AECON GROUP INC. SECOND QUARTER REPORT 2008

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Six Months ended June 30, 2008

AECON

Dear Fellow Shareholders,

On behalf of Aecon's Board of Directors, I am pleased to report that Aecon's second quarter saw a continuation of the positive results we have been achieving consistently over the past two years.

Overall, the second quarter of 2008 was characterized by increased revenues, continued margin improvement, a record backlog and a very positive outlook.

The Buildings segment recorded a 38% increase in revenues for the second quarter, which drove significantly improved bottom line results in the segment as a number of large project awards received in the second half of 2007 ramped up.

We saw continued growth in the Industrial segment, with the second quarter revenues of $163 million representing an increase of 76% over the same period in 2007. This strong revenue growth, along with improved margins, resulted in Industrial segment operating profits nearly tripling from the same period last year.

The Concessions segment also delivered solid results in the second quarter, with a 12% increase in revenues and a 98% increase in operating profits.

Infrastructure segment revenues were 8% lower in the quarter than during the same period last year, primarily due to the wrap-up of two large power generation and tunneling projects. Although this drop in segment revenues resulted in a year-over-year dip in operating profits, our outlook for the Infrastructure segment remains very strong.

Aecon's backlog continues to be exceptional, with the second quarter backlog reaching a record $1.48 billion, an amount which is $271 million higher than the then-record backlog reported last year at this time.

As we move into the second half of 2008, we see further continuation of the key trends shaping Aecon's strong results over the past two years.

In fact, I believe Aecon's outlook today is at least as strong as it has ever been, with a number of key indicators pointing to continued strength in each of our key markets.

In the transportation sector, the joint Federal and Ontario government announcements of $6.2 billion in infrastructure spending, combined with the pace of transportation and other civil infrastructure spending in Alberta, demonstrates the ongoing growth opportunities for Aecon in both Central and Western Canada.

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.

Similarly, significant opportunities continue in the energy sector, including those related to the Ontario government's announcement of their plan to build a new nuclear power facility near Darlington, and the Ontario Power Authority's plan for $60 billion in new investment and electrical generation capacity over the next 20 years.

Another important and ongoing opportunity for Aecon is the continuing high levels of capital investment in the Alberta oilsands – investment that shows no signs of slowing in the near future.

The continuing social infrastructure investment across many regions of Canada is also a growth opportunity for Aecon, and our work with hospitals and universities has increasingly been an important factor in our backlog revenue and our margin growth.

And so, as we enter the second half of 2008, I am extremely confident that our record backlog and the consistent strength of our core markets puts Aecon in a very strong position for delivering continued growth and solid results for the remainder of this year and into 2009.

Thank you for your continued support of Aecon.

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

Aecon Group Inc.

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

June 30, 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 August 5, 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. A description of these operating segments is included in the 2007 annual MD&A.

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 June 30		Six Months Ended June 30	
	2008	2007	**2008**	2007
Revenues	$ **437.7**	$ **338.3**	$ **739.6**	$ **580.1**
Gross margin (1)	51.7	32.3	70.3	51.2
EBITDA (2)	**32.9**	**20.4**	**37.4**	**25.4**
Operating profit (3)	**26.5**	**14.1**	**25.2**	**14.3**
Interest expense	(2.3)	(3.1)	(4.4)	(5.4)
Earnings before taxes (4)	**24.3**	**11.1**	**20.8**	**8.8**
Income taxes	(8.2)	(1.2)	(4.2)	(1.8)
Net income for the period	**15.6**	**9.7**	**15.9**	**6.8**
Return on revenue (5)	**6.1%**	**4.2%**	**3.4%**	**2.5%**
Backlog – June 30	$ **1,479**	$ **1,208**		

(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) EBITDA represents earnings or loss before interest expense, income taxes, depreciation and amortization, and non-controlling interests.

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

(4) Earnings before taxes represents income before income taxes and non-controlling interests.

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

Revenues in the second quarter of 2008 were $438 million, representing an increase of $99 million, or 29%, over the same quarter last year. Revenues increased in the Buildings, Industrial, Concessions and Corporate segments by $30 million, $70 million, $2 million, and $11 million, respectively, while Infrastructure revenues decreased by $13 million. For the first six months of the year, revenues of $740 million were $160 million higher than in the corresponding period in 2007, as, once again, increases in the Buildings, Industrial, Concessions and Corporate segments offset a decline in the Infrastructure segment. Results for each of the four principal operating segments are discussed separately under Reporting Segments.

Gross margin increased from $32.3 million or 9.6% of revenues in the second quarter of 2007 to $51.7 million or 11.8% of revenues in the second quarter of 2008, as gross margin improved in all operating segments. Of the $19.4 million increase in gross margin in 2008, the Infrastructure, Buildings, Industrial and Concessions segments reported improvements of approximately $2 million, $1 million, $15 million and $1 million, respectively. The gross margin increases resulted primarily from higher volumes and from the commencement of profit recognition on some large projects including the project to construct the new Quito airport. Improved performance in some market segments, particularly in the Western Canada operations of Industrial, also contributed to the gross margin improvement.

For the first six months of 2008, the gross margin percentage was 9.5% compared to 8.8% for the first half of 2007. All segments with the exception of the Infrastructure segment registered gross margin improvements. The gross margin increase resulted primarily for reasons similar to those cited above for the 2008 second quarter improvement. The favourable resolution of outstanding commercial issues on some projects also contributed to the improvement. The decline in gross margin in the Infrastructure segment of $3 million resulted primarily from (i) the expected 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 the same quarter last year were much more moderate, and (iii) the impact of contributions from a now completed high margin contract in the first half of 2007.

Marketing, general and administrative expenses ("MG&A") amounted to $20.3 million in the second quarter of 2008, which is $4.8 million higher than the second quarter of 2007. Higher volumes in a number of segments, the Alarie acquisition in late 2007, and increased compensation expense, all contributed to the increase. For the first six months of 2008, MG&A amounted to $36.4 million, which is $6.0 million higher than the same period last year. The increase arose essentially for the same reasons cited above for the second quarter. However, while the dollar amount of MG&A expenses increased, MG&A as a percentage of revenues, at 4.6%, was unchanged from the second quarter of 2007 and decreased from 5.3% in the six months of 2007 to 4.9% in the first half of 2008. These MG&A amounts combined with the increases in gross margin contributed to a better overall return on revenues in both the second quarter and first half of 2008.

Depreciation and amortization expense of $6.4 million in the second quarter of 2008 was unchanged from the second quarter in 2007, while depreciation and amortization expense of $12.2 million for the first six months of 2008 was $1.1 million higher than the first six months of 2007. 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, offset partly in the Concessions segment by lower amortization expense on concession rights related to the existing Quito airport.

The net loss from the sale of assets in the second quarter of 2008 was $0.1 million which compares to a gain of $3.4 million during the second quarter of 2007. For the first six months of 2008, the net loss was $0.2 million compared to a gain of $3.4 million during the first half of last year. The 2007 amounts include a $3.4 million pre-tax gain from the sale by Aecon of its right to participate in the joint venture that is constructing an extension to the Cross Israel Highway.

Interest expense of $2.3 million in the second quarter of 2008 was $0.8 million lower than the same quarter last year, and interest expense of $4.4 million for the first six months of 2008 was $1.0 million lower than the same period last year. The conversion to common shares of all the 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 repayment of Aecon's term loan facility in the second quarter of 2008 also reduced interest costs. Partially offsetting these savings in interest costs was interest on debt borrowed to finance the 2007 acquisitions of the Alarie and Karson operations.

Interest income of $1.8 million in the second quarter of 2008 was $1.1 million higher than the second quarter of 2007, and interest income of $3.7 million in the first six months of 2008 was $1.8 million higher than the same period in 2007. The higher interest income in 2008 was a result of having significantly higher cash balances on hand throughout the first six months of 2008 as compared to the same period in 2007. These higher cash balances arose principally 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, and from the net cash proceeds of $69.6 million which were raised from an equity issue in April 2008.

Earnings before taxes for the quarter ended June 30, 2008 was $24.3 million, representing a $13.2 million improvement over the same period in 2007, while for the six months ended June 30, 2008, earnings before taxes of $20.8 million were $12.0 million higher than the corresponding period last year.

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 second quarter of 2008, there was an income tax expense of $8.2 million on pre-tax income of $24.3 million compared to an income tax expense of $1.2 million on pre-tax income of $11.1 million in the second quarter of 2007. For the first six months of 2008, there was an income tax expense of $4.2 million on pre-tax income of $20.8 million compared to an income tax expense of $1.8 million on pre-tax income of $8.8 million in the first six months of 2007.

Net income for the quarter ended June 30, 2008 was $15.6 million, representing a $5.9 million improvement over the same period in 2007, while for the six months ended June 30, 2008, net income of $15.9 million was $9.1 million higher than the corresponding period last year.

Backlog at June 30, 2008 was a record $1,479 million and was $271 million higher than the same time last year. New contract awards of $686 million were booked in the second quarter of 2008, which compares with $710 million in the second quarter of 2007, while total new contract awards of $984 million were booked in the first six months, compared to $1,002 million during the first six months 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 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, supplier of choice arrangements and alliance agreements where the client requests services on an as-needed basis. 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 June 30		Six Months Ended June 30	
	2008	2007	**2008**	2007
Revenues	**$ 148.6**	$ 161.7	**$ 243.3**	$ 256.8
Segment operating profit (loss) (1)	**4.7**	8.7	**(2.2)**	6.6
Capital charges and allocations of corporate overhead (2)	**(5.6)**	(4.8)	**(10.7)**	(8.9)
Segment profit (loss) before income taxes	**(1.0)**	3.8	**(12.9)**	(2.3)
Return on revenue (3)	**3.1%**	5.4%	**(0.9)%**	2.6%
Backlog – June 30 (4)	**$ 600**	$ 531		

(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) 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.
(3) Segment return on revenue is calculated as segment operating profit (loss) as a percentage of revenues.
(4) Included in backlog at June 30, 2008 is $90 million (2007 – $111 million) related to the new Quito airport project. Although Aecon's 50% share of the remaining construction revenues from this project is estimated at $156 million (2007 - $192 million), the amount reported as backlog has been reduced by $66 million (2007 - $81 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 revenue, and therefore does not report backlog, that effectively arises from transacting with itself.

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

For the quarter ended June 30, 2008, Infrastructure segment revenues of $149 million were $13 million, or 8%, lower than in the second quarter of 2007. Revenues from roadbuilding, utilities and heavy civil operations decreased quarter-over-quarter by $1 million, $2 million and $10 million, respectively.

In roadbuilding operations, revenue growth occurred in the segment's Alberta unit, as well as in the Alarie and Karson operations. In the fourth quarter of 2007, Aecon acquired the assets of Alarie, an integrated construction and materials company active throughout northern Ontario, and in the first quarter of 2007, acquired Karson, a major aggregate, asphalt and civil construction company in Eastern Ontario. Offsetting these higher revenues were declines in the balance of Ontario roadbuilding operations where a slow start to the season occurred because of unseasonably wet weather as well as a slow start in the awarding by the Ministry of Transportation of Ontario of its record level planned projects for this year.

The drop in revenues from utilities operations reflects lower volumes of water and sewer work partly offset by higher volumes of gas pipeline installation work, as well as higher residential installations of satellite dishes by the segment's QX Technology operating unit.

The decrease in revenues from heavy civil operations resulted primarily from reductions in revenues earned from power generation and tunneling projects in Ontario, partially offset by the expansion of heavy civil operations in Alberta. An unanticipated late start on some new heavy civil projects in 2008, combined with the fact that in 2007 a number of large power generation and tunneling projects in Ontario came into peak production contributed to the decline in quarterly revenues.

For the six months ended June 30, 2008, revenues in the Infrastructure segment of $243 million decreased by $13 million, or 5%, over the same period last year, a trend that is expected to reverse in the second half of 2008. Revenues from roadbuilding and utilities operations were up $6 million and $4 million, respectively, while heavy civil operations were down $23 million. Increases in roadbuilding revenues were the result of higher volumes in Alberta, Karson, and Alarie, which offset declines in other Ontario operating units for reasons that impacted the second quarter of 2008. The increase in utilities operations arose from increases in gas pipeline installation work and higher residential installations of satellite dishes. The decline in revenues from the heavy operations generally occurred for the same reasons that caused the revenue decrease in the second quarter of 2008.

The Infrastructure segment operating profit of $4.7 million in the second quarter of 2008 represents a $4.0 million, or 46%, decrease over the same quarter last year. The second quarter of 2008 benefited from the commencement of profit recognition from construction of the Quito international airport, which reached 26% completion in the quarter, while the second quarter of 2007 included a $3.4 million pre-tax gain on the sale of Aecon's right to participate in the joint venture building an extension to the Cross Israel Highway.

Although construction of the Quito airport project reached 20% completion in the fourth quarter of 2007, which is the progress level Aecon uses as a guideline for the commencement of profit recognition on large multi-year projects, it was deemed appropriate to defer profit recognition from construction of the Quito project until further progress was achieved. As construction of the project continues to progress well, the deferral of profit recognition on this project is no longer considered to be appropriate. It should be noted that there is a change order that the construction joint venture is near to finalizing with Quiport JV, which would increase the construction price associated with the project. While finalizing the various approvals required to formalize this change order is not yet complete, the approvals process is progressing well. As such, Aecon has commenced profit recognition using a conservative estimate of the change order's impact on the profit expected from the project. Formalization of the change order is expected shortly.

Similar to the reporting of backlog relating to the new Quito airport and based on the accounting convention that an enterprise cannot record a profit from selling to itself, construction profits on this project have been reduced by 42.3% to reflect Aecon's interest in the concession joint venture for which the new airport is being constructed.

While operating profits in roadbuilding and utilities operations did not change significantly quarter-over-quarter, lower operating profits were reported by the segment's heavy civil operations. Similar to the decline in revenues during the second quarter of 2008 compared to the corresponding quarter last year, the decline in operating profits also reflected a late start on new projects as contrasted with peak production on some large projects during the same period last year.

For the six months ended June 30, 2008, the Infrastructure segment produced an operating loss of $2.2 million compared to an operating profit of $6.6 million in the first half of 2007, a decline of $8.8 million. Of note, 2007 included a $3.4 million gain while 2008 benefited from the commencement of recording construction profits on the Quito airport project, as discussed above. Operating profits in utilities operations improved, reflecting the positive impact on margins from the above noted increases in revenues in the first half of 2008. Operating profits in roadbuilding operations declined for the same reasons that impacted the second quarter. Also, compared to 2007, results for the first half 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. Similar to the second quarter of 2008, the bulk of the operating profit decline within the Infrastructure segment relates to heavy civil operations, where the drop in volume and margin levels exceeded the profit recognized from construction of the new Quito airport.

In the second quarter of 2008, the arbitration panel considering the first of two major claims launched by Aecon and its partner in respect of the Nathpa Jhakri hydro-electric project in India ruled substantially in Aecon's favour. The panel awarded Aecon and its partner in the Continental Foundation Joint Venture ("CFJV") full extension of time as well as related indirect costs and interest resulting from project delays that the panel agreed were beyond CFJV's control and contractual responsibility. In its ruling, the panel also dismissed a counter-claim for liquidated damages filed against CFJV. Satluj Jal Vidyut Nigam Limited, the government agency responsible for the project and Aecon's client, has until October 12, 2008 to file a court appeal.

The value of the award to CFJV, less amounts previously paid, is approximately 512 million Indian Rupees (approx $12 million). The face value of the claim was 1.39 billion Indian Rupees (approx $32.5 million). Aecon is a 45% partner in CFJV. A further claim of 2.26 billion Indian Rupees (approx $53 million) remains with the arbitration panel and is also expected to be resolved this year.

Currently, no provision has been made for liquidated damages on the India project, nor has any amount been recognized for potential recoveries under the claims. This treatment is in accordance with the Company's accounting policy, which is to recognize revenues from claims only when resolved. For further information on the award, refer to the June 13, 2008 news release and for additional background information refer to the 2007 MD&A under Risks and Uncertainties - Large Project Risk.

After deducting capital charges and allocations of corporate overheads which increased by $0.8 million in the second quarter and by $1.8 million in the first half of 2008, Infrastructure segment operating loss before income taxes in the second quarter was $1.0 million compared to profit of $3.8

million in 2007, and a first half loss of $12.9 million in 2008 compared to loss of $2.3 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 June 30, 2008 was $600 million, which represents a $69 million increase from the same time in the prior year. The improvement results primarily from higher backlog in the roadbuilding operations partly offset by lower backlog associated with the Quito airport project as work continues to be performed. New contract awards totaled $335 million for the second quarter of 2008 and $471 million year-to-date, compared to $248 million and $373 million, respectively, in the prior year. The Alberta and Alarie operations were the largest contributors to the increase in 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

$ millions	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	**2008**	2007
Revenues	**$ 109.5**	$ 79.2	**$ 217.6**	$ 142.4
Segment operating profit (loss)	**0.7**	(1.0)	**2.3**	(1.2)
Capital charges and allocations of corporate overhead	**(0.3)**	(0.5)	**(0.4)**	(0.8)
Segment profit (loss) before income taxes	**0.4**	(1.5)	**1.9**	(2.1)
Return on revenue	**0.6%**	(1.3)%	**1.1%**	(0.9)%
Backlog – June 30	**$ 496**	$ 349		

Second quarter revenues in the Buildings segment of $110 million were $30 million, or 38%, higher than in the same period of 2007. Most of the increase in revenues came from the segment's operations in Toronto and Seattle, where 2008 revenues increased by $28 million and $15 million, respectively. These increases were partially offset by a revenue decline in Ottawa of $15 million. 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. On the other hand, revenues in Ottawa decreased primarily from reduced volumes to replace two large projects which ramped up to full production in the first half of 2007.

For the six months ended June 30, 2008, the Buildings segment reported revenues of $218 million compared to revenues of $142 million last year. The $75 million, or 53% increase occurred for reasons similar to those cited above for the second quarter revenue improvement as increases in Toronto and Seattle, as well as in Montreal, offset a decline in Ottawa. The Montreal increase reflected the continuing efforts to expand the business in the Quebec marketplace.

Segment operating profit of $0.7 million in the second quarter of 2008 was $1.7 million higher than the same quarter last year. Reflective of the higher volumes noted above, increased operating profits were reported by the segment's Toronto and Seattle operations. The quarter-over-quarter improvement in Toronto operations was also due to the impact of $0.8 million in restructuring costs incurred in 2007 as part of the implementation of a strategic plan to improve the operating results of this business. Notably, ongoing efforts to improve the profitability levels of the Toronto operations have clearly taken hold. 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. Offsetting these increases was a quarter-over-quarter decline in operating profits of $3.5 million in the segment's Montreal operations primarily due to profit writedowns on some projects and increased operating costs as it relocated its operations in 2008. Recoveries of some of these writedowns are expected in future periods. Management's analysis of what led to the circumstances that caused this disappointing performance is near complete, and substantive restructuring is now underway to improve future performance.

For the six months ended June 30, 2008, the Buildings segment generated an operating profit of $2.3 million, an improvement of $3.5 million from the same period in 2007. Once again, and similar to the second quarter results, the operations in Toronto, Seattle and Scott Management led the way with higher operating profits, while the Montreal operations were down period-over-period.

After deducting capital charges and allocations of corporate overheads, the Buildings segment operating profit before income taxes for the second quarter of 2008 was $0.4 million compared to a loss of $1.5 million in the second quarter of 2007, and operating profit before income taxes for the first six months of 2008 was $1.9 million compared to a loss of $2.1 million for the same period in 2007.

Backlog of $496 million at the end of the second quarter of 2008 was $146 million higher than at the same time last year with the largest increase occurring in the segment's Toronto operations. New contract awards totaling $177 million were recorded in the second quarter, which compares with awards of $259 million in the same period of 2007, while awards of $234 million in the first six months of 2008 compared to $301 million in the first half of 2007. The majority of the decrease in new awards occurred in the segment's Ottawa operations where new awards booked in the second quarter and year-to-date decreased by $68 million and $66 million, respectively.

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

$ millions	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	**2008**	2007
Revenues	**$ 162.5**	$ 92.6	**$ 253.4**	$ 166.7
Segment operating profit	**20.8**	7.0	**24.6**	9.9
Capital charges and allocations of corporate overheads	**(1.3)**	(2.1)	**(3.2)**	(4.3)
Segment profit before income taxes	**19.5**	4.9	**21.4**	5.6
Return on revenue	**12.8%**	7.5%	**9.7%**	6.0%
Backlog – June 30	**$ 385**	$ 330		

Revenues in the second quarter of 2008 of $163 million in the Industrial segment were $70 million or 76% higher than in the same period in 2007. While all operating units reported higher revenues, the segment's construction operations in Ontario had the largest quarter-over-quarter increase in revenues. Second quarter 2008 revenues from construction operations in Ontario were up $52 million from the same quarter last year, mostly as a result of increased work in the power, nuclear and automotive sectors. Revenues from the segment's Western Canada operations also increased in the second quarter of 2008 and were $10 million ahead of the same quarter last year as increased revenues from module assembly and pipe fabrication projects offset decreases in revenues from site construction projects. Revenues in the second quarter of 2008 for IST, which sells and licenses the technology for "once through" heat recovery steam generators ("HRSGs"), were up $5 million over the same quarter last year, reflecting the impact of new orders received in 2007 and 2008. Fabrication revenues were also higher in the second quarter of 2008 and came in $4 million ahead of the second quarter in 2007 with higher volumes in both Ontario and Eastern Canada.

For the six months ended June 30, 2008, the Industrial segment reported revenues of $253 million compared to revenues of $167 million last year, representing an $87 million or 52% increase. Similar to the second quarter in 2008, the majority ($72 million) of the revenue increase was from the segment's construction operations in Ontario. IST's revenues for the period were $21 million, up from $13 million for the same period last year.

In the second quarter of 2008, the Industrial segment generated an operating profit of $20.8 million compared to $7.0 million in the same period in 2007. Of the $13.8 million or almost 200% improvement, Ontario Construction operations were up $8.3 million and operations in Western Canada were up $5.7 million. Higher volumes and generally improved margins contributed to most of the operating profit increases. The 2008 second quarter results also benefitted from the commencement of profit recognition on a large multi-year contract which reached 20% completion in the second quarter.

For the six months ended June 30, 2008, the Industrial segment generated an operating profit of $24.6 million compared to $9.9 million in the same period last year. Of the $14.6 million or 147% improvement, the majority of the increase occurred in Ontario Construction operations and Western

Canada operations where profits increased by $9.7 million and $5.4 million, respectively. Similar to the second quarter of 2008, these higher operating profits are mostly a function of the higher volumes in 2008 as well as from the favourable resolution of outstanding commercial issues on some projects.

After deducting capital charges and allocations of corporate overheads which decreased by $0.8 million in the second quarter of 2008, the Industrial segment's operating profit before income taxes was $19.5 million compared to $4.9 million in the second quarter of 2007. Segment operating profit before income taxes for the first six months of 2008 was $21.4 million compared to $5.6 million in the first half of 2007.

Backlog at June 30, 2008 of $385 million was $55 million higher than at the same time last year with increases in all operating units except for Western Canada. The largest increase in backlog occurred in Ontario Construction due in large part to a project award in late 2007 for the East Windsor Cogeneration project. Also of note, IST's backlog of $74 million is currently at the highest level in this unit's history. Overall, new contract awards of $157 million in the second quarter of 2008 were $40 million lower than in 2007, and new awards of $254 million for the six months of 2008 are $57 million lower than 2007. Most of the decrease in new awards occurred in Western Canada.

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 June 30		Six Months Ended June 30	
	2008	2007	**2008**	2007
Revenues	**$ 15.2**	$ 13.6	**$ 30.5**	$ 27.3
Segment operating profit	**2.4**	1.2	**3.8**	2.6
Capital charges and allocations of corporate overheads	**(2.2)**	(2.1)	**(4.4)**	(4.2)
Segment profit (loss) before income taxes	**0.3**	(0.9)	**(0.6)**	(1.6)
Return on revenue	**16.1%**	9.1%	**12.4%**	9.6%

Revenues in the second quarter of 2008 of $15 million in the Concessions segment were up $2 million, or 12%, compared to the same period in 2007. The majority of the increase in revenues 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. For the first six months of 2008, Concessions segment revenues were $30 million, representing a $3 million or 12% increase over the same period in 2007. Similar to the second quarter of 2008, the majority of the revenue increase came from Aecon's proportionate share of the revenues from operating the Cross Israel Highway.

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 June 2008 surpassed 101,000 vehicles, a 12.7% increase over June 2007, and the project remains on track to deliver an expected 15% after-tax internal rate of return on Aecon's investment.

Segment operating profit of \$2.4 million in the second quarter of 2008 increased by \$1.2 million or 98% from the same period in 2007, with increases from both the Quito airport concessionaire and Aecon's interest in the Operator of the Cross Israel Highway.

For the six months ended June 30, 2008, segment operating profit of \$3.8 million represented an increase of \$1.2 million or 45% over the same period in 2007, with improvements in operating profits from the Quito airport concessionaire, which includes the results from operating the existing Quito airport while the new airport is being constructed, offset slightly by lower results from Aecon's interest in the Operator of the Cross Israel Highway. Almost 2.2 million passengers passed through the existing Quito airport in the first half of 2008, a 6% increase over the same period in 2007. It should be noted that all of the operating profit from operations of the existing Quito airport are required to be invested to finance the development and construction costs of the new airport.

After deducting capital charges and allocations of corporate overheads, the Concessions segment had an operating profit before income taxes for the second quarter of 2008 of \$0.3 million, which compared to an operating loss before income taxes of \$0.9 million in the second quarter of 2007. For the six months ended June 30, 2008, the Concessions segment had an operating loss before income taxes of \$0.6 million compared to an operating loss before income taxes of \$1.6 million in the first half of 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 June 30. 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

$ millions	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	**2008**	2007
MG&A	**(4.3)**	(3.0)	**(7.4)**	(5.7)
Other income (expense) [(1)]	**0.4**	0.8	**0.4**	0.4
Interest income	**1.8**	0.7	**3.7**	1.9
Segment operating loss	**(2.1)**	(1.7)	**(3.3)**	(3.7)
Capital charges and allocations of corporate overheads	**9.5**	9.6	**18.7**	18.3
Segment profit before income taxes	**7.4**	7.8	**15.4**	14.6

(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 second quarter of 2008 and for the six-month period in 2008 were higher than the corresponding periods in 2007 by $1.3 million and $1.7 million, respectively. The increases resulted partly from higher compensation costs and partly because 2007 MG&A costs were net of a one-time payment to compensate Aecon for assuming a former shareholder's guarantee obligations related to the Nathpa Jhakri hydro-electric project in India. Also impacting the Corporate operating loss was an unfavourable decrease in foreign exchange gains and losses quarter-over-quarter and year-to-date of $0.5 million and $0.1 million, respectively. Partly offsetting the higher MG&A costs was an increase in interest income in the first half of the year. Fluctuations in interest income are discussed in the Consolidated Financial Highlights section of the MD&A.

Quarterly Financial Data

The reader is referred to the Company's 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 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
Revenues	$ 437.7	$ 302.0	$ 482.3	$ 430.4	$ 338.3	$ 241.8	$ 338.0	$ 316.0
Net income (loss)	15.6	0.3	22.5	19.0	9.7	(3.0)	10.6	12.8
Earnings (loss) per share:								
Basic	0.32	0.01	0.56	0.51	0.26	(0.08)	0.29	0.35
Diluted	0.31	0.01	0.50	0.44	0.24	(0.08)	0.28	0.34

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 its joint ventures, including the Quiport JV, are 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 the Quiport JV and other joint ventures on Aecon's Consolidated Financial Statements, Aecon provides supplemental financial information in note 16 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 June 30, 2008 were $177.9 million, which compares with $134.6 million at December 31, 2007. Of these amounts, $49.7 million and $42.7 million, respectively, were on deposit in joint venture bank accounts, which Aecon cannot access directly.

Restricted cash of $35.7 million at June 30, 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.

Total debt of $154.4 million at June 30, 2008 compares to $187.3 million at December 31, 2007, the composition of which is as follows ($ millions):

	June 30, 2008	Dec. 31, 2007
Bank indebtedness	**$ 7.1**	$ 7.0
Current portion of long-term debt	**15.8**	17.5
Long-term debt - non-recourse	**83.5**	68.6
Long-term debt - recourse	**48.0**	64.1
Convertible debentures	**-**	30.1
Total debt	**$ 154.4**	$ 187.3
Debt held directly	**69.2**	110.6
Debt of joint ventures	**85.2**	76.7
Total	**$ 154.4**	$ 187.3

Bank indebtedness of $7.1 million at June 30, 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 this now completed project.

At June 30, 2008, the long-term debt component of total debt, including the current portion totaled $147.3 million compared to $180.4 million at December 31, 2007. Included in the December 31, 2007 balance is $30.1 million of convertible debentures. The $33.1 million net decrease resulted primarily from the elimination of convertible debentures as a result of their conversion into common shares in the first quarter of 2008. Other changes in long-term debt included a $13 million repayment on Aecon's term debt facility, a $4 million repayment on the $16.9 million note payable issued in connection with the acquisition of Karson, an increase in non-recourse debt of $7 million resulting from the proportionate consolidation of Aecon's share of non-recourse borrowings to finance the Quito Airport Project, and an increase of $7 million in 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. Net proceeds, after deducting agents' fees and expenses of the issue, were approximately $69.6 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 six months of 2008 with cash flow from operations being approximately $12 million higher than in the first six months of 2007. This improvement in liquidity position has allowed Aecon to broaden and increase its surety capacity. In the second quarter of 2008, Aecon added a co-surety partner to its surety program and in the process has more than doubled its available surety capacity.

In the first quarter of 2008, Aecon announced an increase in its dividend payout level. Annual dividends increased to $0.20 per share, to be paid in quarterly payments of $0.05 per share, representing a 43% increase over the $0.14 per share ($0.07 semi-annually) dividend rate that was established in late 2007.

Aecon's remaining equity investment of US$13.0 million in the Quito airport concessionaire is expected to be generated from profits from construction of the new Quito airport. To date, Aecon has invested US$20.6 million as equity in the concessionaire. Aecon has also deposited US$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 US$7.9 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 June 30, 2008.

Summary of Cash Flows

	Consolidated Cash Flows Three Months Ended June 30		Consolidated Cash Flows Six Months Ended June 30	
	2008	2007	**2008**	2007
$ millions				
Cash provided by (used in):				
Operating activities	**$ (6.4)**	$ (14.0)	**$ 13.0**	$ 1.4
Investing activities	**(10.8)**	(16.0)	**(24.3)**	(40.2)
Financing activities	**58.2**	22.5	**53.1**	29.1
Increase (decrease) in cash and cash equivalents	**41.0**	(7.5)	**41.8**	(9.7)
Effects of foreign exchange on cash balances	**0.2**	(1.6)	**1.4**	(1.7)
Cash and cash equivalents - beginning of period	**136.7**	47.7	**134.6**	50.1
Cash and cash equivalents - end of period	**$ 177.9**	$ 38.7	**$ 177.9**	$ 38.7

Operating Activities

Cash used by operating activities of $6 million in the second quarter of 2008 was $8 million better than last year, while cash provided by operating activities of $13 million in the first six months of 2008 was $12 million better than in the same period last year. The improvements are due to higher cash earnings (an improvement of approximately $17 million in the second quarter of 2008 and $17 million in the first half of 2008), partially offset by higher investments in working capital.

Investing Activities

For the second quarter of 2008, investing activities resulted in a use of cash of $11 million, which compares with cash used of $16 million in the second quarter of 2007. Of the $11 million cash used in the current quarter, $10 million represents Aecon's proportionate share of the cash used by the 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). Similarly, the largest use of cash during the second quarter of 2007 ($10 million) was also used for construction of the new Quito airport.

For the first six months of 2008, investing activities resulted in a use of cash of $24 million, which compares with cash used of $40 million in the first half of 2007. Of the $24 million, $21 million represents Aecon's proportionate share of the investment made by Quiport JV in the construction of the new Quito airport. During the first half of 2007, Aecon used $14 million of cash to acquire the operations of Karson, another $14 million to finance its proportionate share of the cash used by Quiport JV for construction of the new Quito airport, and also increased its restricted cash and marketable securities balances, primarily held in connection with the Quito project, by $9 million.

Financing Activities

In the second quarter of 2008, cash provided by financing activities amounted to $58 million, compared to cash provided of $22 million in the same quarter last year. During the second quarter of 2008, Aecon issued common shares for net proceeds of approximately $69.6 million. In addition, issuances of long-term debt amounted to $10 million, of which $7 million related to Aecon's proportionately consolidated share of additional non-recourse financing for the new Quito airport project and $3 million related to non-recourse project financing for Phase I Rouge Valley Health System project. Repayments of long-term debt in the quarter totaled $16 million, most of which related to the repayment of Aecon's term loan facility. During the second quarter of 2007, net issuances of long-term debt amounted to $17 million of which $9 million related to Aecon's proportionately consolidated share of additional financing for the new Quito airport project. In addition, $15 million was borrowed in the second quarter of 2007 under Aecon's new term debt facility, of which $6 million was used to repay existing debt and $9 million was used to fund current operations. The balance of the 2007 financing activities primarily related to increased utilization of Aecon's operating line of credit of $7 million.

For the six months ended June 30, 2008, cash generated from financing activities amounted to $53 million, compared to cash provided of $29 million in the first half of 2007. The above noted share issuance for $69.6 million was the largest source of financing in the period. Dividends paid of $5 million and net reductions in long-term debt of $8 million were the largest uses of cash from financing activities. Reductions in long-term debt included the repayment of the above noted term loan facility of $13 million, as well as a $4 million partial repayment on the note payable issued in connection with the acquisition of Karson. These debt reductions were partially offset by higher non-recourse borrowings for the Quito airport and Rouge Valley projects. For the six months ended June 30, 2007, in addition to the second quarter financing items noted above, debt of $13 million was incurred in the first quarter of 2007 to finance the Karson acquisition.

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.

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board confirmed that Canadian public companies will have to adopt IFRS effective for fiscal years beginning on or after January 1, 2011. The Company is currently evaluating this new requirement and is in the process of creating a plan to convert to IFRS. The financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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 June 30, 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 totaling $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, repayment of the term loan facility (approximately $13 million), additional project financing for the Quito airport and Phase I Rouge Valley Health System projects (approximately $15 million), and a partial repayment on the note payable issued in connection with the acquisition of Karson (approximately $4 million).

At June 30, 2008, Aecon had contractual obligations to complete projects that were in progress. The revenue value of these contracts was $1,545 million. This consists of the reported backlog of $1,479 million plus an additional $66 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 six 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 June 30, 2008, the Company had net outstanding contracts to sell EURO 2.6 million, sell US$21.0 million, buy EURO 1.1 million and buy US$5.8 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 $0.2 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. Coincident with the repayment of the term loan facility in the second quarter, this interest rate swap contract was terminated.

Related Party Transactions

During the first six months of 2008, $1.1 million of loans receivable from employees were repaid, reducing the balance to nil. Refer to note 12 to the 2008 Interim Consolidated Financial Statements for details of related party transactions and balances.

Critical Accounting Estimates

The reader is referred to the detailed discussion on Critical Accounting estimates as outlined in the notes to the Company's 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)

		June 30, 2008		Aug. 5, 2008
Number of common shares outstanding (1)		50,849,290		50,849,290
Paid-up capital of common shares outstanding (2)	$	262,273	$	262,273
Outstanding securities exchangeable or convertible into common shares:				
Number of stock options outstanding		893,484		893,484
Number of common shares issuable on exercise of stock options		893,484		893,484
Increase in paid-up capital on exercise of stock options	$	5,561	$	5,561
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 June 30, 2008 includes 691,366 shares (August 5, 2008 – 691,366 shares) held by the trustee of Aecon's LTIP plan.

The number of common shares outstanding at June 30, 2008 for financial statement purposes, after deducting the above LTIP shares, was 50,157,924 shares (August 5, 2008 – 50,157,924 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 June 30, 2008 has been reduced by $nil on account of share purchase loans receivable from employees and by $7.6 million to reflect shares held by the trustee of the LTIP plan.

OUTLOOK

As we enter the second half of the year, most of the key trends that shaped Aecon's positive outlook at the beginning of the year remain in place. In fact, Aecon's outlook today is as strong as it has ever been, with a number of recent indicators pointing to continued strength in each of the company's four key market segments.

In the transportation infrastructure sector, the recent joint announcement by the federal and Ontario governments of $6.2 billion in infrastructure spending is evidence that the unprecedented level of infrastructure investment announced in their spring budgets is on track for delivery. This, combined with the pace of transportation and other civil infrastructure spending in Alberta, and Aecon's recently announced award of an $81 million highway contract in that province, bode well for ongoing growth for Aecon in both the central Canada and western Canada transportation sectors.

Similarly, significant growth opportunities continue in the energy sector, including those related to the recent announcement by the Ontario government regarding their plan to build a new nuclear power facility near Darlington. The Province continues to proceed with the Ontario Power Authority's plan for $60 billion in new investment in electrical generation capacity over the next 20 years. Work related to the early stages of this build-out is a major reason for the significant revenue and profit growth in Aecon's Industrial segment in recent quarters.

Another reason for the strong growth in Aecon's Industrial segment is the continued high levels of capital investment in the Alberta oilsands – investment that shows no signs of slowing. The announcement in March of an oilsands-related fabrication contract for Aecon's Cambridge, Ontario fabrication facility is further evidence that the level of capital investment in the oilsands continues to stretch the capacity of western Canada's fabrication and construction sector. Strong demand for this kind of fabrication work in both Ontario and Alberta, as well as continuing strong module assembly activity in Alberta, bodes well for continued growth in Aecon's Industrial segment.

Finally, Aecon's recent announcements of new university and hospital projects in Ontario and Nova Scotia are evidence of the opportunities provided by the strong social infrastructure sector. Social infrastructure is a growing focus for Aecon's Buildings segment, and has increasingly been an important factor in this segment's backlog (and more recently, revenue and margin) growth.

These strong trends have driven Aecon's top and bottom line growth over the past two years, and produced record backlog levels once again this quarter. At $1.479 billion, Aecon's backlog at the end of the quarter was 22% higher than the record backlog reported at the same time last year – with year-over-year growth in each of Aecon's three construction segments.

Overall, while Aecon is tax effecting earnings once again, management continues to believe that its record 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)

June 30, 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

August 5, 2008

Aecon Group Inc.
Consolidated Balance Sheets

(in thousands of dollars) (unaudited)

		June 30, 2008		December 31, 2007
Assets				
Current assets				
Cash and cash equivalents	**$**	**177,851**	$	134,606
Restricted cash		**35,745**		34,628
Accounts receivable		**205,403**		228,438
Holdbacks receivable		**66,057**		71,523
Deferred contract costs and unbilled revenue		**128,520**		111,937
Inventories		**21,365**		15,702
Prepaid expenses		**8,819**		6,415
		643,760		603,249
Property, plant and equipment		**94,589**		97,105
Future income tax assets		**33,193**		36,140
Concession rights (note 3)		**126,752**		109,283
Long-term concession investment (note 5)		**32,685**		32,685
Other assets		**33,951**		32,190
	$	**964,930**	$	910,652

(in thousands of dollars) (unaudited)

	June 30, 2008	December 31, 2007
Liabilities		
Current liabilities		
Bank indebtedness	**$ 7,122**	$ 6,986
Accounts payable and accrued liabilities	**221,360**	266,693
Holdbacks payable	**39,596**	38,499
Deferred revenue	**89,798**	68,175
Income taxes payable	**1,218**	1,191
Future income tax liabilities	**40,907**	40,907
Current portion of long-term debt (note 6)	**15,812**	17,533
	415,813	439,984
Non-recourse project debt (note 6)	**83,511**	68,622
Other long-term debt (note 6)	**47,958**	64,088
Other liabilities	**2,987**	3,077
Other income tax liabilities	**15,135**	14,733
Concession related deferred revenue	**64,880**	63,692
Convertible debentures (note 8)	**-**	30,114
	630,284	684,310
Non-controlling interests	**1,622**	933
Commitments and contingencies (note 7)		
Shareholders' Equity		
Capital stock (note 9)	**262,273**	162,691
Contributed surplus (note 9)	**1,308**	1,592
Convertible debentures (note 8)	**-**	2,101
Retained earnings	**72,522**	61,525
Accumulated other comprehensive loss	**(3,079)**	(2,500)
	333,024	225,409
	$ 964,930	$ 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
For the three months ended June 30, 2008 and 2007

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

		2008		2007
Revenues	**$**	**437,651**	$	338,271
Direct costs and expenses		**(385,913)**		(305,966)
		51,738		32,305
Marketing, general and administrative expenses		**(20,294)**		(15,495)
Foreign exchange losses		**(220)**		(426)
(Loss) gain on sale of assets		**(114)**		3,399
Depreciation and amortization		**(6,367)**		(6,336)
Interest expense		**(2,266)**		(3,060)
Interest income		**1,775**		678
		(27,486)		(21,240)
Income before income taxes and non-controlling interests		**24,252**		11,065
Income tax (expense) recovery (note 4)				
Current		**(630)**		(1,875)
Future		**(7,616)**		637
		(8,246)		(1,238)
Income before non-controlling interests		**16,006**		9,827
Non-controlling interests		**(411)**		(96)
Net income for the period	**$**	**15,595**	$	9,731
Net earnings per share (note 9)				
Basic	**$**	**0.32**	$	0.26
Diluted	**$**	**0.31**	$	0.24
Average number of shares outstanding (note 9)				
Basic		**49,396,330**		37,035,381
Diluted		**50,355,576**		46,907,228

Aecon Group Inc.

Consolidated Statements of Income

For the six months ended June 30, 2008 and 2007

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

	2008	2007
Revenues	**$ 739,611**	$ 580,056
Direct costs and expenses	**(669,350)**	(528,842)
	70,261	51,214
Marketing, general and administrative expenses	**(36,443)**	(30,455)
Foreign exchange gains (losses)	**109**	(561)
(Loss) gain on sale of assets	**(167)**	3,387
Depreciation and amortization	**(12,241)**	(11,191)
Interest expense	**(4,389)**	(5,437)
Interest income	**3,659**	1,859
	(49,472)	(42,398)
Income before income taxes and non-controlling interests	**20,789**	8,816
Income tax (expense) recovery (note 4)		
Current	**(1,291)**	(2,956)
Future	**(2,947)**	1,149
	(4,238)	(1,807)
Income before non-controlling interests	**16,551**	7,009
Non-controlling interests	**(680)**	(252)
Net income for the period	**$ 15,871**	$ 6,757
Net earnings per share (note 9)		
Basic	**$ 0.35**	$ 0.18
Diluted	**$ 0.34**	$ 0.18
Average number of shares outstanding (note 9)		
Basic	**45,902,214**	36,786,298
Diluted	**48,592,740**	46,594,895

Aecon Group Inc.

For the three and six months ended June 30, 2008 and 2007

(in thousands of dollars) (unaudited)

Consolidated Statements of Comprehensive Income:

	Three months ended June 30		Six months ended June 30	
	2008	**2007**	**2008**	**2007**
Net income for the period	**$ 15,595**	$ 9,731	**$ 15,871**	$ 6,757
Other comprehensive income (loss), net of tax:				
Currency translation adjustments	**(509)**	(1,856)	**(378)**	(1,906)
Cash flow hedges				
Net change in fair value of derivatives	**359**	-	**(201)**	-
Comprehensive income for the period	**$ 15,445**	$ 7,875	**$ 15,292**	$ 4,851

Consolidated Statements of Retained Earnings:

	Three months ended June 30		Six months ended June 30	
	2008	**2007**	**2008**	**2007**
Retained earnings - beginning of period	**$ 59,469**	$ 13,182	**$ 61,525**	$ 16,543
Net income for the period	**15,595**	9,731	**15,871**	6,757
Change in accounting treatment for financial instruments	**-**	-	**-**	(400)
Dividends (note 9)	**(2,542)**	-	**(4,878)**	-
Interest received on share purchase loans (note 9)	**-**	8	**4**	21
Retained earnings - end of period	**$ 72,522**	$ 22,921	**$ 72,522**	$ 22,921

Consolidated Statements of Accumulated Other Comprehensive Loss:

	Three months ended June 30		Six months ended June 30	
	2008	**2007**	**2008**	**2007**
Accumulated other comprehensive loss - beginning of period	**$ (2,929)**	$ (440)	**$ (2,500)**	$ (390)
Currency translation adjustments	**(509)**	(1,856)	**(378)**	(1,906)
Cash flow hedges	**359**	-	**(201)**	-
Accumulated other comprehensive loss - end of period	**$ (3,079)**	$ (2,296)	**$ (3,079)**	$ (2,296)

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the three months ended June 30, 2008 and 2007

(in thousands of dollars) (unaudited)

	2008	2007
Cash provided by (used in)		
Operating activities		
Net income for the period	**$ 15,595**	$ 9,731
Items not affecting cash:		
Depreciation and amortization	**6,367**	6,336
Loss (gain) on sale of assets	**114**	(3,399)
Amortization of commitment fees	**39**	356
Unrealized loss (gain) on foreign exchange	**423**	(138)
Non-cash interest on other income tax liabilities	**201**	90
Notional interest representing accretion	**356**	694
Defined benefit pension	**(156)**	21
Future income taxes	**7,616**	(637)
Stock-based compensation	**47**	113
	30,602	13,167
Change in other balances relating to operations (note 10)	**(36,974)**	(27,122)
	(6,372)	(13,955)
Investing activities		
Increase in restricted cash balances	**(794)**	(3,852)
Decrease in restricted marketable securities and term deposits	**-**	237
Purchase of property, plant and equipment	**(1,514)**	(1,258)
Proceeds on sale of property, plant and equipment	**335**	(105)
Acquisitions	**32**	(493)
Concession rights (note 3)	**(9,500)**	(10,088)
Decrease (increase) in other assets	**241**	(518)
Non-controlling interests	**409**	99
	(10,791)	(15,978)
Financing activities		
Increase in bank indebtedness	**-**	7,370
Issuance of long-term debt	**10,319**	34,330
Repayments of long-term debt	**(15,680)**	(17,291)
Issuance of capital stock, net of issuance costs (note 9)	**69,827**	243
Repurchase of capital stock (note 9)	**(4,145)**	(2,204)
Repayment of share purchase loans (note 9)	**189**	-
Dividends paid (note 9)	**(2,336)**	-
Interest received on share purchase loans (note 9)	**-**	8
	58,174	22,456
Increase (decrease) in cash and cash equivalents	**41,011**	(7,477)
Effects of foreign exchange on cash balances	**186**	(1,594)
Cash and cash equivalents - beginning of period	**136,654**	47,724
Cash and cash equivalents - end of period	**$ 177,851**	$ 38,653

Supplementary disclosures (note 10)

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the six months ended June 30, 2008 and 2007

(in thousands of dollars) (unaudited)

	2008	2007
Cash provided by (used in)		
Operating activities		
Net income for the period	$ **15,871**	$ 6,757
Items not affecting cash:		
Depreciation and amortization	**12,241**	11,191
Loss (gain) on sale of assets	**167**	(3,387)
Amortization of commitment fees	**79**	376
Unrealized loss (gain) on foreign exchange	**260**	(187)
Non-cash interest on other income tax liabilities	**402**	180
Notional interest representing accretion	**818**	1,280
Defined benefit pension	**(1,069)**	(27)
Future income taxes	**2,947**	(1,149)
Stock-based compensation	**94**	226
	31,810	15,260
Change in other balances relating to operations (note 10)	**(18,792)**	(13,871)
	13,018	1,389
Investing activities		
Increase in restricted cash balances	**(1,156)**	(22,097)
Decrease in restricted marketable securities and term deposits	**-**	13,071
Purchase of property, plant and equipment	**(2,266)**	(3,221)
Proceeds on sale of property, plant and equipment	**360**	91
Acquisitions	**32**	(14,386)
Concession rights (note 3)	**(21,470)**	(13,586)
Increase in other assets	**(488)**	(488)
Non-controlling interests	**678**	399
	(24,310)	(40,217)
Financing activities		
Increase in bank indebtedness	**-**	556
Issuance of long-term debt	**13,533**	47,029
Repayments of long-term debt	**(21,932)**	(17,694)
Issuance of capital stock, net of issuance costs (note 9)	**70,434**	854
Repurchase of capital stock (note 9)	**(4,145)**	(2,204)
Repayment of share purchase loans (note 9)	**552**	532
Dividends paid (note 9)	**(5,313)**	-
Interest received on share purchase loans (note 9)	**4**	21
	53,133	29,094
Increase (decrease) in cash and cash equivalents	**41,841**	(9,734)
Effects of foreign exchange on cash balances	**1,404**	(1,722)
Cash and cash equivalents - beginning of period	**134,606**	50,109
Cash and cash equivalents - end of period	$ **177,851**	$ 38,653

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-month and six-month periods ended June 30, 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 $25,479 (December 31, 2007 - $18,704)	**$ 32,472**	$ 38,135
Concession rights to operate the New Quito Airport	**94,280**	71,148
	$ 126,752	$ 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 awarded 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 must be reinvested in the New Quito Airport.

(b) Accounting for operations of the Existing Quito Airport

As consideration to develop and finance the New Quito Airport, Quiport JV was awarded 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 $64,000, the then equivalent of US$57,337 following a

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

valuation by an independent international accounting firm of the consideration received. 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 consideration 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 is being recognized in the normal fashion, is being 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 June 30, 2008, $94,280 (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).

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

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:

	Six months ended June 30	
	2008	**2007**
Income before income taxes and non-controlling interests	**$ 20,789**	$ 8,816
Statutory income tax rate	**33.5%**	36.1%
Expected income tax expense	**(6,964)**	(3,183)
Effect on income tax of:		
Reduction in the valuation allowance	**3,403**	796
Provincial and foreign rate differentials	**679**	1,084
Non-deductible expenses	**(1,137)**	(235)
Foreign exchange translation losses	**(337)**	(213)
Other	**118**	(56)
	2,726	1,376
Income tax expense	**$ (4,238)**	$ (1,807)

5) Long-term concession investment

The long-term investment in the amount of $32,685 at June 30, 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.

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

6) Long-term debt

		June 30, 2008	December 31, 2007
Non-recourse project debt			
Quiport JV project financing	(a)	**$ 72,435**	$ 64,490
Quiport JV CORPAQ debt		**5,690**	5,191
Rouge Valley Health System project debt	(b)	**9,973**	3,213
		88,098	72,894
Other long-term debt			
Capital leases and equipment loans		**33,941**	35,770
Term loan	(c)	**-**	13,402
Note payable	(d)	**14,529**	18,192
Mortgages		**4,732**	4,796
Loans from Derech Eretz partners		**4,726**	3,787
Investment loan		**1,255**	1,402
		59,183	77,349
Total long-term debt		**147,281**	150,243
Less: Amounts due within one year			
- Non-recourse project debt		**4,587**	4,272
- Other long-term debt		**11,225**	13,261
		$ 131,469	$ 132,710

The following describes the major changes to long-term debt during the six months ended June 30, 2008:

(a) The total financing commitment made by the Project Senior Lenders to Quiport JV is US$376,388. As at June 30, 2008, senior project financing advanced to Quiport JV by the Project Senior Lenders at 100% was US$163,219 (December 31, 2007 - US$148,490). Included in the Company's consolidated balance sheets at June 30, 2008, is debt, net of transaction costs, of US$71,668 (CAD$72,435) (December 31, 2007 – US$65,055 or CAD$64,490) representing the Company's proportionate share of Quiport JV debt. This debt is secured by the assets of Quiport JV and is otherwise without recourse to the Company.

The financing is denominated in U.S. dollars and is provided for a term of fifteen years from June 28, 2006 using a mix of rates of interest, both variable (some of which can be converted into fixed rates) and fixed, as follows:

- U.S. 91-day treasury bill rate plus 4% (53% of the total financing commitment);
- six-month LIBOR rate plus 4.5% (20% of the total financing commitment);
- 4.9% plus exposure fee of 26.51% on disbursed amounts (17% of the total financing commitment); and
- 10.32% (10% of total financing commitment).

No debt repayments are scheduled to be made during the construction period.

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

(b) Project financing for the Rouge Valley Health System project at June 30, 2008, was $9,973 (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) On June 8, 2007, the Company signed a new three-year credit agreement with a syndicate of lenders. The new credit facility included a three-year term loan for $15,000 and a three-year revolving committed operating line for $50,000.

In 2007, the full amount of the term loan was borrowed under the agreement and subsequently converted into a U.S. dollar denominated loan. This three-year U.S. dollar term loan bore interest at LIBOR plus 2.75% with interest payable monthly in arrears on the first day of each month. Commencing October 1, 2007, principal repayments of US$500 were due quarterly with the remaining balance outstanding due on maturity. During the quarter ended June 30, 2008, the Company repaid the term loan in full and as such the balance outstanding at June 30, 2008 was $nil (December 31, 2007 - US$13,520 or CAD$13,402).

(d) 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 June 30, 2008, the Company recorded interest expense representing interest accretion on the note payable of $282 (2007 - $338), and $582 during the six months ended June 30, 2008 (2007 - $565).

7) Guarantees

The Company has outstanding guarantees amounting to $24,826 (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$33,038) (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$8,260) (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$14,507) (December 31, 2007 - NIS33,000 plus escalation or CAD$11,990) or 6% of annual toll revenue.

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

In addition to the above, the Company has provided letters of credit in the amount of NIS2,400 (CAD$729) (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$14,325 (CAD$14,607) (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$30,798) (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$1,530) (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$10,500 (CAD$10,707) (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$68,376) (December 31, 2007 - US$67,055 or CAD$66,472), an advance payment bond of US$74,466 (CAD$75,933) (December 31, 2007 - US$74,466 or CAD$73,818) and a retention release bond of US$20,685 (CAD$21,092) (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 deposit with EDC the sum of US$2,000 (CAD$2,039) (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 $13,852 (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 $28,402 (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 June 30, 2008, the value of uncompleted

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

work for which the Company's joint venture partners are responsible, and which the Company could be responsible for assuming, amounted to approximately $254,853 (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.

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

8) Convertible debentures

Convertible subordinated debentures consist of:

	June 30, 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 was 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 June 30		Six months ended June 30	
	2008	2007	2008	2007
Interest expense on face value	**$ -**	$ 1,276	**$ 520**	$ 2,553
Notional interest representing accretion	**-**	357	**148**	712
	$ -	$ 1,633	**$ 668**	$ 3,265

The liability portion of the debentures is as follows:

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

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

9) Capital stock

	2008			2007		
	Number of shares		**Amount**	**Number of shares**		**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	**46,367,914**		**196,356**	38,179,162		133,292
Common shares issued less expenses of $3,361 (iv)	**4,000,000**		**69,639**	-		-
Common shares issued on exercise of options	**30,000**		**235**	38,850		257
Common shares purchased by the trust of the long-term incentive program (iii)	**(239,990)**		**(4,145)**	(238,030)		(2,204)
Repayment of share purchase loans (ii)	**-**		**188**	-		-
Balance - June 30 (ii and iii)	**50,157,924**	**$**	**262,273**	37,979,982	$	131,345

(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, at June 30, 2008, loans totalling $nil (2007 - $552) are presented as a deduction from capital stock. Interest received on such loans in the three months ended June 30, 2008 of $nil after income taxes (2007 - $8) and in the six months ended June 30, 2008 of $4 after income taxes (2007 - $21) is accounted for as a capital transaction in shareholders' equity. During the quarter ended June 30, 2008, $188 of these loans was repaid (2007 - $nil), and $552 was repaid during the six months ended June 30, 2008 (2007 - $532).

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

(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 June 30, 2008, the Trust held 691,366 shares (December 31, 2007 - 451,376 shares) with a cost basis of $7,615 (December 31, 2007 - $3,470).

(iv) On April 17, 2008, the Company issued 4,000,000 common shares at $18.25. Net proceeds, after deducting agents' fees and expenses of the issue, were $69,639.

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 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:

	Six months ended June 30			
	2008		**2007**	
	Number of share options	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
Balance outstanding - January 1	**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 - March 31	**923,484**	**6.22**	1,150,000	6.09
Exercised	**(30,000)**	**6.25**	(38,850)	6.29
Balance outstanding - June 30	**893,484**	**$ 6.22**	1,111,150	$ 6.08
Options exercisable at end of period	**626,817**	**$ 6.23**	544,484	$ 5.96

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

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	720,150	$6.25	March 27, 2011
2007	50,000	$6.75	January 16, 2012
	893,484		

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.

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 June 30, 2008, compensation expense and contributed surplus were increased by $47 (2007 - $114) on account of options previously granted, and for the six months ended June 30, 2008, compensation expense and contributed surplus were increased by $94 (2007 - $227).

As options are exercised, the corresponding values previously charged to contributed surplus are reclassified to capital stock. In the quarter ending June 30, 2008, contributed surplus was decreased by $46 (2007 - $14) and capital stock was increased by the same amount upon the exercise of options under the stock option plans, and for the six months ended June 30, 2008, contributed surplus was decreased by $378 (December 31, 2007 - $191) and capital stock was increased by the same amount. Cash proceeds arising from the exercise of these options are credited to capital stock.

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

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 June 30, 2008, the Company recorded LTIP compensation charges of $653 (2007 - $600), and $1,253 (2007 - $900) during the six months ended June 30, 2008.

The LTIP Trust (the "Trust") currently holds 691,366 shares at June 30, 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 Entities." Accordingly, at June 30, 2008, share capital was reduced by $7,615 (December 31, 2007 - $3,470) and accrued liabilities increased by the same amount.

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

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 nil (June 30, 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.

	Three months ended June 30		Six months ended June 30	
	2008	**2007**	**2008**	**2007**
Net income for the period	**$ 15,595**	$ 9,731	**$ 15,871**	$ 6,757
Interest on convertible debentures, net of taxes	**-**	1,629	**444**	3,262
Diluted net earnings	**$ 15,595**	$ 11,360	**$ 16,315**	$ 10,019
Average number of common shares outstanding	**49,396,330**	37,035,381	**45,902,214**	36,786,298
Effect of dilutive securities (i)				
Options	**552,932**	1,371,227	**562,550**	1,307,977
Convertible debentures	**-**	8,276,316	**1,721,662**	8,276,316
Shares held in a trust account in respect of long-term incentive plan	**406,314**	224,304	**406,314**	224,304
Average number of diluted common shares outstanding	**50,355,576**	46,907,228	**48,592,740**	46,594,895
Basic earnings per share	**$ 0.32**	$ 0.26	**$ 0.35**	$ 0.18
Diluted earnings per share	**$ 0.31**	$ 0.24	**$ 0.34**	$ 0.18

(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.

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

Contributed surplus

Changes in contributed surplus for the three and six months ended June 30 are 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
Granting of stock options		**47**		114
Exercise of stock options		**(46)**		(14)
Balance - June 30	**$**	**1,308**	$	1,443

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. For the six months ended June 30, 2008, the Company declared dividends of $4,878 of which $2,336 was paid in April 2008, and $2,542 was paid in July 2008.

Accumulated other comprehensive loss

Components of accumulated other comprehensive loss included:

		June 30, 2008		December 31, 2007
Currency translation adjustments, net of tax	**$**	**(3,079)**	$	(2,701)
Cash flow hedges, net of tax		**-**		201
	$	**(3,079)**	$	(2,500)

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

10) Cash flow information

Change in other balances relating to operations:

	Three months to June 30		Six months to June 30	
	2008	**2007**	**2008**	**2007**
(Increase) decrease in:				
Accounts receivable	**$ (17,836)**	$ (56,237)	**$ 23,602**	$ (15,402)
Holdbacks receivable	**(823)**	(871)	**5,578**	(3,739)
Deferred contract costs and unbilled revenue	**(16,793)**	(5,114)	**(15,739)**	(3,867)
Inventories	**(4,769)**	(3,236)	**(5,663)**	(2,435)
Prepaid expenses	**670**	3,698	**(2,431)**	(955)
Increase (decrease) in:				
Accounts payable and accrued liabilities	**3,619**	31,400	**(46,655)**	(1,579)
Holdbacks payable	**1,060**	(1,250)	**1,023**	1,102
Deferred revenue	**(1,517)**	4,590	**21,523**	12,495
Income taxes payable	**(585)**	(102)	**(30)**	509
	$ (36,974)	$ (27,122)	**$ (18,792)**	$ (13,871)

Other supplementary information:

	Three months to June 30		Six months to June 30	
	2008	**2007**	**2008**	**2007**
Cash interest paid	**$ 1,622**	$ 1,949	**$ 4,074**	$ 3,840
Cash income taxes paid	**$ 59**	$ 75	**$ 235**	$ 857

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 June 30, 2008 amounted to $1,564 (2007 - $116) and $1,564 (2007 - $553) for the six months ended June 30, 2008.

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.

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

11) Employee benefit plans

Employee future benefit expenses for the three and six months ended June 30 are as follows:

	Three months ended June 30		Six months ended June 30	
	2008	**2007**	**2008**	**2007**
Defined benefit plan expense:				
Company sponsored pension plans	**$ 271**	$ 415	**$ 540**	$ 816
Defined contribution plan expense:				
Company sponsored pension plans	**673**	512	**1,252**	997
Multi-employer pension plans	**8,841**	6,944	**14,902**	12,014
Total employee future benefit expenses	**$ 9,785**	$ 7,871	**$ 16,694**	$ 13,827

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 June 30, 2008, the Company paid professional fees in the amount of $nil (2007 - $3), and $11 (2007 - $33) during the six months ended June 30, 2007 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 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

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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 June 30, 2008, the Company had net outstanding contracts to sell EURO 2,558, sell US$21,015, buy EURO 1,064, and buy US$5,793 (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 $159 (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 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.

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

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). At June 30, 2008, the Company does not have any designated hedges of its foreign operations. Previously, the Company had designated its U.S. dollar dominated term loan in the amount of US$13,520 at December 31, 2007 as a hedge of its net investment in certain foreign operations. At December 31, 2007, the unrealized gain resulting from fair valuing this investment of $989, net of taxes, had been included in currency translation adjustments within accumulated other comprehensive loss in shareholders' equity. With the repayment of the term loan during the second quarter of 2008 (see note 6), the previously unrealized gain resulting from fair valuing this instrument at the date of repayment of $461, net of taxes, has been realized and included in the consolidated statement of income.

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 unrealized gain, net of taxes, of $201 that resulted from fair valuing this contract as of December 31, 2007, was reported in the cash flow hedges component of accumulated other comprehensive income in shareholders' equity. With the repayment of the term loan during the second quarter of 2008, the cumulative unrealized loss resulting from fair valuing this contract of $274, net of taxes, was realized and is included in the consolidated statement of income.

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

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

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 June 30, 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	$ 4,587	$ -	$ 12,818	$ 7,840	$ 9,582	$ 53,271	$ 88,098
Capital leases and equipment loans	6,764	5,512	5,333	4,909	4,880	6,543	33,941
Other long-term debt	4,380	5,646	8,696	1,794	-	4,726	25,242
	$ 15,731	**$ 11,158**	**$ 26,847**	**$ 14,543**	**$ 14,462**	**$ 64,540**	**$ 147,281**

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 June 30, 2008, the interest rate profile of the Company's long-term debt was as follows:

	At June 30, 2008
Debt held by joint ventures	$ 78,125
Fixed rate instruments	68,991
Variable rate instruments	165
Total long-term debt	**$ 147,281**

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.

For the six months ended June 30, 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.

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

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 also has currency exposure to U.S. dollars arising from its investment in the Quito construction joint venture. For this investment, the Company's sensitivity to a 10% strengthening of the U.S. dollar against the Canadian dollar on net earnings and comprehensive income at June 30, 2008 would have been a decrease of approximately $300.

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 an impairment in value arises as discussed above. For the net investment in the Nathpa Jhakri hydro-electric project in India, the Company's sensitivity to a 10% strengthening of the Indian Rupee against the Canadian dollar on net earnings and comprehensive income at June 30, 2008 would have been an increase of approximately $1,100.

The Company's currency exposure on foreign currency debt that is 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.

	U.S. dollar impact	**Shekel impact**	**Euro impact**
Net earnings	$ 1,600	$ 100	$ 100
Comprehensive income	$ 1,600	$ 100	$ 100

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.

(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, as well as toll highways, dams, tunnels, bridges, airports, marine facilities, transit systems and hydro-electric power projects, primarily in Canada, 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. 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.

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

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

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.

Information by reportable segments is as follows:

As at June 30 and the three months then ended **2008**

	Infrastructure	Buildings	Industrial	Concessions	Corporate and Other	Total
Revenues	$ 148,616	$ 109,487	$ 162,488	$ 15,221	$ 1,839	$ 437,651
EBITDA (i)	$ 6,859	$ 801	$ 21,518	$ 5,662	$ (1,955)	$ 32,885
Depreciation and amortization	(2,204)	(103)	(721)	(3,213)	(126)	(6,367)
Segment operating profit (loss) (i)	4,655	698	20,797	2,449	(2,081)	26,518
Capital charges and allocations of Corporate overheads (ii)	(5,645)	(311)	(1,330)	(2,186)	9,472	-
Segment profit (loss) before income taxes	$ (990)	$ 387	$ 19,467	$ 263	$ 7,391	26,518
Interest expense, income taxes and non-controlling interests						(10,923)
Net income						$ 15,595
Total assets	$ 343,816	$ 110,816	$ 146,168	$ 206,922	$ 157,208	$ 964,930
Intangible assets and goodwill	$ 5,767	$ 2,934	$ 3,750	$ 126,913	$ -	$ 139,364
Capital expenditures	$ 209	$ 97	$ 927	$ -	$ 281	$ 1,514
Cash flow from (used in) operating activities (i)	$ 6,816	$ 802	$ 21,486	$ 5,846	$ (4,348)	$ 30,602

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

As at June 30 and for the three months then ended **2007**

	Infrastructure	Buildings	Industrial	Concessions	Corporate and Other	Total
Revenues	$ 161,739	$ 79,184	$ 92,594	$ 13,605	$ (8,851)	$ 338,271
EBITDA (i)	$ 10,186	$ (906)	$ 7,508	$ 5,216	$ (1,543)	$ 20,461
Depreciation and amortization	(1,530)	(101)	(531)	(3,978)	(196)	(6,336)
Segment operating profit (loss) (i)	8,656	(1,007)	6,977	1,238	(1,739)	14,125
Capital charges and allocations of Corporate overheads (ii)	(4,818)	(499)	(2,125)	(2,108)	9,550	-
Segment profit (loss) before income taxes	$ 3,838	$ (1,506)	$ 4,852	$ (870)	$ 7,811	14,125
Interest expense, income taxes and non-controlling interests						(4,394)
Net income						$ 9,731
Total assets	$ 335,467	$ 77,459	$ 134,607	$ 191,985	$ 33,868	$ 773,386
Intangible assets and goodwill	$ 2,743	$ 2,972	$ 3,750	$ 115,820	$ -	$ 125,285
Capital expenditures	$ 543	$ 61	$ 497	$ -	$ 157	$ 1,258
Cash flow from (used in) operating activities (i)	$ 7,456	$ (907)	$ 7,504	$ 5,216	$ (6,102)	$ 13,167

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

As at June 30 and the six months then ended **2008**

	Infrastructure	Buildings	Industrial	Concessions	Corporate and Other	Total
Revenues	$ 243,347	$ 217,630	$ 253,389	$ 30,462	$ (5,217)	$ 739,611
EBITDA (i)	$ 1,935	$ 2,517	$ 25,859	$ 10,160	$ (3,052)	$ 37,419
Depreciation and amortization	(4,125)	(204)	(1,282)	(6,374)	(256)	(12,241)
Segment operating profit (loss) (i)	(2,190)	2,313	24,577	3,786	(3,308)	25,178
Capital charges and allocations of Corporate overheads (ii)	(10,687)	(374)	(3,174)	(4,433)	18,668	-
Segment profit (loss) before income taxes	$ (12,877)	$ 1,939	$ 21,403	$ (647)	$ 15,360	25,178
Interest expense, income taxes and non-controlling interests						(9,307)
Net income						$ 15,871
Capital expenditures	$ 671	$ 292	$ 977	$ -	$ 326	$ 2,266
Cash flow from (used in) operating activities (i)	$ 530	$ 2,579	$ 26,238	$ 10,938	$ (8,475)	$ 31,810

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

As at June 30 and for the six months then ended **2007**

	Infrastructure	Buildings	Industrial	Concessions	Corporate and Other	Total
Revenues	$ 256,847	$ 142,384	$ 166,711	$ 27,330	$ (13,216)	$ 580,056
EBITDA (i)	$ 8,978	$ (1,029)	$ 11,008	$ 9,796	$ (3,309)	$ 25,444
Depreciation and amortization	(2,346)	(207)	(1,069)	(7,184)	(385)	(11,191)
Segment operating profit (loss) (i)	$ 6,632	$ (1,236)	$ 9,939	$ 2,612	$ (3,694)	$ 14,253
Capital charges and allocations of Corporate overheads (ii)	$ (8,933)	$ (836)	$ (4,332)	$ (4,180)	$ 18,281	$ -
Segment profit (loss) before income taxes	$ (2,301)	$ (2,072)	$ 5,607	$ (1,568)	$ 14,587	$ 14,253
Interest expense, income taxes and non-controlling interests						(7,496)
Net income						$ 6,757
Capital expenditures	$ 1,426	$ 250	$ 1,295	$ -	$ 250	$ 3,221
Cash flow from (used in) operating activities (i)	$ 5,851	$ (1,032)	$ 11,019	$ 9,796	$ (10,374)	$ 15,260

(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.

(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.

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

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 percentage) 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, the issuance of 4,000,000 common shares, and the repayment of the long-term debt in the second quarter of 2008 (as discussed in notes 6(c) and 9) were the primary drivers in bringing the debt to equity percentage down to 20% as at June 30, 2008. While the Company believes that this debt to equity percentage 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 June 30, 2008, the Company complied with all of its financial debt covenants. Although remaining compliant with its debt covenants is an important consideration in managing the Company's capital structure, the Company's current strong operating performance and its conservative debt to equity percentage have significantly lessened the restrictive impact of debt covenants in capital management decisions.

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

16) 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 June 30, 2008		
	Consolidated Balance Sheet excluding joint ventures	Joint ventures	Consolidated Balance Sheet
Assets			
Current assets			
Cash and cash equivalents	$ 128,143	$ 49,708	$ 177,851
Restricted cash	23,941	11,804	35,745
Accounts receivable	168,547	36,856	205,403
Holdbacks receivable	52,900	13,157	66,057
Deferred contract costs and unbilled revenue	113,182	15,338	128,520
Inventories	21,365	-	21,365
Prepaid expenses	5,687	3,132	8,819
	513,765	129,995	643,760
Property, plant and equipment	92,666	1,923	94,589
Future income tax assets	28,557	4,636	33,193
Concession rights	-	126,752	126,752
Long-term concession investment	32,685	-	32,685
Other assets	33,951	-	33,951
	$ 701,624	$ 263,306	$ 964,930
Liabilities			
Current liabilities			
Bank indebtedness	$ -	$ 7,122	$ 7,122
Accounts payable and accrued liabilities	189,680	31,680	221,360
Holdbacks payable	37,454	2,142	39,596
Deferred revenue	75,433	14,365	89,798
Income taxes payable (recoverable)	(814)	2,032	1,218
Future income tax liabilities	30,074	10,833	40,907
Current portion of long-term debt	11,225	4,587	15,812
	343,052	72,761	415,813
Non-recourse project debt	9,973	73,538	83,511
Other long-term debt	47,958	-	47,958
Other liabilities	2,987	-	2,987
Other income tax liabilities	15,135	-	15,135
Concession related deferred revenue	2,991	61,889	64,880
Convertible debentures	-	-	-
	422,096	208,188	630,284
Non-controlling interests	1,622	-	1,622
Shareholders' Equity	277,906	55,118	333,024
	$ 701,624	$ 263,306	$ 964,930

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

Consolidating Statement of Income

	For the six months ended June 30, 2008		
	Consolidated Statement of Operations excluding joint ventures	Joint ventures	Consolidated Statement of Operations
Revenues	$ 647,974	$ 91,637	$ 739,611
Direct costs and expenses	(612,011)	(57,339)	(669,350)
	35,963	34,298	70,261
Marketing, general and administrative expenses	(21,272)	(15,171)	(36,443)
Foreign exchange gains (losses)	602	(493)	109
Loss on sale of assets	(167)	-	(167)
Depreciation and amortization	(5,832)	(6,409)	(12,241)
Interest expense	(4,227)	(162)	(4,389)
Interest income	3,659	-	3,659
	(27,237)	(22,235)	(49,472)
Income before income taxes and non-controlling interests	8,726	12,063	20,789
Income tax expense	(1,529)	(2,709)	(4,238)
Income before non-controlling interests	7,197	9,354	16,551
Non-controlling interests	(680)	-	(680)
Net income for the period	$ 6,517	$ 9,354	$ 15,871

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

Consolidating Statement of Cash Flows

	For the six months ended June 30, 2008		
	Consolidated Cash Flows excluding Joint ventures	Joint ventures	Consolidated Statement of Cash Flows
Cash provided by (used in):			
Operating activities			
Net income for the period	$ 6,517	$ 9,354	$ 15,871
Items not affecting cash -			
Depreciation and amortization	5,832	6,409	12,241
Loss on sale of assets	167	-	167
Amortization of commitment fees	79	-	79
Unrealized loss (gain) on foreign exchange	870	(610)	260
Non-cash interest on other income tax liabilities	402	-	402
Notional interest representing accretion	818	-	818
Defined benefit pension	(1,069)	-	(1,069)
Future income taxes	4,283	(1,336)	2,947
Stock-based compensation	94	-	94
	17,993	13,817	31,810
Change in other balances relating to operations	(22,773)	3,981	(18,792)
	(4,780)	17,798	13,018
Investing activities			
(Increase) decrease in restricted cash	(1,562)	406	(1,156)
Purchase of property, plant and equipment	(2,140)	(126)	(2,266)
Proceeds on sale of property, plant, and equipment	360	-	360
Acquisitions	32	-	32
Concession rights	-	(21,470)	(21,470)
Increase in other assets	(488)	-	(488)
Non-controlling interests	678	-	678
	(3,120)	(21,190)	(24,310)
Financing activities			
Issuance of long-term debt	6,760	6,773	13,533
Repayments of long-term debt	(21,932)	-	(21,932)
Issuance of capital stock, net of issuance costs	70,434	-	70,434
Repurchase of capital stock	(4,145)	-	(4,145)
Repayment of share purchase loans	552	-	552
Dividends paid	(5,313)		(5,313)
Interest received on share purchase loans	4	-	4
Increase (decrease) in investment in joint ventures	(2,426)	2,426	-
	43,934	9,199	53,133
Increase in cash and cash equivalents	36,034	5,807	41,841
Effects of foreign exchange on cash balances	161	1,243	1,404
Cash and cash equivalents - beginning of period	91,948	42,658	134,606
Cash and cash equivalents - end of period	$ 128,143	$ 49,708	$ 177,851

BUILDING THINGS THAT MATTER

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