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Six months ended June 30, 2004

2004 **Aecon Group Inc. Second Quarter Report**

AECON

Dear Fellow Shareholders,

Before reviewing Aecon's financial results for the second quarter and our outlook for the balance of the year, I'd like to comment briefly on the outcome of the amalgamation resolution that went before our Annual and Special Meeting of Shareholders on July 21st, 2004.

First, I'd like to thank all of you for your careful consideration of the amalgamation proposal. In deciding to vote against the resolution, you have essentially said that you see considerably higher value in Aecon than the market has recognized to date. Importantly, you have also signaled that you expect management to do what is necessary to bring this embedded value - and more - to the surface. This is an expectation that is completely justified. And it is an expectation that is certainly shared by me and by the members of Aecon's management team.

In this context, I'm pleased to report that the second quarter of fiscal 2004 was a good one for Aecon Group Inc., with a significant year-over-year improvement in both top and bottom line results.

For the quarter, Aecon's revenue increased to $270 million from $241 million in the same period last year. For the first six months of the year, revenues of $469 million were $43 million higher than in the same period last year.

Net income for the quarter was $2.4 million or $0.08 per share (basic and fully diluted) compared to a net loss of $2.0 million or $0.08 per share (basic and fully diluted) reported in the same quarter last year. Net income for the first half of 2004 was $19 thousand (less than $0.01 per share), compared to a net loss of $11.9 million or $0.50 per share (basic and fully diluted) in the same period of 2003.

The improved results were driven by a number of factors including the impact of foreign exchange, which accounts for approximately $2.7 million of the improvement in the quarter and $6.1 million of the improvement in the first half.

For the first half of the year, new contract awards totalled $487 million, a $98 million increase from the same period in 2003. As a result, Aecon's backlog of work remained strong in the second quarter.

<u>Infrastructure</u>

In the Infrastructure segment, operating results improved from a loss of $2.0 million in 2003 to a profit of $5.4 million this year. Results were positively impacted by foreign exchange differences as well as an increase in the expected profit at completion of the Cross Israel Highway.

Segment backlog increased by $21 million in the first half of the year principally due to the strong volume of outstanding work in Ontario roadbuilding operations. In fact, our roadbuilding operations, which have performed below traditional levels over the past four quarters, are expected to rebound in the second half to post an increased operating profit in 2004. Similarly, Aecon's Ontario utilities operations, which have already shown signs of improvement after a slow first quarter, are also expected to post an improved operating profit in 2004.

On another positive note, good progress continues to be made toward financial close of the Quito Airport project in Ecuador. The confirmation of a major South American equity and construction partner was a significant step forward in the second quarter, as was the progress in discussions with lenders. Financing for the project is expected to close in the fourth quarter, adding approximately $250 million to Aecon's backlog.

Overall, Aecon's Infrastructure segment experienced a good first two quarters, and this strong year-over-year improvement is expected to continue into the second half of 2004, with a significant operating profit anticipated within the segment.

Buildings

Despite the strong revenue growth in the Buildings segment, operating results declined by $3.0 million in the second quarter compared to the same period last year. These disappointing results reflect the impact of difficult and highly competitive market conditions in Ontario due in large part to the softness of the commercial and office sector as well as underperformance on certain contracts.

While some of the operational difficulties experienced in this segment during the first half of 2004 will be addressed in the second half, many of the root causes of the year-over-year decline reported to date are expected to remain throughout 2004. Consequently, results this year are expected to show a significant decline from those reported in previous years.

New contract awards of $199 million were recorded in the first half, compared with $227 million in 2003. Backlog increased by $17 million since the beginning of the year largely due to the impact of the Cegerco acquisition in Quebec.

Industrial

In the Industrial segment, operating profits were $3.9 million in the quarter compared with a loss of $0.5 million reported in the same quarter of 2003. For the full six months, operating profits in the segment were up $17.2 million over 2003. This increase includes $7.3 million received in the first quarter from a claim settlement and a $1.4 million improvement at Innovative Steam Technologies (IST).

Despite the fact that IST reported lower results in the quarter (mainly because the 2003 results benefited from a $1.3 million reduction in warranty reserves), it is expected to provide operating profit contributions in 2004 for the first time since 2001 as the turnaround plan takes hold and the market for steam generators continues to improve.

New contract awards of $98 million were recorded in the first six months of the year, almost identical to the $99 million recorded in 2003. To date, IST has accounted for $33 million of the awards in 2004. Backlog for the Industrial segment of $71 million was $20 million lower than the beginning of the year due to declines in project and fabrication backlog.

The segment is once again expected to generate significant operating profits in 2004. While the year-over-year gains made in the first half (due in part to a $7.3 million claim settlement reported in the first quarter) are not expected to be repeated in the second half, the Industrial segment is expected to report increased operating profits in 2004 compared to those reported in 2003.

While the most important news for the first half of 2004 is the fact that our turnaround has taken hold, there were some individual specific achievements and new contract awards worth noting:

- The confirmation of Andrade Gutierrez Concessoes as a major South American equity and construction partner in the Quito Airport project in Ecuador as progress continues to be made toward financial close.

- The award of a $22 million contract by the City of Hamilton to construct a section of new highway through the Red Hill Valley in Hamilton. The project involves rock and earth excavation and construction of two large bridge structures designed to protect wildlife and preserve the natural habitat in the area.

- The ongoing 'ramp up' of traffic on the Cross Israel highway, which continues to see traffic grow as expected since the full length of the highway was opened and tolled in January, 2004.

- Aecon Atlantic Group was awarded a $7 million construction management contract to build a residential apartment complex for Greenwood Lane, one of Halifax's largest real estate developers. The development is adjacent to the historic "All Saints" Cathedral and will maintain the historic look and feel of the church's architecture.

- Aecon acquired the assets and operations of Cegerco CCI Inc., one of the largest general contracting companies in the Montreal region, which specializes in construction and construction management of institutional, commercial and pharmaceutical projects.

- The Aecon/PCL joint venture completed Phase One of the new $2 billion Terminal 1 at Pearson Airport in Toronto, which opened for business to rave reviews. Work has now begun on Phase Two.

- Aecon Industrial was awarded a contract from Bruce Power to design, supply and install a Standby Generating unit at Bruce Nuclear Generating Station. This contract will be executed in 2004 and 2005.

- Aecon Industrial substantially completed the installation phase and has entered the start-up and commissioning phase of its "paint, mix and circulation" project for the Toyota Peugeot Citroen plant in the Czech Republic.

- Innovative Steam Technologies was awarded six contracts valued at $33 million in the first six months of 2004 (up from the two contracts valued at $11.6 million awarded in the same period last year), keeping it on track to return to profitability in 2004.

Overall, results in the first half of 2004 reinforce management's expectation that Aecon's financial turnaround is taking hold. As a result, management is confident of significant bottom line improvements and a return to profitability in 2004.

On behalf of the Board of Directors,

John M. Beck
Chairman and CEO
August 11, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Aecon Group Inc. ("Aecon") should be read in conjunction with the Company's Interim Consolidated Financial Statements and Notes (which have not been reviewed by the Company's external auditors) and in conjunction with the Company's annual MD&A for 2003. This interim MD&A has been prepared as of August 11, 2004. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and includes the Company's Annual Information Form and other security filings.

RESULTS OF CONTINUING OPERATIONS

Introduction

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

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 lower revenues and profits than the other three quarters. Consequently, results in any one quarter are not indicative of results in any other quarter or for the year as a whole.

Consolidated

Financial Highlights

$ millions	Three months ended June 30			Six months ended June 30		
	2004	2003	% Change	2004	2003	% Change
Revenues	$ 270.0	$ 241.1	12.0%	$ 468.5	$ 425.3	10.2%
Operating profit (loss)*	$ 4.0	$ (1.6)	n/a	$ 2.1	$ (15.7)	n/a
Return on revenue	1.5%	(0.7)%	n/a	0.4%	(3.7)%	n/a
Backlog - June 30	$ 571.0	$ 590.7	(3.3)%			

* Operating profit (loss) represents net income (loss) from continuing operations before interest and income taxes.
n/a = not applicable

Revenues for the three months ended June 30, 2004 amounted to $270.0 million, representing an increase of $28.9 million or 12.0% over the same period last year. Revenues improved in each of the three operating segments, with the largest increase being in the Buildings segment, which was higher by $23.4 million.

For the first half of the year, revenues of $468.5 were higher than 2003 by $43.2 million or 10.2%. Revenues increased in each of the Buildings and Industrial segments, by $36.5 million and $16.0 million respectively, while Infrastructure revenues for the six months were lower by $8.2 million. Results for each of the three principal segments are discussed separately under Reporting Segments.

Operating margins (revenues less costs and expenses) as a percent of revenues increased to 6.6% in the second quarter of 2004 from 4.7% in the same period of last year, an improvement of 1.9% of revenues, reflecting earnings improvements in the Infrastructure and Industrial segments, offset by reductions within Buildings and Corporate/Other segments. Foreign exchange was also a factor in the improvement and excluding the impact of foreign exchange operating margins would have been 6.6% in 2004 and 5.8% in 2003. A foreign exchange loss of $0.1 million which reduced operating margins in the quarter compares with a loss of $2.7 million in the same period last year.

Operating margins for the six months in 2004 were 6.8% compared to 3.3% in 2003. Exclusive of the impact of foreign exchange, operating margins would have been 6.6% and 4.4% respectively. A foreign exchange gain of $0.9 million in the first half of 2004 compares to a loss of $5.0 million in the corresponding period last year.

In addition to foreign exchange gains and losses impacting operating margins they also impact marketing, general and administrative expenses ("MG&A"). While the foreign exchange amounts included in the calculation of operating margins principally results from the periodic revaluation of undistributed profits in the Company's joint venture projects in Israel and India, the MG&A amounts relate to the translation up to April 28, 2004 of deposits used to fund Aecon's investment in the concessionaire operating the Cross Israel Highway, as well as the impact of translating various foreign currency investments and borrowings. Foreign exchange reported within MG&A amounted to a gain of $0.6 million in the second quarter of 2004 versus a loss of $0.7 million in 2003, while for the six months a gain of $0.8 million was recorded in 2004 compared to a loss of $1.5 million last year. Comparing 2004 results to that of 2003, foreign exchange explains $3.9 million of the improvement in pre-tax earnings ($2.7 million, after-tax) for the quarter and $8.2 million ($6.1 million after-tax) for the six months. Aecon's investment in the concessionaire operating the Cross Israel Highway, amounting to $37.3 million, was made on April 28, 2004, is accounted for at cost and will not be subject to revaluation for changes in future exchange rates. This will significantly reduce the amount of foreign exchange gains and losses that Aecon has previously experienced.

Marketing, general and administrative expenses amounted to $12.1 million in the quarter, a reduction of $1.2 million from last year. After removing the effect of foreign exchange, MG&A was higher by $0.1 million. Expenses were lower at Aecon's operating divisions but were higher in the corporate area due to one-time relocation expenses in connection with the consolidation of three separate Toronto area offices into one facility near Toronto's Pearson International Airport and one-time costs associated with the proposed going private transaction (in addition to those being reimbursed by Hochtief), which together amounted to $0.7 million. For the six months, MG&A of $26.3 million was $1.6 million less than 2003. After excluding the impact of foreign exchange, MG&A was higher than last year by $0.7 million. In addition to the relocation costs incurred in the second quarter, Aecon incurred a charge of $2.6 million in the first quarter to cover the cost of terminating the lease on its premises at Midland Avenue in Toronto. Otherwise, MG&A would be lower, reflecting the continued focus by all divisions and the corporate office in reducing the MG&A burden.

Depreciation and amortization in the second quarter amounted to $2.0 million, a reduction of $0.4 million from the same period of 2003 and for the six months depreciation and amortization was down $0.7 million to $3.8 million. These reductions, which arose in the utilities and roadbuilding operations, reflect a combination of a reduced fleet size because of improved fleet utilization and the greater use of operating leases rather than outright purchase when obtaining certain types of equipment.

Net interest expense increased by $0.3 million in the second quarter of 2004 to $0.8 million and rose by $0.7 million in the six months to $1.7 million. The increases are the result of interest income from the Cross Israel Highway construction joint venture being lower than 2003 as this project is nearly complete and its surplus cash is reduced. Gross interest expense amounted to $1.0 million in the current quarter, compared to $1.1 million in 2003 and for the six months amounted to $2.3 million versus $2.1 million last year. Interest income in the quarter however fell from $0.6 million in 2003 to $0.2 million this year. For the six months interest income declined from $1.1 million in 2003 to $0.6 million in 2004.

For the second quarter, tax expense of $1.0 million was recorded on pre-tax earnings of $3.2 million. For the six months ended June 30, 2004, tax expense of $0.3 million was recorded on pre-tax earnings of $0.4 million, representing an effective income tax rate for the first half of 70.4%, which compares to the combined Canadian federal and provincial (Ontario) statutory income tax rate of 36.1%. The tax rate for the six months ended June 30, 2004 was distorted due to provincial and foreign rate differentials, non-deductible expenses for tax purposes, and Large Corporations tax partially offset by foreign exchange translation gains which are not subject to tax. Set out below, in tabular form, is a reconciliation between the statutory and effective tax rates for this period.

	Six Months Ended June 30, 2004
Income from continuing operations before income taxes	$ 362
Statutory income tax rate	36.1%
Expected income tax expense	131
Effect on income tax of:	
Provincial and foreign rate differentials	131
Non-deductible expenses	212
Large corporations tax	225
Foreign exchange translation gains	(462)
Other	18
Income tax expense from continuing operations	$ 255
Effective income tax rate	70.4%

Net income from continuing operations amounted to $2.2 million or $0.08 per share for the three months ended June 30, 2004, compared to a net loss from continuing operations of $1.6 million, or $0.07 per share, in the same period of 2003. For the six months, net income from continuing operations amounted to $0.1 million which compares with a loss of $11.3 million in 2003.

New contract awards amounted to $486.7 million for the first half of 2004, which compares with $389.0 million in 2003. Backlog at June 30, 2004 was $571.0 million, which was $18.1 million higher than the beginning of the year but $19.7 million less than the same date last year. Major project backlog, representing the two large international projects in India and Israel, was $24.1 million less than the beginning of the year and $54.4 million less than last year, as those two projects are now basically complete. Core backlog, which includes all other work was up $42.2 million since the start of 2004 and was $34.7 million greater than June 30, 2003. Backlog in Aecon's roadbuilding operations is especially strong, approximately doubling to over $146 million since the beginning of the year.

Reporting segments

Infrastructure

Financial Highlights

$ millions	Three months ended June 30			Six months ended June 30		
	2004	2003	% Change	2004	2003	% Change
Revenues	$ 114.4	$ 113.9	0.4%	$ 170.3	$ 178.5	(4.6)%
Segment operating profit (loss)	$ 5.4	$ (2.0)	n/a	$ (0.5)	$ (12.5)	96.0%
Return on revenue	4.7%	(1.8)%	n/a	(0.3)%	(7.0)%	95.8%
Backlog - June 30	$ 239.9	$ 242.4	(1.0)%			

Overall, revenues from the Infrastructure segment increased marginally in the second quarter as revenue gains in some operations were offset by losses in others. Two large hydro projects in Quebec - a hydro-electric dam project in Toulnustouc and a hydro-electric power house project in Eastmain - generated a $25 million increase in revenues in the quarter and $30 million for the first half over the corresponding periods of 2003. However these increases were offset by the combined impacts of a drop in Ontario roadbuilding revenue, reduced revenue from the Israel and India projects, and the year-over-year reduction in revenues due to the completion in 2003 of three projects for the Ministry of Transportation in Quebec. The decline in Ontario roadbuilding revenue is attributable to the impact of a three week labour disruption in June and the delay in starting existing work and awarding of new work because of the change in the provincial and municipal governments in the fall of 2003, and the continued delay in the $22 million project to construct a fixed-link bridge to the Toronto Island Airport. This reduction in roadbuilding revenues should be recouped over the balance of the year as backlog at June 30 is very strong. The Cross Israel Highway and Nathpa Jhakri Hydro-electric power projects were, together, $17 million lower in revenues than last year as those two projects are now essentially complete. For the six months, Infrastructure revenues were down $8.2 million or 4.6%. Revenue declines from the Israel and India projects, which combined were $21 million less than 2003, and $9 million within the roadbuilding sector, were offset by increases in Quebec based civil projects.

Infrastructure segment operating results improved by $7.4 million in the quarter, going from a loss of $2.0 million in 2003 to a profit of $5.4 million this year. Foreign exchange differences represented approximately $4.9 million or two-thirds of the improvement.

On a quarter-over-quarter comparison, several other large items affected results between 2004 and 2003. Included in second quarter 2004 earnings is $4 million relating to an increase in the expected profit at completion of construction of the Cross Israel Highway, which partially includes the negotiated settlement of outstanding claims for additional revenues. In the corresponding quarter of 2003 a $3.4 million earnings pickup was recorded on the India hydro-electric project due to the cumulative impact of a revision to the profit at completion estimate. Also included in this period in 2003 were write-downs of $3.0 million on three projects in Quebec and one project in Western Canada, partially offset by $1.6 million in other income related to dispositions of real estate, equipment and investments. On a net basis, the above items resulted in a year-over-year increase in quarterly earnings of $2.0 million. Incremental income from the hydro-electric projects in Eastmain and Toulnustouc, both in Quebec, amounted to $2.5 million in the quarter but this was largely offset by reduced contributions from roadbuilding operations due to the impact of lower revenues, the reasons for which are noted above.

For the six months, an operating loss of $0.5 million compares with a loss of $12.5 million recorded in 2003. Foreign exchange differences represented $8.9 million of the $12 million improvement.

New contract awards of $191.0 million were recorded in the first half of 2004, which compares with $63.9 million in the same period last year. Backlog increased by $20.7 million since the start of the year principally due to new awards and the strong volume of outstanding work in the roadbuilding operation, notwithstanding the $24.1 million reduction relating to the near full completion of construction of the Israel and India projects. Compared to June 30 of last year backlog is lower by $2.5 million in total, but is $51.9 million higher if the impacts of Israel and India projects are excluded.

Buildings

Financial Highlights

$ millions	Three months ended June 30			Six months ended June 30		
	2004	2003	% Change	2004	2003	% Change
Revenues	$ 98.7	$ 75.3	31.0%	$ 182.3	$ 145.8	25.1%
Segment operating profit (loss)	$ (2.1)	$ 0.9	n/a	$ (3.8)	$ 1.1	n/a
Return on revenue	(2.1)%	1.2%	n/a	(2.1)%	0.8%	n/a
Backlog - June 30	$ 259.7	$ 269.1	(3.5)%			

Revenues from the Buildings segment increased by $23.4 million or 31.0% from the same quarter last year. Acquisitions in Ottawa in late 2003 and in Montreal in 2004 generated $14.7 million of the improvement. Continued growth in the segment's interiors and renovations business contributed $6.5 million to the increase and volumes from the Quebec and central Ontario regions were also stronger than last year. For the six months, revenues were up $36.5 million, with acquisitions accounting for approximately 60% of the increase.

Despite the strong growth in revenue, operating results were down $3.0 million in the quarter. For the three months ended June 30, the Buildings segment incurred a loss of $2.1 million compared to a profit of $0.9 million in 2003. Approximately $0.9 million of the deterioration was on account of the acquisition in Ottawa as margins and the volume of new work have been disappointing and the unit has suffered operating losses. In the Toronto and central Ontario region, which accounts for the bulk of Buildings' revenues, margins have been weak and results are also approximately $0.9 million less than last year. Reduced volume of work at the Pearson International Airport, with the opening of Terminal 1 in April, resulted in a

$0.4 million reduction in earnings compared to the same quarter last year. Other causes for the drop in earnings were the completion in late 2003 of a major international government consulate contract and a decline in the results of Buildings' U.S. operations.

For the six months, the Buildings segment incurred an operating loss of $3.8 million compared to a profit of $1.1 million last year. The majority of this decline occurred in the second quarter. In addition, in the first quarter Aecon incurred a loss of $1.5 million on a college renovation project due to cost overruns, for which partial recovery is expected through a claim for additional compensation.

The poor margin performance in the Buildings segment reflects the combined impacts of difficult and highly competitive market conditions due to the continued softness of the commercial/office sector, and in some cases because of margin underperformance on certain contracts. In order to re-establish our profitable growth in this segment, we are changing and augmenting many of our project management tools and processes, with considerable assistance of Turner Construction, the largest building contractor in the U.S. and which is owned by Hochtief AG. We have also recently announced the appointment of a new President and CEO for this operation, Mr. Bob Molgat, who joins Aecon in August of 2004 and who brings considerable and successful industry experience to the position.

New contract awards of $199.2 million were recorded in the first half, which compares with $226.6 million in 2003. Backlog increased by $16.9 million since the beginning of the year largely on account of the impact of the Cegerco acquisition in Montreal.

Industrial

Financial Highlights

$ millions	Three months ended June 30			Six months ended June 30		
	2004	2003	% Change	2004	2003	% Change
Revenues	$ 57.8	$ 52.0	11.0%	$ 117.2	$ 101.2	15.7%
Segment operating profit (loss)	$ 3.9	$ (0.5)	n/a	$ 14.7	$ (2.5)	n/a
Return on revenue	6.7%	(0.9)%	n/a	12.5%	(2.5)%	n/a
Backlog - June 30	$ 71.4	$ 79.2	(9.8)%			

Revenues of $57.8 from the Industrial segment in the second quarter of 2004 were $5.8 million or 11.0% higher than the same quarter in 2003. Growth came from fabrication work, which increased $7.9 million over last year and was derived mainly from Aecon's manufacturing operations in western Canada where pipe and modules are being supplied to the Syncrude and Suncor projects. Project work, which includes Aecon's industrial construction, installation and maintenance activities principally in the power and steel industries, was up $4.9 million in the quarter. One project in particular, a $31 million power contract in New Brunswick, generated approximately 40% of this sector's revenue in the quarter. Automotive and nuclear work were less than in 2003, as was revenue from Innovative Steam Technologies ("IST"), which sells and licenses the technology for once-through steam generators. The decline in revenue at IST, amounting to $1.6 million in the quarter, related to the timing of production between 2004 and 2003. In 2003, two new contracts booked in the first quarter had production timetables heavily skewed towards the second quarter. In 2004, production and revenue has been more even between the quarters. Overall, IST revenues for the half are higher than last year.

For the six months, revenue from the Industrial segment was $16.0 million or 15.7% higher than 2003. Pipe fabrication revenue was almost double the prior year amount, increasing $19.5 million, with very strong performance in the west, supporting activities in oil sands operations of northern Alberta, offsetting significant reductions in fabrication activities out of Aecon's Ontario based fabrication shops. Automotive volume was down $12.7 million, reflecting the decision made in the latter part of 2003 to be much more selective in the type of automotive work that the segment will bid on. This decision was taken because of the highly competitive and lower margin characteristics of the automotive sector compared to the other sectors in which the Company is active. Project, nuclear and IST revenues were all higher in the first half.

Operating profit of the Industrial segment was $3.9 million in the quarter which compares with a loss of $0.5 million reported in 2003. The contribution from project work was up $2.9 million over 2003. This reflects significant earnings in the quarter from two major projects and the fact that in 2003 a write-down of $1.6 million was recorded on another project. Operating profit from Aecon's 38.75% interest in Canatom NPM Inc. increased $1.9 million. Fabrication contributions in the west improved by $1.4 million on the strength of significant module fabrication work completed to date, while fabrication in the east reduced by $1.8 million as a result of delays and volume reductions, thus resulting in a significant underutilization of capacity. Reduced costs within the automotive unit resulted in an improvement in earnings of $0.5 million, despite lower revenues. IST had lower results in the quarter, in large part because IST's 2003 results benefited from a $1.3 million reduction in warranty reserves that were no longer required. For the six months, operating profit from the Industrial segment was up $17.2 million over 2003. This included $7.3 million received in the first quarter from a claim settlement, and a $1.4 million improvement at IST, as well as improvements of $4.5 million in Projects, $1.6 million in fabrication (again with gains in the west offsetting reductions in the east), $1.8 million from Canatom and $0.6 million within the automotive sector.

New contract awards of $97.7 million were recorded in the first half, which compares with $98.7 million in 2003. IST accounted for $33.0 million of the awards in the first six months of 2004, with four new contracts in the first quarter and two new contracts in the second quarter. In the first half of 2003, IST had awards of $11.6 million, with two contracts booked in the first quarter and none in the second quarter. Backlog for the Industrial segment of $71.4 million was $19.5 million lower than the beginning of the year due to declines in project and fabrication backlog.

Corporate and Other

Net corporate expenses amounted to $3.2 million in the second quarter, which compares with a positive contribution of $33 thousand recorded last year. Foreign exchange losses of $0.6 million in 2004 versus gains in 2003 resulted in $1.5 million of this negative variance. A reduction in profit from the sale of assets accounted for $0.9 million of the variance due to the year-over-year impact of Aecon's sale in 2003 of its interest in Tanknology Canada Inc. As noted in the discussion of consolidated results, expenses related to the consolidation of three separate Toronto area offices into one facility near Toronto's Pearson International Airport as well as costs associated with the proposed going private transaction amounted to $0.7 million in the quarter. For the six months, net corporate expenses of $8.3 million were $6.5 million higher than 2003. Included in 2004 first quarter costs was $2.6 million to cover lease termination payments Aecon will incur as a result of its contractual obligation to terminate the lease on its premises at Midland Avenue in Toronto.

Discontinued Operations

See note 7 to the Company's interim consolidated financial statements.

Quarterly Financial Data

The reader is referred to the Company's 2003 Management Discussion and Analysis for a summary of the results of the eight quarters that ended on December 31, 2003. The following table summarizes results for the first two quarters of 2004 and 2003 (in millions of dollars, except per share amounts).

	2004		2003	
	Quarter 1	Quarter 2	Quarter 1	Quarter 2
Revenues	$ 198.5	$ 270.0	$ 184.2	$ 241.1
Net income (loss)	(2.4)	2.4	(9.9)	(2.0)
Earnings (loss) per share:				
Basic	(0.09)	0.08	(0.41)	(0.07)
Diluted	(0.09)	0.07	(0.41)	(0.07)

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at June 30, 2004 totaled $53.9 million, which compares with $50.2 million at the end of 2003. Of these amounts, $45.5 million and $42.5 million, respectively, were on deposit in joint venture and affiliate bank accounts, which Aecon cannot access directly. Marketable securities, which represent investments in short-term corporate debentures held within two joint ventures, amounted to $1.7 million at June 30 compared to $9.0 million at the end of 2003. One of the projects is coming to an end and the joint venture's investments are being liquidated.

Cash used in operating activities amounted to $3.5 million in the quarter ended June 30, 2004 compared to cash used in the same quarter last year of $6.3 million. For the six months, cash of $4.3 million was used for operating activities versus $26.1 million in 2003. The improved cash flow in both periods was attributable to the combination of better operating results and reduced investment in working capital which results from continued focus and improvement in the commercial terms of Aecon's contracts and in the continued focus on receivable collection.

Investing activities resulted in a use of cash of $0.3 million in the three months ended June 30, 2004, which compares with cash provided of $0.4 million in 2003. The sale of a joint venture interest (additional details for which are included in the interim Consolidated Financial Statements in note 7, Discontinued Operations) resulted in a cash inflow of $1.2 million in the quarter. Also in the quarter $0.4 million was used to make an acquisition (additional details for which are included in note 9, Acquisition). Purchases of property, plant and equipment, net of proceeds from disposals amounted to $0.6 million and cash used for other assets amounted to $0.5 million. For the six months, cash used in investing activities amounted to $11.5 million, which compares with cash used of $0.8 million in 2003. The most significant item in this period was the final deposit of $12.3 million made in March to the trust that funded Aecon's committed investment of US $27.2 million in Derech Eretz Highways (1997) Ltd. ("Derech Eretz"), the concessionaire of the Cross Israel Highway. The book value of this investment at June 30, 2004 is $37.3 million.

As at June 30, 2004 deferred costs related to Aecon's airport project in Quito, Ecuador amounted to $4.9 million, an increase of $0.6 million from the end of the first quarter. During the first quarter $4.3 million of deferred costs were recovered upon the transfer to a new partner a portion of Aecon's interest in the project.

Cash generated from financing activities during the quarter ended June 30, 2004 amounted to $9.4 million, compared to $4.3 million in the same quarter in 2003. An increase in bank indebtedness provided $11.2 million and repayments of long-term debt, net of issuances, resulted in a use of cash of $2.1 million. For the six months, cash provided from financing activities amounted to $18.8 million, compared to $29.3 million provided in 2003. In the first quarter the Company issued 4,600,000 common shares at $5.25 per share. Net proceeds, after deducting agents' fees and expenses of the issue were $23.9 million. One of the principal purposes of the share issue was to fund the balance of the required investment in Derech Eretz, referred to above.

Interest bearing debt amounted to $77.1 million at June 30, 2004, compared to $80.8 million at December 31, 2003 and $94.4 million at June 30, 2003, the composition of which is as follows ($ millions):

	June 30, 2004	Dec. 31, 2003[2]	June 30, 2003[2]
Bank indebtedness[1]	$ 25.8	$ 30.1	$ 38.9
Current portion of long-term debt	15.0	15.9	2.7
Long-term debt	28.8	27.4	44.6
Convertible debenture	7.5	7.4	7.4
Total	$ 77.1	$ 80.8	$ 93.6
Equity	$ 140.8	$ 117.0	$ 118.6
Ratio of Interest Bearing Debt to Equity	0.55	0.69	0.79

(1) Includes issued but uncleared cheques.
(2) These amounts exclude debt related to discontinued operations of $0.8 million at June 30, 2003 and $0.5 million at December 31, 2003. See note 7 to the interim Consolidated Financial Statements.

To finance its working capital requirements Aecon principally depends on its access to a working capital facility and a revolving term loan.

Availability under the working capital facility, which was recently renewed to June 3, 2005, is linked to seasonally fluctuating current assets and liabilities, including accounts receivable, and certain accounts payable. The working capital facility consists of a $35 million committed core facility and a $15 million uncommitted seasonal facility. The uncommitted seasonal facility is available from June through December 4, 2004, to accommodate the potential for short term temporary cash flow gaps during Aecon's most active and therefore working capital intensive operating season.

The working capital facility agreement includes several financial covenants which have been adjusted from year to year to accommodate the requirements of the Company while providing comfort to the participating lenders. No other funding arrangements of the Company have financial covenants, although some include the working capital facility covenants by reference.

The revolving term facility has a remaining maturity of 13.5 years and an annuity style amortization schedule. The amount of the revolving term loan was established by reference to the appraised value of certain real estate and aggregate reserve assets which serve as primary collateral for the loan. On the seventh anniversary, which is 5.5 years hence, the lender can request that a repayment be made to restore the agreed ratio between the then available loan amount and the then appraised value of the collateral assets. The revolving term loan provides Aecon with a very flexible and stable source of operating funding.

At June 30, 2004 Aecon had unused credit facilities available for operating purposes of $54.7 million. At the same time last year, the unused facilities were $30.0 million.

The Company's liquidity position in currently relatively strong, in part as a result of the recent equity issue, but also as a result of the improved operating cash flow. This liquidity position is anticipated to partially reverse itself over the next three to six months, as the construction season continues to ramp up and thus requires larger investments in work in progress and accounts receivable.

The availability of credit under the term revolver and bank credit facility, supplemented by the Company's equity and cash flow from operations, is expected to be sufficient to meet operating requirements.

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

CHANGES IN ACCOUNTING POLICIES

For Aecon's 2004 fiscal year, new rules (Accounting Guideline 13 issued by the Canadian Institute of Chartered Accountants (CICA)) related to hedge accounting became effective. These rules set out the conditions that must be met in order to apply hedge accounting. Each hedging relationship is also subject to an effectiveness test on a regular basis to determine whether there is reasonable assurance that the hedge will continue to be effective. Any derivative financial instrument that does not qualify for hedge accounting will be accounted for on a mark-to-market basis. The Company did not enter into any transactions during the quarter that qualified for hedge accounting. The amount of the mark-to-market adjustment recorded in the current year's financial statements was a loss of $0.1 million for the three months ended June 30, 2004 and a gain of $0.1 million for the six months then ended.

Effective January 1, 2004, the Company adopted CICA Handbook section 1100, "Generally Accepted Accounting Principles" which establishes standards for financial reporting in accordance with generally accepted accounting principles (GAAP), defines primary sources of GAAP and requires that an entity apply every relevant primary source. Adoption of this new standard did not have an impact on the Company's financial position, results of operations, cash flows or on the Company's business operations.

Also effective January 1, 2004, the Company adopted CICA Handbook section 3110, "Asset Retirement Obligations". This standard focuses on the recognition and measurement of liabilities related to legal obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for the accretion of discount and any changes in the underlying cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time. Adoption of this new standard did not have a material impact on the Company's financial position, results of operations, cash flows or on the Company's business operations.

PENDING ACCOUNTING POLICY CHANGES

Effective with the issuance of its third quarter results, the Company will comply with new disclosure requirements for pensions and other employee future benefit plans. The purpose of these new rules is to allow readers to better understand how obligations under these plans affect Aecon's financial condition, operations and cash flows.

SUPPLEMENTAL DISCLOSURES

Contractual Obligations

There were no material changes in the quarter or six month period ended June 30, 2004 that were outside the ordinary course of the Company's business.

As of December 31, 2003 Aecon was committed to invest a further US $9.3 million by March 27, 2004 in Derech Eretz Highways (1997) Ltd., the concessionaire of the Cross Israel Highway. This commitment was fulfilled on the due date.

As disclosed in note 9 to the interim Consolidated Financial Statements, in connection with the acquisition of Cegerco CCI Inc., Aecon is committed to potential earn-out payments of up to an additional $1,200 over the next four years.

At June 30, 2004 Aecon had contractual obligations to complete construction contracts which were in progress. The revenue value of these contracts, which represents backlog, was $571 million.

Off-Balance Sheet Arrangements

In connection with its joint venture operations in India and Israel, Aecon has provided various financial and performance guarantees and letters of credit, which are described in note 4 to the interim Consolidated Financial Statements.

There was no material change in the funded status of Aecon's pension plans during the first half of 2004 . Details relating to Aecon's defined benefit plans are set out in note 17 to the Company's 2003 Consolidated Financial Statements.

Aecon from time to time enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar. At June 30, 2004 the Company had net outstanding contracts to buy US $1.7 million, sell US $5.0 million and sell EURO 5.8 million (December 31, 2003 - buy US $2.5 million and sell EURO 3.4 million) on which there were unrealized net exchange gains of $0.1 million (December 31, 2003 – net exchange losses of $22 thousand). Financial instruments are discussed in note 19 to the Company's 2003 Consolidated Financial Statements.

Related Party Transactions

Aecon from time to time receives financial support from its largest shareholder Hochtief Canada Inc. ("HCI"). One of the covenants contained in the loan agreement with the Company's bankers is that HCI will maintain a minimum 40% ownership interest in the number of Aecon shares outstanding from time to time. At June 30, 2004 Aecon was indebted to HCI for a total of $17.7 million (December 31, 2003 -$17.4 million) of which $7.7 million (December 31, 2003 - $7.7 million) was in the form of a convertible subordinated debenture as described in note 10 to the Company's 2003 Consolidated Financial Statements and $10.0 million (December 31, 2003 - $9.7 million) was a draw-down under a stand-by facility agreement as described in note 8 to the Company's 2003 Consolidated Financial Statements. Hochtief AG, the parent of HCI, has issued guarantees in support of the financial and performance related obligations of the Nathpa Jhakri hydro-electric project in India in which Aecon has a joint venture interest. Aecon paid Hochtief AG $0.2 million during the six months ended June 30, 2004 (2003 - $0.2 million) in connection with these guarantees. In addition, Aecon paid Hochtief $0.5 million of interest and fees in connection with the convertible subordinated debenture and stand-by facility ($0.2 million in 2003). Aecon has also developed a new partnership agreement with Hochtief for bidding and executing large civil projects in North America and is a joint venture partner in the $108 million hydro-electric power house project in

Eastmain, Quebec. On July 21, 2004 the shareholders voted not to approve a proposed amalgamation that would have resulted in HCI holding all of the outstanding shares of the Company and taking the Company private. The Company incurred legal, valuation and related costs estimated at $1,032 in connection with the proposed amalgamation. HCI has agreed to reimburse the Company for $520 of these costs.

Critical Accounting Estimates

The reader is referred to the detailed discussion on Critical Accounting estimates as outlined in the notes to the Company's 2003 Consolidated Financial Statements.

In 2003 Aecon acquired the assets and operations of Westeinde Construction Ltd. ("Westeinde") which is described in note 16 to the Company's 2003 Consolidated Financial Statements. Since certain post-closing adjustments are still outstanding, and as the determination of the fair value of certain of the intangible assets is not final, the purchase price allocation for Westeinde, as at June 30, 2004 and December 31, 2003 is preliminary.

Outstanding Share Data

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

(in thousands of dollars, except share amounts)

	June 30, 2004	August 11, 2004
Number of common shares outstanding	30,044,109	30,056,109
Paid up capital of common shares outstanding (1)	$ 92,129	$ 92,172
Outstanding securities exchangeable or convertible into common shares:		
Number of employee stock options outstanding	1,511,500	1,599,500
Number of common shares issuable on exercise of employee stock options	1,511,500	1,599,500
Increase in paid up capital on exercise of employee stock options	$ 5,577	$ 6,164
Principal amount of convertible debentures outstanding (see note 10 to the Company's 2003 Consolidated Financial Statements)	$ 7,731	$ 7,731
Number of common shares issuable on conversion of convertible debenture	2,147,568	2,147,568
Increase in paid up capital on conversion of convertible debenture	$ 7,731	$ 7,731

(1) As described in note 2 to the Company's 2003 Consolidated Financial Statements, in accordance with recommendations of The Canadian Institute of Chartered Accountants share capital has been reduced by $857 on account of share purchase loans receivable from employees.

OUTLOOK

This outlook is based on management's expectations following its review of Aecon's second quarter results for 2004. It supercedes and updates the disclosure contained in Aecon's Management Information Circular dated June 21, 2004. In particular, the management forecasts provided to GMP Securities Ltd. for purposes of its valuation and fairness opinion are superceded by the disclosure provided here and should not be considered as guidance to investors for use in future investment decisions.

Aecon's backlog of work, sometimes viewed as a useful indicator of future revenue prospects, remained strong in the second quarter. Total backlog at June 30, 2004 was $571.0 million – a 3.3% increase since December 31, 2003 and a 3.3% decline since June 30 of last year.

Core backlog, consisting of all backlog other than that associated with Aecon's major projects in Israel and India, reached $564.0 million on June 30, 2004 – an increase of 8.1% since December 31, 2003 and 6.6% since June 30, 2003.

In the second half of 2004, Aecon's Infrastructure segment is expected to continue the strong year-over-year improvement reported in the first half, with a significant operating profit anticipated within the segment.

Ontario roadbuilding operations, which have performed below traditional levels over the past four quarters, are expected to rebound in the second half to post an increased operating profit in 2004. Similarly, Aecon's Ontario utilities operations, which have already shown signs of improvement after a slow first quarter, are also expected to post an improved operating profit in 2004.

In the heavy civil sector, Aecon's Eastmain hydro-electric project in Quebec is expected to continue its positive contribution to segment operating profit and, pending the granting of water permits for the York Region trunk sewer project north of Toronto, this project is also expected to generate operating income in the second half of 2004.

Progress continues to be made toward financial close of the Quito Airport project in Ecuador. The confirmation of a major South American equity and construction partner was a significant step forward in the second quarter, as was the progress in discussions with lenders. Financing for the project is expected to close in the fourth quarter, adding approximately $250 million to Aecon's backlog. While financial close will generate a significant cash infusion as Aecon received success fees and recovers bid costs associated with the project, most of which will be used to fund Aecon's equity investment in the Quito concessionaire, a positive contribution to operating profit is not expected until 2005 when construction activities would actually commence.

Aecon's challenges in the Buildings segment, which resulted in year-over-year declines in the first quarter, continued in the second quarter of 2004. Although most of the operating losses generated in the first half are expected to be reversed in the second half, results at year end are expected to show a significant decline from those reported in previous years.

While some of the operational difficulties experienced in this segment during the first half of 2004 will be addressed in the second half, many of the root causes of the year-over-year decline reported to date are expected to remain throughout 2004 - including the highly competitive market in the Greater Toronto and Ottawa regions, the continued softness of the commercial sector in Ontario and the reduced volume of work at the Pearson Airport project in Toronto.

As noted in Aecon's first quarter report, the acquisition of Cegerco CCI will add significantly to Aecon's scope and capacity in the Montreal market, but is not expected to positively impact Aecon's operating profit in 2004. One time costs associated with the merger of Aecon's existing Buildings operations with those of Cegerco, and establishment of the new Aecon/Cegerco brand in the Montreal region, are expected to result in an operating loss in 2004. These one time costs aside, however, contributions this year from projects inherited as part of the Cegerco acquisition are expected to offset losses in other Aecon Buildings projects in Quebec, with positive profit contributions expected from the combined operation in 2005.

Aecon's Industrial segment is once again expected to generate significant operating profits in 2004. While the year-over-year gains made in the first half (due in part to a $7.3 million claim settlement reported in the first quarter) are not expected to be repeated in the second half, the Industrial segment is expected to report increased operating profits in 2004 compared to those reported in 2003.

As indicated in the first quarter report, volumes in Aecon's fabrication and module assembly operations are expected to slow significantly in the second half, resulting in a year-over-year decline in profit contributions. However, these declines are expected to be offset somewhat by industrial construction, installation and maintenance work in the power, steel and automotive sectors, where year-over-year gains are anticipated.

For the first time since 2001, Innovative Steam Technologies is expected to provide operating profit contributions in 2004 as the turnaround plan completed in 2003 takes hold and the market for steam generators improves.

Also in the Industrial segment, the volume of Aecon's work in the nuclear sector, conducted through Aecon's interest in Canatom NPM, is expected to continue to lag last year's results due to the completion last year of the Qinshan nuclear project in China. However, the outlook for Canatom in 2005 and beyond is positive as the urgent need for increased generating capacity in Ontario will likely prompt Bruce Power to undertake a substantial refurbishment program at its nuclear facility near Kincardine. Canatom is well positioned to capture a significant amount of work if this refurbishment goes forward.

Overall, notwithstanding the unexpected softness in the results reported within the buildings segment, results in the first half of 2004 reinforce management's expectation that Aecon's financial turnaround is taking hold. As a result, while it is too early to predict Aecon's likely net income for the year since it is dependent on the settlement of outstanding claims which are difficult to quantify, management is confident of significant bottom line improvements and a return to profitability in 2004.

FORWARD-LOOKING INFORMATION

In various places in Management's Discussion and Analysis and in other sections of this document, management's expectations regarding future performance of Aecon was discussed. These "forward-looking" statements are based on currently available competitive, financial and economic data and operating plans, but are subject to risks and uncertainties. Forward-looking statements include information concerning possible or assumed future results of operations or financial position of Aecon, as well as statements preceded by, followed by, or that include the words "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" or similar expressions. Important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause those results to differ materially from those expressed in any forward-looking statements. Forward-looking information in management forecasts provided to GMP Securities Ltd. for purposes of its valuation and fairness opinion, contained in Aecon's Management Information Circular dated June 21, 2004, is superseded by the disclosure provided here and should not be considered as guidance to investors for use in future investment decisions.

Notice To Reader

The management of Aecon Group Inc. is responsible for the preparation of the accompanying interim consolidated financial statements. The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

These interim financial statements have not been reviewed by an auditor. 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.

(signed) John M. Beck, Chief Executive Officer

(signed) Scott C. Balfour, Chief Financial Officer

Aecon Group Inc.

Consolidated Balance Sheets

(in thousands of dollars) (unaudited)

	June 30, 2004	December 31, 2003
Assets		
Current assets		
Cash and cash equivalents	$ **53,906**	$ 50,157
Marketable securities	**1,749**	8,984
Accounts receivable	**157,908**	144,749
Holdbacks receivable	**37,188**	37,113
Deferred contract costs and unbilled revenue	**46,619**	46,926
Inventories	**13,665**	11,809
Prepaid expenses	**5,059**	3,603
Future income tax assets	**6,120**	8,311
Discontinued operations (note 7)	**-**	21,723
	322,214	333,375
Property, plant and equipment	**57,783**	59,028
Future income tax assets	**47,000**	38,953
Other assets	**64,528**	52,002
	$ **491,525**	$ 483,358

Aecon Group Inc.

Consolidated Balance Sheets

(in thousands of dollars) (unaudited)

	June 30, 2004	December 31, 2003
Liabilities		
Current liabilities		
Bank indebtedness	$ **25,776**	$ 30,090
Accounts payable and accrued liabilities	**155,677**	151,694
Holdbacks payable	**28,494**	24,496
Deferred revenue	**41,285**	43,349
Income taxes payable	**4,928**	2,363
Future income tax liabilities	**24,764**	24,660
Current portion of long-term debt	**15,039**	15,944
Discontinued operations (note 7)	**-**	20,574
	295,963	313,170
Long-term debt	**28,764**	27,367
Other liabilities	**364**	364
Future income tax liabilities	**18,101**	18,032
Convertible debenture	**7,512**	7,457
	350,704	366,390
Shareholders' Equity		
Capital stock (notes 2 and 3)	**92,129**	68,216
Contributed surplus (note 3)	**112**	204
Convertible debenture	**836**	836
Retained earnings	**47,744**	47,712
	140,821	116,968
	$ **491,525**	$ 483,358

Approved by the Board of Directors

(signed) John M. Beck, Director

(signed) Scott C. Balfour, Director

Aecon Group Inc.

Consolidated Statements of Operations

For the Three Months ended June 30, 2004 and 2003

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

	2004	2003
Revenues	$ **270,025**	$ 241,104
Costs and expenses	**252,294**	229,714
Marketing, general and administrative expenses	**12,107**	13,302
Depreciation and amortization	**2,022**	2,376
Gain on sale of assets	**(428)**	(2,699)
Interest expense, net	**821**	495
	266,816	243,188
Income (loss) before income taxes	**3,209**	(2,084)
Income taxes		
Current	**2,594**	376
Future	**(1,608)**	(882)
	986	(506)
Net income (loss) from continuing operations	**2,223**	(1,578)
Net income (loss) from discontinued operations (note 7)	**158**	(435)
Net income (loss) for the period	$ **2,381**	$ (2,013)
Net earnings (loss) per share from continuing operations (note 3)		
Basic	$ **0.08**	$ (0.07)
Diluted	$ **0.07**	$ (0.07)
Net earnings (loss) per share (note 3)		
Basic	$ **0.08**	$ (0.08)
Diluted	$ **0.08**	$ (0.08)
Average number of shares outstanding (note 3)		
Basic	**28,472,357**	23,717,452
Diluted	**32,704,367**	27,352,723

Aecon Group Inc.

Consolidated Statements of Operations

For the Six Months ended June 30, 2004 and 2003

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

		2004		2003
Revenues	$	**468,516**	$	425,332
Costs and expenses		**436,755**		411,440
Marketing, general and administrative expenses (note 8)		**26,283**		27,893
Depreciation and amortization		**3,780**		4,521
Gain on sale of assets		**(398)**		(2,853)
Interest expense, net		**1,734**		1,050
		468,154		442,051
Income (loss) before income taxes		**362**		(16,719)
Income taxes				
Current		**5,938**		2,313
Future		**(5,683)**		(7,758)
		255		(5,445)
Net income (loss) from continuing operations		**107**		(11,274)
Net loss from discontinued operations (note 7)		**(88)**		(640)
Net income (loss) for the period	$	**19**	$	(11,914)
Net earnings (loss) per share from continuing operations (note 3)				
Basic	$	**-**	$	(0.48)
Diluted	$	**-**	$	(0.48)
Net earnings (loss) per share (note 3)				
Basic	$	**-**	$	(0.50)
Diluted	$	**-**	$	(0.50)
Average number of shares outstanding (note 3)				
Basic		**26,501,758**		23,683,991
Diluted		**30,651,981**		27,489,151

Aecon Group Inc.

Consolidated Statements of Retained Earnings

For the Three Months ended June 30, 2004 and 2003

(in thousands of dollars) (unaudited)

		2004		2003
Retained earnings - beginning of period	$	**45,357**	$	51,657
Net income (loss) for the period		**2,381**		(2,013)
Interest received on share purchase loans (note 2)		**6**		13
Retained earnings - end of period	$	**47,744**	$	49,657

Aecon Group Inc.

Consolidated Statements of Retained Earnings

For the Six Months ended June 30, 2004 and 2003

(in thousands of dollars) (unaudited)

	2004	2003
Retained earnings - beginning of period	$ **47,712**	$ 62,314
Net income (loss) for the period	**19**	(11,914)
Dividends	**-**	(756)
Interest received on share purchase loans (note 2)	**13**	13
Retained earnings - end of period	$ **47,744**	$ 49,657

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the Three Months ended June 30, 2004 and 2003

(in thousands of dollars) (unaudited)

	2004	2003
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period from continuing operations	$ **2,223**	$ (1,578)
Items not affecting cash -		
Depreciation and amortization	**2,022**	2,376
Gain on sale of assets	**(428)**	(2,699)
(Gain) loss on foreign exchange	**(781)**	3,205
Notional interest representing accretion	**28**	27
Future income taxes	**(1,608)**	(659)
	1,456	672
Change in other balances relating to operations (note 5)	**(4,854)**	(6,660)
Discontinued operations	**(112)**	(266)
	(3,510)	(6,254)
Investing activities		
Purchase of property, plant and equipment	**(1,757)**	(484)
Proceeds on sale of assets	**1,195**	6,870
Acquisition (note 9)	**(400)**	-
Proceeds on sale of joint venture	**1,188**	-
Additions to other assets	**(525)**	(6,024)
Discontinued operations	**-**	71
	(299)	433
Financing activities		
Increase in bank indebtedness	**11,209**	7,119
Issuance of long-term debt	**747**	-
Repayments of long-term debt	**(2,871)**	(1,960)
Issuance of capital stock (note 3)	**338**	111
Dividends paid	**-**	(756)
Interest received on share purchase loans (note 2)	**6**	13
Discontinued operations	**-**	(242)
	9,429	4,285
Increase (decrease) in cash and cash equivalents	**5,620**	(1,536)
Effects of foreign exchange on cash balances	**(151)**	(2,562)
Cash and cash equivalents - beginning of period	**48,437**	76,710
Cash and cash equivalents - end of period	$ **53,906**	$ 72,612

Supplementary disclosure (note 5)

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the Six Months ended June 30, 2004 and 2003

(in thousands of dollars) (unaudited)

	2004	2003
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period from continuing operations	$ **107**	$ (11,274)
Items not affecting cash -		
Depreciation and amortization	**3,780**	4,521
Gain on sale of assets	**(398)**	(2,853)
(Gain) loss on foreign exchange	**(1,980)**	6,101
Notional interest representing accretion	**55**	54
Future income taxes	**(5,683)**	(7,626)
	(4,119)	(11,077)
Change in other balances relating to operations (note 5)	**741**	(14,047)
Discontinued operations	**(929)**	(927)
	(4,307)	(26,051)
Investing activities		
Purchase of property, plant and equipment	**(2,255)**	(1,012)
Proceeds on sale of assets	**1,333**	7,500
Acquisition (note 9)	**(1,075)**	-
Proceeds on sale of joint venture	**1,188**	-
Additions to other assets	**(15,030)**	(7,329)
Proceeds from disposition of other assets (note 5)	**4,326**	-
Discontinued operations	**12**	89
	(11,501)	(752)
Financing activities		
(Decrease) increase in bank indebtedness	**(4,712)**	11,835
Issuance of long-term debt	**3,691**	20,000
Repayments of long-term debt	**(4,143)**	(2,304)
Issuance of capital stock (note 3)	**23,913**	471
Dividends paid	**-**	(756)
Interest received on share purchase loans (note 2)	**13**	13
Discontinued operations	**28**	12
	18,790	29,271
Increase in cash and cash equivalents	**2,982**	2,468
Effects of foreign exchange on cash balances	**767**	(6,069)
Cash and cash equivalents - beginning of period	**50,157**	76,213
Cash and cash equivalents - end of period	$ **53,906**	$ 72,612

Supplementary disclosure (note 5)

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

1. Summary of significant accounting policies

These unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements. They do not include all of the disclosures required by 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, 2003, except for those accounting policies adopted on January 1, 2004 as described in note 2 hereunder. In the opinion of management these statements include all adjustments, consisting of normal and recurring items, which are necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.

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, the Company experiences a seasonal pattern in its operating results with the first half of the year typically reflecting lower revenues and profits than the second half of the year. Results for the three-month and six-month periods ended June 30, 2004 are not necessarily indicative of results expected for the full fiscal year or any other future period.

2. Changes in accounting policies

Effective January 1, 2004 the Company adopted Accounting Guideline 13, "Hedging Relationships" issued by The Canadian Institute of Chartered Accountants ("CICA"). These guidelines set out the conditions that must be met in order to apply hedge accounting. Each hedging relationship is also subject to an effectiveness test on a regular basis to determine whether there is reasonable assurance that the hedge will continue to be effective. Any derivative financial instrument that does not qualify for hedge accounting will be accounted for on a mark-to-market basis. The impact of not applying hedge accounting is that gains or losses on a derivative financial instrument that is marked-to-market may not be recorded in the same accounting period as gains or losses on the hedged item. During the three months ended June 30, 2004 the Company recorded net unrealized losses of $0.1 million and during the six months ended June 30, 2004 recorded net unrealized gains of $0.1 million on foreign currency transactions which did not qualify for hedge accounting. The Company did not enter into any transactions during the quarter that qualified for hedge accounting.

Effective January 1, 2004, the Company adopted CICA Handbook section 1100, "Generally Accepted Accounting Principles" which establishes standards for financial reporting in accordance with generally accepted accounting principles (GAAP), defines primary sources of GAAP and requires that an entity apply every relevant primary source. Since the Company believes it was already in full compliance with these standards, this new standard did not have an impact on the Company's financial position, results of operations, cash flows or on the Company's business operations.

Also effective January 1, 2004, the Company adopted CICA Handbook section 3110, "Asset Retirement Obligations". This standard focuses on the recognition and measurement of liabilities related to legal obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for the accretion of discount and any changes in the underlying cash flows. The asset retirement cost is capitalized to the related asset and amortized into earnings in a systematic and rational basis. Adoption of this new standard had an immaterial impact on the Company's financial position, and had no impact on results of operations or cash flows.

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Effective January 1, 2003, the Company adopted the new recommendations of the CICA on accounting for share purchase loans receivable from employees. Except in certain circumstances, such loans are now required to be presented as deductions from shareholders' equity. Accordingly, and notwithstanding that the Company considers the loans collectible, loans totaling $857 as at January 1, 2003 are no longer presented as loans receivable within other assets, but as a deduction from capital stock. Also, interest received on such loans is no longer considered as income, but accounted for as a capital transaction in shareholders' equity. Interest received on these loans, after provision for income taxes, amounted to $6 in the three months ended June 30, 2004 and $13 in the six months ended June 30, 2004.

Effective January 1, 2003, the Company adopted two new recommendations of the CICA related to the disposal of long-lived assets and discontinued operations, and guarantees. Disclosure in accordance with these guidelines is included in note 7 with respect to discontinued operations and in note 4 for guarantees.

3. Capital stock

	2004		**2003**	
	Number of shares issued	**Amount**	**Number of shares issued**	**Amount**
Balance – January 1 (i)	25,308,542	$ 68,216	25,111,109	$ 67,479
Common shares issued on exercise of options	64,667	234	100,000	360
Common shares issued less expenses of $809 (ii)	4,600,000	23,341	-	-
Balance – March 31	29,973,209	91,791	25,211,109	67,839
Common shares issued on exercise of options	70,900	261	30,833	111
Adjustment of expenses related to common shares issued in first quarter (ii)	-	77	-	-
Balance – June 30	30,044,109	$ 92,129	25,241,942	$ 67,950

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

(ii) On March 18, 2004, the Company issued 4,600,000 common shares at $5.25 per share. Net proceeds, after deducting agents' fees and estimated expenses of the issue were approximately $23,418. Hochtief Canada Inc., the Company's largest shareholder, exercised its pre-emptive right in connection with this offering and acquired 2,214,440 common shares, thus maintaining its proportionate interest.

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

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

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 June 30, 2004, the maximum number of shares reserved for issuance under the plan, after deducting options that have been exercised, is 1,977,766, of which 1,511,500 have been issued. Each option agreement shall specify the period for which the opt ion 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.

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

	2004			2003		
	Shares		**Weighted average exercise price**	**Shares**		**Weighted average exercise price**
Options outstanding - January 1	1,780,400	$	3.76	1,911,233	$	3.71
Exercised	(64,667)		3.62	(100,000)		3.60
Forfeited	(83,333)		5.40	-		-
Options outstanding - March 31	1,632,400		3.69	1,811,233		3.72
Granted	-		-	100,000		4.75
Exercised	(70,900)		3.68	(30,833)		3.58
Forfeited	(50,000)		3.60			
Options outstanding – June 30	1,511,500	$	3.69	1,880,400	$	3.78
Options exercisable at end of period	1,494,833	$	3.64	1,147,066	$	3.68

Options were exercised during the three months ended June 30, 2004 for 70,900 shares (2003 – 30,833) for which share capital was increased by $261 (2003 - $111). For the six months ended June 30, 2004, 135,567 options were exercised (2003 – 130,833) for which share capital was increased by $495 (2003 - $471). Options currently outstanding have the following exercise prices and expiry dates:

Options granted in	**Number of shares**		**Exercise price**	**Expiry date**
2000	886,500	$	3.60	July 20, 2005
2001	200,000		3.60	March 5, 2006
2001	275,000		3.60	April 9, 2006
2001	50,000		4.00	May 7, 2006
2003	100,000		4.75	April 1, 2008

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

The Company adopted fair value accounting for options granted to employees after 2001. During the three months ended June 30, 2004, compensation expense of $16 (2003 - $41) was recorded with respect to the expensing of stock options and Contributed Surplus was increased by the same amount. During the six months ended June 30, 2004, 75,000 options that were granted in 2002 were cancelled which resulted in a reduction in compensation expense of $124 and a decrease in Contributed Surplus of the same amount. Also during this period, compensation expense of $32 (2003 - $55) was recognized and Contributed Surplus was increased by the same amount, on account of options outstanding.

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In connection with an issue of Special Warrants in May 2002, the Company issued to the underwriters 166,750 compensation options ("Compensation Options"). Each Compensation Option entitled the holder thereof to purchase one common share at an exercise price of $5.25 per common share. The Compensation Options, none of which were exercised, expired on May 6, 2004.

In addition to stock options, the Company had phantom share agreements with certain officers and with a firm in which a director of the Company is a partner. A final payment under these agreements was made in February 2003 in the amount of $879.

Details of the calculations of income and loss per share are set out below. For purposes of calculating basic income or loss per share the number of common shares has been reduced by 1,522,063 common shares on account of share purchase loans receivable from employees. For purposes of calculating diluted income or loss per share, these shares have been treated as options.

Three months ended June 30

					2004
		Income (numerator)	**Shares (denominator)**		**Per share**
Net income per share					
Net income for the period	$	2,381	28,472,357	$	0.08
Effect of dilutive securities -					
Options		-	2,084,442		-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		77	2,147,568		-
	$	2,458	32,704,367	$	0.08
Net income per share from continuing operations					
Net income from continuing operations	$	2,223	28,472,357	$	0.08
Effect of dilutive securities -					
Options		-	2,084,442		-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		77	2,147,568		-
	$	2,300	32,704,367	$	0.07

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

		2003			
		Loss (numerator)	**Shares (denominator)**		**Per share (i)**
Net loss per share					
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)
Net loss per share from continuing operations					
Net loss from continuing operations	$	(1,578)	23,717,452	$	(0.07)
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		-
	$	(1,490)	27,352,723	$	(0.07)

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

Six months ended June 30

		2004			
		Income (numerator)	**Shares (denominator)**		**Per share**
Net income per share					
Net income for the period	$	19	26,501,758	$	-
Effect of dilutive securities -					
Options		-	2,002,655		-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		157	2,147,568		-
	$	176	30,651,981	$	-
Net income per share from continuing operations					
Net income from continuing operations	$	107	26,501,758	$	-
Effect of dilutive securities -					
Options		-	2,002,655		-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		157	2,147,568		-
	$	264	30,651,981	$	-

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

	2003		
	Loss (numerator)	**Shares (denominator)**	**Per share (i)**
Net loss per share			
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)
Net loss per share from continuing operations			
Net loss from continuing operations	$ (11,274)	23,683,991	$ (0.48)
Effect of dilutive securities -			
Options	-	1,759,460	-
Convertible secured subordinated debenture bearing inte rest at prime rate plus 1.0% maturing on June 30, 2006	172	2,045,700	-
	$ (11,102)	27,489,151	$ (0.48)

(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. Guarantees

The Company has outstanding guarantees and letters of credit amounting to $33,859 (December 31, 2003 - $38,801) 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 connection with the Cross Israel Highway project, the Company has provided a joint and several guarantee in the amount of $10, 000 (December 31, 2003 - $19,500) in support of holdback related obligations. The Company has also provided two other joint and several guarantees in support of the project, a continuous guarantee, which guarantees the performance of the concessionaire in which the Company has a 22.2% interest and a leakage guarantee, which is a guarantee by the operator of the toll highway, in which the Company has a 34% interest, to the concessionaire and covers toll capture and collection rates generated from users of the highway during the operating period. These guarantees extend to the end of the concession period which ends in 2029. The continuous guarantee is in the amount of $18,000 (December 31, 2003 - $17,500) and is renewed

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annually to its full amount, irrespective of any drawings made thereunder. The leakage guarantee came into effect when construction was completed and is renewable annually for the lesser of $13,100 (December 31, 2003 - $13,000) or 6% of annual toll revenue.

In addition, the Company has also issued, in the normal conduct of operations, guarantees amounting to $7,921 (December 31, 2003 - $5,898) in support of financial and performance related obligations.

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, 2004, the value of uncompleted work for which the Company's joint venture partners are responsible, and which the Company could be responsible for assuming, amounted to approximately $82,000 (December 31, 2003 - $186,000), a substantial portion of which is supported by performance bonds. In the event that the Company assumed this additional work it would have the right to receive the partner's share of billings to the project owners pursuant to the joint venture contract.

The Company has, over time, sold portions of its business. Pursuant to the sale agreements, the Company may have to indemnify the purchaser against liabilities related to events prior to the sale, such as tax, environmental, litigation and employment matters or related to representations made by the company. The company is unable to estimate the potential liability for these types of indemnification guarantees as the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. However the maximum guarantee is not to exceed the proceeds from disposal. Historically, the Company has not made any significant indemnification payments under such agreements.

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

5. Cash flow information

Change in other balances relating to operations:

	Three months to June 30		Six months to June 30	
	2004	**2003**	**2004**	**2003**
(Increase) decrease in:				
Marketable securities	$ **5,352**	$ (276)	$ **7,478**	$ 44
Accounts receivable	**(28,525)**	(31,054)	**(11,515)**	8,762
Holdbacks receivable	**(2,549)**	3,463	**(24)**	6,433
Deferred contract costs and unbilled revenue	**1,606**	3,364	**606**	(1,131)
Inventories	**(2,208)**	(1,538)	**(1,866)**	(3,010)
Prepaid expenses	**(1,775)**	(2,470)	**(1,434)**	(3,054)
Increase (decrease) in:				
Accounts payable and accrued liabilities	**35,419**	21,660	**2,580**	(15,905)
Holdbacks payable	**(1,501)**	1,960	**3,867**	1,489
Deferred revenue	**(11,890)**	(1,262)	**(2,404)**	(9,212)
Income taxes payable	**1,217**	(422)	**2,778**	1,570
Employee benefit plans	**-**	(85)	**-**	(33)
	$ **(4,854)**	$ (6,660)	$ **66**	$ (14,047)

Other supplementary information:

	Three months to June 30		Six months to June 30	
	2004	**2003**	**2004**	**2003**
Cash interest paid	$ **1,156**	$ 1,354	$ **2,389**	$ 3,520
Cash income taxes paid	$ **1,428**	$ 813	$ **2,771**	$ 1,921

Property, plant and equipment acquired and financed by means of capital leases during the three months ended June 30, 2004 amounted to $338 (2003 - $2,584) and $638 (2003 - $2,715) for the six months ended June 30, 2004.

During the six months ended June 30, 2004, the Company received $4,326 upon the transfer to a new partner of a portion of its interest in the Quito, Ecuador airport project.

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

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 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.

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Information by reportable segments is as follows:

as at June 30 and the three months then ended

					2004
	Infrastructure	**Buildings**	**Industrial**	**Corporate and Other**	**Total**
Revenues	$ 114,372	$ 98,694	$ 57,771	$ (812)	$ 270,025
EBITDA	$ 6,555	$ (1,820)	$ 4,339	$ (3,022)	$ 6,052
Depreciation and amortization	1,152	270	440	160	2,022
Segment operating profit (loss)	$ 5,403	$ (2,090)	$ 3,899	$ (3,182)	$ 4,030
Interest and income taxes					(1,807)
Net income from continuing operations					$ 2,223
Total assets	$ 241,519	$ 92,386	$ 65,908	$ 91,712	$ 491,525
Capital expenditures	208	159	1,006	384	1,757
Cash flow from continuing operations	$ 5,410	$ (1,809)	$ 4,216	$ (6,361)	$ 1,456

					2003
	Infrastructure	**Buildings**	**Industrial**	**Corporate and Other**	**Total**
Revenues	$ 113,873	$ 75,325	$ 52,034	$ (128)	$ 241,104
EBITDA	$ (345)	$ 939	$ (40)	$ 233	$ 787
Depreciation and amortization	1,703	42	430	201	2,376
Segment operating profit (loss)	$ (2,048)	$ 897	$ (470)	$ 32	$ (1,589)
Interest and income taxes					11
Net loss from continuing operations					$ (1,578)
Total assets	$ 277,461 (i)	$ 66,973	$ 82,532	$ 73,810	$ 500,776
Capital expenditures	107 (ii)	18	228	131	484
Cash flow from continuing operations	$ 2,419	$ 1,189	$ (88)	$ (2,848)	$ 672

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

(i) Includes assets of discontinued operations of $20,629.
(ii) Includes capital expenditures for discontinued operations of $71.

as at June 30 and the six months then ended

					2004
	Infrastructure	**Buildings**	**Industrial**	**Corporate and Other**	**Total**
Revenues	$ 170,253	$ 182,270	$ 117,160	$ (1,167)	$ 468,516
EBITDA	$ 1,689	$ (3,401)	$ 15,519	$ (7,931)	$ 5,876
Depreciation and amortization	2,191	395	855	339	3,780
Segment operating profit (loss)	$ (502)	$ (3,796)	$ 14,664	$ (8,270)	$ 2,096
Interest and income taxes					(1,989)
Net income from continuing operations					$ 107
Capital expenditures	$ 282 (i)	$ 195	$ 1,533	$ 245	$ 2,255
Cash flow from continuing operations	$ (598)	$ (3,390)	$ 15,388	$ (15,519)	$ (4,119)

(i) Includes capital expenditures for discontinued operations of $12.

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

										2003
		Infrastructure		**Buildings**		**Industrial**		**Corporate and Other**		**Total**
Revenues	$	178,496	$	145,755	$	101,241	$	(160)	$	425,332
EBITDA	$	(9,303)	$	1,175	$	(1,642)	$	(1,378)	$	(11,148)
Depreciation and amortization		3,203		81		840		397		4,521
Segment operating profit (loss)	$	(12,506)	$	1,094	$	(2,482)	$	(1,775)	$	(15,669)
Interest and income taxes										4,395
Net loss from continuing operations									$	(11,274)
Capital expenditures	$	387 (i)	$	37	$	369	$	219	$	1,012
Cash flow from continuing operations	$	(4,386)	$	1,505	$	(1,714)	$	(6,482)	$	(11,077)

(i) Includes capital expenditures for discontinued operations of $89.

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. EBITDA, operating profit (loss), and cash flow from operations are not measures that have any standardized meaning prescribed by GAAP and are considered non-GAAP measures. Therefore, these measures may not be comparable to similar measures presented by other companies. These measures have been described and presented in order to provide shareholders and potential investors with additional information regarding the Company's finances and results of operations.

7. Discontinued operations

On May 7, 2004, the Company sold its one-third interest in a joint venture that was part of the Company's Infrastructure segment. Net proceeds from the sale were $1,188 and the after-tax gain from the sale amounted to $259. For the three months ended June 30, 2004, the Company's proportionate share of revenues, expenses and net loss from this joint venture were as follows: revenues of $52 (2003 - $629); expenses other than income taxes of $153 (2003 - $792); net loss of $101 (2003 - $435). For the six months ended June 30, 2004, the Company's proportionate share of revenues, expenses and net loss from this joint venture were as follows: revenues of $52 (2003 - $729); expenses other than income taxes of $468 (2003 - $1,186); net loss of $347 (2003 - $640).

In February, 2004, the Company sold its interest in Europort Poland Sp. z.o.o, SC Infrastructure (Poland) Sp. z.o.o, and related affiliated companies (Europort). Proceeds from disposition were nominal.

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Reflected on the consolidated balance sheets as Discontinued operations are the carrying values of the assets sold. Included as Discontinued operations in the Consolidated Statements of Operations and Consolidated Statements of Cash Flows are the results of operations and cash flows related to the Company's sale of its one-third joint venture interest. There were no operating earnings or losses and no cash flows in 2003 and 2004 related to the Company's interests in Europort Poland Sp. z.o.o, SC Infrastructure (Poland) Sp. z.o.o, and related affiliated companies.

8. Lease termination cost

During the first quarter of 2004, the Company reached agreement with its landlord to terminate, effective July 5, 2004, the lease on the Company's premises at 3660 Midland Avenue in Toronto. By exercising its right to terminate the lease before the lease termination date, the Company is required to pay on July 5, 2004 the sum of $2,550 to the landlord of the premises, which payment, in accordance with Canadian generally accepted accounting principles, has been charged to operations in the six months ended June 30, 2004 and included in Corporate and Other. The lease is being terminated to facilitate the consolidation of the Company's Midland Avenue, Victoria Park (Toronto) and Indell Lane (Brampton) offices into one jointly used leased facility located near Toronto's Pearson Airport. Other costs associated with the consolidation of premises, which are estimated to be $1,100, will, also in accordance with Canadian generally accepted accounting principles, be expensed when incurred. During the three months ended June 30, 2004 $150 was incurred, and $nil was incurred during the three months ended March 31, 2004.

9. Acquisition

In the second quarter of 2004, the Company acquired the assets and operations of Cegerco CCI Inc., a general contracting company in the Montreal region, specializing in the construction and management of institutional, commercial and pharmaceutical building projects. The purchase price on closing was $784, with potential earn-out payments of up to an additional $1,200 over the next four years. The acquisition was accounted for using the purchase method and the results of operations are included from the date of acquisition.

The following is a summary of the acquisition:

Net assets acquired		
Non-cash working capital	$	19
Property, plant and equipment		265
Intangible assets		500
	$	784
Consideration		
Cash	$	400
Short-term note payable		384
	$	784

At December 31, 2003, the Company recorded amounts payable of $1,503 to the vendors of Westeinde Construction Ltd. in connection with the acquisition of that company. In the six months ended June 30, 2004, the Company paid $675 with respect to this liability.

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10. Related party transaction

On July 21, 2004 the shareholders voted not to approve a proposed amalgamation that would have resulted in Hochtief Canada Inc. ("HCI") holding all of the outstanding shares of the Company and taking the Company private. The Company incurred legal, valuation and related costs estimated at $1,032 in connection with the proposed amalgamation. HCI has agreed to reimburse the Company for $520 of these costs and the net expense of $512 has been recorded in the three months ended June 30, 2004.

11. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the three months and six months ended June 30, 2004.

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