Aecon Group Inc. First Quarter Report 2007

Three Months ended March 31, 2007

AECON

Dear Fellow Shareholders,

Last year we outlined a strategic plan designed to drive improved profitability through 2007 and 2008 – including a focus on Canada, placing priority on margin growth over volume growth, leveraging our strength in the Canadian energy and transportation sectors and most importantly investing in our people. The results achieved in the first quarter of 2007 reinforce that this strategy has us on the right path.

Overall, the first quarter of 2007 was characterized by strong revenues and continued margin improvement. It builds on the significant progress achieved in 2006 and supports our outlook for 2007.

Revenues grew by $41 million from a year earlier. Gross margins as a percent of revenues increased to 7.8% from 3.2%. Our net loss of $3 million represents an improvement of almost $8 million from the first quarter of 2006 and net income over the past 12 months has reached $19.5 million.

Backlog for the quarter was $837 million or $180 million higher than the same time last year, while new contract awards of $292 million in the quarter were $12 million higher than in 2006.

These results bode well for Aecon's prospects and are evidence that most of the key trends that shaped our outlook at the end of 2006 remain in place.

Within the Infrastructure segment, demand remains above historical norms in our key roadbuilding, utilities construction and heavy civil markets in Ontario and Alberta. Our first quarter acquisition of The Karson Group should also add to segment earnings, especially in the materials sector where strong market conditions continue for both asphalt and aggregate products. In addition, our civil construction business in Alberta is gaining momentum and is expected to begin generating profit contributions in 2007.

Internationally, construction of the new Quito Airport is proceeding well and should reach the stage late this year where we can begin booking profit contributions. As well, we expect financial close on a US$150 million extension of the Cross Israel Highway in which Aecon has a 25% stake.

The Buildings segment continues to operate in a very competitive market, especially in the Greater Toronto Area where market conditions are not yet as strong as those in the Infrastructure and Industrial segments. It is expected that operating results from the Buildings segment's Toronto operations will decline in 2007, offset in part by improved results from the balance of the segment's operating units.

The Industrial segment continues to benefit from growth in the oil and gas sector and from the drive to increase electrical generation capacity. The ongoing strength of these two markets continues to drive the segment's increasing focus on the energy sector.

In Alberta, the ongoing high levels of investment in the energy sector (particularly in the oilsands) along with the strong backlog built up in 2006, position Aecon well for another good year in 2007.

In Ontario, Aecon's expanding maintenance activities at power facilities across the province, as well as its significant joint venture contract at the Bruce Nuclear facility and the government's ongoing commitment to expand generation capacity, are expected to result in continued strong profit contributions.

Innovative Steam Technologies' strengthened backlog position at the end of 2006 and the expanded market created by its new joint venture to produce enhanced oil recovery steam generators are expected to generate improved operating results in 2007.

The Concessions segment will benefit from a full year of operating income from the existing airport in Quito, Ecuador, and is expected to generate improved contributions in 2007. As mentioned above, financial close is anticipated this year on a northern extension of the Cross Israel Highway. This development is expected to result in the monetization of approximately US$10 million of Aecon's investment in the highway.

Both of these assets are experiencing higher than forecast positive trends with an 11 per cent year-over-year increase in traffic at the Quito airport and an 18 per cent increase of traffic on the Cross Israel Highway.

Overall, I would call the first quarter a good start to what should be a strong year for Aecon. I continue to believe that Aecon's healthy backlog and the ongoing strength of our core markets, especially in the energy and transportation infrastructure sectors, bode well for continued improvement in 2007 and the achievement of its $0.75 EPS objective in 2008.

Thank you for your continued support of Aecon.

(signed) John M. Beck
Chairman and Chief Executive Officer
May 14, 2007

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

The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. ("Aecon") should be read in conjunction with the Company's 2007 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 2006. This interim MD&A has been prepared as of May 14, 2007. 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 securities and continuous disclosure filings.

Introduction

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

The Infrastructure segment includes all aspects of the construction of both public and private infrastructure, including roads and highways, principally within the Province of Ontario, as well as toll highways, dams, tunnels, bridges, airports, marine facilities, transit systems and hydro-electric power projects, domestically and on a select basis internationally. There is also a strategic focus to develop civil capacity in the Alberta marketplace. This segment includes the mining, manufacture, and supply of asphalt and aggregate products, and the construction and/or installation of utility distribution systems for natural gas, telecommunications and electrical networks, as well as water and sewer mains, traffic signals and highway lighting, also principally within the Province of Ontario. Services provided in the Infrastructure segment include construction of large civil infrastructure projects in Canada and, on a selective basis, internationally. The Infrastructure segment also includes construction activities associated with the development of the new Quito airport project.

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

The Industrial segment encompasses all of Aecon's industrial construction and manufacturing activities including in-plant construction and module assembly in the manufacturing, energy, petrochemical, steel and automotive sectors. Activities in this sector include the construction of alternative, fossil fuel and cogeneration power plants as well as in-plant construction at nuclear power plants and the fabrication and module assembly of small diameter specialty pipe. In addition, activities in this sector include the design and manufacture of "once-through" heat recovery steam generators ("OTSG") for industrial and power plant applications. Although activity in this segment is concentrated primarily in Canada, with selected projects in the United States and Europe, Aecon sells and installs OTSG throughout the world through its subsidiary Innovative Steam Technologies Inc. ("IST").

Activities within the Concessions segment include the development, financing and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer or public-private partnership contract structures. This segment focuses primarily on the operation, management, maintenance and enhancement of investments held by Aecon in infrastructure concessions - currently these comprise investments in the Cross Israel Toll Highway and Quito airport project concession companies. This segment includes the operations of the Highway 104 toll plaza in Atlantic Canada. This segment also has a development function whereby it monitors and, where appropriate, brings the unique capabilities and strengths within the Aecon group and within Aecon's strategic partners to the development of domestic and international public-private partnership concession projects in which Aecon may play a role as an investor, constructor and/or operator.

The construction industry in Canada is seasonal in nature for companies like Aecon, who do a significant portion of their work outdoors (particularly road construction and utilities work) and, as a result, less work is performed in the winter and early spring months than in the summer and fall months. Accordingly, Aecon has historically experienced 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. Therefore, results in any one quarter are not necessarily indicative of results in any other quarter or for the year as a whole.

The MD&A presents certain non-GAAP (Canadian generally accepted accounting principles "GAAP") financial measures to assist readers in understanding the Company's performance. Non-GAAP financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP.

CONSOLIDATED FINANCIAL HIGHLIGHTS

$ millions	Three Months Ended March 31 2007	2006
Revenues	**$ 241.8**	$ 200.6
Gross margin [(1)]	**18.9**	6.4
Operating profit (loss) [(2)]	**0.1**	(8.1)
Interest expense	**2.3**	2.7
Income taxes	**0.6**	0.1
Non-controlling interests	**(0.2)**	-
Net loss for the period	**(3.0)**	(10.9)
Return on revenue [(3)]	**0.1%**	(4.0)%
Backlog – March 31	**$ 837**	$ 657

(1) Gross margin is calculated as revenues less direct costs and expenses (before deducting MG&A, depreciation and amortization, foreign exchange, interest, gains (losses) on sales, income taxes, and non-controlling interests.).

(2) Operating profit (loss) represents the profit (loss) from operations, before interest expense, income taxes, and non-controlling interests.

(3) Return on revenue is calculated as operating profit (loss) as a percentage of revenues.

Revenues in the first quarter of 2007 were $242 million, representing an increase of $41 million over last year. Revenues increased in the Infrastructure, Industrial and Concessions segments by $39 million, $21 million, and $8 million, respectively, and decreased in the Buildings and Corporate segments by $24 million and $3 million, respectively. Results for each of the four principal operating segments are discussed separately under Reporting Segments.

Gross margin as a percentage of revenues increased from 3.2% in the first quarter of 2006 to 7.8% in the current quarter, reflecting increased margin returns from all segments. Of the $12.5 million improvement in gross margin, approximately $5 million came from concession operations at the existing Quito airport, while Infrastructure, Buildings, and Industrial, showed improvements of $3 million, $0.3 million and $4 million, respectively. The increases resulted from a combination of factors including higher volumes in certain segments, an improved revenue mix, and better job performance.

Marketing, general and administrative expenses (“MG&A”) amounted to $15.0 million in the first quarter of 2007, which is $2.0 million higher than last year. Higher volumes in most segments, the expansion of operations in Western Canada, and higher performance-related incentive costs contributed mostly to the increase. However, while the dollar amount of MG&A expenses increased, MG&A as a percentage of revenues decreased from 6.5% in 2006 to 6.2% in 2007. This percentage improvement, combined with the increase in gross margin percentage, contributed to the better overall return on revenues in the first quarter of 2007.

Depreciation and amortization expense of $4.9 million is $3.0 million higher than last year. The increase results from the amortization of concession rights related to the existing Quito airport, which amounted to $3.2 million in 2007 versus zero in 2006.

The $0.4 million improvement in interest expense results result from reduced borrowings going into 2007, mostly as a result of cash proceeds received from a $27.7 million equity issue in March 2006 and the conversion during the same month of $7.7 million of convertible debentures into common shares. Increased borrowings to finance the acquisition of The Karson Group in the first quarter of 2007 partly offset the benefit of lower beginning of year borrowings.

Set out in note 4 of the March 31, 2007 Interim Consolidated Financial Statements is a reconciliation between the expected tax expense/recoveries in 2007 and 2006 at statutory income tax rates and the actual reported tax expense in 2007 and 2006.

The net loss for the quarter ended March 31, 2007 is $3.0 million, representing an $8.0 million improvement compared to 2006.

Backlog at March 31, 2007, was $837 million or $180 million higher than the same time last year, while new contract awards of $292 million in the first quarter of 2007 were $12 million higher than in 2006. Further details for each of the segments are included in the discussion below under Reporting Segments.

At March 31, 2007, major projects backlog was $126 million which is $125 million higher than last year. The increase results from new backlog related to the construction of the new Quito airport project.

It is notable that significant and increasing commitments made to Aecon based on general contracts, supplier of choice, and alliance agreements do not show up as backlog for external reporting purposes, primarily due to the degree of uncertainty regarding the exact amount of work than can be expected under these arrangements. Therefore, to the extent that the volume of work to be performed under these arrangements is expected to be significant, Aecon's effective backlog at any given time is greater than what is reported. Because it is one of Aecon's strategic directives to focus on general contract, supplier of choice and alliance arrangements with clients, the amount of effective backlog that is not included in reported backlog is expected to increase.

REPORTING SEGMENTS

INFRASTRUCTURE

Financial Highlights[1]

$ millions	**Three Months Ended March 31** **2007**	2006
Revenues	**$ 95.1**	$ 55.9
Segment operating loss [2]	**(2.0)**	(4.5)
Capital charges and allocations of corporate overheads [5]	**(4.1)**	n/a
Segment loss before income taxes[5]	**(6.1)**	n/a
Return on revenue [3	**(2.1)%**	(8.0)%
Backlog – March 31 [4]	**$ 442**	$ 250

(1) Certain prior period comparative figures have been reclassified to conform to the new segment definitions currently being used and as described in the introduction section of the 2006 MD&A.

(2) Segment operating profit or loss represents the profit or loss from operations, before interest expense, income taxes, non-controlling interests, and corporate allocations of overhead costs and capital charges.

(3) Segment return on revenue is calculated as segment operating profit (loss) as a percentage of revenues.

(4) Included in backlog at March 31, 2007, is $126 million related to the new Quito airport project. Although Aecon's 50% share of the remaining construction revenues from this project are estimated at $218 million, the amount reported as backlog has been reduced by $92 million or 42.3%. This reduction is to reflect the fact that since Aecon has a 42.3% interest in the concession joint venture for which the new airport is being constructed, it cannot report backlog that effectively arises from transacting with itself.

(5) Commencing in 2007, management prospectively began measuring divisional performance based on segment operating profit or loss after capital charges and corporate allocations (i.e. segment profit (loss) before income taxes). Corporate allocations represent charges from the Corporate segment to each division for Corporate MG&A costs and capital charges relate to the cash, working capital, and long-term debt capital invested in each segment. Since this change was implemented in 2007, there are no comparative figures available for 2006 as the information required to restate prior period comparatives was not available.

Revenues from the Infrastructure segment increased from $56 million in the first quarter of 2006 to $95 million in the same period of 2007, an increase of $39 million. Revenues from roadbuilding, utilities, and other heavy civil operations were up $10 million, $4 million, and $25 million, respectively.

The roadbuilding operations benefited from the continuation of construction work on a number of projects where winter work was possible and from the impact of favourable winter weather conditions in Ontario in the early part of the quarter. The acquisition of The Karson Group, a major aggregate, asphalt and civil construction company in Eastern Ontario, during the first quarter of 2007, also partly contributed to the increase in revenues.

The increase in utilities revenues reflects mostly higher volumes of communications and highway lighting work, offset by lower gas pipeline installation work. Also, this operating unit continues to expand its share of the utilities engineering and utilities locate markets, both of which are new strategic focus areas for Aecon and contributed revenue growth during the quarter.

Heavy civil operations provided the largest revenue increase in the segment, increasing from $8 million in 2006 to $33 million in 2007. The revenue increase was driven primarily by certain power generation and tunneling projects where winter work was possible. In addition, revenues of approximately $7 million from the construction of the new Quito airport, which commenced construction during the third quarter of 2006, also contributed to the increase in 2007.

The Infrastructure segment operating loss of $2.0 million in the first quarter of 2007 represents a $2.5 million improvement over 2006, with the improvement stemming from the positive impact of the increased revenue, and thus margin contribution, as noted above. It should be noted that, thus far, construction profits have not been recorded on the new Quito airport project. Under Aecon's accounting policy for large multi-year contracts, profit is recognized only when construction progress reaches a stage of completion sufficient to reasonably determine the probable results. Based on this policy, profit from construction profit of the new Quito airport is not expected to be recognized until late 2007.

The roadbuilding and utilities operations perform a significant portion of their work outdoors. As a consequence, first quarter results are typical of Aecon's historical seasonal pattern whereby lower revenues and profits are recorded in the first half of the year, while significantly higher revenues and profits are recorded in the second half of the year.

Backlog at the end of March 2007 was $442 million, which represents a $192 million increase from the same time last year. New contract awards of $124 million were received in the quarter, which compares with $189 million last year. The majority of the increased backlog relates to the roadbuilding operations where several major contract awards were received in 2006 and 2007, and to a $126 million increase from the Quito airport construction project which started in June 2006.

As discussed in the Consolidated Financial Highlights section, significant commitments made to Aecon based on general contracts, supplier of choice and alliance agreements do not necessarily show up as backlog. Therefore, to the extent that the volume of work to be performed under these arrangements is expected to be significant, Aecon's effective backlog at any given time is greater than what is reported.

BUILDINGS

Financial Highlights

$ millions	**Three Months Ended March 31** **2007**	2006
Value of work managed	**$ 111.6**	$ 166.8
Revenues	**$ 63.2**	$ 87.3
Segment operating loss	**(0.2)**	(0.5)
Capital charges and allocations of corporate overheads	**(0.4)**	n/a
Segment loss before income taxes	**(0.6)**	n/a
Return on revenue	**(0.4)%**	(0.6)%
Backlog – March 31	**$ 170**	$ 234

Revenues in the Buildings segment in the first quarter of 2007 were $63 million, or $24 million lower than 2006. The value of work managed was also lower than last year. Toronto operations reported revenue reductions of $32 million primarily from the impact of reduced new work awards during the second half of 2006 which significantly impacted construction activities during the first quarter of 2007. The Seattle revenue decline of $5 million was caused by delays in new work awards in the fourth quarter of 2006 and first quarter of 2007, with these project awards now expected in the second quarter of 2007. Partially offsetting these declines were revenue increases of $8 million from Ottawa and $3 million from Montreal.

Segment operating losses in the first quarter of 2007 were $0.3 million better than last year, mostly because of the impact of the 2006 write-down of a joint venture investment.

Backlog of $170 million at the end of the first quarter of 2007 was $64 million lower than at the same time last year. The decline in backlog over the past twelve months is primarily driven by continued competitive pressures in certain markets, a reduced focus on lump sum contract pursuits, a strategy to pursue more contract management work rather than higher risk lump sum work, and delays in the formal award of certain projects.

New contract awards of $42 million in the current quarter compares favourably to $33 million in 2006 and reflects a trend that is expected to result in a build up of backlog levels in the segment in the coming quarters. This increase in awards occurred principally in the Toronto operations.

As discussed in the Consolidated Financial Highlights section, commitments made to Aecon based on construction management advisory agreements, general contracts, supplier of choice and alliance agreements do not necessarily show up as firm backlog. Therefore, to the extent that the volume of work to be performed under these arrangements is expected to be significant, Aecon's effective backlog at any given time is greater than what is reported.

INDUSTRIAL

Financial Highlights

$ millions		**Three Months Ended March 31 2007**		2006
Revenues	**$**	**74.1**	$	53.0
Segment operating profit		**3.0**		0.5
Capital charges and allocations of corporate overheads		**(2.2)**		n/a
Segment profit before income taxes		**0.8**		n/a
Return on revenue		**4.0%**		0.9%
Backlog – March 31	**$**	**225**	$	173

Current quarter revenues in the Industrial segment of $74 million were $21 million higher than in the same period in 2006. Revenues increased quarter-over-quarter in all operating units. In 2007, revenues of $28 million from construction operations in Ontario were up $9 million from the prior year, mostly as a result of increases in work in the nuclear sector. Revenues from the segment's Western Canada operations this quarter were $30 million compared to $25 million in 2006, with revenue increases from site construction projects offsetting revenue declines from module assembly and pipe fabrication projects. Fabrication revenues of $12 million from the segment's Ontario and Eastern Canada operations were $6 million higher than in 2006, primarily from volume growth in Eastern Canada. Revenues of $5 million for the quarter from IST which sells and licenses the technology for "once through" heat recovery steam generators ("OTSG"), were up $2 million from the prior year reflecting the impact of new orders received in late 2006 and in the first quarter of 2007.

In the first quarter of 2007, the Industrial segment generated an operating profit of $3.0 million compared to $0.5 million last year. Of the $2.5 million improvement, Ontario Construction, Western Canada, and Fabrication operations were up $1.1 million, $0.9 million, and $0.7 million, respectively. Only IST, with a loss of $1.4 million in 2007 compared to a loss of $1.2 million in 2006, was down from last year.

Ontario Construction operating profits increased from a loss of $0.4 million in 2006 to a profit of $0.7 million in 2007, driven primarily by higher margins from work in the nuclear sector. Western Canada operating results increased from $2.8 million in 2006 to $3.7 million in 2006. Higher margins resulting from higher volumes contributed to the improvement in operating profits. Notably, when the impact on 2006 operating profits from the successful renegotiation of the commercial terms of two large projects which were completed in 2005 is removed from the 2006 Western results, the increase in profits is greater and is more reflective of the increase in volumes experienced this quarter. In 2007, the Ontario and Eastern Canada Fabrication operations produced an operating loss of $0.1 million after incurring a loss of $0.7 million in 2006. The majority of this improvement was produced by the Ontario Fabrication operations which continue to benefit from the steps taken to improve profitability following a detailed strategic analysis of these operations last year. While revenues were higher this quarter, IST's loss is reflective of the impact of lower margin percentages associated with the current quarter-over-quarter revenue mix and unfavourable foreign exchange impacts in the current quarter.

Backlog at March 31, 2007 of $225 million is $52 million higher than at the same time last year. In the Western Canada operations, backlog of $63 million at March 31, 2007 is up $39 million from last year, and IST backlog of $41 million is up $32 million with the receipt of new awards in the fourth quarter of 2006 and first quarter of 2007. Notably, IST's backlog is significantly improved to its highest level since 2001, and bodes well for a return to profitability in 2007. Although down $19 million from last year, Ontario Construction backlog remains strong at $108 million. The decline from last year is due principally to the work-off of backlog on large projects throughout 2006 and early 2007. New contract awards of $114 million in the current quarter are $59 million higher than in 2006, principally because of awards in Western Canada and IST.

As discussed in the Consolidated Financial Highlights section, significant commitments made to Aecon based on general contracts, supplier of choice and alliance agreements do not necessarily show up as firm backlog. Therefore, to the extent that the volume of work to be performed under these arrangements is expected to be significant, Aecon's effective backlog at any given time is greater than what is reported.

CONCESSIONS

Financial Highlights[(1)]

	Three Months Ended March 31	
$ millions	**2007**	2006
Revenues	**$ 13.7**	$ 5.6
Segment operating profit (loss)	**1.4**	(0.7)
Capital charges and allocations of corporate overheads	**(2.1)**	n/a
Segment loss before income taxes	**(0.7)**	n/a
Return on revenue	**10.0%**	(12.4)%

(1) Certain prior period comparative figures have been reclassified to conform to the new segment presentation that was adopted in the second quarter of 2006 (see Introduction section of 2006 MD&A).

Revenues in the Concessions segment were $14 million in the current quarter, an $8 million increase compared to 2006. In the first quarter of 2007, the majority of the revenue improvement arose from the Quito airport project, which reported no revenues in 2006 and $8 million in 2007. The inclusion of revenues from the Quito airport concessionaire began in the third quarter of 2006. The Concession segment also includes the results from managing the operations of the Cross Israel Highway and Highway 104 toll plaza in Atlantic Canada. Aecon's long-term investment in Derech Eretz Highways (1997) Ltd. ("Derech Eretz"), the company owning the concessionaire rights to the Cross Israel Highway, is carried at cost, and as a result, income is only recognized to the extent of dividends received (i.e. a profit distribution) or when a portion of this investment is monetized. As such, Aecon has not reported any revenues and profits from its investment in Derech Eretz in the above periods, even though the Cross Israel Highway is performing well, and is generating strong operating cash flow. Notwithstanding the fact that cash distributions from this investment are expected to be later than originally expected, the project remains on track to deliver an expected 15% after tax internal rate of return ("IRR") on Aecon's $42.7 million investment.

The segment operating profit of $1.4 million in 2007 was an improvement of $2.1 million compared to the same quarter last year. The Quito airport concessionaire, which includes the results from operating the existing airport while the new airport is being constructed, was the main contributor to the improvement in operating profit. Net operating margin earned from the Quito airport project, before amortization charges, was $5.2 million. After deducting amortization expenses ($3.2 million) on concession rights related to the existing airport, the operating profit contribution of the Quito airport concessionaire was $2.0 million in the current quarter. Results from the Quito airport concessionaire were not included in Aecon's results in the first quarter of 2006.

Aecon does not include in its reported backlog expected revenues from operations management contracts and concession agreements. As such, while Aecon expects future revenues from its concession assets, no concession backlog is reported at March 31. Therefore, the effective backlog is greater than what is reported.

For further details on Aecon's investment in the Quito airport concessionaire, refer to note 5 of the December 31, 2006 Consolidated Financial Statements.

CORPORATE AND OTHER

Financial Highlights

	Three Months Ended March 31	
$ millions	**2007**	2006
Net Corporate expenses before interest income	**$ (3.1)**	$ (3.2)
Interest income	**1.2**	0.4
Segment operating loss	**(1.9)**	(2.8)
Capital charges and allocations of corporate overheads	**8.7**	n/a
Segment profit (loss) before income taxes	**6.8**	n/a

Net Corporate expenses (before interest income and corporate allocations to the segments) for the current quarter are $3.1 million compared to $3.2 million in 2006, essentially unchanged quarter-over-quarter.

The higher interest income is primarily related to Aecon's proportionate share of investment income earned by various joint ventures on their cash and investments balances. Cash balances held by joint ventures are higher than normal primarily because of significant advance payments received on certain projects such as the Quito Airport.

Quarterly Financial Data

The reader is referred to the Company's 2006 Management Discussion and Analysis for an analysis of the results of the eight quarters that ended December 31, 2006.

Set out below are revenues, net income (loss), and earnings per share for each of the most recent eight quarters (in millions of dollars, except per share amounts).

(unaudited)	**2007**	**2006**				**2005**		
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Revenues	$ 241.8	$ 338.0	$ 316.0	$ 258.7	$ 200.6	$ 323.5	$ 340.8	$ 283.0
Net income (loss)	(3.0)	10.6	12.8	(1.0)	(10.9)	3.5	2.1	1.7
Earnings (loss) per share:								
Basic	(0.08)	0.29	0.35	(0.03)	(0.36)	0.12	0.07	0.06
Diluted	(0.08)	0.29	0.34	(0.03)	(0.36)	0.11	0.07	0.05

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Aecon holds a 42.3% economic interest in Corporacion Quiport S.A. ("Quiport JV"), an Ecuadorian company, whose main operations consist of managing and operating the existing Quito Airport, and the development, construction, operations and maintenance of the new Quito International Airport under a concession arrangement. Aecon's investment in the Quiport JV is accounted for by the proportionate consolidation method, whereby the Consolidated Financial Statements reflect, line by line, Aecon's pro-rata share of each of the assets, liabilities, revenues, expenses and cash flows of Quiport JV. Given the significant effect of Quiport JV on Aecon's Consolidated Financial Statements, and in order to provide additional information about the Quiport JV operations and assets, which act as security for project debt, Aecon provides consolidating balance sheet and cash flow worksheets in note 15 to the March 31, 2007 Interim Consolidated Financial Statements as additional information about its accounts, thereby enabling the reader to have a greater understanding of Aecon's underlying assets, earnings base and financial resources.

Cash and Debt Balances

Cash and cash equivalents at March 31, 2007 are $47.7 million, which compares with $50.1 million at December 31, 2006. Of these amounts, $35.0 million and $42.2 million, respectively, were on deposit in joint venture bank accounts, which Aecon cannot access directly.

Restricted cash of $31.4 million at March 31, 2007 (December 31, 2006 - $13.2 million) represents cash that was deposited as collateral for borrowings and letters of credit issued by Aecon. As such, this cash was not available for general operating purposes. Restricted marketable securities and term deposits of $2.4 million at March 31, 2007 (December 31, 2006 - $15.2 million) were all held within joint ventures and, similar to cash held by joint ventures, these securities cannot be accessed directly by Aecon. The net increase in restricted balances of $5.4 million arose primarily from advance payments received on certain joint venture projects.

At March 31, 2007, long-term debt and convertible debentures, including the current portion, totaled $178.5 million compared to $145.9 million at the end of 2006. The $32.6 million net increase results mainly from the additional debt incurred to finance, or acquired as part of, the acquisition of The Karson Group in the first quarter of 2007 (see note 10 to the 2007 Interim Consolidated Financial Statements).

Bank indebtedness of $8.1 million at the end of March 2007 represents Aecon's 45% share of funds borrowed by the Nathpa Jhakri hydro-electric project joint venture in India. Bank indebtedness of $15.0 million at the end of December 2006 included $8.2 million of borrowings on the India project, and $6.8 million from Aecon's operating line of credit.

Interest bearing debt amounted to $186.6 million at March 31, 2007, compared to $160.9 million at December 31, 2006, the composition of which is as follows ($ millions):

	Mar. 31, 2007	Dec. 31, 2006
Bank indebtedness	**$ 8.1**	$ 15.0
Current portion of long-term debt	**11.7**	4.8
Long-term debt – recourse	**42.2**	14.7
Long-term debt - non-recourse	**66.1**	66.4
Convertible debentures	**58.5**	60.0
Total interest bearing debt	**$ 186.6**	$ 160.9
Interest bearing debt held directly	**112.4**	86.2
Interest bearing debt of joint ventures	**74.2**	74.7
Total	**$ 186.6**	$ 160.9

Aecon has a reducing revolving term loan to fund working capital and operating requirements (with a current limit of $20.6 million). This facility, which is reported as long-term debt, had no amounts outstanding at March 31, 2007, and, as such, the entire facility was available for drawdown to supplement Aecon's liquidity and working capital position. Aecon also had $58.5 million outstanding in convertible debentures, details of which are described in note 7 to the March 31, 2007 Interim Consolidated Financial Statements.

Aecon's liquidity position and capital resources continue to strengthen, and is deemed to be sufficient to finance its operations and working capital requirements for the foreseeable future.

Future equity investments of US$20 million by Aecon in the Quito airport concessionaire are expected to be funded by periodic distribution of profits from construction of the new Quito airport. To date, Aecon has invested US$13.7 million in equity and has deposited US$1 million with Export Development Canada ("EDC") in support of letters of credit issued by EDC on the Quito airport project. These EDC deposits are included in restricted cash on the consolidated balance sheets at March 31, 2007.

Summary of cash flows

	Consolidated Cash Flows		Cash Flows Excluding Quiport JV	
	Three Months Ended Mar. 31		Three Months Ended Mar. 31	
$ millions	**2007**	2006	**2007**	2006
Cash provided by (used in):				
Operating activities	**$ 15.3**	$ 1.7	**$ 12.2**	$ 1.7
Investing activities	**(24.2)**	(2.6)	**(20.9)**	(2.6)
Financing activities	**6.6**	2.6	**6.6**	2.6
Increase (decrease) in cash and cash equivalents	**(2.3)**	1.7	**(2.1)**	1.7
Effects of foreign exchange on cash balances	**(0.1)**	0.1	**-**	0.1
Cash and cash equivalents - beginning of period	**50.1**	27.0	**41.8**	27.0
Cash and cash equivalents - end of period	**$ 47.7**	$ 28.7	**$ 39.7**	$ 28.7

Operating Activities

Cash provided by operating activities of $15.3 million in the first quarter of 2007 is $13.7 million better than last year. The large year-over-year improvement is due to higher earnings in the current quarter (an improvement of approximately $8 million) and lower investments in working capital of approximately $3 million (i.e. generally net increases in deferred revenue balances created by higher over-billings on projects and reduced investments in accounts receivable were only partially offset by higher investments in accounts receivable holdback balances). Included in cash flows from operating activities is the impact of the consolidation of Aecon's $3.2 million proportionate share of cash generated by Quiport (the Quito concession Joint Venture) operations. This cash arose primarily from operating the existing Quito airport.

Investing Activities

For the quarter, investing activities resulted in a use of cash of $24.2 million, which compares with cash used of $2.6 million in 2006. Of the $24.2 million of cash used in the quarter, $3.3 million represents the consolidation of Aecon's proportionate share of the cash used by Quiport and primarily relates to construction of the new Quito airport (i.e. increase in concession rights of $3.5 million) in 2007. Also, during the first quarter of 2007, Aecon used $13.9 million of cash to acquire the operations of the Karson Group (see note 10 to the March 31, 2007 Interim Consolidated Financial Statements), and also increased its restricted cash and marketable securities balances primarily held in connection with the Quito project by $5.4 million. In the first quarter of 2006, the largest use of cash related to an increase in other assets of $2.4 million, and consisted mostly of additional start-up costs on the Quito airport project.

Financing Activities

In the first quarter of 2007, cash provided by financing activities amounted to $6.6 million, compared to $2.6 million in 2006. During 2007, issuances of long-term debt, excluding Quiport, amounted to $12.7 million while repayments totalled $0.4 million, for a net change of $12.3 million. The net change results primarily from Aecon's financing of the acquisition of The Karson Group in the quarter. This increase in long-term debt was partially offset by reduced utilization of Aecon's operating line of credit of $6.8 million.

During the first quarter of 2006, Aecon issued common shares for net proceeds of approximately $27 million plus an additional $1 million in proceeds were received upon the exercise of stock options. Also in the first quarter of 2006, $22.5 million of long term debt was repaid.

NEW ACCOUNTING STANDARDS

The CICA has issued four new accounting standards: CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; Section 1530, Comprehensive Income; and Section 3251, Equity. These standards are substantially harmonized with U.S. GAAP and were effective for Aecon beginning January 1, 2007. The principal impacts of the standards are as follows:

Financial assets are classified as available for sale, held to maturity, trading, or loans and receivables. Financial liabilities are classified as trading or other. Upon adoption of the new standards, all financial assets and financial liabilities were recorded on the balance sheet at fair value with the corresponding charge or credit going to retained earnings. Subsequent balance sheet measurement of these financial assets and liabilities depends on their classification for reporting purposes. Assets that are classified as "held-to-maturity assets", which covers fixed-maturity instruments that Aecon intends to and is able to hold to maturity, are accounted for at amortized cost using the effective interest method. Loans and receivables are also accounted for at amortized cost using the effective interest method. Trading assets continue to be accounted for at fair value with realized and unrealized gains and losses reported through net income. The majority of the remaining assets are classified as available for sale and measured at fair value with unrealized gains and losses recognized through other comprehensive income. Certain assets and liabilities may be designated as trading under the fair value option.

Accumulated other comprehensive income is a new component of shareholders' equity. Comprehensive income is composed of Aecon's net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, foreign currency translation and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes.

The new standards require that all derivative instruments be recognized as either assets or liabilities and measured at their fair values. In addition, the new standards allow special hedge accounting for some types of transactions provided that certain criteria are met. For fair value hedges, where Aecon is hedging changes in the fair value of assets, liabilities or firm commitments, the change in the fair value of derivatives and hedged items attributable to the hedged risk is recorded in the Consolidated Statement of Income. For cash flow hedges where Aecon is hedging the variability in cash flows related to variable-rate assets, liabilities or forecasted transactions, the effective portion of the changes in the fair values of the derivative instruments is recorded through other comprehensive income until the hedged items are recognized in the Consolidated Statement of Income.

Application of these standards has not had a material impact on Aecon's balance sheet and statement of operations other than a $0.4 million reduction in opening retained earnings to reflect fair value adjustments related to accounts receivable holdback and accounts payable holdback balances. See note 2 to the 2007 Interim Consolidated Financial Statements for further details.

SUPPLEMENTAL DISCLOSURES

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures to ensure that material information with respect to Aecon is made known to them. The Chief Executive Officer and Chief Financial Officer have also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP and to report any material changes in internal controls over financial reporting.

Changes in Internal Controls Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that occurred during the most recent interim period ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting except for the acquisition of The Karson Group during the first quarter for which internal controls have yet to be fully evaluated.

Contractual Obligations

At December 31, 2006, the Company had commitments totalling $204.7 million for equipment and premises under operating leases requiring minimum payments and principal repayment obligations under long-term debt (including the convertible debentures described in note 12 to the 2006 Consolidated Financial Statements). The only material changes since year end have resulted from the additional debt incurred as part of the purchase of the operations of the Karson Group (approximately $35 million), and repayments of approximately $7 million of debt under an operating line of credit facility.

At March 31, 2007, Aecon had contractual obligations to complete projects that were in progress. The revenue value of these contracts was $929 million. This consists of the reported backlog of $837 million plus an additional $92 million representing Aecon's share of the Quito project revenues not included in reported backlog revenues.

Off-Balance Sheet Arrangements

In connection with its joint venture operations in India, Israel and Quito, Aecon has provided various financial and performance guarantees and letters of credit, which are described in note 6 to the 2007 Interim Consolidated Financial Statements.

There was no material change in the funded status of Aecon's pension plans during the first three months of 2007. Details relating to Aecon's defined benefit plans are set out in note 19 to the Company's 2006 Consolidated Financial Statements.

From time to time Aecon 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 March 31, 2007, the Company had net outstanding contracts to sell EURO 16.2 million and US$0.1 million (December 31, 2006 - sell US$0.8 million) on which there was a net unrealized exchange loss of $0.2 million (2006 - net loss of $0.03 million). The net unrealized exchange gain (loss) represents the estimated amount the Company would have received/paid if it terminated the contracts at the end of the respective periods. Financial instruments are discussed in note 13 to the 2007 Interim Consolidated Financial Statements.

Related Party Transactions

There were no significant related party transactions since December 31, 2006.

Refer to note 12 to the 2007 Interim Consolidated Financial Statements for details of related party transactions and balances.

Critical Accounting Estimates

The reader is referred to the detailed discussion on Critical Accounting estimates as outlined in the notes to the Company's 2006 Consolidated Financial Statements and in the 2006 Annual MD&A.

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)

	March 31, 2007	May 14, 2007
Number of common shares outstanding (1)	38,179,162	38,179,162
Paid-up capital of common shares outstanding (2)	$ 133,292	$ 133,292
Outstanding securities exchangeable or convertible into common shares:		
Number of stock options outstanding	1,150,000	1,150,000
Number of common shares issuable on exercise of stock options	1,150,000	1,150,000
Increase in paid-up capital on exercise of stock options	$ 7,005	$ 7,005
Principal amount of convertible debentures outstanding (see note 7 to the 2007 Interim Consolidated Financial Statements)	$ 58,508	$ 58,508
Number of common shares issuable on conversion of convertible debentures	8,266,982	8,266,982
Increase in paid-up capital on conversion of convertible debentures	$ 58,508	$ 58,508

(1) Number of common shares outstanding excludes shares held by the trustee of Aecon's LTIP plan (see note 8 to the 2007 Interim Consolidated Financial Statements).

(2) As described in note 8 to the 2007 Interim Consolidated Financial Statements, and in accordance with the recommendations of The Canadian Institute of Chartered Accountants, share capital has been reduced by $0.5 million on account of share purchase loans receivable from employees and by $1.3 million to reflect shares held by the trustee of the LTIP plan.

OUTLOOK

As the second quarter begins, most of the key trends that shaped Aecon's outlook at the beginning of the year remain in place.

Infrastructure Segment

The outlook continues to be particularly strong for Aecon's Infrastructure segment where demand remains above historical norms in the key roadbuilding, utilities construction and heavy civil markets in Ontario. In addition, the first quarter acquisition of The Karson Group is expected to add to segment earnings in Ontario, especially in the materials sector, where strong market conditions continue for both asphalt and aggregate products.

Aecon's new civil construction business in Alberta is gaining momentum and is expected to begin generating profit contributions in 2007, as backlog from early business development successes is now being executed and as new contracts are acquired on oilsands projects in the Fort McMurray area.

Internationally, construction of the new Quito Airport is scheduled to reach 20% completion late in 2007, which will trigger the booking of profit contributions from the project. Aecon is a 50% partner in the joint venture that is constructing this US$410 million airport, which is scheduled for completion in 2010. In addition, financial close is expected this year on a US$150 million extension of the Cross Israel Highway in which Aecon has a 25% stake.

The anticipated resolution this year of contract issues surrounding the Nathpa Jhakri hydroelectric project in India and the Eastmain hydroelectric project in northern Quebec is expected to have positive cash and working capital impacts, although neither is expected to result in any material impact on earnings.

Buildings Segment

The Buildings segment continues to operate in a very competitive market, especially in the Greater Toronto Area where market conditions and Aecon's competitive positioning are not yet as strong as those in the Infrastructure and Industrial segments.

Due in part to the substantial completion of Aecon's joint venture project at Pearson International Airport (the segment's largest project), as well as the cost impact of a recently completed restructuring, and a continued reduction in backlog and new contract awards, it is now expected that operating results from the segment's Toronto operations will decline in 2007 on a year-over-year basis. Improved results from the balance of the segment (including operations based in Seattle, Vancouver, Ottawa, Montreal and Halifax) are expected to offset some of this decline, as significant increases are expected in total top line and bottom line contributions from these business units in 2007.

Notable and positive trends in the Buildings segment continue to include the growth of healthcare related construction, particularly in Ontario, but also in Quebec and Atlantic Canada, the growing demand for LEED certified construction (a particular focus of Aecon's Quebec business), the strong Native gaming market in the U.S. Pacific northwest and significant growth in the Vancouver buildings market.

Industrial Segment

Aecon's Industrial segment continues to benefit from growth in Alberta's oil and gas sector and from the drive to increase electrical generation capacity in Ontario. The ongoing strength of these two markets continues to drive the segment's increasing focus on the energy sector.

In Alberta, the ongoing high levels of investment in the energy sector (particularly in the oilsands), along with the strong backlog built up in 2006, position Aecon well for another good year in 2007.

In Ontario, Aecon's expanding maintenance activities at power facilities across the province, as well as its significant joint venture contract at the Bruce Nuclear facility and the government's ongoing commitment to expand generation capacity, are expected to result in continued strong profit contributions.

IST's strengthened backlog position at the end of 2006 and the expanded market created by its new joint venture to produce enhanced oil recovery steam generators for the oil and gas industry are expected to generate improved operating results in 2007.

Concessions Segment

In 2007, the Concessions segment will have the benefit of a full year of operating income from the existing airport in Quito, Ecuador, and is expected to generate improved contributions as a result. Despite constrained conditions at the existing airport while the new facility is constructed, traffic continues to grow, with an 11% increase in total passenger departures in the quarter compared to the first quarter of 2006.

The Cross Israel Highway also continues to perform well, with traffic ramping up as anticipated. Average weekday trips in March reached 86,000, an increase of almost 18% over March of last year. In addition, financial close is anticipated this year on a northern extension of the highway. This development is expected to result in the monetization of approximately US$10 million of Aecon's investment in the highway. The continued strong performance of this asset reinforces management's view that it holds significant value in excess of Aecon's investment, and work continues to monetize at least a portion of this value by the end of 2007.

Backlog

Aecon's backlog of work on hand was $837 million at March 31, 2007, an increase of $180 million from the same time last year and $51 million from December 31, 2006. Backlog increases of $192 million in the Infrastructure segment and $52 million in the Industrial segment more than offset a decline in the Buildings segment over the past twelve months.

Conclusion

Overall, management continues to believe that Aecon's healthy backlog and the ongoing strength of its core markets, especially in the energy and transportation infrastructure sectors, bode well for continued improvement in 2007 and the achievement of its EPS objective in 2008.

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. Many factors could cause Aecon's actual results, performance or achievements to vary from those expressed or inferred herein, including without limitation, the ability of the Eastmain Joint Venture to recover the full value of unpriced change orders, failure to achieve the targets associated with the construction of the new Quito Airport or operation of the existing Quito airport, the achievement of lower than expected volumes of work in Western Canada and the failure of IST to secure anticipated contract levels. Risk factors are discussed in greater detail in the section on "Risk Factors" in the Annual Information Form filed on March 30, 2007 and available at www.sedar.com. 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.

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 consolidated 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, Chairman and Chief Executive Officer

(signed) Scott C. Balfour, President and Chief Financial Officer

May 14, 2007

Aecon Group Inc.
Consolidated Balance Sheets

(in thousands of dollars) (unaudited)

	March 31, 2007	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	**$ 47,724**	$ 50,109
Restricted cash	**31,407**	13,195
Restricted marketable securities and term deposits	**2,423**	15,224
Accounts receivable	**176,118**	208,689
Holdbacks receivable	**58,624**	58,282
Deferred contract costs and unbilled revenue	**89,262**	90,312
Inventories	**13,074**	9,045
Prepaid expenses	**11,089**	6,511
	429,721	451,367
Property, plant and equipment	**84,154**	53,348
Future income tax assets	**19,046**	19,046
Concession rights (note 3)	**119,266**	120,088
Long-term investment	**42,733**	42,733
Other assets	**28,503**	29,705
	$ 723,423	$ 716,287

Aecon Group Inc.

Consolidated Balance Sheets *...continued*

(in thousands of dollars) (unaudited)

	March 31, 2007	December 31, 2006
Liabilities		
Current liabilities		
Bank indebtedness	**$ 8,146**	$ 15,036
Accounts payable and accrued liabilities	**161,219**	190,020
Holdbacks payable	**30,906**	30,666
Deferred revenue	**74,588**	64,444
Income taxes payable	**4,945**	2,044
Future income tax liabilities	**22,648**	23,160
Current portion of long-term debt (note 5)	**11,673**	4,797
	314,125	330,167
Long-term debt (note 5)	**108,309**	81,120
Other liabilities	**3,017**	3,062
Other income tax liabilities	**14,084**	13,994
Concession related deferred revenue	**73,562**	74,353
Convertible debentures (note 7)	**58,508**	59,988
	571,605	562,684
Non-controlling interests	**300**	-
Commitments and contingencies (note 6)		
Shareholders' Equity		
Capital stock (note 8)	**133,292**	131,975
Contributed surplus (note 8)	**1,343**	1,329
Convertible debentures (note 7)	**4,141**	4,146
Retained earnings	**13,182**	16,543
Accumulated other comprehensive loss (note 2)	**(440)**	(390)
	151,518	153,603
	$ 723,423	$ 716,287

Approved by the Board of Directors

(signed) "John M. Beck" — John M. Beck, Director

(signed) "Michael A. Butt" — Michael A. Butt, Director

Aecon Group Inc.

Consolidated Statements of Operations

For the Three Months ended March 31, 2007 and 2006

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

	2007	2006
Revenues	$ 241,785	$ 200,575
Costs and expenses	222,876	194,198
	18,909	6,377
Marketing, general and administrative expenses	14,960	13,009
Foreign exchange losses (gains)	135	(43)
Loss on sale of assets	12	3
Depreciation and amortization	4,855	1,840
Interest expense, net	1,196	2,375
	21,158	17,184
Loss before income taxes and non-controlling interests	(2,249)	(10,807)
Income tax expense (recovery) (note 4)		
Current	1,081	140
Future	(512)	-
	569	140
Loss before non-controlling interests	(2,818)	(10,947)
Non-controlling interests	156	-
Net loss for the period	$ (2,974)	$ (10,947)
Net loss per share (note 8)		
Basic	$ (0.08)	$ (0.36)
Diluted	$ (0.08)	$ (0.36)
Average number of shares outstanding (note 8)		
Basic	36,534,448	30,813,153
Diluted	46,076,404	34,058,469

Aecon Group Inc.

Consolidated Statements of Comprehensive Loss

For the Three Months ended March 31, 2007 and 2006

(in thousands of dollars) (unaudited)

		2007		2006
Net loss for the period	**$**	**(2,974)**	$	(10,947)
Other comprehensive loss, net of tax:				
Currency translation adjustments		**(50)**		-
Comprehensive loss for the period	**$**	**(3,024)**	$	(10,947)

Aecon Group Inc.

Consolidated Statements of Retained Earnings (Deficit)

For the Three Months ended March 31, 2007 and 2006

(in thousands of dollars) (unaudited)

		2007		2006
Retained earnings - beginning of period	**$**	**16,543**	$	5,000
Add (deduct):				
Net loss for the period		**(2,974)**		(10,947)
Change in accounting treatment for financial instruments (note 2)		**(400)**		-
Interest received on share purchase loans (note 8)		**13**		8
Retained earnings (deficit) - end of period	**$**	**13,182**	$	(5,939)

Aecon Group Inc.

Consolidated Statements of Accumulated Other Comprehensive Loss

For the Three Months ended March 31, 2007 and 2006

(in thousands of dollars) (unaudited)

	2007	2006
Accumulated other comprehensive loss - beginning of period	**$ (390)**	$ -
Add (deduct):		
Currency translation adjustments	**(50)**	-
Accumulated other comprehensive loss - end of period	**$ (440)**	$ -

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the Three Months ended March 31, 2007 and 2006

(in thousands of dollars) (unaudited)

	2007	2006
Cash provided by (used in)		
Operating activities		
Net loss for the period	$ **(2,974)**	$ (10,947)
Items not affecting cash:		
Depreciation and amortization	**4,855**	1,840
Loss on sale of assets	**12**	3
Amortization of deferred financing charges	**-**	168
Amortization of commitment fees	**20**	-
Unrealized (gain) loss on foreign exchange	**(49)**	40
Non-cash interest on other income tax liabilities	**90**	90
Notional interest representing accretion	**586**	266
Defined benefit pension	**(48)**	(155)
Future income taxes	**(512)**	-
Stock-based compensation	**113**	413
	2,093	(8,282)
Change in other balances relating to operations (note 9)	**13,251**	9,967
	15,344	1,685
Investing activities		
Increase in restricted cash	**(18,245)**	-
Decrease in restricted marketable securities and term deposits	**12,834**	94
Purchase of property, plant and equipment	**(1,963)**	(529)
Proceeds on sale of property, plant and equipment	**196**	187
Acquisition (note 10)	**(13,893)**	-
Concession rights (note 3)	**(3,498)**	-
Decrease (increase) in other assets	**30**	(2,361)
Non-controlling interests	**300**	-
	(24,239)	(2,609)
Financing activities		
Decrease in bank indebtedness	**(6,814)**	(10)
Repayment of other loan payable (note 12(c))	**-**	(2,500)
Issuance of long-term debt	**12,699**	-
Repayments of long-term debt	**(403)**	(22,510)
Issuance of capital stock (note 8)	**611**	27,615
Repayment of share purchase loans (note 8)	**532**	-
Interest received on share purchase loans (note 8)	**13**	8
	6,638	2,603
(Decrease) increase in cash and cash equivalents	**(2,257)**	1,679
Effects of foreign exchange on cash balances	**(128)**	63
Cash and cash equivalents - beginning of period	**50,109**	27,002
Cash and cash equivalents - end of period	$ **47,724**	$ 28,744

Supplementary disclosures (note 9)

(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 ("GAAP") for interim financial statements. They do not include all of the disclosures required by Canadian generally accepted accounting principles for annual financial statements and accordingly, the interim financial information should be read in conjunction with the Company's annual consolidated 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, 2006. In the opinion of management these statements include all adjustments, consisting of normal and recurring items that 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 for companies like Aecon, who do a significant portion of their work outdoors (principally road construction and utilities work) and, as a result, less work is performed in the winter and early spring months than in the summer and fall months. Accordingly, the Company 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. Results for the three-months ended March 31, 2007 are not necessarily indicative of results expected for the full fiscal year or any other future period.

2) Adoption of new accounting standards

Effective January 1, 2007, the Company adopted four new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"): Handbook section 1530 "Comprehensive Income", Handbook section 3251 "Equity", Handbook section 3855 "Financial Instruments - Recognition and Measurement", and Handbook section 3865 "Hedges". The Company adopted these standards prospectively and accordingly, comparative amounts for prior periods have not been restated.

Comprehensive Income
Section 1530 introduces the concept of Comprehensive Income, which consists of Net Income and Other Comprehensive Income ("OCI"). OCI represents changes in shareholders' equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation gains and losses arising from self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments. The interim consolidated financial statements include a consolidated statement of comprehensive income for the first quarter of 2007, which includes the cumulative changes in OCI for the quarter. The cumulative changes in OCI are included in Accumulated Other Comprehensive Income/(Loss) ("AOCI"), which is presented as a new category of shareholders' equity on the consolidated balance sheet.

Equity
Section 3251 "Equity", replaces section 3250 "Surplus", and describes how to report and disclose equity and changes in equity as a result of the new requirements of section 1530 "Comprehensive Income". Upon adoption of this section, the consolidated financial statements will include a Statement of Accumulated Comprehensive Income and a Statement of Comprehensive Income.

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

Financial Instruments – Recognition and Measurement
Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the consolidated balance sheet when the Company becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition. Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, being recognized in OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. Derivative instruments are recorded on the consolidated balance sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recognized in Net Income with the exception of derivatives designated in effective cash flow hedges or hedges of foreign currency exposure of a net investment in a self-sustaining foreign operation.

Other significant accounting implications arising upon the adoption of Section 3855 include the use of the effective interest method of amortization for any transaction costs or fees, premiums or discounts earned or incurred for financial instruments measured at amortized cost, and the recognition of the inception fair value of the obligation undertaken in issuing a guarantee that meets the definition of a guarantee pursuant to Accounting Guideline 14 "Disclosure of Guarantees" (AcG-14). No subsequent remeasurement at fair value is required unless the financial guarantee qualifies as a derivative. If the financial guarantee meets the definition of a derivative it is remeasured at fair value at each balance sheet date and reported as a derivative in other assets or other liabilities, as appropriate.

Hedges
Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of foreign currency exposures of net investments in self-sustaining foreign operations. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item. In a fair value hedging relationship, the carrying value of the hedged item is adjusted for unrealized gains or losses attributable to the hedged risk and recognized in net income. Changes in the fair value of the hedged item, to the extent that the hedging relationship is effective, are offset by changes in the fair value of the hedging derivative, which is also recorded in net income. When hedge accounting is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to net income over the remaining term of the original hedging relationship. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in OCI while the ineffective portion is recognized in net income. When hedge accounting is discontinued, the amounts previously recognized in AOCI are reclassified to net income during the periods when the variability in the cash flows of the hedged item affects net income. Gains and losses on derivatives are reclassified immediately

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to net income when the hedged item is sold or terminated early. In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, the effective portion of foreign exchange gains and losses on the hedging instruments is recognized in OCI and the ineffective portion is recognized in net income. The amounts previously recognized in AOCI are recognized in net income when there is a reduction in the hedged net investment as a result of a dilution or sale of the net investment; or reduction in equity of the foreign operation as a result of dividend distributions. The Company currently does not have any designated hedges.

The Company has recorded the following transition adjustments effective January 1, 2007 in the consolidated financial statements: (i) $390 of net foreign currency losses that were previously presented as a separate item in shareholders' equity have been reclassified to AOCI; (ii) $1,767 of deferred financing charges previously classified as other assets on the consolidated balance sheets have been reclassified to convertible debentures; and (iii) Accounts receivable holdbacks and accounts payable holdbacks have been fair valued with a resulting net charge after tax to retained earnings of $400.

3) Concession rights

The Company has recorded concession rights as follows:

		March 31, 2007		December 31, 2006
Concession rights to operate the Existing Quito Airport, net of accumulated amortization of $10,210 (December 31, 2006 - $7,105)	**$**	**55,992**	$	59,717
Concession rights to operate the new Quito Airport		**63,274**		60,371
	$	**119,266**	$	120,088

(a) Background information

The Company holds a 42.3% effective economic interest in Corporacion Quiport S.A. ("Quiport JV"), an Ecuadorian company, whose main operations consist of: (a) managing and operating the existing Mariscal Sucre International Airport (the "Existing Quito Airport") until its operations are transferred to a new airport; and (b) the development, financing, construction, operation and maintenance of the new Quito International Airport under a concession arrangement with Corporacion Aeropuerto y Zona Franca del Distrito Metropolitano de Quito ("CORPAQ"). The Company's 42.3% effective economic interest reflects a 45.5% investment in Quiport JV less the impact of the Company's share of a 7% carried interest given to one of the other partners for its participation in the project. Under the concession contract with CORPAQ, Quiport JV was given a 35-year concession from January 27, 2006. Once the concession period expires, all the facilities will be returned to CORPAQ. Income earned from operating the Existing Quito Airport will be reinvested in the new airport.

(b) Accounting for operations of the Existing Quito Airport

As an inducement to develop and finance the new Quito International Airport, Quiport JV was given the right to operate and to benefit from the operations of the Existing Quito Airport while the new airport is being

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constructed. In accordance with GAAP, an entity acquiring an "in kind" asset must measure the asset at fair value as at the date of acquisition. Therefore, in accounting for the right to operate the Existing Quito Airport, Quiport JV has fair valued this right and recorded an intangible asset (being the "Concession Rights") on its consolidated balance sheet. The Company's proportionate share of this asset was assigned a value of US$57,337 or Canadian equivalent of $64,000 at the date of the acquisition following a valuation of the inducement by an independent international audit firm. Quiport JV amortizes the Concession Rights over the remaining term of the right to operate the Existing Quito Airport, and amortization is based on usage (estimated traffic volumes). The offsetting concession related deferred revenue balance (which is the value of the inducement received by Quiport JV to develop and finance the New Quito Airport) will be amortized to earnings over the term of the New Quito Airport concession period. Consequently, income earned from the operation of the Existing Quito Airport, which will be recognized in the normal fashion, will be reduced by the amount of the annual amortization charge related to the Existing Quito Airport Concession Rights.

(c) Accounting for the costs of the New Quito Airport

At March 31, 2007, costs incurred of $63,274 (December 31, 2006 - $60,371), representing the Company's proportionate share to construct the New Quito Airport, have been recorded as Concession Rights to operate the New Quito Airport. Amortization of the Concession Rights to operate the New Quito Airport will commence after construction of the New Quito Airport is completed. As a result, there is no amortization expense recorded in the current period results.

4) Income taxes

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

	Three months ended March 31	
	2007	**2006**
Loss before income taxes and non-controlling interests	**$ 2,249**	$ 10,807
Statutory income tax rate	**36.1%**	36.1%
Expected income tax recovery	**(812)**	(3,901)
Effect on income tax of:		
Valuation allowance against current year's future tax assets	**1,890**	3,838
Provincial and foreign rate differentials	**(310)**	47
Non-deductible expenses	**117**	108
Foreign exchange translation gains	**(173)**	(33)
Other	**(143)**	81
	1,381	4,041
Income tax expense	**$ 569**	$ 140

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

5) Long-term debt

		March 31, 2007	December 31, 2006
Quiport JV Project Senior Lenders debt		**$ 60,200**	$ 60,763
Capital leases and equipment loans	(a)	**28,202**	11,082
Note payable	(b)	**17,299**	-
Mortgages		**4,887**	4,917
Quiport JV CORPAQ debt		**5,885**	5,614
Derech Eretz investment loan		**1,443**	1,457
Investment loan		**1,905**	1,923
Other		**161**	161
		119,982	85,917
Less: Amounts due within one year		**11,673**	4,797
		$ 108,309	$ 81,120

The following describes the major changes to long-term debt during the quarter ended March 31, 2007:

(a) On February 1, 2007, the Company's entered into a term loan facility and borrowed $12,699 which was used to partially finance its acquisition of The Karson Group (see note 10). The term loan is secured by certain equipment of The Karson Group and bears interest rate at a fixed rate of 6.4%. The term loan will be amortized over a period of seven years with monthly payments.

(b) As partial consideration for the acquisition of The Karson Group in 2007 (see note 10), the Company issued a note payable in the amount of $21,378 to the vendor. This note payable is non-interest bearing and has been discounted at 8% to arrive at a fair value of $17,072 at the date of the acquisition. Commencing January 31, 2008, the note is payable in equal annual instalments over a five year period. During the three months ended March 31, 2007, the Company recorded interest expense of $227 representing interest accretion on the note payable.

6) Guarantees

The Company has outstanding guarantees amounting to $25,739 (December 31, 2006 - $25,905) 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 ("Hochtief"), the parent of the Company's former principal shareholder. The Company and Hochtief have signed an indemnity agreement whereby the Company has agreed to pay Hochtief any amounts Hochtief is required to pay pursuant to this guarantee.

In connection with the Cross Israel Highway project, the Company has provided two joint and several guarantees, a continuous guarantee, which guarantees the performance of the concessionaire in which the Company has a 25% interest and a leakage guarantee, which is a guarantee by the operator of the toll highway, in which the Company has a 30.60% interest, to the concessionaire and covers toll capture and collection rates

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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 (at 100%) is in the amount of US$32,400 (CAD$37,409) (December 31, 2006 - US$32,400 or CAD$37,759) and is renewed annually to its full amount, irrespective of any drawings made thereunder. The Company has issued a letter of credit in the amount of US$8,100 (CAD$9,352) (December 31, 2006 – US$8,100 or CAD$9,440) to support its share of the continuous guarantee. The leakage guarantee (at 100%) came into effect when construction was completed and is renewable annually for the lesser of NIS33,000 plus escalation to-date (CAD$12,509) (December 2006 - NIS33,000 plus escalation or CAD$12,470) or 6% of annual toll revenue.

In addition to the above, the Company has provided letters of credit in the amounts of US$ 200 (CAD$231) (December 31, 2006 - US$200 or CAD$233), in support of working capital requirements of the operator of the toll highway, and NIS2,400 (CAD$666) (December 31, 2006 - NIS2,400 or CAD$663) to support a bid bond that was required by the concessionaire in connection with the construction of an extension to the Cross Israel Highway. These letters of credit are secured by cash.

In connection with the Quito Airport Project, the Company has provided letter of credit of US$22,000 (CAD$25,401) (December 31, 2006 – US$ 22,000 or CAD$25,639) in support of its remaining equity obligations and a letter of credit of US$30,203 (CAD$34,872) (December 31, 2006 – US$30,203 or CAD$35,199) for various project contingencies. These letters of credit are supported by guarantees issued on behalf of the Company to the issuing banks by Export Development Canada ("EDC") and will remain in place until its equity obligations are fulfilled and the conditions giving rise to the contingencies are satisfied or cleared. As a result of EDC issuing these guarantees, the Company was required to place in deposit with EDC the sum of US$1,000 (CAD$1,155) (December 31, 2006 – US$ 1,000 or CAD$1,165), which is classified as restricted cash at March 31, 2007.

The Company has also issued letters of credit to secure advances received from the Quito construction joint venture in the sum of US$14,000 (CAD$16,164) (December 31, 2006 - US$9,500 or CAD$11,071). The cash received was used as collateral for the letters of credit.

In addition, the Company and Andrade Gutierrez have provided surety bonds, guaranteed joint and severally, to cover construction and concession related performance obligations of US$67,055 (CAD$77,422) (December 31, 2006 - US$67,055 or CAD$78,146), an advance payment bond of US$74,466 (CAD$85,978) (December 31, 2006 - US$74,466 or CAD$86,783) and a retention release bond of $20,685 (CAD$23,883) (December 31, 2006 - US$20,685 or CAD$24,106), in each case the Company's share is supported by guarantees issued by EDC.

The Company has also issued performance guarantees of $8,264 (December 31, 2006 - $1,041) in respect of certain other international projects, which are supported by guarantees issued to the Company by EDC.

In addition, the Company has also issued, in the normal conduct of operations, letters of credit amounting to $13,156 (December 31, 2006 - $12,891) in support of financial and performance related obligations of certain domestic projects.

Under the terms of many of the Company's joint venture contracts with project owners, each of the partners is jointly and severally liable for performance under the contracts. At March 31, 2007, the value of uncompleted work for which the Company's joint venture partners are responsible, and which the Company could be

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responsible for assuming, amounted to approximately $414,002 (December 31, 2006 - $428,694), a substantial portion of which is supported by performance bonds. In the event the Company assumed this additional work, it would have the right to receive the partner's share of billings to the project owners pursuant to the joint venture contract.

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

7) Convertible debentures

Convertible subordinated debentures consist of:

		March 31, 2007	December 31, 2006
Debt component:			
Debenture maturing November 2, 2009	**(a)**	**$ 28,158**	$ 28,872
Debenture maturing March 17, 2010	**(a)**	**30,350**	31,116
Debenture maturing June 30, 2006	**(b)**	**-**	-
		$ 58,508	$ 59,988
Reported as:			
Long-term liability		**$ 58,508**	$ 59,988
Equity component:			
Debenture maturing November 2, 2009	**(a)**	**$ 1,985**	$ 1,990
Debenture maturing March 17, 2010	**(a)**	**2,156**	2,156
Debenture maturing June 30, 2006	**(b)**	**-**	-
		$ 4,141	$ 4,146

(a) In November 2004, the Company issued $30,000 in unsecured, subordinated convertible debentures maturing November 2, 2009. The debentures bear 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 to 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. During the quarter ended March 31, 2007, $70 of convertible debentures were converted into 9,333 common shares. At March 31, 2007, the face value of these convertible debentures which remains outstanding is $29,930 (December 31, 2006 - $30,000).

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In March 2005, the Company issued $32,500 in unsecured, subordinated convertible debentures maturing March 17, 2010. The debentures bear 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 $7.60 for each common share, subject to adjustment in certain circumstances. The convertible debentures will not be redeemable before March 18, 2008. From March 18, 2008 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. At March 31, 2007, the face value of these convertible debentures which remains outstanding is $32,500 (December 31, 2006 - $32,500).

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 the prior agreement of the holders, to settle its obligations on conversion by way of a cash payment of equal value.

(b) In March 2006, Hochtief exercised its option to convert convertible debt with a face value of $7,731 into 2,147,566 common shares at a conversion price of $3.60 per share.

In determining the amount of the debt and equity components of the convertible debentures, the carrying amount of the financial liability is first determined by discounting the stream of future payments of interest and principal at the rate of interest prevailing at the date of issue for instruments of similar term and risk. The equity component equals the amount determined by deducting from the carrying amount of the compound instrument the amount of the debt component.

Interest expense on the debentures is composed of the interest calculated on the face value of the debentures, which amounted to $62,430 at March 31, 2007 (December 31, 2006 - $62,500) and an annual notional interest representing the accretion of the carrying value of the debentures. For 2006, interest also included the amortization of deferred financing costs related to the debentures. On January 1, 2007, the unamortized portion of these costs was netted against the carrying value of the debentures. Interest recorded was as follows:

	Three months ended March 31	
	2007	**2006**
Interest expense on face value	**$ 1,277**	$ 1,376
Notional interest representing accretion	**355**	230
Amortization of deferred financing costs	**-**	147
	$ 1,632	$ 1,753

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

The liability portion of the debentures is as follows:

		March 31, 2007		December 31, 2006
Financial liability component	**$**	**56,519**	$	58,354
Notional interest representing accretion		**1,989**		1,634
	$	**58,508**	$	59,988

Upon the adoption of the CICA Handbook Section 3855 on accounting for Financial Instruments, the balance of the financial liability component of the convertible debentures as at January 1, 2007 were reduced by $1,767 (see note 2).

8) Capital stock

	2007			2006		
	Number of shares issued		**Amount**	**Number of shares issued**		**Amount**
Balance - January 1	**38,069,829**	**$**	**131,975**	31,180,609	$	95,985
Common shares issued on exercise of options	**100,000**		**710**	275,000		990
Common shares issued on conversion of debentures (i)	**9,333**		**75**	2,147,566		8,567
Repayment of share purchase loans (ii)	**-**		**532**	-		-
Common shares issued, less expenses of $1,500 (iii)	**-**		**-**	4500,000		26,625
Balance – March 31 (ii and iv)	**38,179,162**	**$**	**133,292**	38,103,175	$	132,167

(i) During the quarter ended March 31, 2007, $70 of convertible debentures maturing November 2009 were converted into 9,333 common shares at a conversion price of $7.50 per share (see note 7).

In March 2006, Hochtief exercised its option to convert convertible debt with a face value of $7,731 into 2,147,566 common shares at a conversion price of $3.60 per share. In addition, share capital was increased by $836 representing the equity portion of the convertible debentures that was previously classified as a separate component of shareholders' equity.

(ii) In accordance with the recommendations of the CICA on accounting for share purchase loans receivable from employees, such loans, except in certain circumstances are required to be presented as deductions from shareholders' equity. Accordingly, loans totalling $552 (2006 - $1,084) are presented as a deduction from capital stock. Interest received on such loans, after provision for income taxes, amounted to $13

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(2006 - $8) and is accounted for as a capital transaction in shareholders' equity. During the quarter ended March 31, 2007, $532 of these loans was repaid.

(iii) On March 17, 2006, the Company issued 4,500,000 common shares at $6.25 per share. Net proceeds, after deducting agents' fees and expenses of the issue, were approximately $26,625.

(iv) In accordance with the recommendations of the CICA Accounting Guideline No. 15 "Consolidation of Variable Interest Entities", share capital and shares outstanding have been reduced by $1,266 and 213,346, respectively to reflect shares held by the trustee of the Long-Term Incentive Plan.

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

Pursuant to an agreement in connection with the provision of bonds on the Quito International Airport Project, the Company is restricted from paying dividends, except for an aggregate of $10,000 per fiscal year.

On June 21, 2005, the Company's shareholders approved a new stock option plan (the "2005 Stock Option Plan") to replace the previous 1998 Stock Option Plan. The aggregate number of common shares that can be issued under the 2005 Stock Option Plan shall not exceed 2,500,000. Similar to the 1998 Stock Option Plan, each option issuance under the 2005 Stock Option Plan specifies 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. Details of common shares issued upon the exercise of options under the 2005 Stock Option Plan, as well as details of changes in the balance of options outstanding are detailed below:

2005 Stock Option Plan	**Three months ended March 31**					
	2007			**2006**		
	Number of share options		**Weighted average exercise price**	**Number of share options**		**Weighted average exercise price**
Balance outstanding at beginning of period	**950,000**	**$**	**6.17**	100,000	$	5.51
Granted	**50,000**		**6.75**	1,000,000		6.25
Exercised	**(66,667)**		**6.06**	-		-
Balance outstanding at end of period	**933,333**	**$**	**6.21**	1,100,000	$	6.18
Options exercisable at end of period	**416,667**	**$**	**6.22**	250,000	$	6.25

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

Options currently outstanding under the 2005 Stock Option Plan have the following exercise prices and expiry dates:

Options granted in	**Number of shares**	**Exercise price**	**Expiry date**
2005	83,333	$5.51	November 7, 2010
2006	800,000	$6.25	March 27, 2011
2007	50,000	$6.75	January 16, 2012

The options granted in 2005 and 2007 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 options granted in 2006 have a term of five years from the date of grant and vest one-quarter immediately and one-quarter per annum thereafter on the anniversary date of the grant.

The Company has adopted fair value accounting for options granted after 2001 to employees and records compensation expense upon the issuance of stock options under its 1998 and 2005 Stock Option Plans. The fair value is estimated on the date of grant using the Black-Scholes fair value option pricing model and compensation expense is amortized over the three-year vesting period of the options. During the three months ending March 31, 2007, compensation expense and contributed surplus were increased by $108 (2006 - $396) on account of options granted under the 2005 Stock Option Plan. As these options are exercised, the corresponding values previously charged to contributed surplus are reclassified to capital stock. In the current period contributed surplus was decreased by $99 (2006 - $nil) and capital stock was increased by the same amount upon the exercise of options under the 2005 Stock Option Plan. Proceeds arising from the exercise of these options are credited to capital stock.

The fair value of options granted during the three months ended March 31, 2007 was estimated on the date of grant using the Black-Scholes fair value option pricing model using the following assumptions:

	2007
Dividend yield	0%
Expected volatility	29%
Risk free interest rate	4%
Weighted average expected life (years)	3.5

The granting of options under the 1998 Stock Option Plan ceased effective June 21, 2005. However, this does not affect the rights granted under this plan to the holders of 216,667 options that were previously issued and remain outstanding under this plan. Details of common shares issued upon the exercise of options under the 1998 Stock Option Plan, as well as details of changes in the balance of options outstanding are detailed below:

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

1998 Stock Option Plan	**Three months ended March 31**					
			2007			**2006**
	Number of share options		**Weighted average exercise price**	**Number of share options**		**Weighted average exercise price**
Balance outstanding at beginning of period	**250,000**	**$**	**5.66**	525,000	$	4.58
Exercised	**(33,333)**		**6.20**	(275,000)		3.60
Balance outstanding at end of period	**216,667**	**$**	**5.58**	250,000	$	5.66
Options exercisable at end of period	**166,667**	**$**	**5.37**	150,000	$	5.26

Options were exercised under the 1998 Stock Option Plan during the three months ended March 31, 2007 for 33,333 shares (2006 - 275,000) for which share capital was increased by $207 (2006 - $990). Options currently outstanding have the following exercise prices and expiry dates:

Options granted in	**Number of shares**	**Exercise price**	**Expiry date**
2003	100,000	$ 4.75	April 1, 2008
2004	100,000	$ 6.30	August 3, 2009
2004	16,667	$ 6.20	November 30, 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.

During the period, compensation expense of $5 (2006 - $17), and contributed surplus were increased by the same amounts on account of options granted under the 1998 Stock Option Plan.

Long-Term Incentive Plan

In 2005, the Company adopted a Long-Term Incentive Plan ("LTIP") to provide a financial incentive for its senior executives to devote their efforts to the long-term success of the Company's business. The LTIP provides that shares of the Company shall be purchased by the trustee and held in trust for the future benefit of the participants until such time as awards made to participants under the LTIP have vested and as a result, the participants become eligible to have such shares transferred to them.

The number of shares awarded to participants is based on the financial results of the Company. Awards will be made in the form of Deferred Share Units ("DSUs") or in the form of restricted shares. Awards made in the form of DSUs will vest only upon the retirement or termination of the participant. Awards made in the form of

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restricted shares will vest annually over three years. Compensation charges related to the LTIP are expensed over the estimated vesting period of the awards. Awards made to retirement eligible individuals are assumed for accounting purposes to vest immediately. During the three months ended March 31, 2007, the Company recorded compensation charges of $300 (2006 - $41).

The LTIP Trust (the "Trust") holds 213,346 shares at March 31, 2007 (December 31, 2006 - 213,346 shares).

The Company has determined that it holds a variable interest in the residual equity of the Trust upon dissolution of the Trust and, as such the Trust meets the criteria of a variable interest entity that requires consolidation by the Company in accordance with the CICA Accounting Guideline No. 15 "Consolidation of Variable Interest Entities."

Earnings per share

Details of the calculations of earnings and loss per share are set out below. For purposes of calculating basic earnings or loss per share, the number of common shares has been reduced by 941,166 (March 31, 2006 - 1,584,963) common shares on account of share purchase loans receivable from employees. For purposes of calculating diluted income or loss per share, these shares have been treated as options.

Three months ended March 31					**2007**
		Loss (numerator)	**Shares (denominator)**		**Per share**
Net loss per share					
Net loss for the period	**$**	**(2,974)**	**36,534,448**	**$**	**(0.08)**
Effect of dilutive securities (i):					
Options		**-**	**1,156,870**		**-**
Convertible unsecured subordinated debenture bearing interest at 8.25% maturing on November 2, 2009		**790**	**4,000,000**		**-**
Convertible unsecured subordinated debenture bearing interest at 8.25% maturing on March 17, 2010		**842**	**4,276,316**		**-**
Long-term incentive plan shares		**-**	**108,770**		**-**
	$	**(1,342)**	**46,076,404**	**$**	**(0.08)**

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

Three months ended March 31				**2006**
		Loss (numerator)	**Shares (denominator)**	**Per share**
Net loss per share				
Net loss for the period	$	(10,947)	30,813,153	$ (0.36)
Effect of dilutive securities (i):				
Options		-	1,455,677	-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		77	1,789,639	-
	$	(10,870)	34,058,469	$ (0.36)

(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.

Contributed Surplus

Changes in contributed surplus for the three months ended March 31 are set out below:

	2007	**2006**
Contributed surplus - January 1	**1,329**	361
Increase (decrease) in contributed surplus resulting from:		
Granting of stock options	**113**	413
Exercise of stock options	**(99)**	-
Contributed surplus - March 31	**1,343**	774

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

9) Cash flow information

Change in other balances relating to operations:

		2007		2006
Decrease (increase) in:				
Accounts receivable	**$**	**40,835**	$	36,299
Holdbacks receivable		**(2,868)**		1,373
Deferred contract costs and unbilled revenue		**1,247**		6,429
Inventories		**801**		(737)
Prepaid expenses		**(4,653)**		(2,714)
(Decrease) increase in:				
Accounts payable and accrued liabilities		**(32,979)**		(33,874)
Holdbacks payable		**2,352**		2,287
Deferred revenue		**7,905**		1,011
Income taxes payable		**611**		(107)
	$	**13,251**	$	9,967

Other supplementary information:

		2007		2006
Cash interest paid	**$**	**1,891**	$	2,334
Cash income taxes paid		**782**		812

Property, plant and equipment acquired and financed by means of capital leases during the three months ended March 31, 2006 amounted to $437 (2006 - $766).

During the quarter ended March 31, 2007, $70 of convertible debentures maturing November 2009 were converted into 9,333 common shares at a conversion price of $7.50 per share. In March 2006, Hochtief exercised its option to convert convertible debt with a face value of $7,731 into 2,147,566 common shares at a conversion price of $3.60 per share. In addition, share capital was increased by $836 representing the equity portion of the convertible debentures that was previously classified as a separate component of shareholders' equity (notes 7 and 8).

On February 16, 2006, the shareholders of Derech Eretz purchased certain options held by project lenders. The Company's pro rata share of the purchase price was US$1,250 (CAD$1,460) and was financed by a loan from the other shareholders in Derech Eretz.

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

10) Acquisition

In the first quarter of 2007, the Company acquired The Karson Group, a major aggregate, asphalt and civil construction company in Eastern Ontario.

Under the share purchase deal, the Company will assume The Karson Group's existing debt of $4,663 and pay $36,791, of which $21,378 will be financed by the vendor and paid over a 5 year term. The vendor take back note is non-interest bearing and has been discounted at 8% to arrive at a fair value of $17,072 at the date of the acquisition. The allocation of the purchase price for the acquisition of this investment has not been finalized pending final determination of the fair values of assets acquired and liabilities assumed.

The following is a summary of the acquisition:

Net assets acquired		
Cash	$	1,520
Working capital		5,349
Property, plant and equipment		30,279
Current portion of long-term debt		(1,298)
Long-term debt		(3,365)
	$	32,485
Consideration		
Cash	$	15,413
Note payable		17,072
	$	32,485

11) Employee benefit plans

Employee future benefit expenses for the three months ended March 31 are as follows:

		2007		2006
Defined benefit plan expense:				
Company sponsored pension plans	**$**	**401**	$	412
Defined contribution plan expense:				
Company sponsored pension plans		**485**		445
Multi-employer pension plans		**5,070**		3,440
Total employee future benefit expenses	**$**	**5,956**	$	4,297

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

12) Related party transactions and balances

In addition to related party transactions described elsewhere in the notes to these consolidated financial statements, the following summarizes additional transactions during the period. Related party transactions are recorded at their exchange amounts, which is the consideration agreed to by the parties. Prior to November 30, 2006, Hochtief AG indirectly was the largest shareholder of the Company. On November 30, 2006 Hochtief sold all the shares it held in the Company.

(a) During the three months ended March 31, 2007, the Company paid professional fees in the amount of $30 (2006 - $nil) to a consulting company in which a director of the Company is a partner.

(b) Hochtief, the parent of Hochtief Canada Inc. ("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. During the three months ended March 31, 2006, the Company paid Hochtief guarantee fees in the amount of $65.

(c) At December 31, 2005, the Company was indebted to Hochtief for a total of $2,500 in the form of a short-term unsecured loan. The loan was provided to support a portion of the Company's working capital contribution requirements to the Eastmain joint venture, the hydro-electric powerhouse project in northern Quebec. On January 13, 2006, the Company repaid the remaining outstanding balance of $2,500. Interest due was calculated on the amount outstanding at prime rate plus 1.5%. Interest expense recorded during the three months ended March 31, 2006 amounted to $39.

(d) During the three months ended March 31, 2006, the Company paid interest and fees of $97 to HCI on the convertible subordinated debentures described in note 7(b).

(e) During the three months ended March 31, 2006, the Company received $21 from Hochtief PPP Solutions GmbH with respect to bid costs, pursuant to an arrangement in place for the sharing of such costs.

(f) To the best of the Company's knowledge from information available to it and from public records, $2,150 (December 31, 2006 - $2,150) of the Company's $32,500 convertible debentures maturing on March 17, 2010 is currently held by officers and directors of the Company or parties related thereto.

13) Financial instruments

Cash and cash equivalents, marketable securities, accounts receivable, and accounts payable and accrued liabilities approximate their fair values on a discounted cash flow basis because of the short-term nature of these instruments. The Company considers all highly liquid interest-earning investments with a maturity of three months or less at the date of purchase to be cash equivalents. In general, investments with original maturities of greater than three months and remaining maturities of less than one year are classified as short term investments. Investments with maturities beyond one year may be classified as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. All cash equivalents and short-term investments are classified as available for sale and are recorded at market value; unrealized gains and losses (excluding other-than-temporary impairments) are reflected in OCI.

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

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

There is not a liquid or quoted market value for the Company's long-term investment in Derech Eretz. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Company employs a systematic methodology on a periodic basis that considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. If the cost of an investment exceeds its fair value, the Company evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and the Company's intent and ability to hold the investment. The Company also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established.

Long-term notes receivable included in other assets have been discounted at interest rates that results in the carrying value approximating their fair value.

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

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for trading purposes. At March 31, 2007, the Company had net outstanding contracts to sell EURO16,214 and US$58 (December 31, 2006 - sell US$802) on which there was a net unrealized exchange loss of $195 (December 31, 2006 - net loss of $31). The net unrealized exchange gain (loss) represents the estimated amount the Company would have received/paid if it terminated the contracts at the end of the respective periods. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For a derivative instrument designated as a fair-value hedge, the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributed to the risk being hedged. For a derivative instrument designated as a cash-flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of OCI and is subsequently recognized in earnings when the hedged exposure affects earnings. The ineffective portion of the gain or loss is recognized in earnings. For options designated either as fair-value or cash-flow hedges, changes in the time value are excluded from the assessment of hedge effectiveness and are recognized in earnings. Gains and losses from changes in fair values of derivatives that are not designated as hedges for accounting purposes are recognized in earnings. None of the above contracts were designated as hedges, and as such the unrealized gains (losses) were recognized in net income in the period.

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

14) Segmented information and business concentration

The Company operates in four principal segments within the construction industry: Infrastructure, Buildings, Industrial and Concessions. Prior to the current year, the Company reported its concession operations (principally its investment in the Cross Israel Highway) within its Infrastructure segment. However, with the achievement of financial close of a concession agreement to own and operate the existing and new airports in Quito, Ecuador, concession ownership and operations became a significant portion of the Company's overall operations. Consequently, the Quito concession operations as described above are reported as part of the Concession segment, and the Quito construction operations, which includes construction of the new Quito airport, are included in the Infrastructure segment. 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 both public and private infrastructure, including roads and highways, principally within the Province of Ontario, as well as toll highways, dams, tunnels, bridges, airports, marine facilities, transit systems and hydro-electric power projects, domestically and internationally. This segment includes the mining, manufacture, and supply of asphalt and aggregate products, and the construction and/or installation of utility distribution systems for natural gas, telecommunications and electrical networks, as well as water and sewer mains, traffic signals and highway lighting, also principally within the Province of Ontario. Services provided in the Infrastructure segment include construction of large civil infrastructure projects in Canada and, on a selective basis, internationally.

Buildings

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

Industrial

This segment encompasses all of the Company's industrial construction and manufacturing activities including in-plant construction and module assembly in the manufacturing, energy, petrochemical, steel and automotive sectors. Activities in this sector also include the construction of alternative, fossil fuel, cogeneration power plants and in-plant construction of nuclear power plants as well as the fabrication of small and large diameter specialty pipe. In addition, activities in this sector include the design and manufacture of "once-through" heat recovery steam generators for industrial and power plant applications. Although activity in this segment is concentrated primarily in Canada, with selected projects in the United States and Europe, the Company sells and installs "once-through" heat recovery steam generators throughout the world through its Innovative Steam Technologies division.

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

Concessions

This segment includes the development, financing and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer or public-private partnership contract structures. This segment focuses primarily on the operations, management, maintenance and enhancement of investments held by the Company in infrastructure concessions - currently these concessions comprise investments in the Cross Israel Toll Highway and Quito International Airport Project concession companies. This segment includes the operations of Highway 104 toll plaza in Atlantic Canada. This segment also has a development function whereby it monitors and, where appropriate, brings the unique capabilities and strengths within the Company and its strategic partners to the development of domestic and international public-private partnership concession projects in which the Company may play a role as an investor, constructor and/or operator.

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

Information by reportable segments is as follows:

As at March 31 and the three months then ended

						2007
	Infrastructure	**Buildings**	**Industrial**	**Concessions**	**Corporate and Other**	**Total**
Revenues	$ 95,108	$ 63,200	$ 74,117	$ 13,725	$ (4,365)	$ 241,785
EBITDA (i)	$ (1,208)	$ (123)	$ 3,500	$ 4,580	$ (1,766)	$ 4,983
Depreciation and amortization	816	106	538	3,206	189	4,855
Segment operating profit (loss) (i)	$ (2,024)	$ (229)	$ 2,962	$ 1,374	$ (1,955)	$ 128
Capital charges and allocations of Corporate overheads (ii)	$ (4,115)	$ (337)	$ (2,207)	$ (2,072)	$ 8,731	$ -
Segment profit (loss) before income taxes	$ (6,139)	$ (566)	$ 755	$ (698)	$ 6,776	$ 128
Interest expense, income taxes and non-controlling interests						(3,102)
Net loss						$ (2,974)
Total assets	$ 314,398	$ 85,153	$ 107,793	$ 192,412	$ 23,667	$ 723,423
Intangible assets and goodwill	$ 2,743	$ 2,983	$ 3,750	$ 119,438	$ -	$ 128,914
Capital expenditures	$ 883	$ 189	$ 798	$ -	$ 93	$ 1,963
Cash flow from (used in) operating activities (i)	$ (1,605)	$ (125)	$ 3,515	$ 4,580	$ (4,272)	$ 2,093

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

												2006
		Infrastructure		**Buildings**		**Industrial**		**Concessions**		**Corporate and Other**		**Total**
Revenues	$	55,897	$	87,343	$	52,998	$	5,599	$	(1,262)	$	200,575
EBITDA (i)	$	(3,484)	$	(406)	$	917	$	(691)	$	(2,574)	$	(6,238)
Depreciation and amortization		1,036		113		465		1		225		1,840
Segment operating profit (loss) (i)	$	(4,520)	$	(519)	$	452	$	(692)	$	(2,799)		(8,078)
Interest expense and income taxes												(2,869)
Net loss											$	(10,947)
Total assets	$	187,568	$	87,015	$	82,925	$	47,881	$	63,340	$	468,729
Intangible assets and goodwill	$	2,743	$	2,544	$	3,750	$	179	$	-	$	9,216
Capital expenditures	$	137	$	76	$	242	$	-	$	74	$	529
Cash flow from (used in) operating activities (i)	$	(3,575)	$	(406)	$	917	$	(691)	$	(4,527)	$	(8,282)

(i) EBITDA represents earnings or loss before interest expense, income taxes, depreciation and amortization, and non-controlling interests. Segment operating profit (loss) represents net income (loss) before interest expense, income taxes, and non-controlling interests. Cash flow from (used in) operations is before the change in other balances related to operations. EBITDA, operating profit (loss), and cash flow from operating activities are not measures that have any standardized meaning prescribed by Canadian 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 the manner in which the chief operating decision maker makes operating decisions and assesses performance.

(ii) Commencing in 2007, management prospectively began measuring divisional performance based on segment operating profit or loss after capital charges and corporate allocations (i.e. segment profit (loss) before income taxes). Corporate allocations represent charges from the Corporate segment to each division for indirect Corporate marketing, general and administrative costs and capital charges relate to the cash, working capital, and long-term debt capital invested in each segment. Since this change was implemented in 2007, there are no comparative figures available for 2006 as the information required to restate prior period comparatives was not available.

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

15) Quito airport concession – additional information

In accordance with the recommendations of the CICA, the Company's investment in the Quito airport concession is currently accounted for by the proportionate consolidation method, whereby the consolidated financial statements reflect, line by line, the pro rata share of each of the assets, liabilities, revenues and expenses of the Quito airport concession. Given the significant effect of the Quito airport concession on the Company's consolidated financial statements and to provide additional information about the Quito airport concession operations and assets, which act as security for the project's debt, the Company provides the following consolidating worksheets as additional information about its accounts, thereby enabling the reader to have a greater understanding of the Company's underlying assets, earnings base and financial resources.

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

Consolidating Balance Sheet

	At March 31, 2007			
	Consolidated Balance Sheet excluding Quito airport concession	Quito airport concession	Eliminations	Consolidated Balance Sheet
Assets				
Current assets				
Cash and cash equivalents	$ 39,660	$ 8,064	$ -	$ 47,724
Other current assets	388,144	9,523	(15,670)	381,997
	427,804	17,587	(15,670)	429,721
Property, plant and equipment	84,154	-	-	84,154
Future income tax assets	19,046	-	-	19,046
Concession rights	-	146,586	(27,320)	119,266
Long-term investment	42,733	-	-	42,733
Other assets	28,503	-	-	28,503
Due from Quiport JV	15,235	-	(15,235)	-
Investment in Quiport JV	525	-	(525)	-
	$ 618,000	$ 164,173	$ (58,750)	$ 723,423
Liabilities				
Current liabilities	$ 350,620	$ 6,495	$ (42,990)	$ 314,125
Long-term debt	42,348	65,961	-	108,309
Due to Aecon	-	15,235	(15,235)	-
Other liabilities	3,017	-	-	3,017
Other income tax liabilities	14,084	-	-	14,084
Concession related deferred revenue	-	73,562	-	73,562
Convertible debentures	58,508	-	-	58,508
	468,577	161,253	(58,225)	571,605
Non-controlling interests	127	173	-	300
Shareholders' Equity				
Capital stock	133,292	525	(525)	133,292
Contributed surplus	1,343	-	-	1,343
Convertible debentures	4,141	-	-	4,141
Retained earnings	10,968	2,214	-	13,182
Accumulated other comprehensive loss	(448)	8	-	(440)
	149,296	2,747	(525)	151,518
	$ 618,000	$ 164,173	$ (58,750)	$ 723,423

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

Consolidating Statement of Cash Flows

	For the three months ended March 31, 2007			
	Consolidated Cash Flows excluding Quito airport concession	**Quito airport concession**	**Eliminations**	**Consolidated Cash Flows**
Cash provided by (used in):				
Operating activities	$ 12,192	$ 5,743	$ (2,591)	$ 15,344
Investing activities	(20,914)	(5,769)	2,444	(24,239)
Financing activities	6,614	(123)	147	6,638
Increase in cash and cash equivalents for the period	(2,108)	(149)	-	(2,257)
Effects of foreign exchange on cash balances	9	(137)	-	(128)
Cash and cash equivalents - beginning of period	41,759	8,350	-	50,109
Cash and cash equivalents - end of period	$ 39,660	$ 8,064	$ -	$ 47,724

16) Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the three months ended March 31, 2007.

Aecon

Aecon Group Inc.
20 Carlson Court, Suite 800
Toronto, Ontario
Canada M9W 7K6
Telephone 416·293·7004
Facsimile 416·293·0271
aecon@aecon.com
www.aecon.com