Aecon Group Inc.

ANNUAL INFORMATION FORM

May 16, 2003

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Unless the context otherwise requires, all references to the "Corporation" or "Aecon" include Aecon Group Inc., its predecessors and subsidiaries and unless otherwise expressly indicated, all references to "$" or "dollars" are to Canadian dollars.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this document or incorporated herein by reference may constitute "forward-looking statements". These forward-looking statements can generally be identified as such because of the context of the statements including words such as the Corporation "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature.

The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation, or general industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, without limitation: general economic and business conditions which will, among other things, impact demand for and market prices of the Corporation's services; foreign currency and exchange rates; economic conditions in the countries and regions in which the Corporation conducts business; the ability of the Corporation to implement its business strategy; actions by governmental authorities including governmental demand for the services provided by the Corporation; government regulations and the associated expenditures required to comply with said regulations (especially safety and environmental laws and regulations); seasonal weather conditions; labour unrest or a strike involving the Corporation's unionized workers; costs or penalties associated with unanticipated delays in project completion; the continued ability of the Corporation to successfully bid for large scale development projects; risks associated with the use of guaranteed maximum price contracts; and other circumstances affecting revenues and expenses. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and management's course of action would depend upon its assessment of the future considering all information then available. See "Risks".

Readers are cautioned that the foregoing list of factors is not exhaustive. Although the Corporation believes that the expectations conveyed by the forward-looking statements are reasonable based on information available to it on the date such forward-looking statements are made, no assurances can be given as to future results, levels of activity and achievements. All subsequent forward-looking statements, whether written or oral, attributable to the Corporation or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Corporation assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

ITEM 2
CORPORATE STRUCTURE

Name and Incorporation

Aecon Group Inc. ("Aecon" or the "Corporation") and its predecessor companies have carried on business in Canada since 1910. The Corporation was originally incorporated on January 14, 1957 under the name "Prefac Concrete Co. Ltd." and was continued under the Canada Business Corporations Act by certificate of continuance dated May 16, 1978. On June 18, 2001, the Corporation's name was changed to its current name, "Aecon Group Inc."

The Corporation's registered and principal office is located at 3660 Midland Avenue, Scarborough, Ontario, M1V 4V3, telephone: (416) 754-8735, telecopier: (416) 754-8736. The common shares of the Corporation are listed and posted for trading on The Toronto Stock Exchange (the "TSX") under the symbol "ARE".

Intercorporate Relationships

As at December 31, 2002, its most recent fiscal year end, Aecon conducted its business principally through the following direct or indirect subsidiary companies, all of which are wholly owned by Aecon unless indicated otherwise:

Subsidiary	Jurisdiction of Incorporation
Aecon Buildings Inc.	Washington State
Aecon Construction and Materials Limited	Ontario
Aecon Construction Group Inc.	Canada
Aecon Holdings Inc.	Ontario

Joint Ventures and Affiliates

Aecon also conducts a substantial portion of its business through joint ventures with other Canadian and international companies. The Cross Israel Toll highway project (the "Cross Israel Highway") and the Nathpa Jhakri hydro-electric project in India (the "Nathpa Jhakri Project") constitute the Corporation's two most significant joint ventures. Aecon has an effective 22.2% interest in the construction joint venture and a 34% interest in the operator company in respect of the Cross Israel Highway. Aecon has a 45% interest in the joint venture which is undertaking the Nathpa Jhakri Project.

ITEM 3
GENERAL DEVELOPMENT OF THE BUSINESS

Aecon is Canada's largest publicly traded construction and infrastructure development company and serves private and public sector clients across Canada and internationally. Aecon's capabilities include the infrastructure, civil, utilities, buildings, industrial and nuclear sectors. Services range from financing, design, construction and operation to procurement, materials engineering and fabrication. Active since 1910, Aecon has become one of the most diverse and multi-disciplined companies in its industry.

Significant business developments during the Corporation's past three financial years were as follows:

Acquisitions

Acquisition of BFC Construction Corporation

In December 1999, Aecon acquired a controlling interest in BFC Construction Corporation ("BFC") pursuant to a public take-over bid for aggregate consideration of $106.4 million. At the time, BFC was a public company listed on the TSX, Alberta Stock Exchange and American Stock Exchange. As a result of its acquisition of BFC, Aecon's financial capacity, scope and diversity of operations and number of employees were substantially increased. Hochtief Canada Inc. ("Hochtief"), a wholly owned subsidiary of Hochtief AG of Essen, Germany, provided a substantial portion of the funds required to purchase the shares of BFC.

On June 18, 2001, BFC Construction Group Inc. changed its name to Aecon Construction Group Inc.

Gdansk Grain Terminal Project

Aecon has a 54.4% interest in Europort Poland Sp. z o.o., which is the company developing a grain terminal and handling facility in Gdansk, Poland. Aecon's interest was increased in 2000 from 11.3% to the current 54.4%. The facility is partially completed but construction was halted in 2000 while attempts were made to replace the previous controlling shareholder and to receive project financing on reasonable terms. Throughout 2001, the Corporation attempted to obtain project financing in order to complete the facility but without success. The Corporation therefore determined that its share of the partially completed grain terminal was impaired and recorded a provision of $12.9 million to write down the Corporation's investment in the project to its net recoverable amount. This provision is net of a guarantee of certain assets provided by the Corporation's principal shareholder, Hochtief, and net of all non-recourse obligations. The non-recourse obligations represent redeemable preferred shares of a subsidiary, which are redeemable only if the project is completed and generates sufficient cash flow and a working capital deficiency within SC Infrastructure (Poland) Sp. z o.o., the Corporation's subsidiary that is building the facility. See Note 13 to the consolidated financial statements of the Corporation as at and for the years ending December 2002 and 2001 (the "Consolidated Financial Statements") which are herein incorporated by reference.

Outlook

With unrest in the Middle East, sluggish capital markets in North America and a host of conflicting economic indicators around the world, Canada's economic outlook remains uncertain. Mitigating this uncertain outlook somewhat are the positive signs that governments in Canada may be preparing to increase infrastructure spending, especially in Ontario and Quebec where provincial elections have either recently taken place or are expected within the year.

Aecon's backlog of work awarded, sometimes viewed as a good indicator of future revenue prospects, fell by $93 million (or 13%) to $628 million in the fourth quarter of 2002. This conceals however the impact of two significant fourth quarter contract awards. In October, Aecon announced that a consortium it leads had signed a series of core agreements for the development and construction of the new international airport in Quito, Ecuador. Aecon's share of the US$350 million revenue from this project will not be added to Aecon's backlog until the project reaches financial close, expected this summer or fall. At that time, Aecon's large project backlog will jump sharply as a majority of the project's construction requirements are expected to be delivered by Aecon.

In December, Aecon also announced the establishment of a strategic relationship with Minto Developments Inc., ("Minto") including the award of three new construction management projects totaling $265 million in construction value. Under construction management arrangements, the contractor is paid a fee to manage construction of the project on behalf of the owner. In such arrangements, contracts with subtrades and suppliers are held directly by the project owner, who retains most of the construction risk inherent in the project. This differs from traditional general contractor arrangements, where the contractor provides a full project price to the owner and then contracts with the subtrades and suppliers himself, assuming a greater portion of the construction risk. In these arrangements the full cost of the project passes through the contractor's books, much of it billed to the owner and then passed on to subtrades and suppliers as their work is completed. As such, in general contractor arrangements, the full construction value of the project is added to the contractor's backlog when a project is awarded.

Under construction management arrangements, such as those awarded to Aecon by Minto, only the contractor's fees are added to backlog when the project is awarded. This vastly different treatment of backlog must be taken into account when comparing backlog calculations in two different periods, especially when the mix of general contracting work and construction management work has changed substantially.

In Aecon's Infrastructure segment, core backlog at the end of 2002 increased to $244 million from $198 million a year earlier. This increase was more than offset by the decline in major project backlog, as Aecon's two major international projects, the Cross Israel Highway and the Nathpa Jhakri hydro-electric project in India progressed toward completion. In total, Aecon's Infrastructure backlog fell to $359 million at the end of 2002 from $434 million a year earlier. It is to this segment's major project backlog that the Quito airport project will be added pending financial close this summer or fall.

Within the segment a number of different trends are apparent. Backlog in both the Ontario-based road building business and in the Quebec infrastructure market increased sharply during 2002, reflecting improved prospects in these two core businesses, while backlog in the utilities sector declined in 2002, due largely to continuing challenges in the telecom industry.

The increase in road building backlog is partly a result of the delay in contract awards in 2002 caused by the public service strike last spring. As a result of the delay, several projects that could have been substantially completed within the year remain in backlog for completion in 2003. This healthy backlog, combined with anticipated pre-election road building announcements, bodes well for Aecon's road building business in 2003.

The Quebec infrastructure market has emerged as a strong one for Aecon, highlighted by the award in 2002 of two contracts totaling $86 million for construction at the Toulnustouc hydro-electric facility in northeastern Quebec. Aecon's presence in this market has been growing in the wake of the Company's reorganization in Quebec including the establishment of Groupe Aecon Ltée to focus on this market.

While the Utilities sector continues to suffer the effects of the decline in the telecom industry, there are promising signs that new opportunities in other areas may help to mitigate these challenges. Such opportunities include our continuing work with Union Gas and the recent award to Aecon by Enwave District Energy of Toronto of an alliance agreement contract to carry out its local services and distribution work.

Aecon's Buildings segment appears poised to carry its strong 2002 performance into 2003. While segment backlog is down substantially to $180 million from $278 million a year ago, much of this decline is due to the changed mix of construction management versus general contracting work as outlined above.

The focus placed in 2002 on growing the renovation and retrofit business and developing strategic client relationships within this segment have brought progress in both areas. Strategic relationships developed with Morguard Investments and Minto Developments, two of Canada's leaders in the property development business, provide potential long-term benefits for Aecon. Another area where Aecon looks for long-term benefits is in its interiors and renovations business, which had a strong year in 2002 with several new contracts and prospects for continued growth.

A substantial portion of Aecon's increased participation in the Canadian Public Private Partnership ("P3") market is also taking place within the Buildings segment. Aecon is participating in consortia bidding for the William Osler Health Centre in Brampton, Ontario, the Royal Ottawa Hospital in Ontario, as well as the Vancouver General Hospital in British Columbia. The award of any one of these important P3 projects would have a material positive impact, likely beginning in 2004.

Aecon's Industrial segment enters 2003 with a backlog of $63 million, down from $71 million a year earlier. Again, this conceals conflicting trends within the segment as the backlog in Aecon's once-through steam generator ("OTSG") business saw backlog decline sharply throughout 2002, while backlog in the balance of the segment increased.

As discussed earlier in this MD&A, the decline in the power industry had a serious negative impact on Aecon's OTSG business as the market for this product evaporated along with backlog. While aggressive cost cutting, a refocused marketing effort and an increase in new orders will all serve to mitigate the risks in this business, 2003 promises to be another challenging one in the power industry.

Offsetting much of the decline in backlog in the steam generator business is the substantial growth in backlog within the Industrial segment's fabrication and module assembly business. New orders from strong clients such as General Electric and Syncrude, as well as the general improvement of prospects in the oil and gas sector, particularly in northern Alberta, have created new opportunities for this business and an optimistic outlook for 2003.

Finally, the renewed and continuing effort to reduce SG&A and improve efficiencies across the company, as well as a strengthened focus on improving return on capital within the divisions, is expected to improve profitability in 2003. Return on capital has been established as the key measure of performance on a division by division basis, with divisional executive incentives tied to this performance measure among others.

Current events have created significant economic uncertainty that may affect demand for our services, project timing, interest rates and other important business variables for Aecon. While these uncertainties prevent management from offering detailed guidance regarding net income and earnings per share expectations, management expects substantially improved results in 2003. Revenue in 2003 is expected to approximate the record levels of 2001 and net income should make strong gains from the disappointing results achieved in 2002. A substantial portion of these gains will be the result of Aecon's significant business development investments in 2002, most of which are expected to begin generating returns in 2003. It should be noted, however, that especially in the case of investment in new infrastructure development and P3 projects, the full impact of these investments would not be felt until 2004.

ITEM 4
NARRATIVE DESCRIPTION OF THE BUSINESS

Company Overview

Aecon is Canada's largest publicly traded construction and infrastructure development company. It serves both private and public sector clients across Canada and internationally, with services ranging from financing, design, construction and operation to facilities management, procurement, materials engineering and fabrication. Active since 1910, Aecon is one of the most diverse companies in its industry.

Aecon conducts its business in three principal operating segments – Infrastructure, Buildings and Industrial. Aecon's corporate activities are generally referred to as Corporate and Other.

Infrastructure

Infrastructure, which accounted for approximately 50.0% of the Corporation's consolidated revenues in fiscal 2002, is Aecon's largest segment from a revenue perspective. The Infrastructure segment includes all aspects of the construction and development of both public and private infrastructure, including roads and highways, expressways and toll routes, dams, tunnels, bridges, airports, marine facilities, transit systems and power projects. This segment, which operates both in Canada and internationally, also encompasses utility distribution systems for natural gas, telecommunications and electrical networks, as well as water and sewer mains, traffic signals and highway lighting.

Services provided in the Infrastructure segment include conventional construction of civil infrastructure works as well as development initiatives including the development, design, construction, operation and financing of infrastructure projects in Canada and internationally. Aecon provides a full range of infrastructure services through build-operate-transfer (BOT), build-own-operate-transfer (BOOT) and public private partnership (PPP) contract structures, as well as providing conventional construction services on a more traditional fee for service or lump sum contract basis. See "Industry Background and Trends-Infrastructure Development".

Buildings

Aecon's Buildings segment, which accounted for approximately 31.0% of the Corporation's consolidated revenues in fiscal 2002, specializes in the construction and renovation of commercial, institutional and multi-family residential buildings, including retail complexes, office buildings, entertainment facilities, schools, embassies and high rise condominium buildings among others.

Work in this segment is concentrated primarily in Canada and the northwestern United States, as well as selected international venues. Services include general contracting and fee for service construction management, as well as building renovation and facilities management.

Industrial

The Industrial segment, which accounted for approximately 19.4% of the Corporation's consolidated revenues in fiscal 2002, encompasses all of Aecon's industrial construction and industrial manufacturing activities as well as a joint venture interest in the nuclear power market. Activities include in-plant construction and module assembly in the manufacturing, energy, petrochemical, steel and automotive sectors as well as the fabrication of small and large diameter specialty pipe and 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, Aecon sells and installs once-through steam generators throughout the world.

This segment also includes Aecon's 38.75% interest in Canatom NPM Inc., which provides engineering, procurement, construction and commissioning services to the Canadian and International nuclear power markets.

Corporate and Other

Corporate and Other includes any other activities and corporate costs not directly allocable to or associated with its three principal operating segments.

Industry Background and Trends

Construction

The construction industry is one of the largest in Canada. Construction is also among the most fragmented of Canada's large industries, with a significant portion of the market dominated by a large number of small, often family owned, businesses competing in very small geographic markets. As a result, it is not unusual for a highly successful company in one city or region to be totally absent from the market in a neighbouring city or region. Although Aecon has benefited from a trend toward consolidation in recent years, the fragmented nature of the Canadian construction industry is deeply ingrained, both economically and politically, and is unlikely to change significantly in the foreseeable future.

Even among the larger firms in the industry – those with the ability to manage large projects and operate in a number of markets – most specialize in a small number of trades and tend to focus on just one, or in some cases two, sectors of the industry. As such, it is common in Canada that a dominant firm in, for example, industrial construction does not compete at all in the road building or commercial construction sectors, just as the market leaders in those sectors do not compete outside of their defined specialty. In this respect, Aecon, with its breadth of operations and experience, is one of the exceptions.

Another factor important to the Canadian construction industry is the seasonal nature of the industry. The Canadian climate dictates that much of the construction work must be done in the late spring, summer and fall months. For this reason, construction firms in Canada tend to show operating losses in the first quarter of the year, with improved results in the second and especially third quarters. This seasonal pattern is reflected in employment levels within the industry and tends to increase the importance of a company's ability to manage its fixed costs, equipment and manpower.

In the broadest sense, the Canadian construction market is self-contained in that the large majority of construction work carried out in Canada is performed by Canadian firms. To the extent international competition is a factor, it is usually limited to large infrastructure projects and is normally performed in concert with a Canadian partner. Similarly, the vast majority of Canadian construction firms limit their focus to the Canadian market.

While a small number of Canadian firms (including Aecon) have achieved success in markets outside Canada, this is the exception rather than the rule. Most work done by Canadian firms in the international market is performed in the United States, where distance and cultural factors are minimal, or in emerging economies where local companies do not have the technical expertise or financing capacity to undertake significant projects.

Infrastructure Development

In contrast to the fragmented and self contained Canadian construction industry, the infrastructure development business is becoming increasingly global in nature, dominated by a relatively small number of international firms with the capacity to develop very large projects.

The nature of the infrastructure development business has been dictated, to a large extent, by a number of important trends in recent years. Some of these trends have emerged from changing economic realities, others from political judgements made by governments. Taken together, however, these trends tend to reinforce one another in the impact they have had on the infrastructure development business.

Many large infrastructure projects, which in the past would have been owned and developed by governments, are today developed through some form of public private partnership (PPP). These partnerships take many shapes, fashioned both by the nature of the project and by the political climate in the host jurisdiction and require the participants to be creative and responsive to the specific requirements relating to a project. In some cases, the end result may be complete privatization of the asset, while in other cases it may be a fixed price design, build, operate, transfer (BOT) contract. In all cases, however, PPPs represent a shift in responsibility, scope and risk away from government and towards the private sector as governments move from their traditional role of owner, developer and manager of infrastructure to more of an oversight role.

The trend toward PPPs in the development of infrastructure has led to growth in the number of fixed-price turnkey packages of goods and services, often including the private provision of financing for the project. These design, build, own, operate and transfer (BOOT) arrangements generally require the industry participants to enhance both their services and their financing capabilities. No longer can BOOT projects be led simply by a large construction firm that is able to coordinate the various design and construction elements of the project. Increasingly, infrastructure development must be led by firms that can combine design and construction capabilities with the financial resources and expertise necessary to arrange project financing (often including direct equity participation) and the subsequent operation of the facility.

The increased scope and risk profile inherent in BOOT arrangements, combined with a growing trend among governments to require local content (in terms of both equity and services) and technology/knowledge transfer to local firms, has resulted in an increase in partnerships and joint ventures in the development of large infrastructure projects. Typically, one or two large international firms join with one or two local firms to form a consortium to lead the project, performing a certain amount of the work themselves, and contracting the balance to other local firms.

This approach to infrastructure development provides returns to participating companies in three ways: development income, construction income and operating income. Typically, development income is derived from development fees paid at the time the contract is awarded and from equity returns payable as the project reaches maturity and generates income for its owners. Construction income is earned primarily in the first few years of a project by those members of the consortium (and sub contractors) providing design and construction services to the project. Finally, operating income is earned by those providing operational services to the project over the life of the contract, often 25 - 30 years or longer.

Business Strategy

Aecon's strategy, is to continue to be a leading provider of construction and infrastructure development services in Canada. Core elements of this strategy are discussed below, the combination of which the Corporation believes is unique.

Operational Diversity

Aecon's operational diversity and broad revenue base allows it to capitalize on opportunities in a variety of sectors within the industry while mitigating the effects of a cyclical downturn in any one sector. The diverse nature of Aecon's operations also provides it with cross-selling opportunities and allows it to participate in projects beyond the scope of any one discipline or division. Further, interdivisional cooperation allows for synergies and cost savings across the Corporation through economies of scale and resource sharing between divisions.

Divisional Autonomy

While certain elements of the Corporation's operations (such as the treasury and risk management functions, legal, safety, purchasing, human resources and information technology) are centralized, Aecon's operational model is based largely on the ability of each individual division to manage its area of responsibility with relative autonomy. In this way, divisional managers, who are the closest to their markets, are able to apply their industry expertise with maximum effectiveness. The Corporation's incentive plan rewards divisional managers with incentives based primarily on division results and is intended to facilitate the recruitment of qualified people.

Industry Innovator

The construction and infrastructure development industry has experienced several important changes in recent years. The trend toward public private partnerships (PPPs), the increase in large projects requiring expertise in a variety of disciplines. The resulting importance within the industry of a company's ability to develop and manage alliances have created an opportunity for innovative companies. Aecon placed an early and high priority on the development of these skills, enabling Aecon to capitalize on a number of the emerging opportunities created by this trend, thereby establishing itself as a leader in PPPs and large project development in Canada.

Other examples of Aecon's innovative approach include its unique once through steam generator design using licensed technology for heat recovery steam generators and the establishment of a materials engineering group to provide quality testing and research services.

Public Company Status

Although a large percentage of Canadian construction companies are privately held, an important part of Aecon's strategy is its commitment to continuing to grow as a public company.

Aecon believes that the access to capital and management discipline inherent in the public company model is a good fit with its long term growth strategy.

Continued Growth

Aecon's strategy is to grow organically and geographically but acquisitions continue to be a key element of the Corporation's plans for growing its business. Since 1998, Aecon has made six acquisitions, most notably BFC, and has developed an expertise in acquiring and integrating companies that complement and expand Aecon's existing core business. As the right opportunities arise, acquisitions remain an important component of Aecon's growth strategy.

<u>Business Operations</u>

a) Infrastructure

Infrastructure is Aecon's largest operating segment and includes all aspects of the development and construction of Infrastructure. Aecon conducts its Infrastructure operations through a number of wholly owned subsidiaries and business units as well as through a number of joint ventures. Primary among these are:

- Aecon Construction and Materials Limited which specializes in road and bridge construction as well as the provision of construction products and materials;
- Aecon Constructors, specializing in heavy civil construction such as dams and tunnels;
- Aecon Utilities, Canada's largest utilities contractor;
- Groupe Aecon Ltée, a Quebec based construction company with expertise primarily in civil, buildings and industrial construction; and
- Aecon Infrastructure and Canadian Highways Infrastructure Corporation, infrastructure developers with capabilities in the design, construction, financing and operation of infrastructure projects in both Canada and internationally.

Aecon's key primary areas of business in the Infrastructure segment are outlined below.

Infrastructure Development

Aecon entered the infrastructure development business in 1990 through its participation in the redevelopment of the Prague International Airport in the Czech Republic. Since that time, Aecon has established itself as a leader in the Canadian infrastructure development industry, resulting in the award of the contract to design, build, operate and transfer Highway 407 in Toronto, Ontario to Canadian Highways International Corporation, in which the Corporation was a founding member.

The success of the Highway 407 project has led directly to two additional toll road developments for Aecon: (a) the Highway 104 Cobequid Pass Toll Highway in Nova Scotia, which opened in 1997; and (b) the US$1 billion Cross Israel Toll Highway which opened its first section earlier this year. Both projects involved design, build, finance and operate contracts. In addition, Aecon has completed, with joint venture partners, construction of the Sky Train Project, and is currently pursuing infrastructure development projects in the airport, toll highway, public transit and hospital sectors, the most advanced of which is the new international airport in Quito, Ecuador.

In April 2003, approval was received for a major segment of the required financing for the proposed US$550 million Quito Airport project. The U.S.-based Overseas Private Investment Corporation approved a loan guarantee of up to US$200 million for the construction of the airport. The guarantee is provided to Quiport, the Aecon-led international airport consortium responsible for building and operating the new airport and in which Aecon currently holds a 66.67% interest.

Aecon participates in infrastructure development, usually in joint venture arrangements, primarily through design, build, operate, transfer (BOT) and design, build, own, operate and transfer (BOOT) contracts in both Canada and internationally.

Road Building

One of Aecon's longstanding core businesses is the provision of road and bridge construction services for both the private and public sectors. Aecon's key clients in this area are provincial and municipal governments, primarily in Ontario and Quebec, for whom Aecon has over the years constructed, expanded and maintained thousands of miles of roads, bridges and highways.

Other important clients for these services are the government of Canada and its agencies, for whom Aecon builds and maintains airport runways, marine facilities and similar infrastructure, and commercial developers to whom Aecon provides site development services such as subdivision grading and the construction of concrete curbs, sidewalks, parking facilities and roads. Since its predecessors began building roads in 1929, Aecon has become one of the largest road builders in Ontario.

Aecon's 1998 acquisition of Miwel Construction also provided it with a profitable customer base and expertise in winter road maintenance activities.

The large majority of Aecon's work in the road building and maintenance sector is won through low bid fixed-price tenders.

Heavy Civil Construction

In addition to its road building activities in Ontario and Quebec, Aecon also provides heavy civil construction services in Canada, the United States and internationally. These services include construction of large-scale energy developments, complex building structures, transit systems, bridges, dams, tunnels, toll roads and expressways.

Aecon's experience in heavy civil construction includes international projects such as the Cross Israel toll highway and the Nathpa Jhakri hydro-electric project, and domestic projects such as the SM3 and Toulnustouc hydro-electric dams in Quebec and parts of the Sheppard Subway system in Toronto, Ontario.

Most of Aecon's work in the heavy civil construction sector is obtained through fixed-price tenders or design-build contracts and is normally carried out through joint ventures.

Utilities Construction

Aecon is one of Canada's largest utilities contractor, with expertise in a wide variety of underground utilities work including installation and maintenance of gas distribution lines, cable, fibre optic and telecommunications lines as well as the installation of hydro electric power distribution systems and the construction of water and sewer lines. Major clients for these services include gas and electric utilities, cable companies, telephone companies and municipalities.

Aecon has also developed specific expertise in traffic signal systems, traffic management systems, high mast highway lighting and inset lighting for airport runways.

Most utilities construction work is traditionally awarded on a fixed-price basis, with compensation based on the units of work performed. However, Aecon has pioneered a successful new "client alliance" model based on cost reimbursable work and fees earned upon the achievement of incentives and other performance targets.

Construction Products and Materials Engineering

Aecon owns production rights at five aggregate reserves in Ontario including two gravel pits in Caledon, one at which Aecon shares production rights with Lafarge Canada Inc., a limestone quarry near Ottawa, a gravel pit in Dumfries and a former iron ore mine in Marmora. Management estimates that, as of December 31, 2002, the Corporation's remaining reserves were as follows:

Caledon	-	37 million tonnes
Pinchin	-	4 million tonnes
Ottawa	-	22 million tonnes
Marmora	-	78 million tonnes
Oliver	-	8 million tonnes

Aggregates are the key material used in road building and serve as raw material for the production of asphalt and concrete. The aggregates produced at these facilities are used in Aecon's own activities and sold to third parties.

Aecon also operates a permanent asphalt plant in Brampton, Ontario and three mobile asphalt plants that produce a secure, cost effective supply of asphalt for Aecon job sites, providing a competitive advantage in securing new contracts for asphalt intensive projects. The plants also provide a source of revenue and profit from the sale of asphalt materials to third parties.

In 1996, Aecon established its own full service materials testing facility to provide quality control and materials testing for its operations in Ontario. The facility has proven successful enough that, in addition to serving Aecon's own needs, it now provides an additional revenue source for the company as its services are sold to other contractors and materials suppliers.

(b) Buildings

The Buildings segment includes all of Aecon's work in the construction and renovation of commercial, institutional and multi-unit residential buildings. Aecon's focus in this segment is primarily in southern Ontario and Quebec, the lower mainland of British Columbia and the northwestern United States through offices in Toronto, Montreal, Vancouver and Seattle. Aecon also operates in this segment, on a selected basis, in markets outside of North America.

Aecon's U.S. Buildings operations are managed through a wholly owned subsidiary, Aecon Buildings Inc., incorporated in the State of Washington, while its British Columbia operations are managed through Aecon's 49% participation in Scott Management Inc., located in Vancouver.

On many projects in the Buildings segment, Aecon operates as a general contractor, providing clients with a lump sum fixed price for the project. In these cases, Aecon normally subcontracts most work elements to other contractors who are managed by Aecon throughout the course of the project. This results in much of the risk being transferred to the subcontractors, albeit this also typically results in lower margin returns for work in this sector.

In other cases, Aecon works on a fee for service basis in a construction management role, managing, on behalf of the client, work performed by a number of contractors whose contractual arrangements are directly with the client. Construction management contracts generally involve less risk than work as a general contractor and they are becoming an increasingly larger strategic focus for this operating segment.

In management's estimate, Aecon has established itself in the construction of suburban office buildings, with a number of projects completed in 2001 and 2002. While the construction of commercial office towers has slowed over the past year, the market for new, smaller suburban office complexes has remained strong and Aecon has benefited from its expertise in this area. Aecon has replaced this sector of business with an increased focus on the multi-unit residential and institutional sectors.

In urban markets, Aecon is developing an expertise in the growing market for commercial renovation and retrofit services such as the retrofit of the Hudson's Bay Centre in downtown Toronto. Much of Canada's stock of prime commercial property was built in the 1960s, 70s and 80s, and is in need of substantial renovation. Meeting this need has become a growing focus of Aecon's work in the Buildings segment.

Other markets in the Buildings segment in which Aecon has developed specific expertise include retail construction, institutional construction (such as educational facilities and court houses) and entertainment facilities such as theatres and casinos. Aecon has also developed expertise in the construction of airport terminals, such as the Pearson International Airport redevelopment, where Aecon is a 50% partner in the joint venture managing construction of the new terminal building. Aecon also complements its construction work in the Buildings segment with a business unit specializing in facility services contracts. This group operates and maintains commercial and institutional buildings, including ongoing repairs, upgrades and tenant build-outs.

(c) Industrial

The Industrial segment includes all of Aecon's work in the industrial construction and manufacturing sectors, from in-plant construction and module assembly to fabrication of speciality pipe and the manufacture of once-through steam generators for the power sector. The Industrial segment also performs facilities management maintenance and rehabilitation services and includes a joint venture interest in the nuclear power market. With the exception of the steam generator and nuclear businesses, which market their products around the world, Aecon's primary focus in this segment is the southern Ontario and Alberta markets, with selected projects undertaken in other North American markets.

Aecon's work in this segment is managed primarily from its offices in Cambridge, Ontario, with manufacturing and fabrication plants in Cambridge and Oakville, Ontario as well as Edmonton, Alberta.

Construction

Aecon's industrial construction activities are focussed primarily on in-plant construction for clients undergoing plant modifications and upgrades. This work includes platform construction and assembly as well as the installation and maintenance of specialized industrial systems and equipment. Aecon self-performs its work in the piping, electrical and mechanical trades.

Aecon has established itself in the automotive and manufacturing construction sectors as well as the power sector where its construction capabilities include nuclear, fossil and hydro-electric generation and natural gas cogeneration facilities. In addition, Aecon provides industrial construction services in the petrochemical, steel, metals processing and natural gas industries.

Fabrication

Aecon's pipe fabrication business, started as a value-added service for its industrial construction clients, has grown to the point where Aecon is now Canada's largest fabricator of specialized industrial pipe.

From its two Ontario facilities in Cambridge and Oakville, Aecon provides specialized process piping, modules and related components to the automotive, power, natural gas, petrochemical and other industries throughout Ontario, while its facility in Edmonton is focussed on serving the major energy projects in western Canada.

Steam Generators

Aecon's participation in the steam generator business is through its 100% interest in Innovative Steam Technologies ("IST"). IST designs and manufactures once-through heat recovery steam generators that recover the heat produced by the exhaust from gas turbines and, through a patented once-through technology, uses this heat to create high-purity, super-heated steam to drive its generators. IST's units, designed primarily for use with 5 to 50 megawatt gas turbines, can increase a power plant's generation efficiency by up to 30%.

IST has had much success due to the innovative design features of its units, which offer a more cost effective alternative to traditional heat recovery generators, with lower maintenance costs, shorter installation times and smaller footprint or area required than other products on the market. However, the dramatic downturn in the power industry experienced in 2002 has significantly reduced IST's core market. As a result, in 2002, IST's overhead was substantially reduced and its marketing efforts have been more tightly focused. While an early recovery in the power sector is not expected, management remains optimistic about IST's medium to long term prospects.

Nuclear

Aecon has a 38.75% interest in Canatom NPM Inc ("Canatom") while SNC-Lavalin holds the remainder of the shares. Canatom specializes in the provision of engineering, procurement, construction and commissioning services to the Canadian and international nuclear power markets. It is the largest Canadian private sector engineering company operating exclusively in the nuclear field, with offices in Oakville, Ontario and Montreal, Quebec as well as at its various project sites in Canada, Korea, China and Romania.

Included in Canatom's services are: the civil and structural design of all buildings on nuclear sites; construction management including overall site management as well as quality surveillance, contract administration and material control; procurement management, including commercial bid evaluations, contract administration and quality control; and radioactive waste management.

(d) Corporate and Other

Corporate and Other includes all of Aecon's corporate costs.

Major Projects

The Corporation is currently involved in a number of significant projects, both domestically and internationally. Among others, these projects include the development and construction of the Cross Israel Highway, the construction of the Nathpa Jhakri Project and the new terminal redevelopment project at Pearson International Airport in Toronto.

The Cross Israel Highway is a next generation, US $1.5 billion electronic toll highway spanning approximately 86 kilometres from south of Tel Aviv, northward to Hedera in Israel. Upon completion, management anticipates that it will be one of the most advanced and sophisticated electronic toll highways of its kind in the world. Commenced in 1999, the first phase of the Cross Israel Highway opened in late 2002, with final completion scheduled for 2004. Post completion, Aecon expects to earn interest and other income throughout a 25-year concession period from an investment in subordinated notes, as well as from both the operation and maintenance of the highway and from the returns generated from an ongoing ownership interest in the project.

Aecon has a 45% interest in the joint venture undertaking the Nathpa Jhakri Project. Located in the Himalayan foothills of Northern India, the Nathpa Jhakri Project is a $547 million, 1500 megawatt "Run of the River" project, including a 61-metre concrete dam and a 27-kilometre head race tunnel, of which the Corporation is constructing 16 kilometres. Following significant initial delays, construction of the project is progressing well and the project is currently close to 90% complete. With certain critical construction milestones achieved, Aecon is recording contribution from this project towards the recovery of previously expensed project costs. The Nathpa Jhakri Project is currently scheduled to be completed in 2003. See "Management Discussion and Analysis" and "Risk and Uncertainties".

Finally, the Corporation is also playing a leading role in the redevelopment of Toronto's Pearson International Airport, specifically in the construction management of a new $4.4 billion terminal building. Commissioned by the Greater Toronto Airport Authority to ease passenger congestion at Canada's busiest airport, the new terminal is scheduled to be completed in 2005. Aecon is a 50% partner in the construction management joint venture that is completing the project.

Revenues by Business Segment and Country of Origin

For the last two fiscal years, the Corporation's revenues were as follows:

	2002	2001	% Increase
Revenue ($ millions)			
Infrastructure	536.1	573.3	(6.5)%
Buildings	332.9	278.1	19.7%
Industrial	208.4	291.9	(28.6)%
Corporate and Other	(4.4)	(4.4)	-
	1,073.0	1,138.9	(5.8)%
Revenue Distribution (%)			
Infrastructure	50.0%	50.3%	(0.7)%
Buildings	31.0%	24.4%	27.1%
Industrial	19.4%	25.6%	(24.2)%
Corporate and Other	(0.4)%	(0.3)%	-

Revenues generated by Aecon in 2001 and 2002 are set out below with Country of origin.

	2002		2001	
Revenues ($ millions)				
Canada	$ 791.8	73.7%	$ 827.3	72.6%
United States	70.2	6.5%	147.7	13.0%
Other	211.0	19.8%	163.9	14.4%
	1,073.0	100.0%	$ 1,138.9	100.0%

Risks and Uncertainties

Large Contract Factors

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

Opportunities for Aecon to compete for these larger 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 Corporation may experience periods of irregular or reduced revenues.

The recording of the impact of large project contracts can distort revenues and incomes on both a quarterly and an annual basis and in some cases makes comparison of financial results difficult in particular reporting periods.

As described more fully in note 11 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 could be adversely affected.

The Nathpa Jhakri project has incurred significant delays in respect of which the joint venture, in which Aecon has a 45% interest, has submitted numerous requests for an extension of contract time as well as claims for significant compensation arising from the costs of delays and extra work resulting from changed conditions and other compensable matters. These claims amount to approximately $144.5 million of which $20.9 million has been received by the joint venture since commencing the project. The client has granted previous requests for extensions of contract time. In the event that the client denies the current request for extension of contract time and the joint venture is unsuccessful in its claims for additional compensation, the joint venture may be faced with potential liquidated damages claims by the client of up to a maximum amount equal to 10% of the contract value. If such possible claims were to materialize and were ultimately successful, the financial results and the financial position of Aecon could be adversely affected.

The Cross Israel project's substantial completion is being forecasted for April 2004. Tolling commenced in December 2002, with approximately 30% of the highway now open to traffic, and traffic volumes have been above anticipated levels. There are a number of claims and change (task) requests which have been issued or are in the process of being issued, both against the construction joint venture by its subcontractors and against the client by the construction joint venture. Allowances have been taken for these costs and probable recoveries on change (task) requests. The joint venture may be faced with liquidated damages which are capped at 10% of the contract value if it delivers the project late. However, management believes that such damages are unlikely and any delay in delivery will be alleviated by the granting of an extension of time in the contract schedule, which would include relief from liquidated damages and/or by income earned from operation of the highway during the delay period, which would reduce any amounts due for liquidated damages. Aecon has provided numerous guarantees in support of its various performance and financial obligations in this project (refer to note 11 in the consolidated financial statements). If such guarantees were to be called upon, the financial results and the financial position of Aecon could be adversely affected.

Ongoing Financing Availability

Aecon's business strategy involves the continued growth of its operations through internal growth and acquisitions. Aecon's ability to successfully bid on contracts for major projects is fundamental to its internal growth. Certain of Aecon's operating segments, including its infrastructure development business, require substantial capital in order to bid on contracts. Aecon is continually seeking to enhance its access to funding in support of its growth. However, from time to time, Aecon is constrained in its ability to capitalize on new infrastructure development and other growth opportunities to the extent that financing is insufficient or unavailable. Aecon enhanced its access to funding through its 2002 equity issue and through the new revolving term loan. The revolving term loan provides both stability and flexibility in Aecon's financing structure. This term loan is primarily supported by collateral assets which are not part of the collateral pool of short-term assets ("Borrowing Base"), which constitutes the primary collateral support of the working capital facility. The utilization of the working capital facility follows a distinct seasonal pattern in parallel with the seasonal changes in investments in current assets. Within the constraints of overall leverage parameters, Aecon is looking to attract substantially more working capital financing than it currently has in place. The limit of the existing working capital facility, which expired on April 30, 2003, and currently extended until May 30, 2003, is $30 million. The renewal and increase in this facility is expected but is not certain.

Aecon is dependent upon the continued access to working capital and equipment related financing sources to finance its day to day operations. Aecon's direct access to working capital lines of credit is subject to continued compliance with certain financial ratios and other terms and conditions and annual renewal of these accommodations by Aecon's lenders. To the extent that Aecon's cash flow is generated through, and its assets reside in joint ventures, Aecon's access to financing may be limited as the Company's lenders generally do not consider such cash flow and assets in their credit assessments. If Aecon's access to these credit facilities were reduced or eliminated, it would adversely impact the financial results and position of the Company.

Access to Bonding and Pre-qualification Rating

Most of Aecon's construction contracts require either sufficient bonding or pre-qualification rating. Management is aware of the worldwide reduction in surety capacity and is continually monitoring the surety market through its broker and surety firm. Should sufficient surety capacity not be available, this would have a material adverse effect on the ability of Aecon to operate its business.

International/Foreign Jurisdiction Factors

Aecon is from time to time engaged in large international projects in foreign jurisdictions. Currently Aecon is involved in projects in India, Israel, Kenya, Poland, China, Ecuador and the United States. International projects such as the Nathpa Jhakri Project in northern India and the Cross Israel Highway in Israel can expose Aecon to risks beyond those typical for its activities in its home market, including geopolitical and military risks and currency and foreign exchange risks.

The anticipated contribution of various foreign projects on the financial results of Aecon may be adversely affected by local political, military, economic and other events beyond the Company's control including several current projects that are located in regions that are, at the present time, facing heightened geopolitical tensions. 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 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 exposure. Such translation exposure will have an impact on Aecon's consolidated financial results. Cost effective hedging options to fully hedge this exposure are not generally available and the remaining exposure may have a material effect on the future results of Aecon.

Contractual Factors

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 guaranteed maximum price ("GMP"). In GMP projects, in addition to the risk factors of a unit price contract (as described below), any errors in quantity estimates must be absorbed within the 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 increasingly 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.

Certain of Aecon's contractual requirements may also involve financing elements, where Aecon is required to provide one or more of 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.

Disputes with clients for additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions are an unfortunate but sometimes unavoidable part of the construction process. Aecon's accounting policy is to record all costs for these changes when known and not record the revenue anticipated from claims until they are resolved. The timing of the resolution of such events can thereby 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 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 can have a significant impact on Aecon's operations.

Internationally, Aecon is much more 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.

Environmental 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 from either late completion penalties imposed by the contract owner or from the incremental costs of overtime work utilized to offset the time lost due to 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 said 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 which 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 any future legislation will not be material.

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 unrest in addition to competitive cost factors.

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 would likely have an adverse effect on the Company if that business could not be replaced from within the private sector.

Given the long lead time typically associated with the government review and awarding of public sector contracts, and the significant costs incurred by companies during this process, there are notional cost risks associated with continuing to bid on these types of contracts.

Potential Fluctuation in Quarterly Financial Results and Volatility of Public Markets

Aecon's quarterly 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 unrest involving Aecon's unionized workers; seasonal weather conditions; the risk associated with the use of 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 quarter. As a result, if expected revenues are not realized as anticipated, the Company's quarterly financial results could be materially adversely affected. Accordingly, there may be significant variations in Aecon's quarterly financial results.

Principal Properties

Aecon owns, leases and operates equipment for its construction operations. This equipment is located from time to time at various construction sites and at principal repair shops and storage facilities located in Halifax, Nova Scotia; Toronto, Brampton, Barrie and Cambridge, Ontario; and Edmonton, Alberta. For more information on the property, plant and equipment owned by Aecon, see note 6 to the Consolidated Financial Statements, incorporated by reference herein.

A portion of Aecon's construction equipment and vehicles, recorded as capital assets, is financed by long-term capital leases and equipment loans with specific equipment provided as security (see note 8 to the Consolidated Financial Statements, incorporated by reference herein).

Additionally, a portion of Aecon's construction equipment and vehicles is leased under operating leases with various terms and conditions (see note 11 to the Consolidated Financial Statements, incorporated by reference herein).

The following is a summary of the principal properties as at December 31, 2002:

- The corporate offices, located in a leased 66,000 square-foot building on a 3.1-acre site in Scarborough, Ontario. This property was sold on May 30, 2002 for $4.5 million which consideration has been received. Aecon has entered into an eight-year lease on the property at a rental rate of $7.00 per square foot (triple net), with two renewal options. The Corporation has an option to repurchase the property for $4.7 million during years three to five of the lease.

- Aecon Buildings Inc. leases 12,960 square feet of office space in Lynwood, Washington.

- Aecon Civil and Utilities leases the following properties in Ontario: 31,450 square feet for its corporate offices at 11 Indell Lane in Brampton; 2,396 square feet at Unit 6, 117 Ringwood Drive in Stouffville; 4.45 acres at 152 Canam Cr. in Brampton; and a 2.5-acre property with a 7,800 square-foot building in Gormley for Miwel.

- Aecon Civil and utilities owns pits and quarries in Ontario as follows: 225.9 acres at Concession 5 in Marmora; 307 acres at 4949 Bank Street in Gloucester; 1,413 acres at Highways 24 and 10 in Caledon; and 167.2 acres at Highway 24 and Mississauga Road near Caledon, as well as 7.5 acres of land at 55 Van Kirk Drive in Brampton for the Asphalt Plant.

- Aecon Civil and Utilities owns a 1.8-acre facility in Eastern Passage, Nova Scotia. This property has a 3,000 square-foot office building and a 5,000 square-foot warehouse.

- Aecon Industrial operates from an 18-acre site in Cambridge, Ontario, which includes 10,000 square feet of office space and 32,000 square feet of indoor storage space and a leased 100,000 square-foot fabrication shop. The Alberta operations lease 5,000 square feet of office space in Edmonton and a 40-acre yard in Sherwood Park including an

85,000-square-foot fabrication shop and 8,000 square feet of warehouse space. Aecon Industrial also leases 35,000 square feet on 5 acres of land in Oakville, Ontario.

- Aecon Infrastructure leases 8,627 square feet for its corporate offices in Calgary, Alberta.

- Aecon Utilities leases the following properties in Ontario: a 29,342-square-foot office and shop in Milton; an office and yard facility in Oshawa consisting of a 600-square-foot office and 2 acres for outside storage; approximately 2 acres of outside storage and a 10,000-square-foot storage building in Brampton; an equipment storage and operations yard of 5.1 acres in Markham; a 30,320 square-foot garage and a manufacturing facility for Footage Tools in Toronto, located on approximately 2.3 acres also used for equipment storage; 3.5 acres in Mississauga; a small property in East York; a 2,812 square-foot building in Breslau consisting of office space and storage for QX Technical Services Ltd.; a 2,157 square-foot building designated for industrial use in Mississauga; a 1,500 square-foot building designated for industrial use in Belleville used primarily by Premiere Cable; and a 2.35 acres property with office space on Wickstead Avenue in Toronto.

- Aecon Civil and Utilities own properties in Ontario as follows: 3.5 acres in the Newmarket area; 4.8 acres in Burlington; 2.1 acres in Breslau; and a repair shop, garage facility and outside storage area on 10 acres in Barrie.

- AGI Traffic Technology, a division of Aecon Utilities, leases 3.5 acres in Scarborough, Ontario. This site includes a 6,600 square-foot building consisting of a shop, office and storage.

- Groupe Aecon Ltée leases 21,000 square feet of office space in Montreal, Quebec.

- IST operates from a 5-acre facility owned by the Corporation in Cambridge, Ontario. On the site is a 96,000-square-foot building comprised of 72,000 square feet of manufacturing space and 24,000 square feet of office space. IST leases a 47,900 square-foot manufacturing plant in Guelph, Ontario.

- In addition, IST leases a 1,000 square-foot sales office in London, England.

Temporary office, repair shop and storage yard facilities are established at each construction site, usually on land made available by the client. These are dismantled and removed following completion of the contract.

Environmental

Aecon is subject to federal, provincial and municipal environmental legislation in all of its manufacturing and construction operations. Aecon recognises that it must conduct all of its business in such a manner to both protect and preserve the environment. 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 which would be likely to have a material impact on any of its operations, capital expenditure requirements or competitive position.

Employees

Aecon had 716 full time salaried employees and 1,436 hourly employees as at December 31, 2002 for a total of 2,152 employees. This number is not indicative of the total number of employees at any time throughout the year as the construction industry is seasonal in nature, with little work performed in the winter and early spring months. At its peak operating capacity level during 2002, Aecon employed a total of 2,737. None of the Corporation's full time salaried employees are unionized. Aecon recruits its unionized labour pool on an "as needed" basis consistent with the relevant union contracts and traditional hiring practices. These employees are laid off upon the completion of the job they were working on unless transferred to another job. Management believes that its relationship with its employees is generally excellent.

Aecon recruits its unionized labour pool on an "as needed" basis consistent with the relevant union contracts and traditional hiring practices. These employees are laid off upon the completion of the job they were working on unless they are transferred to another job.

ITEM 5

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present selected historical consolidated financial data of the Corporation for the periods indicated. The information set forth below should be read in conjunction with the Management's Discussion and Analysis referred to under Item 6. The selected historical consolidated financial data for the Corporation as at and for each of the years in the five year period ended December 31, 2002 are derived from and should be read in conjunction with the audited consolidated financial statements of the Corporation and the notes thereto. Historic results are not necessarily indicative of the results that may be expected for any future period or for a full year. The Corporation prepares its consolidated financial statements in accordance with Canadian GAAP.

Selected Financial Data [1]

(In thousands of dollars except earnings and dividends per share data)

	2002	2001	2000* [6]	1999*	1998*
Revenues	$1,072,964	$1,138,864	$1,006,330	$ 213,114	$ 151,584
Net Income[2]	$ 230	$ 12,386	$ 10,622	$ 6,072	$ 5,005
Earnings per share					
Basic[2]	$ 0.01	$ 0.69	$ 0.66	$ 0.65	$ 0.55
Diluted[2],[3]	$ 0.01	$ 0.61	$ 0.64	$ 0.64	$ 0.51
Dividends per common share[4]	$ 0.03	$ 0.12	$ 0.10	$ -	$ -
Total assets	$ 515,720	$ 589,253	$ 525,764	$ 460,550	$ 110,040
Total long-term debt, including current portion[5]	$ 34,654	$ 46,738	$ 45,864	$ 114,854	$ 17,325

* All figures prior to 2000 predate the acquisition by Armbro Enterprises Inc. (now Aecon) of BFC Construction

(1) In 2000 Aecon adopted the asset and liability method of accounting for income taxes. In 1999 and 1998, the deferral method of tax allocation was followed. The impact of the different methodologies, particularly with respect to the accounting for tax losses, can be significant.
(2) In 1998, net income was increased by recognizing the benefit of previously unrecognized tax loss carryforwards.
(3) Diluted earnings per share are calculated using the treasury stock method.
(4) Dividends were actually paid in the year following the fiscal year but relate to earnings for the year shown.
(5) Including debt portion of convertible debenture.
(6) On December 23, 1999, the Corporation acquired 100% of the outstanding shares of BFC. As a result of the acquisition, Aecon's revenues increased significantly in 2000. Of the $793,216 increase in revenues in fiscal 2000 over fiscal 1999, management estimates that approximately $688,400 reflects the impact of the acquisition of BFC, for which the results of the full year of operations were consolidated in fiscal 2000 compared to only one week in fiscal 1999.

Selected Quarterly Financial Data

(Unaudited - in millions of dollars except earnings (loss) per share data)

	2002			
	March 31	**June 30**	**Sept. 30**	**Dec. 31**
Revenues	$228.0	$236.3	$299.9	$308.7
Net income (loss)	$(1.0)	$ (3.9)	$2.7	$ 2.4
Earnings per share Basic	$(0.06)	$(0.17)	$0.11	$0.10
Diluted	$(0.06)	$(0.17)	$0.10	$0.09

(Unaudited - in millions of dollars except earnings (loss) per share data)

	2001			
	March 31	**June 30**	**Sept. 30**	**Dec. 31**
Revenues	$188.3	$258.9	$332.4	$359.3
Net income	$(2.1)	$ 0.8	$6.7	$ 7.0
Earnings per share Basic	$(0.12)	$0.04	$0.37	$0.39
Diluted	$(0.12)	$0.04	$0.32	$0.34

Diluted earnings per share are calculated in accordance with new recommendations of The Canadian Institute of Chartered Accountants. Under the new method, the Corporation's diluted earnings per share are determined using the treasury stock method for the effect of outstanding share options and the dilution impact of the convertible debenture.

Dividends

On March 28, 2003, Aecon declared a dividend of $0.03 per share on each of its common shares. The dividend was paid on May 9, 2003 to shareholders of record as at the close of business on April 11, 2003.

Aecon has established a formal dividend policy whereby a dividend will be declared each year at the time of the release of Aecon's annual financial statements. The size of the dividend will be determined each year based on the Corporation's financial performance.

Pursuant to a loan agreement dated October 6, 2000 and most recently extended May 15, 2003 between the Corporation and the Toronto Dominion Bank as agent and the Toronto Dominion Bank and National Bank of Canada as participants (the "Loan Agreement"), the Corporation is restricted from paying dividends, except for an aggregate of $4 million per fiscal year which may be declared by the board of directors provided that the financial covenants set forth in the Loan Agreement remain satisfied both before and after payment of the dividend.

ITEM 6
MANAGEMENT'S DISCUSSION AND ANALYSIS

The information appearing at pages 9 to 22 under "Management's Discussion and Analysis of Operating Results and Financial Condition" in the Corporation's Annual Report for the year ended December 31, 2002 is incorporated herein by reference. See "Additional Information".

ITEM 7
MARKET FOR SECURITIES

The common shares of Aecon are listed and posted for trading on the TSX under the symbol "ARE".

ITEM 8
DIRECTORS AND OFFICERS

Directors

The names, municipalities of residence and principal occupations of the directors of Aecon are set out below. Each director will hold office until the next annual meeting of shareholders or until a successor is elected or appointed. The information contained at pages three and four of Aecon's Management Information Circular dated May 14, 2003 is incorporated herein by reference.

Name and Municipality of Residence	Year First Became Director	Principal Occupation Within the Last Five Years
Scott C. Balfour Oakville, Ontario	1995	Executive Vice President and Chief Financial Officer of the Corporation
John M. Beck Toronto, Ontario	1963	Chairman and Chief Executive Officer of the Corporation
Michel A. Butt Gormley, Ontario	1994	President, Buttcon Limited (a general contractor)
Rolf Kindbom Georgetown, Ontario	2000	Consultant and Officer and Director of Hochtief Canada Inc.
Hans-Wolfgang Koch Meerbusch, Germany	2000	Deputy Chairman of the Corporation, Director and President of Hochtief Canada Inc. and Member of the Executive Board, Hochtief AG
Thomas Leppert Dallas, Texas	2000	Chairman and Chief Executive Officer of The Turner Corporation (a construction company)
Dr. Busso Peus Essen, Germany	2000	Chairman of Hochtief Australia Limited
Robert P. E. Wildeboer Burlington, Ontario	1993	Vice Chairman of the Corporation; Chairman, Martinrea International Inc. (a manufacturing company)

Members of the Audit Committee are Michael Butt, Rolf Kindbom and Thomas Leppert (Chair).

Members of the Human Resources and Compensation Committee are Michael Butt, Hans-Wolfgang Koch (Chair) and Robert Wildeboer.

There is no Executive Committee of the Board of Directors.

Michael Butt is President and a Director of Buttcon Limited ("Buttcon"), a general contractor based in the Toronto, Ontario area. Buttcon may bid on some projects in the Buildings segment that Aecon is also bidding on. Mr. Butt has agreed to excuse himself from portions of Board of Directors' meetings when discussions take place on projects where he may be in a potential conflict of interest.

Officers

The names, municipalities of residence and titles of the executive officers of Aecon are:

Name and Municipality of Residence	Office
John M. Beck, Toronto, Ontario	Chairman and Chief Executive Officer
Scott C. Balfour, Oakville, Ontario	Executive Vice President and Chief Financial Officer
Andy DeHaan, Oakville, Ontario	Vice President, Management Information Systems
Norman A. Harrison, Aurora, Ontario	Executive Vice President
James Hewitt, Toronto, Ontario	Controller
Gerry Kelly, Toronto, Ontario	Vice President, Finance
Bernard L. Kruyne, Oakville, Ontario	Vice President and Treasurer
Ken McGillion, Richmond Hill, Ontario	Vice President, Risk Management
Mitch Patten, Markham, Ontario	Vice President, Corporate Affairs
H. William Pearson, Oakville, Ontario	Executive Vice President
L. Brian Swartz, Markham, Ontario	Vice President, Legal Services and Secretary
Jonathan J. Taylor, Mississauga, Ontario	Executive Vice President

Biographies of Directors and Executive Officers

Scott C. Balfour, is an Executive Vice President and Chief Financial Officer of Aecon and has executive responsibility for all aspects of the Corporation's finance, treasury, risk management, investor relations and administrative initiatives. Mr. Balfour has been a member of the Board of Directors of Aecon since 1995 and has been with Aecon since 1994. Prior to joining Aecon, Mr. Balfour had an extensive career in corporate banking at a number of major financial institutions. Mr. Balfour has an HBBA from Wilfrid laurier University and an MBA from the Richard Ivey School of Business, University of Western Ontario.

John M. Beck, is the Chairman of the Board and Chief Executive Officer of Aecon and is a leader in the Canadian construction industry. He also serves as Chairman of CHIC. Mr. Beck has been a member of the Board of Directors since 1963. Mr. Beck, a graduate in Civil Engineering from McGill University, has more than 35 years of experience in the construction industry in Canada and internationally. His background includes corporate leadership in numerous construction activities including heavy civil projects such as bridges, highways, airport infrastructure, precast concrete manufacturing as well as buildings, commercial and industrial projects.

Michael A. Butt, is the President of Buttcon limited, general contractors. Mr. Butt has been a member of the Board of Directors since 1994. He started his career in the construction industry in the 1960s with Mitchell Construction where he rose to managing director and was a member of the steering committee of the Mitchell Construction Kinear Moodie Group. He founded M.A. Butt Construction Limited in 1973 and Buttcon Limited in 1979. Mr. Butt has a Bachelor of Applied Science in Civil Engineering from the University of Toronto and is a member of numerous organizations including the Ontario General Contractors Association and the Canadian Construction Association for which he served as chairman of both. Mr. Butt is a recent chairman of the Greater Toronto Airport Authority.

Andy DeHaan, is the Vice President of Information Technology of Aecon and is responsible for all aspects of information technology for the Corporation. Prior to joining Aecon, Mr. DeHaan had an extensive career in information technology and held senior information technology positions in some of Canada's largest organizations, including McCarthy Tetrault, one of Canada's largest law firms, Agra Inc., now Amec Inc., Maclean Hunter and Extendicare. Mr. DeHaan has a Masters in Computer Science from the University of Waterloo.

Norman A. Harrison, is an Executive Vice President of Aecon and has corporate responsibility as Chairman for Aecon Civil Group, Aecon Industrial and 1ST. He is also a director of Canatom. Mr. Harrison has forty years experience in the construction and engineering industries. Prior to Aecon's acquisition of BFC, he was President & CEO of BFC and its predecessor company Banister Foundation Inc. Before joining BFC, Mr. Harrison was President of Majestic Contractors Ltd. Mr. Harrison is a member of the Certified General Accountants Association of Ontario and of Financial Executives International (Canada).

C. G. J. (James) Hewitt, is the Controller of Aecon. Mr. Hewitt has more than 25 years experience in financial management. Prior to joining Aecon in 2000, he held senior management positions at Southam Inc. and NHB Industries Limited, a subsidiary of Fortune Brands Inc. Mr. Hewitt is a Chartered Accountant and has a Bachelor of Commerce degree from the University of Toronto.

Gerry Kelly, is the Vice President, Finance of Aecon and is responsible for financial reporting, management and control within the Aecon Group. Mr. Kelly has experience in all aspects of financial management having held senior financial positions at Canadian Pacific and Marathon Realty. His most recent position prior to joining Aecon in 2001 was as Chief Financial Officer at ProFac Facilities Management Services Inc., a wholly owned subsidiary of SNC-Lavalin. Mr. Kelly is a Chartered Accountant and has a B. Comm. (Honours) degree from University College Dublin.

Rolf Kindbom, is a consultant, an officer and a director of Hochtief Canada Inc. Mr. Kindbom has been a member of the Board of Directors of Aecon since 2000. He has almost 40 years of international business and project management experience in construction, commercial real estate and infrastructure development including Skanska Group of Sweden and Cathay International Ltd. He is a member of the Board of the Swedish-Canadian Chamber of Commerce, Toronto and a member of the Arbitration and Mediation Institute of Ontario.

Hans-Wolfgang Koch, is the Deputy Chairman of Aecon and a member of the executive board of Hochtief AG. Mr. Koch has been a member of the Board of Directors since 2000. Prior to joining Hochtief he held a variety of senior management positions including Chairman of the Executive Board of Balcke-Durr AG and Chief Executive Officer of Balcke-Durr GmbH. Mr. Koch studied economics and social studies in Munich and Cologne.

Bernard L. Kruyne, is Vice President and Treasurer of Aecon and is responsible for Group Treasury and Corporate Finance. Prior to joining Aecon in the spring of 2001, Mr. Kruyne was a Managing Director at RBC-Dominion Securities. Before coming to Canada in 1989 and joining the financial services arm of a chartered bank in Toronto, his corporate banking career included postings with a major international bank in Rotterdam, San Francisco, Hong Kong and London, UK. Mr. Kruyne has an MBA from the Graduate School of Management, Erasmus University, The Netherlands.

Thomas Leppert, is the Chairman of the Board and Chief Executive Officer of The Turner Corporation. Mr. Leppert has been a member of the Board of Directors of Aecon since 2000. He has a wide range of business and financial experience having held senior positions at Pacific Century Financial Corporation and Castle & Cooke Properties Inc. Prior to joining The Turner Corporation, Mr. Leppert acted as trustee for the Estate of James Campbell. In 1984, Mr. Leppert was appointed a White House Fellow by U.S. President Ronald Reagan and was assigned to both the Department of Treasury and the White House Staff. He has a B.A. in economics from Claremont McKenna College and an MBA from the Harvard Business School.

Ken McGillion, is the Vice President, Risk Management of Aecon and is responsible for the design and implementation of the company's risk management systems including the corporate insurance and surety programs. Prior to joining Aecon in May 2000, Mr. McGillion was Vice President, Risk Management at AMEC/AGRA Inc. in Calgary, Alberta. Previously, Mr. McGillion had been Manager of Safety and Risk Management for the Strait Crossing Joint Venture responsible for the construction of the Confederation Bridge. Mr. McGillion has a Certificate in Risk Management through the University of Calgary and is a member of the Insurance Institute of Canada and the Risk & Insurance Management Society Inc.

J. Mitchell Patten, is the Vice President, Corporate Affairs of Aecon and is responsible for managing the Corporation's positioning in the marketplace including marketing, investor relations, public affairs and corporate communications. Prior to joining Aecon in 2001, Mr. Patten was President of the Olympic Sports and Waterfront Development Agency, established by the Ontario government to coordinate its involvement in the redevelopment of Toronto's waterfront and in the city's 2008 Olympic bid. His career has included service in the office of three Ontario Premiers as well as several years as a strategic planning consultant and as Vice President of Canadian Highways International Corporation from 1996 to 1999.

H. William (Bill) Pearson, is an Executive Vice President of Aecon and the President and CEO of CHIC. In addition to his responsibilities at CHIC, Mr. Pearson has executive responsibility for Aecon Infrastructure. Mr. Pearson's career in the construction, engineering and development industry spans over 30 years. He spent more than ten years with AGRA Inc., including time as President of the AGRA Development Group. Prior to joining AGRA, Mr. Pearson worked with SNC-Lavalin where he gained an extensive background in international projects, eventually becoming President of SNC International. Mr. Pearson has a B.Sc., Civil Engineering from the University of Detroit and has completed numerous graduate level courses in hydrodynamics and mathematics.

Dr. Busso Peus has been a member of the Board of Directors since 2000. Dr. Peus is also the Chairman of Hochtief Australia Ltd. since January 2002 and was a member of the Executive Board of Hochtief AG from 1994 until December 31,2001. Dr. Peus was also a member of the Advisory Board of Ballast Nedam N.V until December 31,2001 and since August 1994 he has been a member of the Executive Board of Leighton Holdings Ltd., Sydney. Dr. Peus has almost seven years of experience in the electrical industry, 25 years of experience in the construction industry and has served on the board of directors of companies in 11 countries. He studied law in Munster, Lausanne and Berlin and has a doctorate from the University of Munster.

L. Brian Swartz, is the Vice President, Legal Services and Secretary of Aecon and is responsible for managing the provision of legal, corporate secretarial, labour relations and procurement services to the Aecon group of companies. Prior to joining Aecon in 1997, Mr. Swartz was General Counsel and Corporate Secretary to the Ontario Transportation Capital Corporation. He has been actively involved in the development of several major infrastructure projects in Canada and abroad. Mr. Swartz is a graduate of Osgoode Hall Law School in Toronto and is a member of the Executive Committee of the Construction Law Section of the Ontario Bar Association. Mr. Swartz has spoken and written papers for many professional conferences. He has recently written the Builders Liens (Western) Highways and Utilities titles for the Canadian Encyclopedic Digest.

Robert P. Wildeboer, is the Chairman of Martinrea International Inc., a leading automotive supplier and industrial company, where he focuses on the strategic direction and development of the company, and is a partner in the law firm Wildeboer Rand Thomson Apps & Dellelce, LLP. Mr. Wildeboer is the Vice Chairman of Aecon and a member of the Board of Directors since 1993. Mr. Wildeboer is a specialist in the areas of corporate and securities law, and has participated in a broad range of securities and related transactions, including public and private financings for both start-ups and mature companies, mergers and acquisitions, take-over bids, proxy fights and defences thereto, and derivative products transactions. Mr. Wildeboer has a B.A. from the University of Guelph, an LL.B. from Osgoode Hall Law School, an MBA from York University and an LL.M. from Harvard University.

The directors and executive officers of the Corporation beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 2,245,036 common shares, representing 8.9% of the issued and outstanding common shares of Aecon.

ITEM 9
ADDITIONAL INFORMATION

The Corporation will provide to any person or Corporation, upon request to the Corporate Secretary of the Corporation at the registered office of the Corporation:

(a) when the securities of the Corporation are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a proposed distribution of its securities,

  (i) one copy of the current annual information form ("AIF") of the Corporation, together with one copy of any document, or the pertinent pages of any document, incorporated therein by reference into the AIF;

  (ii) one copy of the comparative financial statements of the Corporation for the Corporation's most recently completed financial year for which financial statements had been issued, together with the report of the auditors thereon, and one copy of any interim financial statements of the Corporation for any period after its most recently completed financial year;

  (iii) one copy of the information circular of the Corporation in respect of its most recent annual meeting of the shareholders which involves the election of directors or one copy of any annual filing prepared in lieu of that information circular;

  (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and not required to be provided under (i) to (iii) above; or

(b) at any time, one copy of any of the documents referred to in (a)(i), (a)(ii), and (a)(iii) above, provided the Corporation may require the payment of a reasonable charge if the request is made by a person or Corporation who is not a security holder of the Corporation.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Corporation's Management Information Circular dated May 14, 2003. Additional financial information is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2002. A copy of the foregoing documents may be obtained upon request from the Secretary of the Corporation.