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Nine months ended September 30, 2004

2004 Aecon Group Inc. Third Quarter Report

Dear Fellow Shareholders,

After significantly improved results in the first half of 2004, the third quarter saw some softness, primarily due to disappointing results in the Buildings segment. Still, Aecon is reporting improved top and bottom line results for the first nine months of the year and I am confident we are on the path to a full recovery.

Revenue grew by 10% in both the quarter and first nine months compared to the same periods last year and our net loss of $900 thousand (3¢ per share) in the first nine months represents a $10.2 million dollar improvement over last year. The net loss of $900 thousand in the quarter is a $1.7 million decline from the third quarter of 2003.

The encouraging year-to-date results were driven by a number of factors including the impact of foreign exchange, improved results from the Cross Israel Highway project and the return to profitability of Innovative Steam Technologies.

The quarterly results were driven by an operating loss in the Buildings segment, reduced contributions from Ontario roadbuilding and significantly lower volume in fabrication and module assembly operations, all of which I will address in a little more detail in a moment.

Our backlog of work remains strong and bodes well for our continuing recovery. Core backlog was $543 million at the end of September marking an increase of $21 million since the beginning of the year and $18 million since the end of September last year. We continue to bring in more contract awards, which totaled $756 million in the first nine months of the year, an increase of $55 million over the first nine months of 2003.

Our Infrastructure segment is expected to continue the strong year-over-year improvement reported so far this year and to report a significant operating profit in 2004.

Roadbuilding operations in Ontario were slowed by abnormally poor weather conditions in July and August but are expected to show significant improvement in the fourth quarter. Ontario utilities operations, which have already seen considerable improvement over 2003, are also expected to post an increased operating profit in 2004.

The heavy civil sector has showed solid improvement this year, benefiting from strong results in Israel as the Cross Israel Highway project came to an end, claims were settled and contingencies were released into profit.

We continue to make progress toward financial close of the Quito Airport project in Ecuador. The U.S.-based Export Import Bank announced approval of a $70 million loan for the project and we continue to move forward in our negotiations with our financial partners. We still expect closure on all commercial aspects of the financing before year end which means that, pending final documentation and conditions precedent, financing for the project should flow early in 2005. Construction will begin immediately following financial close.

Aecon's Buildings segment continued to struggle in the third quarter and is now expected to end the year with a net operating loss.

Cost overruns (some of which are expected to be recovered through claims) have occurred on several of the contracts assumed as a result of the Westeinde acquisition in Ottawa and the

amount of new work generated from this market has been short of projections. A purchase price reduction is being negotiated for this acquisition.

In order to establish profitable growth within our acquired markets and throughout the Buildings segment, we are changing and augmenting many of our project management tools and processes. Aecon Buildings' new President and CEO was hired during the quarter and is leading the implementation of these changes, which are underway with the assistance of Turner Construction, the largest building contractor in the U.S. Turner is wholly owned by Hochtief AG.

Despite the somewhat depressed results in this segment, Aecon Buildings boasts some positive achievements in the quarter. Aecon Buildings was awarded an $85 million contract to expand Terminal 3 at Pearson Airport for the Greater Toronto Airport Authority. Also at Pearson Airport, our ongoing 50% joint venture with PCL received an additional $26 million of work on stage 2 of the Airport's Terminal 1 redevelopment. This ongoing work is a clear display of Aecon's strength and flexibility to both stand alone on complex projects and effectively team with other building partners. This quarter also marked the first public-private partnership (P3) for the Buildings group with the award of the $17 million Ottawa Paramedic Centre. Internationally, Aecon Buildings was awarded work this quarter to complete the third phase of the Suquamish Casino in Seattle, U.S.

Aecon's Industrial segment is expected to generate significant operating profits again this year although a reduction from the strong results reported in 2003 is likely. On a year-to-date basis, operating profits in the segment improved despite a loss in the third quarter.

Industrial's operating loss this quarter stems primarily from a decline in volumes from pipe fabrication and module assembly work. This work has dropped significantly in the second half of 2004, a trend that is expected to continue into the first half of 2005 before reversing strongly in the latter half of next year. Most of this decline is expected to be offset by improved results from the nuclear sector, industrial construction and Innovative Steam Technologies (IST). IST will report an operating profit in 2004 for the first time since 2001 and is expected to continue its profitable growth into 2005.

The Industrial Group continues to garner repeat business from Fluor Daniel, Ontario Power Generation, Stelco Steel and Cami Automotive to name a few. Aecon Industrial also maintains its supplier of choice status with Suncor, having landed work this quarter for pipe fabrication in Sarnia, Ontario and field construction in Fort McMurray, Alberta.

Overall, while results in the third quarter were depressed due to disappointing results from a recent acquisition and a number of timing-related issues in the civil and industrial sectors, management is encouraged by the year-over-year improvement seen to date. Although the difficulties experienced this year in the Buildings segment have been unwelcome, I remain confident that Aecon's operations will return to profitability in 2004 and that Aecon is on the path to a full recovery, with significant year-over-year improvements expected in both 2004 and 2005.

On behalf of the Board of Directors,

John M. Beck
Chairman and CEO
November 10, 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 November 10, 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

	Three months ended September 30			Nine months ended September 30		
$ millions	2004	2003	% Change	2004	2003	% Change
Revenues	$ 291.7	$ 265.2	10.0 %	$ 758.2	$ 688.6	10.1%
Operating profit (loss)*	$ 0.6	$ 3.3	(80.1)%	$ 2.4	$ (12.6)	n/a
Return on revenue	0.2%	1.2 %	(81.9)%	0.3%	(1.8) %	n/a
Backlog - September 30	$ 548.3	$ 574.5	(4.6)%			

* 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 September 30, 2004 amounted to $291.7 million, representing an increase of $26.5 million or 10.0% over the same period last year. Revenues improved in the Buildings segment, in large part from acquisitions, by $29.3 million, Infrastructure revenues were $4.8 million higher than last year, while revenue from the Industrial segment declined by $7.6 million in the quarter.

For the first nine months of the year, revenues of $758.2 million were higher than 2003 by $69.6 million or 10.1%. Buildings and Industrial segment revenues increased by $65.9 million and $8.4 million respectively in the period, while Infrastructure revenues declined by $3.5 million. Results for each of the three principal segments are discussed separately under Reporting Segments.

Operating margins in the quarter (revenues less costs and expenses) were improved in the Infrastructure segment but were lower than last year in both Buildings and Industrial. Overall, margins were 4.3% of revenues which compares to 5.6% in 2003. Approximately one-half of the decline in the margin percentage was due to the impact of foreign exchange gains and losses in the quarter. For the nine months, margins were 5.7%, compared to 4.1% in 2003 due to substantial improvements in both the Infrastructure and Industrial operations.

As noted in Aecon's second quarter report to shareholders, the company's investment in the concessionaire operating the Cross Israel Highway, which amounts to $37.3 million, is accounted for at cost and is therefore not subject to revaluation for changes in exchange rates. Previously, cash held in trust for purposes of making this investment, and denominated in U.S. dollars, was subject to foreign exchange adjustments. As a result, the amount of foreign exchange gains and losses that Aecon had previously experienced and reported is significantly reduced. For the third quarter, Aecon had a foreign exchange loss of $0.2 million. In the same period of 2003 there was a foreign exchange gain of $1.6 million. For the nine months of 2004 Aecon had a foreign exchange gain of $1.4 million, compared to a loss of $4.9 million in 2003.

Marketing, general and administrative expenses amounted to $9.7 million in the quarter, which was slightly higher than last year. Included in MG&A in the quarter is $1.1 million of relocation related expenses for the consolidation of offices in the Toronto area. Also included in MG&A are foreign exchange gains, which were $0.5 million greater than the third quarter of 2003. For the nine months, MG&A of $35.5 million was $1.4 million less than 2003. Relocation related costs for this period amounted to $3.8 million and the positive impact of foreign exchange on MG&A was $2.8 million. Exclusive of relocation costs and foreign exchange effects, MG&A would have been $34.2 million in the nine months ended September 20, 2004 compared to $36.6 million in 2003, or $2.4 million less. All divisions and the corporate office have been focusing on reducing their MG&A burden.

Depreciation and amortization in the third quarter amounted to $2.0 million, essentially the same as 2003 and for the nine months amounted to $5.8 million, which was $0.8 million less than last year. Reductions in the equipment fleet size at the utilities and roadbuilding operations have been ongoing over the last two years and the quarter-over-quarter impact on depreciation has been less pronounced in the three months ended September 30 than in earlier quarters. The reduction in equipment depreciation is also being partially offset by increased depreciation and amortization from acquisitions.

Net interest expense of $1.0 million in the quarter was slightly higher than 2003, and for the nine months, interest expense of $2.7 million was $0.8 million higher than 2003. Gross interest expense was $0.4 million lower than the same quarter last year and for the nine months was $0.2 million less than 2003 but this was offset by a reduction in interest income in both periods. Interest income is principally generated within joint venture operations, mainly Israel and India, and this has been decreasing as these projects near completion.

For the third quarter, tax expense of $0.6 million was recorded on a pre-tax loss of $0.4 million, and for the nine months ended September 30, 2004, tax expense of $0.8 million was recorded on a pre-tax loss of $0.3 million. Set out below, in tabular form, is a reconciliation between the statutory and effective tax rates for the nine months.

	Nine Months Ended September 30, 2004
Loss from continuing operations before income taxes	$ (322)
Statutory income tax rate	36.1%
Expected income tax recovery	(116)
Effect on income tax of:	
Provincial and foreign rate differentials	364
Non-deductible expenses	318
Large corporations tax	338
Foreign exchange translation gains	(101)
Other	(24)
Income tax expense on continuing operations	$ 779

The net loss from continuing operations amounted to $1.0 million or $0.04 per share for the three months ended September 30, 2004, which compares with net income of $0.4 million, or $0.02 per share, in the same period of 2003. For the nine months, the net loss from continuing operations amounted to $1.1 million or $0.04 per share, which compares with a loss of $11.0 million or $0.46 per share in 2003.

New contract awards amounted to $756.5 million for the first nine months of 2004, an increase of $54.7 million over the $701.8 million recorded in 2003. Backlog at September 30, 2004 was $548.3 million, which was $4.6 million lower than the beginning of the year and $26.2 million less than the same date last year. Major project backlog, representing the two large international projects in India and Israel, was $26.0 million less than the beginning of the year and $44.1 million less than last year, as those two projects are now basically complete. Core backlog, which includes all work other than these two projects, was up $21.4 million since the start of 2004 and was $17.9 million greater than September 30, 2003.

Reporting segments

Infrastructure

Financial Highlights

$ millions	Three months ended September 30 2004	2003	% Change	Nine months ended September 30 2004	2003	% Change
Revenues	$ 152.8	$ 148.0	3.3%	$ 321.1	$ 324.6	(1.1)%
Segment operating profit (loss)	$ 5.8	$ (0.3)	n/a	$ 5.0	$ (13.0)	n/a
Return on revenue	3.8%	(0.2) %	n/a	1.5 %	(4.0) %	n/a
Backlog - September 30	$ 190.3	$ 220.8	(13.8)%			

Revenues from the Infrastructure segment were $4.8 million higher in the third quarter than the corresponding period of 2003, due to the impact of major projects. Aecon's two large hydro projects in Quebec - a hydro-electric dam project in Toulnustouc and a hydro-electric power house project in Eastmain - generated a $22 million increase in revenues but this was partially offset by a reduction of $14 million from the Cross Israel Highway and Nathpa Jhakri Hydro-electric power project in India as those two projects are now essentially complete. Revenues from other operations within the Infrastructure segment, excluding these major projects, were generally similar to last year. Utilities operations were slightly improved while both roadbuilding and other heavy civil construction were less than 2003. The decline in roadbuilding was largely the result of delayed project tenders by the Ministry of Transportation of Ontario, which is likely a spill over impact from the provincial election late last year, and the unusually wet weather in the first two months of the quarter.

For the nine months, Infrastructure revenues declined by 1.1%. Revenues from the Israel and India projects were a combined $35 million less than 2003 while the two Quebec hydro projects contributed $52 million in higher revenues. Unfavourable weather conditions, including a generally wet summer, hampered roadbuilding operations and revenues were down $11 million from 2003. Also affecting year-over-year revenues was the completion in 2003 of three projects for the Ministry of Transportation in Quebec.

Infrastructure segment operating profit in the quarter amounted to $5.8 million, which compares with a loss of $0.3 million last year. Most operations in the segment generated improved earnings. The largest improvement was in the Utilities sector, which was better by $5.0 million, reflecting a combination of stronger revenues, improved pricing and mix, cost reductions, and the year-over-year impact of a $1.7 million loss incurred in the third quarter of 2003 to complete a major pipeline project. Communications work, which primarily involves cable installations and communication line maintenance, was notably stronger in the quarter. Cost reductions in the Utilities operations have been realized in both MG&A and equipment costs. Roadbuilding operations were worse than the same quarter last year by $2.1 million. Earnings were hurt by delays in project tenders by its largest client, the unusually wet weather during the summer, and by some highly profitable contracts last year which were not repeated in 2004. Contribution from the Israel and India projects was higher than last year by $0.9 million in the quarter. Included in the India results for the three months ended September 30, 2004 is a $2.6 million cumulative profit increase resulting from an upward revision in estimated

contract profitability. In Quebec, operating results have improved largely due to the year-over-year impact of losses of $3.0 million which were recorded last year on two large contracts.

Foreign exchange gains in 2003 and losses in 2004 had a negative impact of $2.4 million on the year-over-year Infrastructure results, and excluding foreign exchange the operating improvement would have been $8.5 million in the quarter.

As a result of the strong third quarter results, Infrastructure operating income for the first nine months, of 2004 totaled $5.0 million. This compares with a loss of $13.0 million recorded in 2003. Several sizeable losses on large projects and over $5 million in foreign exchange losses depressed earnings in 2003.

New contract awards of $295.1 million were recorded in the first nine months of 2004, which compares with $252.9 million in the same period last year. Backlog declined by $28.9 million since the start of the year principally due to a $26.0 million reduction in backlog on the Israel and India projects. Compared to September 30 of last year backlog is lower by $30.5 million in total, but is $13.6 million higher if the impacts of Israel and India projects are excluded.

Buildings

Financial Highlights

	Three months ended September 30			Nine months ended September 30		
$ millions	2004	2003	% Change	2004	2003	% Change
Revenues	$ 97.2	$ 67.9	43.2 %	$ 279.5	$ 213.6	30.8 %
Segment operating profit (loss)	$ (2.3)	$ 0.3	n/a	$ (6.1)	$ 1.4	n/a
Return on revenue	(2.4) %	0.4 %	n/a	(2.2)%	0.6%	n/a
Backlog - September 30	$ 304.1	$ 280.5	8.4%			

Revenues from the Buildings segment increased by $29.3 million or 43.2% from the same quarter last year. The impact of recent acquisitions in Ottawa and Montreal accounted for the majority of the increase, generating $18.5 million in revenues. In addition, the volume of work being performed in the United States through Aecon's Seattle office is significantly higher than last year and accounted for $7.0 million of the increase in segment revenues in the quarter. Institutional construction work was also strong as Aecon completed several university projects ahead of the September opening of classes.

The loss of $2.3 million in the quarter was largely due to losses incurred by the recent acquisition in Ottawa and costs associated with the merger of Aecon's existing buildings' operation in Montreal with the Cegerco acquisition. Serious cost overruns occurred on several of the acquired contracts and the amount of new work generated from these markets has fallen short of projections. Several claims are outstanding against owners but in accordance with Aecon's accounting policy these are not recognized in income until resolved. In addition, a purchase price reduction is being negotiated with respect to the Ottawa acquisition. In order to establish profitable growth within these acquired markets and throughout the Buildings' segment, Aecon is changing and augmenting many of its project

management tools and processes, with considerable assistance from Turner Construction, which is the largest building contractor in the US and is owned by Hochtief AG. A new President and CEO for the Buildings segment was also hired in the third quarter.

For the nine months, revenues were up $65.9 million, with the Ottawa and Montreal acquisitions accounting for approximately three-quarters of the increase. Of the $6.1 million operating loss for this period, $5.2 million was due to losses related to the acquisition in Ottawa and integration costs related to the acquisition in Montreal.

New contract awards of $340.8 million were recorded in the first nine months, which compares with $307.0 million in 2003. In the third quarter, the volume of new awards was particularly strong, amounting to $141.7 million, and as a result backlog at September 30 was $61.3 million higher than the beginning of 2004.

Industrial

Financial Highlights

	Three months ended September 30			Nine months ended September 30		
$ millions	2004	2003	% Change	2004	2003	% Change
Revenues	$ 42.3	$ 49.8	(15.2) %	$ 159.4	$ 151.1	5.5%
Segment operating profit (loss)	$ (1.3)	$ 5.2	n/a	$ 13.4	$ 2.7	386.2%
Return on revenue	(3.1)%	10.5%	n/a	8.4%	1.8%	360.7%
Backlog - September 30	$ 53.9	$ 73.2	(26.5) %			

Revenues of $42.3 million from the Industrial segment were $7.5 million or 15.2% lower than 2003 in the quarter. This was mainly due to reduced volume of pipe fabrication and module assembly work, which generated $9.4 million less revenue than last year. In the third quarter of 2003 volumes were extraordinarily high as Aecon's manufacturing operations in western Canada operated at full capacity in order to meet demand for pipe being supplied to Syncrude's upgrader expansion at the Mildred Lake facility in Fort McMurray. Revenue from Innovative Steam Technologies ("IST"), which sells and licenses the technology for once-through steam generators was more than double last year in the quarter, increasing by $4.9 million. IST booked six new orders in the first nine months of this year compared to only three orders last year. However, Nuclear revenues from Aecon's 38.75% interest in Canatom NPM Inc. declined by $4.0 million in the quarter to only $1.6 million, as there is currently only a small amount of backlog on hand.

The Industrial segment incurred an operating loss of $1.3 million in the three months ended September 30, which compares with a profit of $5.2 million in the same period of 2003. A total of $5.0 million of the deterioration was due to lower results from pipe fabrication and module assembly work, principally due to the aforementioned reduction in revenues. While the prospects for fabrication and module work are extremely encouraging, we are currently experiencing a gap in the fabrication and construction related work opportunities that is resulting in significant underutilization of our fabrication facilities that is expected to last into early 2005. Nuclear earnings were $2.0 million less than 2003, as last

year benefited from the receipt of performances bonuses on the Qinshan project in China. IST's results were better than last year by $1.0 million, reflecting the increased revenue, and confirms that IST remains on track to achieve profitability in 2004.

For the nine months, revenue from the Industrial segment was $8.4 million or 5.5% higher than 2003 and operating profits improved to $13.4 million, from $2.7 million in 2003. A claim settlement received in the first quarter accounted for $7.3 million of the $10.7 million profit improvement.

New contract awards of $122.4 million were recorded in the first nine months, which compares with $142.6 million in 2003. IST accounted for $34 million of the awards in 2004, compared to $20 million in 2003. Backlog for the Industrial segment of $53.8 million was $37.0 million lower than the beginning of the year due to declines in project and fabrication backlog.

Corporate and Other

Net corporate expenses amounted to $1.5 million in the third quarter, which compares with $2.0 million recorded last year. The reduction in corporate expenses was due to lower salary and benefit costs and professional fees. Foreign exchange gains recorded in Corporate amounted to $0.9 million in the quarter, which was $0.8 million higher than last year. However this favourable impact was more than negated by $1.1 million of relocation related costs in connection with the consolidation of three separate Toronto area offices into one facility near Toronto's Pearson International Airport.

For the nine months, net corporate expenses amounted to $9.8 million, compared to $3.8 million last year. Relocation related costs, including a lease termination payment, amounted to $3.8 million. A reduction in foreign exchange gains resulted in a $1.2 million increase in net corporate expenses. Profit from the disposal of fixed assets and investments was less than last year by $1.1 million as the first nine months of 2003 included the profit from Aecon's sale of its interest in Tanknology Canada Inc.

Discontinued Operations

In the fourth quarter of 2004, the Company sold its Footage Tools division, which is part of the Company's Infrastructure segment. The estimated pre-tax gain on disposition is approximately $0.4 million. For further details on 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 three quarters of 2004 and 2003 (in millions of dollars, except per share amounts).

	2004			2003		
	Quarter 1	Quarter 2	Quarter 3	Quarter 1	Quarter 2	Quarter 3
Revenues	$ 197.6	$ 268.9	$ 291.7	$ 183.3	$ 240.1	$ 265.2
Net income (loss)	(2.4)	2.4	(0.9)	(9.9)	(2.0)	0.8
Earnings (loss) per share:						
Basic	(0.09)	0.08	(0.03)	(0.41)	(0.07)	0.03
Diluted	(0.09)	0.07	(0.03)	(0.41)	(0.07)	0.03

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at September 30, 2004 totaled $52.4 million, which compares with $53.9 million at June 30 and $50.2 million at the end of 2003. Of these amounts, $36.2 million, $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 both September 30 and June 30, compared to $9.0 million at the end of 2003. One of the joint venture projects is winding down and its investments are being liquidated.

Cash used in operating activities, before changes in other operating balances and discontinued operations, amounted to $0.1 million in the quarter ended September 30, 2004 compared to cash generated in the same quarter last year of $0.6 million. Changes in other balances related to operations, which represents funds provided or used on account of changes in working capital balances, resulted in a use of funds of $4.0 million in the quarter versus a use of $8.2 million in 2003. A total of $4.2 million of funds required for increased working capital in the current quarter was due to the Nathpa Jhakri Hydro-electric power project in India as final collections from the owner are slow.

Investing activities resulted in a use of cash of $2.0 million in the three months ended September 30, 2004, which compares with cash used of $1.5 million in 2003. The major uses of cash in the quarter were $1.4 million for the purchase of property, plant and equipment, the majority of which was for furniture for Aecon's newly leased premises near the Toronto airport, and $1.3 million for other assets. Additions to other assets includes $0.7 million in additional deferred costs related to the Quito airport and $0.6 million for the acquisition of a license by Innovative Steam Technologies. Also included in property, plant and equipment on the consolidated balance sheets at September 30 is $2.4 million related to leasehold improvements at Aecon's new Toronto airport area office. This amount is not shown on the consolidated statements of cash flows since the cost was covered by landlord inducements and therefore did not entail a use or corporate funds. For the nine months, cash used in investing activities amounted to $13.5 million, which compares with cash used of $2.2 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 carrying value of this

investment at September 30, 2004 is $37.3 million. As disclosed in note 13 to the interim consolidated financial statements, Aecon has committed to increase its stake in Derech Eretz from an effective 22.2% to 25% by purchasing a portion of the interest held by another shareholder of Derech Eretz. for US$3.5 million.

As at September 30, 2004 deferred costs related to Aecon's airport project in Quito, Ecuador amounted to $5.6 million, which is net of $4.3 million of deferred costs recovered in the first quarter upon the transfer to a new partner a portion of Aecon's interest in the project. Financial close for this project is currently expected in either late in the fourth quarter of 2004 or in the first quarter of 2005.

Cash generated from financing activities during the quarter ended September 30, 2004 amounted to $5.6 million, compared to $4.8 million provided in the same quarter in 2003. Utilization under the revolving term facility increased by $15.5 million in the quarter, from $8.5 million at the end of June, 2004, to $24 million as at September 30, 2004. The amount outstanding under the facility can fluctuate within a pre-established limit, at the discretion of Aecon. The gross amount of draw downs during the quarter was $24.0 million, which is shown in the consolidated statements of cash flows for the three months ended September 30, 2004 as issuances of long-term debt. Included in repayments of long-term debt of $10.5 million in the current quarter, is $8.5 million related to the revolving term facility. A portion of the net revolving term facility drawdown was used to reduce bank borrowings, which declined by $8.3 million in the quarter.

For the nine months, cash provided from financing activities amounted to $24.4 million, compared to $34.1 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 $23.3 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. Issuance of long-term debt amounted to $47.0 million in the period, which as noted above relates to draw-downs from the revolving term loan facility. The net increase in the facility since the beginning of the year is $17.0 million.

As disclosed in note 14 to the interim consolidated financial statements, on November 2, 2004, pursuant to an agreement signed on October 13, 2004 with a syndicate of underwriters, the Company issued $30 million principal amount of convertible debentures on an underwritten private placement basis. The convertible debentures will mature on November 2, 2009 and will accrue interest at the rate of 8.25% per annum payable on a semi-annual basis. At the holder's option, the convertible debentures may be converted into common shares at any time up to the maturity date at a conversion price of $7.50 for each common share, subject to adjustment in certain circumstances. The convertible debentures will not be redeemable before November 2, 2007. From November 2, 2007 through the maturity date the Company may, at its option, redeem the convertible debentures, in whole or in part, at par plus accrued and unpaid interest provided that the weighted average closing price of the common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price. Subject to specified conditions, the Company will have the right to repay the outstanding principal amount of the convertible debentures, on maturity or redemption, through the issuance of common shares of the Company. The Company also has the option to satisfy its obligation to pay interest through the issuance and sale of additional common shares of the Company on a private placement basis. Additionally, the Company will have the option, subject to prior agreement of the holders, to settle its obligations on conversion by way of a cash payment of equal value. Hochtief Canada Inc., the Company's principal shareholder, did not exercise its pre-

emptive right to participate as a subscriber in the Offering and has agreed with the underwriters that it will not sell or otherwise monetize any securities of Aecon for a minimum period of 90 days following closing.

Interest bearing debt amounted to $81.1 million at September 30, 2004, compared to $80.8 million at December 31, 2003 and $99.1 million at September 30, 2003. The ratio of debt to equity has been steadily reduced over the last year and stood at 0.57:1 at September 30 compared to 0.83:1 a year earlier. The composition of interest bearing debt is as follows ($ millions):

	September 30, 2004	December 31, 2003 [2]	September 30, 2003[2]
Bank indebtedness[1]	$ 16.8	$ 30.1	$ 44.5
Current portion of long-term debt	15.1	15.9	3.4
Long-term debt	41.7	27.4	43.8
Convertible debenture	7.5	7.4	7.4
Total	$ 81.1	$ 80.8	$ 99.1
Equity	$ 142.3	$ 117.0	$ 119.4
Ratio of Interest Bearing Debt to Equity	0.57	0.69	0.83

(1) Includes issued but uncleared cheques.
(2) These amounts exclude debt related to discontinued operations of $1.0 million at September 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 highly structured and complicated financial covenants which have been adjusted from year to year to accommodate the requirements of the Company while providing comfort to the participating lenders. For the rolling four-quarter period ending September 30, 2004, the lenders have waived compliance with the interest coverage ratio of 3.0, so long as a ratio of not less than 2.25 is maintained for the quarter, which the Company complies with comfortably. None of the Company's other funding arrangements are impacted.

The revolving term facility has a remaining maturity of 13 years and three months 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 years and three months 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 September 30, 2004 Aecon had unused credit facilities available for operating purposes of $37.6 million. At the same time last year, the amount of unused facilities was $20.9 million.

The Company's liquidity position is currently relatively strong, in large part as a result of the first quarter equity issue and, more recently, as a result of the convertible debenture issue noted above. As a result, the Company has diversified its financing sources and is less dependant on its bank working capital facility. In addition, it has increased its financial flexibility as the principal and, effectively, the interest are repayable in shares, in lieu of cash, at the Company's option under the convertible debentures. Overall, the availability of credit under the facilities, supplemented by the Company's equity and cash flow from operations, are expected to be sufficient to meet operating requirements. Given the improved liquidity and the reduced reliance on the bank working capital facility, the Company intends to renegotiate this facility over the coming months with a view to reducing the facility amount, simplifying its structure and terms, and improving its pricing

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 gain of $0.4 million for the three months ended September 30, 2004 and a gain of $0.5 million for the nine 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.

Starting from the third quarter of 2004, new disclosure requirements for pensions and other employee future benefit plans become effective. This additional disclosure is included in note 11 to the interim Consolidated Financial Statements.

SUPPLEMENTAL DISCLOSURES

Contractual Obligations

As at December 31, 2003, the Company had commitments for equipment and premises under operating leases amounting to $59.5 million. The only material change since then has been the additional commitment, effective July 1, 2004, with respect to the lease for the Company's new headquarter premises near Toronto's Pearson International Airport which amounts to $13.5 million. This includes both rent and minimum operating costs.

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 described in note 13 to the interim Consolidated Financial Statements, Aecon has committed to increase its stake in Derech Eretz from an effective 22.2% to 25% by purchasing a portion of the interest held by another shareholder of Derech Eretz. for US$3.5 million.

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 September 30, 2004 Aecon had contractual obligations to complete construction contracts which were in progress. The revenue value of these contracts, which represents backlog, was $548 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 nine months 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 September 30, 2004 the Company had net outstanding contracts to buy US $0.1 million, sell US $7.4 million and sell EURO 5.3 million (December 31, 2003 - buy US$ 2.5 million and sell EURO 3.4 million) on which there were unrealized net exchange gains of $0.5

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 September 30, 2004 Aecon was indebted to HCI for a total of $17.1 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 $9.4 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 $0.3 million during the nine months ended September 30, 2004 (2003 - $0.3 million) in connection with these guarantees. In addition, Aecon paid Hochtief $0.8 million of interest and fees in connection with the convertible subordinated debenture and stand-by facility ($0.3 million in 2003). Aecon has a partnership agreement with Hochtief for bidding and executing large infrastructure 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 $1,046 in connection with the proposed amalgamation. HCI has agreed to reimburse the Company for $520 of these costs.

The Company's sale of its Footage Tools division, referred to in note 7 and note 14 of the interim Consolidated Financial Statements, was made to a group which includes employees of the Footage Tools division and an executive of the Company.

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 September 30, 2004 and December 31, 2003 is preliminary. It is expected that post-closing adjustments will be finalized in the fourth quarter of 2004.

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)

	September 30, 2004	November 10, 2004
Number of common shares outstanding	30,174,109	30,174,109
Paid up capital of common shares outstanding (1)	$ 92,568	$ 92,568
Outstanding securities exchangeable or convertible into common shares:		
Number of employee stock options outstanding	1,481,500	1,481,500
Number of common shares issuable on exercise of employee stock options	1,481,500	1,481,500
Increase in paid up capital on exercise of employee stock options	$ 5,738	$ 5,738
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 third quarter results for 2004. It supercedes and updates any previous forecasts, projections, outlooks or guidance offered by management, including that contained in Aecon's second quarter 2004 MD&A and that contained in Aecon's Management Information Circular dated June 21, 2004.

Aecon's backlog of work remains strong. Core backlog, consisting of all backlog not associated with the Cross Israel or Nathpa Jhakri projects, was $543 million at September 30, 2004, an increase of $21 million since the beginning of the year and $18 million since September 30 of last year.

Aecon's Infrastructure segment is expected to continue the strong year-over-year improvement reported so far this year, and is expected to report a significant operating profit in 2004.

Within this segment, road building operations in Ontario, which continued to be slowed by abnormally poor weather conditions in July and August, are expected to show significant improvement in the

fourth quarter, resulting in an increased operating profit this year as compared to 2003. Ontario utilities operations, which have already seen considerable improvement over 2003, are also expected to post an increased operating profit in 2004.

The heavy civil sector has benefited this year from strong results in Israel as the Cross Israel Highway project came to an end, claims were settled and contingencies were released into profit. Notwithstanding a reduced volume of work in India as the Nathpa Jhakri project winds down, further delays in the granting of water permits for the York Region Trunk Sewer (which are likely to push the realization of operating profit for this project into 2005), and poorer than expected performance on the Toulnustouc project in Quebec it is expected that the strong results from Israel, the release into profit of contingencies on the Nathpa Jhakri project and positive contributions from the Eastmain project in Quebec will result in strong year-over-year gains in this sector.

Progress continues to be made toward financial close of the Quito Airport project in Ecuador. Closure is still expected on all commercial aspects of the financing before year end and, subject to final documentation and conditions precedent, financing for the project is expected to flow early in 2005 with construction beginning immediately thereafter.

Aecon's Buildings segment continued to struggle in the third quarter, and is now expected to end the year with a net operating loss.

Earnings in 2004 have been negatively impacted by a number of market factors in Ontario as well as by the reduced volume of work at Pearson Airport, but the most significant issues in this segment continue to be associated with the recent acquisition of Westeinde Construction in Ottawa. While both of the acquired businesses are expected to at least reach the break even level next year, neither are expected to achieve a turnaround before the end of 2004.

Aecon's Industrial segment is expected to generate significant operating profits again this year, although expectations are for a small reduction from the strong results reported in 2003.

As expected (and indicated in previous reports), volumes in Aecon's fabrication and module assembly operations have dropped significantly in the second half of 2004, a trend that is expected to continue into the first half of 2005 (before reversing in the second half of 2005). Most of this decline is expected to be offset by improved results from the nuclear sector, industrial construction and Innovative Steam Technologies (IST). IST will, as anticipated, report an operating profit in 2004 and is expected to continue its growth into 2005.

Overall, while results in the third quarter were depressed due to disappointing results from recent acquisitions and a number of timing-related issues in the civil and industrial sectors, management is encouraged by the year-over-year improvement seen to date. Although the difficulties experienced this year in the Buildings segment have been unwelcome, management remains confident that Aecon's operations will return to profitability in 2004, and that Aecon is on the path to a full recovery, with significant year-over-year improvements expected in both 2004 and 2005.

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 superceded 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)

	September 30, 2004	December 31, 2003
Assets		
Current assets		
Cash and cash equivalents	$ **52,371**	$ 50,157
Marketable securities	**1,669**	8,984
Accounts receivable	**157,324**	144,282
Holdbacks receivable	**37,714**	37,113
Deferred contract costs and unbilled revenue	**60,336**	46,926
Inventories	**9,921**	10,713
Prepaid expenses	**4,689**	3,602
Future income tax assets	**6,120**	8,311
Discontinued operations (note 7)	**1,506**	23,536
	331,650	333,624
Property, plant and equipment	**58,577**	58,779
Future income tax assets	**48,389**	38,953
Other assets	**65,565**	52,002
	$ **504,181**	$ 483,358

Aecon Group Inc.

Consolidated Balance Sheets *...continued*

(in thousands of dollars) (unaudited)

	September 30, 2004	December 31, 2003
Liabilities		
Current liabilities		
Bank indebtedness	$ **16,795**	$ 30,090
Accounts payable and accrued liabilities	**166,873**	151,455
Holdbacks payable	**31,486**	24,496
Deferred revenue	**33,185**	43,349
Income taxes payable	**5,466**	2,363
Future income tax liabilities	**24,764**	24,660
Current portion of long-term debt	**15,050**	15,944
Discontinued operations (note 7)	**214**	20,813
	293,833	313,170
Long-term debt	**41,710**	27,367
Other liabilities	**2,583**	364
Future income tax liabilities	**18,101**	18,032
Convertible debenture	**7,539**	7,457
	363,766	366,390
Shareholders' Equity		
Capital stock (notes 2 and 3)	**92,568**	68,216
Contributed surplus (note 3)	**159**	204
Convertible debenture	**836**	836
Retained earnings	**46,852**	47,712
	140,415	116,968
	$ **504,181**	$ 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 September 30, 2004 and 2003

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

		2004		2003
Revenues	$	**291,662**	$	265,184
Costs and expenses		**279,219**		250,344
Marketing, general and administrative expenses		**9,690**		9,602
Depreciation and amortization		**2,043**		2,117
Loss (gain) on sale of assets		**62**		(130)
Interest expense, net		**1,013**		915
		292,027		262,848
(Loss) income before income taxes		**(365)**		2,336
Income taxes				
Current		**2,028**		2,481
Future		**(1,389)**		(559)
		639		1,922
Net (loss) income from continuing operations		**(1,004)**		414
Net income from discontinued operations (note 7)		**107**		355
Net (loss) income for the period	$	**(897)**	$	769
Net (loss) earnings per share from continuing operations (note 3)				
Basic	$	**(0.04)**	$	0.02
Diluted	$	**(0.04)**	$	0.02
Net (loss) earnings per share (note 3)				
Basic	$	**(0.03)**	$	0.03
Diluted	$	**(0.03)**	$	0.03
Average number of shares outstanding (note 3)				
Basic		**28,579,589**		23,719,879
Diluted		**32,706,948**		27,257,265

Aecon Group Inc.

Consolidated Statements of Operations

For the Nine Months ended September 30, 2004 and 2003

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

		2004		2003
Revenues	$	**758,199**	$	688,612
Costs and expenses		**714,846**		660,710
Marketing, general and administrative expenses (note 8)		**35,457**		36,894
Depreciation and amortization		**5,807**		6,623
Gain on sale of assets		**(336)**		(2,983)
Interest expense, net		**2,747**		1,965
		758,521		703,209
Loss before income taxes		**(322)**		(14,597)
Income taxes				
Current		**7,851**		4,663
Future		**(7,072)**		(8,263)
		779		(3,600)
Net loss from continuing operations		**(1,101)**		(10,997)
Net income (loss) from discontinued operations (note 7)		**223**		(148)
Net loss for the period	$	**(878)**	$	(11,145)
Net loss per share from continuing operations (note 3)				
Basic	$	**(0.04)**	$	(0.46)
Diluted	$	**(0.04)**	$	(0.46)
Net loss per share (note 3)				
Basic	$	**(0.03)**	$	(0.47)
Diluted	$	**(0.03)**	$	(0.47)
Average number of shares outstanding (note 3)				
Basic		**27,201,980**		23,696,085
Diluted		**31,313,131**		27,420,624

Aecon Group Inc.

Consolidated Statements of Retained Earnings

For the Three Months ended September 30, 2004 and 2003

(in thousands of dollars) (unaudited)

		2004		2003
Retained earnings - beginning of period	$	**47,744**	$	49,657
Net (loss) income for the period		**(897)**		769
Interest received on share purchase loans (note 2)		**5**		6
Retained earnings - end of period	$	**46,852**	$	50,432

Aecon Group Inc.

Consolidated Statements of Retained Earnings

For the Nine Months ended September 30, 2004 and 2003

(in thousands of dollars) (unaudited)

	2004	2003
Retained earnings - beginning of period	**$ 47,712**	$ 62,314
Net loss for the period	**(878)**	(11,145)
Dividends	**-**	(756)
Interest received on share purchase loans (note 2)	**18**	19
Retained earnings - end of period	**$ 46,852**	$ 50,432

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the Three Months ended September 30, 2004 and 2003

(in thousands of dollars) (unaudited)

	2004	2003
Cash provided by (used in)		
Operating activities		
Net (loss) income for the period from continuing operations	$ **(1,004)**	$ 414
Items not affecting cash -		
Depreciation and amortization	**2,043**	2,117
Loss (gain) on sale of assets	**62**	(130)
Loss (gain) on foreign exchange	**119**	(1,255)
Notional interest representing accretion	**27**	28
Future income taxes	**(1,389)**	(559)
	(142)	615
Change in other balances relating to operations (note 5)	**(3,988)**	(8,176)
Discontinued operations	**1,069**	35
	(3,061)	(7,526)
Investing activities		
Purchase of property, plant and equipment	**(1,371)**	(507)
Proceeds on sale of assets	**709**	347
Acquisition (note 9)	**(100)**	-
Additions to other assets	**(1,264)**	(1,437)
Discontinued operations	**-**	114
	(2,026)	(1,483)
Financing activities		
Decrease (increase) in bank indebtedness	**(8,336)**	5,681
Issuance of long-term debt	**24,023**	115
Repayments of long-term debt	**(10,527)**	(692)
Issuance of capital stock (note 3)	**439**	-
Interest received on share purchase loans (note 2)	**5**	6
Discontinued operations	**-**	(281)
	5,604	4,829
Increase (decrease) in cash and cash equivalents	**517**	(4,180)
Effects of foreign exchange on cash balances	**(2,052)**	(241)
Cash and cash equivalents - beginning of period	**53,906**	72,612
Cash and cash equivalents - end of period	$ **52,371**	$ 68,191

Supplementary disclosure (note 5)

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the Nine Months ended September 30, 2004 and 2003

(in thousands of dollars) (unaudited)

	2004	2003
Cash provided by (used in)		
Operating activities		
Net loss for the period from continuing operations	$ **(1,101)**	$ (10,997)
Items not affecting cash -		
Depreciation and amortization	**5,807**	6,623
Gain on sale of assets	**(336)**	(2,983)
(Gain) loss on foreign exchange	**(1,861)**	4,846
Notional interest representing accretion	**82**	82
Future income taxes	**(7,072)**	(8,263)
	(4,481)	(10,692)
Change in other balances relating to operations (note 5)	**(3,353)**	(23,034)
Discontinued operations	**466**	149
	(7,368)	(33,577)
Investing activities		
Purchase of property, plant and equipment	**(3,626)**	(1,519)
Proceeds on sale of assets	**2,042**	7,847
Acquisition (note 9)	**(1,175)**	-
Proceeds on sale of joint venture	**1,188**	-
Additions to other assets	**(16,294)**	(8,766)
Proceeds from disposition of other assets (note 5)	**4,326**	-
Discontinued operations	**12**	203
	(13,527)	(2,235)
Financing activities		
(Decrease) increase in bank indebtedness	**(13,048)**	17,516
Issuance of long-term debt	**47,023**	20,115
Repayments of long-term debt	**(33,979)**	(2,996)
Issuance of capital stock (note 3)	**24,352**	471
Dividends paid	**-**	(756)
Interest received on share purchase loans (note 2)	**18**	19
Discontinued operations	**28**	(269)
	24,394	34,100
Increase (decrease) in cash and cash equivalents	**3,499**	(1,712)
Effects of foreign exchange on cash balances	**(1,285)**	(6,310)
Cash and cash equivalents - beginning of period	**50,157**	76,213
Cash and cash equivalents - end of period	$ **52,371**	$ 68,191

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 nine-month periods ended September 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 September 30, 2004 the Company recorded net unrealized gains of $0.4 million and during the nine months ended September 30, 2004 recorded net unrealized gains of $0.5 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.

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

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 $5 in the three months ended September 30, 2004 and $18 in the nine months ended September 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	135,567	495	130,833	471
Common shares issued less expenses of $726 (ii)	4,600,000	23,424	-	-
Balance – June 30	30,044,109	92,135	25,241,942	67,950
Common shares issued on exercise of options	130,000	468		
Adjustment of expenses related to common shares issued in first quarter (ii)		(35)		
Balance – September 30	30,174,109	$ 92,568	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 $23,389. 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 September 30, 2004 the maximum number of shares reserved for issuance under the plan, after deducting options that have been exercised, is 1,847,766, of which 1,481,500 have been issued. Each option agreement shall specify the period for which the option thereunder is exercisable (which in no event shall exceed ten years from the date of grant), and shall provide that the option shall expire at the end of such period. The Company's Board of Directors will determine the vesting period on the dates of option grants.

(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
Granted				100,000		4.75
Exercised	(135,567)		3.65	(130,833)		3.60
Forfeited	(133,333)		4.72			
Options outstanding - June 30	1,511,500		3.69	1,880,400		3.78
Granted	100,000		6.30			
Exercised	(130,000)		3.60			
Options outstanding – September 30	1,481,500	$	3.87	1,880,400	$	3.78
Options exercisable at end of period	1,314,833	$	3.64	1,505,400	$	3.66

Options were exercised during the three months ended September 30, 2004 for 130,000 shares (2003 – nil) for which share capital was increased by $468 (2003 - $nil). For the nine months ended September 30, 2004, 265,567 options were exercised (2003 – 130,833) for which share capital was increased by $963 (2003 - $471). Options currently outstanding have the following exercise prices and expiry dates:

Options granted in	**Number of shares**		**Exercise price**	**Expiry date**
2000	856,500	$	3.60	July 20, 2005
2001	200,000		3.60	March 5, 2006
2001	175,000		3.60	April 9, 2006
2001	50,000		4.00	May 7, 2006
2003	100,000		4.75	April 1, 2008
2004	100,000		6.30	August 3, 2009

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 September 30, 2004, compensation expense of $47 (2003 - $45) was recorded with respect to the expensing of stock options and Contributed Surplus was increased by the same amount. During the nine months ended September 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 $79 (2003 - $100) was recognized and Contributed Surplus was increased by the same amount, on account of options outstanding.

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

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 loss per share, these shares have been treated as options.

Three months ended September 30

				2004	
		Loss (numerator)	**Shares (denominator)**		**Per share (i)**
Net loss per share					
Net loss for the period	$	(897)	28,579,589	$	(0.03)
Effect of dilutive securities -					
Options		-	1,979,791		-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		77	2,147,568		-
	$	(820)	32,706,948	$	(0.03)
Net loss per share from continuing operations					
Net loss from continuing operations	$	(1,004)	28,579,589	$	(0.04)
Effect of dilutive securities -					
Options		-	1,979,791		-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		77	2,147,568		-
	$	(927)	32,706,948	$	(0.04)

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

			2003		
		Income (numerator)	**Shares (denominator)**		**Per share**
Net income per share					
Net income for the period	$	769	23,719,879	$	0.03
Effect of dilutive securities -					
Options		-	1,490,239		-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		85	2,047,147		-
	$	854	27,257,265	$	0.03
Net income per share from continuing operations					
Net income from continuing operations	$	414	23,719,879	$	0.02
Effect of dilutive securities -					
Options		-	1,490,239		-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		85	2,047,147		-
	$	499	27,257,265	$	0.02

(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.

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

Nine months ended September 30

	2004		
	Loss (numerator)	**Shares (denominator)**	**Per share (i)**
Net loss per share			
Net loss for the period	$ (878)	27,201,980	$ (0.03)
Effect of dilutive securities -			
Options	-	1,963,583	-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006	234	2,147,568	-
	$ (644)	31,313,131	$ (0.03)
Net loss per share from continuing operations			
Net loss from continuing operations	$ (1,101)	27,201,980	$ (0.04)
Effect of dilutive securities -			
Options	-	1,963,583	-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006	234	2,147,568	-
	$ (867)	31,313,131	$ (0.04)

(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	$	(11,145)	23,696,085	$	(0.47)
Effect of dilutive securities -					
Options		-	1,677,392		-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		258	2,047,147		-
	$	(10,887)	27,420,624	$	(0.47)
Net loss per share from continuing operations					
Net loss from continuing operations	$	(10,997)	23,696,085	$	(0.46)
Effect of dilutive securities -					
Options		-	1,677,392		-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		258	2,047,147		-
	$	(10,739)	27,420,624	$	(0.46)

(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. Bank indebtedness and guarantees

The Company's operating lines of credit include several highly structured and complicated financial covenants which have been adjusted from year to year to accommodate the requirements of the Company while providing comfort to the participating lenders. For the rolling four-quarter period ending September 30, 2004, the lenders have waived compliance with the interest coverage ratio of 3.0, so long as a ratio of not less than 2.25 is maintained for the quarter, which the Company complies with comfortably. None of the Company's other funding arrangements are impacted.

The Company has outstanding guarantees and letters of credit amounting to $32,193 (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 thousands of dollars, except per share amounts) (unaudited)

In connection with the Cross Israel Highway project, the Company has provided a joint and several guarantee in the amount of $9,500 (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 $17,000 (December 31, 2003 - $17,500) and is renewed 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 $12,400 (December 2003 - $13,000) or 6% of annual toll revenue.

In addition, the Company has also issued, in the normal conduct of operations, letters of credit amounting to $7,167 (December 31, 2003 - $5,898) in support of financial and performance related obligations, the largest of which amounts to $4,556 and is in support of the accrued benefit obligation of the Company's unfunded defined benefit plan. Furthermore, the Company has issued an advance payment guarantee in the amount of $3,000 (December 31, 2003 – 3,000) for the Eastmain Powerhouse project which guarantee is counter guaranteed by Hochtief A.G.

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 September 30, 2004, the value of uncompleted work for which Aecon's joint venture partners are responsible, and which Aecon could be responsible for assuming, amounted to approximately $77,000 (December 31, 2003 - $186,000), a substantial portion of which is supported by performance bonds. In the event that Aecon assumed this additional work it would have the right to receive the partner's share of billings to the project owners pursuant to the joint venture contract.

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

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

5. Cash flow information

Change in other balances relating to operations:

	Three months to September 30		Nine months to September 30	
	2004	**2003**	**2004**	**2003**
(Increase) decrease in:				
Marketable securities	$ **17**	$ 1,239	$ **7,495**	$ 1,283
Accounts receivable	**(2,158)**	(17,002)	**(13,445)**	(9,321)
Holdbacks receivable	**(619)**	(5,997)	**(643)**	436
Deferred contract costs and unbilled revenue	**(14,264)**	6,322	**(13,658)**	5,281
Inventories	**2,896**	1,956	**792**	(944)
Prepaid expenses	**366**	4,154	**(1,068)**	1,120
Increase (decrease) in:				
Accounts payable and accrued liabilities	**13,612**	7,226	**16,771**	(8,512)
Holdbacks payable	**3,210**	31	**7,077**	1,520
Deferred revenue	**(7,842)**	(3,634)	**(10,246)**	(12,846)
Income taxes payable	**794**	(1,808)	**3,572**	(355)
Employee benefit plans	**-**	(663)	**-**	(696)
	$ **(3,988)**	$ (8,176)	$ **(3,353)**	$ (23,034)

Other supplementary information:

	Three months to September 30		Nine months to September 30	
	2004	**2003**	**2004**	**2003**
Cash interest paid	$ **1,402**	$ 1,533	$ **3,791**	$ 5,053
Cash income taxes paid	$ **1,660**	$ 1,174	$ **4,431**	$ 3,095

Property, plant and equipment acquired and financed by means of capital leases during the three months ended September 30, 2004 amounted to Nil (2003 - $540) and $638 (2003 - $3,255) for the nine months ended September 30, 2004.

Property, plant and equipment was acquired during the three months ended September 30, 2004 amounting to $2,393 for which a tenant inducement was received from the landlord. The tenant inducement will be amortized into income over the term of the lease.

During the nine months ended September 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.

During the nine months ended September 30, 2004, cash held in trust to fund an investment in a company that operates the Cross Israel Highway and collects tolls, was released. The funds were used to make this investment, which has a carrying value of $37.3 million.

(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.

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

Information by reportable segments is as follows:

As at September 30 and the three months then ended

	2004				
	Infrastructure	**Buildings**	**Industrial**	**Corporate and Other**	**Total**
Revenues	$ 152,827	$ 97,229	$ 42,277	$ (671)	$ 291,662
EBITDA	$ 7,099	$ (2,215)	$ (875)	$ (1,318)	$ 2,691
Depreciation and amortization	1,309	124	434	176	2,043
Segment operating profit (loss)	$ 5,790	$ (2,339)	$ (1,309)	$ (1,494)	$ 648
Interest and income taxes					(1,652)
Net loss from continuing operations					$ (1,004)
Total assets	$ 259,923 (i)	$ 97,967	$ 53,103	$ 93,188	$ 504,181
Capital expenditures	193	82	215	881	1,371
Cash flow from continuing operations	$ 7,689	$ (2,216)	$ (873)	$ (4,742)	$ (142)

(i) Includes assets of discontinued operations of $1,506.

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

					2003
	Infrastructure	Buildings	Industrial	Corporate and Other	Total
Revenues	$ 147,983	$ 67,889	$ 49,839	$ (527)	$ 265,184
EBITDA	$ 1,172	$ 330	$ 5,646	$ (1,780)	$ 5,368
Depreciation and amortization	1,446	44	417	210	2,117
Segment operating profit (loss)	$ (274)	$ 286	$ 5,229	$ (1,990)	$ 3,251
Interest and income taxes					(2,837)
Net income from continuing operations					$ 414
Total assets	$ 295,871 (i)	$ 66,735	$ 77,560	$ 69,680	$ 509,846
Capital expenditures	227 (ii)	81	59	140	507
Cash flow from continuing operations	$ 117	$ -	$ 5,640	$ (5,142)	$ 615

(i) Includes assets of discontinued operations of $23,918.
(ii) Includes capital expenditures for discontinued operations of $117.

As at September 30 and the nine months then ended

					2004
	Infrastructure	Buildings	Industrial	Corporate and Other	Total
Revenues	$ 321,101	$ 279,499	$ 159,437	$ (1,838)	$ 758,199
EBITDA	$ 8,453	$ (5,616)	$ 14,644	$ (9,249)	$ 8,232
Depreciation and amortization	3,484	519	1,289	515	5,807
Segment operating profit (loss)	$ 4,969	$ (6,135)	$ 13,355	$ (9,764)	$ 2,425
Interest and income taxes					(3,526)
Net loss from continuing operations					$ (1,101)
Capital expenditures	$ 475 (i)	$ 277	$ 1,748	$ 1,126	$ 3,626
Cash flow from continuing operations	$ 6,816	$ (5,606)	$ 14,515	$ (20,206)	$ (4,481)

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

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

										2003
		Infrastructure		**Buildings**		**Industrial**		**Corporate and Other**		**Total**
Revenues	$	324,575	$	213,644	$	151,080	$	(687)	$	688,612
EBITDA	$	(8,360)	$	1,505	$	4,004	$	(3,158)	$	(6,009)
Depreciation and amortization		4,634		125		1,257		607		6,623
Segment operating profit (loss)	$	(12,994)	$	1,380	$	2,747	$	(3,765)	$	(12,632)
Interest and income taxes										1,635
Net loss from continuing operations									$	(10,997)
Capital expenditures	$	614 (i)	$	118	$	428	$	359	$	1,519
Cash flow from continuing operations	$	(4,696)	$	1,505	$	3,926	$	(11,427)	$	(10,692)

(i) Includes capital expenditures for discontinued operations of $206.

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

In September, 2004, the Company signed an agreement to sell its Footage Tools division that was part of the Company's Infrastructure segment. For the three months ended September 30, 2004, the Company's revenues, expenses and net income from this division were as follows: revenues of $887 (2003 - $892); expenses other than income taxes of $719 (2003 - $829); net income of $107 (2003 - $40). For the nine months ended September 30, 2004, the Company's revenues, expenses and net income from this division were as follows: revenues of $2,866 (2003 - $2,796); expenses other than income taxes of $2,380 (2003 - $2,520); net income of $311 (2003 - $177). The estimated pre-tax gain on disposition, which will be recorded in the fourth quarter, is approximately $400.

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 September 30, 2004, the Company's proportionate share of revenues, expenses and net income from this joint venture were as follows: revenues of Nil (2003 - $2,921); expenses other than income taxes of Nil (2003 - $2,667); net income of Nil (2003 - $315). For the nine months ended

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

September 30, 2004, the Company's proportionate share of revenues, expenses and net loss from this joint venture were as follows: revenues of $52 (2003 - $3,650); expenses other than income taxes of $468 (2003 - $3,853); net loss of $347 (2003 - $325).

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.

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 and its Footage Tools division. 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, during the current quarter the Company paid the sum of $2,594 to the landlord of the premises, which payment, in accordance with Canadian generally accepted accounting principles, was charged to operations and included in Corporate and Other. The lease was 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 the premises are expensed when incurred. During the three months ended September 30, 2004 $1,030 was incurred, and $1,180 was incurred during the nine months end September 30, 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:

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

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 nine months ended September 30, 2004, the Company paid $775 with respect to this liability.

10. Related party transactions

The Company 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 the Company's shares outstanding from time to time. At September 30, 2004 the Company was indebted to HCI for a total of $17.1 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 $9.4 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 the Company has a joint venture interest. The Company paid Hochtief AG $0.3 million during the nine months ended September 30, 2004 (2003 - $0.3 million) in connection with these guarantees. In addition, the Company paid Hochtief $0.8 million of interest and fees in connection with the convertible subordinated debenture and stand-by facility ($0.3 million in 2003). The Company has a partnership agreement with Hochtief for bidding and executing large infrastructure 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 $1,046 in connection with the proposed amalgamation. HCI has agreed to reimburse the Company for $520 of these costs.

The Company's sale of its Footage Tools division, referred to in note 7 and note 13, was made to a group which included employees of the Footage Tools division and an executive of the Company.

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

11. Employee future benefit expenses

Employee future benefit expenses for the three and nine months ended September 30, 2004 are as follows:

	Three months ended September 30		Nine months ended September 30	
	2004	**2003**	**2004**	**2003**
Defined benefit plan expense:				
Company sponsored pension plans	378 $	452 $	1,135 $	1,356
Defined contribution plan expense:				
Company sponsored pension plans	477	391	1,244	1,073
Multi-employer pension plans	4,633	4,296	11,115	11,072
Total future benefit expenses	$ 5,488 $	5,139 $	13,494 $	13,501

12. Comparative figures

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

13. Commitment

The Company has agreed to increase its stake in Derech Eretz Highways (1997) Ltd. (Derech Eretz), the company owning concession rights for the Cross Israel Highway, from an effective 22.2% to 25% by purchasing a portion of the interest held by another shareholder of Derech Eretz. The purchase price for the increased stake is US$3,500. At the same time, the Company will acquire the interest held in several related joint ventures from its joint venture partner for a total of US$1,225. These transactions are scheduled to close in the fourth quarter of 2004.

14. Subsequent events

(a) On November 2, 2004, pursuant to an agreement signed on October 13, 2004 with a syndicate of underwriters, the Company issued $30 million principal amount of convertible debentures on an underwritten private placement basis.

The convertible debentures will mature on November 2, 2009 and will accrue interest at the rate of 8.25% per annum payable on a semi-annual basis. At the holder's option, the convertible debentures may be converted into common shares at any time up to the maturity date at a conversion price of $7.50 for each common share, subject to adjustment in certain circumstances.

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

The convertible debentures will not be redeemable before November 2, 2007. From November 2, 2007 through the maturity date the Company may, at its option, redeem the convertible debentures, in whole or in part, at par plus accrued and unpaid interest provided that the weighted average closing price of the common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price.

Subject to specified conditions, the Company will have the right to repay the outstanding principal amount of the convertible debentures, on maturity or redemption, through the issuance of common shares of the Company. The Company also has the option to satisfy its obligation to pay interest through the issuance and sale of additional common shares of the Company on a private placement basis. Additionally, the Company will have the option, subject to prior agreement of the holders, to settle its obligations on conversion by way of a cash payment of equal value.

Hochtief Canada Inc., the Company's principal shareholder, has indicated that it does not intend to exercise its pre-emptive right to participate as a subscriber in the Offering and that it will not sell or otherwise monetize any securities of Aecon for a minimum period of 90 days following closing.

(b) On November 10, 2004, the sale of the Company's Footage Tool division was completed. Details of revenue, expenses, net income and the estimated pre-tax gain on sale are set out in note 7, Discontinued Operations.

AECON

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