivalents from their issue date.

	2003		
	Income (numerator)	Shares (denominator)	Per share ⁽ⁱ⁾
Net loss for the year	\$ (13,872)	23,707,556	\$ (0.59)
Effect of dilutive securities			
Options	-	1,643,275	-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0%, maturing on June 30, 2006	348	2,061,972	-
	\$ (13,524)	27,412,803	\$ (0.59)
			2002
	Income (numerator)	Shares (denominator)	Per share
Net income for the year	\$ 230	22,688,629	\$ 0.01
Effect of dilutive securities			
Options	-	596,648	-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0%, maturing on June 30, 2006 ⁽ⁱⁱ⁾	354	2,075,923	-
	\$ 584	25,361,200	\$ 0.01

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

(ii) As the impact of the convertible secured subordinated debenture in 2002 would be anti-dilutive, it has been excluded from the calculation of diluted earnings per share.

13) Discontinued operations

As at December 31, 2003, the Company had a 54.4% joint venture interest in Europort Poland Sp. z o.o., which is the company developing a grain terminal and handling facility in Gdansk, Poland. The Company's subsidiary, SC Infrastructure (Poland) Sp. z o.o., was the contractor building the facility, which is only partially completed.

The Company attempted but was not successful in obtaining project financing in order to complete the facility. In 2001 a provision of \$12,900 to write down the Company's investment in the project was recorded. This provision was net of a guarantee of certain assets provided by the Company's largest shareholder, Hochtief Canada Inc., in the amount of \$7,500. With this provision, the net carrying value, representing identifiable assets and liabilities, of the Gdansk project was reduced to \$nil.

In February 2004, the Company sold its interest in Europort Poland Sp. z o.o., SC Infrastructure (Poland) Sp. z o.o. and related affiliated companies. The purchasers included, in one transaction, current minority shareholders in Europort Poland Sp. z o.o., and in a second transaction, a former officer of a subsidiary company. Proceeds from disposition were nominal.

Reflected on the consolidated balance sheets as discontinued operations is the carrying value of the assets being sold, principally being the partially completed grain terminal and accounts receivable and the liabilities being assumed by the purchasers, principally being accounts payable and redeemable preferred shares of subsidiary. As the net carrying value had previously been reduced to \$nil and proceeds are nominal, there is no gain or loss on disposition.

Certain comparative figures have been reclassified, consistent with the presentation of discontinued operations.

14) Interest

	2003	2002
Interest on long-term debt and subordinated debentures	\$ 2,344	\$ 1,348
Interest on capital leases	1,185	1,423
Interest on short-term debt	2,864	3,731
Interest income	(3,325)	(3,576)
	\$ 3,068	\$ 2,926

15) Cash flow information

Change in other balances relating to operations:

	2003	2002
Decrease (increase) in:		
Marketable securities	\$ 1,738	\$ (2,860)
Accounts receivable	8,627	28,824
Holdbacks receivable	4,812	544
Deferred contract costs and unbilled revenue	7,798	14,605
Inventories	1,634	(2,708)
Prepaid expenses	1,415	(1,353)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(15,370)	(40,461)
Holdbacks payable	(2,240)	(129)
Deferred revenue	(20,971)	(32,432)
Income taxes payable	1,110	(977)
Employee benefit plans	(1,764)	(1,158)
	\$ (13,211)	\$ (38,105)

Other supplementary information:

	2003	2002
Cash interest paid	\$ 6,906	\$ 6,641
Cash income taxes paid	7,246	7,489

Property, plant and equipment acquired and financed by means of capital leases was \$3,320 for the year ended December 31, 2003 (2002 - \$948).

16) Acquisition

In the fourth quarter of 2003, the Company acquired the assets and operations of Westeinde Construction Ltd. ("Westeinde"), a leading general contractor in eastern Ontario for a total consideration of \$1,503. The acquisition was accounted for using the purchase method and the results of operations are included from the date of acquisition.

In the second quarter of 2002, the Company's 38.75% owned joint venture, Canatom NPM Inc. ("Canatom"), acquired all of the issued and outstanding shares of CNUS ("Canadian Nuclear Utility Services"), for a total consideration of \$1,250, of which the Company's proportionate share is \$484. Canatom has accounted for the acquisition using the purchase method and the results of operations of the acquired business are included from the acquisition date.

The following is a summary of these acquisitions:

	2003	2002
Net assets acquired		
Non-cash working capital	\$ (1,234)	\$ –
Property, plant and equipment	254	5
Future income tax assets	58	–
Intangible assets	300	479
Goodwill	2,125	–
	\$ 1,503	\$ 484
Consideration		
Cash	\$ –	\$ 484
Short-term note payable	1,139	–
Long-term debt	364	–
	\$ 1,503	\$ 484

The allocation of the purchase price for the acquisition of Westeinde has not been finalized due to estimates used in determining the fair value of the assets acquired and liabilities assumed.

Canatom determined in late 2002 that goodwill acquired on the acquisition of CNUS was impaired, and as a result \$434 was written off as a charge to income in the last quarter of 2002. Aecon's share of the impairment charge amounted to \$168.

17) Employee benefit plans

The Company has defined benefit pension plans including a supplementary executive retirement plan and defined contribution plans covering substantially all employees, other than union employees who are covered by multi-employer pension plans administered by the unions. Benefits under the defined benefit plans are generally based on the employee's years of service and level of compensation. Pension expense with respect to the Company's plans is shown below.

Pension expense:

	2003	2002
Defined contribution plans	\$ 1,067	\$ 1,226
Defined benefit plans, including supplementary executive retirement plan	1,808	2,164
Multi-employer pension plan contributions	14,311	10,977
	\$ 17,186	\$ 14,367

Additional information with respect to the defined benefit plans follows:

	2003	2002
Accrued benefit obligation		
Balance - beginning of year	\$ 29,777	\$ 26,359
Current service cost	1,255	1,165
Interest cost	1,880	1,888
Actuarial losses	1,248	1,800
Benefits paid	(1,912)	(1,435)
Balance - end of year (a)	32,248	29,777
Plan assets		
Fair value - beginning of year	21,997	20,828
Actual return on plan assets	2,273	(719)
Benefits paid	(1,912)	(1,435)
Employer contributions	3,883	3,323
Employee contributions	108	-
Fair value - end of year (b)	26,349	21,997
Funded status - plan deficit	(5,899)	(7,780)
Less		
Unrecognized transitional liability	238	262
Unrecognized actuarial losses	5,960	5,754
Prepaid expense (accrued liability) recorded in consolidated financial statements	\$ 299	\$ (1,764)

(a) Included in the accrued benefit obligation is an unfunded defined benefit pension plan obligation of \$3,827 (2002 - \$2,613).

(b) Pension fund assets are held in equity, fixed income and money market securities.

The significant actuarial assumptions at December 31 are as follows:

	2003	2002
Discount rate	6.0%	7.0%
Expected long-term rate of return on plan assets	6.5%	7.0%
Rate of compensation increase	3.5%	4.5%

Components of defined benefit pension expense are:

	2003	2002
Current service cost	\$ 1,255	\$ 1,165
Interest	1,880	1,888
Expected return on plan assets	(1,550)	(1,488)
Amortization of transitional obligation	51	527
Amortization of actuarial losses	280	72
Employee contributions	(108)	-
	\$ 1,808	\$ 2,164

18) Related party transactions

In addition to related party transactions described elsewhere in the notes to these consolidated financial statements, the following summarizes additional transactions during the year. Related party transactions are recorded at their exchange amounts, which is the consideration agreed to by the parties.

(a) The Company paid guarantee fees in the amount of \$319 (2002 - \$387) to Hochtief AG, the parent of the Company's largest shareholder in relation to the guarantees it has issued for the Nathpa Jhakri hydro-electric project in India (note 9). In addition, a guarantee of \$7,500 provided by the Company's largest shareholder, Hochtief Canada Inc., in relation to the Gdansk project was settled during 2002.

(b) The Company paid legal fees (which includes compensation under a phantom share agreement, as discussed in note 12) in the amount of \$338 (2002 - \$566) to a firm in which a director of the Company is a partner.

(c) The Company paid professional fees in the amount of \$45 (2002 - \$43) to a consulting company in which a director of the Company is a partner.

(d) The Company has also developed a new partnership agreement with Hochtief AG for bidding and executing large civil projects in North America. In 2003, this partnership was successful in securing a \$108,000 hydro-electric project in Quebec.

(e) During 2003, the Company paid \$64, and has a further \$112 interest owing at December 31, 2003, to Hochtief Canada Inc. on account of borrowings under the standby facility agreement described in note 8(c).

19) Financial instruments

Short-term deposits and cash equivalents, marketable securities, accounts receivable, and accounts payable and accrued liabilities approximate their fair values on a discounted cash flow basis because of the short-term nature of these instruments.

The carrying values of long-term debts, including convertible debt, approximate their fair value on a discounted cash flow basis because the majority of these obligations bear interest at rates that vary with the prime rate.

Other financial instruments held or issued by the Company include holdbacks receivable, non-interest bearing project advances payable or holdbacks payable, which are amounts directly related to construction contracts. These amounts, by their nature, do not bear interest and consideration for the time value of money is thus negotiated into the price of the contracts. The Company does not have plans to sell these financial instruments to third parties and will realize or settle them in the normal course of business. No quoted market price exists for these instruments because they are not traded in an active and liquid market. Accordingly, the fair values of holdbacks receivable, non-interest bearing project advances payable or holdbacks payable are considered to approximate the carrying values.

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar. At December 31, 2003, the Company had net outstanding contracts to buy US\$2,479 and sell 3,400 euro (2002 - sell US\$3,857) on which there was an unrealized exchange loss of \$35 and exchange gain of \$13, respectively (2002 - loss of \$20), which represents the estimated amount that the Company would have had to pay in the case of losses and receive in the case of gains if it terminated the contracts at the end of the respective years.

20) Segmented information and business concentration

The Company has three reportable segments: Infrastructure, Buildings and Industrial. This segmentation reflects the Company's structure and management. The accounting policies used by the segments are the same as those described in the summary of accounting policies. The Corporate and Other category in the summary below includes corporate costs and other activities not directly allocable to segments and also includes inter-segment eliminations. The Company operates in the following primary markets - Canada, United States, India and Israel.

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

This segment 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 are the Company's industrial construction, installation and maintenance activities where the Company has special expertise in the power, automotive and steel industries. This segment also includes the Company's interest in Canatom NPM Inc., which provides engineering and construction services to nuclear power markets.

(a) Industry segments

	2003				
	Infrastructure	Buildings	Industrial	Corporate and Other	Total
Revenues	\$ 456,727	\$ 299,298	\$ 218,250	\$ (1,789)	\$ 972,486
EBITDA	\$ (18,259)	\$ 2,349	\$ 16,401	\$ (5,512)	\$ (5,021)
Depreciation and amortization	6,143	199	1,676	852	8,870
Segment operating profit (loss)	\$ (24,402)	\$ 2,150	\$ 14,725	\$ (6,364)	\$ (13,891)
Interest and income taxes					\$ 19
Net loss					\$ (13,872)
Total assets	\$ 255,396	\$ 79,577	\$ 67,168	\$ 81,217	\$ 483,358
Capital expenditures	\$ 868	\$ 225	\$ 514	\$ 403	\$ 2,010
Cash flow from operations	\$ (13,126)	\$ 2,349	\$ 16,343	\$ (19,807)	\$ (14,241)

	2002				
	Infrastructure	Buildings	Industrial	Corporate and Other	Total
Revenues	\$ 536,087	\$ 332,900	\$ 208,407	\$ (4,430)	\$1,072,964
EBITDA	\$ 12,639	\$ 5,751	\$ 4,901	\$ (9,618)	\$ 13,673
Depreciation and amortization	6,989	139	1,891	805	9,824
Segment operating profit (loss)	\$ 5,650	\$ 5,612	\$ 3,010	\$ (10,423)	\$ 3,849
Interest and income taxes					\$ (3,619)
Net income					\$ 230
Total assets	\$ 316,380	\$ 65,261	\$ 82,696	\$ 51,383	\$ 515,720
Capital expenditures	\$ 2,153	\$ 195	\$ 1,461	\$ 1,046	\$ 4,855
Cash flow from operations	\$ 11,258	\$ 5,839	\$ 3,823	\$ (19,466)	\$ 1,454

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

(b) Geographic segments

	2003	2002
Revenues		
Canada	\$ 772,143	\$ 790,836
United States	72,827	70,242
Other	127,516	211,886
	\$ 972,486	\$1,072,964
Property, plant and equipment, intangibles and goodwill		
Canada	\$ 71,448	\$ 77,862
United States	244	329
	\$ 71,692	\$ 78,191

21) Comparative figures

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

22) Subsequent events

On March 18, 2004, the Company issued 4,600,000 common shares at \$5.25 per share after the filing of a final prospectus on March 15, 2004 with regulatory authorities in four provinces. Net proceeds, after deducting agents' fees and estimated expenses of the issue are approximately \$22,949. Hochtief Canada Inc., the Company's largest shareholder, exercised its pre-emptive right in connection with this offering and acquired 2,214,440 common shares, thus maintaining its 48.1% shareholding.

Late in the first quarter of 2004, the Company reached agreement with its landlord to terminate, effective July 5, 2004, the lease on the Company's premises at 3660 Midland Avenue in Toronto. By exercising its right to terminate the lease before the lease termination date, the Company is required to pay on July 5, 2004 the sum of \$2,550 to the landlord of the premises, which payment, in accordance with Canadian generally accepted accounting principles, will be charged to income in March 2004. The lease is being terminated to facilitate the consolidation of the Company's Midland Avenue, Victoria Park (Toronto) and Indell Lane (Brampton) offices into one jointly used leased facility located near Toronto's Pearson Airport. Other costs associated with the consolidation of premises, which are estimated to be \$300, will, also in accordance with Canadian generally accepted accounting principles, be recognized when incurred.

2003 Aecon Award Recipients

The Extraordinary Achievement Award

This annual award recognizes Aecon employees who exhibit extraordinary commitment to the achievement of our vision, values and business objectives and who are instrumental in helping Aecon to exceed expectations.

Winner:

Chris Ritchie,
Vice President, Finance and Administration,
Innovative Steam Technologies

Honourable Mention:

Sami Abu Alnaaj,
Superintendent, Aecon Civil and Utilities

Honourable Mention:

Bert Lassen,
Systems Analyst, Aecon Civil and Utilities

The Individual Excellence In Safety Award

This annual award recognizes an individual employee's commitment to construction safety. The achievements of the winners have contributed to the safety of colleagues and clearly demonstrate the Aecon core value to ensure safety in all our activities.

Winner:

Ted Kucharski,
Project Superintendent, Aecon Buildings

Honourable Mention:

Bruce Beaven,
Superintendent, Aecon Civil and Utilities

Honourable Mention:

Tom Elliott,
Shop Manager, Aecon Industrial

The Humanitarian Award

This annual award recognizes the outstanding contribution of Aecon employees to the communities in which we live and operate. Winners of this award clearly demonstrate through their actions their commitment to both the core business of Aecon and our mission to develop, build and maintain world class quality infrastructure that supports and improves the communities in which we live and work.

Winner:

Faith Russell,
Controller, Aecon Industrial

Honourable Mention:

Merlin Paes,
Billing Clerk, Aecon Shared Services

Honourable Mention:

Rowly Stow,
Contract Manager, Aecon Constructors

Aecon's Best Asset

At Aecon, our people are our core assets. I am tremendously proud of our employees and their accomplishments. Their track record of success in managing complex construction and infrastructure development projects is unparalleled in this industry.

Their hard work and the way they have responded to our challenges have put Aecon in a position for sustainable, long-term growth and profitability. With their expertise and commitment, Aecon will return to profitability in 2004 and achieve our vision in the years ahead.

John M. Beck

Chairman and CEO

Recognizing employees with long-term service

(Employees and years of service)

Mackey, David	45	Long, Peter	29	Maynard, Terry G.	21	Cline, John R.	17
Heels, Roger	43	Meier, Klaus	29	Roberge, Sean	21	Wood, Richard	17
Harrison, Norman	43	Bacon, Neil	29	Marleau, Marcel	21	Johnson, Darryl	17
Beck, John M.	41	Lougheed, Delmer	28	Monaghan, Valerie	20	Grummett, Gerald R.	17
Holmberg, Clinton	38	Brophy, Don	27	Harvey, Dave	20	Antonucci, Frank	16
Sayyea, Thomas	38	Brokenshire, W.L.	27	Long, Larry	20	Bastien, Marc	16
Baker, Wayne	38	Ladner, Sherman	27	McCoy, Edward A.	20	Jablonski, Mary Ann	16
Doucet, Robert	38	Faber, Martin	26	Bergeron, Pierre	20	Farrell, Brian	16
Barber, Kenneth	37	Gibson, R.J.	26	Wheatley, James	19	Scherer, Mark	16
Anand, Shadi	37	Sullivan, Barry	26	Cullen, Mike	19	Chauvin, Neil	16
Jordan, Andregj	36	Verch, Allan	26	Carruthers, John	19	Evans, Charles	16
Gignac, Phillip	36	Santoro, Frank	25	Workman, George	19	Sugrue, Peter	16
Stephen, Diane	36	Matthews, Larry	25	Pitaro, Salvatore	19	Watson, Wayne David	16
Quafisi, Luigi	36	Loder, Paul	25	Hill, Gerald W.	19	Porter, Edward S.	16
Buker, David	35	Fiset, Lynne	25	Taylor, Ronald D.	19	Jones, Michael A.	16
Furlong, Albert	35	Gracey, William	24	Brown, James	19	Hafermehl, Jim	16
Audette, Robert	35	Mackie, Peter	24	Howard, Lonny	19	Drmay, Paul J.	16
Kolodziej, Walter	34	Stow, Rowland	24	Picard, Andre	19	Morley, Tom R.	16
Cota, Manuel	34	O'Neill, Paul G.	24	Currie, William	18	Glendinning, John B.	16
Steels, Doug	34	Ford, John	24	Smith, Patrick	18	Williams, Ian	16
Kmith, Bryon	33	Boldt, Robert	23	Mullin, Lon	18	Westlake, Dave F.C.	16
Covassin, Giuliano	32	Duffy, Shirley	23	Welch, Paul	18	Verch, Robert	16
Kmith, Gary	32	Chan, Francis	23	Pouliot, Denis	18	Johnson, Erica	15
Pedlar, John	32	O'Neill, John	23	Swartzentruber, Tom	18	Rick, Christopher	15
Ribeiro, Antonio	32	Walser, Daniel B.	23	Koenig, Jason	18	Hirji, Mahmoud	15
Travassos, Victor	32	Kolmel, Peter	23	Prokop, Susan M.	18	Chan, John	15
Pedlar, John	32	Kienapple, Clare E.	23	Peavoy, Chris	17	Tippin, Scott	15
Trauzzi, Frank	32	Elliott, Tom Jr.	23	Chapeskie, Peter	17	Brown, Marilia	15
Mezitis, Peter	32	Li, Cecilia	22	Cornacchia, Angelo	17	Murphy, Sylvana	15
Fontes, Terry	32	Holmberg, Kerry	22	LaFave, George	17	Gautam, Surinder	15
Rivers, Brian	31	Kenny, Mike	22	Johnson, Ken	17	Ketenjian, Rita	15
Travassos, Carlos	31	Herlihey, David	22	Patterson, Susan	17	Pankratz, David H.	15
Viveiros, Ernesto	31	Burbidge, Nigel	21	Vaughan, Wayne	17	Wade, Kenneth W.	15
McLachlan, Brian W.	30	Packard, Brian	21	Hendry, Alan	17	Grummett, Rick	15

Ferland, John	15	Vaughan, Donald P.	13	Ellis, Todd K.	11
Ferringo, John J.	15	Downey, Mark	13	Paulmert, Mark	11
Prong, Brad	15	Kalcovski, Barbara	13	Libbrecht, John	11
Johnson, Bruce D.	15	Ketelaars, John	13	Lipiec, Mary	10
Solomon, Keith	15	Lee, James	12	Boyce, Kent	10
Chea, Thieu Le Lam	14	Beaulieu, Michelle	12	Chamberlain, Earl G.	10
Williams, Keith	14	Graham, Dennis	12	Farrell, Patti Jan	10
Earl, Adrienne	14	Rosenplot, Margaret	12	Bedard, Ivan	10
Perry, Jon	14	Chow, Miranda	12	McLelland, Steve	10
Brewer, Rosemarie	14	Barber, Samuel Eric	12	Janakovic, Zlatko	10
Deal, Ross	14	Dumond, Gerald T.	12	Kobilski, Zorro	10
Gibson, Karen	14	Kelly, Chris	12	Wellstood, Greg	10
White, Trevor	14	Ward, Charles	12	Shangas, Catherine	10
Yogarathnam, Manohar	14	Zettel, Tony	12	Savva, Takis	10
Livingston, Gerald	14	Riddiough, Karl H.	12	Dankert, Joan	10
Toth, Joe	14	Zapletal, Hermann	12	McArthur, James	10
Johnson, Robert G.	14	Verheye, Erwin A.	12	Berruti, Alex	10
Verch, Troy	14	Bronson, Garry R.	12	Dunlop, Blaine	10
White, Trevor	13	Gora, Joseph H.	12	Asiri, Yosra	10
Smaglinski, Dean	13	Finlin, Peter	12	Balfour, Scott	10
Chow, John	13	Dautovich, Bob	12		
Brayshaw, Valerie	13	Albani, Micheal	11		
Edwards, David	13	Ferguson, Wanda	11		
Inkster, Larry	13	Covassin, Robert	11		
McLeod, Donald	13	Krawchyk, Terrance	11		
Aitken, Adam	13	Hance, Kenneth D.	11		
Buchanan, Alexander	13	Dupont, Lucy	11		
Hodgson, John Brian	13	Quantz, Douglas B.	11		
Thomas, Christopher	13	Brazeau, Carl R.	11		
Elliott, Derek	13	Porr, John	11		
Brokenshire, Gregory	13	Kennedy, Richard J.	11		
Radtke, Kenneth J.	13	Chaves, Nelson	11		
Van Slyke, Geoffrey	13	Vogelman, Helmut	11		
Sidaway, John	13	Szabo, Robert C.	11		

Corporate Information

Board of Directors

John M. Beck	Chairman and Chief Executive Officer, Aecon Group Inc.
Scott C. Balfour	Executive Vice President and Chief Financial Officer, Aecon Group Inc.
Michael A. Butt	President, Buttcon Limited
Rolf Kindbom	Officer and Director, Hochtief Canada Inc.
Hans-Wolfgang Koch	Member of the Executive Board, Hochtief AG
Thomas C. Leppert	Chairman and CEO, Turner Corporation
Dr. Busso Peus	President and Director, Hochtief Canada Inc.
Robert P. Wildeboer	Partner, Wildeboer Rand Thompson Apps & Dellelce, LLP

Executive Committee

John M. Beck	Chairman and Chief Executive Officer
Scott C. Balfour	Executive Vice President and Chief Financial Officer
Norm A. Harrison	Executive Vice President
Paul P. Koenderman	Executive Vice President
H. William (Bill) Pearson	Executive Vice President

Corporate Management Team

Andy DeHaan	Vice President, Management Information Systems
Gerry Kelly	Vice President, Finance
Bernard L. Kruyne	Vice President and Treasurer
Mitch Patten	Vice President, Corporate Affairs
L. Brian Swartz	Vice President, Legal Services and Secretary

Division Presidents

R.D. (Bob) Dautovich	President, Innovative Steam Technologies
Laurent Hamel	President, Groupe Aecon Ltée
Norm A. Harrison	President, Aecon Constructors
Paul P. Koenderman	Chief Executive Officer, Aecon Industrial Group
Sherman Ladner	President, Aecon Industrial
Lon Mullin	President, Aecon Civil and Utilities
H. William (Bill) Pearson	President, Aecon Infrastructure

**In July and August 2004,
the Aecon offices located
on Midland Avenue and
Victoria Park Avenue in
Toronto and on Indell Lane
in Brampton will be moving
to:
Suite 800
20 Carlson Court
Toronto, Ontario
M9M 2M2
416-293-7004**

Aecon Group Inc.

3660 Midland Avenue
Toronto, Ontario
Canada M1V 4V3
Phone: (416) 754-8735
Toll free: (877) 232-2677
Facsimile: (416) 293-0271
www.aecon.com
aecon@aecon.com
TSX: ARE

Aecon Atlantic Group

1387 Eastern Passage Highway
P.O. Box 280
Eastern Passage, Nova Scotia
B3G 1M5
Phone: (902) 429-9341

Aecon Buildings

3660 Midland Avenue
Toronto, Ontario
M1V 4V3
Phone: (416) 754-8870

19217-36th Avenue W.
Suite 200
Lynnwood, WA
U.S.A. 98036
Phone: (425) 774-2945

Aecon Interiors and Renovations

3650 Victoria Park Avenue
Suite 402
Toronto, Ontario
Canada M2H 3P7
Phone: (416) 491-4660

Aecon Civil and Utilities

**Aecon Construction and
Materials Limited**

11 Indell Lane
Brampton, Ontario
L6T 3Y3
Phone: (905) 451-0690

Aecon Utilities

11 Indell Lane
Brampton, Ontario
L6T 3Y3
Phone: (905) 451-0690

Aecon Constructors

3660 Midland Avenue
Toronto, Ontario
Canada M1V 4V3
Phone: (416) 754-8691

Aecon Industrial

150 Sheldon Drive
Cambridge, Ontario
N1R 7K9
Phone: (519) 653-3200

6820 Gateway Blvd.

Edmonton, Alberta
T6H 2J2
Phone: (780) 433-9321

840-7th Avenue SW

Suite 2020
Calgary, Alberta
T2P 3G2
Phone: (403) 263-3095

Aecon-Fabco

61 Estates Road
Dartmouth, Nova Scotia
B2Y 4K3
Phone: (902) 482-6500

Aecon Infrastructure

3660 Midland Avenue
Toronto, Ontario
M1V 4V3
Phone: (416) 754-8735

6820 Gateway Blvd.

Edmonton, Alberta
T6H 2J2
Phone: (780) 433-9321

Groupe Aecon Ltée

255, boul. Crémazie Est
Bureau 300
Montréal, Québec
H2M 1M2
Phone: (514) 352-0100

Aecon Bâtiments

255, boul. Crémazie Est
Bureau 300
Montréal, Québec
H2M 1M2
Phone: (514) 352-0100

Aecon Civil-Industriel

255, boul. Crémazie Est
Bureau 300
Montréal, Québec
H2M 1M2
Phone: (514) 352-0100

Innovative Steam Technologies

549 Conestoga Blvd.
Cambridge, Ontario
N1R 7P4
Phone: (519) 740-0757

**Canadian Highways
Infrastructure Corporation
(60%)**

3660 Midland Avenue
Toronto, Ontario
M1V 4V3
Phone: (416) 293-8020

**Canatom NPM Inc.
(38.75%)**

2655, North Sheridan Way
Suite 180
Mississauga, Ontario
L5K 2P8
Phone: (905) 829-8808

**Derech Eretz Consortium
(22.2%)**

23 Hamelacha Street
Afek Industrial Park
Rosh Ha'ayin
Israel 48091
Phone: 972 3 915 1400



Aecon Group Inc.

3660 Midland Avenue
Toronto, Ontario
Canada, M1V 4V3
Telephone 416-754-8735
Facsimile 416-293-0271
aecon@aecon.com
www.aecon.com