AECON GROUP INC. SECOND QUARTER REPORT

Six months ended June 30, 2003

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REPORT TO SHAREHOLDERS

Dear Fellow Shareholders,

Although Aecon's second quarter financial results show a modest improvement over the same quarter last year, we are not yet achieving the kind of results we are capable of, and we continue to work aggressively to improve earnings and increase shareholder value.

In the quarter, our net loss of $2 million was just over half the $3.9 million loss recorded in the second quarter of last year. For the first half of the year, our net loss was $11.9 million compared to $5 million in the same period a year ago.

To improve on these results, management is making a number of important changes, including the strategic realignment initiatives announced at our annual meeting in June.

- In the area of infrastructure development we are actively exploring alternatives such as combining our development activities with those of a strategic partner who can add international scale to Aecon's expertise. Until this process is complete, we will focus our development resources exclusively on our current project in Israel, our continuing development of the Quito Airport in Ecuador and one additional well advanced bid.
- The focus of our heavy civil construction activities will be the Canadian transportation infrastructure market (Aecon's core area of expertise) as well as selected opportunities in the United States where we can partner with Hochtief, our significant shareholder.
- Our industrial and utilities efforts will be focussed on a more tightly defined market where we believe Aecon can achieve a dominant market position and increase profitability. We are confident that a more defined focus will strengthen Aecon in these areas.
- We will be exploring options to expand our buildings business into new geographic markets across Canada – as we have recently in both Ottawa and Halifax – and will continue our strategic focus on the interiors and renovations business in Ontario.
- Our Innovative Steam Technologies (IST) business is embarking on a new strategic thrust to develop licensing agreements in those markets which are the most difficult to serve from Canada, while continuing to pursue new sales in the North American market as the power sector slowly recovers.

In addition to these strategic initiatives we are improving our risk management processes and controls, including a more active post-award role for our Project Review Committee as well as enhanced reporting and monitoring of project execution on all projects over certain thresholds.

We've also stepped-up our efforts to reduce overhead costs and expenditures. In fact, in the second quarter our marketing, general and administrative costs were reduced by $1.5 million compared to the same period a year ago. We will continue to take the prudent and necessary steps to reduce Aecon's operating costs and to maximize our resources.

Even with these operational and strategic improvements in place, Aecon will continue to have challenges to overcome including volatile foreign exchange fluctuations, a depressed telecommunications sector which will continue to affect our utilities business, and ongoing weakness in the power sector affecting results at IST.

On a more positive note, Aecon's strong performance in Ontario road building is generating improved positive contributions to the Infrastructure segment. This strong performance is expected to continue throughout the year as this sector rebounds well from a slow 2002. As well, continued progress is being made on our two large international projects in Israel and India as both the Cross Israel Highway and the Nathpa Jhakri hydroelectric project proceed toward expected completion next year. The Cross Israel Highway is now 80% open and tolled (with strong traffic numbers), and the Nathpa Jhakri project has reached 91% completion.

In our Buildings segment, revenue and earnings have decreased slightly compared to last year. This decrease is largely the result of project delays and unfavourable weather conditions, most of which are expected to be regained in the second half, as well as a decline in the suburban office market in Canada. Aecon anticipated this decline and shifted its strategic focus toward the institutional and interiors and renovations markets – both of which are performing well.

Backlog in the Buildings segment has increased to record levels this quarter and new contract awards have more than doubled compared to the same quarter last year. In the second half of 2003, we expect the Buildings division to continue its strong performance, although we don't expect to see a repeat of last year's record profit contribution.

In our Industrial segment, both revenue and operating results made modest gains over the comparable quarter last year due in part to increases in industrial construction and in the fabrication of specialty pipe. In addition, after substantial cost reductions made in the second half of 2002, IST is beginning to show signs of recovery. Backlog is up and the business is expected to return to profitability in 2004.

As we look forward to the second half of the year, I am encouraged by the increase in Aecon's core backlog, which has now reached its highest level since 2001. Additionally, Aecon's number of new contract awards grew substantially in the first half of the year, increasing more than 20% over the same period last year. As already reported, some of these new contracts and major milestones include:

- A $45.5 million contract from Ryerson University to build the school's new Centre for Computing and Engineering. This brings the total value of contract awards in the University sector to over $150 million in the past two fiscal years.
- Reached 91% completion on the Nathpa Jakri hydroelectric project in India.
- A $35 million contract from the City of Brampton to build a landmark Performing Arts Centre.
- A strategic alliance with GWL Realty Advisors Inc., whereby Aecon is providing interiors and renovations services to selected GWL real estate holdings throughout the Greater Toronto Area.
- A letter of intent to design, engineer and construct a paint mix and circulation system in Kolin, Czech Republic for Toyota under a joint venture with Hochtief VSB.
- An agreement with Enwave, whereby Aecon is providing utility construction services to support Enwave's heating and cooling services in Toronto.
- A $20 million contract from the Canadian National Institute for the Blind to build the organization's state-of-the-art national headquarters building in Toronto.

Overall, we expect Aecon's usual experience of losses in the first half of the year followed by profits in the third and fourth quarters to continue this year with revenues approximating those of 2001 and 2002. However, due in large part to unrealized foreign exchange losses and increased project costs where claim recoveries are unlikely to be realized this year, we expect to report modest net income in 2003.

While we continue to operate in a challenging market, I look forward to improved year over year results in the second half of 2003 and remain confident in our long term strategy to improve our bottom line results.

On behalf of the Board of Directors,

John M. Beck
Chairman and Chief Executive Officer
August 8, 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

Financial Highlights

	Three months ended June 30			Six months ended June 30		
$ millions	**2003**	2002	% Change	**2003**	2002	% Change
Revenues	**$ 241.7**	$ 236.3	2.3%	**$ 426.1**	$ 464.4	(8.3)%
Operating loss	**$ (1.7)**	$ (3.8)	54.2%	**$ (16.1)**	$ (4.8)	(236.4)%
Return on revenue	**(0.7)%**	(1.6)%	55.2%	**(3.8)%**	(1.0)%	(266.7)%
Backlog - June 30	**$ 659.9**	$ 761.5	(13.4)%			

Revenues for the second quarter of 2003 amounted to $241.7 million, an increase of 2.3% over 2002. Revenues improved in both the Infrastructure and Industrial segments in the period but were down in the Buildings segment. For the first six months of the year revenues of $426.1 million were 8.3% less than the previous year, with only the Industrial segment having higher revenues than the year before.

Operating margins, which are equal to revenues less costs and expenses, amounted to 4.7% of revenues in the quarter, compared to 5.5% of revenues for the same period of 2002. For the first half of the year, margins were 3.2% of revenues, compared to 6.0% in 2002. As explained below, the impact of foreign exchange on operating results has been significant in 2003. If the impact of foreign exchange were removed, margins in the quarter would have been 5.8% compared to 5.9% last year, and for the first half would have been 4.4% in 2003 compared to 6.3% in 2002. Operating results in each of the three principal segments are discussed under Reporting Segments.

Earnings were negatively affected by $3.4 million in the quarter due to the impact of foreign currency exchange. This was composed of $3.2 million in unrealized translation losses and $0.2 million of transaction losses. The translation losses relate mainly to the translation of Aecon's investments in international operations, principally in India and Israel, and are not yet realized since the net investments in these foreign operations, which are primarily in Indian rupees, Israeli shekels and United States dollars, have yet to be repatriated and converted into Canadian dollars. Transaction losses principally relate to foreign currency transactions by Aecon's domestic operations. While Aecon attempts to hedge all of its transactional exposures to foreign currencies, it also has large long term investments denominated principally in US dollars that are considered impractical to hedge. For the six months, foreign currency exchange losses amounted to $6.5 million, of which $6.1 million represented unrealized translation losses and $0.4 million was on account of transaction losses. For accounting purposes some of these foreign exchange losses are recorded in costs and expense, and therefore affect margins ($2.7 million for the quarter and $5.0 million for the six months), and some are recorded within marketing, general and administrative expenses ("MG&A") ($0.7 million for the quarter and $1.5 million for the six months).

On a year-over-year basis, foreign currency exchange losses were $2.1 million higher in the second quarter than in 2002, of which $1.8 million affected operating margins and $0.3 million affected MG&A. For the six months, losses were $5.1 million higher than 2002, of which $3.6 million impacted margins and $1.5 million affected MG&A.

MG&A for the second quarter amounted to $13.4 million, a reduction of $1.5 million compared to the same period of 2002 ($1.8 million less if foreign exchange is removed). For the six months, MG&A amounted to $28.2 million, which was $0.5 million less than the first six months of last year ($2.0 million lower excluding the impact of foreign exchange). The largest cutbacks have been made in corporate costs, although lesser reductions have also been made at most operating divisions and principally relate to increased administrative efficiencies and to reduced provisions for incentives.

Depreciation and amortization amounted to $2.4 million in the second quarter and $4.5 million for the six months, both amounts essentially the same as the corresponding periods of 2002. Depreciation on construction equipment is down year-over-year as the equipment fleet is progressively replaced with newer equipment through operating leases. Operating leases are increasingly used to procure some of Aecon's construction equipment assets because they reduce the Company's financial risk of loss, to the extent that the equipment is not utilized beyond the lease term. To date in 2003 this reduction in depreciation expense on equipment has been offset by accelerated depreciation, amounting to $0.6 million, on a computer system that has been replaced at Aecon's roadbuilding division.

Gains from the disposal of fixed assets and investments amounted to $2.7 million in the quarter, compared to $0.5 million in 2002. The two major dispositions were the sale of Aecon's investment in Tanknology Canada Inc., a company involved in the testing and evaluation of storage tank systems, which resulted in a pre-tax gain of $1.8 million and the sale of a repair shop, garage facility and outside storage area on ten acres in Barrie, Ontario for a pre-tax gain of $0.5 million. A variety of equipment sales generated the balance of the profit from disposals. For the six months, gains from dispositions amounted to $2.9 million compared to $0.5 million in 2002.

Net interest expense amounted to $0.5 million in the second quarter, a reduction of $0.8 million from 2002. For the first half of the year, interest of $1.1 million was also $0.8 million less than the prior period. The decrease is predominantly due to lower interest costs incurred within the Nathpa Jhakri hydroelectric joint venture project in India as advances from the owner have been substantially repaid.

For the quarter ended June 30, 2003 a tax recovery of $0.2 million was reported on a pre-tax loss of $2.2 million. Based on the combined Canadian federal and provincial (Ontario) statutory income tax rate of 36.6%, the expected tax recovery would be $0.8 million. The lower than expected recovery is primarily due to the combined effect of losses reported in low rate jurisdictions and income reported in high rate jurisdictions, foreign exchange losses treated as capital losses for tax purposes and recoverable at only 18.3%, as well as expenses that are non-deductible for tax purposes and large corporations tax. For the first half of the year the effective rate of tax recovery amounted to 30.6% and was affected, to a lesser extent, by similar factors as impacted the second quarter.

For the three months ended June 30, 2003 Aecon had a net loss of $2.0 million, compared to a loss of $3.9 million for the same period last year. For the first half of the year, Aecon incurred a loss of $11.9 million, which compares with a loss of $5.0 million in 2002.

New contract awards of $300 million were recorded in the quarter and $458 million year to date, compared to $271 million and $377 million for the same periods last year. Backlog at June 30 amounted to $660 million, compared to $762 million at the same time last year. The largest reduction in backlog was in the Infrastructure segment, principally due to progress on Aecon's two major international projects.

Reporting segments

Infrastructure

Financial Highlights

	Three months ended June 30			Six months ended June 30		
$ millions	**2003**	2002	% Change	**2003**	2002	% Change
Revenues	**$ 114.5**	$ 105.2	8.9%	**$ 179.2**	$ 190.4	(5.9)%
Segment operating profit (loss)	**$ (2.2)**	$ (0.1)	n/a	**$ (12.9)**	$ 1.6	n/a
Return on revenue	**(1.9)%**	(0.1)%	n/a	**(7.2)%**	0.8%	n/a
Backlog - June 30	**$ 294.6**	$ 446.8	(34.1)%			

Revenues in the second quarter increased $9 million over the same period of 2002. Civil work in Quebec was up $8 million, the two large international projects in India and Israel were up a combined $4 million ($3 million and $1 million respectively), roadbuilding operations in Ontario were higher by $4 million but utilities work was below last year by $7 million. In Quebec, work on the Toulnustouc Dam project contributed $8 million to revenues in the quarter. This contract, currently valued at approximately $86 million and now almost 32% complete, was commenced in the third quarter of last year. At June 30, the Cross Israel Highway project was 81% complete and the Nathpa Jhakri hydroelectric project in India was 91% complete. Both of these projects are expected to finish in 2004. Roadbuilding revenues have returned to more normal levels from the depressed level last year, which was affected by the Ontario civil servants strike. Utilities revenue is down due to a slowdown in communications work as well as a reduction in water and sewer jobs. For the six months, revenues were $11 million lower than last year. Due to the large negative variance in the first quarter, the Nathpa Jhakri hydroelectric project was $14 million lower than last year and utilities work was also down $14 million. Roadbuilding operations in Ontario were better by $9 million and other infrastructure activities were better by $8 million.

The Infrastructure segment incurred an operating loss of $2.2 million in the second quarter compared to a loss of $0.1 million in the corresponding period of 2002. A few large items impacted results in the quarter, including foreign exchange translation losses of $3.8 million. A provision for incremental costs of $1.2 million recorded on the Capilano Bridge project in Alberta was more than offset by a $3.4 million earnings pickup on the India project due to the cumulative impact of a revision to the cost-to-complete estimate. For the first six months of the year there was a segment operating loss of $12.9 million, compared to a profit of $1.6 million last year. Of this variance of $14.5 million, a total of $6.7 million related to losses from foreign exchange. The India project, exclusive of foreign exchange is lower by $5.4 million, of which $3.6 million relates to the net effect of one-time earnings adjustments ($7.0 million cumulative profit recognition in the first quarter of 2002 on commencement of earnings recognition less the $3.4 million positive adjustment in the second quarter in this year, referred to above). Weakness in the utilities division, which was affected by lower revenues and higher costs because of poor spring weather conditions, and a year-to-date loss of $1.7 million on the Capilano Bridge project, account for the remaining earnings reduction. Although the results from the segment's Quebec operations (loss of $3.0 million for the quarter and loss of $3.8 million for the first half of 2003) are relatively unchanged from the corresponding periods last year, they are, nonetheless, disappointing and every effort is being made to return this sector to profitability in the second half of this year. In 2002, foreign exchange losses within the Infrastructure segment amounted to $1.3 million in the second quarter and $1.8 million for the six months.

New contract awards of $77 million were recorded in the quarter and $116 million year to date, compared to $146 million and $204 million for the same periods last year. Last year a $61 million contract from Hydro-Quebec for the construction of a hydroelectric dam on the Toulnustouc River was received in the second quarter, which accounts for the majority of the year-over-year reduction in awards. Backlog declined by $152 million from the same time last year, principally as a result of the significant amount of construction work completed since the second quarter of 2002 on the Cross Israel Highway project and the Nathpa Jhakri hydroelectric project which accounted for $119 million of the reduction.

Buildings

Financial Highlights

	Three months ended June 30			Six months ended June 30		
$ millions	**2003**	2002	% Change	**2003**	2002	% Change
Revenues	**$ 75.3**	$ 87.8	(14.2)%	**$ 145.8**	$ 181.7	(19.8)%
Segment operating profit	**$ 0.9**	$ 1.1	(16.6)%	**$ 1.1**	$ 2.6	(57.5)%
Return on revenue	**1.2%**	1.2%	–	**0.8%**	1.4%	(47.0)%
Backlog - June 30	**$ 286.1**	$ 203.9	40.3%			

Revenue in the Buildings' segment declined by $13 million in the second quarter and $36 million for the six months, compared to the same periods of 2002 because of a combination of delays in new work orders, weather related delays, and a dramatic reduction in the suburban office market in the Canadian operations. The decline in the suburban office market has resulted in the division diversifying its efforts significantly in the first half of 2003. New areas of activity include interiors and renovations work, institutional projects and high-rise residential. The institutional work primarily results from construction activity for Ontario based universities, which has benefited from Ontario provincial funding under various "Super-Build" programs, some of which is in response to the double cohorts entering university this year. There are active projects underway at Queen's University, University of Guelph, University of Waterloo, University of Toronto and Ryerson University. There are two high-rise residential buildings under construction in Toronto for Minto with a third planned for late 2003 or early 2004. Several other major awards were received in the first half.

Segment operating profit for the three months ended June 30 of $0.9 million was $0.2 million lower than last year. Improved revenues and operating margins from U.S. operations in the quarter offset the declines in Canada as several new projects were started and costs of the Seattle office have been reduced. For this period, US revenues represented 26% of the total segment volume compared to only 12% in the same three months of 2002. For the six months, operating profit of $1.1 million was $1.5 million less than 2002 due to declines in Canadian operations and a slow start in the U.S. operations.

New contract awards of $169 million were recorded in the quarter and $244 million year to date, compared to $73 million and $107 million for the same periods last year. Backlog of $286 million is at a record level, and this will benefit revenues in the second half of the year and into 2004.

Industrial

Financial Highlights

	Three months ended June 30			Six months ended June 30		
$ millions	**2003**	2002	% Change	**2003**	2002	% Change
Revenues	**$ 52.0**	$ 44.0	18.3%	**$ 101.2**	$ 94.1	7.5%
Segment operating loss	**$ (0.5)**	$ (2.6)	81.7%	**$ (2.5)**	$ (3.3)	24.4%
Return on revenue	**(0.9)%**	(5.8)%	84.5%	**(2.5)%**	(3.5)%	29.7%
Backlog - June 30	**$ 79.2**	$ 110.9	(28.6)%			

Industrial revenues increased by $8 million in the second quarter over the corresponding period of 2002. Increased volume from the automotive sector accounted for $6 million and project work, mainly for power industry customers, generated $4 million of higher sales. Pipe fabrication volume was also stronger in the quarter. Revenues from sales of once-through steam generators at Innovative Steam Technologies ("IST") were essentially on par with 2002. Revenues from nuclear operations, however, were down almost $5 million, as the Quinshan project in China is nearing completion.

For the six months, revenues were better than 2002 by $7 million. Automotive sector revenues were up by $15 million, fabrication revenues were higher by $4 million and project work was higher by $8 million. These gains were partially offset by lower revenues from IST (down $10 million), which started the year slowly in 2003 due to the lack of opening backlog, whereas the start of 2002 was quite strong from carryover work from IST's record year in 2001, and a decline in the nuclear sector (down $12 million).

Segment operating results for the second quarter improved by $2.1 million over 2002. IST's results were $3.1 million better than last year as overhead costs have been reduced and warranty provisions amounting to $1.3 million that are no longer required were reversed in the quarter. However other operations within the Industrial segment had lower earnings as results were negatively affected by a $1.6 million loss on a contract within the projects sector.

For the first half of the year, the operating loss in the Industrial segment was $0.8 million less than 2002. Cost reductions at IST yielded a $3.4 million improvement in operating results but this was partially offset by a $1.5 million decline in nuclear operations and a $1.1 million decline in other industrial operations. Most of the decline in nuclear operations occurred in the first quarter, as 2002, during this period, benefited from a retroactive upward revision in the profit estimate for the Quinshan project and significant fee income from a joint venture.

New contract awards of $54 million were recorded in the quarter and $99 million year to date, compared to $52 million and $69 million for the same periods last year. Backlog at June 30 is down $33 million compared to the same period last year, of which $30 million is due to work-off in the nuclear 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. For the quarter, this category had an operating income of $33 thousand, compared to a loss of $2.3 million in 2002. Of this improvement, $0.6 million related to non-operating items such as the gain on sale of Aecon's investment in Tanknology Canada Inc., income and losses from foreign exchange, and profit and loss on disposals of fixed assets. For the six months, the loss in Corporate and Other was $1.8 million, compared to a loss of $5.6 million last year, a reduction of $3.8 million. Of this amount, $1.4 million was due to the impact of non-operating items as described above. The balance of the reductions, $1.7 million in the quarter and $2.4 million for the six months, represents reductions in corporate overhead cost (primarily salaries, bid costs, and consulting and professional fees).

Financial Condition, Liquidity and Capital Resources

Cash and cash equivalents at June 30, 2003 totaled $72.6 million, compared to $76.7 million at the end of the first quarter and $76.0 million at the end of 2002. Of these amounts, $66.6 million, $70.7 million and $72.5 million, respectively, are on deposit in joint venture and affiliate bank accounts, which Aecon cannot access directly. Marketable securities amounted to $10.9 million at June 30, compared to $11.5 million at March 31, 2003 and $12.6 million at the end of 2002. These securities represent investments in short-term corporate debentures held within a joint venture.

Cash generated from operations, before changes in other balances, amounted to $1.2 million in the second quarter, which compares with a use of $3.3 million in the same period of 2002. For the first six months of the year, operating activities, before changes in other balances, resulted in a use of cash of $10.7 million, compared to a use of $3.5 million for the same period in 2002.

Changes in other balances related to operations, representing increases or decreases in working capital items, resulted in a use of cash of $7.7 million in the second quarter of 2003 and $15.0 million for the first half of the year. This compares with uses of cash amounting to $15.4 million in the second quarter of 2002 and $30.2 million for the first half of last year. The improvements reflect Aecon's continuing focus on minimizing the cash investment in working capital.

Purchases of property, plant and equipment amounted to $0.5 million for the second quarter and $1.0 million for the six months, while property, plant and equipment acquired and financed by way of capital leases amounted to $2.6 million for the quarter end and $2.7 million for the year to date. The majority of new equipment is now obtained through operating leases rather than outright purchase. Aecon entered into new operating leases for approximately $9 million worth of equipment in the quarter and $14 million for the six months. Proceeds from the sale of property, plant and equipment and investments amounted to $6.9 million in the quarter, of which the sale of Tanknology Canada Inc. represented $2.0 million, the sale of the Barrie property produced $1.7 million and other sales of fixed assets generated $3.2 million. For the six months, proceeds from disposals of property, plant and equipment and investments amounted to $7.5 million. Cash used for Other Assets amounted to $6.0 million in the quarter. A further deposit of US $3.1 million was made to fund Aecon's ultimate investment in the company that will operate and collect tolls for the Cross Israel Highway. In addition, Cdn $1.9 million of development and pre-construction costs related to the Quito project were deferred and included in Other Assets in the quarter (for the project-to-date, a total of $4.3 million has been deferred). Overall, investing activities resulted in a net cash generation of $0.4 million in the quarter and a use of $0.8 million in the first half.

Financing activities provided $4.5 million in the quarter and $29.2 million in the first half. This primarily represents changes in bank borrowings and long-term debt. Also included therein, in the second quarter, was $0.1 million from stock issued on exercise of employee stock options and $0.8 million of dividends paid (three cents per share).

The effect of foreign exchange on cash balances resulted in a reduction in cash of $2.6 million in the second quarter and $6.1 million for the six months. As previously noted, the impact on income of unrealized exchange losses on all balance sheet accounts was a loss of $3.2 million in the quarter and $6.1 million for the six months to June 30.

Interest bearing debt amounted to $94.4 million at June 30, 2003 compared to $88.1 million at March 31, 2003, and $64.8 million at the end of 2002. The composition of interest bearing debt is as follows ($ millions):

	June 30, 2003	**Mar. 31, 2003**	Dec. 31, 2002
Bank indebtedness*	**$ 39.3**	**$ 33.6**	$ 30.1
Current portion of long-term debt	**2.9**	**2.3**	2.4
Long-term debt	**44.8**	**44.8**	25.0
Convertible debenture	**7.4**	**7.4**	7.3
Total	**$ 94.4**	**$ 88.1**	$ 64.8

* Includes issued but uncleared cheques.

Aecon closed new operating credit arrangements with an expanded lending group in early June 2003. The new arrangements give Aecon access to an aggregate of $52.5 million in credit accommodations including letters of credit and short term borrowings. These arrangements were tailored to the Company's current 2003 business plan, and while some variations to the plan have been experienced in the first half of the year, management still expects that the financial resources available to the Company including internally generated cash flow as supplemented by various external sources of funding and credit support, are adequate to support its ongoing normal operations. Recognizing that a significant portion of Aecon's earnings and assets relate to activities of joint ventures which provide limited supporting value to Aecon's current credit arrangements, management is working with its bankers and other related parties to reach more accommodative credit terms that are reflective of the characteristics of Aecon's joint venture related profits and cash flows.

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

Aecon's second quarter financial results, combined with a substantial increase in backlog during the quarter, bode well and are consistent with management expectations for an improved second half of the year.

The backlog of work awarded but not yet completed grew by $58.5 million or 9.7% in the quarter. Significantly, Aecon's core backlog (all backlog not associated with Aecon's major projects in Israel and India) increased in the quarter by $95.0 million or 18.9% to $598.5 million – the highest it has been since 2001.

As expected, major project backlog declined during the quarter by $36.6 million as the Cross Israel Highway and the Nathpa Jhakri hydro-electric project in India progressed toward completion. This declining trend in major project backlog is expected to continue until the anticipated financial close of the Quito Airport project in the fourth quarter of this year.

Core backlog in Aecon's Infrastructure segment remained flat in the quarter as work completed was matched by new project awards. Backlog in the Buildings segment increased by $93.5 million in the quarter to a record $286.1 million, while Industrial backlog increased by $2.6 million as gains in industrial construction and fabrication were partially offset by lower backlog at IST and Canatom NPM.

The positive trend in backlog was matched by the related trend in new business awards. In the quarter, Aecon was awarded $300.2 million in new business, a 10.9% increase over the same quarter last year. The $458.1 million in new business awarded this year-to-date represents a 21.4% increase over the first half of 2002.

In the Infrastructure segment, Aecon's strong performance in Ontario roadbuilding is expected to continue this year as this sector rebounds well from a slow 2002. Also within the segment, utilities operations are expected to be negatively affected by the depressed telecommunications industry. While revenue and operating profit are expected to remain strong in some sectors of the utilities business (including Aecon's alliances with Union Gas and Enwave), these results are not expected to offset the challenges faced in the telecommunications sector.

Aecon's Buildings segment is expected to have another good year, although it is not expected to match its record profit contribution of 2002 due to a significant investment in market development activities and some delayed project starts early in the year. The substantial decline in the suburban office sector, which was the core of much of the building segment's success in 2001 and 2002, is expected to be largely offset by gains in the institutional, high-rise residential and interiors & renovations sectors. Notably, the interiors & renovations business, which has been a major strategic focus for Aecon, is seeing significant growth this year with an increase of almost 80 per cent in its backlog this quarter.

The outlook for Aecon's Industrial sector has been dominated by trends in IST's steam generator business for most of the last two years. After a very strong 2001 when IST began to gain significant market share, and a very weak 2002 when IST was impacted by the sudden decline in the power sector, IST's results and outlook are beginning to stabilize in 2003. Due in large part to the significant cost reductions implemented in the second half of 2002 and the strategic realignment of this division announced at Aecon's annual meeting in June 2003, IST is expected to record a dramatic reduction in losses this year with a return to profitability in 2004. Notably, IST secured $11.6 million in new contract awards in the first half of 2003 after winning no new contracts in 2002. This improvement at IST is expected to lead to improved results in the Industrial segment this year.

Also affecting Aecon's outlook for the balance of 2003 is the prospect of continuing fluctuations in the Canadian dollar, especially relative to the US dollar. The Canadian dollar closed the second quarter at US$0.74, and while it fell in July to the US$0.71 to US$0.72 range (thus reversing some of the exchange losses incurred in the first half), further fluctuations could either reverse more of the first half losses or add to the losses already recorded to date.

Overall, management expects Aecon's usual experience of losses in the first half of the year followed by profits in the third and fourth quarters to continue this year. Revenues in 2003 are expected to approximate those of 2001 and 2002. However, due in large part to unrealized foreign exchange losses and increased project costs where claim recoveries are unlikely to be realized this year, management expects to report modest net income in 2003.

Forward-Looking Information

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

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars) (unaudited)

	June 30, 2003	December 31, 2002
Assets		
Current assets		
Cash and cash equivalents	**$ 76,612**	$ 76,006
Marketable securities	**10,863**	12,578
Accounts receivable	**143,577**	154,889
Holdbacks receivable	**33,173**	40,056
Deferred contract costs and unbilled revenue	**55,392**	58,717
Inventories	**16,488**	13,478
Prepaid expenses	**7,818**	5,276
Future income tax assets	**18,038**	10,724
	357,961	371,724
Property, plant and equipment	**75,008**	80,192
Future income tax assets	**22,940**	22,728
Other assets	**44,867**	41,076
	$ 500,776	$ 515,720
Liabilities		
Current liabilities		
Bank indebtedness	**$ 39,312**	$ 30,136
Accounts payable and accrued liabilities	**153,333**	172,105
Holdbacks payable	**28,147**	27,396
Deferred revenue	**53,943**	68,036
Income taxes payable	**3,212**	1,642
Future income tax liabilities	**24,198**	24,298
Current portion of long-term debt	**2,890**	2,349
	305,035	325,962
Long-term debt	**44,827**	24,957
Employee benefit plans	**1,731**	1,764
Future income tax liabilities	**17,825**	17,825
Redeemable preferred shares of subsidiary	**5,390**	6,310
Convertible debenture	**7,402**	7,348
	382,210	384,166
Shareholders' Equity		
Capital stock (notes 2 and 3)	**67,950**	68,336
Contributed surplus	**123**	68
Convertible debenture	**836**	836
Retained earnings	**49,657**	62,314
	118,566	131,554
	$ 500,776	$ 515,720

Approved by the Board of Directors

John M. Beck, Director

Scott C. Balfour, Director

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of dollars, except per share amounts) (unaudited)

	Three Months ended June 30		Six Months ended June 30	
	2003	2002	**2003**	2002
Revenues	**$ 241,733**	$ 236,341	**$ 426,061**	$ 464,386
Costs and expenses	**230,346**	223,362	**412,289**	436,374
Marketing, general and administrative expenses	**13,450**	14,908	**28,194**	28,713
Depreciation and amortization	**2,381**	2,349	**4,542**	4,587
Gain on sale of assets	**(2,699)**	(471)	**(2,853)**	(499)
Interest expense, net	**502**	1,322	**1,065**	1,839
	243,980	241,470	**443,237**	471,014
Loss before income taxes	**(2,247)**	(5,129)	**(17,176)**	(6,628)
Income taxes				
Current	**425**	927	**2,364**	2,471
Future	**(659)**	(2,137)	**(7,626)**	(4,131)
	(234)	(1,210)	**(5,262)**	(1,660)
Net loss for the period	**$ (2,013)**	$ (3,919)	**$ (11,914)**	$ (4,968)
Loss per share				
Basic	**$ (0.08)**	$ (0.17)	**$ (0.50)**	$ (0.25)
Diluted	**$ (0.08)**	$ (0.17)	**$ (0.50)**	$ (0.25)
Average number of shares outstanding (note 3)				
Basic	**23,717,452**	22,451,642	**23,683,991**	20,250,356
Diluted	**27,352,723**	25,255,062	**27,489,151**	23,013,491

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(in thousands of dollars) (unaudited)

	Three Months ended June 30		Six Months ended June 30	
	2003	2002	**2003**	2002
Retained earnings - beginning of period	**$ 51,657**	$ 63,280	**$ 62,314**	$ 64,988
Net loss for the period	**(2,013)**	(3,919)	**(11,914)**	(4,968)
Dividends	**–**	(2,245)	**(756)**	(2,245)
Interest received on share purchase loans (note 2)	**13**	–	**13**	–
Change in accounting treatment for stock-based compensation (note 2)			**–**	(659)
Retained earnings - end of period	**$ 49,657**	$ 57,116	**$ 49,657**	$ 57,116

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars) (unaudited)

	Three Months ended June 30		Six Months ended June 30	
	2003	2002	**2003**	2002
Cash provided by (used in)				
Operating activities				
Net loss for the period	**$ (2,013)**	$ (3,919)	**$ (11,914)**	$ (4,968)
Items not affecting cash -				
Depreciation and amortization	**2,381**	2,349	**4,542**	4,587
Gain on sale of assets	**(2,699)**	(471)	**(2,853)**	(499)
Loss on foreign exchange	**3,205**	857	**6,101**	1,436
Notional interest representing accretion	**27**	33	**54**	74
Future income taxes	**(659)**	(2,137)	**(7,626)**	(4,131)
	242	(3,288)	**(11,696)**	(3,501)
Change in other balances relating to operations (note 6)	**(6,660)**	(15,432)	**(14,047)**	(30,241)
	(6,418)	(18,720)	**(25,743)**	(33,742)
Investing activities				
Purchase of property, plant and equipment	**(484)**	(932)	**(1,012)**	(1,760)
Proceeds on sale of assets	**6,870**	6,122	**7,500**	6,391
Increase in other assets	**(6,024)**	(216)	**(7,329)**	(204)
	362	4,974	**(841)**	4,427
Financing activities				
Increase (decrease) in bank indebtedness	**7,119**	(11,885)	**11,835**	(2,939)
Issuance of long-term debt	**–**	–	**20,000**	–
Repayments of long-term debt	**(1,960)**	(9,477)	**(2,304)**	(10,416)
Issuance of capital stock (note 3)	**111**	499	**471**	645
Issuance of special warrants (note 4)	**–**	31,540	**–**	31,540
Dividends paid	**(756)**	(2,245)	**(756)**	(2,245)
Interest received on share purchase loans (note 2)	**13**	–	**13**	**–**
	4,527	8,432	**29,259**	16,585
Increase (decrease) in cash and cash equivalents	**(1,529)**	(5,314)	**2,675**	(12,730)
Effects of foreign exchange on cash balances	**(2,562)**	(3,414)	**(6,069)**	(4,099)
Cash and cash equivalents - beginning of period	**76,703**	89,114	**76,006**	97,215
Cash and cash equivalents - end of period	**$ 72,612**	$ 80,386	**$ 72,612**	$ 80,386

Supplementary disclosure (note 6)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 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-month and six-month periods ended June 30, 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 those accounting policies adopted January 1, 2003 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, 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 Canadian Institute of Chartered Accountants 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. No impairment charge was recorded in the three-month and six-month periods ended June 30, 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. 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 three months ended June 30, 2003 interest amounting to $13, after provision for income taxes, was received on these loans.

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 - January 1 (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 - March 31	**23,689,046**		**67,839**	18,059,416		33,859
Common shares issued on the conversion of convertible debenture				613,543		2,209
Common shares issued on exercise of options	**30,833**		**111**	158,000		499
Balance - June 30	**23,719,879**	**$**	**67,950**	18,830,959	$	36,567

(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, the number of shares issued at the beginning of the year 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 are met on a post-dividend basis.

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 June 30, 2003, the maximum number of shares reserved for issuance under the plan, after deducting options that have been exercised, is 2,179,933, of which 1,880,400 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
Options outstanding - January 1	**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 - March 31	**1,811,233**		**3.72**	2,082,233		3.58
Granted	**100,000**		**4.75**	75,000		5.55
Exercised	**(30,833)**		**3.58**	(158,000)		3.15
Options outstanding - June 30	**1,880,400**	**$**	**3.78**	1,999,233	$	3.69
Options exercisable at end of period	**1,147,066**	**$**	**3.68**	719,400	$	3.56

Options were exercised during the three months ended June 30, 2003 for 30,833 shares (2002 – 158,000) for which share capital was increased by $111 (2002 - $499). For the six months ended June 30, 2003, 130,833 options were exercised (2002 – 198,833) for which share capital was increased by $471 (2002 - $645). 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	225,000		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.

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 June 30, 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.

Three months ended June 30

2003		Loss (numerator)	Shares (denominator)		Per share (i)
Net loss for the period	$	(2,013)	23,717,452	$	(0.08)
Effect of dilutive securities -					
Options		–	1,589,571		–
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		88	2,045,700		–
	$	(1,925)	27,352,723	$	(0.08)

2002		Loss (numerator)	Shares (denominator)		Per share (i)
Net loss for the period	$	(3,919)	22,451,642	$	(0.17)
Effect of dilutive securities -					
Options		–	721,517		–
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		80	2,081,903		–
	$	(3,839)	25,255,062	$	(0.17)

Six months ended June 30

					2003
		Loss (numerator)	Shares (denominator)		Per share (i)
Net loss for the period	$	(11,914)	23,683,991	$	(0.50)
Effect of dilutive securities -					
Options		–	1,759,460		–
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		172	2,045,700		–
	$	(11,742)	27,489,151	$	(0.50)

					2002
		Loss (numerator)	Shares (denominator)		Per share (i)
Net loss for the period	$	(4,968)	20,250,356	$	(0.25)
Effect of dilutive securities -					
Options		–	681,232		–
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		163	2,081,903		–
	$	(4,805)	23,013,491	$	(0.25)

(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 Special warrants

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, 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.

5 Guarantees

The Company has outstanding guarantees and letters of credit amounting to $49,093, of which $43,730 is in support of financial and performance related obligations for the Nathpa Jhakri hydroelectric 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 $44,600, 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 $61,900 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 June 30, 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 $275,000, 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 type 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.

6 Cash flow information

Change in other balances relating to operations:

	Three months to June 30		Six months to June 30	
	2003	2002	**2003**	2002
(Increase) decrease in:				
Marketable securities	**$ (276)**	$ (5,048)	**$ 44**	$ (4,662)
Accounts receivable	**(31,054)**	(13,551)	**8,762**	17,677
Holdbacks receivable	**3,463**	(5,353)	**6,433**	(2,531)
Deferred contract costs and unbilled revenue	**3,364**	(1,318)	**(1,131)**	12,055
Inventories	**(1,538)**	(5,800)	**(3,010)**	(7,053)
Prepaid expenses	**(2,470)**	(1,873)	**(3,054)**	(1,287)
Increase (decrease) in:				
Accounts payable and accrued liabilities	**21,660**	12,505	**(15,905)**	(42,646)
Holdbacks payable	**1,960**	4,183	**1,489**	3,969
Deferred revenue	**(1,262)**	967	**(9,212)**	(6,327)
Income taxes payable	**(422)**	(106)	**1,570**	376
Employee benefit plans	**(85)**	(38)	**(33)**	188
	$ (6,660)	$ (15,432)	**$ (14,047)**	$ (30,241)

Other supplementary information:

	Three months to June 30		Six months to June 30	
	2003	2002	**2003**	2002
Cash interest paid	**$ 1,354**	$ 1,667	**$ 3,520**	$ 2,746
Cash income taxes paid	**$ 813**	$ 1,179	**$ 1,921**	2,777

Property, plant and equipment acquired and financed by means of capital leases during the three months ended June 30, 2003 amounted to $2,584 (2002 - $899) and $2,715 (2002 - $899) for the six months ended June 30, 2003.

During the three months ended June 30, 2002 the Company's largest shareholder, Hochtief Canada Inc., exercised its option to convert $2,209 of convertible debentures into common shares. This resulted in a decrease in the debt component of convertible debentures amounting to $1,970, a decrease in the equity component of convertible debentures amounting to $239 and an increase in capital stock amounting to $2,209.

7 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 north-western 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:

as at June 30 and the three months then ended

2003

	Infrastructure	Buildings	Industrial	Corporate and Other	Total
Revenues	$ 114,502	$ 75,325	$ 52,034	$ (128)	$ 241,733
EBITDA	$ (496)	$ 939	$ (40)	$ 233	$ 636
Depreciation and amortization	1,708	42	430	201	2,381
Segment operating profit (loss)	$ (2,204)	$ 897	$ (470)	$ 32	$ (1,745)
Interest and income taxes					(268)
Net loss					$ (2,013)
Total assets	$ 277,461	$ 66,973	$ 82,532	$ 73,810	$ 500,776
Capital expenditures	468	18	228	(230)	484
Cash flow from operations	$ 1,989	$ 1,189	$ (88)	$ (2,848)	$ 242

2002

	Infrastructure	Buildings	Industrial	Corporate and Other	Total
Revenues	$ 105,183	$ 87,839	$ 43,976	$ (657)	$ 236,341
EBITDA	$ 1,577	$ 1,112	$ (2,105)	$ (2,042)	$ (1,458)
Depreciation and amortization	1,641	36	461	211	2,349
Segment operating profit (loss)	$ (64)	$ 1,076	$ (2,566)	$ (2,253)	$ (3,807)
Interest and income taxes					(112)
Net loss					$ (3,919)
Total assets	$ 304,836	$ 82,098	$ 94,166	$ 70,874	$ 551,974
Capital expenditures	363	18	495	56	932
Cash flow from operations	$ 1,968	$ 1,112	$ (2,110)	$ (4,258)	$ (3,288)

as at June 30 and the six months then ended

	Infrastructure	Buildings	Industrial	Corporate and Other	Total
					2003
Revenues	$ 179,225	$ 145,755	$ 101,241	$ (160)	$ 426,061
EBITDA	$ (9,724)	$ 1,175	$ (1,642)	$ (1,378)	$ (11,569)
Depreciation and amortization	3,224	81	840	397	4,542
Segment operating profit (loss)	$ (12,948)	$ 1,094	$ (2,482)	$ (1,775)	$ (16,111)
Interest and income taxes					4,197
Net loss					$ (11,914)
Capital expenditures	$ 748	$ 37	$ 369	$ (142)	$ 1,012
Cash flow from operations	$ (5,005)	$ 1,505	$ (1,714)	$ (6,482)	$ (11,696)

	Infrastructure	Buildings	Industrial	Corporate and Other	Total
					2002
Revenues	$ 190,383	$ 181,746	$ 94,149	$ (1,892)	$ 464,386
EBITDA	$ 4,718	$ 2,647	$ (2,371)	$ (5,196)	$ (202)
Depreciation and amortization	3,162	75	911	439	4,587
Segment operating profit (loss)	$ 1,556	$ 2,572	$ (3,282)	$ (5,635)	$ (4,789)
Interest and income taxes					(179)
Net loss					$ (4,968)
Capital expenditures	$ 586	$ 35	$ 808	$ 331	$ 1,760
Cash flow from operations	$ 5,680	$ 2,642	$ (2,391)	$ (9,432)	$ (3,501)

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

8 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the three-month and six-month periods ended June 30, 2003.

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