AECON GROUP INC. FIRST QUARTER REPORT

Three months ended March 31, 2003

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AECON

REPORT TO SHAREHOLDERS

Dear Fellow Shareholders,

As most of you will know, the first quarter of the year is traditionally the slowest period for the construction industry in Canada and results for the quarter are typically not indicative of results for the balance of the year. Although Aecon is expecting improved bottom line performance this year, our first quarter results show a decline from last year's results. Aecon's revenue in the first quarter of this year declined to $184 million from $228 million in the same period in 2002. Net loss for the quarter was $9.9 million or 42 cents per share compared to a net loss of $1 million or 6 cents per share in the first quarter of 2002.

In addition to the seasonality of the first quarter, bottom line results were adversely affected by two factors within the Infrastructure segment. The first was $2.9 million in unrealized foreign exchange losses related to our major international projects in India and Israel mostly as a result of the strengthening of the Canadian dollar against the U.S. dollar.

The second factor affecting the bottom line results, in comparison to last year, was the impact of the $7 million one-time gain from the Nathpa Jhakri hydroelectric project in India reported in the first quarter of last year. This project has faced more than its share of challenges during the last number of years and we had previously not felt it prudent to build profit estimates into our reporting or to book recoveries and profits from the project. However, at the end of fiscal 2001 and into the first quarter of 2002, with the project reaching 75 percent complete, we began establishing an estimated profit at completion and booking recoveries from the project. Under accepted accounting practices, this meant taking one-time recoveries on past profits in the first quarter of last year. As positive as this development was, it skewed comparative results.

Without the impact of the one-time gain and the foreign exchange losses, Aecon's quarterly loss in 2003 would have been $7.8 million compared to $5.1 million in 2002 – probably the most useful comparison for purposes of understanding our first quarter this year.

Other revenue declines in the Infrastructure segment occurred in our Utilities division, principally due to lower volumes and delays caused by harsh winter conditions in Ontario. A depressed market in the telecommunications sector and ongoing margin pressures are likely to continue to negatively affect our Utilities results throughout the year. The recently announced Enwave contract will provide a boost for our Utilities group going forward but the impact of this work in 2003 will not be sufficient to counter the difficulties previously mentioned.

Offsetting these factors somewhat was stronger performance in roadbuilding as projects delayed by the Ontario Public Service Employees Union strike last year carried over into 2003. Notwithstanding the weather delays, the Ontario roadbuilding group is well ahead of last year's pace and is expected to post strong results this year.

Overall, revenue in the Infrastructure segment during the quarter declined from $85 million in 2002 to $65 million this year and the operating loss increased to $10.7 million compared to an operating profit of $1.6 million last year.

The same winter conditions that impaired the performance of various divisions in our Infrastructure segment also affected results in our Buildings segment, especially in Ontario and Quebec. Revenue contribution from the Buildings segment this quarter was $70 million versus $94 million in the first quarter of 2002. Operating profit for the segment was approximately $200 thousand compared with $1.5 million last year. While results in this segment are expected to fall short of the outstanding results achieved last year, most of this quarter's shortfall was due to weather and other project delays which we expect to make up throughout the balance of the year.

Although revenue in the Industrial segment was relatively flat on a year over year basis, recording $49 million this year versus $50 million last year, it was achieved despite almost $10 million less in contribution from Innovative Steam Technologies ("IST") and a $7 million reduction from Canatom's nuclear business. Our operations in the automotive, power and petrochemical markets combined to

produce revenue improvement of almost $16 million over last year. Operating profit in this segment fell by $1.3 million due to tighter margins in industrial construction, revenue declines at IST and Canatom, and foreign exchange losses.

The combination of substantial cost reductions at IST, together with expected improvements in contributions from industrial construction and fabrication, suggests improved results in Industrial this year.

On a consolidated basis, Aecon's core backlog stabilized in the first quarter of 2003, with a small decline of 1.8% recorded during the quarter. Major projects backlog continued to decline, by 14.8% in the quarter, as the Cross Israel Highway and the Nathpa Jhakri hydro-electric project continued to progress toward completion. This declining trend within major projects backlog is expected to continue until later this year when the anticipated financial close of the Quito Airport project will add significantly to Aecon's major projects backlog.

Major achievements and contracts signed during the first quarter of 2003 include:

- An alliance agreement between Aecon Utilities and Enwave District Energy Limited to provide utility construction services to Enwave's district energy systems in Toronto
- Approval for a major segment of the required financing for the Quito Airport project from Overseas Private Investment Corporation in the form of a loan guarantee of up to US$200 million for the construction of the airport
- A US$24.8 million contract from the Suquamish Tribe's Port Madison Enterprises to build the Clearwater Casino in Washington State
- A $43 million contract from the University of Guelph in Ontario to build the first phase of the University's new Science Complex
- Two contracts awarded to IST for once through steam generators: the first from Calpine for its power plant in Stony Brook, New York, and the other from NC Noresse for a power project in Italy
- A contract for the mechanical installation work at Suncor's Millennium Vacuum Project in Fort McMurray, Alberta valued at approximately $10 million and part of the first phase of Suncor's ten-year Voyageur expansion program

Although Aecon's first quarter results are down on a year over year comparison, we see several positive indications that point to improved performance in the second half of the year. In the Infrastructure segment, the backlog of roadbuilding projects in Ontario continues to grow and we are making progress towards completing the Quito financing. In the Buildings segment, we are increasing our focus on 'construction management' projects, such as those resulting from our strategic relationship with Minto Developments, as well as on our Interiors and Renovations business unit. Both of these business units generate higher margins than our traditional 'general contracting' business and have been targeted for significant growth again this year. The Industrial segment booked over $40 million of new work during the first quarter of 2003 providing reason for optimism in this segment.

Management continues to take the necessary steps to reduce Aecon's operating costs and to maximise its resources. Overall, our expectations for Aecon have not changed substantially since we reported year end results. We still expect consolidated revenue to approach the levels achieved in 2002 with net income making strong gains from last year's disappointing results.

On behalf of the Board of Directors,

John M. Beck
Chairman and Chief Executive Officer
May 14, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

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

Results of Operations

Introduction

Aecon operates in three principal segments within the construction industry – Infrastructure, Buildings and Industrial. Aecon's joint venture interest in the nuclear power market, which was previously included in Corporate and Other, is now included in the Industrial segment, and comparative figures have been reclassified accordingly.

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

Consolidated

Revenues for the three months ended March 31, 2003 amounted to $184.3 million – a decrease of $43.7 million or 19.2% from 2002. Large declines in the Infrastructure and Buildings segments accounted for most of the decrease. Revenues from the Industrial segment were in line with those reported for the same period of 2002.

Costs and expenses amounted to $181.9 million in the quarter, representing 98.7% of revenues. This compares with $213.0 million, or 93.4% of revenues in 2002. Contract margins, which are equal to revenues less costs and expenses, were 1.3% of revenues in 2003 versus 6.6% in 2002. Included in costs and expenses for the quarter are unrealized exchange losses of approximately $2.3 million compared to losses of approximately $0.6 million in the same quarter last year. The majority of these exchange losses arise from the translation of Aecon's investments in major international projects in Israel and India. Margins in each of the principal segments are discussed under Reporting Segments.

Marketing, general and administrative expenses ("MG&A") for the first three months of 2003 amounted to $14.7 million, compared to $13.8 million for the same period of 2002, and, as a percentage of revenue, increased from 6.1% in 2002 to 8.0% in 2003. Included in MG&A are foreign currency transaction gains and losses as well as the unrealized gain or loss on deposits that Aecon has in trust to fund its investment in the company that will operate the Cross Israel highway. Exchange losses in the quarter amounted to approximately $0.8 million compared to exchange gains of $0.4 million in the same quarter last year. Excluding the impact of exchange, MG&A is down $0.3 million from last year mostly as a result of lower Corporate costs and lower costs due to the synergies achieved by merging the Company's road-building and utilities operations.

Depreciation and amortization of $2.2 million for the quarter is unchanged from the same quarter last year and reflects the fact that there has been little change in the size of the Company's equipment fleet during the last twelve months.

Net interest expense amounted to $0.6 million in the quarter, compared to $0.5 million last year. The slightly higher expense in 2003 is due primarily to average debt balances for the current quarter being higher than last year by approximately $4.6 million.

The effective income tax recovery rate in the first quarter of 2003 was 33.7% (2002 – 30.0%) compared to the combined Canadian federal and provincial (Ontario) statutory income tax rate ("statutory rate") of 36.6% (2002 – 38.6%). The decrease in the effective income tax recovery rate compared to the statutory rate is primarily due to losses from manufacturing operations subject to tax at 33.12%, foreign exchange losses treated as capital losses for tax purposes and taxed at 18.3%, expenses that are non-deductible for tax purposes and large corporations tax.

For the three months ended March 31, 2003 Aecon had a net loss of $9.9 million, compared to a loss of $1.0 million for the same period in 2002, with the largest factors contributing to this higher loss being $2.3 million in higher unrealized foreign exchange losses, the impact of $7.0 million in one-time gains from the Nathpa Jhakri Hydro-electric project in India in 2002, and the negative impact on costs of a particularly harsh winter during the first three months of 2003.

Reporting segments

Infrastructure

Financial Highlights

$ millions	2003	2002	% Change
Revenues	**$ 64.7**	$ 85.2	(24.0%)
Segment Operating Profit (Loss)	**(10.7)**	1.6	n/a
Return on Revenue	**(16.6%)**	1.9%	n/a

Revenues from the Infrastructure segment for the three months to March 31, 2003 were lower than the same period of 2002 by $20.5 million or 24.0%. The most significant decline - $17.3 million - came from the Nathpa Jhakri Hydro-electric power project in India and is due to lower work volumes as the project nears completion and, as discussed below, to the one-time positive impact on both revenues and profits in 2002 as a result of commencing the recognition of earnings from this project. Other major declines include $6.1 million in Quebec, mostly as a result of the near completion of the Palais des Congres project in Montreal, and $4.5 million in utilities services, principally due to lower volumes and work delays caused by harsh winter conditions. Partly offsetting these declines in revenue was a $5.3 million or 68.7% increase in revenues from road building operations.

The segment operating loss of $10.7 million in 2003 represents a $12.4 million decrease in earnings from the same quarter of 2002. The decrease is due principally to a significant drop in the contribution from the Nathpa Jhakri Hydro-electric project in India. It was not until the first quarter of 2002 that Aecon began to record construction profits on a percentage of completion basis on this project. As a result, included in Aecon's results for the first quarter of 2002 was $7.0 million, representing the one-time positive impact on revenues and earnings from commencing the recognition of profit. Excluding the one-time $7.0 million impact, the Nathpa Jhakri project contributed approximately $1.4 million less in operating profit compared to the same quarter last year due mostly to unrealized foreign exchange translation losses on Aecon's investment in this project, and to an adjustment to the project's percentage completion.

The contribution from the Cross Israel Highway project was $2.4 million lower than last year due primarily to unrealized foreign exchange losses of $2.2 million from the translation into Canadian dollars of Aecon's investment in this project as well as the deposits it has in trust to fund its investment in the company that will operate the Cross Israel highway, both of which are mostly denominated in U.S. dollars. During the quarter the U.S. dollar weakened significantly compared to the Canadian dollar. The balance of the decrease in profits from Cross Israel was due to reductions that were made subsequent to the first quarter of 2002 in the estimated profit at completion of this project, due to higher projected construction costs.

In addition to the unfavourable variances from the Nathpa Jhakri and Cross Israel projects, the only other significant decrease in profit compared to last year occurred in the utilities services sector where a combination of lower volumes and the negative impact on costs of unusually harsh winter conditions resulted in a $3.2 million decrease in contribution from this sector. Although revenues from road building operations were substantially higher than the same quarter last year, there was a small decline in operating profit from this sector due to higher costs for asphalt cement and one-time costs for the conversion to a new financial and operating reporting system.

Buildings

Financial Highlights

$ millions	2003	2002	% Change
Revenues	**$ 70.4**	$ 93.9	(25.0%)
Segment Operating Profit	**0.2**	1.5	(86.8%)
Return on Revenue	**0.3%**	1.6%	(81.3%)

Of the $23.5 million drop in revenues from this segment, Canadian operations, principally in the Province of Ontario, were down $16.0 million or 23.4%, while U.S. and international operations were down $7.5 million or 29.3%. The decrease in revenues from Canadian operations is due to a combination of lower volumes and delays in project execution because of the severe weather conditions. The decline in U.S. and international revenues is primarily a timing issue as a project that was expected to commence in the first quarter of 2003 was delayed until the second quarter. Segment operating profit is down $1.3 million reflecting the lower reported volumes.

Industrial

Financial Highlights

$ millions	2003	2002	% Change
Revenues	**$ 49.2**	$ 50.2	(1.9%)
Segment Operating Loss	**(2.0)**	(0.7)	n/a
Return on Revenue	**(4.1%)**	(1.4%)	n/a

Although revenues from the Industrial segment were only marginally down from last year, within this segment there were large increases in some sectors offset by similarly large decreases in other sectors. While revenues from the automotive, power, and petro-chemical sectors were ahead of last year by $15.9 million, revenues from the sales and servicing of once-through steam generators fell by $9.8 million and revenues from the nuclear sector were down by $7.1 million.

Operating profit from the Industrial segment fell by $1.3 million from last year. Despite higher revenues, profits from automotive, fabrication, petro-chemical and power operations declined by $0.3 million as the increased profit from higher volumes was offset by losses totaling $1.0 million on two automotive projects, by reduced margins on pipe work for the Syncrude project in Alberta, and by foreign currency transaction losses of $0.7 million in 2003 compared to gains of $0.3 million in the same quarter last year. Since divisional foreign currency transactions are hedged on a consolidated basis, the $0.7 million loss in 2003 is offset by a gain of the same amount in Corporate and Other. Innovative Steam Technologies (IST), the manufacturer of once-through steam generators, started the year with no backlog and, although orders totaling $10.9 million were received in the quarter for two new generators, profits from these projects will not be recognized until the period of manufacture in the second and third quarters of 2003. Notwithstanding the lack of profit from new orders, massive cost reductions and better margins on service work contributed to an overall improvement of $0.3 million in IST's operating profit. A $1.3 million decline in profit was recorded from nuclear activities, which is in line with the decline in revenues from this sector.

Corporate and Other

The Corporate and Other category includes corporate costs and other activities not directly allocable to segments and also includes inter-segment eliminations. The decrease in the amount of the elimination of inter-segment revenues is consistent with the overall decline in revenues in the quarter. The $1.6 million decline in operating loss reflects a $0.8 million reduction in corporate overhead expenses (primarily salaries, bid costs, and consulting and professional fees) with the balance of the decrease attributable mostly to foreign currency transaction gains.

Financial Condition, Liquidity and Capital Resources

Cash and cash equivalents at March 31, 2003 totaled $76.7 million, compared to $76.0 million at the end of 2002. Of these amounts, $70.7 million and $72.5 million, respectively, were on deposit in joint venture and affiliate bank accounts, which Aecon cannot access directly. Marketable securities, which are held within a joint venture, amounted to $11.5 million at March 31, 2003 compared to $12.6 million at the end of 2002. These securities represent investments in short-term corporate debentures, the majority of which mature within 12 months of the period end.

For the three months ended March 31, 2003, operating activities, before changes in working capital, resulted in a net use of cash amounting to $11.9 million. The first quarter of the year typically has the lowest activity of any quarter and there is a substantial seasonal reduction in both current asset balances, mainly accounts receivable, as well as current liabilities compared to the end of the previous quarter. These changes, on a net basis, resulted in a use of cash of $7.4 million. The total cash used in operating activities in the quarter totaled $19.3 million, compared to $15.0 million last year.

Investments in property, plant and equipment were not significant in the first three months and net of proceeds on disposal generated cash of $0.1 million.

Financing activities generated cash of $24.7 million, principally from increased borrowings under Aecon's $25.0 million revolving term loan facility.

Interest bearing debt amounted to $88.1 million at March 31, 2003, compared to $64.8 million at the end of 2002, the composition of which is as follows ($ millions):

	Mar. 31, 2003	Dec. 31,2002
Bank indebtedness	**$ 33.6**	$ 30.1
Current portion of long-term debt	**2.3**	2.4
Long-term debt	**44.8**	25.0
Convertible debenture	**7.4**	7.3
Total	**$ 88.1**	$ 64.8

The increase in long term debt principally represents utilization of the new $25.0 million revolving term facility that was put in place in late 2002 and which was used together with the operating lines of credit within Bank Indebtedness to fund Aecon's working capital requirements for the quarter.

Recently, Aecon received proposals from its two existing bank lenders and from a new third lender for an aggregate increase in operating credit from $30.0 million to $54.0 million. Of this new aggregate accommodation, $15.0 million is in the form of a demand facility available from June through November 2003 to meet Aecon's seasonal requirements during this period. These new proposals are currently being documented and it is expected that the new operating credit facility will be available before May 31st, the date at which the current $30.0 million facility matures. This increased credit availability is expected to be sufficient to meet Aecon's planned working capital needs for the year, although Aecon may explore additional sources of internal or external capital sources to provide additional assurance that its working capital requirements for the year can be adequately financed.

New Accounting Standards

The Canadian Institute of Chartered Accountant's (CICA) new accounting standard on Share Purchase Loans was adopted effective January 1, 2003. Also, the CICA's new accounting guideline on Disclosure of Guarantees was adopted on January 1, 2003. Details of the new standard and guideline are set out in note 2 to the consolidated financial statements.

Outlook

The first quarter of the year is traditionally the slowest period within the construction industry and is not typically indicative of performance over the balance of the year. The typical trend of losses reported in the first half of the year, followed by profits in the second half, is expected to be repeated this year.

Aecon's core backlog stabilized in the first quarter of 2003, with a small decline of 1.8% recorded during the quarter. As expected, major projects backlog continued to decline, dropping 14.8% in the quarter as the Cross Israel Highway and the Nathpa Jhakri hydro-electric project continued to progress toward completion. This declining trend within major project backlog is expected to continue until later this year when the anticipated financial close of the Quito Airport project will add significantly to Aecon's major project backlog.

On a segmented basis, a 2.9% increase in core backlog within the Buildings segment was not sufficient to make up for a 4.1% decline in the Infrastructure segment and a 6.1% decline in the Industrial segment.

Within the infrastructure segment, the drop in backlog was due largely to a decline in utilities backlog while Ontario road building and other civil construction backlog made small gains.

As noted above, it remains our expectation that the Quito Airport project, awarded late last year, will achieve financial close this fall. The recent announcement by OPIC in the U.S. that they have approved $200 million in debt financing for the project was an important step forward in this regard.

Aecon's Ontario roadbuilding operations have rebounded strongly from the effects of last year's OPSEU strike. Notwithstanding the harsh weather conditions this winter, the Ontario roadbuilding group is well ahead of last year's pace and is expected to remain well ahead for the balance of the year.

One area within the Infrastructure segment where challenges are expected to continue throughout the year is in the Utilities group. While it is anticipated that this unit can make up the ground lost by poor weather in the first quarter, a depressed market in the telecommunications sector and ongoing margin pressures are likely to suppress results throughout the year. The recently announced Enwave contract will have a positive impact on the Utilities group going forward but the impact of this work in 2003 will not be sufficient to counter these trends.

While results in the Buildings segment are expected to fall just short of the strong results achieved last year because of continuing competitive pressure resulting from the general economic downturn, most of this quarter's shortfall was due to poor weather and project delays and is expected to be regained over the balance of the year.

Of particular note within the Buildings segment is the increasing focus being placed on 'construction management' projects (such as those resulting from our recent strategic relationship with Minto Developments) and the Interiors and Renovations business unit which has been targeted for significant growth again this year. The higher margins inherent in these two areas of Aecon's Buildings segment should offset somewhat the margin pressures facing traditional 'general contracting' projects in this market.

Within the Industrial segment, backlog declines in nuclear and industrial construction more than offset an increase in steam generator backlog.

The two significant sales made at IST this quarter are the first in over a year and, combined with the substantial reductions in overhead implemented last year, provide optimism for the future of this business. However, it is important to note that the collapse of the power sector over the past 18 months left IST with zero backlog to start 2003. To even reach the breakeven point this year, IST will require significant new sales over the next several months, which are not yet assured.

The combination of substantial cost reductions at IST together with expected improvements in contributions from industrial construction and fabrication, suggests improved results in the Industrial segment this year.

The significant appreciation of the Canadian dollar in recent months and the varying forecasts regarding performance of the dollar over the balance of the year make foreign exchange an important part of Aecon's outlook for 2003. While Aecon attempts to hedge all of its transactional exposure to foreign currencies, it also has large long-term investments denominated principally in US dollars that are considered impractical to hedge. As such, significant appreciation or depreciation of the Canadian dollar against the US dollar will impact Aecon's income statement by generating unrealized foreign exchange losses or gains.

It is estimated that, on a pre-tax basis, a one cent change in the value of the Canadian dollar measured in US dollars will generate an unrealized foreign exchange gain or loss of approximately $500 thousand.

Overall, management's outlook for the year has not changed materially since the 2002 results were released in March. Management still expects consolidated revenue to approach the levels achieved in 2002, with net income making strong gains from last year's disappointing results.

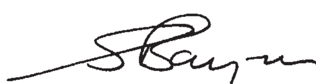
Forward-Looking Information

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

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars) (unaudited)	Mar. 31, 2003	Dec. 31, 2002
Assets		
Current assets		
Cash and cash equivalents	**$ 76,703**	$ 76,006
Marketable securities	**11,455**	12,578
Accounts receivable	**113,830**	154,889
Holdbacks receivable	**36,872**	40,056
Deferred contract costs and unbilled revenue	**61,438**	58,717
Inventories	**14,950**	13,478
Prepaid expenses	**5,706**	5,276
Future income tax assets	**17,379**	10,724
	338,333	371,724
Property, plant and equipment	**78,251**	80,192
Future income tax assets	**22,940**	22,728
Other assets	**40,268**	41,076
	$ 479,792	$ 515,720
Liabilities		
Current liabilities		
Bank indebtedness	**$ 33,591**	$ 30,136
Accounts payable and accrued liabilities	**133,571**	172,105
Dividends payable	**756**	–
Holdbacks payable	**26,507**	27,396
Deferred revenue	**57,593**	68,036
Income taxes payable	**3,182**	1,642
Future income tax liabilities	**24,198**	24,298
Current portion of long-term debt	**2,300**	2,349
	281,698	325,962
Long-term debt	**44,793**	24,957
Employee benefit plans	**1,816**	1,764
Future income tax liabilities	**17,825**	17,825
Redeemable preferred shares of subsidiary	**5,871**	6,310
Convertible debenture	**7,375**	7,348
	359,378	384,166
Shareholders' Equity		
Capital stock (notes 2 and 3)	**67,839**	68,336
Contributed surplus	**82**	68
Convertible debenture	**836**	836
Retained earnings	**51,657**	62,314
	120,414	131,554
	$ 479,792	$ 515,720

Approved by the Board of Directors



John M. Beck, Director

Scott C. Balfour, Director

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three Months ended March 31, 2003 and 2002

(in thousands of dollars, except per share amounts) (unaudited)	2003	2002
Revenues	**$ 184,328**	$ 228,045
Costs and expenses	**181,943**	213,012
Marketing, general and administrative expenses	**14,744**	13,805
Depreciation and amortization	**2,161**	2,238
Gain on sale of assets	**(154)**	(28)
Interest expense, net	**563**	517
	199,257	229,544
Loss before income taxes	**(14,929)**	(1,499)
Income taxes		
Current	**1,939**	1,544
Future	**(6,967)**	(1,994)
	(5,028)	(450)
Net loss for the period	**$ (9,901)**	$ (1,049)
Loss per share		
Basic	**$ (0.42)**	$ (0.06)
Diluted	**$ (0.42)**	$ (0.06)
Average number of shares outstanding (note 3)		
Basic	**23,650,157**	18,024,610
Diluted	**27,570,629**	21,321,025

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the Three Months ended March 31, 2003 and 2002

(in thousands of dollars) (unaudited)	2003	2002
Retained earnings - beginning of period	**$ 62,314**	$ 64,988
Net loss for the period	**(9,901)**	(1,049)
Dividends	**(756)**	–
Change in accounting treatment for stock-based compensation (note 2)	**–**	(659)
Retained earnings - end of period	**$ 51,657**	$ 63,280

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months ended March 31, 2003 and 2002

(in thousands of dollars) (unaudited)	**2003**	2002
Cash provided by (used in)		
Operating activities		
Net loss for the period	**$ (9,901)**	$ (1,049)
Items not affecting cash		
Depreciation and amortization	**2,161**	2,238
Gain on sale of assets	**(154)**	(28)
Loss on foreign exchange	**2,896**	579
Notional interest representing accretion	**27**	41
Future income taxes	**(6,967)**	(1,994)
	(11,938)	(213)
Change in other balances relating to operations (note 4)	**(7,387)**	(14,809)
	(19,325)	(15,022)
Investing activities		
Purchase of property, plant and equipment	**(528)**	(828)
Proceeds on sale of property, plant and equipment	**630**	269
Decrease (increase) in other assets	**(1,305)**	12
	(1,203)	(547)
Financing activities		
Increase in bank indebtedness	**4,716**	8,946
Issuance of long-term debt	**20,000**	–
Repayments of long-term debt	**(344)**	(939)
Issuance of capital stock (note 3)	**360**	146
	24,732	8,153
Increase (decrease) in cash and cash equivalents	**4,204**	(7,416)
Effects of foreign exchange on cash balances	**(3,507)**	(685)
Cash and cash equivalents - beginning of period	**76,006**	97,215
Cash and cash equivalents - end of period	**$ 76,703**	$ 89,114

Supplementary disclosure (note 4)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended March 31, 2003 and 2002 (in thousands of dollars, except per share amounts) (unaudited)

1 Summary of significant accounting policies

These interim consolidated financial statements are unaudited and include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows. Results for the three months ended March 31, 2003 are not necessarily indicative of results expected for the full fiscal year or any other future period.

The disclosures provided in these interim periods do not conform in all respects to the requirements of Canadian generally accepted accounting principles for annual financial statements and accordingly, the interim financial information should be read in conjunction with the Company's annual financial statements. The interim financial information has been prepared using the same accounting policies as set out in note 1 to the consolidated financial statements for the year ended December 31, 2002, except as described in note 2 hereunder.

2 Adoption of new accounting standards

Effective January 1, 2002, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants for Stock-Based Compensation and Other Stock-Based Payments. In accordance with these recommendations, the liability for stock based awards that will be settled in cash, which is recognized through compensation expense, are recorded at an amount equivalent to the quoted market value of the related shares. For Aecon's stock-based compensation arrangement (referred to as phantom share agreements), the new section requires that the cumulative amount that would have been recognized in prior years had this new section been in effect, less any amounts previously recognized, is to be recognized as the effect of a change in accounting policy and charged to opening retained earnings at January 1, 2002. Subsequently, at each balance sheet date before settlement, the changes in the share value will result in an adjustment to the award liability, which is recognized through compensation expense. As a result of adopting the new recommendations, retained earnings at January 1, 2002 have been reduced by $659.

Effective January 1, 2002, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants for Goodwill and Other Intangible Assets. In accordance with these recommendations, the accounting for goodwill is changed from an amortization method to an impairment only approach. As a result, goodwill will no longer be amortized to income but will be subject to an annual impairment review and should there be an impairment, that amount would be charged to income. No impairment charge was recorded in the three months ended March 31, 2003 and 2002.

Effective January 1, 2003, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants on accounting for share purchase loans receivable from employees. Such loans are now required to be presented as deductions from shareholders' equity except in certain circumstances. 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.

Effective January 1, 2003, the Company adopted the new guidelines of The Canadian Institute of Chartered Accountants for guarantees. Disclosure in accordance with these guidelines is included in note 5.

3 Capital stock

	2003			2002		
	Number of shares issued		Amount	Number of shares issued		Amount
Balance - beginning of period (i)	**23,589,046**	**$**	**67,479**	18,018,583	$	33,713
Common shares issued on exercise of options	**100,000**		**360**	40,833		146
Balance - end of period	**23,689,046**	**$**	**67,839**	18,059,416	$	33,859

(i) As described in note 2, in accordance with the new recommendations of The Canadian Institute of Chartered Accountants, which were adopted effective January 1, 2003, the number of shares issued at the beginning of the period has been reduced by 1,522,063 and share capital has been reduced by $857 on account of share purchase loans receivable from employees.

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 March 31, 2003, the maximum number of shares reserved for issuance under the plan, after deducting options that have been exercised, is 2,210,766, of which 1,811,233 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 outstanding at beginning of period	**1,911,233**	**$ 3.71**	2,143,066	$ 3.58
Exercised	**(100,000)**	**3.60**	(40,833)	3.59
Forfeited	**–**	**–**	(20,000)	4.10
Options outstanding at end of period	**1,811,233**	**$ 3.72**	2,082,233	$ 3.58
Options exercisable at end of period	**994,566**	**$ 3.61**	602,400	$ 3.46

Options were exercised during the period for 100,000 shares (2002 – 40,833) for which share capital was increased by $360 (2002 - $146). Options currently outstanding have the following exercise prices and expiry dates:

Options granted in	Number of shares	Exercise price	Expiry date
1999	29,733	$ 2.90	April 15, 2004
2000	1,006,500	3.60	July 20, 2005
2001	200,000	3.60	March 5, 2006
2001	275,000	3.60	April 9, 2006
2001	225,000	4.00	May 7, 2006
2002	75,000	5.55	April 9, 2007

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

In connection with the issue of Special Warrants in 2002 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 March 31, 2003.

Details of the calculation of earnings per share are set out below. For purposes of calculating the dilutive effect of options in 2003, the number of shares represented by share purchase loans, which have been deducted from shares outstanding, have been treated as options.

		2003		
		Loss (numerator)	Shares (denominator)	Per share (i)
Net loss for the period	$	(9,901)	23,650,157	$ (0.42)
Effect of dilutive securities				
Options		–	1,877,122	–
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		84	2,043,350	–
	$	(9,817)	27,570,629	$ (0.42)

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

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

4 Cash flow information

Change in other balances relating to operations:

	2003	2002
(Increase) decrease in:		
Marketable securities	**$ 320**	$ 386
Accounts receivable	**39,816**	31,228
Holdbacks receivable	**2,970**	2,822
Deferred contract costs and unbilled revenue	**(4,495)**	13,373
Inventories	**(1,472)**	(1,253)
Prepaid expenses	**(584)**	586
Increase (decrease) in:		
Accounts payable and accrued liabilities	**(37,565)**	(55,151)
Holdbacks payable	**(471)**	(214)
Deferred revenue	**(7,950)**	(7,294)
Income taxes payable	**1,992**	482
Employee benefit plans	**52**	226
	$ (7,387)	$ (14,809)

Other supplementary information:

	2003	2002
Cash interest paid	**$ 2,166**	$ 1,079
Cash income taxes paid	**1,108**	1,598

During the three months ended March 31, 2003, property, plant and equipment amounting to $131 (2002 - $513) was acquired and financed by means of capital leases.

5 Guarantees

The Company has outstanding guarantees and letters of credit amounting to $52,734, of which $47,247 is 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 principal shareholder. In addition, in connection with the Cross Israel Highway project, letters of credit have been issued for which the Company has provided joint and several indemnification of $55,200, net of funded deposits, in support of financial related obligations, including the requirement to invest in the project at the completion of construction, as well as joint and several guarantees of $67,000 in support of performance related obligations.

In connection with the Cross Israel Highway project the Company is jointly and severally liable for revenue guarantees during the period of highway construction, which is expected to extend to April 2004, in the maximum amount of approximately US$30,000. As well, after construction the Company is jointly and severally liable for additional revenue guarantees in the maximum amount of approximately US$10,000.

In addition, under the terms of many of the Company's joint ventures' contracts with project owners, each of the partners is joint 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 March 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 $320,000, 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.

6 Segmented information and business concentration

The Company has three reportable segments: Infrastructure, Buildings and Industrial. This segmentation reflects the Company's current structure and management. 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.

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, that was previously included in Corporate and Other. Prior year figures have been reclassified to reflect this change.

Information by reportable segments is as follows:

2003										
		Infrastructure		Buildings		Industrial		Corporate and Other		Total
Revenues	$	64,723	$	70,430	$	49,207	$	(32)	$	184,328
EBITDA	$	(9,228)	$	236	$	(1,602)	$	(1,611)	$	(12,205)
Depreciation and amortization		1,516		39		410		196		2,161
Segment operating profit (loss)	$	(10,744)	$	197	$	(2,012)	$	(1,807)	$	(14,366)
Interest and income taxes										4,465
Net loss									$	(9,901)
Total assets	$	264,434	$	63,964	$	83,664	$	67,730	$	479,792
Purchase of property, plant and equipment		280		19		141		88		528
Cash flow from operations	$	(6,994)	$	316	$	(1,626)	$	(3,634)	$	(11,938)

2002										
		Infrastructure		Buildings		Industrial		Corporate and Other		Total
Revenues	$	85,200	$	93,907	$	50,173	$	(1,235)	$	228,045
EBITDA	$	3,141	$	1,535	$	(266)	$	(3,154)	$	1,256
Depreciation and amortization		1,521		39		450		228		2,238
Segment operating profit (loss)	$	1,620	$	1,496	$	(716)	$	(3,382)	$	(982)
Interest and income taxes										(67)
Net loss									$	(1,049)
Total assets	$	299,872	$	74,644	$	88,970	$	72,592	$	536,078
Purchase of property, plant and equipment		223		17		313		275		828
Cash flow from operations	$	3,712	$	1,530	$	(281)	$	(5,174)	$	(213)

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

7 Subsequent event

Subsequent to March 31, 2003 the Company sold its investment in Tanknology Canada Inc. ("Tanknology") to Environment Management Solutions (EMS) Inc. Pursuant to the sale agreement, EMS purchased 100% of the issued and outstanding shares of Tanknology for total consideration of $2,000 consisting of cash payment of $1,400 and the issuance of $600 worth of EMS common shares. An after tax gain of approximately $1,300 will be recorded in the second quarter on this disposition.

8 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the three months ended March 31, 2003.

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