Aecon Group Inc. Third Quarter Report 2007

Nine Months ended September 30, 2007

AECON

Dear Fellow Shareholders,

On behalf of Aecon's Board of Directors, I am pleased to report a particularly strong third quarter in which your company established a number of record highs, including record revenues, record earnings and record backlog.

Revenues in the third quarter of 2007 grew to $430 million, an increase of 36 per cent, reflecting revenue growth in all four segments of Aecon's business. Revenues in the first nine months of the year increased by 30 per cent to $1.01 billion.

Net income reached a record $19 million in the quarter, a 48 per cent increase from the $12.8 million reported in 2006. Net income of $25.8 million in the first nine months also represents a record high for Aecon.

New contract awards in the first nine months of the year reached $1.5 billion, driving backlog at September 30 to a record $1.27 billion.

The strong financial performance demonstrated in recent quarters confirms Aecon's major presence in the segments of the Canadian construction industry that are experiencing strong and sustainable growth. On the basis of this strength, the Board of Directors has determined that Aecon is now in a position, not only to continue to invest in significant growth, but also to declare a modest semi-annual dividend that will provide an additional return to our shareholders. The first payment in the amount of $0.07 per share ($0.14 annually) will be paid on January 2, 2008 to shareholders of record on November 30, 2007.

Looking ahead, Aecon's outlook continues to be strong, particularly in our Infrastructure segment, where demand remains above historical norms in the heavy civil, utilities construction and roadbuilding markets. Internationally, the sale of Aecon's right to participate in the joint venture constructing the extension of the Cross Israel Highway added to this segment's profit contribution in 2007, and construction of the new Quito Airport is proceeding well. In either the fourth quarter of 2007 or the first quarter of 2008, the Quito project will reach the stage where Aecon will begin recording construction profit from this project.

The Buildings segment continues to operate in a very competitive market, especially in the Greater Toronto Area where market conditions and Aecon's competitive position are not yet as strong as those in Aecon's other segments. As such, it remains my expectation that we'll see a decline in earnings contribution from this segment in 2007. However, the improved backlog within the Buildings segment is evidence that Aecon's re-focused strategy in the segment is achieving positive results, and it bodes well for a turnaround in its results in 2008 and beyond.

Aecon's Industrial segment continues to strengthen across all business units due to strong execution capabilities, improved market conditions and backlog that has reached an all time high. The segment continues to benefit from the ongoing strength of Alberta's oil and gas sector, increased investment in electrical generation capacity in Ontario and improved backlog at Innovative Steam Technologies and at Aecon-Fabco in Atlantic Canada.

With the benefit of a full year of operations from the existing airport in Quito, Ecuador, the Concessions segment is expected to generate improved contributions in 2007. Traffic at the airport continues to grow, with more than 1.1 million passengers passing through the airport in the quarter, an increase of 9% over the third quarter of 2006.

Average weekday traffic on the Cross Israel Highway in September 2007 averaged more than 93,000 vehicles, an increase of over 16% since September of last year. The continued strong performance of this asset reinforces management's view that it holds significant value in excess of Aecon's investment.

In conclusion, although Aecon will likely be required to begin tax effecting earnings once again in 2008, I continue 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 pre-tax earnings growth.

Thank you for your continued support of Aecon.

(signed) John M. Beck
Chairman and Chief Executive Officer
October 29, 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 October 29, 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 but also in the Province of Alberta, as well as toll highways, dams, tunnels, bridges, airports, marine facilities, transit systems and hydro-electric power projects, domestically and, on a selected basis, internationally. This segment also 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. The design and construction of the new Quito airport project is included in the Infrastructure segment.

The Buildings segment specializes in the construction and renovation of commercial, institutional and multi-family residential buildings, including hospitals, office buildings, industrial buildings, airport terminals, entertainment facilities, schools, embassies, retail complexes, 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, design build services, building renovation, tenant fit up 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 energy, manufacturing, petrochemical, steel and automotive sectors. Activities in this sector include the construction of alternative, fossil fuel and cogeneration power plants, in-plant construction at nuclear power plants, the fabrication and module assembly of small diameter specialty pipe, and the design and manufacture of "once-through" heat recovery steam generators ("OTSGs") for industrial and power plant applications. Although activities in this segment are concentrated primarily in Canada, Aecon, through its subsidiary Innovative Steam Technologies Inc. ("IST"), sells OTSGs throughout the world.

Activities within the Concessions segment include the development, financing and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer and other public-private partnership contract structures. This segment focuses primarily on the operation,

management, maintenance and enhancement of investments held by Aecon in infrastructure concessions, which currently 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 together the unique capabilities and strengths of Aecon and its strategic partners for 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 September 30		Nine Months Ended September 30	
	2007	2006	**2007**	2006
Revenues	**$ 430.4**	**$ 316.0**	**$ 1,010.4**	**775.4**
Gross margin [1]	42.7	32.9	93.9	56.9
Operating profit [2]	**20.3**	**15.0**	**34.6**	**8.4**
Interest expense	(3.0)	(2.2)	(8.4)	(7.3)
Income taxes	1.8	-	-	(0.2)
Non-controlling interests	(0.1)	-	(0.4)	-
Net income for the period	**19.0**	**12.8**	**25.8**	**0.9**
Return on revenue [3]	4.7%	4.8%	3.4%	1.1%
Backlog – September 30	$ 1,272	$ 838		

(1) Gross margin is calculated as revenues less direct costs and expenses before deducting marketing, general and administrative expenses, depreciation and amortization, foreign exchange, interest, gains (losses) on sale of assets, 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 third quarter of 2007 were $430 million, representing an increase of $114 million over the same period last year. Revenues increased in the Infrastructure, Buildings, Industrial and Concessions segments by $52 million, $42 million, $21 million, and $3 million, respectively, and decreased in the Corporate segment by $4 million. For the first nine months of the year, revenues of $1,010 million were $235 million higher than in 2006, as increases in all operating units offset a decline in the Corporate segment. Results for each of the four principal operating segments are discussed separately under Reporting Segments.

Gross margin was up $9.8 million in the current quarter compared to 2006, as margin improvements were reported in all operating segments. Of the $9.8 million increase in gross margin in the current quarter, approximately $2 million came from concession operations at the existing Quito airport within the Concessions Segment, while the Infrastructure, Buildings, and Industrial segments reported improvements of $2 million, $1 million, and $5 million, respectively. Overall, these increases resulted from a combination of factors including higher volumes, improved pricing across most market segments, tighter cost controls, and exceptionally favourable weather conditions. Gross margin as a percentage of revenues decreased from 10.4% in the third quarter of 2006 to 9.9% largely as a result of risk reserves taken on a few previously completed large projects. Absent these reserves, gross margin as a percentage of revenues increased in the quarter as compared to the third quarter last year. For the nine months, the gross margin percentage increased from 7.3% to 9.3%, with improvements in all segments except Buildings. The year-to-date margin increase resulted primarily from the same reasons as in the third quarter.

Marketing, general and administrative expenses ("MG&A") amounted to $16.9 million in the third quarter of 2007, which is $3.6 million higher than last year. Higher volumes in all segments, the expansion of operations in Western Canada, higher information technology costs and increased performance-related incentive costs contributed to the increase. For the nine months, MG&A amounted to $47.3 million, which is $7.3 million higher than the same period last year. The $7.3 million increase arose essentially for the same reasons cited above for the third quarter. However, while the dollar amount of MG&A expenses increased, MG&A as a percentage of revenues decreased from 4.2% in the third quarter of 2006 to 3.9% in 2007 and from 5.2% for the nine months of 2006 to 4.7% in 2007. These improvements, combined with the increases in gross margin, contributed to a near identical return on revenues in the third quarter and a better overall return on revenues in the first nine months of 2007.

Depreciation and amortization expense in the current quarter of $6.1 million was $0.9 million higher than last year, and depreciation and amortization expense of $17.3 million for the nine months was $8.3 million higher than last year. The increase results mainly from the amortization of concession rights related to the existing Quito airport, which amounted to $3.9 million in the current quarter compared to $3.4 million in 2006, and $11.1 million year-to-date versus $3.4 million in 2006**.** Since the recognition of profits from concession operations in Quito did not commence until the third quarter of 2006, the 2007 year-to-date results include nine months of amortization expense compared to three months of amortization expense in the comparable period last year.

The net gain on sales of assets in the third quarter was $0.2 million, up slightly from $0.1 million last year. The net gain on sales of assets year-to-date was $3.6 million compared to $0.1 million last year. The year-to-date gain includes $3.4 million from the sale by Aecon of its right to participate in the joint venture that is constructing an extension to the Cross Israel Highway.

Interest expense in the current quarter of $3.0 million was $0.7 million higher than the same quarter last year, and interest expense of $8.4 million for the nine months was $1.1 million higher than last year. Increased borrowings, used to finance the acquisition of The Karson Group in the first quarter of 2007, were the primary reasons for the higher interest costs. These higher borrowings offset the benefit of 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.

Interest income of $1.5 million earned in the third quarter was $1.0 million higher than the same period last year, and interest income of $3.3 million in the first nine months of 2007 was $1.9 million higher than the same period in 2006. The higher interest income reported in the current quarter and year-to-date is primarily related to Aecon's proportionate share of investment income earned by various joint ventures on their cash and investment balances and from higher cash balances in Corporate. Cash balances held by joint ventures were higher than normal, mostly because of significant advance payments by clients received during the year, while Corporate cash balances increased mostly because of improved profitability and cash flows from Aecon's domestic operations.

Set out in note 4 of the September 30, 2007 Interim Consolidated Financial Statements is a reconciliation between the expected tax recovery/(expense) in 2007 and 2006 based on statutory income tax rates and the actual reported tax expense in 2007 and 2006.

Net income for the quarter ended September 30, 2007 was $19.0 million, representing a $6.2 million improvement over the same period in 2006, while for the nine months ended September 30, 2007, net income of $25.8 million was $24.9 million higher than last year. The results for both the quarter and year-to-date represented record earnings for Aecon.

Backlog at September 30, 2007 was a record $1,272 million and $434 million higher than the same time last year. New contract awards of $495 million were booked in the third quarter, which compares with $343 million in the third quarter of 2006, while total new contract awards of $1,497 million were booked in the first nine months, compared to $1,036 million during the first nine months of 2006. Further details for each of the segments are included in the discussion below under Reporting Segments.

It is important to note that Aecon does not report as backlog the significant and increasing number of contracts in hand where the exact quantity of work to be performed is not quantified or guaranteed. Examples include time and material, cost-plus, and some unit priced contracts where the number of units cannot be precisely defined. Other examples include construction management advisory contracts, concession agreements, multi-year operating and maintenance service contracts, general contracts where the client requests services on an as-needed basis, supplier of choice arrangements, and alliance agreements. None of the expected revenues from these types of contracts and arrangements are included in backlog. Therefore, Aecon's effective backlog at any given time is greater than what is reported.

REPORTING SEGMENTS

INFRASTRUCTURE

Financial Highlights

$ millions	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	**2007**	2006
Revenues	**$ 225.4**	$ 173.3	**$ 482.2**	$ 337.6
Segment operating profit [1]	**12.0**	11.8	**18.6**	9.3
Capital charges and allocations of corporate overheads [4]	**(5.1)**	n/a	**(14.0)**	n/a
Segment profit before income taxes [4]	**6.9**	n/a	**4.6**	n/a
Return on revenue [2]	**5.3%**	6.8%	**3.9%**	2.8%
Backlog – September 30 [3]	**$ 435**	$ 465		

(1) 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.
(2) Segment return on revenue is calculated as segment operating profit (loss) as a percentage of revenues.
(3) Included in backlog at September 30, 2007, is $102 million related to the new Quito airport project. Although Aecon's 50% share of the remaining construction revenues from this project are estimated at $177 million, the amount reported as backlog has been reduced by $75 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.
(4) 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 related to the cash, working capital, and long-term debt capital invested in each segment. Since this change was implemented in 2007, no comparative figures are available for 2006 as the information required to restate prior period comparatives is not available.

Of the $52 million increase in revenues in the third quarter, $28 million came from roadbuilding, $14 million from utilities operations and $10 million from heavy civil operations.

The major contributors to the increase in revenues from roadbuilding operations were The Karson Group, a major aggregate, asphalt and civil construction company in Eastern Ontario, which was acquired in the first quarter of 2007, and the growth of the Alberta roadbuilding operations. Also, roadbuilding operations in Ontario continued to benefit from the continuation of construction work on a number of large projects. Better than normal weather conditions also contributed to the increase in revenues from roadbuilding operations in Ontario.

The increase in utilities revenues is mostly due to higher volumes of highway lighting work, communications and gas pipeline installation work. The utilities operations also continue to expand its share of the utilities engineering and utilities locate markets, which are new strategic focus areas

for Aecon, both of which contributed to revenue growth during the third quarter. Similar to roadbuilding operations in Ontario, utilities operations also benefited from favourable weather conditions.

The revenue increase in heavy civil operations was driven primarily by power generation and tunneling projects in Ontario and from the expansion of heavy civil operations in Alberta.

For the nine months ended September 30, 2007, revenues in the Infrastructure segment increased by $145 million over the same period last year. Revenues from roadbuilding, utilities and heavy civil operations were up $62 million, $22 million, and $61 million, respectively, generally for the same reasons that drove the revenue increases in the third quarter and from higher revenues from construction of the new Quito airport.

The Infrastructure segment operating profit of $12.0 million in the third quarter of 2007 represented a $0.2 million increase over 2006 with significant improvements in roadbuilding, utilities and heavy civil operations largely offset by risk reserves taken on a few previously completed large projects.

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 of the new Quito airport is not expected to be recognized until the fourth quarter of 2007 or the first quarter of 2008.

For the nine months ended September 30, 2007, the Infrastructure segment produced an operating profit of $18.6 million compared to an operating profit of $9.3 million in 2006, an improvement of $9.3 million. A large portion of the year-over-year profit improvement relates to roadbuilding and heavy civil operations, where both the volume of work performed and margin levels have grown and from the previously noted $3.4 million gain on the sale of Aecon's right to participate in the joint venture building an extension to the Cross Israel Highway.

Backlog at the end of September 2007 was $435 million, which represents a $30 million decrease from the same time last year. Backlog associated with the Quito airport project declined by $27 million as a result of work off and the impact of foreign exchange conversion. New contract awards totaled $124 million for the third quarter of 2007 and $497 million year-to-date, compared to $185 million and $683 million, respectively, in the prior year. The majority of the new awards in the quarter were associated with roadbuilding operations. The higher value of awards during the first nine months of 2006 resulted primarily from the award last year of the Quito airport construction project.

As discussed in the Consolidated Financial Highlights section, significant contracts made to Aecon based on time and material, cost-plus, and unit prices, including supplier of choice and alliance agreements do not necessarily show up as backlog. Therefore, Aecon's effective backlog at any given time is greater than what is reported.

BUILDINGS

Financial Highlights

$ millions	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	**2007**	2006
Revenues	**$ 113.0**	$ 71.4	**$ 255.3**	$ 238.9
Segment operating profit	**2.4**	1.3	**1.2**	2.0
Capital charges and allocations of corporate overheads	**(0.3)**	n/a	**(1.1)**	n/a
Segment profit before income taxes	**2.1**	n/a	**0.1**	n/a
Return on revenue	**2.1%**	1.9%	**0.5%**	0.8%
Backlog – September 30	**$ 446**	$ 191		

Revenues in the Buildings segment in the third quarter of 2007 were $42 million higher than 2006. While the increase was spread across most operating units, the bulk of it came from the segment's operations in Ottawa where two large project awards in 2006 came into full production in 2007.

For the nine months ended September 30, 2007, the Buildings segment reported revenues of $255 million compared to revenues of $239 million last year. Similar to the third quarter, most of the increase in revenues came from the segment's operations in Ottawa, where revenues for the nine months increased by $66 million. Revenues from Montreal operations also improved, reporting an increase of $24 million over last year. Partly offsetting these increases were declines of $64 million from Toronto operations and $12 million from Seattle operations. The large decline in Toronto operations reflects reduced new work awards during 2006 and the first half of 2007. Recent awards received in the second half of 2007 will improve the future revenue outlook of the Toronto operations.

Segment operating profit in the third quarter of 2007 was $1.1 million higher than last year. Consistent with the higher quarterly volumes, all operating units, with the exception of the Toronto operations, reported increases in operating profits quarter-over-quarter.

For the nine months ended September 30, 2007, operating profit from the Buildings segment was down $0.9 million from the same period in 2006, as declines in the Toronto and Seattle operations of $4.3 million and $0.5 million, respectively, offset improvements in the balance of the Buildings operating units. The large decline in operating profit from Toronto operations is primarily reflective of the lower revenue levels experienced in 2007. Also, Toronto results were negatively impacted by $0.8 million in restructuring costs incurred earlier in the year as part of the ongoing implementation of the strategic plan to improve the operating results of this business unit.

Backlog of $446 million at the end of the third quarter of 2007 was $255 million higher than at the same time last year. Significant new contract awards totaling $209 million were recorded in the third quarter, which compares with awards of only $85 million in the same period of 2006, while awards of $510 million in the first nine months compared to $141 million in the same period of 2006. The

Toronto and Seattle operations reported the largest increases, with new awards booked in the current quarter of $103 million and $55 million, respectively.

As discussed in the Consolidated Financial Highlights section, contracts made to Aecon based on construction management advisory agreements, supplier of choice and alliance agreements do not necessarily show up as firm backlog. Therefore, Aecon's effective backlog at any given time is greater than what is reported.

INDUSTRIAL

Financial Highlights

	Three Months Ended September 30		Nine Months Ended September 30	
$ millions	**2007**	2006	**2007**	2006
Revenues	**$ 85.9**	$ 64.5	**$ 252.6**	$ 185.2
Segment operating profit	**7.7**	4.4	**17.7**	6.9
Capital charges and allocations of corporate overheads	**(1.9)**	n/a	**(6.2)**	n/a
Segment profit before income taxes	**5.9**	n/a	**11.5**	n/a
Return on revenue	**9.0%**	6.8%	**7.0%**	3.7%
Backlog – September 30	**$ 391**	$ 182		

Third quarter revenues in the Industrial segment of $86 million were $21 million higher than in the same period in 2006. While all business units within this segment reported quarter-over-quarter revenue increases, the segment's construction operations in Ontario and its IST unit in Cambridge were responsible for most of the increase. Revenues of $35 million from construction operations in Ontario were up $10 million from the prior year, mostly as a result of increases in work in the nuclear sector, while revenues of $12 million from IST, which sells and licenses the technology for "once through" heat recovery steam generators ("OTSGs"), were up $7 million from the prior year reflecting the impact of new orders received in late 2006 and in the first half of 2007.

For the nine months ended September 30, 2007, the Industrial segment reported revenues of $253 million compared to revenues of $185 million last year, a $67 million increase. Similar to the third quarter, increases in revenues were reported in all operating units, with the highest increases recorded by construction operations in Ontario and IST.

In the third quarter of 2007, the Industrial segment generated an operating profit of $7.7 million compared to $4.4 million last year. Of the $3.3 million improvement, construction operations in Ontario were up $1.6 million, Western Canada operations were up $1.3 million, and IST was up $0.6 million. Higher volumes and generally improved margins contributed to most of the profit increases. Fabrication operating results were unchanged from last year.

For the nine months, the Industrial segment generated an operating profit of $17.7 million compared to $6.9 million last year. Of the $10.8 million improvement, construction operations in Ontario were

up $3.8 million, operations in Western Canada were up $4.0 million, Fabrication operations were up $0.3 million and IST was up $3.0 million. Similar to the third quarter, profit improvements during the first nine months resulted from both higher volumes and improved margins.

Backlog at September 30, 2007 of $391 million was $209 million higher than at the same time last year. In Western Canada operations, backlog of $133 million was up $89 million from last year primarily because of new module assembly and pipe fabrication project awards. Ontario Construction backlog remained strong at $211 million up from $126 million last year. IST backlog of $36 million was up $33 million with the receipt of new awards in the fourth quarter of 2006 and the first half of 2007. Overall, new contract awards of $147 million in the current quarter were $84 million higher than in 2006, while new awards of $457 million for the nine months of 2007 were $262 million higher than 2006. Most of the increase in awards occurred in Western Canada and Ontario construction operations.

As discussed in the Consolidated Financial Highlights section, significant contracts made to Aecon based on time and material, cost-plus, and unit priced contracts, including supplier of choice and alliance agreements do not necessarily show up as firm backlog. Therefore, Aecon's effective backlog at any given time is greater than what is reported.

CONCESSIONS

Financial Highlights

	Three Months Ended September 30		Nine Months Ended September 30	
$ millions	**2007**	2006	**2007**	2006
Revenues	**$ 15.0**	$ 12.3	**$ 42.3**	$ 22.9
Segment operating profit (loss)	**1.2**	(0.4)	**3.8**	(2.3)
Capital charges and allocations of corporate overheads	**(1.8)**	n/a	**(6.0)**	n/a
Segment loss before income taxes	**(0.7)**	n/a	**(2.3)**	n/a
Return on revenue	**7.7%**	(3.3)%	**8.9%**	(10.1)%

Revenues in the Concessions segment during the third quarter of 2007 were up $3 million compared to 2006, while revenues for the first nine months of 2007 were up $19 million. For both the third quarter and year-to-date in 2007, the majority of the revenue increase came from operations at the existing Quito airport, which generated revenues of $9 million in the third quarter of 2007 and $25 million for the first nine months of 2007 compared to $7 million for both the third quarter and first nine months of 2006. Since the reporting of revenues from the Quito airport concessionaire began in the third quarter of 2006, no amounts were reported during the first two quarters of 2006.

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 sold. As such, even though the Cross Israel Highway is performing well,

and is generating strong operating cash flow, Aecon has not reported any revenues and profits from this investment. The project remains on track to deliver an expected 15% after-tax internal rate of return ("IRR") on Aecon's investment. In July 2007, Derech Eretz redeemed a portion of its subordinated debt of which Aecon's share was approximately US$10 million. For accounting purposes, this repayment was treated as a return of capital and, as such, had no impact on Aecon's reported earnings. After reducing the carrying value of Aecon's investment in Derech Eretz by the US$10 million, the carrying value of this investment is now approximately $32.7 million and the Aecon's ownership interest remains at 25%.

The segment operating profit of $1.2 million in the third quarter of 2007 represents an improvement of $1.6 million compared to the same quarter last year, while the operating profit of $3.8 million for the nine months was $6.1 million higher than in 2006. 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. Results from the Quito airport concessionaire were not included in Aecon's results in the first half 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 September 30. 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 September 30		**Nine Months Ended September 30**	
$ millions	**2007**	2006	**2007**	2006
Net Corporate expenses before interest income	**$ (4.4)**	$ (2.6)	**$ (9.9)**	$ (9.0)
Interest income	**1.5**	0.5	**3.3**	1.4
Segment operating loss	**(2.9)**	(2.1)	**(6.6)**	(7.5)
Capital charges and allocations of corporate overheads	**9.0**	n/a	**27.3**	n/a
Segment profit before income taxes	**6.1**	n/a	**20.7**	n/a

Net Corporate expenses (before interest income and corporate allocations to the operating segments) for the current quarter were $4.4 million compared to $2.6 million in 2006. Higher performance-related incentive costs, partially offset by net foreign exchange gains, were the primary contributor to the increase in expenses.

Net Corporate expenses for the first nine months of 2007 were $9.9 million compared to $9.0 million for the same period last year. As in the quarter, the primary contributor to the year-to-date increase was higher performance-related incentive costs offset by the favourable impact of net foreign exchange gains. During the current nine-month period, net foreign exchange gains were $1.3 million compared to net foreign exchange losses of $0.4 million in the same period last year.

Fluctuations in interest income are discussed in the Consolidated Financial Highlights section of the MD&A.

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 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Revenues	$ 430.4	$ 338.3	$ 241.8	$ 338.0	$ 316.0	$ 258.7	$ 200.6	$ 323.5
Net income (loss)	19.0	9.7	(3.0)	10.6	12.8	(1.0)	(10.9)	3.5
Earnings (loss) per share:								
Basic	0.51	0.26	(0.08)	0.29	0.35	(0.03)	(0.36)	0.12
Diluted	0.44	0.24	(0.08)	0.28	0.34	(0.03)	(0.36)	0.11

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 assets, which act as security for project debt, Aecon provides a consolidating balance sheet worksheet in note 16 to the September 30, 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 and financial resources.

Cash and Debt Balances

Cash and cash equivalents at September 30, 2007 were $80.5 million, which compares with $50.1 million at December 31, 2006. Of these amounts, $38.7 million and $42.2 million, respectively, were on deposit in joint venture bank accounts, which Aecon cannot access directly.

Restricted cash of $32.6 million at September 30, 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 $2.2 million at September 30, 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 $6.4 million arose primarily from advance payments received on certain joint venture projects.

Interest bearing debt amounted to $193.7 million at September 30, 2007, compared to $160.9 million at December 31, 2006, the composition of which is as follows ($ millions):

	Sept. 30, 2007		Dec. 31, 2006	
Bank indebtedness	**$**	**7.1**	$	15.0
Current portion of long-term debt		**10.5**		4.8
Long-term debt – recourse		**51.7**		14.7
Long-term debt - non-recourse		**65.8**		66.4
Convertible debentures		**58.5**		60.0
Total interest bearing debt	**$**	**193.7**	$	160.9
Interest bearing debt held directly		**120.7**		86.2
Interest bearing debt of joint ventures		**73.0**		74.7
Total	**$**	**193.7**	$	160.9

Bank indebtedness of $7.1 million at the end of September 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.

At September 30, 2007, long-term debt and convertible debentures, including the current portion, totaled $186.6 million compared to $145.9 million at the end of 2006. The $40.7 million net increase results mainly from $35 million of additional debt incurred and assumed to finance the acquisition of The Karson Group in the first quarter of 2007 (see note 11 to the 2007 Interim Consolidated Financial Statements). Also, long-term debt increased by $7.9 million as a result of incremental borrowings under a new term debt facility that was established in the second quarter.

In the second quarter, Aecon signed a new three-year credit agreement that replaced a number of existing credit facilities. The credit facility provided by a syndicate of lenders includes a three-year term loan facility for $15 million, which is fully drawn, and a three-year committed revolving operating line of $50 million to fund working capital and operating requirements. In the third quarter,

the term loan was converted into a U.S. dollar denominated loan. This was done in order to provide a partial hedge of Aecon's U.S. dollar denominated investment in Quito concession operations. As a result, exchange gains or losses on this debt will not be recorded in income, but will instead be included in shareholders' equity as part of the foreign currency translation component of accumulated other comprehensive income. At September 30, 2007, $13 million of the operating line facility was utilized to secure letters of credit. In addition to the term loan and operating line, a special letter of credit facility was provided to enable Aecon to replace guarantees related to a completed project in India. This additional facility increases the effective credit provided to $90 million. Further details relating to Aecon's operating lines are described in note 6 to the September 30, 2007 Interim Consolidated Financial Statements. Aecon also had $58.5 million outstanding in convertible debentures, details of which are described in note 8 to the September 30, 2007 Interim Consolidated Financial Statements.

In October 2007, Aecon announced its intent to redeem, effective November 2, 2007, all of its 8.25% subordinated convertible debentures due November 2, 2009 (the "2009 Debentures"). At September 30, 2007, the face value of these convertible debentures which remains outstanding is approximately $30 million. However, until redeemed, the 2009 Debentures will remain convertible at the option of the holders to acquire Aecon common shares at a conversion price of $7.50 per share at any time on or prior to the close of business on November 1, 2007. In light of the current trading price of Aecon's common shares, it is anticipated that most, if not all, of the 2009 Debentures will be converted, in which case up to 4 million common shares of Aecon will be issued.

The anticipated conversion of the debentures will reduce interest costs going-forward, in turn increasing Aecon's profitability and mitigating the dilutive effect of the conversions. For accounting purposes, the anticipated conversion of the debentures will result in an increase in shareholders' equity equal to the carrying value of the debentures.

Aecon's liquidity position and capital resources continue to strengthen and are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future. Of note, Aecon's cash flows from operations in fiscal 2006 were approximately $26 million higher than in fiscal 2005, and continued to improve in the first nine months of 2007 with cash flows from operations approximately $86 million higher than in the first nine months of 2006.

Future equity investments of US$16.6 million by Aecon in the Quito airport concessionaire are expected to be recovered from profits from construction of the new Quito airport. To date, Aecon has invested US$17.1 million as equity in the concessionaire. Aecon has also deposited US$3.5 million with Export Development Canada ("EDC") to support letters of credit issued by EDC on the Quito airport project. Aecon is also holding US$2.4 million in a segregated account in accordance with a proceeds agreement executed with EDC to secure the future equity investment requirements in the Quito airport concessionaire. These EDC deposits are included in restricted cash on the consolidated balance sheets at September 30, 2007.

Summary Of Cash Flows

$ millions	Consolidated Cash Flows							
	Three Months Ended September 30				Nine Months Ended September 30			
		2007		2006		**2007**		2006
Cash provided by (used in):								
Operating activities	**$**	**46.2**	$	(13.2)	**$**	**47.6**	$	(38.6)
Investing activities		**4.9**		0.7		**(35.3)**		(8.6)
Financing activities		**(6.6)**		(0.2)		**22.5**		57.1
Increase (decrease) in cash and cash equivalents		**44.5**		(12.8)		**34.8**		9.9
Effects of foreign exchange on cash balances		**(2.6)**		0.2		**(4.3)**		(0.1)
Cash and cash equivalents - beginning of period		**38.7**		49.3		**50.1**		27.0
Cash and cash equivalents - end of period	**$**	**80.5**	$	36.8	**$**	**80.5**	$	36.8

Operating Activities

Cash provided by operating activities of $46.2 million in the third quarter of 2007 was $59.4 million better than last year, while cash provided by operating activities of $47.6 million in the first nine months of 2007 was $86.1 million better than in the same period last year. The large year-over-year improvements are due to higher net income in the current periods (an improvement of approximately $6 million in the current quarter and $25 million year-to-date) and lower investments in working capital (an improvement of approximately $51 million in the quarter and $57 million for the nine months).

Investing Activities

For the third quarter, investing activities resulted in a source of cash of $4.9 million, which compares with cash provided of $0.7 million in 2006. $8.5 million of cash used in the third quarter related to construction of the new Quito airport (i.e. increase in concession rights). Offsetting this cash usage was a partial redemption of subordinated debt by Derech Eretz of which Aecon's share was approximately US$10 million (see the Concession Segment commentary above for additional details). In the third quarter of 2006, a reduction in the amount of restricted cash required to be on deposit as collateral for borrowings and letters of credit was the largest source of cash from investing activities in that quarter, while cash used to construct the new Quito airport represented the largest use of cash.

For the nine months, investing activities resulted in a use of cash of $35.3 million, which compares with cash used of $8.6 million in 2006. Of the $35.3 million, $17.9 million represents Aecon's proportionate share of the cash used by Quiport, which primarily relates to construction of the new Quito airport (mostly increases in concession rights) and which was primarily financed by non-recourse project debt included in financing activities below. Also, during 2007, Aecon used $13.9 million of cash to partially fund the acquisition of the Karson Group (see note 11 to the September 30, 2007 Interim Consolidated Financial Statements), and also increased its restricted cash and

marketable securities balances, primarily held in connection with the Quito project, by $8 million. Partially offsetting these outflows was a $10 million return of capital on Aecon's long-term investment in Derech Eretz as noted above. Similar to the third quarter of 2006, the largest source of cash during the first nine months of 2006 was the decrease in restricted cash balances while the largest use of cash arose from construction of the new Quito airport.

Financing Activities

In the third quarter of 2007, cash used for financing activities amounted to $6.6 million, compared to $0.2 million in 2006. The largest financing activity in the quarter related to decreased utilization of Aecon's operating line of credit by $7.4 million.

For the nine months ended September 30, 2007, cash generated from financing activities amounted to $22.5 million, compared to $57.1 million in 2006. During 2007, issuances of long-term debt amounted to $50.7 million while repayments totalled $20.7 million, for a net change of $30.0 million. Of the increase in long-term debt, $9 million relates to Aecon's proportionately consolidated share of additional financing for the new Quito airport project. In addition, $15 million was borrowed in the second quarter under Aecon's new term debt facility, of which $6.1 million was used to repay existing debt and $8.9 million was used to fund current operations, and debt of $12.7 million was incurred in the first quarter to finance the acquisition of The Karson Group. During the first nine months of 2006, Aecon issued common shares for net proceeds of approximately $28 million, plus an additional $1 million in proceeds were received upon the exercise of stock options. Also, increases in long-term debt in 2006 included the financing for the new Quito airport project of $39.3 million less a net repayment of $15.1 million of long term debt outstanding on the Company's revolving term facility.

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. Refer to the June 30, 2007 Interim MD&A for a discussion of the principal impacts of these standards.

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 periods ended September 30, 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 were the additional debt incurred as part of the purchase of the operations of the Karson Group (approximately $35 million), and the additional net debt borrowings of approximately $8 million under the new credit facility.

At September 30, 2007, Aecon had contractual obligations to complete projects that were in progress. The revenue value of these contracts was $1,347 million. This consists of the reported backlog of $1,272 million plus an additional $75 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 7 to the 2007 Interim Consolidated Financial Statements.

There was no material change in the funded status of Aecon's pension plans during the first nine 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 September 30, 2007, the Company had net outstanding contracts to buy and/or sell EURO 10.9 million and US$26.7 million (December 31, 2006 - sell US$0.8 million) on which there was a net unrealized exchange gain of $1.7 million (December 31, 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 14 to the 2007 Interim Consolidated Financial Statements.

Related Party Transactions

During 2007, $0.5 million of loans receivable from employees were repaid. There were no other significant related party transactions since December 31, 2006.

Refer to note 13 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)

	September 30, 2007	October 26, 2007
Number of common shares outstanding (1)	38,105,710	39,021,519
Paid-up capital of common shares outstanding (2)	$ 132,285	$ 139,256
Outstanding securities exchangeable or convertible into common shares:		
Number of stock options outstanding	1,086,150	1,061,150
Number of common shares issuable on exercise of stock options	1,086,150	1,061,150
Increase in paid-up capital on exercise of stock options	$ 6,604	$ 6,447
Principal amount of convertible debentures outstanding (see note 8 to the 2007 Interim Consolidated Financial Statements)	$ 58,497	$ 52,126
Number of common shares issuable on conversion of convertible debentures	8,166,254	7,275,421
Increase in paid-up capital on conversion of convertible debentures	$ 58,497	$ 52,126

(1) Number of common shares outstanding excludes shares held by the trustee of Aecon's LTIP plan (see note 9 to the 2007 Interim Consolidated Financial Statements).

(2) As described in note 9 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 $3.5 million to reflect shares held by the trustee of the LTIP plan.

Risks and Uncertainties

Aecon is exposed to a number of risks and uncertainties which could impact future results. The Company's profitability is closely tied to the general state of the economy in those geographic areas in which it operates. More specifically, the demand for infrastructure in North America, which is the principal component of Aecon's operations, is perhaps the largest single driver of the Corporation's growth and profitability.

The success of the Company is also dependent on a variety of risk factors, which could materially and adversely affect Aecon's future operating results, including but not limited to:

- successful resolution of outstanding issues with respect to the Nathpa Jhakri Project in India and the Eastmain Joint Venture in Quebec;
- the fact that a large portion of Aecon's revenues are derived from large projects (including joint ventures) which do not occur on a regular basis and could generate fluctuations in corporate revenues;
- risk associated with the financial performance of Aecon's concession assets (the Cross Israel Highway and Quito International Airport);
- exposure to risks related to the Company's international projects including, without limitation, economic, geopolitical (including repatriation of funds or assets and renegotiation requirements), geotechnical, military, currency and foreign exchange risks;
- various contractual risk factors associated with lump sum, fixed unit price, and design build contracts as well as other contractual factors unique to the construction industry;
- the ability to integrate the business and employees of The Karson Group acquired in early 2007 as well as the integration of any future acquisitions;
- ability to access sufficient working capital to finance growth opportunities;
- ability to maintain sufficient surety capacity to satisfy its current and future requirements;
- potential impact of unfavourable weather;
- environmental risk (including compliance and changes in regulatory framework);
- health and safety risk (including compliance and changes in regulatory environment);
- commercial and contractual claims and litigation arising from construction disputes;
- ongoing labour relations issues and competition for labour in markets;
- dependence on public sector for significant portion of the Company's work;

- fluctuations in financial results attributed to factors impacting the industry in which the Company operates including seasonal weather patterns;

- continued ability to protect it's (primarily IST) intellectual property rights;

- tax accrual risks related to the foreign jurisdictions in which Aecon operates;

- the fact that Aecon carries on business in highly competitive markets in Canada, the United States and internationally;

- the dependence on the satisfactory performance of subcontractors to profitably complete some contracts (primarily with the Buildings division);

- the dependence of the Company's success on the services of its key executives in a highly competitive environment;

- uneven market acceptance of key IST products including the OTSG and Enhanced Oil Recovery;

For a more detailed discussion of these factors, and a broader description of the Company's business, reference is made to the disclosure regarding Aecon's operations and the risks and uncertainties facing the Company set forth in the Annual Information Form and other public filings which are available at www.SEDAR.com.

OUTLOOK

Most of the key trends that have shaped Aecon's outlook in recent quarters remain in place, and Aecon's expectations for the year remain consistent with those published at the end of the second quarter.

Infrastructure Segment

The outlook continues to be particularly strong for Aecon's Infrastructure segment, where demand remains above historical norms in the heavy civil, utilities construction and roadbuilding markets. In particular, strong results from Aecon's heavy civil operations in Ontario, the acquisition earlier this year of The Karson Group, and solid contributions from Aecon's growing presence in the civil construction market in Alberta are driving an improved outlook for this segment.

Internationally, the sale of Aecon's right to participate in the joint venture constructing the new 'Section 18' extension of the Cross Israel Highway added to this segment's profit contribution in 2007. As previously stated, construction of the new Quito Airport could reach the stage this year where Aecon will begin recording profit from this 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.

Although still a possibility in 2007, it is now expected that the resolution of key contract issues surrounding two completed projects, the Nathpa Jhakri hydro-electric project in India and the Eastmain hydro-electric project in northern Quebec, will not occur until 2008.

Buildings Segment

The Buildings segment continues to operate in a very competitive market, especially in the Greater Toronto Area (GTA) where market conditions and Aecon's competitive position are not yet as strong as those in Aecon's other segments. As such, it remains management's expectation that a decline in earnings contribution from the segment's GTA operations this year (due in part to completion of a large project at Pearson International Airport and restructuring costs incurred in the first half of the year) is likely to result in a drop in this segment's earnings in 2007.

Notwithstanding this short term outlook, it is notable that the segment's substantial new business awards in the GTA over the past several months have rebuilt segment backlog to its highest level in over five years. This improved sales and backlog outlook is evidence that Aecon's re-focused strategy in the Buildings segment is achieving positive results, and it bodes well for a turnaround in the segment's GTA results in 2008 and beyond.

These positive signs of progress within the segment's GTA operations, combined with continued strong results from the segment's operations in Seattle, Vancouver, Ottawa, Montreal and Halifax, contribute to a strengthened mid-term outlook for the Buildings segment as a whole.

A number of positive trends in Aecon's Buildings markets continue, including 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 and a growing strength within GTA operations), the strong Native gaming market in the U.S. Pacific northwest and significant growth in the Vancouver buildings market.

Industrial Segment

The outlook for Aecon's Industrial segment continues to strengthen across all business units due to improved market conditions, backlog revenue and backlog margin that are at all time highs, and strong execution capabilities. The segment continues to benefit from the ongoing strength of Alberta's oil and gas sector, increased investment in electrical generation capacity in Ontario, and improved backlog at IST and at Aecon-Fabco's operations in Atlantic Canada.

IST's strong backlog is expected to result in improved operating results through the balance of 2007 and into 2008. In addition, the expanded market created by IST's initiatives to produce enhanced oil recovery steam generators for the oil and gas industry in Alberta and its cooperation agreement with Italian manufacturer Macchi, also serve to strengthen IST's mid-term outlook .

In Alberta, the ongoing high levels of investment in the energy sector, particularly in the oil sands, has resulted in a substantial module assembly backlog, which is expected to produce continued favourable results through 2007 and 2008. In addition, capacity limitations across the fabrication industry in Alberta are resulting in significant opportunities for the segment's fabrication facilities in

Cambridge. The strong market conditions in Alberta are anticipated to continue through Aecon's planning horizon notwithstanding current discussions regarding royalty fees charged by the province.

In Ontario, Aecon's significant joint venture contract at the Bruce Nuclear facility and the government's ongoing commitment to expand generation capacity, are also expected to result in continued strong profit contributions.

Concessions Segment

With the benefit of a full year of operations from the existing airport in Quito, Ecuador, the Concessions segment is expected to generate improved contributions in 2007. Traffic at the airport continues to grow, with more than 1.1 million passengers passing through the airport in the quarter, an increase of 9% over the third quarter of 2006.

The Cross Israel Highway also continues to perform well, with weekday trips in September averaging over 93,000, an increase of more than 16% since September of last year. The continued strong performance of this asset reinforces management's view that it holds significant value in excess of Aecon's investment, notwithstanding that the substantial appreciation of the Canadian dollar has impacted the valuation of this foreign currency based investment. The financial close of the highway's 'Section 18' extension earlier this year resulted in the monetization of approximately US$10 million of Aecon's investment in the highway, reducing Aecon's book value for this investment to approximately $33 million. Efforts continue to explore opportunities to monetize a further portion of this investment.

Backlog

Aecon's backlog of work on hand reached a record $1.272 billion at September 30, 2007, an increase of $434 million from the same time last year and $64 million from the end of the second quarter, reflecting the continued strength of Aecon's core markets.

As discussed above under Consolidated Financial Highlights, some work performed under 'time and material', 'cost-plus', and 'unit price' contract structures (including some supplier of choice and alliance agreements) where the exact amount of work to be performed is not defined, do not show up as backlog. Therefore, Aecon's effective backlog at any given time is greater than what is reported.

Conclusion

Although Aecon will very likely be required to begin tax effecting earnings once again in 2008, 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 pre-tax earnings growth.

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, and failure to achieve the targets associated with the construction of the new Quito Airport or operation of the existing Quito airport. 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.

Aecon Group Inc.

Consolidated Financial Statements
(Unaudited)

September 30, 2007 and 2006

Notice to Reader

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

These interim financial statements have not been reviewed by an auditor. These interim consolidated financial statements are unaudited and include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.

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

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

October 29, 2007

Aecon Group Inc.

Consolidated Balance Sheets

(in thousands of dollars) (unaudited)

	September 30, 2007	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	**$ 80,515**	$ 50,109
Restricted cash	**32,599**	13,195
Restricted marketable securities and term deposits	**2,171**	15,224
Accounts receivable	**261,944**	208,689
Holdbacks receivable	**63,099**	58,282
Deferred contract costs and unbilled revenue	**81,561**	90,312
Inventories	**17,264**	9,045
Prepaid expenses	**5,932**	6,511
	545,085	451,367
Property, plant and equipment	**82,631**	53,348
Future income tax assets	**19,046**	19,046
Concession rights (note 3)	**113,189**	120,088
Long-term investment (note 5)	**32,685**	42,733
Other assets	**27,689**	29,705
	$ 820,325	$ 716,287

Aecon Group Inc.

Consolidated Balance Sheets *...continued*

(in thousands of dollars) (unaudited)

	September 30, 2007	December 31, 2006
Liabilities		
Current liabilities		
Bank indebtedness	**$ 7,073**	$ 15,036
Accounts payable and accrued liabilities	**231,498**	190,020
Holdbacks payable	**29,895**	30,666
Deferred revenue	**81,656**	64,444
Income taxes payable	**1,728**	2,044
Future income tax liabilities	**22,274**	23,160
Current portion of long-term debt (note 6)	**10,503**	4,797
	384,627	330,167
Non-recourse project debt (note 6)	**65,808**	66,252
Other long-term debt (note 6)	**51,777**	14,868
Other liabilities	**3,074**	3,062
Other income tax liabilities	**14,264**	13,994
Concession related deferred revenue	**64,445**	74,353
Convertible debentures (note 8)	**58,497**	59,988
	642,492	562,684
Non-controlling interests	**502**	-
Commitments and contingencies (note 7)		
Shareholders' Equity		
Capital stock (note 9)	**132,285**	131,975
Contributed surplus (note 9)	**1,542**	1,329
Convertible debentures (note 8)	**4,091**	4,146
Retained earnings	**41,965**	16,543
Accumulated other comprehensive loss (note 2)	**(2,552)**	(390)
	177,331	153,603
	$ 820,325	$ 716,287

Approved by the Board of Directors

(signed) John M. Beck, Director

(signed) Michael A. Butt, Director

Aecon Group Inc.

Consolidated Statements of Operations

For the three months ended September 30, 2007 and 2006

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

	2007	2006
Revenues	**$ 430,371**	$ 316,039
Costs and expenses	**(387,657)**	(283,123)
	42,714	32,916
Marketing, general and administrative expenses	**(16,861)**	(13,237)
Foreign exchange (losses) gains	**(1,016)**	32
Gain on sale of assets	**193**	54
Depreciation and amortization	**(6,149)**	(5,253)
Interest expense	**(2,953)**	(2,234)
Interest income	**1,453**	528
	(25,333)	(20,110)
Income before income taxes and non-controlling interests	**17,381**	12,806
Income tax (expense) recovery		
Current	**2,064**	(512)
Future	**(263)**	534
	1,801	22
Income before non-controlling interests	**19,182**	12,828
Non-controlling interests	**(147)**	-
Net income for the period	**$ 19,035**	$ 12,828
Net earnings per share (note 9)		
Basic	**$ 0.51**	$ 0.35
Diluted	**$ 0.44**	$ 0.34
Average number of shares outstanding (note 9)		
Basic	**37,120,401**	36,698,212
Diluted	**47,021,102**	38,109,577

Aecon Group Inc.

Consolidated Statements of Operations

For the nine months ended September 30, 2007 and 2006

(in thousands of dollars) (unaudited)

	2007	2006
Revenues	**$ 1,010,427**	$ 775,353
Costs and expenses	**(916,499)**	(718,470)
	93,928	56,883
Marketing, general and administrative expenses	**(47,316)**	(40,048)
Foreign exchange losses	**(1,577)**	(962)
Gain on sale of assets (note 17)	**3,580**	131
Depreciation and amortization	**(17,340)**	(9,049)
Interest expense	**(8,390)**	(7,319)
Interest income	**3,312**	1,433
	(67,731)	(55,814)
Income before income taxes and non-controlling interests	**26,197**	1,069
Income tax (expense) recovery (note 4)		
Current	**(892)**	(710)
Future	**886**	534
	(6)	(176)
Income before non-controlling interests	**26,191**	893
Non-controlling interests	**(399)**	-
Net income for the period	**$ 25,792**	$ 893
Net earnings per share (note 9)		
Basic	**$ 0.70**	$ 0.03
Diluted	**$ 0.66**	$ 0.03
Average number of shares outstanding (note 9)		
Basic	**36,897,608**	34,746,874
Diluted	**46,699,238**	36,756,512

(in thousands of dollars) (unaudited)

Consolidated Statements of Comprehensive Income:

	Three months ended September 30		Nine months ended September 30	
	2007	**2006**	**2007**	**2006**
Net income for the period	**$ 19,035**	$ 12,828	**$ 25,792**	$ 893
Other comprehensive loss, net of tax:				
Currency translation adjustments	**(256)**	-	**(2,162)**	-
Comprehensive income for the period	**$ 18,779**	$ 12,828	**$ 23,630**	$ 893

Consolidated Statements of Retained Earnings:

	Three months ended September 30		Nine months ended September 30	
	2007	**2006**	**2007**	**2006**
Retained earnings (deficit) - beginning of period	**$ 22,921**	$ (6,917)	**$ 16,543**	$ 5,000
Net income for the period	**19,035**	12,828	**25,792**	893
Change in accounting treatment for financial instruments (note 2)	**-**	-	**(400)**	-
Interest received on share purchase loans (note 9)	**9**	10	**30**	28
Retained earnings - end of period	**$ 41,965**	$ 5,921	**$ 41,965**	$ 5,921

Consolidated Statements of Accumulated Other Comprehensive Loss:

	Three months ended September 30		Nine months ended September 30	
	2007	**2006**	**2007**	**2006**
Accumulated other comprehensive loss - beginning of period	**$ (2,296)**	$ -	**$ (390)**	$ -
Currency translation adjustments	**(256)**	-	**(2,162)**	-
Accumulated other comprehensive loss - end of period	**$ (2,552)**	$ -	**$ (2,552)**	$ -

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the three months ended September 30, 2007 and 2006

(in thousands of dollars) (unaudited)

	2007	2006
Cash provided by (used in)		
Operating activities		
Net income for the period	**$ 19,035**	$ 12,828
Items not affecting cash -		
Depreciation and amortization	**6,149**	5,253
Gain on sale of assets	**(193)**	(54)
Amortization of deferred financing charges	**-**	179
Amortization of commitment fees	**39**	-
Unrealized gain on foreign exchange	**(92)**	(275)
Non-cash interest on other income tax liabilities	**90**	90
Notional interest representing accretion	**701**	207
Defined benefit pension	**(175)**	(97)
Future income taxes	**263**	(534)
Stock-based compensation	**114**	222
	25,931	17,819
Change in other balances relating to operations (note 10)	**20,254**	(31,043)
	46,185	(13,224)
Investing activities		
Decrease in restricted cash balances	**674**	6,199
Decrease (increase) in restricted marketable securities and term deposits	**15**	(128)
Purchase of property, plant and equipment	**(918)**	(1,102)
Proceeds on sale of property, plant, and equipment	**3,452**	178
Concession rights (note 3)	**(8,506)**	(10,282)
Repayment of long-term investment (note 5)	**10,048**	-
(Increase) decrease in other assets	**(30)**	5,806
Non-controlling interests	**145**	-
	4,880	671
Financing activities		
Decrease (increase) in bank indebtedness	**(7,379)**	3,557
Issuances of long-term debt	**3,622**	3,563
Repayments of long-term debt	**(2,989)**	(8,778)
Increase in concession related deferred revenue	**-**	1,466
Issuances of capital stock (note 9)	**157**	(6)
Interest received on share purchase loans (note 9)	**9**	10
	(6,580)	(188)
Increase (decrease) in cash and cash equivalents	**44,485**	(12,741)
Effects of foreign exchange on cash balances	**(2,623)**	154
Cash and cash equivalents - beginning of period	**38,653**	49,342
Cash and cash equivalents - end of period	**$ 80,515**	$ 36,755

Supplementary disclosure (note 10)

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2007 and 2006

(in thousands of dollars) (unaudited)

	2007	2006
Cash provided by (used in)		
Operating activities		
Net income for the period	**$ 25,792**	$ 893
Items not affecting cash -		
Depreciation and amortization	**17,340**	9,049
Gain on sale of assets	**(3,580)**	(131)
Amortization of deferred financing charges	**-**	516
Amortization of commitment fees	**415**	-
Unrealized (gain) loss on foreign exchange	**(279)**	749
Non-cash interest on other income tax liabilities	**270**	270
Notional interest representing accretion	**1,981**	681
Defined benefit pension	**(202)**	(403)
Future income taxes	**(886)**	(534)
Stock-based compensation	**340**	857
	41,191	11,947
Change in other balances relating to operations (note 10)	**6,383**	(50,516)
	47,574	(38,569)
Investing activities		
(Increase) decrease in restricted cash balances	**(21,423)**	5,372
Decrease (increase) in restricted marketable securities and term deposits	**13,086**	(216)
Purchase of property, plant and equipment	**(4,139)**	(1,998)
Proceeds on sale of property, plant, and equipment	**3,543**	731
Acquisitions (note 11)	**(14,386)**	(192)
Concession rights (note 3)	**(22,092)**	(11,191)
Repayment of long-term investment (note 5)	**10,048**	-
Increase in other assets	**(518)**	(1,103)
Non-controlling interests	**544**	-
	(35,337)	(8,597)
Financing activities		
(Decrease) increase in bank indebtedness	**(6,823)**	4,363
Repayment of other loan payable (note 13 (c))	**-**	(2,500)
Issuances of long-term debt	**50,651**	52,863
Repayments of long-term debt	**(20,683)**	(32,593)
Increase in concession related deferred revenue	**-**	6,201
Issuances of capital stock (note 9)	**1,011**	28,689
Repurchase of capital stock (note 9)	**(2,204)**	-
Repayment of share purchase loans (note 9)	**532**	-
Interest received on share purchase loans (note 9)	**30**	28
	22,514	57,051
Increase in cash and cash equivalents	**34,751**	9,885
Effects of foreign exchange on cash balances	**(4,345)**	(132)
Cash and cash equivalents - beginning of period	**50,109**	27,002
Cash and cash equivalents - end of period	**$ 80,515**	$ 36,755

Supplementary disclosure (note 10)

(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. Except for the adoption of the accounting standards discussed in note 2 below, 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 half of the year typically reflecting lower revenues and profits than the second half of the year. Results for the three-month and nine-month periods ended September 30, 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. See note 2 to the March 31, 2007 Interim Consolidated Financial Statements for a summary of the new accounting standards.

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 Accumulated Other Comprehensive Income ("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.

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

3. Concession rights

The Company has recorded concession rights as follows:

	September 30, 2007	December 31, 2006
Concession rights to operate the Existing Quito Airport, net of accumulated amortization of $16,180 (December 31, 2006 - $7,105)	**$ 41,364**	$ 59,717
Concession rights to operate the new Quito Airport	**71,825**	60,371
	$ 113,189	$ 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 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 the Canadian equivalent of $64,000 at the date of the acquisition following a valuation of the inducement by an independent international accounting 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.

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

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

At September 30, 2007, $71,825 (December 31, 2006 - $60,371) representing the Company's proportionate share of the costs 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.

The Company's investment in the Quito airport concession is 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. As a result, the consolidated financial statements include the Company's proportionate share of the non-recourse project debt used to finance the construction of the new airport (see note 6).

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:

	Nine months ended September 30	
	2007	**2006**
Income before income taxes and non-controlling interests	**$ 26,197**	$ 1,069
Statutory income tax rate	**36.1%**	36.1%
Expected income tax expense	**(9,457)**	(386)
Effect on income tax of:		
Reduction in valuation allowance against future tax assets	**8,167**	761
Provincial and foreign rate differentials	**2,285**	202
Non-deductible expenses	**(352)**	(376)
Foreign exchange translation losses	**(750)**	(145)
Other	**101**	(232)
	9,451	210
Income tax expense	**$ (6)**	$ (176)

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

5. Long-term investment

The long-term investment in the amount of $32,685 at September 30, 2007 (December 31, 2006 - $42,733) represents the Company's 25% investment, which is carried at cost, in Derech Eretz Highways (1997) Ltd. ("Derech Eretz"), the company that owns the concessionaire rights to the Cross Israel Highway. Under the terms of the concession contract with the State of Israel and lender agreements, the Company is required to obtain approvals in order to sell all or a portion of this investment. In addition, existing shareholders have a right of first refusal to acquire this investment in the event of a sale and also are entitled to participate on a pro rata basis in the event of a sale to a third party. Pursuant to an agreement with the State of Israel, the Company's interest in Derech Eretz would be diluted to approximately 12% if options granted to the State are exercised.

In July 2007, Derech Eretz redeemed a portion of its subordinated debt of which the Company's share was CAD$10,048. For accounting purposes, this repayment was treated as a return of capital and, as such, had no impact on the Company's reported earnings. After the partial redemption, the carrying value of this investment at September 30, 2007 is $32,685 and the Company's ownership interest remains at 25%.

On February 16, 2006, pursuant to an agreement reached with the project lenders, the shareholders of Derech Eretz purchased certain options held by the lenders. The lenders' options would have allowed the lenders to purchase directly from the existing shareholders a portion of their equity and subordinated debt of the concessionaire. The Company's pro rata share of the purchase price was US$1,250 (CAD$1,460).

6. Long-term debt

		September 30, 2007	December 31, 2006
Quiport JV project financing		**$ 60,798**	$ 60,763
Quiport JV CORPAQ debt		**5,118**	5,614
Non-recourse project debt		**65,916**	66,377
Capital leases and equipment loans	(a)	**20,439**	11,082
Term loan	(b)	**13,979**	-
Note payable	(c)	**17,853**	-
Mortgages		**4,827**	4,917
Loan from Derech Eretz partners	**(d)**	**3,590**	-
Derech Eretz investment loan		**-**	1,457
Investment loan		**1,323**	1,923
Other		**161**	161
Other long-term debt		**62,172**	19,540
Total long-term debt		**128,088**	85,917
Less: Amounts due within one year:			
- Non-recourse project debt		**108**	125
- Other long-term debt		**10,395**	4,672
		$ 117,585	$ 81,120

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

The following describes the major changes to long-term debt during the nine months ended September 30, 2007:

(a) On February 1, 2007, the Company entered into a term loan facility and borrowed $12,699 which was used to partially finance its acquisition of The Karson Group (see note 11). The term loan is secured by certain equipment of The Karson Group and bears interest at a fixed rate of 6.4%. The term loan will be amortized over a period of seven years with monthly payments.

(b) On June 8, 2007, the Company signed a new three-year credit agreement with a syndicate of lenders. The new credit facility includes a three-year term loan for $15,000, and a three-year revolving committed operating line for $50,000. The new facility replaced a number of existing loans and credit lines which totaled approximately $42,000. The new credit facility also includes a special letter of credit facility of approximately $25,000 used in relation to the Nathpa Jhakri hydro-electric project in India (see note 7). The credit agreement is secured by general security agreements over the assets of the Company including accounts receivable, holdbacks receivable, inventory, equipment, real estate assets and aggregate reserves on such properties. The facility has certain covenants to be calculated quarterly, and matures on June 15, 2010.

The full amount of the term loan was borrowed under the agreement and subsequently converted into a U.S. dollar denominated loan. This three-year U.S. dollar term loan bears interest at LIBOR plus 2.75% with interest payable monthly in arrears on the first day of each month. Commencing October 1, 2008, principal repayments of US$500 are due quarterly with the remaining balance outstanding due on maturity. At September 30, 2007, the balance outstanding under the term loan facility net of transaction costs was US$14,052 (CAD$13,979).

The three-year revolving operating line of CAD$50,000 bears interest at prime plus 1.35%. Amounts outstanding under the operating line are reported as bank indebtedness on the Consolidated Balance Sheets. At September 30, 2007, domestic letters of credits issued against the revolving operating line amounted to CAD$13,125. As a result, CAD$36,875 of the facility was available for drawdown by the Company.

The special letter of credit facility is being provided to replace guarantees in support of financial and performance related obligations of the Nathpa Jhakri hydro-electric project in India. Letters of credit amounts available and outstanding under the special letter of credit facility total CAD$5,568 and US$18,776 (CAD$18,678) and expire on December 15, 2008.

(c) As partial consideration for the acquisition of The Karson Group in 2007 (see note 11), the Company issued a note payable in the amount of $21,225 to the vendor. This note payable, which is non-interest bearing and secured by certain equipment of The Karson Group, was discounted at 8% to arrive at a fair value of $16,949 at the date of the acquisition. Commencing January 31, 2008, the note is payable in equal annual installments over a five-year period. During the three and nine months ended September 30, 2007, the Company recorded interest expense of $339 and $904 respectively representing interest accretion on the note payable.

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

(d) At September 30, 2007, loans from the Company's partners in Derech Eretz totaled NIS14,454 (CAD$3,590). These loans bear interest at 8% and are generally repayable as distributions from Derech Eretz are received.

7. Guarantees

The Company has outstanding guarantees amounting to $24,246 (December 31, 2006 - $25,905) in support of financial and performance related obligations for the Nathpa Jhakri hydro-electric project in India. These guarantees are backed by letters of credit issued by the Company as described in note 6(b).

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 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$32,232) (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$8,058) (December 31, 2006 - US$8,100 or CAD$9,440) to support its share of the continuous guarantee, and its partners have similarly posted letters of credit in support of their respective shares. 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$11,481) (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 amount NIS2,400 (CAD$595) (December 31, 2006 - NIS2,400 or CAD$663) to support a performance bond that was required of the concessionaire in connection with the construction of an extension to the Cross Israel Highway. These letters of credit are secured by cash. At December 31, 2006, the Company also provided a letter of credit in the amount of US$200 (CAD$233) in support of working capital requirements of the operator of the toll highway.

In connection with the Quito airport project, the Company has provided letters of credit of US$18,200 (CAD$18,105) (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$30,045) (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 on deposit with EDC the sum of US$1,500 (CAD$1,492) (December 31, 2006 - US$1,000 or CAD$1,165), which is classified as restricted cash on the consolidated balance sheets.

The Company has also issued letters of credit to secure advances received from the Quito construction joint venture in the sum of US$13,150 (CAD$13,082) (December 31, 2006 - US$9,500 or CAD$11,071). The cash received was used as collateral for the letters of credit.

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

In addition, the Company and its joint venture partner have provided surety bonds, guaranteed joint and severally, to cover construction and concession related performance obligations of US$67,055 (CAD$66,706) (December 31, 2006 - US$67,055 or CAD$78,146), an advance payment bond of US$74,466 (CAD$74,079) (December 31, 2006 - US$74,466 or CAD$86,783) and a retention release bond of US$20,685 (CAD$20,577) (December 31, 2006 - US$20,685 or CAD$24,106), in each case the Company's share is supported by guarantees issued by EDC. As a result of EDC issuing these guarantees, the Company was required to place in deposit with EDC the sum of US$2,000 (CAD$1,990) (December 31, 2006 - $nil), which is classified as restricted cash on the consolidated balance sheets

The Company has also issued performance guarantees of $7,597 (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 $13,125 (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 September 30, 2007, the value of uncompleted work for which the Company's joint venture partners are responsible, and which the Company could be responsible for assuming, amounted to approximately $342,671 (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.

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

8. Convertible debentures

Convertible subordinated debentures consist of:

	September 30, 2007	December 31, 2006
Debt component:		
Debenture maturing November 2, 2009	**$ 28,464**	$ 28,872
Debenture maturing March 17, 2010	**30,033**	31,116
	$ 58,497	$ 59,988
Reported as:		
Long-term liability	**$ 58,497**	$ 59,988
Equity component:		
Debenture maturing November 2, 2009	**$ 1,983**	$ 1,990
Debenture maturing March 17, 2010	**2,108**	2,156
	$ 4,091	$ 4,146

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 September 30, 2007, $40 of convertible debentures were converted into 5,333 common shares and in the nine months ended September 30, 2007, $110 of debentures were converted into 14,666 common shares. At September 30, 2007, the face value of these convertible debentures which remains outstanding is $29,890 (December 31, 2006 - $30,000).

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. During the quarter and nine months ended September 30, 2007, $725 of convertible debentures were converted into 95,395 common shares. At September 30, 2007, the face value of these convertible debentures which remains outstanding is $31,775 (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

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

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.

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 $61,665 at September 30, 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 September 30		Nine months ended September 30	
	2007	**2006**	**2007**	**2006**
Interest expense on face value	**$ 1,294**	$ 1,398	**$ 3,847**	$ 3,615
Notional interest representing accretion	**351**	235	**1,063**	614
Amortization of deferred financing costs	**-**	147	**-**	378
	$ 1,645	$ 1,780	**$ 4,910**	$ 4,607

The liability portion of the debentures is as follows:

	September 30, 2007	**December 31, 2006**
Financial liability component	**$ 55,807**	$ 58,354
Notional interest representing accretion	**2,690**	1,634
	$ 58,497	$ 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 was reduced by $1,767 (see note 2).

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

9. 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)	**-**	**-**	4,500,000	26,625
Balance - March 31	**38,179,162**	**133,292**	38,103,175	132,167
Common shares issued on exercise of options	**38,850**	**257**	-	-
Common shares purchased by the trust of the long-term incentive program (iv)	**(238,030)**	**(2,204)**	-	-
Common shares issued less expenses of $nil (iii)	**-**	**-**	180,000	1,080
Balance - June 30 (ii and iv)	**37,979,982**	**131,345**	38,283,175	133,247
Common shares issued on exercise of options	**25,000**	**172**	-	-
Common shares issued on conversion of debentures (i)	**100,728**	**768**		
Additional expenses related to common shares issued in the first and second quarters (iii)	**-**	**-**	-	(6)
Balance - September 30 (ii and iv)	**38,105,710**	**$ 132,285**	38,283,175	$ 133,241

(i) During the quarter ended September 30, 2007, $765 of convertible debentures were converted into 100,728 common shares at conversion prices ranging from $7.50 to $7.60 per share (see note 8).

During the quarter ended March 31, 2007, $70 of convertible debentures were converted into 9,333 common shares at a conversion price of $7.50 per share (see note 8).

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

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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 (December 31, 2006 - $1,084) are presented as a deduction from capital stock. Interest received on such loans in the three months ending September 30 of $9 after income taxes (2006 - $10) and in the nine months ended September 30 of $30 after income taxes (2006 - $28) 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. On April 18, 2006, an Over-Allotment Option was exercised and the Company issued an additional 180,000 common shares at $6.25 per share. The exercise of the Over-Allotment Option raised the aggregate net proceeds under the offering to $27,699.

(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 to reflect shares purchased by the Trust administrating the Company's Long-Term Incentive Plan. As at September 30, 2007, the Trust held 451,376 shares (December 31, 2006 – 213,346 shares) with a cost basis of $3,470 (December 31, 2006 - $1,266).

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 airport project, the Company is restricted from paying dividends, except for an aggregate of $10,000 per fiscal year.

Stock Option Plans

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. However, this did not affect the rights granted to the holders of options that were previously issued and remain outstanding under the 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.

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

Details of common shares issued upon the exercise of options as well as details of changes in the balance of options outstanding are detailed below:

	Nine months ended September 30					
	2007			2006		
	Number of share options		**Weighted average exercise price**	**Number of share options**		**Weighted average exercise price**
Balance outstanding - January 1	**1,200,000**	**$**	**6.06**	625,000	$	4.73
Granted	**50,000**		**6.75**	1,000,000		6.25
Exercised	**(100,000)**		**6.11**	(275,000)		3.60
Balance outstanding - March 31	**1,150,000**	**$**	**6.09**	1,350,000	$	6.08
Exercised	**(38,850)**		**6.29**	-		-
Balance outstanding - June 30	**1,111,150**	**$**	**6.08**	1,350,000	$	6.08
Exercised	**(25,000)**		**6.28**	-		-
Balance outstanding - September 30	**1,086,150**	**$**	**6.08**	1,350,000	$	6.08
Options exercisable at end of period	**552,817**	**$**	**5.96**	433,333	$	5.91

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	55,000	$6.30	August 3, 2009
2004	16,667	$6.20	November 30, 2009
2005	83,333	$5.51	November 7, 2010
2006	781,150	$6.25	March 27, 2011
2007	50,000	$6.75	January 16, 2012
	1,086,150		

All option grants, except for options granted in 2006, 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.

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

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 the following assumptions:

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

The resulting fair value is charged to compensation expense over the vesting period of the options.

During the three months ended September 30, 2007, compensation expense and contributed surplus were increased by $114 (2006 - $222), on account of options granted, and for the nine months ended September 30, 2007, compensation expense and contributed surplus were increased by $341 (2006 - $857).

As options are exercised, the corresponding values previously charged to contributed surplus are reclassified to capital stock. In the current quarter, contributed surplus was decreased by $15 (2006 - $nil) and capital stock was increased by the same amount upon the exercise of options under the 2005 Stock Option Plan, and for the nine months ended September 30, 2007, contributed surplus was decreased by $128 (December 31, 2006 - $nil) and capital stock was increased by the same amount. Proceeds arising from the exercise of these options are credited to capital stock.

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.

Awards to participants are based on the financial results of the Company and are 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 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 individuals who are eligible to retire are assumed for accounting purposes to vest immediately. During the three months ended September 30, 2007, the Company recorded compensation charges of $475 (2006 - $30), and $1,375 (2006 - $90) during the nine months ended September 30, 2007.

The LTIP Trust (the “Trust”) holds 451,376 shares at September 30, 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

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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 per share are set out below. For purposes of calculating basic earnings per share, the number of common shares has been reduced by 941,166 (September 30, 2006 - 1,584,963) common shares on account of share purchase loans receivable from employees. For purposes of calculating diluted earnings per share, these shares have been treated as options.

	Three months ended September 30		Nine months ended September 30	
	2007	**2006**	**2007**	**2006**
Net income for the period	**$ 19,035**	$ 12,828	**$ 25,792**	$ 893
Interest on convertible debentures	**1,645**	-	**4,910**	77
Diluted net earnings	**$ 20,680**	$ 12,828	**$ 30,702**	$ 970
Average number of common shares outstanding	**37,120,401**	36,698,212	**36,897,608**	34,746,874
Effect of dilutive securities (i):				
Options	**1,505,251**	1,411,365	**1,406,180**	1,419,647
Convertible debentures	**8,166,254**	-	**8,166,254**	589,991
Shares held in a trust account in respect of a long-term incentive plan	**229,196**	-	**229,196**	-
Average number of diluted common shares outstanding	**47,021,102**	38,109,577	**46,699,238**	36,756,512
Basic earnings per share	**$ 0.51**	$ 0.35	**$ 0.70**	$ 0.03
Diluted earnings per share	**$ 0.44**	$ 0.34	**$ 0.66**	$ 0.03

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

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

Contributed Surplus

Changes in contributed surplus for the three and nine months ended September 30 were as follows:

		2007		2006
Balance - January 1	**$**	**1,329**	$	361
Increase (decrease) in contributed surplus resulting from:				
Granting of stock options		**113**		413
Exercise of stock options		**(99)**		-
Balance - March 31		**1,343**		774
Granting of stock options		**114**		222
Exercise of stock options		**(14)**		-
Balance - June 30		**1,443**	$	996
Granting of stock options		**114**		222
Exercise of stock options		**(15)**		-
Balance - September 30	**$**	**1,542**	$	1,218

10. Cash flow information

Change in other balances relating to operations:

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
(Increase) decrease in:				
Accounts receivable	**$ (33,051)**	$ (43,556)	**$ (48,453)**	$ (49,118)
Holdbacks receivable	**(4,069)**	7,219	**(7,808)**	11,835
Deferred contract costs and unbilled revenue	**11,755**	(17,233)	**7,888**	(18,093)
Inventories	**(948)**	(1,376)	**(3,383)**	(3,408)
Prepaid expenses	**1,066**	(2,848)	**111**	(8,643)
Increase (decrease) in:				
Accounts payable and accrued liabilities	**44,705**	6,905	**43,126**	(6,466)
Holdbacks payable	**486**	(32)	**1,588**	(3,284)
Deferred revenue	**2,934**	19,781	**15,429**	28,027
Income taxes payable	**(2,624)**	97	**(2,115)**	(1,366)
	$ 20,254	$ (31,043)	**$ 6,383**	$ (50,516)

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

Other supplementary information:

	Three months ended September 30		Nine months ended September 30	
	2007	**2006**	**2007**	**2006**
Cash interest paid	**$ 2,257**	$ 1,949	**$ 6,097**	$ 6,120
Cash income taxes paid	**$ 13**	$ 189	**$ 870**	$ 2,598

Excluded from the Consolidated Statements of Cash Flows are the following transactions that did not require a use of cash:

Property, plant and equipment acquired and financed by means of capital leases during the three months ended September 30, 2007 amounted to $550 (2006 - $413) and $1,103 (2006 - $1,550) for the nine months ended September 30, 2007.

During the quarter ended September 30, 2007, $765 of convertible debentures was converted into 100,728 common shares, and during the nine months ended September 30, 2007, $835 of convertible debentures was converted into 110,061 common shares (see notes 8 and 9).

Investing and financing activities not requiring an immediate use of cash in the three and nine months ended September 30, 2006 included the acquisition of the concession rights to operate the existing Quito Airport and the related increase in concession related deferred revenue, both in the amount of $64,000 (US$57,337) (see note 3 (b)).

In June 2006, the Company was reimbursed by Quiport JV for deferred development costs. The resulting decrease in other assets of $15,257 (i.e. decrease in deferred development costs) and increase in concession rights to operate the New Quito Airport are treated as non-cash items and not reported in the statements of cash flows.

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 (see notes 8 and 9).

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)

11. Acquisitions

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 assumed The Karson Group's existing debt of $4,663 and paid $36,660, of which $21,225 was financed by the vendor and payable 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 $16,949 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		5,354
Property, plant and equipment		30,173
Current portion of long-term debt		(1,298)
Long-term debt		(3,365)
	$	32,384
Consideration		
Cash	$	15,435
Note payable		16,949
	$	32,384

In 2004, the Company acquired the assets and operations of Cegerco CCI Inc., a general contracting company in the Montreal region, specializing in the construction and management of institutional, commercial and pharmaceutical building projects. In the second quarter of 2007, the Company paid $471 representing the additional consideration payable as a result of the achievement of certain financial targets by the Cegerco operations. In the second quarter of 2006, the Company paid $192 with respect to the short-term note payable recorded in connection with that acquisition.

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

12. Employee benefit plans

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

	Three months ended September 30		Nine months ended September 30	
	2007	**2006**	**2007**	**2006**
Defined benefit plan expense:				
Company sponsored pension plans	**$ 250**	$ 406	**$ 1,066**	$ 1,295
Defined contribution plan expense:				
Company sponsored pension plans	**592**	482	**1,589**	1,413
Multi-employer pension plans	**6,423**	4,976	**18,437**	13,894
Total employee future benefit expenses	**$ 7,265**	$ 5,864	**$ 21,092**	$ 16,602

13. Related party transactions and balances

In addition to related party transactions described elsewhere in the notes to these interim 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 was indirectly 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 September 30, 2007, the Company paid professional fees in the amount of $10 (2006 - $nil), and $34 during the nine months ended September 30, 2007 (2006 - $53) to a consulting company in which a director of the Company is a partner.

(b) Hochtief, the parent of Hochtief Canada Inc. ("HCI"), had 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 nine months ended September 30, 2006, the Company paid Hochtief guarantee fees in the amount of $190.

(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 nine months ended September 30, 2006 amounted to $39.

(d) During the nine months ended September 30, 2006, the Company paid interest of $97 to HCI on the convertible subordinated debentures described in note 8(b).

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

(e) During the nine months ended September 30, 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, as at September 30, 2007, $250 (December 31, 2006 - $2,150) of the Company's $31,775 convertible debentures maturing on March 17, 2010 is currently held by officers and directors of the Company or parties related thereto.

14. 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 Other Comprehensive Income.

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.

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

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 September 30, 2007, the Company had net outstanding contracts to buy and/or sell EURO 10,919 and US$26,664 (December 31, 2006 - sell US$802) on which there was a net unrealized exchange gain of $1,653 (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 Other Comprehensive Income 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. While the Company considers the above contracts to be economic hedges, none of the above contracts were designated as accounting hedges, and as such the unrealized gains (losses) were recognized in net income in the period.

The Company may use foreign currency debt to hedge its exposure to foreign currency volatility in connection with investments in certain foreign operations. The realized and unrealized fair value of these hedges are included in shareholders' equity in the foreign currency translation component of accumulated other comprehensive income and offset translation adjustments on the underlying net assets of foreign operations, which are also recorded in accumulated other comprehensive income. If the debt is no longer considered effective in offsetting changes in the value of the hedged item, or if management determines that designation of the debt as a hedge instrument is no longer appropriate, the fair value of these hedges are included in the income statement in foreign exchange gains (losses). The Company has designated its U.S. dollar denominated term loan, currently in the amount of US$14,052, as a hedge of its net investment in certain foreign operations.

15. 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

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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 but also in the Province of Alberta, as well as toll highways, dams, tunnels, bridges, airports, marine facilities, transit systems and hydro-electric power projects, domestically, and on a selected basis, 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. The design and construction of the new Quito airport project is included in the Infrastructure segment.

Buildings

The Buildings segment specializes in the construction and renovation of commercial, institutional and multi-family residential buildings, including hospitals, office buildings, industrial buildings, airport terminals, entertainment facilities, schools, embassies, retail complexes, 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, design build services, building renovation, tenant fit up and facilities management.

Industrial

The Industrial segment encompasses all of the Company's industrial construction and manufacturing activities including in-plant construction and module assembly in the energy, manufacturing, petrochemical, steel and automotive sectors. Activities in this sector include the construction of alternative, fossil fuel and cogeneration power plants, in-plant construction at nuclear power plants, the fabrication and module assembly of small diameter specialty pipe, and the design and manufacture of "once-through" heat recovery steam generators ("OTSGs") for industrial and power plant applications. Although activities in this segment are concentrated primarily in Canada, the Company, through its subsidiary Innovative Steam Technologies Inc. ("IST"), sells OTSGs throughout the world.

Concessions

This segment includes the development, financing and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer and other public-private partnership contract structures. This segment focuses primarily on the operation, management, maintenance and enhancement of investments held by the Company in infrastructure concessions, which currently 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 together the unique capabilities and strengths of the Company and its strategic partners for 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 September 30 and for the three months then ended

						2007
	Infrastructure	**Buildings**	**Industrial**	**Concessions**	**Corporate and Other**	**Total**
Revenues	$ 225,394	$ 112,957	$ 85,902	$ 15,014	$ (8,896)	$ 430,371
EBITDA (i)	$ 13,427	$ 2,495	$ 8,271	$ 5,046	$ (2,756)	$ 26,483
Depreciation and amortization	(1,434)	(103)	(543)	(3,888)	(181)	(6,149)
Segment operating profit (loss) (i)	$ 11,993	$ 2,392	$ 7,728	$ 1,158	$ (2,937)	$ 20,334
Capital charges and allocations of Corporate overheads (ii)	$ (5,066)	$ (267)	$ (1,857)	$ (1,840)	$ 9,030	$ -
Segment profit (loss) before income taxes	$ 6,927	$ 2,125	$ 5,871	$ (682)	$ 6,093	$ 20,334
Interest expense, income taxes and non-controlling interests						(1,299)
Net income						$ 19,035
Total assets	$ 346,674	$ 90,697	$ 132,887	$ 186,356	$ 63,711	$ 820,325
Intangible assets and goodwill	$ 2,743	$ 2,960	$ 3,750	$ 113,356	$ -	$ 122,809
Capital expenditures	$ 227	$ 156	$ 445	$ -	$ 90	$ 918
Cash flow from (used in) operating activities (i)	$ 13,570	$ 2,495	$ 8,261	$ 5,046	$ (3,441)	$ 25,931

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

As at September 30 and for the three months then ended

2006	Infrastructure	Buildings	Industrial	Concessions	Corporate and Other	Total
Revenues	$ 173,250	$ 71,383	$ 64,483	$ 12,279	$ (5,356)	$ 316,039
EBITDA (i)	$ 12,903	$ 1,452	$ 4,833	$ 2,951	$ (1,846)	$ 20,293
Depreciation and amortization	(1,084)	(114)	(475)	(3,352)	(228)	(5,253)
Segment operating profit (loss) before income taxes (ii)	$ 11,819	$ 1,338	$ 4,358	$ (401)	$ (2,074)	$ 15,040
Interest expense and income taxes						(2,212)
Net income						$ 12,828
Total assets	$ 270,734	$ 79,860	$ 105,825	$ 154,421	$ 37,913	$ 648,753
Intangible assets and goodwill	$ 2,743	$ 2,535	$ 3,750	$ 87,357	$ -	$ 96,385
Capital expenditures	$ 434	$ 145	$ 412	$ -	$ 111	$ 1,102
Cash flow from (used in) operations	$ 12,715	$ 1,452	$ 4,787	$ 2,951	$ (4,086)	$ 17,819

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

As at September 30 and for the nine months then ended

	2007					
	Infrastructure	**Buildings**	**Industrial**	**Concessions**	**Corporate and Other**	**Total**
Revenues	$ 482,241	$ 255,341	$ 252,613	$ 42,344	$ (22,112)	$ 1,010,427
EBITDA (i)	$ 22,405	$ 1,466	$ 19,279	$ 14,842	$ (6,065)	$ 51,927
Depreciation and amortization	(3,780)	(310)	(1,612)	(11,072)	(566)	(17,340)
Segment operating profit (loss) (i)	$ 18,625	$ 1,156	$ 17,667	$ 3,770	$ (6,631)	$ 34,587
Capital charges and allocations of Corporate overheads (ii)	$ (13,999)	$ (1,103)	$ (6,189)	$ (6,020)	$ 27,311	$ -
Segment profit (loss) before income taxes	$ 4,626	$ 53	$ 11,478	$ (2,250)	$ 20,680	$ 34,587
Interest expense, income taxes and non-controlling interests						(8,795)
Net income						$ 25,792
Capital expenditures	$ 1,653	$ 406	$ 1,740	$ -	$ 340	$ 4,139
Cash flow from (used in) operating activities (i)	$ 19,421	$ 1,463	$ 19,280	$ 14,842	$ (13,815)	$ 41,191

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

As at September 30 and for the nine months then ended

2006

	Infrastructure	Buildings	Industrial	Concessions	Corporate and Other	Total
Revenues	$ 337,555	$ 238,871	$ 185,236	$ 22,887	$ (9,196)	$ 775,353
EBITDA (i)	$ 12,632	$ 2,319	$ 8,302	$ 1,048	$ (6,864)	$ 17,437
Depreciation and amortization	(3,297)	(312)	(1,406)	(3,355)	(679)	(9,049)
Segment operating profit (loss) before income taxes (ii)	$ 9,335	$ 2,007	$ 6,896	$ (2,307)	$ (7,543)	$ 8,388
Interest expense and income taxes						(7,495)
Net income						$ 893
Capital expenditures	$ 790	$ 235	$ 683	$ -	$ 290	$ 1,998
Cash flow from (used in) operations	$ 12,951	$ 2,319	$ 8,341	$ 1,048	$ (12,712)	$ 11,947

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)

16. Quiport 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 assets, which act as security for the project's debt, the Company provides the following consolidating balance sheet worksheet as additional information about its accounts, thereby enabling the reader to have a greater understanding of the Company's underlying assets and financial resources.

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

Consolidating Balance Sheet

	At September 30, 2007			
	Consolidated Balance Sheet excluding Quito airport concession	**Quito airport concession**	**Eliminations**	**Consolidated Balance Sheet**
Assets				
Current assets				
Cash and cash equivalents	$ 69,477	$ 11,038	$ -	$ 80,515
Other current assets	467,337	7,261	(10,028)	464,570
	536,814	18,299	(10,028)	545,085
Property, plant and equipment	82,631	-	-	82,631
Future income tax assets	17,943	1,103	-	19,046
Concession rights	-	141,262	(28,073)	113,189
Long-term investment	32,685	-	-	32,685
Other assets	27,689	-	-	27,689
Investment in Quiport JV	19,673	-	(19,673)	-
	$ 717,435	$ 160,664	$ (57,774)	$ 820,325
Liabilities				
Current liabilities	$ 414,912	$ 7,816	$ (38,101)	$ 384,627
Non-recourse project debt	-	65,808	-	65,808
Other long-term debt	51,777	-	-	51,777
Due to Aecon	-	16,713	(16,713)	-
Other liabilities	3,074	-	-	3,074
Other income tax liabilities	14,264	-	-	14,264
Concession related deferred revenue	-	64,445	-	64,445
Convertible debentures	58,497	-	-	58,497
	542,524	154,782	(54,814)	642,492
Non-controlling interests	110	392	-	502
Shareholders' Equity	174,801	5,490	(2,960)	177,331
	$ 717,435	$ 160,664	$ (57,774)	$ 820,325

17. Gain on sale of assets

In the second quarter of 2007, the Company recorded a $3,356 pre-tax gain as a result of a sale by the Company of its right to participate in the construction joint venture that is constructing an extension of the Cross Israel Highway.

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

18. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the three months and nine months ended September 30, 2007.

19. Subsequent event

In October 2007, the Company announced its intent to redeem, effective November 2, 2007, all of its 8.25% subordinated convertible debentures due November 2, 2009 (the "2009 Debentures"). At September 30, 2007, the face value of these convertible debentures, which remains outstanding is $29,890. However, until redeemed, the 2009 Debentures will remain convertible at the option of the holders to acquire the Company's common shares at a conversion price of $7.50 per share at any time on or prior to the close of business on November 1, 2007. In light of the current trading price of the Company's common shares, it is anticipated that most, if not all, of the 2009 Debentures will be converted, in which case up to 4 million common shares will be issued.

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