AECON GROUP INC. FIRST QUARTER REPORT 2008

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Three Months ended March 31, 2008

AECON

Dear Fellow Shareholders,

On behalf of Aecon's Board of Directors, I am pleased to report that Aecon's first quarter results indicate the continued upward momentum that has typified our financial results over the past two years.

Overall, the first quarter of 2008 was characterized by sustained revenue growth, continued strong margins, a strengthened balance sheet and near-record backlog. I feel confident that the disciplined strategic path we've established is working and we will continue to follow this strategy as we move through the balance of 2008.

The first quarter saw significant growth in the Buildings segment - a 71% increase in revenues driving improved operating results, with almost every unit within the Buildings Group contributing.

Continued strong growth in the Industrial segment resulted in a 28% improvement in operating profits. Higher volumes and generally improved margins in the Ontario operations and at Innovative Steam Technologies contributed most of this increase.

The Concessions segment continued to provide strong results in line with those seen in 2007. Over one million passengers moved through the Existing Quito Airport in the first quarter of 2008, a 4.9% increase over the same quarter of 2007. The average weekday traffic on the Cross Israel Highway in March 2008 reached 97,000 vehicles, a 13% increase over March 2007.

As anticipated, the Infrastructure segment was negatively impacted by the more traditional winter weather conditions in Ontario this year compared to the unseasonably warm and dry winter last year. The quarter was also impacted by seasonal losses from the Karson Group, acquired in February 2007, and Leo Alarie and Sons, acquired in December 2007. Both of these businesses exhibit similar seasonal performance traits to Aecon's roadbuilding operations and both are expected to contribute to Aecon's profitability over the balance of the year.

Aecon's backlog continues to be very strong. At $1.2 billion, backlog at the end of the first quarter was 47% higher than at the same time last year, and higher than it has ever been at this time of year.

As we move into the second quarter of the year, most of the key trends shaping Aecon's results over the past two years remain firmly in place. Our continued strong financial performance is indicative of Aecon's position in segments of the Canadian construction industry experiencing substantial and durable growth such as transportation infrastructure, electrical generation in Ontario, oilsands development and social infrastructure (health care and education).

The increases in infrastructure spending announced in the federal, Alberta and Ontario budgets this spring provide further evidence that government commitment to investing in our transportation infrastructure continues to build.

In addition, the demand for increased electrical generation and transmission capacity in Ontario, which is estimated by the Ontario Power Authority to cost over $60 billion in the next 20 years, continues to fuel a strong market for construction services in this sector.

As well, the important investment in Alberta's oilsands continues to grow as oil prices remain high.

We also expect the substantial build-out taking place in education and healthcare infrastructure to continue, as governments address changing demographic needs and past underfunding in these areas.

These strong external trends are complemented by several company-specific factors, such as recognition of construction profit from the Quito Airport Project which is expected to begin in the second or third quarter of 2008.

Recently, Aecon further strengthened its balance sheet through a $70 million equity financing that also served to provide strategic flexibility and position Aecon well for organic and, potentially, acquisition growth.

So, while Aecon is tax effecting earnings once again, I continue to believe that a very healthy backlog and the ongoing strength of our core markets position us well for continued strong financial performance throughout the balance of the year and into 2009.

Thank you for your continued support of Aecon.

(signed)
John M. Beck
Chairman and Chief Executive Officer
May 6, 2008

Aecon Group Inc.

Management's Discussion and Analysis of Operating Results and Financial Condition

March 31, 2008

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 2008 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 2007. This interim MD&A has been prepared as of May 6, 2008. 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 and infrastructure development 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 Provinces of Ontario and 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, 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, educational facilities, embassies, retail complexes and highrise 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 ("HRSGs") 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 HRSGs 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 March 31 2008	Three Months Ended March 31 2007
Revenues	**$ 302.0**	**$ 241.8**
Gross margin [1]	18.5	18.9
Operating (loss) profit [2]	**(1.3)**	**0.1**
Interest expense	(2.1)	(2.4)
Income taxes	4.0	(0.6)
Non-controlling interests	(0.3)	(0.2)
Net income (loss) for the period	**0.3**	**(3.0)**
Return on revenue [3]	**(0.4)%**	**0.1%**
Backlog – March 31	**$ 1,231**	**$ 837**

(1) Gross margin is calculated as revenues less direct costs and expenses. Marketing, general and administrative expenses, depreciation and amortization, foreign exchange, interest, gains or losses on sale of assets, income taxes, and non-controlling interests are not included on the calculation of gross margin.
(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 as a percentage of revenues.

Revenues in the first quarter of 2008 were $302 million, representing an increase of $60 million, or 25%, over the same quarter last year. Revenues increased in the Buildings, Industrial and Concessions segments by $45 million, $17 million, and $2 million, respectively, while Infrastructure revenues were unchanged and Corporate revenue eliminations increased by $3 million. Results for each of the four principal operating segments are discussed separately under Reporting Segments.

Gross margin declined slightly from $18.9 million or 7.8% of revenues in the first quarter of 2007 to $18.5 million or 6.1% of revenues in 2008, as a lower gross margin from Infrastructure offset improvements in all other operating segments. The decline ($5 million) in gross margin in the Infrastructure segment, which was anticipated, resulted primarily from (i) the impact of the acquisition of Leo Alarie & Sons ("Alarie") and the Karson Group of Companies ("Karson"), both of which exhibit seasonal patterns in their operating and financial performance similar to Aecon's, thus further increasing the seasonality of Aecon's financial performance in this sector, (ii) the impact of more traditional winter conditions in Ontario during the first quarter of 2008, whereas winter weather conditions in Ontario during in the same quarter last year were much more moderate, and (iii) the impact of contributions from a high margin contract in the first quarter last year, where the work was essentially completed in 2007 and thus no similar contributions arose in 2008. The Buildings, Industrial and Concessions segments reported improvements of $2 million, $2 million, and $0.4 million, respectively. These increases generally resulted from higher volumes and from the favourable resolution of outstanding commercial issues on some projects.

Marketing, general and administrative expenses ("MG&A") amounted to $16.1 million in the first quarter of 2008, which is $1.2 million higher than the prior year. Higher MG&A resulting from the

impact of higher volumes in a number of segments, the inclusion of the MG&A of the Alarie operations that was acquired in late 2007, and increased compensation expense generally contributed to the increase. However, while the dollar amount of MG&A increased, MG&A as a percentage of revenues decreased from 6.2% in 2007 to 5.3% in 2008.

Depreciation and amortization expense of $5.9 million in the first quarter of 2008 was $1.0 million higher than last year. The increase occurred mainly in the Infrastructure segment and resulted primarily from higher depreciation charges on equipment acquired as part of the 2007 acquisitions of the Alarie and Karson operations.

The net loss on sales of assets in 2008 was $0.1 million, essentially unchanged compared to 2007.

Interest expense of $2.1 million in the first quarter of 2008 was $0.3 million lower than last year. The conversion to common shares of all the previously outstanding convertible debentures, which occurred mostly in the fourth quarter of 2007 and in the first quarter of 2008, was the primary reason for the lower interest costs. The savings in interest costs on the convertible debentures was partially offset by higher interest costs on debt borrowed to finance the 2007 acquisitions of the Alarie and Karson operations.

Interest income of $1.9 million earned in the first quarter of 2008 was $0.7 million higher than in 2007. The higher interest income in 2008 was a result of having significantly higher cash balances on hand throughout the first quarter of 2008 as compared to the same period in 2007. These higher cash balances arose from the significant build up in cash balances that occurred throughout 2007, which resulted primarily from improved operations and higher advance payments from clients, particularly within joint ventures.

Set out in note 4 of the 2008 Interim Consolidated Financial Statements is a reconciliation between the expected income tax recovery/(expense) in 2008 and 2007 based on statutory income tax rates and the actual income tax recovery/(expense) reported for both these interim periods. In the first quarter of 2008 there was an income tax recovery of $4.0 million on pre-tax losses of $3.5 million compared to an income tax expense of $0.6 million on pre-tax losses of $2.2 million in the first quarter of 2007.

In the fourth quarter of 2004, because a period of continuing losses from its Canadian controlled operations was experienced, Aecon, in accordance with GAAP, recorded a valuation allowance of $32.7 million against the future tax asset balance that was reported on its consolidated balance sheet. Consistent with the need to record a valuation allowance in 2004, effective January 1, 2005, Aecon discontinued tax affecting further tax losses reported by its Canadian controlled operations until it could be demonstrated that such losses would more likely than not be used to offset future income tax expense. To demonstrate that tax losses could be used to offset future income tax expense, Aecon had, in addition to satisfying other criteria, to achieve several successive years of profitability from its Canadian controlled operations. In the interim, the valuation allowance could only be reversed in any year by the amount necessary to offset income tax expense that would otherwise have been recorded. However, now that the facts support the view that existing tax losses are more likely than not to be utilized in future periods, Aecon, in accordance with GAAP, reversed the full amount of the remaining valuation allowance outstanding at the end of 2007 within the first quarter of 2008. This resulted in an income tax recovery of $3.4 million. Furthermore, Aecon, in accordance with GAAP,

will re-commence recording tax expense (or recovery) for accounting purposes against the earnings from its Canadian controlled operations in the traditional manner. As a result, Aecon recorded in the first quarter of 2008 an income tax recovery of $1.6 million on losses of $7.4 million from Canadian controlled operations, whereas no income tax recovery was recorded in the first quarter of 2007 on losses of $5.9 million from Canadian controlled operations. It should be noted that this change in accounting treatment in no way affects the significant tax loss carryforwards that Aecon continues to hold (see note 6 to 2007 Consolidated Financial Statements) and that can be used to offset the payment of cash taxes that would otherwise be payable.

Net income for the three months ended March 31, 2008 was $0.3 million, representing a $3.3 million improvement over the same period in 2007.

Backlog at March 31, 2008 was $1,231 million and was $394 million higher than the same period last year. New contract awards of $298 million were booked in the first quarter of 2008, which compares with $292 million in the first quarter of 2007. 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 and arrangements in hand where the exact quantity of work to be performed, although expected to be significant, 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 March 31**	
	2008	2007
Revenues	**$ 94.7**	$ 95.1
Segment operating loss [1]	**(6.8)**	(2.0)
Capital charges and allocations of corporate overheads[4]	**(5.0)**	(4.1)
Segment loss before income taxes[4]	**(11.9)**	(6.1)
Return on revenue[2]	**(7.2)%**	(2.1)%
Backlog – March 31 [3]	**$ 414**	$ 442

(1) Segment operating profit (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 March 31, 2008 is $97 million (2007 – $126 million) related to the new Quito airport project. Although Aecon's 50% share of the remaining construction revenues from this project are estimated at $169 million (2007 - $218 million), the amount reported as backlog has been reduced by $71 million (2007 - $92 million) or 42.3%. This reduction is to reflect the fact that since Aecon has a 42.3% interest in the concession joint venture for which the new airport is being constructed, it cannot report backlog that effectively arises from transacting with itself.
(4) Corporate allocations represent charges from the Corporate segment to each division for Corporate overhead costs and capital charges related to the cash, working capital and long-term capital invested in each segment.

As a result of the roadbuilding and utilities operations performing a significant portion of their work outdoors, first quarter results of the Infrastructure segment historically exhibit a seasonal pattern whereby lower revenues and profits are recorded in the first half of the year, while significantly higher revenues and profits are recorded in the second half of the year.

For the quarter ended March 31, 2008, the Infrastructure segment reported revenues of $95 million, which is essentially unchanged compared to the first quarter of 2007. Revenues from roadbuilding and utilities operations increased quarter-over-quarter by $7 million and $6 million, respectively, and decreased in the heavy civil operations by $13 million.

The increase in revenues from roadbuilding operations occurred primarily as a result of growth in the segment's Alberta unit, as well as from contributions from two operations acquired by Aecon in 2007. In the fourth quarter of 2007, Aecon acquired the assets of Leo Alarie and Sons Limited ("Alarie"), an integrated construction and materials company active throughout northern Ontario, and acquired in the first quarter of 2007, The Karson Group ("Karson"), a major aggregate, asphalt and civil construction company in Eastern Ontario. Partly offsetting these higher revenues were declines

in the balance of the Ontario roadbuilding operations where more traditional winter weather conditions were experienced (compared to the unseasonably mild conditions in the same quarter last year) and a decline in the number of active projects underway in the first quarter of 2008 generally contributed to a decline in revenues.

The increase in utilities revenues reflects mostly higher volumes of communications, gas pipeline installation and highway lighting work, as well as higher residential installations of satellite dishes by the QX Technology operating unit.

The decrease in revenues from heavy civil operations was driven primarily by reductions in revenues earned from power generation and tunneling projects in Ontario, partially offset by the expansion of heavy civil operations in Alberta. In 2007, a number of large power generation and tunneling projects in Ontario came into peak production and contributed more than normal revenue levels for that time of year. As anticipated, similar revenue levels were not achieved in the first quarter of 2008.

The Infrastructure segment operating loss of $6.8 million in the first quarter of 2008 represents a $4.8 million increase over the loss reported in 2007, with improvements in utilities offset by higher operating losses in roadbuilding and heavy civil operations.

Operating profits in roadbuilding operations were negatively impacted by the more traditional winter weather conditions in Ontario in the first quarter in comparison to the same quarter last year. Also, compared to the first quarter of 2007, results for the first quarter of 2008 bore the impact of a full quarter of seasonal losses from Karson, which was acquired in February 2007, and from Alarie operations, which was acquired in December 2007. Both Karson and Alarie exhibit similar seasonal operating and financial performance traits to Aecon's operations in this sector, and thus they increase the seasonality of Aecon's financial results in this segment.

The improvement in utilities operating profits results primarily from the positive impact on margins from the above noted increases in quarterly revenues. Similarly, the drop in operating profits from heavy civil operations is directly related to the significant decrease in quarterly revenues in 2008.

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 reaches a stage of completion that is sufficient to reasonably determine a project's probable results. Profit recognition is expected to occur in the second or third quarter of 2008.

After deducting capital charges and allocations of corporate overheads which increased by $0.9 million in the first quarter, Infrastructure segment operating loss before income taxes was $11.9 million compared to $6.1 million in 2007. The higher capital charges in 2008 relate primarily to higher investments in working capital and long-term capital employed as a result of the Karson and Alarie acquisitions.

Backlog at March 31, 2008 was $414 million, which represents a $28 million decrease from the same time in the prior year. The quarter-over-quarter decline results primarily from backlog associated with the Quito airport project which declined by $28 million as a result of work performed and the

impact of foreign exchange conversion. New contract awards totaled $135 million for the first quarter of 2008, compared to $124 million in the prior year. The Alarie operations were the largest contributor to new awards in 2008.

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

BUILDINGS

Financial Highlights

	Three Months Ended March 31	
$ millions	**2008**	2007
Revenues	**$ 108.1**	$ 63.2
Segment operating profit (loss)	**1.6**	(0.2)
Capital charges and allocations of corporate overheads	**(0.1)**	(0.3)
Segment profit (loss) before income taxes	**1.6**	(0.6)
Return on revenue	**1.5%**	(0.4)%
Backlog - March 31	**$ 428**	$ 170

First quarter revenues in the Buildings segment of $108 million were $45 million, or 71%, higher than in the same period of 2007. Most of the increase in revenues came from the segment's operations in Toronto, Montreal and Seattle, where 2008 revenues increased by $21 million, $14 million, and $11 million, respectively. The majority of the increases in Toronto and Seattle arose from large project awards received in 2007, mostly in the latter half of the year, which ramped up production in 2008, while the Montreal increase reflected the continuing efforts to expand the business in the Quebec marketplace.

Segment operating profit of $1.6 million in the first quarter of 2008 was $1.8 million higher than in 2007. Reflective of the higher volumes noted above, increased operating profits were reported by the Toronto and Seattle operations. In addition, strong market conditions in the Vancouver area assisted Scott Management Limited, in which Aecon has a 49% interest, to achieve improved performance and to increase its financial contributions to Aecon in 2008. Only the Montreal operations, which relocated and restructured its operations in 2008, reported a decline in quarter-over-quarter profits.

After deducting capital charges and allocations of corporate overheads, Buildings segment operating profit before income taxes was $1.6 million compared to a loss of $0.6 million in 2007.

Backlog of $428 million at the end of the first quarter of 2008 was $259 million higher than at the same time in 2007. The Buildings segment opened 2008 with significantly higher backlog levels than

in 2007 as a result of several large project awards received in 2007, particularly in the Toronto and Seattle operations. This higher opening backlog combined with higher quarter-over-quarter awards in the first quarter contributed to the increase in backlog at March 31. New contract awards totalled $56 million for the first quarter of 2008, compared to $42 million in the prior year, as Montreal and Seattle operations reported the largest award increases.

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

INDUSTRIAL

Financial Highlights

	Three Months Ended March 31	
$ millions	**2008**	2007
Revenues	**$ 90.9**	$ 74.1
Segment operating profit	**3.8**	3.0
Capital charges and allocations of corporate overheads	**(1.8)**	(2.2)
Segment profit before income taxes	**1.9**	0.8
Return on revenue	**4.2%**	4.0%
Backlog – March 31	**$ 390**	$ 225

Revenues in the first quarter of 2008 of $91 million in the Industrial segment were $17 million, or 23%, higher than in the same period in 2007. The segment's construction operations in Ontario and its IST unit in Cambridge were responsible for the increases in revenues and offset declines in the segment's Western and Fabrication operations. Revenues of $48 million from construction operations in Ontario were up $20 million from the same quarter last year, mostly as a result of increased work in the power and automotive sectors, while revenues of $8 million from IST, which sells and licenses the technology for "once through" heat recovery steam generators ("HRSGs"), were up $3 million from the prior year, reflecting the impact of new orders received in 2007. Revenues from the segment's Western Canada operations were $28 million compared to $30 million in 2007, with decreases in revenues from site construction projects offsetting increased revenues from module assembly and pipe fabrication projects. Fabrication revenues of $8 million from the segment's Ontario and Eastern Canada operations were $4 million lower than in 2007, primarily from lower volumes in Ontario.

In the first quarter of 2008, the Industrial segment generated an operating profit of $3.8 million compared to $3.0 million in the same period in 2007. Of the $0.8 million, or 28%, improvement, construction operations in Ontario were up $1.3 million, and IST was up $0.4 million. Higher volumes and generally improved margins contributed to most of the operating profit increases.

Operating profits in Western Canada and Fabrication operations were down $0.3 million and $0.6 million, respectively from last year.

It should be noted that, thus far, construction profits have not been recorded on the East Windsor Cogeneration Centre project which was awarded in the fourth quarter of 2007. Under an Engineering, Procurement and Construction (EPC) contract, the segment's construction operations in Ontario are constructing a new 84-megawatt high efficiency gas-fired electric power and steam cogeneration facility in Windsor, Ontario. Under Aecon's accounting policy for large multi-year contracts as described above in the Infrastructure segment section of the MD&A, the commencement of profit recognition from this project is expected to occur in the second quarter of 2008.

After deducting capital charges and allocations of corporate overheads which decreased by $0.4 million in the first quarter, Industrial segment operating profit before income taxes was $1.9 million compared to $0.8 million in 2007.

Backlog at March 31, 2008 of $390 million was $164 million higher than at the same time last year. Ontario Construction backlog remained strong at $223 million, which represents an increase of $115 million over 2007. The major contributor to the higher Ontario Construction backlog was a 2007 project award for the East Windsor Cogeneration project. In Western Canada operations, backlog of $85 million was up $22 million from 2007 primarily because of module assembly and pipe fabrication awards received in 2007. IST's backlog of $43 million was up $2 million with the receipt of several new contract awards in 2007. Overall, new contract awards of $97 million in 2008 were $17 million lower than in 2007 with most of the new awards occurring in 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, the Industrial segment's effective backlog at any given time is greater than what is reported.

CONCESSIONS

Financial Highlights

$ millions	Three Months Ended March 31 2008		2007	
Revenues	**$**	**15.2**	$	13.7
Segment operating profit		**1.3**		1.4
Capital charges and allocations of corporate overheads		**(2.2)**		(2.1)
Segment loss before income taxes		**(0.9)**		(0.7)
Return on revenue		**8.8%**		10.0%

Revenues in the first quarter of 2008 of $15 million in the Concessions segment were up $2 million, or 11%, compared to the same period in 2007. While Aecon's interest in concessionaire operations at the existing Quito airport generated revenues of approximately $8 million in both of the first quarters of 2008 and 2007, the majority of the revenue increase came from Aecon's proportionate share of the revenues from operating the Cross Israel Highway which is being carried-out on a fee for service basis by a company in which Aecon holds a 30.6% interest.

Aecon's long-term investment in the Cross Israel Highway, through its 25% interest in Derech Eretz Highways (1997) Ltd. ("Derech Eretz") 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. Average weekday traffic on the highway in March 2008 surpassed 97,000 vehicles, a 13% increase over March 2007, and the project remains on track to deliver an expected 15% after-tax internal rate of return on Aecon's investment.

The segment operating profit of $1.3 million in first quarter of 2008 is essentially unchanged from the $1.4 million operating profit reported in the same period in 2007. Improvements in operating profits from the Quito airport concessionaire, which includes the results from operating the existing airport while the new airport is being constructed, were slightly offset by lower results from Aecon's interest in the Operator of the Cross Israel Highway. More than a million passengers passed through the existing Quito airport in the first quarter of 2008, a 4.9% increase over the same quarter in 2007. It should be noted that all of the operating profit from operations of the existing Quito airport are being invested to finance the development and construction costs of the new airport.

After deducting capital charges and allocations of corporate overheads, which increased by $0.2 million in the first quarter, Concession segment operating losses before income taxes was $0.9 million compared to $0.7 million in 2007.

Aecon does not include in its reported backlog expected revenues from operations management contracts and concession agreements. As such, while Aecon expects future revenues from its

concession assets, no concession backlog is reported at March 31. Therefore, the Concessions segment's effective backlog is greater than what is reported.

For further details on Aecon's investment in the Quito airport concessionaire, refer to note 3 of the 2008 Interim Consolidated Financial Statements.

CORPORATE AND OTHER

Financial Highlights

	Three Months Ended March 31	
$ millions	**2008**	2007
MG&A	**$ (3.1)**	$ (2.7)
Other income (expense) [(1)]	**-**	(0.5)
Interest income	**1.9**	1.2
Segment operating loss	**(1.2)**	(2.0)
Capital charges and allocations of corporate overheads	**9.2**	8.7
Segment profit before income taxes	**8.0**	6.8

(1) Other income (expense) in the Corporate and Other segment includes gains and losses on sales of assets, foreign exchange gains and losses, and depreciation and amortization expense.

Marketing, general and administrative expenses ("MG&A") in the first quarter of 2008 were $0.4 million higher than in the same period of 2007, mostly because of increases in salaries and performance-related incentive costs

Offsetting the higher MG&A costs was a favourable increase in foreign exchange gains and losses quarter-over-quarter of $0.4 million.

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 2007 Management Discussion and Analysis for an analysis of the results of the eight quarters that ended December 31, 2007.

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)	2008	2007				2006		
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Revenues	$ 302.0	$ 482.3	$ 430.4	$ 338.3	$ 241.8	$ 338.0	$ 316.0	$ 258.7
Net income (loss)	0.3	22.5	19.0	9.7	(3.0)	10.6	12.8	(1.0)
Earnings (loss) per share:								
Basic	0.01	0.56	0.51	0.26	(0.08)	0.29	0.35	(0.03)
Diluted	0.01	0.50	0.44	0.24	(0.08)	0.28	0.34	(0.03)

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 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 and other joint ventures on Aecon's Consolidated Financial Statements, Aecon provides supplemental financial information in note 18 to the 2008 Interim Consolidated Financial Statements as additional information about its accounts, thereby enabling the reader to have a greater understanding of Aecon's underlying assets, earnings base and financial resources.

Cash and Debt Balances

Cash and cash equivalents at March 31, 2008 were $136.7 million, which compares with $134.6 million at December 31, 2007. Of these amounts, $40.6 million and $42.7 million, respectively, were on deposit in joint venture bank accounts, which Aecon cannot access directly.

Restricted cash of $35.8 million at March 31, 2008 (December 31, 2007 - $34.6 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. These restricted balances arose primarily from advance payments received on certain joint venture projects where such payments have, in turn, been secured by letters of credit which are, at least in part, collateralized by this restricted cash.

Interest bearing debt amounted to $157.6 million at March 31, 2008, compared to $187.3 million at December 31, 2007, the composition of which is as follows ($ millions):

	Mar. 31, 2008	Dec. 31, 2007
Bank indebtedness	**$ 7.2**	$ 7.0
Current portion of long-term debt	**17.8**	17.5
Long-term debt – recourse	**59.0**	64.1
Long-term debt - non-recourse	**73.7**	68.6
Convertible debentures	**-**	30.1
Total debt	**$ 157.6**	$ 187.3
Debt held directly	**78.7**	110.6
Debt of joint ventures	**78.9**	76.7
Total	**$ 157.6**	$ 187.3

Bank indebtedness of $7.2 million at March 31, 2008 compares to $7.0 million at the end of December 31, 2007, and represents Aecon's 45% share of funds borrowed by the Nathpa Jhakri hydro-electric project joint venture in India in respect of that now completed project (refer to the 2007 MD&A under Risks And Uncertainties - Large Project Risk for further information on this project).

At March 31, 2008, long-term debt, including the current portion, and convertible debentures totaled $150.4 million compared to $180.4 million at December 31, 2007. The $29.9 million net decrease resulted primarily from a $30 million quarter end decrease in the carrying value of convertible debentures as a result of the conversion into common shares of all outstanding convertible debentures in the first quarter of 2008. Other changes in long-term debt included a $4.2 million repayment on the $16.9 million note payable issued in connection with the acquisition of Karson, an increase in non-recourse debt of $2 million resulting from the proportionate consolidation of Aecon's share of non-recourse borrowings to finance the Quito Airport Project, and an increase of $3 million of non-recourse project debt related to the Phase I Rouge Valley Health System project.

On April 17, 2008, the Company issued 4,000,000 common shares at $18.25 per share for gross proceeds of $73 million. The common shares were issued on a bought deal basis to a syndicate of underwriters led by GMP Securities L.P. and including Paradigm Capital Inc., Raymond James Ltd., TD Securities Inc., Canaccord Capital Corporation and CIBC World Markets Inc. Net proceeds, after deducting agents' fees and expenses of the issue, are estimated to be approximately $69.6 million. The underwriters were also granted an Over-Allotment Option to purchase an additional 15% of the Offering at any time until 30 days after Closing at a price of $18.25 per share. The exercise of this option would result in additional gross proceeds of $10.95 million and additional estimated net proceeds of $10.45 million.

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 flow from operations in the twelve months of 2007 was approximately $99 million higher than in fiscal 2006, and continued to improve in the first quarter of 2008 with cash flow from operations being approximately $4 million higher than in the first quarter of 2007.

In the first quarter of 2008, Aecon announced that its board of directors had approved an increase in the dividend to be paid to all holders of Aecon common shares. Annual dividends will increase to $0.20 per share, to be paid in quarterly payments of $0.05 per share, a 43% increase over the $0.14 per share ($0.07 semi-annually) dividend rate that was established in late 2007.

Future equity investments of US$13.9 million by Aecon in the Quito airport concessionaire are expected to be generated from profits from construction of the new Quito airport. To date, Aecon has invested US$19.7 million as equity in the concessionaire. Aecon has also deposited $3.7 million with Export Development Canada ("EDC") to support letters of credit issued by EDC on the Quito airport project. Also, in accordance with an agreement with EDC, Aecon has $1.6 million in a segregated account to secure future equity investment requirements in the Quito airport concessionaire. These EDC deposits are included in restricted cash on the Interim Consolidated Balance Sheet at March 31, 2008.

Summary Of Cash Flows

	Consolidated Cash Flows Three Months Ended March 31			
$ millions		**2008**		**2007**
Cash provided by (used in):				
Operating activities	**$**	**19.4**	**$**	15.3
Investing activities		**(13.5)**		(24.2)
Financing activities		**(5.0)**		6.6
Increase (decrease) in cash and cash equivalents		**0.8**		(2.3)
Effects of foreign exchange on cash balances		**1.2**		(0.1)
Cash and cash equivalents - beginning of period		**134.6**		50.1
Cash and cash equivalents - end of period	**$**	**136.7**	**$**	47.7

Operating Activities

Cash provided by operating activities of $19 million in the first quarter of 2008 was $4 million better than the same quarter last year. The quarter-over-quarter improvement is due to lower investments in working capital (an improvement of approximately $5 million year-over-year).

Investing Activities

For the first quarter of 2008, investing activities resulted in a use of cash of $14 million, which compares with cash used of $24 million in 2007. Of the $14 million, $12 million represents Aecon's proportionate share of the cash used by Quiport JV for the construction of the New Quito Airport (i.e. increase in concession rights). These cash outlays were, for the most part, financed by non-recourse project debt (see Financing Activities below). In the first quarter of 2007, Aecon used $14 million of cash to acquire the operations of Karson, and $3 million to finance its proportionate share of the cash

used by Quiport for construction of the new Quito airport. Also during the first quarter of 2007, Aecon increased its investments in restricted cash and marketable securities balances by $5 million

Financing Activities

In the first quarter of 2008, cash used in financing activities amounted to $5 million, compared to cash provided of $7 million in 2007. During 2008, issuances of long-term debt amounted to $3 million, mostly associated with the Phase I Rouge Valley Health System project, while repayments totalled $6 million, of which $4 million related to a partial repayment on the note payable issued in connection with the acquisition of Karson.

During the first quarter of 2007, the net change in long-term debt amounted to $12 million. The change resulted primarily from Aecon's financing of the acquisition of Karson in the quarter. This increase in long-term debt was partially offset by reduced utilization of Aecon's operating line of credit of $7 million.

NEW ACCOUNTING STANDARDS

Several new Canadian accounting standards adopted in 2008 and 2007 are described in note 2 to the 2008 Interim Consolidated Financial Statements.

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 during the interim period ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Contractual Obligations

At December 31, 2007, the Company had commitments totalling $180 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 2007 Consolidated Financial Statements). The only material changes since year-end resulted from a $30

million decrease in the carrying value of convertible debentures as a result of the conversion into common shares of all outstanding convertible debentures in the first quarter of 2008, additional project financing for the Phase I Rouge Valley Health System project (approximately $3 million) and a partial repayment on the note payable issued in connection with the acquisition of Karson (approximately $4 million).

At March 31, 2008, Aecon had contractual obligations to complete projects that were in progress. The revenue value of these contracts was $1,302 million. This consists of the reported backlog of $1,231 million plus an additional $71 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 Quito, India and Israel, Aecon has provided various financial and performance guarantees and letters of credit, which are described in note 7 to the 2008 Interim Consolidated Financial Statements.

There was no material change in the funded status of Aecon's pension plans during the first three months of 2008. Details relating to Aecon's defined benefit plans are set out in note 20 to the Company's 2007 Consolidated Financial Statements.

From time to time Aecon enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar. At March 31, 2008, the Company had net outstanding contracts to sell EURO 3.3 million, sell US$17.4 million and buy US$7.8 million (December 31, 2007 - sell EURO 6.7 million, sell US$24.0 million, and buy US$12.0 million) on which there was a net unrealized exchange loss of $0.4 million (December 31, 2007 - net gain of $1.0 million). The net unrealized exchange gain (loss) represents the estimated amount the Company would have received (paid) if it terminated the contracts at the end of the respective periods. Financial instruments are discussed in note 13 to the 2008 Interim Consolidated Financial Statements.

In connection with a U.S. dollar denominated term loan facility, Aecon entered into an interest rate swap with a financial institution on October 1, 2007 to help manage its exposure to interest rate volatility. By entering into the interest rate swap, the Company agreed to receive interest at a variable rate and pay interest at a fixed rate. The unrealized loss resulting from fair valuing this contract as of March 31, 2008 was $0.3 million, net of taxes.

Related Party Transactions

During the first quarter of 2008, $0.4 million of loans receivable from employees were repaid. Refer to note 12 to the 2008 Interim Consolidated Financial Statements for details of related party transactions and balances.

In April 2008, an additional $0.7 million of loans receivable from employees were also repaid, reducing the balance to nil.

Critical Accounting Estimates

The reader is referred to the detailed discussion on Critical Accounting estimates as outlined in the notes to the Company's 2007 Consolidated Financial Statements and in the December 31, 2007 MD&A.

Outstanding Share Data

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

(in thousands of dollars, except share amounts)

		March 31, 2008		May 6, 2008
Number of common shares outstanding (1)		46,819,290		50,819,290
Paid-up capital of common shares outstanding (2)	$	196,356	$	261,980
Outstanding securities exchangeable or convertible into common shares:				
Number of stock options outstanding		923,484		923,484
Number of common shares issuable on exercise of stock options		923,484		923,484
Increase in paid-up capital on exercise of stock options	$	5,749	$	5,749
Principal amount of convertible debentures outstanding (see note 8 to the 2008 Interim Consolidated Financial Statements)	$	-	$	-
Number of common shares issuable on conversion of convertible debentures		-		-
Increase in paid-up capital on conversion of convertible debentures	$	-	$	-

(1) The number of common shares outstanding as per the above table at March 31, 2008 includes 451,376 shares (May 6, 2008 – 691,366 shares) held by the trustee of Aecon's LTIP plan.

The number of common shares outstanding at March 31, 2008 for financial statement purposes, after deducting the above LTIP shares, was 46,367,914 shares (May 6, 2008 – 51,127,294 shares) (see note 9 to the 2008 Interim Consolidated Financial Statements).

(2) As described in note 9 to the 2008 Interim Consolidated Financial Statements, and in accordance with the recommendations of The Canadian Institute of Chartered Accountants, share capital at March 31, 2008 has been reduced by $0.2 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.

OUTLOOK

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

The increases in infrastructure spending announced in the federal, Alberta and Ontario budgets this spring provide further evidence that government commitment to investing in transportation infrastructure continues to build.

Similarly, the demand for increased electrical generation and transmission capacity in Ontario, which is estimated by The Ontario Power Authority to be over $60 billion in the next twenty years, continues to fuel a strong market for construction services in this sector.

And the substantial investment in Alberta's oilsands continues to grow as oil prices continue to reach new highs.

These three markets account for most of Aecon's 'self-perform' construction revenues, and are expected to remain strong at least through the end of the decade. And importantly, none of these markets appear to be materially affected by the ongoing economic turbulence seen in the United States and some sectors of the Canadian economy.

In addition, we expect the substantial build-out taking place in education and healthcare infrastructure to continue as governments address changing demographic needs and past underfunding in these areas.

These strong external trends continue to be complemented by a number of company-specific factors that impact Aecon's outlook for 2008.

Aecon will have the benefit of a full year of revenues and profits from Leo Alarie and Sons in 2008, following its acquisition by Aecon in December 2007. In addition, recognition of construction profits from the New Quito Airport is likely to begin in the second or third quarter of 2008. Under Aecon's accounting policy for large multi-year contracts, construction profit is recognized only when progress reaches a stage of completion sufficient to reasonably determine the probable results, a milestone that is likely to be reached on the Quito project in the next few months.

Also of note is Aecon's continuing strong backlog. At $1.2 billion, Aecon's backlog at the end of the quarter was 47% higher than at the same time last year, primarily as a result of strong backlog growth in the Buildings and Industrial segments.

Overall, while Aecon is now tax affecting earnings once again, management continues to believe that a healthy backlog and the ongoing strength of its core markets, especially in the energy and transportation infrastructure sectors, bode well for continued strong financial performance throughout the balance of the year and into 2009.

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 31, 2008 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)

March 31, 2008 and 2007

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

May 6, 2008

Aecon Group Inc.

Consolidated Balance Sheets

(in thousands of dollars) (unaudited)

		March 31, 2008		December 31, 2007
Assets				
Current assets				
Cash and cash equivalents	**$**	**136,654**	$	134,606
Restricted cash		**35,757**		34,628
Accounts receivable		**187,791**		228,438
Holdbacks receivable		**65,260**		71,523
Deferred contract costs and unbilled revenue		**111,273**		111,937
Inventories		**16,596**		15,702
Prepaid expenses		**9,547**		6,415
		562,878		603,249
Property, plant and equipment		**95,048**		97,105
Future income tax assets		**40,809**		36,140
Concession rights (note 3)		**121,189**		109,283
Long-term investment (note 5)		**32,685**		32,685
Other assets		**34,037**		32,190
	$	**886,646**	$	910,652

Aecon Group Inc.

Consolidated Balance Sheets *...continued*

(in thousands of dollars) (unaudited)

	March 31, 2008	December 31, 2007
Liabilities		
Current liabilities		
Bank indebtedness	**$ 7,169**	$ 6,986
Accounts payable and accrued liabilities	**217,754**	266,693
Holdbacks payable	**38,561**	38,499
Deferred revenue	**91,310**	68,175
Income taxes payable	**1,835**	1,191
Future income tax liabilities	**40,907**	40,907
Current portion of long-term debt (note 6)	**17,797**	17,533
	415,333	439,984
Non-recourse project debt (note 6)	**73,689**	68,622
Other long-term debt (note 6)	**58,956**	64,088
Other liabilities	**3,032**	3,077
Other income tax liabilities	**14,934**	14,733
Concession related deferred revenue	**65,284**	63,692
Convertible debentures (note 8)	**-**	30,114
	631,228	684,310
Non-controlling interests	**1,215**	933
Commitments and contingencies (note 7)		
Shareholders' Equity		
Capital stock (note 9)	**196,356**	162,691
Contributed surplus (note 9)	**1,307**	1,592
Convertible debentures (note 8)	**-**	2,101
Retained earnings	**59,469**	61,525
Accumulated other comprehensive loss	**(2,929)**	(2,500)
	254,203	225,409
	$ 886,646	$ 910,652

Approved by the Board of Directors

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

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

Aecon Group Inc.

Consolidated Statements of Income (Loss)

For the three months ended March 31, 2008 and 2007

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

	2008	2007
Revenues	**$ 301,960**	$ 241,785
Direct costs and expenses	**(283,437)**	(222,876)
	18,523	18,909
Marketing, general and administrative expenses	**(16,149)**	(14,960)
Foreign exchange gains (losses)	**329**	(135)
Loss on sale of assets	**(53)**	(12)
Depreciation and amortization	**(5,874)**	(4,855)
Interest expense	**(2,123)**	(2,377)
Interest income	**1,884**	1,181
	(21,986)	(21,158)
Loss before income taxes and non-controlling interests	**(3,463)**	(2,249)
Income tax (expense) recovery (note 4)		
Current	**(661)**	(1,081)
Future	**4,669**	512
	4,008	(569)
Income (loss) before non-controlling interests	**545**	(2,818)
Non-controlling interests	**(269)**	(156)
Net income (loss) for the period	**$ 276**	$ (2,974)
Net earnings (loss) per share (note 9)		
Basic	**$ 0.01**	$ (0.08)
Diluted	**$ 0.01**	$ (0.08)
Average number of shares outstanding (note 9)		
Basic	**42,369,274**	36,534,448
Diluted	**47,005,640**	46,076,404

Aecon Group Inc.
For the three months ended March 31, 2008 and 2007

(in thousands of dollars) (unaudited)

Consolidated Statements of Comprehensive Loss

		2008		2007
Net income (loss) for the period	**$**	**276**	$	(2,974)
Other comprehensive income (loss), net of tax:				
Currency translation adjustments		**131**		(50)
Cash flow hedges				
Net change in fair value of derivatives		**(560)**		-
Comprehensive loss for the period	**$**	**(153)**	$	(3,024)

Consolidated Statements of Retained Earnings

		2008		2007
Retained earnings - beginning of period	**$**	**61,525**	$	16,543
Net income (loss) for the period		**276**		(2,974)
Change in accounting treatment for financial instruments		**-**		(400)
Dividends (note 9)		**(2,336)**		-
Interest received on share purchase loans (note 9)		**4**		13
Retained earnings - end of period	**$**	**59,469**	$	13,182

Consolidated Statements of Accumulated Other Comprehensive Loss

		2008		2007
Accumulated other comprehensive loss - beginning of period	**$**	**(2,500)**	$	(390)
Currency translation adjustments		**131**		(50)
Cash flow hedges (note 13)		**(560)**		-
Accumulated other comprehensive loss - end of period	**$**	**(2,929)**	$	(440)

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the three months ended March 31, 2008 and 2007

(in thousands of dollars) (unaudited)

	2008	2007
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	**$ 276**	$ (2,974)
Items not affecting cash:		
Depreciation and amortization	**5,874**	4,855
Loss on sale of assets	**53**	12
Amortization of commitment fees	**40**	20
Unrealized gain on foreign exchange	**(163)**	(49)
Non-cash interest on other income tax liabilities	**201**	90
Notional interest representing accretion	**462**	586
Defined benefit pension	**(913)**	(48)
Future income taxes	**(4,669)**	(512)
Stock-based compensation	**47**	113
	1,208	2,093
Change in other balances relating to operations (note 10)	**18,182**	13,251
	19,390	15,344
Investing activities		
Increase in restricted cash balances	**(362)**	(18,245)
Decrease in restricted marketable securities and term deposits	**-**	12,834
Purchase of property, plant and equipment	**(752)**	(1,963)
Proceeds on sale of property, plant and equipment	**25**	196
Acquisitions	**-**	(13,893)
Concession rights (note 3)	**(11,970)**	(3,498)
(Increase) decrease in other assets	**(729)**	30
Non-controlling interests	**269**	300
	(13,519)	(24,239)
Financing activities		
Decrease in bank indebtedness	**-**	(6,814)
Issuance of long-term debt	**3,214**	12,699
Repayments of long-term debt	**(6,252)**	(403)
Issuance of capital stock (note 9)	**607**	611
Repayment of share purchase loans (note 9)	**363**	532
Dividends paid (note 9)	**(2,977)**	-
Interest received on share purchase loans (note 9)	**4**	13
	(5,041)	6,638
Increase (decrease) in cash and cash equivalents	**830**	(2,257)
Effects of foreign exchange on cash balances	**1,218**	(128)
Cash and cash equivalents - beginning of period	**134,606**	50,109
Cash and cash equivalents - end of period	**$ 136,654**	$ 47,724

Supplementary disclosures (note 10)

(in thousands of dollars, except share and 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, 2007. 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 months ended March 31, 2008 are not necessarily indicative of results expected for the full fiscal year or any other future period.

2) Change in accounting policies

Effective January 1, 2008, the Company adopted the following new accounting standards that were issued by The Canadian Institute of Chartered Accountants ("CICA"):

Capital Disclosures

CICA Handbook Section 1535 "Capital Disclosures": This section establishes criteria for disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements to which it is subject; and (iv) if it has not complied, the consequences of such non-compliance. See note 15 for further details.

Financial Instruments – Disclosures and Presentation

CICA Handbook section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation": Section 3862 modifies the disclosure requirements of Section 3861 and requires entities to provide disclosures in their consolidated financial statements that enable users to evaluate the significance of financial instruments on the entity's consolidated financial position and performance, and the nature and extent of risks arising from financial instruments and non-financial derivatives. Section 3863 "Financial Instruments – Presentation" carries forward unchanged the presentation requirements for financial instruments of Section 3861 "Financial Instruments – Disclosures and Presentation". See note 13 for further details.

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

Inventory

CICA Handbook Section 3031 "Inventory," which replaced Section 3030: The new section specifies the cost formula to be used in the valuation of inventories and defines the treatment of other costs eligible for inclusion in the calculation of inventory values.

There were no significant impacts on the Company's financial position or on the results of its operations from adoption of the above new standards.

3) Concession rights

The Company has recorded concession rights as follows:

	2008	2007
Concession rights to operate the Existing Quito Airport, net of accumulated amortization of $22,400 (December 31, 2007 - $18,704)	**$ 35,929**	$ 38,135
Concession rights to operate the New Quito Airport	**85,260**	71,148
	$ 121,189	$ 109,283

(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 ("New Quito 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 is being reinvested in the New Quito Airport.

(b) Accounting for operations of the Existing Quito Airport

As an inducement to develop and finance the New Quito 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 fair valued this right and recorded an intangible asset (being the "Concession Rights") on its consolidated balance sheet. As at the date of financial close in 2006, the Company's proportionate share of this asset was assigned a value of US$57,337 or the Canadian equivalent of $64,000 following a

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valuation of the inducement by an independent international accounting firm. Quiport JV amortizes these Concession Rights over the remaining term of the right to operate the Existing Quito Airport, and amortization is based on usage (estimated traffic volumes). The offsetting concession related deferred revenue balance (which is the value of the inducement received by Quiport JV to develop and finance the New Quito Airport) will be amortized to earnings over the term of the New Quito Airport concession period. Consequently, income earned from the operation of the Existing Quito Airport, which will be recognized in the normal fashion, will be reduced by the amount of the annual amortization charge related to the Existing Quito Airport Concession Rights.

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

At March 31, 2008, $85,260 (December 31, 2007 - $71,148) representing the Company's proportionate share of the costs to construct the New Quito Airport has been recorded as Concession Rights to operate the New Quito Airport. Amortization of these Concession Rights will commence after construction of the New Quito Airport is completed. As a result, there is no amortization expense recorded in the current or prior 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).

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4) Income taxes

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

	Three months ended March 31	
	2008	**2007**
Loss before income taxes and non-controlling interests	**$ (3,463)**	$ (2,249)
Statutory income tax rate	**33.5%**	36.1%
Expected income tax recovery	**1,160**	812
Effect on income tax of:		
Reversal of prior period's valuation allowance	**3,403**	-
Increase in the valuation allowance	**-**	(1,890)
Provincial and foreign rate differentials	**402**	310
Non-deductible expenses	**(887)**	(117)
Foreign exchange translation (losses) gains	**(31)**	173
Other	**(39)**	143
	2,848	(1,381)
Income tax recovery (expense)	**$ 4,008**	$ (569)

5) Long-term investment

The long-term investment in the amount of $32,685 at March 31, 2008 (December 31, 2007 - $32,685) 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.

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6) Long-term debt

		March 31, 2008	December 31, 2007
Non-recourse project debt			
Quiport JV project financing	(a)	**$ 66,181**	$ 64,490
Quiport JV CORPAQ debt		**5,580**	5,191
Rouge Valley Health System project debt	(b)	**6,427**	3,213
		78,188	72,894
Other long-term debt			
Capital leases and equipment loans		**34,103**	35,770
Term loan		**13,375**	13,402
Note payable	(c)	**14,247**	18,192
Mortgages		**4,764**	4,796
Loans from Derech Eretz partners		**4,436**	3,787
Investment loan		**1,329**	1,402
		72,254	77,349
Total long-term debt		**150,442**	150,243
Less: Amounts due within one year			
- Non-recourse project debt		**4,499**	4,272
- Other long-term debt		**13,298**	13,261
		$ 132,645	$ 132,710

The following describes the major changes to long-term debt during the quarter ended March 31, 2008:

(a) As at March 31, 2008, Quiport JV had certain non-financial covenants under the terms of the debt agreement with the Project Senior Lenders that were not met. Waiver requests have been submitted and waivers are expected upon supplying certain additional information that the Project Senior Lenders have requested, and which Quiport JV is in the process of providing.

(b) Project financing for the Rouge Valley Health System project at March 31, 2008, was $6,427 (December 31, 2007 - $3,213). The total amount available to be borrowed over the construction period is $57,034 and repayment of the loan is due at the end of the project. Repayment will be entirely funded from a lump sum payment by Infrastructure Ontario upon completion of construction. This debt is secured by the assets of the project and is non-recourse to the Company. Interest on this debt at an annual rate of 5.3% is capitalized to the loan balance.

(c) As partial consideration for the acquisition of The Karson Group in 2007, the Company issued a note payable in the amount of $21,225 to the vendor. This note payable, which is non-interest bearing and is 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 quarter ended March 31, 2008, the Company recorded interest expense of $300 representing interest accretion on the note payable (2007 - $228).

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7) Guarantees

The Company has outstanding guarantees amounting to $25,087 (December 31, 2007 - $24,208) 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.

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 30.6% 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$33,259) (December 31, 2007 - US$32,400 or CAD$32,118) 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$8,315) (December 31, 2007 - US$8,100 or CAD$8,030) to support its share of the continuous guarantee, and its partners have similarly issued letters of credit to support 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$13,541) (December 31, 2007 - NIS33,000 plus escalation or CAD$11,990) or 6% of annual toll revenue.

In addition to the above, the Company has provided letters of credit in the amount NIS2,400 (CAD$699) (December 31, 2007 - NIS2,400 or CAD$615) to support a performance bond that was required of the concessionaire in connection with the construction of an extension to the Cross Israel Highway. This letter of credit is secured by cash.

In connection with the Quito airport project, the Company has provided letters of credit of US$15,300 (CAD$15,705) (December 31, 2007 - US$16,800 or CAD$16,654) in support of its remaining equity obligations and a letter of credit of US$30,203 (CAD$31,003) (December 31, 2007 - US$30,203 or CAD$29,940) 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$1,540) (December 31, 2007 - US$1,500 or CAD$1,487), 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$16,150 (CAD$16,578) (December 31, 2007 - US$16,150 or CAD$16,009). The cash received was used as collateral for the letters of credit.

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$68,832) (December 31, 2007 - US$67,055 or CAD$66,472), an advance payment bond of US$74,466 (CAD$76,439) (December 31, 2007 - US$74,466 or CAD$73,818) and a retention release bond of US$20,685 (CAD$21,233) (December 31, 2007 - US$20,685 or CAD$20,505). 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

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deposit with EDC the sum of US$2,000 (CAD$2,053) (December 31, 2007 - US$2,000 or CAD$1,983), which is classified as restricted cash on the consolidated balance sheets

The Company has also issued performance guarantees of $10,768 (December 31, 2007 - $7,640) in respect of certain international contracts for the manufacture and supply of equipment by its subsidiary, Innovative Steam Technologies Inc., and 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 $17,549 (December 31, 2007 - $14,867) in support of financial and performance related obligations of its North American operations.

In connection with the project financing for the Rouge Valley Health System project, the Company has provided a guarantee of additional financing costs (interest and fees) incurred by a wholly-owned project company in the event of delays in the completion of construction. This guarantee is capped at $5,000. The Company has also provided a guarantee of the obligations of the project company under a $5,000 contingency loan facility established to finance additional costs associated with delays and working capital requirements due to delayed payments or schedule changes.

Under the terms of many of the Company's joint venture contracts with project owners, each of the partners is jointly and severally liable for performance under the contracts. At March 31, 2008, 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 $284,676 (December 31, 2007 - $311,058), 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 had to indemnify the purchaser against liabilities related to events that occurred prior to the sale, such as tax, environmental, litigation, 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.

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8) Convertible debentures

Convertible subordinated debentures consist of:

	March 31, 2008	December 31, 2007
Debt component:		
Debenture maturing March 17, 2010	**$ -**	$ 30,114
Reported as:		
Long-term liability	**$ -**	$ 30,114
Equity component:		
Debenture maturing March 17, 2010	**$ -**	$ 2,101

In March 2005, the Company issued $32,500 in unsecured, subordinated convertible debentures maturing March 17, 2010. The debentures bore interest at the rate of 8.25% per annum payable on a semi-annual basis. During the quarter ended March 31, 2008, $31,675 of these convertible debentures was converted into 4,167,795 common shares. During 2007, $825 of these debentures was converted into 108,552 common shares.

In November 2004, the Company issued $30,000 in unsecured, subordinated convertible debentures maturing November 2, 2009. The debentures bore interest at the rate of 8.25% per annum payable on a semi-annual basis. During 2007, $29,500 of these convertible debentures was converted into 3,933,252 common shares and $500 was redeemed for cash.

Interest expense on the debentures is composed of the interest calculated on the face value of the debentures, and an annual notional interest representing the accretion of the carrying value of the debentures. Interest recorded was as follows:

	Three months ended March 31	
	2008	**2007**
Interest expense on face value	**$ 520**	$ 1,277
Notional interest representing accretion	**148**	355
	$ 668	$ 1,632

The liability portion of the debentures is as follows:

	March 31, 2008	**December 31, 2007**
Financial liability component	**$ -**	$ 29,574
Notional interest representing accretion	**-**	540
	$ -	$ 30,114

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9) Capital stock

	2008			2007		
	Number of shares issued		**Amount**	**Number of shares issued**		**Amount**
Balance – January 1	**42,079,119**	**$**	**162,691**	38,069,829	$	131,975
Common shares issued on exercise of options	**121,000**		**939**	100,000		710
Common shares issued on conversion of debentures (i)	**4,167,795**		**32,362**	9,333		75
Repayment of share purchase loans (ii)	**-**		**364**	-		532
Balance – March 31 (ii and iii)	**46,367,914**	**$**	**196,356**	38,179,162	$	133,292

(i) During the quarter ended March 31, 2008, convertible debentures with a face value of $31,675 and a carrying value of $30,261 were converted into 4,167,795 common shares at a conversion price of $7.60 per share (see note 8). In addition, share capital was increased by $2,101 representing the equity portion of the convertible debentures that was previously classified as a separate component of shareholders' equity.

During the quarter ended March 31, 2007, $70 of convertible debentures maturing November 2009 were converted into 9,333 common shares at a price of $7.50 per share. In addition, share capital was increased by $5 representing the equity portion 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 $188 (2007 - $552) are presented as a deduction from capital stock. Interest received on such loans, after provision for income taxes, amounted to $4 (2007 - $13) and is accounted for as a capital transaction in shareholders' equity. During the quarter ended March 31, 2008, $364 of these loans was repaid (2007 - $532).

(iii) 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 March 31, 2008, the Trust held 451,376 shares (December 31, 2007 – 451,376 shares) with a cost basis of $3,470 (December 31, 2007 - $3,470).

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

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 new plan did not affect the rights granted

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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.

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:

	Three months ended March 31					
	2008			**2007**		
	Number of share options		**Weighted average exercise price**	**Number of share options**		**Weighted average exercise price**
Balance outstanding at beginning of period	**1,044,484**	**$**	**6.08**	1,200,000	$	6.06
Granted	**-**		**-**	50,000		6.75
Exercised	**(121,000)**		**5.02**	(100,000)		6.11
Balance outstanding at end of period	**923,484**	**$**	**6.22**	1,150,000	$	6.09
Options exercisable at end of period	**656,817**	**$**	**6.23**	583,334	$	5.98

Options currently outstanding have the following exercise prices and expiry dates:

Options granted in	**Number of shares**	**Exercise price**	**Expiry date**
2004	40,000	$6.30	August 3, 2009
2004	16,667	$6.20	November 30, 2009
2005	66,667	$5.51	November 7, 2010
2006	750,150	$6.25	March 27, 2011
2007	50,000	$6.75	January 16, 2012
	923,484		

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 vested one-quarter immediately and one-quarter per annum thereafter on the anniversary date of the grant.

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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. No options were granted in 2008. For options granted in 2007, the fair value was 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 ending March 31, 2008, compensation expense and contributed surplus were increased by $47 (2007 - $113) on account of options previously granted.

As options are exercised, the corresponding values previously charged to contributed surplus are reclassified to capital stock. In the quarter ending March 31, 2008, contributed surplus was decreased by $332 (2007 - $99) and capital stock was increased by the same amount upon the exercise of options under the stock option plans. 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 March 31, 2008, the Company recorded LTIP compensation charges of $600 (2007 - $300).

The LTIP Trust (the "Trust") currently holds 451,376 shares at March 31, 2008 (December 31, 2007 – 451,376 shares).

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

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Entities." Accordingly, at March 31, 2008, share capital was reduced by $3,470 (December 31, 2007 - $1,266) and accrued liabilities increased by the same amount.

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 334,991 (March 31, 2007 – 941,166) on account of share purchase loans receivable from employees. For purposes of calculating diluted earnings per share, these shares have been treated as options.

		2008		**2007**
Net income (loss) for the period	**$**	**276**	$	(2,974)
Interest on convertible debentures, net of taxes		**444**		1,632
Diluted net earnings (loss)	**$**	**720**	$	(1,342)
Average number of common shares outstanding		**42,369,274**		36,534,448
Effect of dilutive securities [(i)]				
Options		**913,406**		1,156,870
Convertible debentures		**3,462,421**		8,276,316
Shares held in a trust account in respect of a long-term incentive plan		**260,539**		108,770
Average number of diluted common shares outstanding		**47,005,640**		46,076,404
Basic earnings (loss) per share	**$**	**0.01**	$	(0.08)
Diluted earnings (loss) per share	**$**	**0.01**	$	(0.08)

(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 per share.

Contributed surplus

Changes in contributed surplus for the three months ended March 31 were as follows:

		2008		**2007**
Balance – January 1	**$**	**1,592**	$	1,329
Increase (decrease) in contributed surplus resulting from:				
Granting of stock options		**47**		113
Exercise of stock options		**(332)**		(99)
Balance – March 31	**$**	**1,307**	$	1,343

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Dividends

At December 31, 2007, the Company recorded dividends declared of $2,977, which were paid on January 2, 2008. In the first quarter of 2008, the Company's Board of Directors approved an increase in annual dividends to $0.20 per share, to be paid in four quarterly payments of $0.05 per share. At March 31, 2008, the Company recorded dividends declared of $2,336 which were paid on April 2, 2008.

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.

The Company is currently in the process of negotiating a revised indemnity agreement which amongst other changes will see the elimination of the dividend restriction. The Company expects to execute the revised indemnity agreement in the second quarter of 2008.

10) Cash flow information

Change in other balances relating to operations:

	2008	2007
Decrease (increase) in:		
Accounts receivable	**$ 41,438**	$ 40,835
Holdbacks receivable	**6,401**	(2,868)
Deferred contract costs and unbilled revenue	**1,054**	1,247
Inventories	**(894)**	801
Prepaid expenses	**(3,101)**	(4,653)
(Decrease) increase in:		
Accounts payable and accrued liabilities	**(50,274)**	(32,979)
Holdbacks payable	**(37)**	2,352
Deferred revenue	**23,040**	7,905
Income taxes payable	**555**	611
	$ 18,182	$ 13,251

Other supplementary information:

	2008	2007
Cash interest paid	**$ 2,452**	$ 1,891
Cash income taxes paid	**176**	782

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 March 31, 2008 amounted to $nil (2007 - $437).

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During the quarter ended March 31, 2008, convertible debentures with a face value of $31,675 and a carrying value of $30,261 were converted into 4,167,795 common shares at a conversion price of $7.60 per share (see notes 8 and 9). In addition, share capital was increased by $2,101 representing the equity portion of the convertible debentures that was previously classified as a separate component of shareholders' equity.

During the quarter ended March 31, 2007, $70 of convertible debentures maturing November 2009 were converted into 9,333 common shares at a price of $7.50 per share. In addition, share capital was increased by $5 representing the equity portion that was previously classified as a separate component of shareholders' equity.

11) Employee benefit plans

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

		2008		2007
Defined benefit plan expense:				
Company sponsored pension plans	**$**	**269**	$	401
Defined contribution plan expense:				
Company sponsored pension plans		**579**		485
Multi-employer pension plans		**6,061**		5,070
Total employee future benefit expenses	**$**	**6,909**	$	5,956

12) Related party transactions and balances

Related party transactions are recorded at their exchange amounts, which is the consideration agreed to by the parties. In addition to related party transactions described elsewhere in the notes to these consolidated financial statements, during the three months ended March 31, 2008, the Company paid professional fees in the amount of $11 (2007 - $30) to a consulting company in which a director of the Company is a partner.

13) Financial instruments

Fair Values

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

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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 that 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.

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

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

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

From time to time, the Company enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar, but does not hold or issue such financial instruments for trading purposes. At March 31, 2008, the Company had net outstanding contracts to sell EURO 3,303, sell US$17,371, and buy US$7,831 (December 31, 2007 - sell EURO 6,652, sell US$23,970, and buy US$11,978) on which there was a net unrealized exchange loss of $395 (December 31, 2007 - net gain of $951). 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

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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 consolidated statements of income in foreign exchange gains (losses). The Company has designated its U.S. dollar denominated term loan, currently in the amount of US$13,030 (December 31, 2007 – US$13,520), as a hedge of its net investment in certain foreign operations. The unrealized gain resulting from fair valuing this instrument as at March 31, 2008 of $321 (December 31, 2007 – gain of $989), net of taxes, has been included in currency translation adjustments within accumulated other comprehensive loss in shareholders' equity.

The Company enters into cash flow hedges to reduce its exposure to variability in certain expected future cash flows. In connection with a U.S. dollar denominated term loan facility, the Company entered into an interest rate swap with a financial institution on October 1, 2007 to help manage its exposure to interest rate volatility. By entering into the interest rate swap, the Company converted the floating rate on its U.S. dollar term loan, which was based on LIBOR plus 2.75%, to a fixed rate of 7.42%. The swap matures on June 15, 2010. The interest rate swap is considered to be an effective cash flow hedge. The unrealized loss, net of taxes resulting from fair valuing this contract as of March 31, 2008 of $359 (December 31, 2007 – gain of $201), net of taxes, has been reported in the cash flow hedges component of accumulated other comprehensive income in shareholders' equity.

Credit Risk

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, short-term deposits and marketable securities, accounts receivable, deferred contract costs and unbilled revenue, foreign exchange hedges, and interest rate swap agreements.

Credit risk associated with cash and short-term deposits is minimized by ensuring that these financial assets are placed with financial institutions with high credit ratings.

With respect to accounts receivable, deferred contract costs and unbilled revenue, concentration of credit risk is limited by the Company's diversified customer base and its dispersion across different business and geographic areas. Allowances are provided for potential losses that have been incurred at the balance sheet date; however, these allowances are not significant.

The credit risk associated with foreign exchange contracts and interest rate swap agreements arises from the possibility that the counterparty to one of these contracts fails to perform according to the terms of the contract.

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

Counterparties to the Company's foreign exchange hedges and interest rate swap agreements are major Canadian financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed quarterly by the Board of Directors to ensure a sufficient continuity of funding. Long-term debt maturities are spread over a range of dates thereby ensuring that the Company is not exposed to excessive refinancing risk in any one year.

The Company's cash and cash equivalents, short-term investments and restricted cash are invested in highly liquid interest-bearing investments.

The following are the contractual maturities of the Company's long-term debt including capital lease obligations at March 31, 2008:

	Next 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Beyond 5 years	Total
Non-recourse project debt	$ 4,202	$ -	$ 8,169	$ 7,840	$ 9,582	$ 48,395	$ 78,188
Capital leases and equipment loans	5,301	5,650	5,253	4,894	4,582	8,423	34,103
Other long-term debt	1,920	7,714	14,250	9,830	-	4,437	38,151
	$ 11,423	**$ 13,364**	**$ 27,672**	**$ 22,564**	**$ 14,164**	**$ 61,255**	**$ 150,442**

Interest Rate Risk

The Company is exposed to interest rate risk on its short-term deposits and its long-term debt to the extent that its investments or credit facilities are based on floating rates of interest. At March 31, 2008, the interest rate profile of the Company's long-term debt was as follows:

	At March 31, 2008
Debt held by joint ventures	$ 71,761
Fixed rate instruments	78,441
Variable rate instruments	240
Total long-term debt	**$ 150,442**

Long-term debt held by joint ventures relates to project financing for the Quito airport project (see note 6), and because interest is capitalized while the new airport is being constructed, changes in interest rates would not have impacted net earnings or comprehensive income in the current period.

Fixed rate long-term debt instruments would not have been impacted in the current period by changes in interest rates.

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For the three months ended March 31, 2008, an increase of 1% in interest rates applied to the Company's variable rate long-term debt would not have any significant impact on net earnings or comprehensive income.

Cash and cash equivalents, restricted cash and short-term deposits have limited interest rate risk due to their short-term nature.

Currency risk
The Company operates internationally and is exposed to risk from changes in foreign currency rates. The Company is mainly exposed to fluctuations in the U.S. dollar, Israel New Shekel, Indian Rupee and Euro.

The Company's currency exposure to U.S. dollars arises primarily from its investments in the Quito airport concessionaire and from its U.S. operating unit within the Buildings segment. As these two investments are treated as self-sustaining foreign operations for accounting purposes, the impact of changes in currency rates for these operations does not impact net earnings but would instead be reported as currency translation adjustments in other comprehensive income.

The Company's exposure to Israel New Shekels arises primarily from its cost accounted for investment in Derech Eretz, while the Company's exposure to Indian Rupees relates to its net investment in the Nathpa Jhakri hydro-electric project in India. Because the Derech Eretz investment is accounted for at cost, changes in currency rates would not impact net earnings or comprehensive income unless impairment in value arises as discussed above. The Company's sensitivity to a 10% strengthening of the Indian Rupee against the Canadian dollar on net earnings and comprehensive income at March 31, 2008 would have been an increase of approximately $1,100.

The Company's currency exposure on foreign currency debt used to hedge its exposure to foreign currency volatility in connection with investments in certain foreign operations is discussed above in the fair value section of this financial instruments note.

For currency exposures other than those discussed elsewhere in this note, the following table details the Company's sensitivity to a 10% strengthening of the U.S. dollar, Israel New Shekel and Euro on net earnings and comprehensive income against the Canadian dollar. The sensitivity analysis includes foreign currency denominated monetary items but excludes all investments in joint ventures, self-sustaining foreign operations, hedges and Derech Eretz, and adjusts their translation at period end for a 10% change in foreign currency rates. For a 10% weakening of the U.S. dollar, Israel New Shekel and Euro against the Canadian dollar, there would be an equal and opposite impact on net earnings and comprehensive income.

	U.S. dollar impact	Shekel impact	Euro impact
Net earnings	$ 638	$ 297	$ 49
Comprehensive income	$ 638	$ 297	$ 49

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

14) Segmented information and business concentration

The Company operates in four principal segments within the construction and infrastructure development industry: Infrastructure, Buildings, Industrial and Concessions. However, with the achievement of financial close of a concession agreement to own and operate the existing and new airports in Quito, Ecuador, concession ownership and operations became a significant portion of the Company's overall operations. Consequently, the Quito concession operations as described above are reported as part of the Concession segment, and the Quito construction operations, which includes construction of the new Quito airport, are included in the Infrastructure segment. The Corporate and Other category in the summary below includes corporate costs and other activities not directly allocable to segments and also includes inter-segment eliminations.

Infrastructure

This segment includes all aspects of the construction of both public and private infrastructure, including roads and highways, principally within the Province of Ontario 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 ("HRSGs") 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., sells HRSGs throughout the world.

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

Concessions

This segment includes the development, financing and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer 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 the 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 share and per share amounts) (unaudited)

Information by reportable segments is as follows:

As at March 31 and the three months then ended **2008**

	Infrastructure	Buildings	Industrial	Concessions	Corporate and Other	Total
Revenues	$ 94,731	$ 108,143	$ 90,901	$ 15,241	$ (7,056)	$ 301,960
EBITDA (i)	$ (4,924)	$ 1,716	$ 4,341	$ 4,498	$ (1,097)	$ 4,534
Depreciation and amortization	(1,921)	(101)	(561)	(3,161)	(130)	(5,874)
Segment operating profit (loss) (i)	(6,845)	1,615	3,780	1,337	(1,227)	(1,340)
Capital charges and allocations of Corporate overheads (ii)	(5,042)	(63)	(1,844)	(2,247)	9,196	-
Segment profit (loss) before income taxes	$ (11,887)	$ 1,552	$ 1,936	$ (910)	$ 7,969	(1,340)
Interest expense, income taxes and non-controlling interests						1,616
Net income						$ 276
Total assets	$ 312,197	$ 108,123	$ 139,764	$ 189,933	$ 136,629	$ 886,646
Intangible assets and goodwill	$ 5,767	$ 2,937	$ 3,750	$ 121,352	$ -	$ 133,806
Capital expenditures	$ 462	$ 195	$ 50	$ -	$ 45	$ 752
Cash flow from (used in) operating activities (i)	$ (6,286)	$ 1,777	$ 4,752	$ 5,092	$ (4,127)	$ 1,208

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

As at March 31 and the three months then ended **2007**

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

(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) operating activities 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.

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(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.

15) Capital disclosure

For capital management purposes, the Company defines capital as the aggregate of its shareholders equity and total debt, excluding non-recourse debt. Debt includes bank indebtedness, loans from a related party, the current and non-current portions of long term debt (excluding non-recourse debt), and the current and non-current long-term debt components of convertible debentures.

The Company's principal objectives in managing capital are:

- to ensure that it will continue to operate as a going concern;
- to be flexible in order to take advantage of contract and growth opportunities that are expected to provide satisfactory returns to shareholders;
- to maintain a strong capital base so as to maintain client, investor, creditor and market confidence;
- to provide an adequate rate of return to its shareholders; and
- to comply with financial covenants required under its various borrowing facilities.

The Company manages its capital structure and adjusts it in the light of changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new debt or repay existing debt, issue new shares, issue convertible debt, or adjust the amount of dividends paid to shareholders. Financing decisions are generally made on a specific transaction basis and depend on such things as the Company's needs, capital markets and economic conditions at the time of the transaction.

Although the Company monitors capital on a number of bases, total debt (excluding non-recourse debt) as a percentage of shareholders' equity (debt to equity %) is considered to be the most important metric in measuring the true strength and flexibility of its balance sheet. While the cumulative impact of unsatisfactory operating results during the 2003 - 2004 periods drove up this percentage, reaching a high of 112% at the end of 2005, this percentage had dropped to 51% at the end of 2007. This significant improvement was achieved through a return to profitability in 2006, the issuance of common shares in 2006 and the conversion of convertible debt to equity in 2007. The further conversion of all of the Company's remaining convertible debt to equity in the first quarter of 2008 was the primary driver in bringing the debt to equity % down to 31% as at March 31, 2008. When the net proceeds of $69,600 from the April 2008 issuance of 4,000,000 common shares are added to shareholders' equity, the debt to equity % drops to approximately 25%. While the Company believes that this debt to equity % is conservative, because of the cyclical nature of its business and market expectations concerning prudent capitalization, the Company will continue its current efforts to maintain a conservative capital position.

At March 31, 2008, the Company complied with all of its financial debt covenants (see note 6(a)). Although remaining compliant with its debt covenants is an important consideration in managing the Company's capital

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structure, the Company's current strong operating performance and its conservative debt to equity % have significantly lessened the restrictive impact of debt covenants in capital management decisions.

16) Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the three months ended March 31, 2008.

17) Subsequent event

On April 17, 2008, the Company issued 4,000,000 common shares at $18.25 per share for gross proceeds of $73,000. The common shares were issued on a bought deal basis to a syndicate of underwriters. Net proceeds, after deducting agents' fees and expenses of the issue, are estimated to be approximately $69,600. The underwriters were also granted an Over-Allotment Option to purchase an additional 15% of the Offering at any time until 30 days after Closing at a price of $18.25 per share. The exercise of this option would result in additional gross proceeds of $10,950 and additional estimated net proceeds of $10,450.

18) Joint ventures – additional information

In accordance with the recommendations of the CICA, the Company's investments in joint ventures are 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 joint ventures. Given the significant effect of joint ventures on the Company's consolidated financial statements, the Company provides the following supplemental worksheets as additional information about its accounts, thereby enabling the reader to have a greater understanding of the Company's underlying assets, earnings base and financial resources.

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

Consolidating Balance Sheet

	At March 31, 2008		
	Consolidated Balance Sheet excluding joint ventures	Joint ventures	Consolidated Balance Sheet
Assets			
Current assets			
Cash and cash equivalents	$ 96,029	$ 40,625	$ 136,654
Restricted cash	23,292	12,465	35,757
Accounts receivable	153,185	34,606	187,791
Holdbacks receivable	53,659	11,601	65,260
Deferred contract costs and unbilled revenue	96,141	15,132	111,273
Income taxes recoverable	4,411	-	-
Inventories	16,596	-	16,596
Prepaid expenses	6,220	3,327	9,547
	449,533	117,756	562,878
Property, plant and equipment	92,657	2,391	95,048
Future income tax assets	36,960	3,849	40,809
Concession rights	-	121,189	121,189
Long-term investment	32,685	-	32,685
Other assets	34,037	-	34,037
	$ 645,872	$ 245,185	$ 886,646
Liabilities			
Current liabilities			
Bank indebtedness	$ -	$ 7,169	$ 7,169
Accounts payable and accrued liabilities	183,859	33,895	217,754
Holdbacks payable	36,959	1,602	38,561
Deferred revenue	82,607	8,703	91,310
Income taxes payable	4,411	1,835	1,835
Future income tax liabilities	32,732	8,175	40,907
Current portion of long-term debt	13,298	4,499	17,797
	353,866	65,878	415,333
Non-recourse project debt	6,427	67,262	73,689
Other long-term debt	58,956	-	58,956
Other liabilities	3,032	-	3,032
Other income tax liabilities	14,934	-	14,934
Concession related deferred revenue	2,991	62,293	65,284
	440,206	195,433	631,228
Non-controlling interests	1,215	-	1,215
Shareholders' Equity	204,451	49,752	254,203
	$ 645,872	$ 245,185	$ 886,646

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

Consolidating Statement of Income (Loss)

	For the three months ended March 31, 2008		
	Consolidated Statement of Loss excluding joint ventures	Joint ventures	Consolidated Statement of Income
Revenues	$ 260,524	$ 41,436	$ 301,960
Direct costs and expenses	(257,745)	(25,692)	(283,437)
	2,779	15,744	18,523
Marketing, general and administrative expenses	(8,534)	(7,615)	(16,149)
Foreign exchange gains	188	141	329
Loss on sale of assets	(53)	-	(53)
Depreciation and amortization	(2,695)	(3,179)	(5,874)
Interest expense	(2,072)	(51)	(2,123)
Interest income	1,884	-	1,884
	(11,282)	(10,704)	(21,986)
(Loss) income before income taxes and non-controlling interests	(8,503)	5,040	(3,463)
Income tax (expense) recovery	4,665	(657)	4,008
(Loss) income before non-controlling interests	(3,838)	4,383	545
Non-controlling interests	(269)	-	(269)
Net (loss) income for the period	$ (4,107)	$ 4,383	$ 276

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

Consolidating Statement of Cash Flows

	For the three months ended March 31, 2008		
	Consolidated Cash Flows excluding Joint ventures	**Joint ventures**	**Consolidated Statement of Cash Flows**
Cash provided by (used in):			
Operating activities			
Net (loss) income for the period	$ (4,107)	$ 4,383	$ 276
Items not affecting cash -			
Depreciation and amortization	2,695	3,179	5,874
Loss on sale of assets	53	-	53
Amortization of commitment fees	40	-	40
Unrealized loss (gain) on foreign exchange	906	(1,069)	(163)
Non-cash interest on other income tax liabilities	201	-	201
Notional interest representing accretion	462	-	462
Defined benefit pension	(913)	-	(913)
Future income taxes	(3,833)	(836)	(4,669)
Stock-based compensation	47	-	47
	(4,449)	5,657	1,208
Change in other balances relating to operations	17,298	884	18,182
	12,849	6,541	19,390
Investing activities			
(Increase) decrease in restricted cash	(913)	551	(362)
Purchase of property, plant and equipment	(752)	-	(752)
Proceeds on sale of property, plant, and equipment	25	-	25
Concession rights	-	(11,970)	(11,970)
Increase in other assets	(729)	-	(729)
Non-controlling interests	269	-	269
	(2,100)	(11,419)	(13,519)
Financing activities			
Issuance of long-term debt	3,214	-	3,214
Repayments of long-term debt	(6,252)	-	(6,252)
Issuance of capital stock	607	-	607
Repayment of share purchase loans	363	-	363
Dividends paid	(2,977)	-	(2,977)
Interest received on share purchase loans	4	-	4
(Decrease) increase in investment in joint ventures	(1,795)	1,795	-
	(6,836)	1,795	(5,041)
Increase (decrease) in cash and cash equivalents	3,913	(3,083)	830
Effects of foreign exchange on cash balances	168	1,050	1,218
Cash and cash equivalents - beginning of period	91,948	42,658	134,606
Cash and cash equivalents - end of period	$ 96,029	$ 40,625	$ 136,654

BUILDING THINGS THAT MATTER

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