

Consolidated Statements of Cash Flows

(in thousands of dollars)
(unaudited)

For the Nine Months Ended September 30

	1999	1998
Cash provided by (used in):		
Operating activities		
Net income for the period	\$ 1,209	\$ 624
Items not affecting cash –		
Depreciation and amortization	3,017	2,955
Gain on sale of capital assets	(215)	(160)
Deferred income taxes	40	21
Gain on disposition of assets held for sale	–	(1,148)
Gain on disposal of investment	(1,125)	–
	2,926	2,292
Change in other balances relating to operations	8,443	(18,126)
	11,369	(15,834)
Investing activities		
Purchase of capital assets	(4,307)	(5,686)
Acquisition of subsidiaries and investments	–	(1,178)
Proceeds on sale of capital assets	383	406
Proceeds on disposition of assets held for sale	1,125	5,214
Increase in aggregate development site	(42)	(4)
(Increase) decrease in other assets	(7,550)	342
Increase in assets held for sale	–	(343)
Decrease in other liabilities	–	(487)
	(10,391)	(1,736)
Financing activities		
Issuance of long-term debt	13,901	6,924
Repayments of long-term debt	(3,858)	(2,536)
Increase in project advances	–	584
Issuance of capital stock	147	890
Repurchase of capital stock	(980)	(1,050)
	9,210	4,812
Increase (decrease) in net cash and short-term investments	10,188	(12,758)
Cash and short-term investments, net of bank indebtedness – beginning of period	(3,430)	14,392
Cash and short-term investments, net of bank indebtedness – end of period	\$ 6,758	\$ 1,634



For information contact Shirley Duffy at
Armbro Enterprises Inc.
25 Van Kirk Drive, Unit 8, Brampton, Ontario Canada L7A 1A6
Tel: 905-454-3737 Fax: 905-454-5995
1-888-8ARMBRO
armbro@armbro.ca
www.armbro.ca



ARMBRO ENTERPRISES INC. THIRD QUARTER REPORT

Nine months ended September 30, 1999

Report to Shareholders

Armbro is pleased to report that revenues for the third quarter ended September 30, 1999 were \$62.1 million, an increase of \$6.2 million or 11% over \$55.9 million for the same period in 1998. Although operating income of \$3.4 million for the third quarter was less than operating income of \$4.5 million for the same period last year, net income for the third quarter was \$4.1 million or \$0.43 per share compared to net income of \$3.7 million or \$0.39 per share in the prior year. Results for the quarter ended September 30, 1999 include a \$1.1 million (\$0.8 million after tax) gain on the sale of an equity investment.

Revenues for the nine months to September 30, 1999 were \$124.4 million, an increase of \$23.1 million or 23% over 1998's \$101.3 million. Operating income of \$2.1 million for the same period was \$1.9 million above operating income of \$0.2 million in the prior period. Net income in 1999 was \$1.2 million or \$0.13 per share compared to net income of \$0.6 million or \$0.07 per share in the prior year. The 1998 financial results include a gain on the sale of a real estate asset of \$1.1 million.

These increases in year to date operating income and net income over 1998 are primarily attributable to net improvements in the Infrastructure Development segment as a result of increased contribution by Armbro's wholly owned subsidiary SC Infrastructure Inc. ("SCI"). In 1998 SCI had minimal revenues and had incurred operating losses while in the process of developing contract opportunities.

The 1999 results show improvement over last year's notwithstanding that Armbro incurred significant bid and proposal costs this year in respect of the

unsuccessful bid for the privatisation of Highway 407 in Toronto and that Armbro is no longer benefiting from sub-contractor construction profits and joint venture proportionate profit contributions from Highway 407, which have in recent years been significant.

Armbro views itself to be in two distinct lines of business: Construction Operations and Infrastructure Development.

Construction Operations

Construction Operations, led by Armbro Construction Limited, are primarily road and heavy civil construction activities within the Ontario market. These include the construction of highways, bridges, tunnels, marine works, airport runways and related infrastructure.

Revenues for this segment have increased by \$1.8 million or 2.0%.

Operating income at \$2.4 million is \$0.7 million below the \$3.1 million earned in 1998 as 1999 results have been affected by a reduction in Highway 407 revenue-related contribution.

Backlog for Construction Operations as at September 30, 1999 equalled \$55.9 million, up \$11.7 million or 26.5% from \$44.2 million one year earlier.

Infrastructure Development

Infrastructure Development includes the development, design, construction, financing and operation of infrastructure projects. Infrastructure Development activities are carried out through SCI and through Canadian Highways International Corporation, a joint venture in which Armbro owns 25%.

Revenues for this segment have increased by \$20.3 million or 219.0%. SCI, the Company's wholly owned subsidiary,

has had a particularly noteworthy 1999 with the winning and start of construction of the \$209 million contract for the design and construction of the extension to the "SkyTrain" rapid transit system in the Greater Vancouver region during the third quarter. The consortium, the SAR Transit Joint Venture, includes SCI as Sponsor and 40% participant. Construction is scheduled for completion by the end of 2000.

Operating income at \$0.5 million for this segment is \$2.4 million above the operating loss of \$1.9 million in 1998.

Backlog for Infrastructure Development as at September 30, 1999 equalled \$148.0 million, up \$47.4 million or 47.1% from \$100.6 million one year earlier.

On October 28, 1999 Armbro announced that Canadian Highways Investment Canada Corporation, CIC Corporation and their Israeli partners in the international toll highway consortium Derech Eretz had reached financial close on the Cross Israel Highway project, in which Armbro has an effective 11.1% interest. This will have a positive impact on Armbro's 1999 fourth quarter earnings and cash flows as the Company receives reimbursement from the Cross Israel Highway joint venture for development costs previously advanced. Construction has started and is scheduled for completion by the end of 2004.

Armbro's consolidated backlog of contracts has increased significantly from last year. At September 30, 1999 backlog was \$213 million (excluding Armbro's share of the Cross Israel Highway project), which compares to backlog of \$145 million at the same time last year. The Cross Israel Highway project represents an additional \$125 million in backlog to Armbro subsequent to September 30, 1999 for a

current total backlog in excess of \$300 million.

The seasonality of the Company's operating activities means that the results for any one quarter are not indicative of the results for any other quarter or for the year.

Armbro's Year 2000 ("Y2K") compliance projects are proceeding on schedule. During the fourth quarter, the Company will complete the required computer hardware and software upgrades including data field remediation work. The Company continues to contact suppliers, customers and joint venture partners to monitor their Y2K compliance programs.

During 1999, under its Normal Course Issuer Bid, Armbro repurchased 331,600 common shares at prices ranging from \$2.70 to \$3.22 per share. Purchases since the inception of Armbro's buyback programs total 853,200 common shares at a cost of \$2.4 million.

On behalf of the Board of Directors,



John M. Beck

Chairman and Chief Executive Officer
November 11, 1999

Consolidated Statements of Operations and Retained Earnings

(in thousands of dollars except per share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	1999	1998	1999	1998
Revenues	\$ 62,139	\$ 55,918	\$ 124,374	\$ 101,236
Costs and expenses	54,925	47,232	111,695	90,309
Marketing, general and administrative expenses	2,126	2,524	7,765	7,956
Depreciation and amortization	1,740	1,694	3,017	2,955
(Gain) loss on sale of capital assets	(29)	1	(215)	(160)
	58,762	51,451	122,262	101,060
Operating income before the following	3,377	4,467	2,112	176
Gain on disposal of other assets	(1,125)	–	(1,125)	(1,148)
Interest	503	268	1,307	568
	(622)	268	182	(580)
Income before income taxes	3,999	4,199	1,930	756
Income taxes				
Current	(82)	120	681	111
Deferred	–	391	40	21
	(82)	511	721	132
Net income for the period	4,081	3,688	1,209	624
Retained earnings – beginning of period	29,243	26,070	32,787	29,134
Common share buyback	(241)	–	(913)	–
Retained earnings – end of period	\$ 33,083	\$ 29,758	\$ 33,083	\$ 29,758
Earnings per share				
Basic	\$ 0.44	\$ 0.40	\$ 0.13	\$ 0.07
Fully diluted	\$ 0.43	\$ 0.39	\$ 0.13	\$ 0.07
Average number of shares outstanding				
Basic	9,249,488	9,277,709	9,282,711	9,081,275
Fully diluted	9,535,716	9,569,737	9,631,323	9,444,737

Segmented Information

(in thousands of dollars)

	For the Nine Months Ended September 30				
	1999				
	Construction Operations	Infrastructure Development	Inter-Segment	Corporate	Total
Revenue	\$ 94,850	\$ 29,598	\$ (74)	\$ –	\$ 124,374
EBITDA	5,253	690	–	(814)	5,129
Depreciation and amortization	2,831	179	–	7	3,017
Segment operating profit	2,422	1,636	–	(821)	3,237
Interest and income taxes					(2,028)
Net income					\$ 1,209
Total assets	85,081	29,206	–	5,266	119,553
Cash flow from operations	\$ 3,526	\$ 212	\$ –	\$ (812)	\$ 2,926
	1998				
	Construction Operations	Infrastructure Development	Inter-Segment	Corporate	Total
Revenue	\$ 93,024	\$ 9,279	\$ (1,067)	\$ –	\$ 101,236
EBITDA	5,889	(1,718)	–	(1,040)	3,131
Depreciation and amortization	2,762	161	–	32	2,955
Segment operating profit	3,127	(1,879)	–	76	1,324
Interest and income taxes					(700)
Net income					\$ 624
Total assets	83,387	21,678	–	1,369	106,434
Cash flow from operations	\$ 4,544	\$ (1,200)	\$ –	\$ (1,052)	\$ 2,292