AECON GROUP INC.

SECOND QUARTER
REPORT 2010

SIX MONTHS ENDED 06/30/10

Dear Fellow Shareholders,

Aecon's second quarter results were generally characterized generally by increased revenues, record new business awards and backlog, and stronger earnings in three of our four segments, offset by project losses in our Buildings segment.

Revenues in the second quarter of 2010 were $682 million, an increase of 11 percent from the same quarter in 2009.

Operating profit of $15.6 million in the second quarter was $900,000 lower than the second quarter of 2009, as operating profit increases of $6.9 million in Industrial, $2.1 million in Infrastructure and $1.7 million in Concessions, were offset by a $10.3 million operating loss in Buildings, stemming from continued difficulties on two projects in the Greater Toronto Area. Significant staff and management focus continues to be brought to bear to contain the issues on these two very difficult projects, and we are confident that the right measures are in place.

Overall, a net income for the quarter of $7.8 million (or $0.14 per share) compares with net income of $9.9 million (or $0.18 per share) in the second quarter of 2009.

There were a number of notable achievements recorded in the quarter, including Aecon's partnership in the Nouvelle Autoroute 30 CJV, for the construction of Autoroute 30 near Montreal, one of the largest contracts ever undertaken by Aecon.

As well, in June Aecon announced that its Infrastructure Division partnered with Peter Kiewit Sons Co. for the $1.7 billion design build contract awarded by Ontario Power Generation for the construction of the Lower Mattagami Hydroelectric Complex, in Northern Ontario. Aecon's 20 percent participation in this project makes it the largest single contract in Aecon's history.

Also in June, Aecon invested $59 million in 3.5 million shares of Churchill Corporation. The purchase is for investment purposes, and may also present opportunities to explore areas of mutual interest between the two companies.

On July 15, 2010, Aecon announced that it had signed an agreement to sell its 25 percent interest in the Cross Israel Highway concessionaire, Derech Eretz Highways, for $77.8 million. The closing is anticipated in the fourth quarter of 2010, subject to a number of third party approvals. The sale price represents approximately two times the book value of Aecon's investment, and is expected to generate an after tax gain of approximately $30 million.

Backlog at June 30 was a record $2.7 billion, an increase of $1.1 billion over the amount on hand at the same time last year, as backlog levels increased in all segments. Notably, the number of large multi-year contracts secured over the past several months has boosted the value of Aecon's long-duration backlog, (or backlog with a duration of more than 12 months) to more than $1 billion, from $378 million a year ago.

New contract awards in the quarter also reached record levels, with $1.3 billion in new awards received this year compared with $478 million in the same quarter last year.

As we pass the mid-point of the year, most of the key trends shaping Aecon's outlook at the beginning of the year remain in place. The strongest outlook continues to be in those segments most exposed to public infrastructure such as roads, transit and water infrastructure, but with growing signs that the pace of recovery is increasing in industrial construction as well.

The strong outlook for public infrastructure construction over the next several years, and the improving outlook for industrial construction over the same period, would suggest that 2011 and 2012 should be years where Aecon's financial results reflect strength in both the private sector and public sector elements of the business.

Internationally, progress continues to be made toward resolving issues surrounding Aecon's concession interest in the Quito International Airport. Notwithstanding the costs inherent in the recent commercial agreement, this project remains an important, profitable and exciting one for Aecon.

The growing strength and duration of Aecon's backlog, combined with a strong balance sheet and liquidity position, provide us with increased visibility and confidence in our outlook, an important attribute in an economic environment where the economy is still recovering from the impact of the recent recession.

Overall, we continue to believe that Aecon's record backlog, the strength, depth and durability of the public infrastructure markets, and the return to strength of the oilsands and industrial markets, combine to signal continued strong financial performance throughout 2010 and even more so into 2011 and 2012.

On behalf of Aecon's Board of Directors, we thank you for your continued support of Aecon.

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

(signed)
Scott C. Balfour
President

August 14, 2010

Aecon Group Inc.

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

June 30, 2010

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" or the "Company") should be read in conjunction with the Company's June 30, 2010 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 the year ended December 31, 2009. This MD&A has been prepared as of August 3, 2010. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and includes the Company's Annual Information Form and other securities and continuous disclosure filings.

Introduction

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

The construction industry in Canada is seasonal in nature for companies like Aecon who perform a significant portion of their work outdoors, particularly road construction and utilities work. 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, and particularly the first quarter, typically generating 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.

FORWARD-LOOKING INFORMATION

In various places in Management's Discussion and Analysis, management's expectations regarding future performance of Aecon are discussed. These "forward-looking" statements, including statements about the Company's conversion to IFRS, which are based on currently available competitive, financial and economic data and operating plans, are subject to risks and uncertainties. Following the recent global recession, the sustainability and strength of recovery in the economy and in global financial and credit markets remains uncertain. How this develops over the foreseeable future will impact Canada and Canadian companies like Aecon in ways that are impossible to predict. There are also other factors which could cause Aecon's results, performance or achievements to vary from those expressed or inferred including, without limitation, the strength or otherwise of construction, infrastructure and energy markets in Canada, the Company's ability to execute significant projects on budget and on schedule, and the failure to achieve targets associated with the construction of the new Quito airport in Ecuador and the operation of the existing Quito airport, as well as political risk in Ecuador. 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.

Non-GAAP Measures

The MD&A presents certain non-GAAP (Canadian generally accepted accounting principles) 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 measures calculated and presented in accordance with GAAP.

Throughout this MD&A, the following terms are used, which are not found in the Handbook of the Canadian Institute of Chartered Accountants and do not have a standardized meaning under GAAP:

- **"Gross profit"** represents revenues less direct costs and expenses. Marketing, general and administrative expenses ("MG&A"), depreciation and amortization, income or losses from construction projects accounted for using the equity method, foreign exchange, interest, gains or losses on the sale of assets, income taxes, and non-controlling interests are not included in the calculation of gross profit.
- "**EBITDA**" represents earnings or losses before net interest expense, income taxes, depreciation and amortization, and non-controlling interests.
- "**Operating profit (loss)"** represents the profit (loss) from operations, before net interest expense, income taxes and non-controlling interests.
- **"Operating margin"** represents operating profit (loss) as a percentage of revenues.
- **"Earnings before taxes"** represents earnings or losses before income taxes and non-controlling interests.

Aecon believes the above terms, which are commonly used by the investment community for valuation purposes, are useful complementary measures of pre-tax profitability. The most directly comparable measure calculated in accordance with GAAP is Net Income.

- "**Backlog**" means the total value of work that has not yet been completed that: (a) is assessed by Aecon as having a high certainty of being performed as a result of the existence of an executed contract or work order specifying job scope, value and timing; or (b) has been awarded to Aecon, as evidenced by an executed binding letter of intent or agreement, describing the general job scope, value and timing of such work, and with the finalization of a formal contract respecting such work being reasonably assured.

Backlog is not a recognized performance measure under GAAP and does not have any standardized meaning prescribed by GAAP. Aecon believes that backlog is a useful complementary measure commonly used by management and the investment community to evaluate the Company's projected activity in future periods. There is no direct comparable measure to backlog in GAAP.

CONSOLIDATED FINANCIAL HIGHLIGHTS

$ millions (except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	**2010**	2009
Revenues	**$ 681.5**	**$ 613.2**	**$ 1,107.7**	**$ 954.1**
Gross profit	55.1	63.4	82.5	96.0
MG&A	(30.5)	(31.8)	(58.0)	(56.0)
Foreign exchange gains (losses)	0.4	(0.1)	(0.4)	(1.7)
Income (loss) from construction projects accounted for using the equity method	0.4	-	(1.7)	-
Gain (loss) on sale of assets	(0.3)	-	6.8	0.1
EBITDA	**25.1**	**31.5**	**29.1**	**38.4**
Depreciation and amortization	(9.5)	(15.0)	(17.5)	(23.0)
Operating profit	**15.6**	**16.5**	**11.5**	**15.3**
Interest expense, net	(4.9)	(1.3)	(9.9)	-
Earnings before taxes	**10.7**	**15.2**	**1.6**	**15.3**
Income tax recovery (expense)	(2.2)	(4.6)	1.5	(4.3)
Non-controlling interests	(0.8)	(0.7)	(1.9)	(1.7)
Net income for the period	**7.8**	**9.9**	**$ 1.2**	**$ 9.3**
MG&A as a percent of revenues	**4.5%**	**5.2%**	**5.2%**	**5.9%**
Operating margin	**2.3%**	**2.7%**	**1.0%**	**1.6%**
Earnings per share - diluted	**$ 0.14**	**$ 0.18**	**$ 0.02**	**$ 0.17**
Backlog			**$ 2,722**	**$ 1,660**

Revenues and operating profit (loss) by segment for the second quarter of 2010 and 2009 and for the first six months of 2010 and 2009 are set out in the table below:

($ millions)	Three Months Ended June 30			
	Revenue		Operating profit (loss)	
	2010	2009	**2010**	2009
Infrastructure	**$ 223.9**	$ 233.6	**$ 4.5**	$ 2.4
Buildings	**140.5**	114.8	**(10.3)**	0.9
Industrial	**297.5**	244.6	**23.9**	17.0
Concessions	**21.0**	22.1	**5.0**	3.3
Eliminations and other costs[(1)]	**(1.4)**	(1.9)	**(7.5)**	(7.1)
Consolidated	**$ 681.5**	$ 613.2	**$ 15.6**	$ 16.5

($ millions)	Six Months Ended June 30			
	Revenue		Operating profit (loss)	
	2010	2009	**2010**	2009
Infrastructure	**$ 322.3**	$ 345.3	**$ (5.7)**	$ (10.8)
Buildings	**279.7**	223.3	**(9.4)**	-
Industrial	**467.8**	341.1	**30.3**	30.1
Concessions	**41.8**	47.4	**10.2**	7.7
Eliminations and other costs[(1)]	**(3.9)**	(3.0)	**(13.9)**	(11.7)
Consolidated	**$ 1,107.7**	$ 954.1	**$ 11.5**	$ 15.3

(1) The eliminations and other costs category includes corporate costs and other activities not directly allocable to segments and also includes inter-segment eliminations.

Revenues in the second quarter of 2010 were $682 million representing an increase of $68 million, or 11%, over the same quarter last year, while revenues of $1,108 million for the first six months of the year were $154 million, or 16%, higher than the corresponding period in 2009. The first quarter and year-to-date increases reflect higher revenues from the Company's Buildings and Industrial segments which were partially offset by lower revenues in the Company's Infrastructure and Concessions segments.

Operating profit of $15.6 million in the second quarter of 2010 was $0.9 million lower than the second quarter of 2009. This was largely due to a decline in gross profit margin, from 10.3% of revenues in the second quarter of 2009 to 8.1% of revenues in the second quarter of 2010, primarily as a result of project losses reported in the Buildings segment. Operating profit in the Company's other segments increased year over year in the second quarter.

Operating profit of $11.5 million in the first six months of 2010 was $3.8 million lower than in the first six months of 2009. As in the second quarter, the decline in operating profit occurred in the Buildings segment where gross profit was impacted by project losses. Gross profit margins were also impacted by a softening of the utilities market in Ontario, a decline in the materials business in Alberta, and construction delays on the new Quito airport project while efforts continued toward finalization of a new commercial agreement. However, despite these challenges, operating profit increased overall in the Infrastructure, Industrial and Concessions segments due primarily to contributions from specific projects or increased revenue.

MG&A expenses decreased by $1.4 million in the second quarter of 2010 compared to the second quarter of 2009 and MG&A as a percentage of revenues improved from 5.2% in the second quarter of 2009 to 4.5% in the second quarter of 2010. Although MG&A increased by $2.0 million in the first six months of 2010, primarily as a result of the acquisition of Lockerbie on April 1, 2009, MG&A as a percentage of revenues improved from 5.9% in the first six months of 2009 to 5.2% in the first six months of 2010.

Aecon's participation in construction projects where Aecon exercises significant influence over the project, but does not control or jointly control the project, is accounted for using the equity method of accounting In the first six months of 2010, Aecon incurred a loss of $1.7 million from construction projects accounted for using this method of accounting.

The $6.8 million gain from the sale of assets in the first six months of 2010 resulted almost entirely from a first quarter land sale in the Infrastructure segment.

Aecon's investment in the common shares of Churchill Corporation is classified as available-for-sale for accounting purposes. The Company marks-to-market this investment every period with the difference between its carrying value and the fair market value at the end of the period being recorded in other comprehensive income. As a result of this accounting policy decision, changes in the market value of this investment do not flow through net income.

Depreciation and amortization expense of $9.5 million in the second quarter of 2010 was $5.5 million lower than in 2009, while depreciation and amortization expense of $17.5 million for the first six months of 2010 was $5.5 million lower than in the first six months of 2009. The decreases occurred in the Infrastructure and Industrial segments due to lower depreciation and amortization charges this year on property, plant and equipment and intangible assets resulting from the South Rock and Lockerbie acquisitions, and in the Concessions segment from lower amortization charges on concession rights relating to the Quito airport project.

Interest expense, net of interest income, of $4.9 million in the second quarter of 2010 was $3.6 million higher than in the same period in 2009, and interest expense, net of interest income, of $9.9 million for the first six months of 2010 was $9.9 million higher than in the same period last year. The increase resulted primarily from higher levels of non-recourse project debt related to three Infrastructure Ontario "build-finance" projects that are currently in progress and from interest costs related to convertible debentures issued in the third quarter of 2009.

Overall, net income for the three months ended June 30, 2010 of $7.8 million, or $0.14 per share on a fully diluted basis, compares with net income of $9.9 million or $0.18 per share on a fully diluted basis in the second quarter of 2009, while for the six months ended June 30, 2010, net income of $1.2 million or $0.02 per share compares to net income of $9.3 million or $0.17 per share in the corresponding period last year.

Further details for each of the segments are included in the discussion below under Reporting Segments.

Backlog **$ millions**	**As at June 30** **2010**	2009
Infrastructure	**$ 1,200**	$ 588
Buildings	**650**	521
Industrial	**872**	551
Consolidated	**$ 2,722**	$ 1,660

Backlog at June 30, 2010 was a record $2.722 billion, representing a $1.062 billion increase over the amount on hand at the same time in 2009, as backlog levels increased in all segments. Record new contract awards of $1.285 billion were booked in the second quarter of 2010 compared with $478 million in the second quarter of 2009, while new contract awards of $1.647 billion were booked in the first six months, compared to $774 million during the first six months of 2009. Further details of backlog for each of the segments are included in the discussion below under Reporting Segments.

Backlog duration, representing the expected period that backlog on hand will be converted into revenue, is included in the table below:

Estimated backlog duration		
	As at June 30	
	2010	2009
Next 12 months	**62%**	77%
Next 13-24 months	**24%**	18%
Beyond	**14%**	5%
	100%	100%

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 amount of work to be performed cannot be reliably quantified or where a minimum number of units at the contract specified price per unit are not guaranteed. Examples include time and material and some cost-plus and unit priced contracts where the extent of services to be provided is undefined or where the number of units cannot be estimated with reasonable certainty. Other examples include the value of construction work managed under 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	
	2010	2009	**2010**	2009
Revenues	**$ 223.9**	$ 233.6	**$ 322.3**	$ 345.3
EBITDA	**$ 8.3**	$ 7.4	**$ 0.9**	$ (2.9)
Segment operating profit (loss) [(1)]	**$ 4.5**	$ 2.4	**$ (5.7)**	$ (10.8)
Segment operating margin [(2)]	**2.0%**	1.0%	**(1.8)%**	(3.1)%
Backlog [(3)]			**$ 1,200**	$ 588

(1) Segment operating profit (loss) represents the profit (loss) from operations, before net interest expense, income taxes, and non-controlling interests.

(2) Segment operating margin is calculated as segment operating profit (loss) as a percentage of revenues.

(3) Included in backlog at June 30, 2010 is $35 million (2009 – $71 million) related to the Quito airport project. Although Aecon's 50% share of the remaining construction revenues from this project is estimated at $61 million (2009 - $123 million), the amount reported as backlog has been reduced by $26 million (2009 - $52 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 Quito airport is being constructed, it cannot report revenue, and therefore does not report backlog, that effectively arises from transacting with itself.

For the quarter ended June 30, 2010, Infrastructure segment revenues of $224 million were $10 million, or 4%, lower than the corresponding quarter in 2009 as revenues declined in materials, utilities and international operations, and increased in civil operations. The reduction in materials revenues occurred in Western Canada where progress on many projects was impaired by significant rainfall and flooding in southern Alberta, while the reduction in utilities reflected a softening of the utilities market in Ontario and a reduction in the volume of bid work performed. Internationally, the revenue decrease resulted from a slowdown in the pace of construction at the new Quito airport (see discussion below on Quito Airport Project Recent Developments). Partly offsetting these declines was an increase in revenues from civil operations, particularly from new awards in Quebec, compared to the second quarter of 2009.

For the six months ended June 30, 2010, revenues in the Infrastructure segment of $322 million decreased by $23 million, or 7%, over the same period last year. As in the second quarter, revenues increased in civil operations, and decreased in the materials, utilities and international operations for reasons similar to those noted above.

The Infrastructure segment operating profit of $4.5 million in the second quarter of 2010 represents a $2.1 million improvement over 2009. Operating profit increases in the segment's civil and international operations were partly offset by decreases in materials and utilities operations. The improvement in operating profits from civil operations resulted from higher volumes and stronger margin performance from Ontario and Quebec construction operations. The operating results in civil operations also benefitted from the commencement of profit recognition on a large multi-year contract, the Autoroute 30 joint venture, which reached 20% completion during the quarter, generally the level required before profit recognition begins on large multi-year contracts. The majority of the profit improvement from international operations resulted from the settlement of claims related to the Nathpa Jhakri hydroelectric project in India which resulted in additional profit of $1.9 million which offset lower construction profits from the Quito airport project. Of note is the repatriation this year to Aecon of cash totalling approximately $14 million from the India project, of which $7 million was received in the six month period to June 30, 2010, and the cancellation of all financial and performance guarantees related to the project. Partially offsetting these improvements were lower operating profits in materials operations, notably in Western Canada, as the volume of work performed decreased quarter-over-quarter, and from lower utilities profits reflecting lower margins from Ontario operations.

For the six months ended June 30, 2010, the Infrastructure segment operating loss was $5.7 million, which represented an improvement of $5.1 million over the same period last year. Operating profits improved in the civil and materials operations, and decreased in the utilities operations. Operating profits from international operations were in line with the prior period. The improvement in operating profits from civil operations was the result of stronger margin performance from Ontario and Quebec construction operations including the above noted impact from the commencement of profit recognition on a large project in 2010. The improvement in operating profits from materials resulted primarily from a $7 million gain from the sale of land in the first quarter of 2010 which offset decreases in Western Canada. In utilities, lower volumes in Ontario led to lower operating profits. Internationally, improvements on the India project ($1.9 million), as described above in the second quarter commentary, were offset by lower construction profits on the Quito airport project.

Backlog at June 30, 2010 was $1.200 billion, which represents a $612 million increase over the same time last year. The increase results primarily from higher backlog in civil operations, which reflects recent awards for Aecon's share of the construction of the Lower Mattagami Hydroelectric Complex in Ontario and the expansion of Quebec's Autoroute 30. New contract awards totaled $871 million in the second quarter of 2010 and $977 million year-to-date, compared to $162 million and $313 million, respectively, in the prior year. Most of the increase in new awards occurred in civil operations.

It should be noted that Infrastructure reported backlog includes the revenue value of backlog that relates to projects that are accounted for using the equity method. Consequently, since this method of accounting results in earnings (revenues less expenses) from equity accounted projects being reported as a singular amount on Aecon's consolidated statement of income, the revenue component of backlog for these projects is not included in Aecon's reported revenues.

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 show up as reported backlog when the number of units or volume of work cannot be estimated with reasonable certainty. 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	
	2010	2009	**2010**	2009
Revenues	**$ 140.5**	$ 114.8	**$ 279.7**	$ 223.3
EBITDA	**$ (10.1)**	$ 1.1	**$ (9.0)**	$ 0.3
Segment operating profit (loss)	**$ (10.3)**	$ 0.9	**$ (9.4)**	$ -
Segment operating margin	**(7.3)%**	0.8%	**(3.4)%**	0.0%
Backlog			**$ 650**	$ 521

For the quarter ended June 30, 2010, the Buildings segment reported revenues of $141 million compared to revenues of $115 million in 2009. The $26 million, or 22%, increase resulted primarily from an increase in Ontario operations reflecting the impact of several large projects, including three Infrastructure Ontario projects, underway during the period.

For the six months ended June 30, 2010, the Buildings segment reported revenues of $280 million compared to revenues of $223 million during the same period last year. The $56 million, or 25%, improvement came primarily from increases in Ontario and Quebec operations and resulted from factors similar to those that caused the increase in second quarter revenues. These increases were partly offset by a revenue decrease in Seattle, which was primarily caused by the completion of a large multi-year project earlier this year.

The Buildings segment incurred an operating loss of $10.3 million in the second quarter of 2010 compared to a profit of $0.9 million in 2009. Most of the $11.2 million decline occurred in Ontario operations where the impact of higher revenues was offset by further losses on two large projects in Ontario that similarly contributed losses in 2009. Significant staff and management focus continues to be brought to bear to contain the issues and losses on these two very difficult projects. Management is confident that the current situation is well understood and that the related financial impacts have been fully reflected in these writedowns. Since both jobs are not scheduled to complete until 2011, it is possible that further writedowns become necessary. Claim recovery of some of these losses is expected over time, but such recoveries have not been factored in the financial position of the projects, as consistent with Aecon's accounting policies.

For the six months ended June 30, 2010, the Buildings segment reported an operating loss of $9.4 million compared to a break even result from the same period in 2009. The year-over-year profit decline occurred entirely in Ontario operations for reasons noted above in the commentary on the segment's second quarter results.

Backlog of $650 million at the end of the second quarter of 2010 was $129 million higher than at the same time in 2009 with most of the increases in the segment's Ontario and Quebec operations. New contract awards totaling $104 million were recorded in the second quarter of 2010, which compares with awards of $115 million in the same period of 2009, while awards of $193 million in the first six months of 2010 compared to $210 million in the first six months of 2009. The majority of the new awards in 2010 occurred in the segment's Ontario and Quebec operations, and included an award for a construction management contract to complete the construction in Ottawa of Canada's largest IKEA store.

As discussed in the Consolidated Financial Highlights section, contracts awarded to Aecon based on supplier of choice and alliance agreements, as well as the value of construction work managed under construction management advisory agreements, do not show up as reported 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	
	2010	2009	**2010**	2009
Revenues	**$ 297.5**	$ 244.6	**$ 467.8**	$ 341.1
EBITDA	**$ 27.0**	$ 22.7	**$ 36.2**	$ 36.5
Segment operating profit	**$ 23.9**	$ 17.0	**$ 30.3**	$ 30.1
Segment operating margin	**8.0%**	6.9%	**6.5%**	8.8%
Backlog			**$ 872**	$ 551

Revenues in the second quarter of 2010 of $298 million in the Industrial segment were $53 million or 22% higher than in 2009. Revenue increases in the segment's Western Canada operations, from site construction projects in its heavy industrial unit and from the segment's mechanical unit, contributed the majority of the quarter-over-quarter revenue increase. Partly offsetting these increases were revenue decreases in Ontario and Eastern Canada. The decreases in Ontario occurred in both the fabrication and construction operations, primarily in the power and nuclear sectors.

For the six months ended June 30, 2010, the Industrial segment reported revenues of $468 million compared to revenues of $341 million in the comparative period last year, representing a $127 million or 37% increase. As in the second quarter, revenue increases occurred in Western Canada, primarily from site construction projects in the heavy industrial unit and from the acquisition of Lockerbie in 2009. As a result of this acquisition, the reported revenues include the results of the acquired operations for the entire six-month period of 2010, whereas the 2009 results only include activity for the second quarter of 2009. These increases were partially offset by declines elsewhere in the segment's operations, particularly Ontario.

In the second quarter of 2010, the Industrial segment generated an operating profit of $23.9 million compared to $17.0 million in the same quarter last year with significant increases in operating profits occurring in the heavy industrial unit in Western Canada, mostly as a result of the above noted higher volumes in 2010. These profit improvements were partly offset by lower profits from the segment's construction and fabrication units in Ontario. In 2009, construction operating results in Ontario benefited from strong contract margin contributions on a small number of construction projects. This margin performance was not repeated in 2010.

For the six months ended June 30, 2010, the Industrial segment generated an operating profit of $30.3 million which was in line with $30.1 million in the same period last year. The largest increase in operating profits occurred in Western Canada, with the largest decrease occurring in Ontario. Similar to the year-to-date revenue increase, operating profits in Western Canada for the first six months of 2010 benefitted significantly from the Lockerbie acquisition, whereas construction operating results in Ontario were impacted by strong contract margin contributions in 2009 on a small number of construction projects.

Backlog at June 30, 2010 of $872 million was $321 million higher than last year primarily due to higher backlog in Western Canada. Overall, new contract awards of $290 million in the second quarter of 2010 were $110 million higher than in the same period in 2009, and new awards of $440 million for the six months of 2010 are $234 million higher than the same period in 2009. Most of the increase in new awards occurred in Ontario and Western Canada operations.

As discussed in the Consolidated Financial Highlights section, significant contracts awarded to Aecon based on time and material, cost-plus, and unit priced contracts, including supplier of choice and alliance agreements, do not show up as reported backlog when the number of units or volume of work cannot be estimated with reasonable certainty. 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			
	2010		2009		**2010**		2009	
Revenues	**$**	**21.0**	$	22.1	**$**	**41.8**	$	47.4
EBITDA	**$**	**6.6**	$	7.1	**$**	**13.2**	$	15.6
Segment operating profit	**$**	**5.0**	$	3.3	**$**	**10.2**	$	7.7
Segment operating margin		**24.0%**		14.8%		**24.4%**		16.3%

Revenues in the second quarter of 2010 of $21 million in the Concessions segment were $1 million, or 5%, lower compared to the same period in 2009. The majority of the decrease in revenues came from Aecon's interest in the operator of the Cross Israel Highway whose operations are 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 2010, Concessions segment revenues were $42 million, representing a $6 million or 12% decrease over the same period in 2009. Similar to the second quarter of 2010, the majority of the revenue decrease occurred in the operator of the Cross Israel Highway.

Segment operating profit of $5.0 million in the second quarter of 2010 compared to a profit of $3.3 million from the same period in 2009, primarily from higher operating profits from the Quito airport concessionaire, which includes the results from operating the existing Quito airport while the new airport is being constructed. The improvement in operating results from the Quito airport concession reflects higher passenger traffic and the benefit of lower amortization costs compared to the second quarter of 2009.

For the six months ended June 30, 2010, segment operating profit of $10.2 million represented an increase of $2.5 million or 32% over the same period in 2009, as higher operating profits from the Quito airport concessionaire offset a small decline in operating profits from the operator of the Cross Israel Highway.

Nearly 1.2 million passengers departed through the existing Quito airport in the first six months of 2010, a 9% increase over the first six months of 2009. Operating profits from the operations of the existing Quito airport are required to be invested to finance the development and construction costs of the new airport.

Unlike the operator of the Cross Israel Highway, which is discussed above, and whose revenues and operating profits are included in Aecon's reported results, Aecon's long-term concession 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 recognized only 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 continues to perform well and is generating strong operating cash flow, Aecon has not reported any revenues and profits from its concession investment. Average weekday traffic on the highway in June 2010 surpassed 134,000 vehicles, a 23% increase over 2009.

On July 15, 2010, Aecon signed an agreement with a consortium headed by Israel Infrastructure Management to sell its 25% interest in the Cross Israel Highway concessionaire, Derech Eretz, for $77.8 million, subject to certain adjustments on closing. The transaction agreement anticipates closing in the fourth quarter of 2010, although the transaction remains subject to various third party approvals, including consents to waive rights of first refusal and tag-along rights held by Aecon's existing partners – Africa Israel Investments Ltd (37.5%) and Shikun & Binui Holdings Ltd. (37.5%) as well as approval by the State of Israel and Derech Eretz's senior lenders. Excluded from the transaction are Aecon's interests in the operator of the Cross Israel Highway. The sale of this investment is expected to generate net after tax cash proceeds of between $65 and $70 million for Aecon and an after tax gain of approximately $30 million.

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.

Quito Airport Project Recent Developments

Refer to the 2009 Annual MD&A for additional details of previous developments regarding the Quito airport project (the "Project").

In July 2009, as a result of a legal ruling (the "Airports Ruling") issued by the Constitutional Court of Ecuador, with respect to the public nature of revenues collected by the concessionaire, a formal contractual dispute was declared and the Project's financing was suspended. Immediately thereafter, the concessionaire, the Municipality of Quito and the Project's senior lenders engaged in a process of consultation and negotiation in order to secure a new arrangement that would be satisfactory to all stakeholders.

Subsequently, agreement was reached with the Municipality of Quito, including a new commercial arrangement and legal structure acceptable to all parties, including the Ecuadorian State and the Project's senior lenders. The execution and effectiveness of the new agreement, however, is subject to various conditions and approvals by the senior lenders and various Ecuadorian authorities. Assuming prompt and favourable approvals by these institutions and delivery of the remaining closing conditions, the effective date of the new agreement should occur in the fourth quarter of 2010. In the meantime, because the Airports Ruling represents an event of default under the relevant finance agreements, the non-recourse debt related to the Project ($117.2 million) has been classified as a current liability until such time as the default is cured through implementation of the new agreement.

As a result of the postponement of construction financing during the period in which the new commercial agreement is being negotiated, the completion date for Project construction is likely to be extended to April 2012, which is approximately 18 months later than the completion date initially established. As at June 30, 2010, the Quito airport construction project was approximately 74% complete.

Quarterly Financial Data

Set out below are revenues, EBITDA, earnings (loss) before income taxes, net income (loss) and earnings (loss) per share for each of the most recent eight quarters:

(In millions of dollars, except per share amounts)

	2010		2009				2008	
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
Revenues	$ 681.5	$ 426.2	$ 599.8	707.1	613.2	340.9	$ 602.7	$ 534.7
EBITDA	25.1	4.0	40.1	46.3	31.4	6.9	40.3	42.5
Earnings (loss) before income taxes	10.7	(9.1)	25.1	29.7	15.2	0.1	31.4	35.7
Net income (loss)	7.8	(6.6)	15.4	19.6	9.9	(0.6)	20.4	23.1
Earnings (loss) per share:								
Basic	0.14	(0.12)	0.28	0.36	0.18	(0.01)	0.41	0.46
Diluted	0.14	(0.12)	0.26	0.35	0.18	(0.01)	0.40	0.45

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Aecon's investments in its joint ventures, including the Quito airport concessionaire ("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 these joint ventures. Aecon is also involved in three build finance hospital projects with Infrastructure Ontario. Each of these hospital projects is being financed by non-recourse project debt during the construction period through the use of individual build finance special purpose vehicles ("Build Finance SPVs").

Cash and Debt Balances

Cash balances at June 30, 2010 and December 31, 2009 are as follows:

($ millions)		June 30, 2010			
		Balances excluding Joint ventures and Build Finance SPVs	**Joint ventures**	**Build Finance SPVs**	**Consolidated Total**
Cash and cash equivalents	(1)	**$ 78**	**$ 72**	**$ 32**	**$ 182**
Restricted cash	(2)	**7**	**48**	**-**	**54**
Term deposits	(3)	**-**	**-**	**8**	**8**

		December 31, 2009			
		Balances excluding Joint ventures and Build Finance SPVs	**Joint ventures**	**Build Finance SPVs**	**Consolidated Total**
Cash and cash equivalents	(1)	$ 261	$ 31	$ 48	$ 341
Restricted cash	(2)	8	46	-	54
Term deposits	(3)	-	-	20	20

(1) Cash and cash equivalents includes cash on deposit in joint venture bank accounts (other than cash in Quiport JV as noted in (2) below) which Aecon cannot access directly, as well as cash held by Build Finance SPVs, which was advanced by lenders to finance the construction of three Infrastructure Ontario hospital projects.

(2) Restricted cash includes cash that was deposited as collateral for borrowings and letters of credit issued by Aecon and cash held in Quiport JV.

(3) Term deposits represents short-term investments held by Build Finance SPVs using cash which was advanced by lenders to finance the construction by Aecon of Infrastructure Ontario hospital projects. These funds are being invested in term deposits until such time as the cash is required to fund construction costs.

Cash and cash equivalents at June 30, 2010 were $182 million, which compares with $341 million at December 31, 2009. The $159 million decrease results primarily from seasonal investments in working capital ($112 million) and from the purchase of Churchill common shares ($59 million). See the Summary of Cash Flows section of this MD&A for further details.

Total debt of $560 million at June 30, 2010 compares to $526 million at December 31, 2009, the composition of which is as follows:

($ millions)		Jun. 30, 2010		Dec. 31, 2009
Current portion of long-term debt – recourse	**$**	**22.3**	$	16.5
Current portion of long-term debt – non-recourse(1)(2)		**301.2**		217.5
Long-term debt – recourse		**57.5**		63.0
Long-term debt – non-recourse(2)		**18.4**		70.0
Convertible debentures		**160.1**		158.6
Total debt	**$**	**559.5**	$	525.6
Debt held directly		**239.9**		238.1
Debt held by Build Finance SPVs		**197.5**		166.6
Debt of joint ventures		**122.1**		120.9
Total debt	**$**	**559.5**	$	525.6

(1) The current portion of long-term debt – non-recourse includes Quito airport project debt which has been classified as current following the Constitutional Court of Ecuador's Airports Ruling in the third quarter of 2009. See the discussion in the Concessions segment section of this MD&A for additional Quito airport project recent developments.

(2) The current portion of "long-term debt – non-recourse" increased by $84 million between December 31, 2009 and June 30, 2010. The majority of this change results from the reclassification of $70 million of Infrastructure Ontario project related debt from long-term (debt due beyond one year) to current (debt due within one year).

At June 30, 2010, total debt outstanding amounted to $560 million compared to $526 million at December 31, 2009. The majority of the $34 million increase in debt results from a $32 million net increase in non-recourse debt (current and long-term) almost all of which relates to non-recourse project debt for three Infrastructure Ontario hospital projects.

Aecon's liquidity position and capital resources continued to be strong in the second quarter of 2010 and are expected to be sufficient to finance its operations and working capital requirements for the foreseeable future. In addition to a significant cash balance, Aecon's liquidity position is further strengthened by its ability to draw on a committed bank operating line of $100 million which, except for supporting letters of credit amounting to $48 million, was otherwise undrawn as of June 30, 2010. This credit facility expires on June 15, 2011. At June 30, 2010, Aecon was in compliance with the financial debt covenants related to this credit facility. Further details relating to Aecon's operating lines are described in note 12 to the 2009 Consolidated Financial Statements.

An annual dividend of $0.20 per share was paid in 2009 consisting of quarterly payments of $0.05 per share. Quarterly dividends of $0.05 per share continue to be paid in 2010.

At June 30, 2010, Aecon's remaining equity to be invested in the Quito airport concessionaire was US$2 million along with the ongoing reinvestment of Aecon's share of the earnings of the existing airport. An additional estimated US$12 million is required to be invested under the terms of the

preliminary agreement reached regarding the Airports Ruling. Aecon has already contributed US$6 million of this requirement as an advance to Quiport JV. As of June 30, 2010, Aecon's total investment in the Quito airport concessionaire was approximately US$67 million. Of this amount, US$38 million was invested through cash equity contributions and the balance of US$29 million through the reinvestment of Aecon's share of the earnings of the existing airport. Aecon has also deposited US$4 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$2 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 Consolidated Balance Sheet at June 30, 2010.

Summary of Cash Flows

($ millions)	Consolidated Cash Flows			
	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	**2010**	2009
Cash provided by (used in):				
Operating activities	**$ (51.2)**	$ (58.6)	**$ (94.0)**	$ (51.7)
Investing activities	**(57.5)**	(138.3)	**(74.4)**	(192.9)
Financing activities	**5.7**	16.1	**9.1**	143.0
Decrease in cash and cash equivalents	**(103.0)**	(180.8)	**(159.3)**	(101.7)
Effects of foreign exchange on cash balances	**0.2**	(4.8)	**-**	(3.3)
Cash and cash equivalents - beginning of period	**284.4**	373.5	**340.9**	292.9
Cash and cash equivalents - end of period	**$ 181.6**	$ 187.9	**$ 181.6**	$ 187.9

The construction industry in Canada is seasonal in nature for companies like Aecon who perform a significant portion of their work outdoors, particularly road construction and utilities work. As a result, a larger portion of this work is performed in the summer and fall months than in the winter and early spring months. Accordingly, Aecon has historically experienced a seasonal pattern in its operating cash flow, with cash balances typically being at their lowest levels in the middle of the year as investments in working capital increase as revenues increase. These seasonal impacts typically result in cash balances usually peaking near year end or in the first quarter of the year.

Operating Activities

Cash used by operating activities of $51 million in the second quarter of 2010 compares with cash used by operating activities of $59 million in the same quarter last year, while cash used by operating activities of $94 million in the first six months of 2010 compares with cash used of $52 million in the same period last year. The $7 million decrease in cash usage in the second quarter resulted from lower investments in working capital. Of the $42 million increase in cash usage for the six-month period, $24 million relates to higher investments in working capital and includes the increase in working capital within build-finance projects where the customer is billed only when the project is complete. Aecon's investment in the working capital of build-finance projects is financed through non-recourse debt (see the discussion under Financing Activities below). Lower earnings in the first six months of 2010 also contributed to the increase in cash usage period-over-period.

Investing Activities

In the second quarter of 2010, investing activities resulted in a use of cash of $57 million, which compares with cash used of $138 million in the second quarter of 2009. Of the cash used in the second quarter of 2010, $59 million represents Aecon's investment in Churchill shares (see details below), and $6 million represents Aecon's proportionate share of the investment made by Quiport JV in the construction of the new Quito airport (i.e. increase in concession rights). These Quiport JV related cash outlays were, for the most part, financed by non-recourse project debt (see Financing Activities below). In addition, purchases of property, plant and equipment used $10 million of cash in the second quarter of 2010. Partly offsetting these cash outflows was $17 million of cash provided by reductions in restricted cash balances and term deposit investments. During the second quarter of 2009, $83 million, net of cash acquired, was used to fund the acquisition of Lockerbie, and $25 million was used to fund Aecon's proportionate share of the cash used by Quiport JV for the construction of the new Quito airport. In addition, cash of $46 million was used by Build Finance SPVs to invest in term deposits until such time as these investments are required to fund construction costs.

For the first six months of 2010, investing activities resulted in a use of cash of $74 million, which compares with cash used of $193 million in the first six months of 2009. Of the cash used in 2010, $59 million represents Aecon's investment in Churchill shares, $20 million represents Aecon's proportionate share of the investment made by Quiport JV in the construction of the new Quito airport, and $4 million represents capital expenditures, net of sales, on property, plant and equipment. Of the cash used in the first six months of 2009, $115 million, net of cash acquired, was used to fund the acquisitions of Lockerbie and South Rock, and $45 million represents Aecon's proportionate share of the investment made by Quiport JV in the construction of the new Quito airport.

Investment in Churchill

In June, Aecon purchased 3,056,000 subscription receipts offered by Churchill Corporation under the terms of that company's short form prospectus dated June 8, 2010. Aecon purchased the securities for total consideration of $51.2 million at the offering price of $16.75. As a result of the purchase, and including additional shares acquired through the facilities of the Toronto Stock Exchange, Aecon holds 3,513,600 common shares or approximately 14.9% of the outstanding common shares of Churchill Corporation.

Financing Activities

In the second quarter of 2010, cash provided by financing activities amounted to $6 million, compared to cash provided of $16 million in the same quarter last year. During the second quarter of 2010, long-term debt borrowings amounted to $12 million, while repayments totalled $4 million, for a net change of $8 million. This compares to net borrowings of long-term debt totalling $56 million in the second quarter of 2009. Dividends of $3 million were paid in the second quarters of 2010 and 2009. Also during the second quarter of 2009, Aecon fully repaid the $30 million it borrowed on its operating line in the first quarter of 2009.

In the first six months of 2010, cash provided by financing activities amounted to $9 million, compared to cash provided of $143 million in the same period last year. During the first six months of 2010, issuances of long-term debt amounted to $34 million, $31 million of which relates to non-recourse project financing for Build Finance SPVs related to various Infrastructure Ontario hospital projects, while repayments totalled $12 million, for a net change of $22 million. This compares to net borrowings of long-term debt totalling $159 million in the first six months of 2009, primarily related to Aecon's proportionate share of additional non-recourse financing for the Quito airport project and related to non-recourse project financing for various Infrastructure Ontario hospital projects. Also, $8 million was used in 2010 to purchase Aecon common shares by the Long-Term Incentive Plan compared to $9 million in 2009, and dividends of $6 million and $5 million were paid in each of the first six-month periods of 2010 and 2009, respectively.

NEW ACCOUNTING STANDARDS

Note 2 to the June 30, 2010 Interim Consolidated Financial Statements includes new CICA Handbook sections which became effective on or after January 1, 2010 for Aecon. To date, there has not been any significant impact in 2010 on Aecon's financial position or on the results of its operations from adoption of these new standards. The impacts from adopting International Financial Reporting Standards are discussed below.

International Financial Reporting Standards ("IFRS")

Background, project structure and project progress

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian publicly accountable enterprises will have to adopt IFRS effective for fiscal years beginning on or after January 1, 2011. The Company will issue consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") beginning with the first quarter ending March 31, 2011, with comparative information.

The Company's project and governance structure for its transition to IFRS which includes a Steering Committee with representation from various functions throughout the organization, meets on a bi-weekly basis to monitor the progress of the project and to provide overall guidance. A Technical Committee is also in place. With the progress that has been made on the project, the Technical Committee now meets on an as needed basis to make decisions on any accounting policy issues or technical accounting concerns that arise. This structure will remain in place through 2010. The Company's Audit Committee also receives a status update each quarter on the progress of the conversion.

The Company has completed the detailed assessment phase of its conversion project for all standards that affect the transition. The Company is focusing its effort throughout 2010 on the solutions development and implementation phases of IFRS that will have an impact on Aecon's financial statements. To date, the project is progressing according to plan.

During the second quarter of 2010 the project successfully achieved the following milestones and commenced work on other key milestones:

Milestone	**Progress**
Complete roll out of IFRS reporting package	Completed
Complete general ledger and process changes	Completed
Prepare IFRS Opening Balance Sheet	Completed subject to various internal and external reviews (discussed further below)
Specified procedures performed by external auditors on Opening Balance Sheet	In progress
Calculation of first quarter IFRS adjustments	In progress

During the third quarter of 2010, the project is focused on achieving the following milestones:

Milestone	**Deadline**
Finalize draft of first quarter 2010 financial statements including notes	August 2010
Internal review of first quarter financial statements and note disclosures	August/September 2010
External auditor review of first quarter IFRS adjustments	August/September 2010
External auditor review of first quarter financial statement note disclosures	September 2010
Complete final analysis of IFRS impact on budgeting/forecasting process and provide revised instructions for 2011 business plan creation	September 2010
Calculation of second quarter IFRS adjustments	September/October 2010

Potential accounting changes as a result of transition to IFRS

The table below provides a brief summary of select IFRS that may impact Aecon, their differences from Generally Accepted Accounting Principles ("GAAP") and their potential impact to the Company. The table is not comprehensive and does not include all of the differences from GAAP for the standards noted. Also, the table does not include all the standards that may require changes for the transition to IFRS. Although nothing has been identified to date, ongoing work relating to other standards not presented in the table may have a significant impact on the Company's consolidated financial statements.

Standards	Difference from GAAP	Potential Impact
Presentation and disclosure	IFRS requires significantly more disclosure than GAAP for certain standards. In some cases, IFRS also requires different presentation on the balance sheet and income statement.	This will be the most significant impact to the organization. The other differences and impacts noted throughout this table will cause measurement differences, but based on historical analysis and current future projections their impact on operating profit is not expected to be significant. The increased disclosure requirements will cause the Company to change current processes and implement new financial reporting processes (discussed below) to ensure the appropriate data is collected for disclosure purposes.
Construction contracts	IFRS provides more explicit guidance than GAAP on revenue recognition for construction contracts. The criteria for combining and separating contracts are different under IFRS than current generally accepted practice. Project specific borrowing costs are to be treated as a contract cost in calculating percentage of completion.	Current processes are in-line with the requirements of IFRS. The analysis performed by the Company did not reveal any situations where contracts were being combined or separated in a manner inconsistent with IFRS and concluded that the Company does not have any measurement differences as a result of the transition to IFRS with respect to combining or separating contracts. However, in the future the potential exists for more contracts to be combined and accounted for as single contracts under IFRS. Percentage completion calculations on projects with project-specific debt will change with the inclusion of borrowing costs as a contract cost in IFRS restatement calculations.
Joint arrangements	IFRS provides an accounting policy choice for jointly controlled entities between the equity method of accounting and proportionate consolidation. (1)	All of the Company's joint arrangements are classified as jointly controlled entities under IAS 31 and Aecon has chosen to continue using proportionate consolidation to account for its joint ventures as opposed to the alternative choice of equity accounting. The amount of assets, liabilities, revenues and expenses relating to joint ventures will therefore not change on transition to IFRS.
Property, plant and equipment	Major asset components must be depreciated separately. This accounting treatment is sometimes referred to as "component accounting".	Annual depreciation expense will change to reflect accounting for components. The impact of this change will be minimal as many of the Company's assets where "component accounting" is required are already being accounted for in accordance with IFRS.
Impairment of assets	IFRS requires the assessment of asset impairment to be based on discounted future cash-flows. IFRS allows the reversal of impairment losses, other than for goodwill and indefinite life intangible assets.	The Company has not identified any impairment losses as at the date of transition to IFRS (January 1, 2010). The potential for more frequent impairment losses or reversals of previously recognized impairments on assets other than Goodwill as compared to GAAP will exist under IFRS. The potential for future asset impairments will

Standards	Difference from GAAP	Potential Impact
		increase for assets whose carrying amounts are currently supported by an undiscounted cash-flow basis.
Lease accounting	With respect to classifying a lease as either finance [2] or operating, IFRS does not provide quantitative guidelines, such as those that currently exist currently in GAAP.	The Company currently leases many of its fleet vehicles. These leases were classified as operating leases under GAAP and will be accounted for as finance leases under IFRS. This will increase the amount of "on balance sheet" assets and liabilities to be reported in the Company's IFRS financial statements. Going forward, there is a potential for more of Aecon's leases to be treated as finance leases under IFRS as the Company enters into new arrangements.
Service concession arrangements	IFRS has specific guidance on service concession arrangements. GAAP does not explicitly address these arrangements.	The Company's service concession arrangements are being accounted for in-line with IFRS. As a result, there are no changes on transition.
Business combinations	IFRS requires that all transaction costs of a business combination be expensed and that contingent consideration must be recognized on the acquisition date and not the date when payment of the contingent consideration is probable.	Aecon will have to apply these changes as a difference between GAAP and IFRS to any business combinations post January 1, 2010 unless it elects to early adopt CICA Handbook Section 1582: *Business Combinations* in 2010.
First-time adoption	IFRS contains explicit guidance on first-time adoption of IFRS. There are several elections available to ease the transition to IFRS and some mandatory exemptions from retrospective application of IFRS.	Aecon has selected the available elections the Company wishes to make and has applied them in preparing its Opening Balance Sheet. The following significant elections were made under IFRS 1: • The Company has elected not to apply IFRS 3(R) to business combinations before the date of transition to IFRS. The Company has examined prior business combinations to ensure that there are no assets or liabilities recognized under GAAP that do not qualify for recognition under IFRS. The Company has also ensured that any assets or liabilities that must be recognized under IFRS but were not required to be recognized under GAAP were recognized. The Company found no such items in its prior business combinations. • The Company did not elect to record property, plant and equipment and intangibles at fair value on transition. The Company is accounting for these items at their historical cost and restating balances where component accounting is required on transition. • The Company elected to recognize the actuarial gains and losses related to its defined benefit plans in retained earnings

Standards	Difference from GAAP	Potential Impact
		in full on transition. • The Company elected to reset its cumulative translation differences to zero, recognizing them to retained earnings in full on transition.
Financial instruments -embedded derivatives in convertible debentures	When a derivative financial instrument gives one party the choice over how it is settled, it is a financial asset or financial liability unless all of the settlement options would result in it being an equity instrument.	Under GAAP, the holder's option to convert its debt to equity is accounted for as an equity instrument. Under IFRS, this option is classified as a liability because the Company has the option to settle the holder's conversion in cash, which is a settlement option that does not result in an equity instrument. Under IFRS this liability will be accounted for at fair value with gains and losses recognized in net income. The effect of this adjustment has not been finalized in the Company's Opening Balance Sheet. The Company is seeking third party professional assistance to value the derivative financial instrument. This treatment will increase the volatility of the Company's net income depending on changes in valuation inputs (e.g. share price).
Financial instruments – available for sale investments	IFRS requires financial assets classified as available for sale investments to be recorded at fair value, even absent a quoted price in an active market, so long as the fair value can be reliably measured. In certain situations, GAAP allows such investments to be accounted for at cost when it is does not have a quoted price in an active market.	Under GAAP, Aecon accounts for its investment in Derech Eretz Highways (1997) Ltd. at cost because the investment does not have a quoted market price in an active market. Under IFRS, the Company must account for this investment at fair value. This will significantly increase the carrying value of this investment on the Company's Opening Balance Sheet.

(1) The IASB released an exposure draft (ED 9) on Joint Arrangements in September 2007. The effect of this new standard is discussed further in the MD&A.

(2) IFRS uses the term "finance lease" to describe what is called a "capital lease" under GAAP.

The Company will continue to report throughout 2010 on its conclusions and accounting policy choices on the standards noted above. The Company has prepared an IFRS Opening Balance Sheet with explanatory notes. With the exception of a few outstanding items, this information is currently being reviewed internally before being approved. The Company's external auditors have also been involved where appropriate in the restatement process to ensure they are aware of the IFRS adjustments being made. In addition to disclosing directional qualitative analysis on the impacts of the transition to IFRS, the Company still expects to be in a position to disclose material quantitative information in the third quarter of 2010. While the Company believes it has performed an appropriate level of analysis in selecting its IFRS accounting policies, actual quantitative results may reveal additional impacts to the Company that were not anticipated. IASB projects, discussed below, may also lead to changes or adjustments to the Opening Balance Sheet and quarterly restatements.

Impact of IASB projects

The IASB has several projects slated for completion in 2010 and 2011 that may significantly impact the transition to IFRS and the financial statements of the Company. The Company continues to monitor the IASB's progress on these projects and their impact on the Company's transition to IFRS.

The Company participates in many joint arrangements as part of its ongoing construction and concession operations. An IASB Exposure Draft (ED 9) on joint arrangements was issued in September 2007 which proposed the elimination of the use of proportionate consolidation in favour of the equity method for joint ventures, as defined by the exposure draft. Per the IASB website, the final standard is expected to be issued in October 2010. The Company's Opening Balance Sheet was prepared using IAS 31. Aecon will evaluate the new standard, and potential early adoption options, when it is issued.

Impact on information systems and technology

The most significant information systems challenges for the IFRS conversion were ensuring the Company had the ability to track its IFRS adjustments in the year of transition and that new IFRS reports could be produced to facilitate the preparation of IFRS financial statements. The Company has successfully tested its ability to track IFRS adjustments throughout 2010 and has successfully implemented the modifications required to existing and new reports to facilitate the preparation of the increased note disclosure required under IFRS.

As noted in prior communications about the Company's transition to IFRS, report requirements necessitated modifications to Aecon's existing general ledger account structures. The Company has implemented these changes and has begun tracking data from the start of 2010 based on its more detailed general ledger structure. As of now, the transition is not expected to have a significant impact on the Company's other information systems.

The most significant challenge remaining from an information systems perspective is the migration of all 2010 IFRS adjustments into the 2011 opening balances in the Company's accounting information system. Finalization of the solution development for the migration is scheduled for the third quarter of 2010, with implementation to be performed throughout the fourth quarter of 2010 for use in the first quarter of 2011.

Impact on internal controls over financial reporting and disclosure controls and procedures

As described further below, in accordance with its conversion plan the Company is continually reviewing its internal controls over financial reporting and its disclosure controls and procedures and will update these as required to ensure they are appropriate for reporting under IFRS.

As noted, the transition to IFRS for the Company mainly affects the presentation and disclosure of its financial statements. This may lead to significant process changes in order to facilitate the reporting of more detailed information in the notes to the financial statements, but it is not currently expected to lead to many measurement or fundamental differences in the accounting processes used by the Company.

The Company has implemented controls over its IFRS adjustment process, which includes management and review by qualified members of corporate finance. The Steering Committee continues to provide ongoing project oversight, and the Technical Committee continues to review the accounting decisions being made by the IFRS implementation team and the resulting implications of those decisions.

The conversion to IFRS, as noted above, exposes the Company to control risks when there are new or modified processes. To address these risks the Company has been designing controls for areas where increased judgement is required (e.g. impairment testing) or areas where changes in the measurement of assets or liabilities are required. The Company's internal audit function is also examining its key risk and control matrices to ensure the changes as a result of IFRS are assessed along side the key controls risks at Aecon. Given that the project is ongoing, the IFRS team is identifying where controls still need to be designed as it goes through the restatements. Given the progress of the project to date and the resources allocated to the project, the Company is confident it will be able to implement the necessary controls by the end of the project. Some of the controls identified for the 2010 comparative year are as follows:

IFRS standard	**Control**
Impairment of assets	Quarterly review of divisional assessment of impairment indicators.
Property, plant and equipment	Review of component accounting assessments for compliance with the Company's internal policies.
Revenue Recognition	Quarterly review of adjustment process for situations where combining and separating of contracts is necessary.
Financial statement note disclosure	Quarterly review and consolidation of divisional IFRS reporting packages containing necessary IFRS disclosure information.

Ongoing processes required to properly apply some of the Company's IFRS accounting policies from the start of 2010 for comparative purposes have been put in place and are being applied by all divisions. Processes that center on period end reporting will be rolled out for preparation of first quarter financial statements in 2011.

Financial reporting expertise

Over the past few years, the Company's key financial reporting staff members have attended several CICA IFRS training courses. The Company's IFRS team has also received detailed technical accounting training internally on the differences between GAAP and IFRS as they apply to Aecon.

During 2009, the IFRS team held over 10 IFRS information sessions which detailed high level project milestones and major differences from GAAP for its business units. Attendees of the session

included divisional executives, general finance personnel and key operations personnel. The Company's Board of Directors and Audit Committee have also been informed of major differences between GAAP and IFRS and are regularly updated on the progress of the project.

The Company has held three significant training sessions for the wider finance group of the organization. The first, held in November of 2009, focused on impairment of assets processes that are required for IFRS. The second session, held in December of 2009, focused on the above noted process changes for 2010. The third session, held in April of 2010, focused on the IFRS reporting package created to collect information for financial statement note disclosures. The Company's finance group is continuing to receive training on a regular basis to ensure they have the required understanding of new processes, policies and technical knowledge.

Business Activities

The transition to IFRS has had the following impacts on Aecon's business activities:

Key operations personnel are being educated on the accounting requirements relating to joint ventures so that the accounting implications of contractual arrangements are appropriately understood when negotiating and drafting new agreements.

The company has reviewed the terms of its senior credit facility and noted no significant impact to the Company's current debt covenants, or bonding requirements, as a result of IFRS. The Company is ensuring that any future arrangements include an analysis of IFRS' impact on the arrangement.

The Company has also made its key finance personnel aware that any business combinations considered must not be completed without proper IFRS due diligence being carried out.

SUPPLEMENTAL DISCLOSURES

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed disclosure controls and procedures to provide reasonable assurance that material information with respect to Aecon is made known to them by others and is recorded, processed, summarized and reported within required deadlines. The CEO and CFO 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. In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements.

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the period beginning on April 1, 2010 and ended on June 30, 2010 that have materially affected, or are

reasonably likely to materially affect, the Company's internal controls over financial reporting except with respect to the former Lockerbie operations. At March 31, 2010, the CEO and CFO, as permitted, limited the scope of their design of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of the former Lockerbie operations which were acquired by the Company in the second quarter of 2009. At March 31, the Company was in the process of remediating information technology general control deficiencies with respect to the former Lockerbie operations. Since that date, the Company has put into place the necessary design of controls including the migration of information systems relating to the former Lockerbie operations over to Aecon's primary information technology control environment.

Contractual Obligations

At December 31, 2009, the Company had commitments totaling $451 million for equipment and premises under operating leases requiring minimum payments and principal repayment obligations under long-term debt. The only material changes since year end resulted from additional non-recourse project financing for three Infrastructure Ontario hospital projects (approximately $31 million) and an increase in equipment and premises under operating leases (approximately $14 million).

At June 30, 2010, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was $2.748 billion. This consists of the reported backlog of $2.722 billion plus an additional $26 million representing Aecon's share of the Quito project revenues not included in reported backlog revenues.

Further details on Contractual Obligations are included in the 2009 Annual MD&A.

Off-Balance Sheet Arrangements

In connection with its joint venture operations in Quito and Israel, Aecon has provided various financial and performance guarantees and letters of credit, which are described in note 11 to the Company's 2010 Interim Consolidated Financial Statements and in the 2009 Consolidated Financial Statements.

Aecon's defined benefit pension plans had a combined deficit of $7.1 million at December 31, 2009 (December 31, 2008 - $2.0 million). There was no material change in the funded status of Aecon's pension plans during the first six months of 2010. Refer to the 2009 Annual MD&A for further details regarding Aecon's defined benefit plans.

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, 2010, the Company had outstanding contracts to buy and/or sell U.S. dollars or euros on which there was a net unrealized exchange loss of $0.2 million. The net unrealized exchange gain represents the estimated net amount the Company would have received if it terminated its foreign exchange contracts at June 30, 2010. Financial instruments are discussed in note 19 to the 2010 Interim Consolidated Financial Statements.

Further details of contingencies and guarantees are included in the 2010 Interim Consolidated Financial Statements and in the 2009 Consolidated Financial Statements.

Related Party Transactions

There were no significant related party transactions in the first six months of 2010.

Critical Accounting Estimates

The reader is referred to the detailed discussion on Critical Accounting Estimates as outlined in the notes to the Company's 2009 Consolidated Financial Statements and in the 2009 Annual MD&A.

RISK FACTORS

The reader is referred to the detailed discussion on Risk Factors as outlined in the 2009 Annual MD&A.

Outstanding Share Data

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

(in thousands of dollars, except share amounts)

		Jun. 30, 2010		Aug 3, 2010
Number of common shares outstanding (1)		56,814,232		56,814,232
Paid-up capital of common shares outstanding (2)	$	297,033	$	297,033
Outstanding securities exchangeable or convertible into common shares:				
Number of stock options outstanding		1,872,817		1,872,817
Number of common shares issuable on exercise of stock options		1,872,817		1,872,817
Increase in paid-up capital on exercise of stock options	$	22,881	$	22,881
Principal amount of convertible debentures outstanding (see note 12 to the 2010 Interim Consolidated Financial Statements)	$	160,071	$	160,071
Number of common shares issuable on conversion of convertible debentures		9,078,947		9,078,947
Increase in paid-up capital on conversion of convertible debentures	$	160,071	$	160,071

(1) The number of common shares outstanding as per the above table at June 30, 2010 includes 2,267,404 shares (Aug. 3, 2010 – 2,267,404 shares) held by the trustee of Aecon's Long-Term Incentive Plan ("LTIP").

The number of common shares outstanding at June 30, 2010 for financial statement purposes, after deducting the above LTIP shares, was 54,546,828 shares (Aug. 3, 2010 – 54,546,828 shares) (see note 14 to the 2010 Interim Consolidated Financial Statements).

(2) As described in note 14 to the 2010 Interim Consolidated Financial Statements, and in accordance with the recommendations of The Canadian Institute of Chartered Accountants, share capital at June 30, 2010 and Aug. 3, 2010 has been reduced by $25.4 million to reflect shares held by the trustee of the LTIP plan.

OUTLOOK

As we pass the mid-point of the year, most of the key trends shaping Aecon's outlook at the beginning of the year remain in place. The strongest outlook continues to be in those segments most exposed to public infrastructure such as roads, transit and water infrastructure, but with growing signs that the pace of recovery is increasing in industrial construction as well. Those segments more exposed to commercial building and private development continue to lag in new business awards.

The addition of the A30 highway project in Quebec and the Lower Mattagami Hydroelectric Complex in Ontario, both of which were secured during the second quarter, have driven Aecon's new business awards and total backlog to record levels. The $2.7 billion backlog at June 30 represents a 28% increase from the end of the first quarter and a 64% increase from the same time a year ago, while new business awards of $1.3 billion in the quarter were more than double the awards reported in the same quarter last year. Notably, the number of large multi-year contracts secured over the past several months has boosted the value of Aecon's long and medium duration backlog (that with a duration of more than 12 months) to more than $1 billion, from $378 million a year ago.

The growing strength and duration of Aecon's backlog provides management with increased visibility in its outlook, an important attribute in an economic environment where the commercial construction market continues to feel the impact of the recent recession. Combined with Aecon's strong balance sheet and liquidity position, this visibility and confidence continues to allow Aecon to pursue an appropriately patient strategy in slower markets, making capital investments and bidding new work strategically as the market returns to strength.

Signs of recovery continue to build in the oilsands, with a number of important projects underway once again, and a number of other projects in the bidding or pre-bid stage. Aecon continues to believe that most of the impact of a strengthening oilsands market will begin to be felt in 2011, with further growth in 2012.

Similarly, the industrial markets in Ontario and Atlantic Canada, which were hit hard by the recession, are beginning to show early signs of recovery. Taken together, the strong outlook for public infrastructure construction over the next several years, and the improving outlook for industrial construction over the same period, would suggest that 2011 and 2012 should be a period where Aecon's financial results reflect strength in both the private sector and public sector elements of the business.

Internationally, progress continues to be made toward resolving issues surrounding Aecon's concession interest in the Quito International Airport project. Notwithstanding the costs inherent in the recent commercial agreement now being finalized, this project remains an important one for Aecon, with a robust financial model. In Israel, the agreement signed on July 15, 2010 to sell Aecon's 25% interest in the Cross Israel Highway (which the transaction agreement anticipates will close in the fourth quarter subject to a number of required third party approvals) is expected to generate an after tax gain of approximately $30 million.

Backlog in Aecon's Buildings segment currently consists primarily of public infrastructure projects such as hospitals and universities, and this is expected to remain the case over the next several quarters as these markets continue to present new opportunities.

The significant losses booked in the fourth quarter of 2009 and the second quarter of 2010 in this segment have been driven by two projects in Ontario that have proven to be more challenging than expected. While these two projects are likely to result in overall Buildings segment losses in 2010, successful execution of a turnaround in the Buildings business continues to provide an opportunity for longer term upside, and remains an important element of Aecon's longer-term outlook.

Aecon's diverse operations and broad national presence, both of which are unmatched by any publicly traded company in the industry, allows it to mitigate the impact of downturns in any one sector or region. And its strong balance sheet, financial liquidity and substantial surety capacity, each of which are among the strongest in the Canadian industry, position Aecon well to exploit the many growth opportunities that exist in today's market.

Overall, management continues to believe that its record backlog, the strength, depth and durability of the public infrastructure markets, and the expected return to strength of its oilsands and industrial markets, combine to signal continued strong financial performance throughout 2010 and even more so into 2011 and 2012.

Aecon Group Inc.

Consolidated Financial Statements
(Unaudited)

June 30, 2010 and 2009

Notice to Reader

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

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

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

(signed) David Smales, Executive Vice-President and Chief Financial Officer

Aecon Group Inc.

Consolidated Balance Sheets

(in thousands of dollars) (unaudited)

	June 30, 2010	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents (note 3)	**$ 181,612**	$ 340,893
Restricted cash (note 3)	**54,423**	54,045
Marketable securities and term deposits (note 3)	**8,073**	19,509
Accounts receivable	**345,073**	325,836
Holdbacks receivable	**117,702**	126,709
Deferred contract costs and unbilled revenue	**318,321**	218,645
Inventories	**31,806**	33,377
Income taxes recoverable	**22,461**	-
Prepaid expenses	**14,686**	9,597
	1,094,157	1,128,611
Property, plant and equipment (note 5)	**209,915**	200,883
Future income tax assets	**6,894**	11,993
Concession rights (note 6)	**236,402**	215,697
Long-term concession investment (note 22)	**32,685**	32,685
Goodwill (note 7)	**53,618**	50,961
Other intangible assets (note 8)	**20,646**	24,137
Other long-term investment (note 9 (a))	**62,999**	-
Other assets (note 9 (b))	**21,795**	24,371
	$ 1,739,111	$ 1,689,338

Approved by the Board of Directors

(signed) "John M. Beck"	(signed) "Michael A. Butt"
John M. Beck, Director	Michael A. Butt, Director

Aecon Group Inc.

Consolidated Balance Sheets *...continued*

(in thousands of dollars) (unaudited)

	June 30, 2010	**December 31, 2009**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 376,298**	$ 389,196
Holdbacks payable	**72,026**	73,385
Deferred revenue	**132,490**	88,005
Income taxes payable	**-**	9,272
Future income tax liabilities	**50,043**	50,043
Current portion of non-recourse project debt (note 10)	**301,223**	217,436
Current portion of long-term debt (note 10)	**22,252**	16,489
	954,332	843,826
Non-recourse project debt (note 10)	**18,409**	70,000
Other long-term debt (note 10)	**57,531**	63,037
Other liabilities	**8,273**	7,851
Other income tax liabilities	**16,743**	16,341
Concession related deferred revenue	**68,181**	67,348
Convertible debentures (note 12)	**160,071**	158,614
	1,283,540	1,227,017
Non-controlling interests	**5,689**	4,929
Guarantees and contingencies (notes 11 and 13)		
Shareholders' Equity		
Capital stock (note 14)	**297,033**	304,946
Contributed surplus (note 14)	**4,539**	4,097
Convertible debentures (note 12)	**6,887**	6,887
Retained earnings	**139,741**	144,237
Accumulated other comprehensive income (loss) (note 14)	**1,682**	(2,775)
	449,882	457,392
	$ 1,739,111	$ 1,689,338

Aecon Group Inc.

Consolidated Statements of Income

For the three months ended June 30, 2010 and 2009

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

	2010	2009
Revenues	**$ 681,543**	$ 613,237
Direct costs and expenses	**(626,403)**	(549,816)
	55,140	63,421
Marketing, general and administrative expenses	**(30,489)**	(31,846)
Foreign exchange gains (losses)	**374**	(142)
Income from construction projects accounted for using the equity method	**411**	-
(Loss) gain on sale of assets	**(326)**	33
Depreciation and amortization (note 16 (c))	**(9,478)**	(14,985)
Interest expense	**(7,938)**	(3,046)
Interest income	**3,025**	1,759
	(44,421)	(48,227)
Income before income taxes and non-controlling interests	**10,719**	15,194
Income tax (expense) recovery		
Current	**1,148**	(1,337)
Future	**(3,299)**	(3,217)
	(2,151)	(4,554)
Income before non-controlling interests	**8,568**	10,640
Non-controlling interests	**(765)**	(711)
Net income for the period	**$ 7,803**	$ 9,929
Earnings per share (note 14)		
Basic	**$ 0.14**	$ 0.18
Diluted	**$ 0.14**	$ 0.18
Weighted average number of shares outstanding (note 14)		
Basic	**54,546,828**	55,017,708
Diluted	**71,853,148**	56,416,294

Aecon Group Inc.

Consolidated Statements of Income

For the six months ended June 30, 2010 and 2009

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

		2010		2009
Revenues	$	**1,107,724**	$	954,122
Direct costs and expenses		**(1,025,237)**		(858,073)
		82,487		96,049
Marketing, general and administrative expenses		**(58,046)**		(56,008)
Foreign exchange losses		**(414)**		(1,718)
Loss from construction projects accounted for using the equity method		**(1,712)**		-
Gain on sale of assets (note 15)		**6,754**		56
Depreciation and amortization (note 16 (c))		**(17,541)**		(23,032)
Interest expense		**(15,773)**		(4,682)
Interest income		**5,837**		4,665
		(80,895)		(80,719)
Income before income taxes and non-controlling interests		**1,592**		15,330
Income tax recovery (expense) (note 4)				
Current		**5,754**		(2,540)
Future		**(4,254)**		(1,762)
		1,500		(4,302)
Income before non-controlling interests		**3,092**		11,028
Non-controlling interests		**(1,907)**		(1,725)
Net income for the period	$	**1,185**	$	9,303
Earnings per share (note 14)				
Basic	$	**0.02**	$	0.18
Diluted	$	**0.02**	$	0.17
Weighted average number of shares outstanding (note 14)				
Basic		**54,810,560**		52,626,103
Diluted		**71,001,774**		53,968,485

(in thousands of dollars) (unaudited)

Consolidated Statements of Comprehensive Income:

	Three months ended June 30		Six months ended June 30	
	2010	**2009**	**2010**	**2009**
Net income for the period	**$ 7,803**	$ 9,929	**$ 1,185**	$ 9,303
Other comprehensive income (loss), net of tax:				
Currency translation adjustments	**2,986**	(5,069)	**879**	(3,137)
Mark-to-market adjustments on available-for-sale investments	**3,578**	-	**3,578**	(145)
Comprehensive income for the period	**$ 14,367**	$ 4,860	**$ 5,642**	$ 6,021

Consolidated Statements of Retained Earnings:

	Three months ended June 30		Six months ended June 30	
	2010	**2009**	**2010**	**2009**
Retained earnings - beginning of period	**$ 134,778**	$ 107,732	**$ 144,237**	$ 110,903
Net income for the period	**7,803**	9,929	**1,185**	9,303
Dividends (note 14)	**(2,840)**	(2,834)	**(5,681)**	(5,379)
Retained earnings - end of period	**$ 139,741**	$ 114,827	**$ 139,741**	$ 114,827

Consolidated Statements of Accumulated Other Comprehensive Income:

	Three months ended June 30		Six months ended June 30	
	2010	**2009**	**2010**	**2009**
Accumulated other comprehensive income (loss) - beginning of period	**$ (4,882)**	$ 7,677	**$ (2,775)**	$ 5,890
Currency translation adjustments	**2,986**	(5,069)	**879**	(3,137)
Mark-to-market adjustments on available-for-sale investments	**3,578**	-	**3,578**	(145)
Accumulated other comprehensive income - end of period	**$ 1,682**	$ 2,608	**$ 1,682**	$ 2,608

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the three months ended June 30, 2010 and 2009

(in thousands of dollars) (unaudited)

	2010	2009
Cash provided by (used in)		
Operating activities		
Net income for the period	$ **7,803**	$ 9,929
Items not affecting cash		
Depreciation and amortization	**9,478**	14,985
Income from construction projects accounted for using the equity method	**(411)**	-
Loss (gain) on sale of assets	**326**	(33)
Amortization of commitment fees	**518**	111
Unrealized foreign exchange losses (gains)	**226**	(1,265)
Non-cash interest on other income tax liabilities	**201**	201
Notional interest representing accretion	**(1,551)**	(550)
Defined benefit pension	**401**	300
Future income taxes	**3,299**	3,217
Stock-based compensation	**240**	594
	20,530	27,489
Change in other balances relating to operations (note 16 (a))	**(71,764)**	(86,085)
	(51,234)	(58,596)
Investing activities		
Decrease in restricted cash balances	**5,253**	20,491
Decrease (increase) in marketable securities and term deposits	**11,600**	(46,395)
Purchase of property, plant and equipment	**(10,255)**	(5,550)
Proceeds on sale of property, plant and equipment	**924**	216
Acquisitions (note 17)	**-**	(83,485)
Investment in concession rights	**(5,556)**	(24,739)
Purchase of Churchill common shares (note 9 (a))	**(58,833)**	-
(Increase) decrease in other intangible assets and other assets	**(213)**	441
(Decrease) increase in non-controlling interests	**(390)**	680
	(57,470)	(138,341)
Financing activities		
Decrease in bank indebtedness	**-**	(30,000)
Issuance of long-term debt	**12,282**	68,366
Repayments of long-term debt	**(3,781)**	(12,002)
Increase in other liabilities	**71**	-
Issuance of capital stock (note 14)	**-**	1,695
Repurchase of capital stock (note 14)	**-**	(9,425)
Dividends paid (note 14)	**(2,841)**	(2,545)
	5,731	16,089
Decrease in cash and cash equivalents during the period	**(102,973)**	(180,848)
Effects of foreign exchange on cash balances	**216**	(4,830)
Cash and cash equivalents - beginning of period	**284,369**	373,547
Cash and cash equivalents - end of period	$ **181,612**	$ 187,869

Supplementary disclosures (note 16 (b))

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the six months ended June 30, 2010 and 2009

(in thousands of dollars) (unaudited)

	2010	2009
Cash provided by (used in)		
Operating activities		
Net income for the period	$ **1,185**	$ 9,303
Items not affecting cash		
Depreciation and amortization	**17,541**	23,032
Loss from construction projects accounted for using the equity method	**1,712**	-
Gain on sale of assets	**(6,754)**	(56)
Amortization of commitment fees	**1,024**	210
Unrealized foreign exchange losses	**283**	579
Non-cash interest on other income tax liabilities	**402**	402
Notional interest representing accretion	**(2,946)**	(820)
Defined benefit pension	**813**	556
Future income taxes	**4,254**	1,762
Stock-based compensation	**481**	859
	17,995	35,827
Change in other balances relating to operations (note 16 (a))	**(112,000)**	(87,546)
	(94,005)	(51,719)
Investing activities		
Decrease in restricted cash balances	**149**	20,968
Decrease (increase) in marketable securities and term deposits	**11,436**	(46,395)
Purchase of property, plant and equipment	**(14,149)**	(8,392)
Proceeds on sale of property, plant and equipment	**9,669**	540
Acquisitions (note 17)	**(2,352)**	(114,866)
Investment in concession rights	**(20,488)**	(45,482)
Purchase of Churchill common shares (note 9 (a))	**(58,833)**	-
Increase in other intangible assets and other assets	**(550)**	(903)
Increase in non-controlling interests	**732**	1,582
	(74,386)	(192,948)
Financing activities		
Decrease in bank indebtedness	**-**	(2,687)
Issuance of long-term debt	**34,457**	174,165
Repayments of long-term debt	**(12,223)**	(15,656)
Increase in other liabilities	**504**	-
Issuance of capital stock (note 14)	**438**	1,695
Repurchase of capital stock (note 14)	**(8,390)**	(9,425)
Dividends paid (note 14)	**(5,679)**	(5,090)
	9,107	143,002
Decrease in cash and cash equivalents during the period	**(159,284)**	(101,665)
Effects of foreign exchange on cash balances	**3**	(3,339)
Cash and cash equivalents - beginning of period	**340,893**	292,873
Cash and cash equivalents - end of period	$ **181,612**	$ 187,869

Supplementary disclosures (note 16 (b))

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

1) Summary of significant accounting policies

These unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements. They do not include all of the disclosures required by Canadian generally accepted accounting principles for annual financial statements and, accordingly, the interim financial information should be read in conjunction with the Company's annual consolidated financial statements. The interim financial information has been prepared using the same accounting policies as set out in note 1 to the consolidated financial statements for the year ended December 31, 2009. In the opinion of management these interim consolidated financial 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, 2010 are not necessarily indicative of results expected for the full fiscal year or any other future period.

2) Future accounting changes

The CICA has issued Handbook Section 1582, "Business Combinations," Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-controlling Interests." These sections replace Section 1581, "Business Combinations," and Section 1600, "Consolidated Financial Statements." Under Section 1582, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of exchange. Furthermore, virtually all acquisition costs, which are currently capitalized as part of the purchase price, will be expensed. Contingent liabilities are to be recognized at fair value at the acquisition date and remeasured at fair value for each period until settled. Changes in fair value are to be included in earnings. Currently, only contingent liabilities that are resolved and payable are included in the cost to acquire a business. In addition, negative goodwill is to be recognized immediately in earnings, unlike the current requirement to deduct it from assets in the purchase price allocation. Sections 1601 and 1602 revise and enhance the standards for the preparation of consolidated financial statements subsequent to a business combination. All three sections come into effect for financial periods beginning January 1, 2011 with prospective application.

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian public entities will have to adopt International Financial Reporting Standards ("IFRS") effective for fiscal years beginning on or after January 1, 2011 (the "changeover date"). The Company will issue consolidated financial statements in accordance with IFRS commencing in the first quarter ended March 31, 2011, with comparative information. The Company is in the process of transitioning its financial statement reporting, presentation and disclosure to IFRS in time to meet the January 1, 2011 deadline. The process will be ongoing as new standards and recommendations are issued by the International Accounting Standards Board and AcSB. Further details regarding the Company's transition to IFRS are included in the Company's June 30, 2010 Management's Discussion and Analysis filed on The System for Electronic Document Analysis and Retrieval ("SEDAR").

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

3) Cash and cash equivalents, restricted cash, and marketable securities and term deposits

									June 30, 2010
			Balances excluding joint ventures and Build Finance SPVs		**Joint ventures**		**Build Finance SPVs**		**Consolidated Total**
Cash and cash equivalents	**(a)**	**$**	**77,733**	**$**	**71,878**	**$**	**32,001**	**$**	**181,612**
Restricted cash	**(b)**		**6,876**		**47,547**		**-**		**54,423**
Marketable securities and term deposits	**(c)**		**-**		**-**		**8,073**		**8,073**

									December 31, 2009
			Balances excluding joint ventures and Build Finance SPVs		**Joint ventures**		**Build Finance SPVs**		**Consolidated Total**
Cash and cash equivalents	(a)	$	261,425	$	31,113	$	48,355	$	340,893
Restricted cash	(b)		7,802		46,243		-		54,045
Marketable securities and term deposits	(c)		-		-		19,509		19,509

(a) Cash and cash equivalents as at June 30, 2010 of $181,612 (December 31, 2009 - $340,893) include $71,878 (December 31, 2009 - $31,113) on deposit in joint venture and affiliate bank accounts, which the Company cannot access directly. Also included in cash and cash equivalents was $32,001 (December 31, 2009 - $48,355) of cash advanced by lenders to finance the construction of three build finance hospital projects through individual Build Finance Special Purpose Vehicles (“Build Finance SPVs”) .

(b) Restricted cash of $54,423 at June 30, 2010 (December 31, 2009 - $54,045) includes $6,876 (December 31, 2009 - $14,409) that was deposited as collateral for borrowings and letters of credit issued by the Company and was not available for general operating purposes. The restricted cash balance at June 30, 2010 also includes $47,547 (December 31, 2009 - $39,636) held in Quiport JV.

(c) Marketable securities and term deposits of $8,073 at June 30, 2010 (December 31, 2009 - $19,509) consisted of highly liquid interest bearing securities with maturities up to one year and were all held by Build Finance SPVs.

(in thousands of dollars, except 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	
	2010	**2009**
Income before income taxes and non-controlling interests	**$ 1,592**	$ 15,329
Statutory income tax rate	**31%**	33%
Expected income tax expense	**(494)**	(5,058)
Effect on income tax of:		
Provincial and foreign rate differentials	**2,388**	1,407
Non-deductible expenses	**(929)**	(360)
Foreign exchange translation losses	**(10)**	(226)
Tax-exempt portion of capital gains	**613**	-
Other	**(68)**	(65)
	1,994	756
Income tax recovery (expense)	**$ 1,500**	$ (4,302)

5) Property, plant and equipment

			June 30, 2010
	Cost	**Accumulated depreciation**	**Net**
Land and improvements	**$ 27,969**	**$ -**	**$ 27,969**
Buildings and leasehold improvements	**62,031**	**15,162**	**46,869**
Aggregate properties	**47,743**	**7,429**	**40,314**
Machinery and construction equipment	**144,673**	**63,368**	**81,305**
Office equipment, furniture and fixtures, and computer equipment	**24,189**	**14,245**	**9,944**
Vehicles	**5,840**	**2,326**	**3,514**
	$ 312,445	**$ 102,530**	**$ 209,915**

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

						December 31, 2009
		Cost		Accumulated depreciation		Net
Land and improvements	$	27,396	$	-	$	27,396
Buildings and leasehold improvements		59,263		13,568		45,695
Aggregate properties		48,701		6,963		41,738
Machinery and construction equipment		131,322		58,727		72,595
Office equipment, furniture and fixtures, and computer equipment		22,619		13,094		9,525
Vehicles		5,875		1,941		3,934
	$	295,176	$	94,293	$	200,883

Depreciation expense for the three months ended June 30, 2010 amounted to $5,479 (2009 - $7,075), and for the six months ended June 30, 2010 amounted to $10,395 (2009 - $11,038). See also note 16.

6) Concession rights

The Company has recorded concession rights as follows:

		June 30, 2010		December 31, 2009
Concession rights to operate the existing Quito Airport, net of accumulated amortization of $52,188 (December 31, 2009 - $48,448)	**$**	**8,853**	$	11,813
Concession rights to operate the new Quito Airport		**227,549**		203,884
	$	**236,402**	$	215,697

7) Goodwill

			June 30, 2010		December 31, 2009
Balance - beginning of period		**$**	**50,961**	$	9,804
Changes resulting from business combinations	(a)		**2,657**		41,157
Balance - end of period		**$**	**53,618**	$	50,961

(a) During the six months ended June 30, 2010, goodwill increased by $2,657 as a result of the acquisition of GCCL Contracting Limited (see note 17).

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

8) Other intangible assets

	June 30, 2010		
	Cost	**Accumulated amortization**	**Net**
Acquired customer backlog	**$ 24,631**	**$ 12,777**	**$ 11,854**
Computer software	**5,800**	**2,563**	**3,237**
Licences	**5,969**	**1,270**	**4,699**
Other	**948**	**92**	**856**
	$ 37,348	**$ 16,702**	**$ 20,646**

	December 31, 2009		
	Cost	**Accumulated amortization**	**Net**
Acquired customer backlog	$ 24,631	$ 9,747	$ 14,884
Computer software	5,567	1,887	3,680
Licences	6,191	1,340	4,851
Other	786	64	722
	$ 37,175	$ 13,038	$ 24,137

For the three and six months ended June 30, 2010 and 2009, the Company recorded related amortization expense as follows (see also note 16):

	Three months ended June 30		Six months ended June 30	
	2010	**2009**	**2010**	**2009**
Acquired customer backlog	**$ 1,890**	$ 4,064	**$ 3,030**	$ 4,064
Other	**538**	45	**1,064**	62
	$ 2,428	$ 4,109	**$ 4,094**	$ 4,126

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

9) Other long-term investment and other assets

(a) Other long-term investment

	June 30, 2010	December 31, 2009
Investment in Churchill common shares	**$ 62,999**	$ -

The other long-term investment of $62,999 represents an investment in common shares of Churchill Corporation that is classified as available-for-sale for accounting purposes. The Company marks-to-market this investment every period with the difference between the original carrying value of the investment ($58,833) and the fair market value at the end of the period being recorded in other comprehensive income.

(b) Other assets

	June 30, 2010	December 31, 2009
Long-term receivables	**$ 9,444**	$ 9,189
Income tax deposit	**5,414**	5,414
Pension assets	**3,304**	4,117
Construction projects accounted for using the equity method	**956**	2,671
Commitment fees	**61**	513
Other	**2,616**	2,467
	$ 21,795	$ 24,371

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

10) Long-term debt

	June 30, 2010	December 31, 2009
Non-recourse project debt		
Quiport JV project financing (note 13)	**$ 117,179**	$ 115,682
Quiport JV CORPAQ debt	**4,844**	4,782
Rouge Valley Health System project debt	**55,937**	45,935
Toronto Rehabilitation Hospital project debt	**71,586**	50,607
Lakeridge Health Oshawa Hospital project debt	**70,000**	70,000
Other joint venture project debt	**86**	430
	319,632	287,436
Other long-term debt		
Capital leases and equipment loans	**53,309**	50,619
Notes payable	**15,568**	17,742
Mortgages	**5,562**	5,791
Loans from Derech Eretz partners	**5,337**	5,178
Investment loan	**7**	196
	79,783	79,526
Total long-term debt	**399,415**	366,962
Less: Amounts due within one year		
- Non-recourse project debt	**301,223**	217,436
- Other long-term debt	**22,252**	16,489
	$ 75,940	$ 133,037

11) Guarantees

Guarantees are described in note 13 to the Company's December 31, 2009 Consolidated Financial Statements.

The following describes the major changes during the six months ended June 30, 2010:

(a) Financial and performance guarantees related to the Nathpa Jhakri hydroelectric project in India, which amounted to $3,937 at December 31, 2009, were cancelled in 2010.

(b) The Company has issued, in the normal conduct of operations, letters of credit amounting to $48,430 (December 31, 2009 - $39,021) in support of financial and performance related obligations of its North American operations.

(c) 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, 2010, the value of

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

uncompleted work for which the Company's joint venture partners are responsible, and which the Company could be responsible for assuming, amounted to approximately $2,589,072 (December 31, 2009 - $279,292), 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.

12) Convertible debentures

Convertible subordinated debentures consist of:

	June 30, 2010	December 31, 2009
Debt component reported as long-term liability:		
Debenture maturing September 30, 2014	**$ 160,071**	$ 158,614
Equity component:		
Debenture maturing September 30, 2014	**$ 6,887**	$ 6,887

Interest expense related to the debentures consists of:

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Interest expense on face value	**$ 3,019**	$ -	**$ 5,988**	$ -
Notional interest representing accretion	**341**	-	**683**	-
Amortization of financing charges	**386**	-	**774**	-
	$ 3,746	$ -	**$ 7,445**	$ -

13) Contingencies – Quito Airport Project Update

The Company holds a 42.3% economic interest in 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.

Refer to note 17(g) in the December 31, 2009 consolidated financial statements for additional details of previous developments regarding the Quito airport project (the "Project").

In July 2009, as a result of a legal ruling (the "Airports Ruling") issued by the Constitutional Court of Ecuador (the "Court") with respect to the public nature of revenues collected by the concessionaire, a formal contractual dispute was declared and the Project's financing was suspended. Immediately thereafter, the concessionaire, the Municipality of Quito and the Project's senior lenders engaged in a process of consultation and negotiation in order to secure a new arrangement that would be satisfactory to all stakeholders.

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

Subsequently, agreement was reached with the Municipality of Quito, including a new commercial arrangement and legal structure acceptable to all parties, including the Ecuadorian State and the Project's senior lenders. The execution and effectiveness of the new agreement, however, is subject to various conditions and approvals by the senior lenders and various Ecuadorian authorities. Assuming prompt and favourable approvals by these institutions and delivery of the remaining closing conditions, the effective date of the new agreement should occur in the fourth quarter of 2010. In the meantime, because the Airports Ruling represents an event of default under the relevant finance agreements, the non-recourse debt related to the Project ($117,179) has been classified as a current liability until such time as the default is cured through implementation of the new agreement (see note 10).

As a result of the postponement of construction financing during the period in which the new commercial agreement is being negotiated, the completion date for Project construction is likely to be extended to April 2012, which is approximately 18 months later than the completion date initially established. As at June 30, 2010, the Quito airport construction project was approximately 74% complete.

14) Capital stock

		2010		2009
	Number of shares	Amount	Number of shares	Amount
Balance - January 1	**55,102,010**	**$ 304,946**	50,207,924	$ 262,644
Common shares issued on exercise of options	**70,000**	**477**	-	-
Common shares purchased by the Trust of the long-term incentive plan (i)	**(625,182)**	**(8,390)**	-	-
Balance - March 31	**54,546,828**	**297,033**	50,207,924	262,644
Common shares issued as part consideration for the Lockerbie & Hole Inc. acquisition	**-**	**-**	5,510,941	49,083
Common shares issued on exercise of options	**-**	**-**	268,334	2,126
Common shares purchased by the Trust of the long-term incentive plan (i)	**-**	**-**	(950,856)	(9,425)
Balance – June 30 (i)	**54,546,828**	**$ 297,033**	55,036,343	$ 304,428

(i) 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 administering the Company's Long-Term Incentive Plan ("LTIP").

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

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

Stock option plans

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					
	2010			**2009**		
	Number of share options		**Weighted average exercise price**	**Number of share options**		**Weighted average exercise price**
Balance outstanding – January 1	**1,942,817**	**$**	**12.00**	1,993,484	$	11.26
Granted	**-**		**-**	50,000		9.12
Exercised	**(70,000)**		**6.25**	-		-
Cancelled	**-**		**-**	(54,166)		12.43
Balance outstanding – March 31	**1,872,817**		**12.22**	1,989,318	$	11.17
Granted	**-**		-	400,000		10.87
Exercised	**-**		-	(268,334)		6.32
Cancelled	**-**		-	(112,500)		10.20
Balance outstanding – June 30	**1,872,817**	**$**	**12.22**	2,008,484	$	11.81
Options exercisable - end of period	**1,122,818**	**$**	**11.11**	866,817	$	9.24

Long-Term Incentive Plan

During the three months ended June 30, 2010, the Company recorded LTIP compensation charges of $1,500 (2009 - $1,050), and $3,000 (2009 - $2,100) during the six months ended June 30, 2010.

The LTIP Trust (the "Trust") holds 2,267,404 shares at June 30, 2010 (December 31, 2009 – 1,642,222 shares) with a cost basis of $25,430 (December 31, 2009 - $17,040).

The Company has determined 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 CICA Accounting Guideline No. 15 "Consolidation of Variable Interest Entities". Accordingly, at June 30, 2010, share capital was reduced by $25,430 (December 31, 2009 - $17,040) and accrued liabilities increased by the same amount.

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

Earnings per share

Details of the calculations of earnings per share are set out below:

	Three months ended June 30		Six months ended June 30	
	2010	**2009**	**2010**	**2009**
Net income for the period	**$ 7,803**	$ 9,929	**$ 1,185**	$ 9,303
Interest on convertible debentures [i]	**2,691**	-	**5,349**	-
Diluted net earnings	**$ 10,494**	$ 9,929	**$ 6,534**	$ 9,303
Weighted average number of common shares outstanding	**54,546,828**	55,017,708	**54,810,560**	52,626,103
Effect of dilutive securities				
Options	**210,544**	299,159	**229,590**	242,955
Convertible debentures [i]	**15,617,890**	-	**14,483,738**	-
Shares held in a trust account in respect of long-term incentive plan	**1,477,886**	1,099,427	**1,477,886**	1,099,427
Weighted average number of diluted common shares outstanding	**71,853,148**	56,416,294	**71,001,774**	53,968,485
Basic earnings per share	**$ 0.14**	$ 0.18	**$ 0.02**	$ 0.18
Diluted earnings per share [i]	**$ 0.14**	$ 0.18	**$ 0.02**	$ 0.17

(i) These items are excluded from the calculation of diluted earnings per share. This is required when the impact of dilutive securities would be to increase the earnings per share or decrease the loss per share.

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

Contributed surplus

Changes in contributed surplus for the three and six months ended June 30 were as follows:

		2010		2009
Balance – January 1	**$**	**4,097**	$	2,828
Increase (decrease) in contributed surplus resulting from:				
Granting of stock options		**241**		265
Exercise of stock options		**(39)**		-
Balance – March 31		**4,299**		3,093
Granting of stock options		**240**		594
Exercise of stock options		**-**		(431)
Balance – June 30	**$**	**4,539**	$	3,256

Dividends

Annual dividends in the amount of $0.20 per share are paid in four quarterly payments of $0.05 per share. In the fourth quarter of 2009, the Company recorded dividends declared of $2,838 which were paid in 2010 (2009 - $2,545). For the six months ended June 30, 2010, the Company declared dividends of $5,681 (2009 - $5,379), of which $2,841 (2009 - $2,545) was paid during the six months period and $2,840 (2009 - $2,834) was paid after June 30.

Accumulated other comprehensive income (loss)

Components of accumulated other comprehensive income (loss) included:

		June 30, 2010		December 31, 2009
Foreign currency translation adjustments of self-sustaining foreign operations, net of related hedging activities	**$**	**(1,896)**	$	(2,775)
Mark-to-market adjustments on available-for-sale investments		**3,578**		-
Accumulated other comprehensive income (loss)	**$**	**1,682**	$	(2,775)

15) Gain on sale of assets

The gain on sale of assets in the six months ended June 30, 2010 of $6,754 includes a $6,983 pre-tax gain from a sale of land.

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

16) Cash flow information and other supplementary information

(a) Change in other balances relating to operations:

	Three months ended June 30		Six months ended June 30	
	2010	**2009**	**2010**	**2009**
(Increase) decrease in:				
Accounts receivable	**$ (56,740)**	$ 25,377	**$ (18,934)**	$ 76,129
Holdbacks receivable	**(11,364)**	(7,620)	**8,989**	24,102
Deferred contract costs and unbilled revenue	**(62,543)**	(54,053)	**(94,850)**	(74,378)
Inventories	**97**	(7,381)	**1,571**	(8,076)
Prepaid expenses	**(2,811)**	1,334	**(5,329)**	998
Increase (decrease) in:				
Accounts payable and accrued liabilities	**45,430**	(16,154)	**(14,239)**	(76,253)
Holdbacks payable	**(1,833)**	(5,199)	**(1,413)**	(7,619)
Deferred revenue	**37,975**	(15,312)	**44,486**	(17,159)
Income taxes	**(19,975)**	(7,077)	**(32,281)**	(5,290)
	$ (71,764)	$ (86,085)	**$ (112,000)**	$ (87,546)

(b) Other supplementary information:

	Three months ended June 30		Six months ended June 30	
	2010	**2009**	**2010**	**2009**
Cash interest paid	**$ 3,689**	$ 2,268	**$ 13,145**	$ **3,755**
Cash income taxes paid	**$ 18,865**	$ 6,757	**$ 25,838**	$ **6,877**

(c) Depreciation and amortization are comprised of:

	Three months ended June 30		Six months ended June 30	
	2010	**2009**	**2010**	**2009**
Property, plant and equipment (note 5)	**$ 5,479**	$ 7,075	**$ 10,395**	$ 11,038
Concession rights (note 6)	**1,571**	3,801	**3,052**	7,868
Other intangible assets (note 8)	**2,428**	4,109	**4,094**	4,126
	$ 9,478	$ 14,985	**$ 17,541**	$ 23,032

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, 2010 amounted to $4,320 (2009 - $99) and $6,576 (2009 - $133) for the six months ended June 30.

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

17) Acquisition

In March 2010, the Company acquired GCCL Contracting Limited, an asphalt, paving, and construction company located in Orangeville, Ontario. The acquisition was accounted for using the purchase method and the results of operations are included from the date of the acquisition.

The preliminary allocation of the purchase price for the acquisition of the above investment has not been finalized pending final determination of the fair values of assets acquired and liabilities assumed.

The following is a summary of the acquisition:

Net assets acquired		
Cash	$	48
Property, plant and equipment		1,707
Goodwill		2,657
Working capital		(53)
Future income tax liability		(257)
	$	4,102
Consideration		
Cash consideration paid	$	2,400
Note payable		1,702
	$	4,102

The note payable which is payable over a four-year term is non-interest bearing and has been discounted to arrive at its fair value at the date of the acquisition.

18) 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	
	2010	2009	**2010**	2009
Defined benefit plan expense:				
Company sponsored pension plans	**$ 624**	$ 449	**$ 1,247**	$ 898
Defined contribution plan expense:				
Company sponsored pension plans	**861**	936	**1,711**	1,532
Multi-employer pension plans	**16,245**	12,380	**25,081**	18,093
Total employee future benefit expenses	**$ 17,730**	$ 13,765	**$ 28,039**	$ 20,523

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

19) Financial instruments

Fair values

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 speculative trading purposes. At June 30, 2010, the Company had net outstanding contracts to sell euro 4,092, buy euro 29, sell US$9,454, and buy US$1,800 (December 31, 2009 - sell euro 939, sell US$4,345, and buy US$4,576) on which there was a net unrealized exchange loss of $210 (December 31, 2009 - net gain of $330). 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, and was included in foreign exchange gains (losses) in the consolidated statement of income.

CICA Handbook Section 3862 enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs. The first two levels are considered observable and the last unobservable. These levels are used to measure fair values as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

- Level 2 – Inputs, other than Level 1 inputs that are observable for assets and liabilities, either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

	Assets (Liabilities) Measured at Fair Value		
	As at June 30, 2010		
	Total	**Level 1**	**Level 2**
Financial assets (liabilities) measured at fair value through net income			
Cash and cash equivalents	$ 181,612	$ 181,612	$ -
Restricted cash	54,423	54,423	-
Marketable securities and term deposits	8,073	-	8,073
Holdbacks receivable	117,702	-	117,702
Holdbacks payable	(72,026)	-	(72,026)
Forward contracts mark-to-market adjustments	(210)	-	(210)
Financial assets (liabilities) measured at fair value through other comprehensive income			
Other long-term investment	$ 62,999	62,999	-

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 revenues, and foreign exchange hedges.

Credit risk associated with cash and short-term deposits is minimized by ensuring 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 generally 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 consolidated balance sheet date; however, these allowances are not significant.

The Company provides an allowance for credit losses in the year in which anticipated losses become known. Balances are considered for impairment on a case by case basis when they are over 60 days past due or if there is an indication that a customer will default. At June 30, 2010, the Company had $94,300 in past due trade receivables. Of this amount, $35,977 was over 60 days past due against which the Company has recorded an allowance for doubtful accounts of $5,620.

The credit risk associated with foreign exchange contracts 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 contracts are major Canadian financial institutions.

Under the terms of many of the Company's joint venture contracts, each of the partners is jointly and severally liable for performance under the contracts. The counterparty risk associated with the Company's joint venture partners is discussed in note 11.

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

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure 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 management and 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, 2010. Included in the "Next 12 months" column is Quiport JV debt of $117,179 which, although not due to mature within one year, has been classified as a current liability payable in 2010 (see note 13):

	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	$ 301,224	$ 18,409	$ -	$ -	$ -	$ -	$ 319,633
Capital leases and equipment loans	12,081	24,088	7,908	6,179	2,130	2,185	54,571
Other long-term debt	10,170	4,837	4,411	456	-	5,337	25,211
	$ 323,475	**$ 47,334**	**$ 12,319**	**$ 6,635**	**$ 2,130**	**$ 7,522**	**$ 399,415**
Convertible debentures	**$ -**	**$ -**	**$ -**	**$ -**	**$ 172,500**	**$ -**	**$ 172,500**

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, 2010, the interest rate profile of the Company's long-term debt was as follows:

	2010
Fixed rate instruments held by joint ventures	$ 60,597
Variable rate instruments held by joint ventures	61,512
Fixed rate instruments	271,306
Variable rate instruments	6,000
Total long-term debt	**$ 399,415**
Fixed rate convertible debentures	**$ 160,071**

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

Long-term debt held by joint ventures relates to project financing for the Quito Airport project (see note 10), 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.

Changes in interest rates related to fixed rate long-term debt instruments and convertible debentures would not have impacted net earnings or comprehensive income in the current period.

For the six months ended June 30, 2010, an increase of 1% in interest rates applied to the Company's variable rate long-term debt would not have any significant impact on net earnings or comprehensive income.

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

Currency risk
The Company operates internationally and is exposed to risk from changes in foreign currency rates. The Company is mainly exposed to fluctuations in the US dollar, Israel new shekel and Indian rupee.

The Company's currency exposure to US dollars arises primarily from its investments in the Quito Airport concessionaire and from its US 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 is instead reported as currency translation adjustments in other comprehensive income. For these two investments, the Company's sensitivity to a 10% strengthening/weakening of the US dollar against the Canadian dollar at June 30, 2010, would have been an increase/decrease in comprehensive income of approximately $8,000. The Company also has currency exposure to US dollars arising from its investment in the Quito construction joint venture. For this investment, the Company's sensitivity to a 10% strengthening/weakening of the US dollar against the Canadian dollar on net income and comprehensive income at June 30, 2010 would have been a decrease/increase of approximately $500.

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 hydroelectric project in India. Because the Derech Eretz investment is accounted for at cost, changes in currency rates would not impact net earnings or comprehensive income unless impairment in value arose as discussed above. For the net investment in the Nathpa Jhakri hydroelectric project in India, the Company's sensitivity to a 10% strengthening/weakening of the Indian rupee against the Canadian dollar on net income and comprehensive income at June 30, 2010 would have been an increase/decrease of approximately $700.

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.

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

The following table details the Company's sensitivity to a 10% strengthening of the US dollar, Israel new shekel and euro on net earnings and comprehensive income against the Canadian dollar for currency exposures other than those discussed above. 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.

	US dollar impact	**Shekel impact**	**Euro impact**
Net income	$ 800	$ 200	$ 100
Comprehensive income	$ 800	$ 200	$ 100

20) Segmented information and business concentration

The Company operates in four principal segments within the construction and infrastructure development industry: Infrastructure, Buildings, Industrial and Concessions. The Eliminations 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 hydroelectric 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.

On January 15, 2009, the Company acquired South Rock Ltd., an integrated construction and materials business headquartered in Medicine Hat, Alberta focusing primarily on the southern Alberta road building market. The Company reports South Rocks' operations within its Infrastructure segment.

Buildings

The Buildings segment specializes in the construction and renovation of commercial, institutional and multi-family residential buildings, including hospitals, educational facilities, office buildings, industrial buildings, airport terminals, entertainment facilities, retail complexes, roof-top solar installations 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

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

automotive sectors. Activities in this segment 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.

On April 1, 2009, the Company acquired Lockerbie & Hole Inc. Lockerbie was founded in 1898 and is one of the largest industrial and mechanical construction contractors in Canada. Lockerbie is a multi-disciplined contractor providing mechanical, electrical, instrumentation, pipe fabrication, module assembly, boiler erection, insulation and civil construction services primarily to the oilsands, mining, institutional, municipal and commercial market sectors. The Company has integrated the former Lockerbie operations within its Industrial reporting segment.

Concessions

This segment includes the development, financing and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer and other public-private partnership contract structures. This segment focuses primarily on the operation, management, maintenance and enhancement of investments held by the Company in infrastructure concessions, which currently comprise investments in the Cross Israel Toll Highway and the Quito Airport concession companies. This segment also includes the operations of the Highway 104 toll plaza in Atlantic Canada. In addition, this segment has a development function whereby it monitors and, where appropriate, brings together the unique capabilities and strengths of the Company for the development of public sector infrastructure projects in which the Company can play a role beyond just contractor, as developer, operator or investor.

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

Information by reportable segments is as follows:

As at June 30 and the three months then ended **2010**

	Infrastructure	Buildings	Industrial	Concessions	Eliminations and Other	Total
Revenues	$ 223,945	$ 140,537	$ 297,459	$ 20,965	$ (1,363)	$ 681,543
EBITDA (i)	$ 8,273	$ (10,062)	$ 27,022	$ 6,598	$ (6,721)	$ 25,110
Depreciation and amortization	(3,813)	(188)	(3,098)	(1,570)	(809)	(9,478)
Segment operating profit (loss) (i)	4,460	(10,250)	23,924	5,028	(7,530)	15,632
Interest expense (net), income taxes and non-controlling interests						(7,829)
Net income						$ 7,803
Total assets	$ 445,925	$ 364,598	$ 262,019	$ 359,069	$ 307,500	$ 1,739,111
Concession rights, goodwill and other intangible assets	$ 10,085	$ 1,901	$ 46,985	$ 239,858	$ 11,837	$ 310,666
Capital expenditures	$ 7,789	$ 2	$ 1,160	$ -	$ 1,304	$ 10,255
Cash flows from (used in) operating activities (i)	$ 8,121	$ (10,126)	$ 27,433	$ 5,836	$ (10,734)	$ 20,530

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

As at June 30 and the three months then ended **2009**

	Infrastructure	Buildings	Industrial	Concessions	Eliminations and Other	Total
Revenues	$ 233,629	$ 114,845	$ 244,556	$ 22,140	$ (1,933)	$ 613,237
EBITDA (i)	$ 7,390	$ 1,119	$ 22,661	$ 7,075	$ (6,779)	$ 31,466
Depreciation and amortization	(4,986)	(173)	(5,694)	(3,800)	(332)	(14,985)
Segment operating profit (loss) (i)	2,404	946	16,967	3,275	(7,111)	16,481
Interest expense (net), income taxes and non-controlling interests						(6,552)
Net income						$ 9,929
Total assets	$ 477,819	$ 254,538	$ 364,321	$ 314,337	$ 40,955	$ 1,451,970
Intangible assets and goodwill	$ 18,375	$ 1,783	$ 52,647	$ 194,906	$ -	$ 267,711
Capital expenditures	$ 4,145	$ 20	$ 826	$ -	$ 559	$ 5,550
Cash flows from (used in) operating activities (i)	$ 7,751	$ 1,119	$ 21,045	$ 6,208	$ (8,634)	$ 27,489

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

As at June 30 and the six months then ended **2010**

	Infrastructure	Buildings	Industrial	Concessions	Eliminations and Other	Total
Revenues	$ 322,296	$ 279,731	$ 467,822	$ 41,778	$ (3,903)	$ 1,107,724
EBITDA (i)	$ 945	$ (9,041)	$ 36,199	$ 13,239	$ (12,273)	$ 29,069
Depreciation and amortization	(6,675)	(379)	(5,876)	(3,051)	(1,560)	(17,541)
Segment operating profit (loss) (i)	(5,730)	(9,420)	30,323	10,188	(13,833)	11,528
Interest expense (net), income taxes and non-controlling interests						(10,343)
Net income						$ 1,185
Capital expenditures	$ 9,492	$ 5	$ 2,340	$ -	$ 2,312	$ 14,149
Cash flows from (used in) operating activities (i)	$ (4,179)	$ (9,057)	$ 36,593	$ 11,335	$ (16,697)	$ 17,995

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

As at June 30 and the six months then ended **2009**

	Infrastructure	Buildings	Industrial	Concessions	Eliminations and Other	Total
Revenues	$ 345,342	$ 223,342	$ 341,087	$ 47,422	$ (3,071)	$ 954,122
EBITDA (i)	$ (2,905)	$ 308	$ 36,536	$ 15,589	$ (11,149)	$ 38,379
Depreciation and amortization	(7,869)	(348)	(6,416)	(7,868)	(531)	(23,032)
Segment operating profit (loss) (i)	(10,774)	(40)	30,120	7,721	(11,680)	15,347
Interest expense (net), income taxes and non-controlling interests						(6,044)
Net income						$ 9,303
Capital expenditures	$ 5,341	$ 78	$ 1,979	$ -	$ 994	$ 8,392
Cash flows from (used in) operating activities (i)	$ (1,881)	$ 308	$ 36,543	$ 13,291	$ (12,434)	$ 35,827

(i) EBITDA represents earnings or loss before net interest expense, income taxes, depreciation and amortization, and non-controlling interests. Segment operating profit (loss) represents net income (loss) before net interest expense, income taxes, and non-controlling interests. Cash flows from (used in) operating activities is before the change in other balances related to operations. EBITDA, operating profit (loss), and cash flows from (used in) 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.

21) 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 sufficient liquidity to adequately fund the on-going operations of the business;
- to provide flexibility to take advantage of contract and growth opportunities that are expected to provide satisfactory returns to shareholders;

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

- to maintain a strong capital base so as to maintain client, investor, creditor and market confidence;
- to provide a satisfactory 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 basis including liquidity and working capital, 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 consolidated balance sheets. In 2009, additional loans incurred and the issuance of convertible debentures drove the debt to equity percentage up to 52.1% as at December 31, 2009. In the six months ended June 30, 2010, the increase in debt increased the debt to equity percentage slightly to 53.3%. If the convertible debentures were to be excluded from debt and added to equity on the basis that they could be redeemed for equity, either at the Company's option or at the holder's option, then the adjusted debt to equity percentage would be 13.1% as at June 30, 2010. While the Company believes this debt to equity percentage is acceptable, 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, 2010, except as disclosed in note 13 regarding the Quito Airport Project, the Company complied with all of its financial debt covenants. The Company's current operating performance and current debt to equity percentage have significantly lessened the restrictive impact of debt covenants in capital management decisions.

22) Subsequent events

On July 15, 2010, the Company signed an agreement with a consortium headed by Israel Infrastructure Management to sell its 25% interest in the Cross Israel Highway concessionaire, Derech Eretz Highways (1997) Ltd ("DEC") for $77,782, subject to certain adjustments on closing. The transaction agreement anticipates closing in the fourth quarter of 2010, although the transaction remains subject to various third party approvals, including consents to waive rights of first refusal and tag-along rights held by the Company's existing partners – Africa Israel Investments Ltd. (37.5%) and Shikun & Binui Holdings Ltd. (37.5%) as well as approval by the State of Israel and DEC's senior lenders.

Excluded from the transaction are the Company's interests in Derech Eretz Highways Management Corporation Limited, the operator of the Cross Israel Highway, in which the Company holds a 30.6% interest, as well as the Company's interests in several affiliates of the operator that operate other transportation infrastructure assets in Israel.

The sale of this investment is expected to generate net after tax cash proceeds of between $65,000 and $70,000 for the Company and an after tax gain of approximately $30,000.

Notes

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