



Aecon Group Inc.

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Nine months ended September 30, 2001



Report to Shareholders

I am pleased to report on the financial results of Aecon Group Inc. for the third quarter of fiscal 2001.

Aecon showed strong results in the third quarter – results very much in line with management's plan for the period. We expanded our gross margins and achieved revenue and net income results that are new highs for Aecon.

Aecon's operating income for the nine-month period increased to \$13.2 million and net income for the period grew to \$5.4 million. This represents a 23 percent increase over the same period last year and translates into earnings per share of 30 cents.

Revenue for the period grew by 7.9 percent to just over \$779 million. On a segmented basis, Aecon's Construction Operations accounted for 92 percent of this revenue with Infrastructure Operations accounting for the remaining 8 percent.

Third quarter revenue was \$332.4 million, up 6 percent when compared to the third quarter last year.

In terms of divisional performance:

Our Utilities Division, which is a leader in the installation of advanced utility systems for segments like the natural gas industry and telecommunications, is having a great year and has seen substantial growth.

Aecon's Buildings Division, which specializes in the construction and renovation of commercial buildings, is well underway with its work on the new terminal at Pearson International Airport and continues to grow in key markets.

Our Industrial Division provides industrial construction and fabrication. It doubled its work in the automotive sector during the period and continues its strong performance in the manufacture of pipe and modules supporting the oil and gas industry in Northern Alberta.

Aecon's wholly-owned subsidiary, Innovative Steam Technologies, continues to set monthly sales records and is now beginning to achieve the business success we've long known it could.

Our Civil Group, which specialises in heavy construction work such as highways, dams and bridges, is producing strong results from the Cross Israel Highway project.

An important indicator of Aecon's future revenue is our backlog of projects. These are contracts Aecon has been awarded but where the work will be performed and the revenue booked in future periods. Aecon's backlog remains strong at \$947 million at the end of the third quarter. This is down marginally from the same point last year when our backlog stood at \$973 million.

It has been our experience that during times of slower growth, governments tend to use infrastructure development as a tool to accelerate economic recovery. We are seeing some evidence of this in announcements from the Ontario government regarding courthouse construction, road building and the like. Aecon's Infrastructure Division and Civil Group are well positioned to benefit from this anticipated trend.

Contract awards in the first nine months of this year totalled \$698 million, an increase of 20 percent from the \$582 million awarded in the same period last year.

Contract Awards in the third quarter include:

- The Industrial division was awarded \$42 million in new contracts, including a \$7 million contract for the installation of paint mix and circulation systems at the Ford of Canada plant in St. Thomas, Ontario and a series of contracts from Ontario Power Generation (OPG) for projects such as oil containment, sluice gate and monorail upgrades at various OPG generating stations.
- The Utilities division was awarded 94 contracts valued at \$30 million including a contract for \$1.3 million from Enbridge Consumers Gas for the installation of gas mains and services for the Town of Blackstock, Ontario.
- The Buildings division was awarded \$27 million in new contracts including two contracts from GWL Realty Advisors Inc.: \$7.5 million for renovation of the ground floor and market levels at College Park in Toronto as well as its Heritage Theatre; and the construction of a \$14.6 million 5-storey office complex at the Airport Corporate Centre in Mississauga, Ontario.
- Innovative Steam Technologies, which manufactures "once through" steam generators for use in cogeneration facilities, was awarded three contracts totalling in excess of \$23 million. They include a sale to TransCanada Energy for a cogeneration plant in Alberta; two units to NEPCO Europe for a power plant in the Isle of Man, UK; and two units to Altek Alarko for a combined cycle power plant in Kirklareli, Turkey.
- Aecon Civil Group was awarded \$12 million of contracts including awards from the Ontario Ministry of Transportation on Highways 5 and 25; a \$5.8 million contract by the Region of York to design/build the Sixteenth Avenue Trunk sewer in Markham, Ontario; and a \$3 million contract by Interquesta Canada related to construction at their Montreal chemical plant.

Finally, this quarter Aecon also announced the adoption of a policy that would see an annual dividend paid to shareholders. Under the new policy, the amount and timing of the dividend payment will be announced each year at the time Aecon's annual results are released. This new dividend policy speaks well of the confidence our management and Board have in the future of Aecon.

On behalf of the Board of Directors,



John M. Beck, Chairman and Chief Executive Officer

November 16, 2001

Management's Discussion and Analysis of consolidated financial condition and operating results

The following discussion and analysis of Aecon's consolidated financial condition and results of operations should be read in conjunction with the Company's Interim Consolidated Financial Statements and Notes.

Results of Operations

The construction industry in Canada is seasonal in nature due to weather conditions, with less work performed in the winter and early spring months. Accordingly, the Company experiences a seasonal pattern in its operating results with the first quarter of the year typically reflecting the lowest revenue as well as operating losses. Results in any one quarter are therefore not indicative of results in any other quarter or for the year.

Revenues

Revenues for the three months ended September 30, 2001 were \$332.4 million, an increase of \$18.7 million or 6.0% over the same period last year on the strength of improved demand within Construction Operations. Sales of once-through steam generators by our Innovative Steam Technologies subsidiary continue to set monthly records, as global demand remains buoyant. Within our industrial sector, automotive industry work more than doubled from the same quarter in 2000. Increased activity at our U.S. subsidiary and higher volume from the Pearson Airport joint venture construction project in Toronto led to improved revenues from the buildings sector. Utilities construction and services benefited from higher revenue from highway lighting work and cable television wiring and installation, with the latter a result of the acquisition, in the last half of 2000, of Premiere Cable Construction, an Ottawa, Ontario based company. Revenue from civil work, however, declined in the quarter due to government spending restraints affecting road building in Ontario and the completion last year of a hydro-electric project in Quebec.

Revenues from Infrastructure Development were down 34.3% in the quarter, principally due to the substantial completion in 2000 of the Sky Train rapid transit system project in Vancouver, which the Company participated in through its interest in the SAR Joint Venture.

For the year-to-date, revenues were \$779.6 million, an increase of \$56.7 million or 7.8% over 2000, with Construction Operations revenues up by \$84.3 million or 13.4% and Infrastructure Development revenues down by \$27.6 million or 29.4%. With the major exception of road building, where strong gains in the first half were negated by a weak third quarter, most of the same factors that affected revenues in the three months ended September 30 also applied to the nine-month period.

Gross Margin

Gross margin, which represents revenues less costs and expenses (before marketing, general and administration costs and depreciation and amortization), amounted to \$31.3 million in the third quarter – an increase of \$7.2 million or 29.7% over the same period of 2000. Construction Operations improved \$7.1 million or 33.6% in the three months ended September 30. The majority of this increase came from construction of once-through steam generators, reflecting both substantially higher revenues and an above average operating margin ratio from this sector. The industrial, buildings and utilities operations also generated improved margin in the quarter compared to the year earlier. Gross margin from Infrastructure Development increased by \$0.1 million in the quarter despite substantially lower revenues, as the decline in revenue from the Sky Train rapid transit system project had minimal profit impact and was more than compensated by higher margin from our participation in the Cross Israel Highway construction project.

For the nine months to September 30, gross margin was \$70.1 million, representing an improvement of \$24.0 million or 52.1% over 2000. By operating segment, \$7.2 million of the improvement came from Construction Operations and Infrastructure Development accounted for \$16.8 million.

Included in prior year results for the nine months of Construction Operations was \$9.7 million representing the recovery of advances, which had been previously written off, to the joint venture building the Nathpa Jhakri Hydro Electric Project in northern India. Exclusive of this amount the improvement in gross margin from the Construction Operations segment would have been \$16.9 million or 37.4%. More than half of this increase was generated by the steam generation division and the utilities division accounted for almost 20% of the improvement.

Approximately \$13 million of the improvement in gross margin from the Infrastructure Development segment for the nine months was on account of losses from the Sky Train rapid transit system project which were incurred last year. The balance of the increase is principally from the Cross Israel Highway project.

On October 5, 2001, a Settlement Agreement was signed between SAR Transit Joint Venture (SAR JV), in which the Company has a 40% interest, and Rapid Transit Project 2000 Ltd. and the Province of British Columbia with respect to claims related to the Sky Train rapid transit system project. The agreement is subject to approval by the Boards of Directors of the parties and the Treasury Board of the Province of British Columbia. Although not all joint venture liabilities have been settled, based on this agreement the \$20.8 million pre-tax provision for the Company's share of contract losses of the SAR JV, which was recorded in fiscal 2000, is still considered adequate and no significant adjustment is expected to be required in 2001.

Marketing, General and Administrative Expenses (M,G&A)

Expenses for marketing, general and administration amounted to \$14.8 million in the third quarter, equal to 4.4% of revenue, which compares to a ratio of 3.3% last year. The increase reflects higher corporate overheads, as well as a number of newly created or expanded divisional administrative offices, in order to support the higher volume levels and regional expansions. For the nine months, MG&A at \$48.3 million represented 6.2% of revenue, compared to 4.2% in 2000.

Depreciation and Amortization

Depreciation and amortization expense amounted to \$3.5 million in the third quarter, which was the same amount as the year before. Expense for the nine months was \$7.7 million, representing a reduction of \$0.9 million from the prior year because equipment utilized for the Sky Train rapid transit system project in Vancouver was fully depreciated during 2000.

Operating Income

Operating income before interest and income taxes amounted to \$13.0 million in the third quarter, which was an increase of \$3.4 million or 36.1% over 2000. For the nine months, operating income of \$13.2 million was 78.8% higher than last year.

Interest

Interest expense, net of interest income, amounted to \$1.4 million in the third quarter, which was \$0.3 million or 16.5% less than last year. For the nine months, net interest expense of \$4.1 million was \$2.1 million higher than 2000. The increase for the nine months was due to the fact that \$2.9 million of interest income was received in 2000, along with the repayment of advances, by the joint venture building the Nathpa Jhakri Hydro Electric project.

Income Taxes

The effective rate of income tax for the first nine months of 2001 was 41.1% compared to 19.3% in 2000. Last year's rate was abnormally low due to the reversal of excess income tax reserves. For the third quarter of 2001, the effective rate of 41.9% compares with 43.3% the year earlier.

Net Income

For the third quarter the company had net income of \$6.7 million (\$0.37 per share) compared to \$4.4 million (\$0.25 per share) in 2000 and for the nine months had net income of \$5.4 million (\$0.30 per share) compared to \$4.4 million (\$0.28 per share) last year.

Financial Condition, Liquidity and Capital Resources

Cash and cash equivalents increased by \$6.7 million in the third quarter and \$25.6 million for the nine months, principally due to strong operating cash flow. Contributing to this operating cash flow has been a substantial reduction in non-cash working capital which, to a large measure, reflects a focus on accounts receivable collections and other efforts to minimize cash investments in working capital balances. Net borrowings were reduced by \$15.2 million in the quarter and are \$11.3 million less than the beginning of the year. The components of net borrowings are as follows (millions):

	September 30, 2001	June 30, 2001	December 31, 2000
Bank indebtedness	\$ 48.7	\$ 57.2	\$ 34.8
Current portion of long-term debt	9.9	8.1	8.2
Long-term debt	27.1	29.0	28.6
Convertible debenture	9.2	9.1	9.0
Total interest bearing debt	94.9	103.4	80.6
Less cash and cash equivalents	83.5	76.8	57.9
Net borrowings	\$ 11.4	\$ 26.6	\$ 22.7

Almost all of cash and cash equivalents, which amounted to \$83.5 million at September 30, is within various joint ventures. This cash is primarily to be used for joint venture activities and is not immediately available for other purposes by Aecon. During the quarter \$11.8 million of cash and cash equivalents, held within a joint venture, was classified as other assets. This represents cash held in trust, which will be released when the joint venture is required to fund a committed investment.

In early October the Company received the first of a series of expected income tax reassessments relating to deductions claimed by the former BFC Construction Corporation and its predecessor companies between 1993 and 1999. The reassessments, which disallow previously claimed Canadian development expense deductions, currently amount to \$8.7 million. The total including income taxes, interest and penalties could be up to \$16 million. The Company plans to file Notices of Objection, but will be required to pay 50% of the assessed amounts pending resolution of the objections. The Company believes it has adequate provisions to cover the ultimate outcome of these reassessments.

The Company successfully negotiated an extension of its \$40 million working capital facility that expired on October 5, 2001. The temporary seasonal increase of \$20 million, which the Company had negotiated in early summer 2001 to cover seasonal working capital requirements, was allowed to lapse. The \$40 million working capital facility is considered sufficient to cover all operating requirements. The next renegotiation is scheduled for April 2002. This timing better coincides with the Company's operating and planning cycle.

Outlook

While Aecon management continues to closely monitor the economic environment, results from the first three quarters of 2001 indicate that the current economic slowdown has had no material impact on the company. Aecon's backlog of work at September 30, 2001 remains strong at \$947 million, with \$698 million of new contract awards during the first three quarters of 2001 compared to \$582 million during the same period last year.

The financial performance of Aecon's Construction Operations segment is expected to remain strong through year end, with buildings and utilities construction activities, as well as Innovative Steam Technologies, generating strong year over year growth in revenue and margins.

Aecon's Infrastructure Development operations continue to benefit from strong results at the Cross Israel toll highway project. Aecon is continuing its efforts to restructure the Gdansk Grain Terminal project in which it has a net investment of approximately \$13 million. While progress is being made in this regard, the process continues to be very challenging and the ultimate results cannot be predicted at this time.

With the potential for a continued economic slowdown into 2002, the diverse nature of Aecon's construction operations bodes well for the company. Because not all sectors of the construction industry are traditionally affected by an economic slowdown in the same way or at the same point in the economic cycle, Aecon's diversity should help to mitigate the impact of an economic downturn. For example, governments traditionally boost their infrastructure spending on projects such as road building during economic downturns, potentially yielding opportunities for Aecon's Civil Group.

Forward Looking Information

In various places in Management’s Discussion and Analysis and in other sections of this document, Management’s expectations regarding future performance of the Company were discussed. These “forward-looking” statements are based on currently available competitive, financial and economic data and operating plans, but are subject to risks and uncertainties. Forward-looking statements include information concerning possible or assumed future results of operations or financial position of Aecon, as well as statements preceded by, followed by, or that include the words “believes”, “expects”, “anticipates”, “estimates”, “projects”, “intends”, “should” or similar expressions. Important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause those results to differ materially from those expressed in any forward-looking statements.

Interim Consolidated Balance Sheets

(in thousands of dollars) (unaudited)

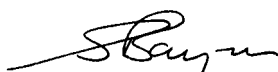
	September 30, 2001	December 31, 2000
Assets		
Current Assets		
Cash and cash equivalents	\$ 83,480	\$ 57,911
Accounts receivable	206,250	178,380
Holdbacks receivable	39,033	34,378
Deferred contract costs and unbilled revenue	90,045	72,624
Inventories	8,369	7,322
Income taxes recoverable	628	2,257
Prepaid expenses	4,509	6,765
Future income tax assets	35,589	30,965
Assets held for sale	3,284	2,410
	471,187	393,012
Capital assets	108,618	103,145
Future income tax assets	12,281	12,444
Other assets	29,171	17,163
	\$ 621,257	\$ 525,764

	September 30, 2001	December 31, 2000
Liabilities		
Current liabilities		
Bank indebtedness	\$ 48,716	\$ 34,749
Accounts payable and accrued liabilities	228,856	172,752
Dividends payable		1,798
Holdbacks payable	23,459	27,395
Deferred revenue	109,755	88,769
Income taxes payable	3,828	2,249
Future income tax liabilities	51,417	48,232
Current portion of long-term debt	9,908	8,203
	<u>475,939</u>	<u>384,147</u>
Long-term debt	27,148	28,631
Other liabilities	2,737	3,206
Future income tax liabilities	7,515	7,656
	<u>513,339</u>	<u>423,640</u>
Redeemable preferred shares of subsidiary	6,000	6,000
Convertible debenture	9,153	9,030
	<u>528,492</u>	<u>438,670</u>
Shareholders' Equity		
Capital stock (note 4)	33,713	33,402
Convertible debenture	1,075	1,075
Retained earnings	57,977	52,617
	<u>92,765</u>	<u>87,094</u>
	<u>\$ 621,257</u>	<u>\$ 525,764</u>

Approved by the Board,



John M. Beck, Director



Scott C. Balfour, Director

Interim Consolidated Statements of Operations and Retained Earnings

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

Three months ended September 30	2001	2000 (as restated note 3)
Revenues	\$ 332,390	\$ 313,678
Costs and expenses	301,073	289,536
Marketing, general and administrative expenses	14,814	10,606
Depreciation and amortization	3,543	3,540
Loss on sale of capital assets and investments	10	481
	319,440	304,163
Operating income before interest and income taxes	12,950	9,515
Interest expense, net	1,398	1,675
Income before income taxes	11,552	7,840
Income taxes		
Current	2,381	5,056
Future	2,454	(1,658)
	4,835	3,398
Net income for the period	6,717	4,442
Retained earnings – beginning of period	51,260	43,776
Retained earnings – end of period	\$ 57,977	\$ 48,218
Earnings per share (notes 3 and 4)		
Basic	\$ 0.37	\$ 0.25
Diluted	\$ 0.32	\$ 0.24
Average number of shares outstanding		
Basic	18,017,250	17,990,795
Diluted	21,260,373	18,723,934

Interim Consolidated Statements of Operations and Retained Earnings

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

Nine months ended September 30	2001	2000 (as restated note 3)
Revenues	\$ 779,612	\$ 722,859
Costs and expenses	709,478	676,748
Marketing, general and administrative expenses	48,334	30,018
Depreciation and amortization	7,744	8,680
Loss on sale of capital assets and investments	847	24
	766,403	715,470
Operating income before interest and income taxes	13,209	7,389
Interest expense, net	4,091	1,979
Income before income taxes	9,118	5,410
Income taxes		
Current	5,160	7,169
Future	(1,417)	(6,126)
	3,743	1,043
Net income for the period	5,375	4,367
Retained earnings – beginning of period	52,617	37,935
Change in accounting for income taxes		6,031
Common shares purchased in excess of carrying amount (note 4)	(15)	(115)
Retained earnings – end of period	\$ 57,977	\$ 48,218
Earnings per share (notes 3 and 4)		
Basic	\$ 0.30	\$ 0.28
Diluted	\$ 0.27	\$ 0.28
Average number of shares outstanding		
Basic	17,959,069	15,444,889
Diluted	21,075,191	16,178,866

Interim Consolidated Statements of Cash Flows

(in thousands of dollars) (unaudited)

Three months ended September 30	2001	2000 (as restated note 3)
Cash provided by (used in):		
Operating activities		
Net income for the period	\$ 6,717	\$ 4,442
Items not affecting cash –		
Depreciation and amortization	3,543	3,540
Loss on sale of capital assets and investments	10	481
Notional interest representing accretion	41	
Future income taxes	2,454	(1,658)
	12,765	6,805
Change in other balances relating to operations (note 5)	19,757	(14,659)
	32,522	(7,854)
Investing activities		
Purchase of capital assets	(3,897)	(3,665)
Proceeds on sale of capital assets and investments	52	58
Increase in other assets	(13,926)	(1,640)
	(17,771)	(5,247)
Financing activities		
Decrease in bank indebtedness	(8,517)	(1,973)
Issuance of long-term debt	2,700	912
Repayments of long-term debt	(2,825)	(3,210)
Increase (decrease) in other liabilities	588	(100)
Issuance of capital stock	16	
	(8,038)	(4,371)
Increase (decrease) in cash and cash equivalents	6,713	(17,472)
Cash and cash equivalents – beginning of period	76,767	61,488
Cash and cash equivalents – end of period	\$ 83,480	\$ 44,016

Supplementary disclosure (note 5)

Interim Consolidated Statements of Cash Flows

(in thousands of dollars) (unaudited)

Nine months ended September 30	2001	2000 (as restated note 3)
Cash provided by (used in):		
Operating activities		
Net income for the period	\$ 5,375	\$ 4,367
Items not affecting cash –		
Depreciation and amortization	7,744	8,680
Loss on sale of capital assets and investments	847	24
Notional interest representing accretion	123	
Future income taxes	(1,417)	(6,126)
	12,672	6,945
Change in other balances relating to operations (note 5)	26,693	(9,390)
	39,365	(2,445)
Investing activities		
Purchase of capital assets	(12,056)	(14,970)
Proceeds on sale of capital assets and investments	1,175	1,579
Increase in other assets	(13,741)	(1,612)
	(24,622)	(15,003)
Financing activities		
Increase in bank indebtedness	13,967	9,648
Issuance of long-term debt	4,877	13,681
Repayments of long-term debt	(6,047)	(62,392)
Decrease in other liabilities	(469)	(311)
Dividends paid	(1,798)	
Repurchase of capital stock (note 4)	(44)	(115)
Issuance of capital stock	340	
	10,826	(39,489)
Increase (decrease) in cash and cash equivalents	25,569	(56,937)
Cash and cash equivalents – beginning of period	57,911	100,953
Cash and cash equivalents – end of period	\$ 83,480	\$ 44,016

Supplementary disclosure (note 5)

Notes to Interim Consolidated Financial Statements

For the three months and nine months ended September 30, 2001 and 2000 (in thousands of dollars, except per share amounts)
(unaudited)

1 CHANGE OF NAME

Effective June 18, 2001, the Company changed its name from Armbro Enterprises Inc. to Aecon Group Inc.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies as set out in Note 1 to the Consolidated Financial Statements for the year ended December 31, 2000, and should be read in conjunction with those statements. Certain comparative amounts have been restated to conform with the current period's presentation as described in note 3.

3 ADOPTION OF NEW ACCOUNTING STANDARDS AND FINANCIAL STATEMENT RESTATEMENT

Effective January 1, 2001 the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants for Interim Financial Statements. In accordance with these recommendations, differences between actual and standard costs in an interim period, which are planned and are expected to be absorbed by the end of the year, are deferred at the end of the interim period. These recommendations have been adopted retroactively and, accordingly, operating results have been restated. During the three months ended September 30, 2001, standard cost variances which had been deferred in earlier interim periods were absorbed. The effect, after income taxes, of adoption of this new accounting policy is to decrease earnings for the three months ended September 30, 2001 by \$1,420 (2000 - \$1,256) or \$0.08 per share (2000 - \$0.07). There is no impact on earnings for the nine months ended September 30 and this change in accounting for interim financial statements also has no impact on the Company's annual financial statements.

Effective December 31, 2000, the Company, on a retroactive basis, changed its method of calculating earnings per share to the new recommendations of The Canadian Institute of Chartered Accountants. Under the new method, the Company'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 at the stated conversion price.

Certain comparative figures have been restated to conform with the presentation of interest expense and costs and expenses adopted in the three months ended September 30, 2001.

4 CAPITAL STOCK

	2001		2000	
	Shares	Amount	Shares	Amount
Authorized – unlimited common shares				
Balance – January 1	17,936,682	\$ 33,402	9,283,085	\$ 2,068
Common shares issued on the conversion of convertible debenture			8,744,197	31,433
Common shares issued on exercise of options	92,067	324		
Common shares repurchased pursuant to Normal Course Issuer Bids	(15,500)	(29)	(40,400)	(10)
Balance – June 30	18,013,249	33,697	17,986,882	33,491
Common shares issued on exercise of options	5,334	16	5,000	15
Balance – September 30	18,018,583	\$ 33,713	17,991,882	\$ 33,506

During the nine months ended September 30, 2001 the Company repurchased 15,500 (2000 - 40,400) of its common shares on the open market pursuant to the terms and conditions of Normal Course Issuer Bids at a net cost of \$44 (2000 - \$125); the amount in excess of the carrying value of the common shares was charged to retained earnings. All shares repurchased by the Company pursuant to its Normal Course Issuer Bids have been cancelled.

Under the terms and conditions of the 1998 Stock Option Plan, the aggregate number of common shares which may be reserved for issuance under the 1998 Plan shall not exceed 2,700,000 common shares. Each option agreement shall specify the period for which the option thereunder is exercisable (which in no event shall exceed ten years from the date of grant) and shall provide that the option shall expire at the end of such period. The Company's Board of Directors will determine the vesting period on the dates of option grants. The number of shares which may be purchased under options and the weighted average exercise price are as follows:

	2001		2000	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance outstanding	2,298,066	\$ 3.58	1,884,500	\$ 3.52

For the nine months ended September 30, 2001 options to purchase 720,000 shares were granted, 130,533 options were cancelled and 97,401 options were exercised. The options granted have a term of five years from the date of grant and vest on the anniversary date of the grant at the rate of one-third per annum of the total number of share options granted.

5 CASH FLOW INFORMATION

Change in other balances relating to operations:

	Three months to September 30		Nine months to September 30	
	2001	2000	2001	2000
(Increase) decrease in:				
Accounts receivable	\$ (40,064)	\$ (56,999)	\$ (27,870)	\$ (51,958)
Holdbacks receivable	(8,710)	(11,560)	(4,655)	183
Deferred contract costs and unbilled revenue	1,066	12,652	(17,421)	(38,116)
Inventories	(162)	(95)	(1,047)	(4,540)
Income taxes recoverable	(99)	(2,196)	1,629	(688)
Prepaid expenses	1,321	581	2,256	(755)
Assets held for sale	(576)	(693)	(874)	3,742
Increase (decrease) in:				
Accounts payable and accrued liabilities	41,082	34,955	56,046	46,259
Holdbacks payable	5,633	3,880	(3,936)	293
Deferred revenue	18,690	51	20,986	33,191
Income taxes payable	1,576	4,765	1,579	2,999
	\$ 19,757	\$ (14,659)	\$ 26,693	\$ (9,390)

Other supplementary information:

	Three months to September 30		Nine months to September 30	
	2001	2000	2001	2000
Cash interest paid	\$ 2,404	\$ 3,430	\$ 7,411	\$ 8,374
Cash income taxes paid	\$ 1,443	\$ 824	\$ 3,400	\$ 4,367

Capital assets acquired and financed by capital leases amounted to \$266 in the third quarter and \$1,466 for the nine months to September 30, 2001.

6 SEGMENTED INFORMATION

The Company has two operating segments – Construction Operations and Infrastructure Development.

Construction Operations

Construction activities are carried out primarily in North America, although international projects are undertaken. Activities include construction of roads and other transportation projects, buildings, dams and hydroelectric projects, utility projects, industrial, mechanical, electrical and nuclear services and installations, and the manufacture of once through steam generators. Projects within this segment typically do not require involvement in the financing of the project nor operation of the facilities once they are complete.

Infrastructure Development

This segment, international in operational scope, captures the Company's activities relating to the development of infrastructure through contracts which include development, design, construction, operation and financing of complex projects. Delivery of these projects is typically by way of build-operate-transfer, build-own-operate-transfer or public-private partnership contract structures.

Industry segmented information is as follows:

(in thousands of dollars) (unaudited)

as at September 30 and the three months then ended

	2001			
	Construction Operations	Infrastructure Development	Corporate	Total
Revenue	\$ 311,623	\$ 20,767	\$	\$ 332,390
EBITDA	18,327	1,983	(3,817)	16,493
Depreciation and amortization	3,139	67	337	3,543
Segment operating profit (loss)	15,188	1,916	(4,154)	12,950
Interest and income taxes				6,233
Net income			\$	6,717
Capital expenditures	\$ 4,055	\$	\$	\$ 4,055
Cash flow from operations	\$ 16,159	\$ 1,792	\$ (5,186)	\$ 12,765
	2000			
	Construction Operations	Infrastructure Development	Corporate	Total
Revenue	\$ 282,301	\$ 31,377	\$	\$ 313,678
EBITDA	14,415	1,132	(2,492)	13,055
Depreciation and amortization	2,538	695	307	3,540
Segment operating profit (loss)	11,877	437	(2,799)	9,515
Interest and income taxes				5,073
Net income			\$	4,442
Capital expenditures	\$ 3,638	\$ 27	\$	\$ 3,665
Cash flow from operations	\$ 12,268	\$ (3,784)	\$ (1,679)	\$ 6,805