

Aecon Group Inc.

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

December 31, 2006

Management's Discussion and Analysis of operating results and financial condition ("MD&A")

The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. ("Aecon") should be read in conjunction with the Company's 2006 Consolidated Financial Statements and Notes. This MD&A has been prepared as of March 6, 2007. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and includes the Company's Annual Information Form and other securities and continuous disclosure filings.

Introduction

Aecon operates in four principal segments within the construction industry – Infrastructure, Buildings, Industrial and Concessions. Prior to the second quarter of this year, Aecon reported its concession operations (principally its investment in the Cross Israel Highway) within its Infrastructure segment. However, with the recent achievement of financial close of a concession agreement to operate the existing and new airports in Quito, Ecuador, concession operations became a significant portion of Aecon's overall operations. As a result, it was decided that a breakout of these operations into a new segment improves the quality of the information that is provided to shareholders. Consequently, the Quito concession operations as described above are reported as part of the Concession segment, and the Quito construction operations, which includes construction of the new Quito airport, are included in the Infrastructure segment.

The Infrastructure segment includes all aspects of the construction of both public and private infrastructure, including roads and highways, principally within the Province of Ontario, as well as toll highways, dams, tunnels, bridges, airports, marine facilities, transit systems and hydro-electric power projects, domestically and internationally. There is also a strategic focus to develop civil capacity in the Alberta marketplace. This segment includes the mining, manufacture, and supply of asphalt and aggregate products, and the construction and/or installation of utility distribution systems for natural gas, telecommunications and electrical networks, as well as water and sewer mains, traffic signals and highway lighting, also principally within the Province of Ontario. Services provided in the Infrastructure segment include construction of large civil infrastructure projects in Canada and, on a selective basis, internationally.

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

The Industrial segment encompasses all of Aecon's industrial construction and manufacturing activities including in-plant construction and module assembly in the manufacturing, energy, petrochemical, steel and automotive sectors. Activities in this sector include the construction of alternative, fossil fuel and cogeneration power plants as well as in-plant construction at nuclear power plants and the fabrication and module assembly of small diameter specialty pipe. In addition, activities in this sector include the design and manufacture of "once-through" heat recovery steam

generators for industrial and power plant applications. Although activity in this segment is concentrated primarily in Canada, with selected projects in the United States and Europe, Aecon sells and installs “once-through” heat recovery steam generators throughout the world through its Innovative Steam Technologies division.

Activities within the Concessions segment include the development, financing and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer or public-private partnership contract structures. This segment focuses primarily on the operation, management, maintenance and enhancement of investments held by Aecon in infrastructure concessions - currently these comprise investments in the Cross Israel Toll Highway and Quito International Airport Project concession companies. This segment includes the operations of the Highway 104 toll plaza in Atlantic Canada. This segment also has a development function whereby it monitors and, where appropriate, brings the unique capabilities and strengths within the Aecon group and within Aecon’s strategic partners to the development of domestic and international public-private partnership concession projects in which Aecon may play a role as an investor, constructor and/or operator.

The construction industry in Canada is seasonal in nature for companies like Aecon, who do a significant portion of their work outdoors (particularly road construction and utilities work) and, as a result, less work is performed in the winter and early spring months than in the summer and fall months. Accordingly, Aecon has historically experienced a seasonal pattern in its operating results with the first half of the year typically reflecting lower revenues and profits than the second half of the year. Therefore, results in any one quarter are not necessarily indicative of results in any other quarter or for the year as a whole.

The MD&A presents certain non-GAAP (Canadian generally accepted accounting principles “GAAP”) financial measures to assist readers in understanding the Company's performance. Non-GAAP financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP.

CONSOLIDATED FINANCIAL HIGHLIGHTS

\$ millions	Year Ended December 31	
	2006	2005
Revenues	\$ 1,113.3	\$ 1,120.2
Gross margin ⁽¹⁾	96.6	66.8
Operating profit ⁽²⁾	19.7	7.2
Interest expense, net	7.5	9.3
Income taxes	0.7	2.5
Extraordinary gain, net of income taxes	-	3.4
Net income (loss) for the period	11.5	(1.1)
Return on revenue ⁽³⁾	1.8%	0.6%
Backlog – December 31 ⁽⁴⁾	\$ 786	\$ 577

- (1) Gross margin is calculated as revenues less direct costs and expenses (before deducting MG&A, depreciation and amortization, foreign exchange, interest, gains (losses) on sales, income taxes and extraordinary items).
- (2) Operating profit (loss) represents the profit (loss) from operations, before interest, income taxes and extraordinary items.
- (3) Return on revenue is calculated as operating profit (loss) as a percentage of revenues.
- (4) Included in backlog at December 31, 2006, is \$130 million related to the new Quito airport project. Although Aecon's 50% share of the construction revenues from this project are estimated at \$226 million, the amount reported as backlog has been reduced by \$96 million or 42.3%. This reduction is to reflect the fact that since Aecon has a 42.3% interest in the concession joint venture for which the new airport is being constructed, it cannot report backlog that effectively arises from transacting with itself.

Revenues in 2006 were \$1,113 million, representing a slight decrease of \$7 million over last year. Revenues increased in the Infrastructure, Industrial and Concessions segments by \$52 million, \$17 million, and \$10 million, respectively, and decreased in the Buildings and Corporate segments by \$72 million and \$14 million, respectively. Results for each of the four principal operating segments are discussed separately under Reporting Segments.

Gross margin as a percentage of revenues increased from 6.0% in 2005 to 8.7% in the current year, reflecting increased margins from all segments. Of the \$30 million improvement in gross margin, approximately \$8 million was the result of the commencement of concession operations at the existing Quito airport. Gross margins from the balance of operations, including Infrastructure, Buildings, and Industrial, were up \$4 million, \$3 million and \$15 million, respectively, with increases resulting from a combination of factors including higher volumes in certain segments, improved revenue mix, and better job performance. Marketing, general and administrative expenses ("MG&A") amounted to \$62.5 million in 2006, which is \$12.8 million higher than last year. This increase results from a number of items including higher volumes in most segments, the expansion of operations in

Western Canada, higher performance-related incentive costs, higher stock option compensation expenses, and increased Bill 198 compliance costs. As a result of these increases and, to a lesser extent, the shift in focus from “hard bid” work to “construction management”, MG&A as a percentage of revenues increased from 4.4% in 2005 to 5.6% in 2006. However, higher gross margins far exceeded the increase in MG&A and resulted in a higher overall return on revenues in 2006.

Depreciation and amortization expense in the current year of \$14.6 million is \$7.0 million higher than last year. The increase resulted from amortization of the concession rights related to the existing Quito airport operations. The amortization of these concession rights amounted to \$6.9 million in 2006 versus none in 2005.

Net interest expense of \$7.5 million in 2006 is \$1.8 million lower than last year. Reduced borrowings resulting from the receipt of net proceeds of a \$27.7 million equity issue in March 2006 and the conversion during the same month of \$7.7 million of convertible debentures into common shares were the principal reasons for the decline in interest in the year. Partially offsetting these favourable impacts were higher interest costs related to the March 2005 issuance of \$32.5 million of convertible debentures.

Set out in note 6 of the December 31, 2006 Consolidated Financial Statements is a reconciliation between the expected tax expense/recoveries in 2006 and 2005 at statutory income tax rates and the actual reported tax expense in 2006 and 2005.

Net income for the year ended December 31, 2006 is \$11.5 million representing a \$12.6 million improvement compared to 2005.

Backlog at December 31, 2006, was \$786 million or \$209 million higher than the same time last year, while new contract awards of \$1,322 million in 2006, were \$190 million higher than in 2005. Further details for each of the segments are included in the discussion below under Reporting Segments. The projected margins expected to be earned from this backlog, both as percentage of revenue and on a total dollar basis, continues to show a positive upward trend relative to prior years.

At December 31, 2006, major projects backlog was \$131 million which is \$129 million higher than last year. The increase results from new backlog related to the construction of the Quito airport which offset a decline in backlog related to the substantially completed Israel and India projects.

It is notable that significant and increasing commitments made to Aecon based on general contracts, supplier of choice, and alliance agreements do not show up as backlog for external reporting purposes, primarily due to the degree of uncertainty regarding the exact amount of work than can be expected under these arrangements. Therefore, to the extent that the volume of work to be performed under these arrangements is expected to be significant, Aecon’s effective backlog at any given time is greater than what is reported. Because it is one of Aecon’s strategic directives to focus on general contract, supplier of choice and partnering arrangements with clients, the amount of effective backlog that is excluded from reported backlog is expected to increase.

REPORTING SEGMENTS

INFRASTRUCTURE

Financial Highlights^{(1)&(3)}

\$ millions	Year Ended December 31	
	<u>2006</u>	<u>2005</u>
Revenues	\$ 484.0	\$ 431.6
Segment operating profit	16.5	10.8
Return on revenue	3.4%	2.5%
Backlog – December 31⁽²⁾	\$ 410	\$ 117

- (1) Certain prior period comparative figures have been reclassified to conform to the new segment definitions currently being used and as described in the introduction section of the MD&A.
- (2) Included in backlog at December 31, 2006, is \$130 million related to the new Quito airport project. Although Aecon's 50% share of the construction revenues from this project are estimated at \$226 million, the amount reported as backlog has been reduced by \$96 million or 42.3%. This reduction is to reflect the fact that since Aecon has a 42.3% interest in the concession joint venture for which the new airport is being constructed, it cannot report backlog that effectively arises from transacting with itself.
- (3) Not included in the Financial Highlights table above is a first quarter 2005 extraordinary gain of \$4.1 million before income taxes resulting from the acquisition by Aecon of its partner's share in a joint venture.

For the year ended December 31, 2006, the Infrastructure segment reported revenues of \$484 million compared to revenues of \$432 million last year, an increase of \$52 million. Revenues from roadbuilding and utilities were up \$64 million and \$15 million, respectively, while revenues from other heavy civil operations were down \$27 million versus last year.

The Government of Ontario continues to place a greater focus on infrastructure development in the province, leading to more new projects being tendered for bid. The roadbuilding division was very successful in its tendering activities in 2006, obtaining \$370 million in new contracts awards in 2006 compared to \$227 million last year. This increase in new awards, combined with the higher opening backlog, and favourable weather conditions, particularly in the fourth quarter, all contributed to the higher revenues in the roadbuilding operations.

The increase in utilities revenues reflects mostly higher volumes of communications and gas pipeline installation work. Also, this sector continues to expand its share of the utilities engineering and utilities locate markets, both of which are new strategic focus areas for Aecon.

Revenues from other heavy civil operations decreased in 2006, principally as a result of the Eastmain project reaching substantial completion in 2006 and a decision to curtail new project pursuits in the heavy civil sector within Quebec. These declines were partially offset by revenues of approximately

\$13 million from the construction of the new Quito airport which commenced during the third quarter of 2006.

Infrastructure operating profits of \$16.5 million in 2006 are \$5.7 million higher than in 2005. Increased operating profits were reported by the roadbuilding and utilities operations, with increases of \$3.8 million and \$2.1 million, respectively. Operating profits of the other heavy civil operations were down slightly by \$0.2 million.

Operating profits from roadbuilding operations are higher than last year mostly on account of the significantly higher volumes in the current year. In fact, when the impact of unusually high claim settlements of \$3.8 million is removed from the 2005 roadbuilding results, the increase in profits is substantially greater and is more reflective of the significant increase in volumes experienced this year. The improvement in the utilities sector arose primarily from higher volumes. Operating profits from other heavy civil operations benefited from \$3.0 million in favourable foreign exchange effects on a year-over-year basis (i.e. foreign exchange gains of \$0.6 million in 2006 versus losses of \$2.4 million in 2005). These gains offset the impact on operating profits caused by the revenue declines in 2006 in this operating segment, and the fact that no construction profits have been reported in 2006 on the revenues recorded for the period on the new Quito airport project. Under Aecon's accounting policy for large multi-year contracts, profit is recognized only when construction progress reaches a stage of completion sufficient to reasonably determine the probable results. Based on this policy, construction profit from the new Quito airport is not expected to be recognized until late 2007.

Backlog at the end of December 2006 was \$410 million, which represents a \$292 million increase from the same time last year. Consistent with the higher backlog levels, new contract awards of \$771 million were received in the current year. These awards levels represent a current year increase of \$379 million. The majority of the increase in awards and backlog relates to roadbuilding operations where several major contract awards totaling \$370 million were received in 2006, and to the Quito airport construction project which, as a result of financial close in June 2006, added \$139 million in awards this year. As previously noted, since a portion of the construction revenues from the new Quito airport, equivalent to Aecon's percentage investment in the Quito airport concession, are viewed as being earned from construction work undertaken for our own use, such revenues, and the profits thereon, will not be recognized as construction revenues and profits for consolidated reporting purposes, nor are such revenues included in reported backlog. The construction profits not recognized as income will be accounted for as a reduction in the cost of the new airport concession right and will be effectively recognized in income by way of lower amortization expenses over the life of the new airport concession asset.

As discussed in the Consolidated Financial Highlights section, significant commitments made to Aecon based on general contracts, supplier of choice and alliance agreements do not necessarily show up as backlog. Therefore, to the extent that the volume of work to be performed under these arrangements is expected to be significant, Aecon's effective backlog at any given time is greater than what is reported.

BUILDINGS

Financial Highlights

\$ millions	Year Ended December 31	
	<u>2006</u>	<u>2005</u>
Value of work managed	\$ 493.0	\$ 560.0
Revenues	\$ 322.7	\$ 394.8
Segment operating profit	4.6	2.1
Return on revenue	1.4%	0.5%
Backlog - December 31	\$ 191	\$ 289

Revenues in the Buildings segment were \$72 million lower than 2005. Similarly, the value of work managed was \$67 million lower than 2005. In this segment, particularly in the segment's Toronto operations, the strategic focus has been on margin enhancement rather than revenue growth, including more emphasis on design-build, construction management and ongoing program interiors and renovations work. Revenues of \$177 million from the segment's Toronto operations continue to represent the largest component of this segment's revenues. However, the Toronto operations had the largest single reduction in revenue this year compared to 2005 (\$77 million), while the Ottawa and Montreal operations reported reductions of \$17 million and \$12 million, respectively. The drop in revenues in Toronto is primarily the result of a number of large lump sum projects reaching peak production in 2005 compared with much lower production levels towards the close-out of these same projects in 2006, and also a reduction in new work. Lower revenues in the Ottawa and Montreal operations are the result of fewer new work awards in 2006 and resulted from fewer opportunities to bid new work as well as competitive market conditions. Partially offsetting these declines was an increase of \$23 million in revenues from the division's Seattle operations which arose as a result of a stronger backlog to start the year and additional awards on projects that had been delayed last year.

Operating profits for 2006 were \$4.6 million or \$2.4 million higher than last year. The Toronto and Ottawa operations reported profit improvements of \$3.9 million and \$0.3 million, respectively, while the Montreal and Seattle operations were down \$0.2 million and \$0.8 million, respectively. The Toronto operations benefited from favourable resolutions in the current year of outstanding change orders on projects that carried forward from 2005. These settlements, combined with ongoing operational improvements, offset the impact of lower revenues. The Ottawa improvement is related to the higher margins percentages earned on work performed combined with reduced overhead costs. The decline in Seattle this year is related to lower margins on projects. The remaining operations all combined to produce a net \$0.8 million decline in operating profits principally related to the impact of a \$1.4 million unfavourable adjustment on an investment in a joint venture this year, partially offset by a \$0.4 million improvement related to growth in the Halifax operations.

Backlog of \$191 million at the end of 2006 was \$98 million lower than last year. New contract awards of \$225 million were booked in the current year, which compares with \$338 million in 2005.

The largest declines in awards occurred in Toronto and Montreal (\$146 million combined for the year) and resulted from a combination of continued competitive pressures in these markets, a reduced focus on lump sum contract pursuits, and a strategy to pursue more contract management work rather than higher risk lump sum work. The work-off throughout 2005 and 2006 of backlog on large projects combined with these lower award levels produced the lower backlog amount at December 31st.

As discussed in the Consolidated Financial Highlights section, commitments made to Aecon based on construction management advisory agreements, general contracts, supplier of choice and alliance agreements do not necessarily show up as firm backlog. Therefore, to the extent that the volume of work to be performed under these arrangements is expected to be significant, Aecon's effective backlog at any given time is greater than what is reported.

INDUSTRIAL

Financial Highlights

\$ millions	Year Ended December 31	
	<u>2006</u>	<u>2005</u>
Revenues	\$ 290.2	\$ 273.3
Segment operating profit	19.5	8.8
Return on revenue	6.7%	3.2%
Backlog – December 31	\$ 186	\$ 172

Current year revenues in the Industrial segment of \$290 million were \$17 million higher than in 2005.

In 2006, revenues of \$123 million from construction operations in Ontario were up \$28 million from the prior year, mostly as a result of increases in work performed for customers in the utilities/gas, power/nuclear, and petrochemical sectors. This increase was partially offset by a decline in revenues from customers in the automotive sector. Aecon has strategically chosen to decrease its focus on this sector, and now only focuses on a select few core automotive clients, because of the highly competitive nature of this market.

Fabrication revenues of \$40 million from the segment's Ontario and eastern Canada operations were \$12 million higher than in 2005, primarily from volume growth in Eastern Canada.

Revenues from the segment's Western Canada operations were \$113 million versus \$120 million in 2005. Revenues throughout 2005 were strongly impacted by a significant amount of one-time demolition and rebuild work performed on the Suncor site in Fort McMurray after a fire in January 2005. As anticipated, 2006 operations experienced a decline in site construction work following conclusion of the fire rebuild project. However, there were significant offsetting increases in the volume of module assembly and pipe fabrication work performed in Western Canada in 2006. Western Canada operations continue to benefit from the development of several oilsands and gas projects in the Fort McMurray and Long Lake regions of Alberta.

Revenues of \$18 million for the year from Innovative Steam Technologies (“IST”), which sells and licenses the technology for “once through” heat recovery steam generators (“OTSG”), were down \$13 million from the prior year reflecting delays from customers in booking new orders. Notably, IST’s backlog profile improved by year end with the of receipt new awards totaling \$28 million in the fourth quarter of 2006.

In 2006, the Industrial segment generated an operating profit of \$19.5 million compared to \$8.8 million last year. Of the \$10.7 million improvement, Ontario Construction, Western Canada, and Fabrication operations were up \$3.4 million, \$5.2 million, and \$6.1 million, respectively. Only IST, with a loss of \$3.7 million in 2006 compared to a profit of \$1.4 million in 2005, was down from last year. IST’s loss is reflective of the impact of lower revenues, while the improved margins and profit performance in all the other sectors results from very strong market conditions and from improved internal commercial discipline.

Ontario Construction operating profits increased from \$6.0 million in 2005 to \$9.4 million in 2006. Western Canada operating results increased from \$5.0 million in 2005 to \$10.2 million in 2006. In 2006, the Ontario and Eastern Canada Fabrication operation produced an operating profit of \$3.5 million after incurring a loss of \$2.6 million in 2005. The majority of the improvement (\$4.1 million) was produced by the Ontario Fabrication operations, which is now benefiting from the steps taken to improve profitability following a detailed strategic analysis of these operations.

Backlog at December 31, 2006 of \$186 million is \$14 million higher than last year. In the Western Canada operations, backlog of \$40 million at December 31, 2006 is up \$16 million from last year, and IST backlog of \$23 million is up \$18 million as a result of the awards noted above. Although down \$22 million from last year, Ontario Construction backlog remains strong at \$106 million. The decline from last year is due principally to the work-off of backlog on large projects throughout 2006. New contract awards of \$304 million in the current year are \$72 million lower than in 2005, principally because of the unusually high (\$102 million) addition to backlog in 2005 resulting from Aecon’s 50% joint venture share of an award in late 2005 for a nuclear project in Ontario.

As discussed in the Consolidated Financial Highlights section, significant commitments made to Aecon based on general contracts, supplier of choice and alliance agreements do not necessarily show up as firm backlog. Therefore, to the extent that the volume of work to be performed under these arrangements is expected to be significant, Aecon’s effective backlog at any given time is greater than what is reported.

CONCESSIONS

Financial Highlights⁽¹⁾

\$ millions	Year Ended December 31	
	<u>2006</u>	<u>2005</u>
Revenues	\$ 35.7	\$ 25.4
Segment operating loss	(2.6)	(3.5)
Return on revenue	(7.4)%	(13.8)%
Backlog – December 31	\$ -	\$ -

(1) Certain prior period comparative figures have been reclassified to conform to the new segment presentation that was adopted in the second quarter of 2006 (see Introduction section of MD&A).

Revenues in the Concessions segment were \$36 million in the current year, a \$10 million increase versus 2005. Commencing in the third quarter of 2006, the results of the Quito airport concessionaire began to be included in Aecon's financial results. This segment also includes the results from the operators of the Cross Israel Highway and Highway 104 toll plaza in Atlantic Canada. Aecon's long-term investment in Derech Eretz Highways (1997) Ltd. ("Derech Eretz"), the company owning the concessionaire rights to the Cross Israel Highway, is carried at cost, and as a result, income is only recognized to the extent of dividends received (i.e. a profit distribution) or when a portion of this investment is monetized. As such, Aecon has not reported any revenues and profits from its investment in Derech Eretz in the above periods, even though the Cross Israel Highway is performing well, is generating strong operating cash flow, and remains on track to deliver an expected 15% after tax IRR on Aecon's \$42.7 million investment, notwithstanding the fact that cash distributions from this investment are expected to be later than originally expected.

In 2006, the majority of the revenue improvement arose from the Quito airport project, which reported no revenues in 2005 and \$13 million in 2006.

The operating loss of \$2.6 million in 2006 was an improvement of \$0.9 million compared to last year. The Quito airport concessionaire, which includes the results from operating the existing airport while the new airport is being constructed, was the main contributor to the improvement in operating profit. Profit, earned from the Quito airport project was \$7.9 million before amortization charges. However, after deducting amortization expenses (\$6.9 million) on concession rights related to the existing airport (see note 5 to the December 31, 2006 Consolidated Financial Statements), the operating profit contribution of the Quito airport concessionaire was \$1.0 million in the current year. This profit contribution, combined with Aecon's share of the small margin contribution from the entity that manages the operations of the Cross Israel Highway, was more than offset by the segment's ongoing MG&A costs, thus resulting in an overall loss for the segment.

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

concession assets, no concession backlog is reported at December 31st. Therefore, the effective backlog is greater than what is reported.

For further details on Aecon's investment in the Quito airport concessionaire, refer to note 5 of the December 31, 2006 Consolidated Financial Statements.

CORPORATE AND OTHER

Net Corporate expenses for the current year are \$18.2 million compared to \$11.1 million in 2005. The increase results primarily from higher pension, incentive and stock option charges in 2006, and higher compliance costs related to Bill 198 initiatives.

The higher pension expenses of \$1.4 million relate to non-recurring costs associated with the termination of one of Aecon's defined benefit pension plans.

Stock based compensation charges increased by \$0.8 million and resulted from the issuance of stock options in the first quarter of 2006. Higher incentive costs were the result of exceeding certain financial performance targets in the year.

Quarterly Financial Data

Set out below are revenues, net income (loss), and earnings per share for each of the most recent eight quarters (in millions of dollars, except per share amounts).

(Unaudited)	2006				2005			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Revenues	\$ 338.0	\$ 316.0	\$ 258.7	\$ 200.6	\$ 323.5	\$ 340.8	\$ 283.0	\$ 172.9
Net income (loss)	10.6	12.8	(1.0)	(10.9)	3.5	2.1	1.7	(8.4)
Earnings (loss) per share:								
Basic	0.29	0.35	(0.03)	(0.36)	0.12	0.07	0.06	(0.29)
Diluted	0.28	0.34	(0.03)	(0.36)	0.11	0.07	0.05	(0.29)

Due to the impact of share issuances throughout the periods, the sum of the quarterly earnings (losses) per share will not equal the total for the year. The total of the quarterly earnings (losses) per share from continuing operations, compared with the amounts for the full year are as follows:

	2006		2005	
	Quarterly Total	Annual Amount	Quarterly Total	Annual Amount
Earnings (loss) per share:				
Basic	\$ 0.25	\$ 0.33	\$ (0.04)	\$ (0.04)
Diluted	0.23	0.31	(0.06)	(0.04)

The analysis of operating results for each of the first three quarters of 2006 is included in the Management Discussion and Analysis incorporated in the Interim Reports to Shareholders for each quarter.

For the fourth quarter of 2006, revenues amounted to \$338 million, which is \$14 million higher than the same period in 2005. Similar to the year-to-date results, revenues increased in the Infrastructure, Industrial and Concessions operating segments by \$11 million, \$22 million, and \$1 million, respectively, while decreasing in the Buildings segment by \$11 million.

Gross margin increased by \$16 million in the final three months of the year, as margins increased from \$24 million in 2005 to \$40 million in 2006, with all segments generating increased operating margins, generally as a result of strong industry conditions and improved commercial and strategic disciplines.

MG&A increased to \$22 million in the quarter, compared to \$14 million in the same period last year, primarily as a result of higher performance-related incentive costs and the non-recurring costs associated with the termination of one of Aecon's pension plans, as noted above.

Operating profits in the current quarter are \$12.8 million compared to an operating profit of \$7.1 million during the same period in 2005. The improvement is primarily a function of the higher operating margins noted above.

Revenues and operating profit (loss) by segment for the fourth quarters of 2006 and 2005 are set out in the table below (\$ millions).

	<u>2006</u>		<u>2005</u>	
	<u>Revenue</u>	<u>Operating profit (loss)*</u>	<u>Revenue</u>	<u>Operating profit (loss)*</u>
Infrastructure	\$ 146	\$ 7.2	\$ 135	\$ 5.1
Buildings	84	2.6	95	0.1
Industrial	105	12.6	83	6.4
Concessions	13	(0.3)	12	(1.8)
Corporate	(10)	(9.3)	(1)	(2.7)
Consolidated	<u>\$ 338</u>	<u>\$ 12.8</u>	<u>\$ 324</u>	<u>\$ 7.1</u>

* Operating profit (loss) represents the profit (loss) from operations, before interest, income taxes and extraordinary items.

In the Infrastructure segment, revenues were \$11 million higher than last year. Revenues from roadbuilding and utilities operations increased in the fourth quarter by \$4 million and \$5 million, respectively, versus the corresponding three months of 2005. Contributing to the increases were higher backlog levels to start the quarter (a result of the high level of awards received earlier in the year) and favourable weather conditions during the quarter.

The Infrastructure segment earned an operating profit in the current quarter of \$7.2 million compared to \$5.1 million last year. The largest year-over-year improvements incurred in the roadbuilding and utilities operations which increased by \$3.0 million and \$1.2 million, respectively, primarily from higher volumes in the current quarter.

Revenues in the Buildings segment of \$84 million were \$11 million lower than the same quarter last year. The decline occurred primarily in the Toronto operations (\$13 million) and, as discussed previously in the Buildings segment section, resulted from the lower award levels experienced in 2006.

The Buildings segment produced an operating profit of \$2.6 million in the current quarter compared to an operating profit of \$0.1 million last year. The majority of the operating profit was generated by the Toronto operations.

The Industrial segment revenues in the current quarter were \$105 million or \$22 million higher than

in 2005. Volume increases occurred in all operations except IST. The reasons for the changes are similar to those cited above in the section on the Industrial segment's results for all of 2006.

The Industrial segment recorded a profit of \$12.6 million in the current quarter, which compares with a \$6.4 million in the same period of 2005. A combination of increased volumes and improved gross margin percentages from the Construction, Western Canada and Fabrication operations in the current quarter produced the improved results in this segment.

Revenues in the Concessions segment of \$13 million in the current quarter were up \$1 million from last year. The Concessions segment operating loss of \$0.3 million for the fourth quarter of 2006 represents a \$1.5 million improvement over the same quarter last year. Most of the improvement relates to lower MG&A costs in the current quarter whereas 2005 included one-time expenditures incurred in relation to the startup of the Quito project.

Overall, net income for the quarter amounted to \$10.6 million or \$0.29 per share, which compares with \$3.5 million or \$0.12 per share in 2005.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Aecon holds a 42.3% economic interest in Corporacion Quiport S.A. ("Quiport JV"), an Ecuadorian company, whose main operations consist of: (a) managing and operating the existing Quito Airport, and (b) the development, construction, operations and maintenance of the new Quito International Airport under a concession arrangement. Aecon's investment in the Quiport JV is accounted for by the proportionate consolidation method, whereby the Consolidated Financial Statements reflect, line by line, Aecon's pro-rata share of each of the assets, liabilities, revenues, expenses and cash flows of Quiport JV. Given the significant effect of Quiport JV on Aecon's Consolidated Financial Statements, and in order to provide additional information about the Quiport JV operations and assets, which act as security for project debt, Aecon provides consolidating balance sheet and cash flow worksheets in note 23 to the December 31, 2006 Consolidated Financial Statements as additional information about its accounts, thereby enabling the reader to have a greater understanding of Aecon's underlying assets, earnings base and financial resources.

Cash and Debt Balances

Cash and cash equivalents at December 31, 2006 are \$50.1 million, which compares with \$27.0 million at the end of last year. Of these amounts, \$42.2 million and \$10.2 million, respectively, were on deposit in joint venture bank accounts, which Aecon cannot access directly.

Restricted cash of \$13.2 million at December 31, 2006 (December 31, 2005 - \$7.5 million) represents cash that was deposited as collateral for borrowings and letters of credit issued by Aecon. As such, this cash was not available for general operating purposes.

Restricted marketable securities and term deposits of \$15.2 million (December 31, 2005 - \$15.3 million) were all held within joint ventures and, similar to cash held by joint ventures, these securities cannot be accessed directly by Aecon.

At December 31, 2006, long-term debt and convertible debentures, including the current portion, totaled \$145.9 million compared to \$108.7 million at the end of 2005. The \$37.2 million net increase results mainly from the proportionate consolidation of Aecon's share of the borrowings of \$66.4 million to finance the Quito Airport Project (which are non-recourse to Aecon), less debt repayments on the Company's revolving debt facility of \$22.9 million, and the conversion of \$7.7 million of convertible debentures into common shares.

Bank indebtedness of \$15.0 million at the end of December 2006 includes \$8.2 million, representing Aecon's 45% share of funds borrowed within the Nathpa Jhakri hydro-electric project joint venture in India, and \$6.8 million from Aecon's operating line of credit.

Interest bearing debt amounted to \$160.9 million at December 31, 2006, compared to \$119.6 million at December 31, 2005, the composition of which is as follows (\$ millions):

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
Bank indebtedness	\$ 15.0	\$ 8.3
Loan from Hochtief	-	2.5
Current portion of long-term debt	4.8	6.2
Convertible debentures – current	-	7.7
Long-term debt – recourse	14.7	35.7
Long-term debt - non-recourse	66.4	-
Convertible debentures	60.0	59.2
Total interest bearing debt	\$ 160.9	\$ 119.6
Interest bearing debt held directly	86.2	109.8
Interest bearing debt in joint ventures	74.7	9.8
Total	\$ 160.9	\$ 119.6

Aecon has a reducing revolving term loan to fund working capital and operating requirements (with a current limit of \$20.6 million). This facility, which is reported as long-term debt, had no amounts outstanding at December 31, 2006, and, as such, the entire facility was available for drawdown to supplement Aecon's liquidity and working capital position. Aecon also had \$60.0 million outstanding in convertible debentures, details of which are described in note 12 to the December 31, 2006 Consolidated Financial Statements. In March 2006, \$7.7 million of convertible debentures were converted into common shares.

Aecon's liquidity position and capital resources continue to be sufficient to finance its operations and working capital requirements for the foreseeable future.

Future equity investments of US\$20 million by Aecon in the Quito airport concessionaire are expected to be funded by cash profits from construction of the new Quito airport. To-date, Aecon has invested US\$13.7 million in equity and has deposited US\$1 million with Export Development Canada ("EDC") in support of letters of credit issued by EDC on the Quito airport project. These

EDC deposits are included in restricted cash on the consolidated balance sheets at December 31, 2006.

Summary of cash flows

\$ millions	Consolidated Cash Flows		Cash Flows Excluding Quiport JV	
	Year Ended Dec. 31		Year Ended Dec. 31	
	2006	2005	2006	2005
Cash provided by (used in):				
Operating activities	\$ (1.7)	\$ (27.9)	\$ 19.5	\$ (27.9)
Investing activities	(46.2)	(21.9)	(8.8)	(21.9)
Financing activities	69.5	27.0	3.9	27.0
Increase (decrease) in cash and cash equivalents	21.6	(22.8)	14.6	(22.8)
Effects of foreign exchange on cash balances	1.5	(0.3)	0.2	(0.3)
Cash and cash equivalents - beginning of period	27.0	50.1	27.0	50.1
Cash and cash equivalents - end of period	\$ 50.1	\$ 27.0	\$ 41.8	\$ 27.0

Operating Activities

Cash used in operating activities of \$1.7 million in 2006 is \$26.2 million better than last year. The large year-over-year improvement is due to higher earnings in the current year (a profit in the current year versus a loss last year) and lower investments in working capital (i.e. increases in deferred revenue balances created by higher over-billings on projects were only partially offset by higher investments in accounts receivable balances). Included in cash flows from operating activities is the impact of the consolidation of Aecon's \$21.2 million proportionate share of cash used by Quiport (the Quito concession Joint Venture) operations. This cash usage relates primarily to advance payments made by Quiport for construction of the new Quito airport.

Investing Activities

For the year, investing activities resulted in a use of cash of \$46.2 million, which compares with cash used of \$21.9 million in 2005. Of the \$46.2 million of cash used in the year, \$37.4 million represents the consolidation of Aecon's proportionate share of the cash used by Quiport relating to construction of the new Quito airport (i.e. increase in concession rights of \$37.4 million) in 2006. In 2005, the largest use of cash related to an increase in other assets of \$9.7 million, and consisted mostly of development costs incurred on the Quito airport project. Another major use of cash in 2005 was a \$4.3 million increase in Aecon's investment in Derech Eretz Highways (1997) Ltd ("Derech Eretz").

Investing activities in 2006, not requiring an immediate use of cash, include the acquisition of concession rights (valued at \$80 million) to operate the existing and new Quito airports. In addition to

this non-cash investment in the Quito airport, non-cash investments in 2006 included a \$1.5 million increase in Aecon's investment in Derech Eretz, the concessionaire of the Cross Israel Highway. The increased investment was financed by a loan from the other shareholders in Derech Eretz at an interest rate of 6% per annum.

Financing Activities

In 2006, cash provided by financing activities amounted to \$69.5 million, compared to cash generated of \$27.0 million in 2005. Of the \$69.5 million of cash generated in 2006, \$65.6 million represents the consolidation of Aecon's proportionate share of Quiport operations and \$3.9 million from other Aecon operations. Quiport's financing activities were principally related to the financing of the new Quito airport. Aecon's proportionate share of Quiport's project financing, none of which is recourse to Aecon, amounted to \$66.4 million at December 31, 2006. During 2006 Aecon issued 4,680,000 common shares for net proceeds of \$27.7 million plus an additional 275,000 common shares for an additional \$1 million in proceeds were issued upon the exercise of stock options. Issuances of long-term debt, excluding Quiport, amounted to \$14.6 million while repayments totalled \$42.4 million, for a net change of \$27.8 million. The net change results primarily from a net repayment of \$23.0 million on the Company's revolving term facility. Gross long-term debt issuances and repayments were affected by a series of drawdowns and repayments under the Company's revolving term facility. In 2005, a \$32.5 million convertible debenture financing was completed, which yielded net proceeds of \$31.0 million.

Financing activities not resulting in an inflow of cash in 2006 included the increase in deferred revenue of \$64 million resulting from acquisition of the concession rights to the Quito Airport project.

NEW ACCOUNTING STANDARDS

No new Canadian accounting standards were adopted in 2006 in the Consolidated Financial Statements.

The CICA has issued three new accounting standards: CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; and Section 1530, Comprehensive Income. These standards are substantially harmonized with U.S. GAAP and are effective for Aecon beginning January 1, 2007. The principal impacts of the standards are as follows:

Financial assets will be classified as available for sale, held to maturity, trading, or loans and receivables. Financial liabilities will be classified as trading or other. Initially, all financial assets and financial liabilities must be recorded on the balance sheet at fair value. Subsequent measurement is to be determined by the classification of each financial asset and financial liability. Held-to-maturity assets will be limited to fixed-maturity instruments that Aecon intends to and is able to hold to maturity and will be accounted for at amortized cost using the effective interest method. Loans and receivables will also be accounted for at amortized cost using the effective interest method. Trading assets will continue to be accounted for at fair value with realized and unrealized gains and losses reported through net income. The majority of the remaining assets will be classified as available for sale and measured at fair value with unrealized gains and losses recognized through

other comprehensive income. Certain assets and liabilities may be designated as trading under the fair value option.

Other comprehensive income will be a new component of shareholders' equity. Comprehensive income is composed of Aecon's net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, foreign currency translation and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes.

The new standards require that all derivative instruments be recognized as either assets or liabilities and measured at their fair values. In addition, the new standards allow special hedge accounting for some types of transactions provided that certain criteria are met. For fair value hedges, where Aecon is hedging changes in the fair value of assets, liabilities or firm commitments, the change in the fair value of derivatives and hedged items attributable to the hedged risk will be recorded in the Consolidated Statement of Income. For cash flow hedges where Aecon is hedging the variability in cash flows related to variable-rate assets, liabilities or forecasted transactions, the effective portion of the changes in the fair values of the derivative instruments will be recorded through other comprehensive income until the hedged items are recognized in the Consolidated Statement of Income.

Application of these standards is complex and Aecon is currently assessing the impact on its financial reporting, however, Aecon does not expect any material impact on the balance sheet and statement of operations.

SUPPLEMENTAL DISCLOSURES

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures as at the financial year ended December 31, 2006. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2006 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities.

Internal Control Over Financial Reporting

As at the financial year ended December 31, 2006, the Chief Executive Officer and Chief Financial Officer evaluated the design of the Company's internal control over financial reporting. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design of internal control over financial reporting was effective as at December 31, 2006 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Contractual Obligations

Aecon has commitments for equipment and premises under operating leases requiring minimum payments and principal repayment obligations under long-term debt (including the convertible debentures described in note 12 to the Consolidated Financial Statements) as follows (in thousands of dollars):

	<u>Lease</u> <u>Payments</u>	<u>Long-term Debt</u> <u>Repayments</u>
2007	\$ 16,508	\$ 4,797
2008	12,261	11,730
2009	9,716	31,373
2010	6,071	32,199
2011	3,750	8,385
Beyond	<u>10,464</u>	<u>57,421</u>
	\$ <u>58,770</u>	\$ <u>145,905</u>

At December 31, 2006, Aecon had contractual obligations to complete construction contracts that were in progress. The revenue value of these contracts was \$882 million. This consists of the reported backlog of \$786 million plus an additional \$96 million representing Aecon's share of the Quito project revenues not included in reported backlog revenues.

Off-Balance Sheet Arrangements

In connection with its joint venture operations in India and Israel, Aecon has provided various financial and performance guarantees and letters of credit, which are described in note 11 to the December 31, 2006 Consolidated Financial Statements. With respect to Aecon's operations in Quito, refer to notes 5 and 23 of the December 31, 2006 Consolidated Financial Statements for details of various financial and performance guarantees and letters of credit provided.

Aecon's defined benefit pension plans had a combined deficit of \$4.0 million at December 31, 2006 (2005 - \$6.4 million). These deficits include experience and other actuarial gains and losses which, in accordance with Canadian generally accepted accounting principles, are not immediately recognized in the accounts of the Company but are amortized over the average remaining service life of employees. At December 31, 2006, unrecognized liabilities amounted to \$5.8 million (2005 - \$8.6 million). Details relating to Aecon's defined benefit plans are set out in note 19 to the Consolidated Financial Statements.

From time to time Aecon enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar. At December 31, 2006, the Company had net outstanding contracts to sell US\$0.8 million (December 31, 2005 - sell US\$3.6 million) on which there was a net unrealized

exchange loss of \$0.03 million (2005 - net gain of \$0.2 million). The net unrealized exchange gain (loss) represents the estimated amount the Company would have received if it terminated the contracts at the end of the respective periods. Financial instruments are discussed in note 21 to the 2006 Consolidated Financial Statements.

Related Party Transactions

In March 2006, \$7.7 million of convertible subordinated debentures held by Hochtief AG, who at the time was Aecon's largest shareholder, were converted to equity, and a \$2.5 million short-term unsecured loan was repaid on January 13, 2006. Hochtief AG has issued guarantees totalling \$25.9 million in support of the financial and performance related obligations of the Nathpa Jhakri hydro-electric project in India in which Aecon has a joint venture interest.

Note 20 to the Consolidated Financial Statements details various other significant related party transactions and balances.

In November 2006, Hochtief sold all the shares it previously held in Aecon.

Critical Accounting Estimates

By its nature, accounting for construction contracts requires the use of estimates. Revenue and income from fixed price construction contracts, including contracts in which Aecon participates through joint ventures, are determined on the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs. Aecon has a process whereby progress on jobs is reviewed by management on a regular basis and estimated costs to complete are updated. However, due to unforeseen changes in the nature or cost of the work to be completed or performance issues, contract profit can differ significantly from earlier estimates.

Unpriced change orders are change orders that have been approved as to scope but unapproved as to price. For such change orders, contract revenues are recognized to the extent to which costs incurred are expected to be recovered. Therefore, to the extent that actual costs recovered are different from expected cost recoveries, significant swings in revenue and profitability can occur from one reporting period to another.

Claims are amounts in excess of the agreed contract price, or amounts not included in the original contract price, that Aecon seeks to collect from clients or others for client-caused delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. In accordance with Aecon's accounting policy, claims are recognized in revenue only when resolved. Therefore, it is common for Aecon to have substantial contract costs recognized in one accounting period with associated revenue recognized only in a later period.

In the preparation of the Consolidated Financial Statements, various other estimates are required, which are either subjective, could be materially different under different conditions or using different assumptions, or which require complex judgments. The more significant estimates are related to the accounting for income taxes, concession rights to operate the existing Quito airport, employee benefit

plans and the accounting for pension expense, and the allocation of the purchase price to the fair value of assets acquired and liabilities assumed on acquisitions. The Company's accounting for income taxes is described in note 6 to the Consolidated Financial Statements and under Tax Accrual Risks in the following section of the MD&A entitled Risks and Uncertainties. The significant actuarial assumptions used in accounting for pension expense are set out in note 19 to the Consolidated Financial Statements.

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)

	<u>December 31, 2006</u>	<u>March 6, 2007</u>
Number of common shares outstanding (1)	38,069,829	38,119,829
Paid-up capital of common shares outstanding (2)	\$ 131,975	\$ 132,288
Outstanding securities exchangeable or convertible into common shares:		
Number of stock options outstanding	1,200,000	1,200,000
Number of common shares issuable on exercise of stock options	1,200,000	1,200,000
Increase in paid-up capital on exercise of stock options	\$ 7,279	\$ 7,304
Principal amount of convertible debentures outstanding (see note 12 to the Consolidated Financial Statements)	\$ 59,988	\$ 59,988
Number of common shares issuable on conversion of convertible debentures	8,276,316	8,276,316
Increase in paid-up capital on conversion of convertible debentures	\$ 59,988	\$ 59,988

(1) Number of common shares outstanding excludes shares held by the trustee of Aecon's LTIP plan (see note 15 to the Consolidated Financial Statements).

(2) As described in note 15 to the Consolidated Financial Statements, and in accordance with the recommendations of The Canadian Institute of Chartered Accountants, share capital has been reduced by \$1.1 million on account of share purchase loans receivable from employees and by \$1.3 million to reflect shares held by the trustee of the LTIP plan.

RISKS AND UNCERTAINTIES

Large Project Risk

A substantial portion of Aecon's revenues is derived from large projects, some of which are conducted through joint ventures. These projects provide opportunities for large revenue and profit contributions but can occasionally result in significant losses.

Opportunities for Aecon to compete for large projects do not occur regularly. As a result, Aecon's ability to successfully compete for these opportunities and the length of time required to execute these projects are not predictable, and therefore the Company may experience periods of irregular or reduced revenues. In fact, since the completion of the Cross Israel Highway and Nathpa Jhakri projects, Aecon has not undertaken construction of a similar large project with exception of the new Quito International Airport which commenced in 2006.

The recording of the results of large project contracts can distort revenues and earnings on both a quarterly and an annual basis and can, in some cases, make it difficult to compare the financial results between reporting periods.

As described more fully in notes 5, 11 and 14 to the Consolidated Financial Statements, Aecon has a number of commitments and contingencies. If Aecon was called upon to honour these obligations, its financial results would be adversely affected.

The Nathpa Jhakri Project in India, although now complete, incurred significant delays in respect of which the joint venture, in which Aecon has a 45% interest, submitted requests for extensions of contract time as well as claims for significant compensation arising from the costs of delays. The joint venture has submitted for arbitration claims of approximately \$96 million against the owner, Satluj Jal Vidyut Nigam Ltd. ("SJVN") (formerly Nathpa Jhakri Power Corporation Limited), the most significant of which is to cover the joint venture's cost of extra work and delays related to these same matters. In 2005, the joint venture was advised by SJVN of its intention to levy liquidated damages against the joint venture in the amount of \$30.4 million for alleged delay damages resulting from not completing the contract on time. Since the delay in the completion of the project was caused by numerous items outside of the joint venture's control and contractual responsibility, including, among many other things, a catastrophic flood in 2002, the joint venture believes that these claims for liquidated damages are unsubstantiated, unwarranted and without legal merit. Currently, no provision has been made for the liquidated damages, nor has any amount been recognized for potential recoveries under the claims. This treatment is in accordance with the Company's accounting policy, which is to recognize revenues from claims only when resolved. The arbitration process is nearly complete and a decision is expected in 2007. For further information refer to note 14 to the Consolidated Financial Statements. In the event the joint venture is unsuccessful in its claims for additional compensation and request for extension of contract time, the joint venture could be faced with potential liquidated damages claims by SJVN for which the Company is jointly and severally liable. If such possible claims were to materialize and be successful, the financial results and the financial position of Aecon would be adversely affected.

In addition, as at December 31, 2006, the Company had outstanding guarantees and letters of credit totalling approximately \$26 million in support of financial and performance related obligations for the Nathpa Jhakri project. Also, to December 31, 2006, the Company had profits of approximately \$14 million (at current exchange rates) after income taxes relating to this project, which have not yet been distributed to the Company. If such guarantees were to be called upon and/or if Aecon was not able to collect its profits, Aecon's financial results and its financial position would be adversely affected. Construction of the Nathpa Jhakri project is fully complete and the warranty period has expired.

In connection with the Cross Israel Highway project, the Company has provided two joint and several guarantees, a continuous guarantee, which guarantees the performance of the concessionaire in which the Company has a 25% interest and a leakage guarantee, which is a guarantee by the operator of the toll highway, in which the Company has a 30.60% interest, to the concessionaire and covers toll capture and collection rates generated from users of the highway during the operating period. These guarantees extend to the end of the concession period which ends in 2029. If such guarantees were to be called upon, the financial results and the financial position of Aecon would be adversely affected.

In addition, a significant portion of Aecon's capital (approximately \$50 million) is invested, directly or indirectly, in the Cross Israel Highway. As a result, any material diminution in the value of the Cross Israel Highway would adversely affect the financial results and condition of the Company.

The Company is a partner in a joint venture with Hochtief Construction AG. that constructed a hydro-electric facility in northern Quebec for Société d'énergie de la Baie James, a subsidiary of Hydro Quebec (the "Eastmain Project"). To date, the Eastmain Project has incurred cost overruns, primarily because of customer changes to the original contract scope. The Company is currently negotiating with Hydro Quebec for a full recovery of these cost overruns and expects that it will be successful in doing so. Should the Company not be successful in recovering these cost overruns, its financial results and position would be adversely impacted by a material amount.

The cost impacts of these client delays and scope changes are classified as unpriced change orders, which are change orders for which the client has agreed it is responsible but where the value of such change orders has not yet been settled. In accordance with Aecon's accounting policy for unpriced change orders, until the value of an unpriced change order is settled with the client, contract revenues are recognized to the extent of costs incurred or, if lower, to the extent to which recovery is probable. Accordingly, no profit has been recognized on these change orders nor, on the contract as a whole. These unpriced change orders are included on Aecon's consolidated balance sheet as "deferred contract costs and unbilled revenue." Should the unpriced change orders related to this project no longer be considered probable of recovery and the Company is unsuccessful in recovering the full value of these cost overruns from the client, the financial results would be negatively impacted by charges to income for the amounts not recovered. Amounts not recovered through change orders could result in claims by Aecon against the client, which are recognized for accounting purposes only when the amounts are resolved.

The Company holds a 42.3% effective economic interest in Corporacion Quiport S.A. ("Quiport JV"), an Ecuadorian company, whose main operations consist of: (a) managing and operating the existing Mariscal Sucre International Airport (the "Existing Quito Airport") until its operations are

transferred to a new airport; and (b) the development, financing, construction, operation and maintenance of the new Quito International Airport under a concession arrangement with Corporacion Aeropuerto y Zona Franca del Distrito Metropolitano de Quito (“CORPAQ”).

On January 27, 2006, Quiport JV assumed control of Existing Quito Airport operations and on June 28, 2006 financial close was achieved and the first tranche of financing was advanced by the Project Senior Lenders. The construction contract for the new airport was signed on June 22, 2005, and the formal construction commencement date was July 12, 2006. The New Quito Airport will be constructed under a 51-month fixed-price Engineer-Procure-Construct contract signed between CORPAQ and Canadian Commercial Corporation (“CCC”), a Crown agency of the Canadian government. CORPAQ assigned the construction contract to Quiport JV. CCC subcontracted 100% of the construction work to the Company as its Canadian supplier, which then subcontracted 100% of the construction work to a 50%/50% joint venture consisting of the Company and Brazil’s Construtora Andrade Gutierrez (the “Construction JV”). The Company will be the managing partner of the Construction JV.

In connection with the Quito International Airport Project, the Company has made equity investments and provided letters of credit in support of its remaining equity obligations and for various project contingencies. These letters of credit are supported by guarantees issued on behalf of the Company to the issuing banks by EDC and will remain in place until its equity obligations are fulfilled and the conditions giving rise to the contingencies are satisfied or cleared. In addition, the Company and Andrade Gutierrez have provided surety bonds, guaranteed joint and severally, to cover construction and concession related performance obligations, an advance payment bond and a retention release bond, in each case the Company’s share supported by guarantees issued by EDC. If Aecon was called upon to honour these obligations, or should the project incur significant cost overruns, its financial results and position would be adversely impacted. For further information on the Quito project refer to notes 5 and 23 to the Consolidated Financial Statements.

During the year, Quiport JV exercised its right under its concession contract to increase tariffs for services rendered to the airlines using the Existing Quito Airport. These increased tariffs are being challenged by the various airlines. Should Quiport’s rights to the recent and future tariff increases be restricted or reduced, the reported value of concession rights related to the Existing Quito Airport could be materially reduced.

Concessionaire Risk

In addition to its work providing design, construction, procurement, operation and other services on a given project, Aecon will sometimes also invest in the infrastructure asset itself as a concessionaire. In such instances, Aecon assumes a degree of risk (essentially equity risk) associated with the financial performance of the asset during the concession period. The Cross Israel Highway and the Quito International Airport are two current examples of such projects.

The financing arrangements on concession projects such as these are typically based on a set of projections regarding the cash flow to be generated by the asset during the life of the concession. The ability of the asset to generate the cash flows required to provide a return to the concessionaire can be influenced by a number of factors at least partially beyond the concessionaire’s control – such as

political or legislative changes, traffic demand and thus operating revenues, collection success, operating cost levels, etc.

While project concession agreements often provide a degree of risk mitigation (for example, through minimum traffic guarantees in the case of the Cross Israel Highway), and insurance products are available to limit some of the concession risks, the value of Aecon's investment in these infrastructure assets can be impaired, and certain limited risk guarantees can be called, if the financial performance of the asset does not meet certain requirements.

International/Foreign Jurisdiction Factors

Aecon is from time to time engaged in large international projects in foreign jurisdictions. International projects such as the Nathpa Jhakri hydro-electric project in northern India, the Cross Israel Highway in Israel and the Quito Airport in Ecuador can expose Aecon to risks beyond those typical for its activities in its home market, including without limitation economic, geopolitical, geotechnical, military, repatriation of undistributed profits, currency and foreign exchange risks, and other risks beyond the Company's control.

Aecon continually evaluates its exposure to unusual risks inherent in international projects and, where deemed appropriate in the circumstances, mitigates these risks through specific contract provisions, insurance coverage and forward exchange agreements. However, there are no assurances that such measures would offset or materially reduce the effects of such risks.

Foreign exchange risks are actively managed and hedged where possible and considered cost effective, when directly tied to quantifiable contractual cash flows accruing directly to Aecon within periods of one or two years. Major projects executed through joint ventures generally have a longer term and result in foreign exchange translation exposures that Aecon has not hedged. Such translation exposure will have an impact on Aecon's consolidated financial results. Practical and cost effective hedging options to fully hedge this longer term translational exposure are not generally available to Aecon.

Aecon's investment in Derech Eretz Highways (1997) Ltd. ("Derech Eretz") is denominated in New Israeli Shekels ("NIS") and, as such, the value of this investment fluctuates with changes in the relationship between the Canadian dollar and NIS. Similarly, although much less significant, Aecon's investments in India and Israel (other than its investment in Derech Eretz), which primarily represent undistributed profits from its now completed construction projects in these countries, are denominated in foreign currencies (mostly NIS, Rupees and United States dollars) and the value of these investments fluctuate as the value of the Canadian dollar changes relative to the values of these foreign currencies.

Contractual Factors

Historically, a substantial portion of Aecon's revenue is derived from lump sum contracts pursuant to which a commitment is provided to the owner of the project to complete the project at a fixed price ("Lump Sum") or guaranteed maximum price ("GMP"). In Lump Sum and GMP projects, in addition to the risk factors of a unit price contract (as described below), any errors in quantity estimates or

schedule delays or productivity losses, for which contracted relief is not available must be absorbed within the Lump Sum or GMP, thereby adding a further risk component to the contract.

Aecon is also involved in fixed unit price construction contracts under which the Company is committed to provide services and materials at a fixed unit price (e.g., dollars per tonne of asphalt or aggregate). While this shifts the risk of estimating the quantity of units to the contract owner, any increase in Aecon's cost over the unit price bid, whether due to estimating error, inefficiency in project execution, inclement weather, inflation or other factors, will negatively affect Aecon's profitability.

In certain instances, Aecon guarantees to a customer that it will complete a project by a scheduled date or that the facility will achieve certain performance standards. If the project or facility subsequently fails to meet the schedule or performance standards, Aecon could incur additional costs or penalties commonly referred to as liquidated damages.

Aecon is also involved in design-build contracts where, in addition to the responsibilities and risks of a unit price or lump sum construction contract, Aecon is responsible for certain aspects of the design of the facility being constructed. This form of contract adds the risk of Aecon's liability for design errors as well as additional construction costs that might result from such design errors.

Certain of Aecon's contractual requirements may also involve financing elements, where Aecon is required to provide one or more letters of credit, performance bonds, financial guarantees or equity investments. There can be no assurance that Aecon will be able to obtain the necessary financing on favourable or commercially reasonable terms and conditions for such equity investments, nor that its available working capital and bonding facilities will be adequate in order to issue the required letters of credit and performance bonds.

Change orders, which modify the nature or quantity of the work to be completed, are frequently issued by clients. Final pricing of these change orders is often negotiated after the changes have been started or completed. Until pricing has been agreed, these change orders are referred to as "unpriced change orders." Revenues from unpriced change orders are recognized to the extent of the costs incurred on executing the change order. Only when pricing is agreed is any profit on such change orders recognized. If, ultimately, there are disputes with clients on the pricing of change orders or disputes regarding additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions, Aecon's accounting policy is to record all costs for these changes but not to record any revenues anticipated from these disputes until actually resolved, even though the Company may believe that full compensation from clients is probable. The timing of the resolution of such events can have a material impact on income and liquidity and thus can cause fluctuations in the revenue and income of Aecon in any one reporting period.

Economic Factors

Aecon's profitability is closely tied to the general state of the economy in those geographic areas in which it operates. More specifically, the demand for infrastructure, which is the principal component of Aecon's operations, is perhaps the largest single driver of the Company's growth and profitability.

In North America, which tends to have relatively sophisticated infrastructure, Aecon's profitability is dependent both on the development, rehabilitation and expansion of basic infrastructure (highways, airports, dams, hydro-electric plants, etc.) and on the type of infrastructure that flows from commercial and population growth. Commercial growth demands incremental facilities for the movement of goods within and outside of the community, along with water and sewer systems and heat, light and power supplies. Population growth creates a need to move people to and from work, schools and other public facilities, and demands similar services to new homes. Since growth in both these areas, with the possible exception of road maintenance and construction, is directly affected by the general state of the local economy, the general strength or weakness of the economy or the public sectors fiscal situation can have a significant impact on Aecon's operations.

Internationally, Aecon is involved with the development of basic infrastructure, particularly in developing countries. As such, the Company's growth and profitability from this work depends largely on the pace of growth in these foreign jurisdictions and the ability of these countries to allow for the arrangement of long-term financing.

Ongoing Financing Availability

Aecon's business strategy involves the selective growth of its operations through internal growth and acquisitions. Certain of Aecon's operating segments, particularly its Infrastructure and Industrial segments, require substantial working capital during their peak busy periods. As these businesses grow, Aecon is continually seeking to enhance its access to funding in order to finance the higher working capital associated with this growth. However, from time to time, Aecon is constrained in its ability to capitalize on growth opportunities to the extent that financing is either insufficient or unavailable.

Access to Bonding and Pre-qualification Rating

Many of Aecon's construction contracts require either sufficient bonding or pre-qualification rating. As a result of the worldwide reduction in surety capacity and price increases, the Company continually monitors the surety market through its broker and surety firm. The surety industry has undergone significant consolidation in recent years, which has constrained overall industry capacity. Although the Company believes it will be able to continue to maintain sufficient surety capacity adequate to satisfy its requirements, should those requirements be materially greater than anticipated, or should sufficient surety capacity not be available, this may have a material adverse effect on the ability of Aecon to operate its business or take advantage of all market opportunities.

Environmental and Safety Factors

Unfavourable weather conditions represent one of the most significant uncontrollable risks for Aecon. Construction projects are susceptible to delays as a result of extended periods of poor weather, which can have an adverse effect on profitability arising from either late completion penalties imposed by the contract or from the incremental costs arising from loss of productivity, compressed schedules, or from overtime work utilized to offset the time lost due to adverse weather.

During its history, Aecon has experienced a number of incidents, emissions or spills of a non-material nature in the course of its construction activities. Although none of these environmental incidents to date have resulted in a material liability to the Company, there can be no guarantee that any future incidents will also be of a non-material nature.

Aecon is subject to and complies with federal, provincial and municipal environmental legislation in all of its manufacturing and construction operations. Aecon recognizes that it must conduct all of its business in such a manner as to both protect and preserve the environment in accordance with this legislation. At each place where work is performed, Aecon develops and implements a detailed quality control plan as the primary tool to demonstrate and maintain compliance with all environmental regulations and conditions of permits and approvals. Management is not aware of any pending environmental legislation that would be likely to have a material impact on any of its operations, capital expenditure requirements or competitive position, although there can be no guarantee that future legislation will not be proposed, and if implemented, it may have a material impact on the Company and its financial results.

Aecon is also subject to and complies with health and safety legislation in all of its operations in the jurisdictions in which it operates. The Company recognizes that it must conduct all of its business in such a manner as to ensure the protection of both its workforce and the general public. Aecon has developed a comprehensive health and safety plan and is proud of its record in this regard. Nevertheless, given the nature of the industry accidents will inevitably occur from time to time. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact on any of its operations, capital expenditure requirements or competitive position. Nevertheless, there can be no guarantee with respect to the impact of future legislation or accidents.

Litigation Risk

In the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. In view of the quantum of the amounts claimed and the insurance coverage maintained by the Company in respect of these matters, management of the Company does not believe that any of the legal actions or proceedings that are presently known or anticipated by the Company is likely to have a material adverse effect on the Company's financial position. However, there is no assurance that the Company's insurance arrangements will be sufficient to cover any particular claim or claims that may arise in the future. Furthermore, the Company is subject to the risk of claims and legal actions for various commercial and contractual matters, primarily arising from construction disputes, in respect of which insurance is not available.

Labour Factors

A significant portion of Aecon's labour force is unionized and accordingly, Aecon is subject to the detrimental effects of a strike or other labour action, in addition to competitive cost factors. In Ontario, the sector wide collective agreements are due for renewal in 2007. The inability of industry wide employer bargaining agencies to successfully conclude such agreements could have a negative impact on affected employers, including Aecon.

The Company's future prospects depend to a significant extent on its ability to attract sufficient skilled workers. The construction industry is faced with an increasing shortage of skilled labourers in some areas and disciplines. The resulting competition for labour in markets such as Fort McMurray may limit the ability of the Company to take advantage of opportunities otherwise available or alternatively may impact the profitability of such endeavours on a going forward basis. The Company believes that its union status, size and industry reputation will help mitigate this risk but there can be no assurance that the Company will be successful in identifying, recruiting or retaining a sufficient number of skilled workers.

Dependence on the Public Sector

A significant portion of Aecon's revenues is derived from contracts with various governments or their agencies. Consequently, any reduction in demand for Aecon's services by the public sector whether from funding constraints, changing political priorities, or delays in projects caused by the election process would likely have an adverse effect on the Company if that business could not be replaced from within the private sector.

Large government sponsored projects typically have long and often unpredictable lead times associated with the government review and political assessment process. The time delays and pursuit costs incurred as a result of this lengthy process, as well as the often unknown political considerations that can be part of any final decision, constitute a significant risk to those pursuing such projects.

Potential Fluctuation in Financial Results

Aecon's quarterly and annual financial results may be impacted by a variety of factors including, without limitation: the recognition of revenue from existing large project contracts; the opportunity to compete for new large projects; costs or penalties associated with unanticipated delays in project completion; fluctuations in the general economic and business conditions in the markets in which Aecon operates, which may impact pricing levels of its services; actions by governmental authorities including government demand for the services provided by Aecon; government regulations and the associated expenditures required to comply with regulations; labour action involving Aecon's unionized workers; seasonal or materially adverse weather conditions; the risk associated with the use of Lump Sum and guaranteed maximum price contracts; geopolitical risks in the foreign jurisdictions in which Aecon operates as well as risk associated with foreign currency and exchange rates; and other circumstances affecting revenue and expenses. Aecon's operating expenses are incurred throughout the year. As a result, if expected revenues are not realized as anticipated, there may be significant variations in Aecon's quarterly and annual financial results.

Protection of Intellectual Property and Proprietary Rights

The Company, particularly through its 100% interest in IST depends, in part, on its ability to protect its intellectual property rights. Aecon relies primarily on patent, copyright, trademark and trade secret laws to protect its proprietary technologies. The failure of any patents or other intellectual property rights to provide protection to Aecon's technologies would make it easier for competitors to offer similar products, which could result in lower sales or gross margins.

The Company's trademarks and trade names are registered in Canada and the United States and the Company intends to keep these filings current and seek protection for new trademarks to the extent consistent with business needs. The Company relies on trade secrets and proprietary know-how and confidentiality agreements to protect certain of its technologies and processes.

In addition, IST holds a number of patents on its once-through heat recovery system. Nevertheless, there remains a threat of others attempting to copy IST's proprietary technology and processes. To mitigate this risk, the normal business practice of IST includes the signing of confidentiality agreements with all parties to which confidential information is supplied including all customers and licensees.

Tax Accrual Risks

Aecon is subject to income taxes in both Canada and numerous foreign jurisdictions. Significant judgment is required in determining the Company's worldwide provision for income taxes. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although Aecon believes its tax estimates are reasonable, there can be no assurance that the final determination of any tax audits and litigation will not be materially different from that reflected in historical income tax provisions and accruals. Although management believes it has adequately provided for any additional taxes that may be assessed as a result of an audit or litigation, the occurrence of either of these events could have a material adverse effect on the Company's current and future results and financial condition.

During 2001, the Company received federal income tax reassessments relating to deductions claimed by predecessor companies between 1993 and 1999. The reassessments, which disallow previously claimed Canadian development expense (CDE) deductions, amounted to \$10,581 at December 31, 2006. Provincial income tax reassessments related to the disallowed CDE and received to date amount to \$804. Although the Company has filed Notices of Objection, it was required to pay 50% of the federal assessed amounts and 100% of the Ontario provincial assessments pending resolution of the objections. At December 31, 2006, the Company had paid \$5,414 resulting from these assessments. To-date, the Canada Revenue Agency has not responded to the Notices of Objection. The total potential federal and provincial reassessments, including income taxes, interest and penalties could be up to \$17,786. The Company believes it has adequate income tax provisions to cover the ultimate outcome of these reassessments.

As of December 31, 2006, Aecon had recorded a valuation allowance of \$26.2 million which is available to offset future income tax expense related to Aecon's Canadian controlled operations. However, based on Aecon's performance, there is the possibility that the benefit of the unused portion of this allowance may have to be recognized in income earlier than management contemplated. There is, therefore, a risk that future estimates of earnings per share may be impacted as a result of a change in the timing of the recognition of this benefit.

Aecon Operates in a Highly Competitive Industry

Aecon carries on businesses in highly competitive product and geographic markets in Canada, the United States and internationally. The Company competes with many companies that have financial resources and staff larger than Aecon's and which may be able to benefit from economies of scale, pricing advantages and greater resources. Aecon has little control over and cannot otherwise affect these competitive factors. If the Company is unable to effectively respond to these competitive factors, or if the competition in any of the Company's markets results in price reductions or decreased demand for Aecon's services, results of operations and financial condition will be materially impacted.

Loss of Key Management; Inability to Attract and Retain Management

The Company's future prospects depend to a significant extent on the continued service of its key executives. Furthermore, the Company's continued growth and future success depends on its ability to identify, recruit and retain key management personnel. The competition for such employees is intense and there can be no assurance that the Company will be successful in identifying, recruiting or retaining such personnel.

Subcontractor Performance

The profitable completion of some contracts, primarily within Aecon's Buildings division, depends to a large degree on the satisfactory performance of the subcontractors who complete different elements of the work. If these subcontractors do not perform to accepted standards, Aecon may be required to hire different subcontractors to complete the tasks, which may add additional costs to a contract, may impact profitability on a specific job, and in certain circumstances, lead to significant losses.

Acceptance of Innovation Steam Technologies

IST has yet to gain full acceptance within certain segments of the industry for its innovative "once through" approach to heat recovery steam generators, and consequently, earnings derived from IST can fluctuate from quarter to quarter and from year to year. The success of IST's business will continue to depend on its ability to promote commercial acceptance of its steam generators and associated technology.

OUTLOOK

In 2007, Aecon expects to see a continuation of most of the key trends that drove its improved bottom line results in 2006.

Infrastructure Segment

In Ontario, the outlook for the roadbuilding sector remains strong as the Ontario government and other funding entities continue to make significant investments in transportation infrastructure across the province. This investment helped Aecon build a substantial backlog in the roadbuilding sector in 2006, which is up significantly from the already high levels seen at the end of the previous year. Further, Aecon's acquisition of The Karson Group in the first quarter of 2007 is expected to make a

positive earnings contribution this year, with the most significant impact expected in the materials sector, where strong market conditions continue for both asphalt and aggregate products. Favourable markets also continue in Ontario's utilities construction and heavy civil construction sectors, both of which are growing as a result of the increased investments being made by public and private sector clients to maintain and expand their various power, communication, gas and water/wastewater infrastructure.

Aecon's re-entry into the Alberta civil construction market in 2006 is expected to result in profit contributions in 2007. Early business development successes in the province generated backlog with which to begin the year and prospects continue to develop for increased work on oilsands projects in the Fort McMurray area.

Internationally, financial close is expected this year on a US\$150 million extension of the Cross Israel Highway in which Aecon has a 25% stake. As well, construction of the new Quito Airport is expected to reach 20% completion (the point where Aecon will begin booking profit contributions from the project) in the fourth quarter of 2007. Aecon is a 50% partner in the joint venture building this US\$410 million airport scheduled for completion in 2010.

Aecon also expects to reach two important settlements in 2007, as contract issues surrounding both the Nathpa Jhakri hydro-electric project in India and the Eastmain hydro-electric project in northern Quebec are expected to be substantially resolved during the year. Neither of these settlements is expected to have material income impact but both are expected to have significantly positive impact on Aecon's improving cash and working capital positions.

Buildings Segment

Although it remains a very competitive market, the outlook for the commercial and institutional buildings sector continues to improve and Aecon expects to build on the progress it made in this sector in 2005 and 2006.

Notable in the Buildings segment is the growth of healthcare related construction in Ontario, Quebec and Atlantic Canada, the growing demand for LEED certified construction (a particular focus of Aecon's Quebec business) and the strong Native gaming market in the U.S. Pacific northwest, where Aecon has considerable strength. Also, Aecon's Ottawa and Halifax based operations are now performing well and are expected to contribute profitable growth in 2007. The positive contribution from these growth opportunities will be partially offset by the wind down of the Pearson International Airport expansion project in Toronto, which is Aecon's largest project in this segment.

Industrial segment

Aecon's Industrial segment continues to benefit from two very strong trends: growth of the oil and gas sector in Western Canada and expansion of electrical generation capacity in Ontario. In Western Canada, strong backlog in place at the end of 2006 and the continuing strength of the oil and gas sector (especially in the oilsands of northern Alberta) combine to position Aecon well for 2007.

In Ontario, the provincial government's commitment to expand the province's electrical generation capacity is responsible for driving much of the continued growth in the industrial construction sector. This growth, along with Aecon's expanding maintenance activities at many of the existing power

facilities in Ontario, is expected to drive continued strong performance. Aecon's substantial joint venture work at the Bruce Nuclear plant in southwestern Ontario also continues to progress well.

IST ended 2006 with significantly strengthened backlog and, as a result of a recent joint venture to produce enhanced oil recovery steam generators for the oil and gas industry, a new product line as well. This new line gives IST a second product for its Cambridge manufacturing facility and significantly broadens its sales offering.

Backlog

Aecon began 2007 with a stronger backlog of work on hand than was in place a year earlier. Backlog increased \$209 million or 36% to \$786 million during the year, including an increase of \$129 million in major projects backlog as a result of the financial close of the Quito airport project in Ecuador. Backlog increased over the year in both the Infrastructure and Industrial segments, more than offsetting a decline in the Buildings segment, and giving Aecon its largest year-end backlog in six years. Importantly, the positive trend in the margin profile of Aecon's backlog that commenced in late 2005 continued through 2006. Contract awards during the year amounted to \$1.32 billion, a 17% increase over the \$1.13 billion reported in 2005.

Conclusion

Overall, the continuing strength of Aecon's backlog and core markets, especially in the energy and transportation infrastructure sectors in Canada, bode well for continued improvement in 2007. Management believes that these strong core markets should keep Aecon on track to reach its stated EPS objective of 75 cents per share in 2008.

FORWARD-LOOKING INFORMATION

In various places in Management's Discussion and Analysis and in other sections of this document, management's expectations regarding future performance of Aecon was discussed. These "forward-looking" statements are based on currently available competitive, financial and economic data and operating plans, but are subject to risks and uncertainties. Many factors could cause Aecon's actual results, performance or achievements to vary from those expressed or inferred herein, including without limitation, the ability of the Eastmain Joint Venture to recover the full value of unpriced change orders, failure to achieve the targets associated with the Quito Airport, the achievement of lower than expected volumes of work in Western Canada and the failure of IST to secure anticipated contract levels. Risk factors are discussed in greater detail in the section on "Risk Factors" in the Annual Information Form filed on March 31, 2006 and available at www.sedar.com. Forward-looking statements include information concerning possible or assumed future results of operations or financial position of Aecon, as well as statements preceded by, followed by, or that include the words "believes," "expects," "anticipates," "estimates", "projects," "intends," "should" or similar expressions. Important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause those results to differ materially from those expressed in any forward-looking statements.