



0141-62-976249

# AGRA INC. 1998 ANNUAL REPORT



**STRENGTH**  
**PERFORMANCE**  
**OPPORTUNITY**

COVER IMAGES FROM LEFT TO RIGHT:

*Sudbury Neutrino Observatory*  
*ETR 407 Toll Highway*  
*Automated Pipeline Welding*  
*Sable Offshore Energy Project*  
*Gemini Observatory Project*

**AGRA'S MISSION** AGRA IS AN INTERNATIONAL PROFESSIONAL SERVICES COMPANY DEDICATED TO THE CONSISTENT ACHIEVEMENT OF INDUSTRY-LEADING STANDARDS OF EXCELLENCE IN ENGINEERING, CONSTRUCTION, ENVIRONMENT AND TECHNOLOGY. WE ARE COMMITTED TO INNOVATION AND THE HIGHEST STANDARDS OF BUSINESS PRACTICE IN ALL OUR ENDEAVOURS FOR OUR CUSTOMERS, EMPLOYEES, SHAREHOLDERS, SOCIETY AND THE ENVIRONMENT.

**AGRA'S VISION** TO BE THE FIRST CHOICE OF CUSTOMERS, THE PLACE PEOPLE WANT TO WORK AND AN INVESTMENT THAT PRODUCES EXCEPTIONAL VALUE.



*AGRA employs 5,000 people and operates 160 offices in 20 countries. The Company has project experience in more than 100 countries worldwide.*

**BUSINESS SEGMENTS**

AGRA is an integrated Engineering, Construction & Technology (ECT) firm. For financial reporting purposes, AGRA segments its core ECT Sector into three groups which have been reorganized to more closely match the Company's business management structure. The Projects, Engineering & Technology Group includes four general areas: infrastructure, power, process industries and systems engineering; the Specialty Construction Group includes AGRA's pipeline, marine and deep foundation construction, condominium development and specialty steel design and fabrication businesses; and the Earth & Environmental Group includes the Company's environmental and geotechnical engineering businesses. AGRA's non-core Asset Development & Investments Sector includes the Hyatt Regency Hotel and Resort property in Grand Cayman.



ENGINEERING GLOBAL SOLUTIONS

PROFILE

INFRASTRUCTURE

AGRA provides project development and financing, engineering, construction, operation and maintenance services for infrastructure projects in areas of toll highways, primary and secondary roads, water and waste water facilities, ports, rail systems, buildings, bridges and tunnels.



PROCESS INDUSTRIES

AGRA provides engineering, procurement, construction and project management, operation and maintenance services for oil & gas production and processing, oil sands mining and extraction, heavy oil upgraders, petrochemical, mining, agriculture, waste treatment, pharmaceutical and biotechnology projects in North America and worldwide.



POWER

AGRA provides project structuring and financing, engineering, project and construction management, management consulting and transmission and distribution services for hydro, thermal, cogeneration and nuclear power projects worldwide.



SYSTEMS ENGINEERING

AGRA provides specialized systems integration and project management services for customers in the government, communications and energy sectors. AGRA offers industry leading proprietary technologies in the areas of project management and procurement systems, environmental information management, radio spectrum management and currency security.



SPECIALTY CONSTRUCTION

AGRA provides specialized construction services in the areas of pipelines, earth retention systems, deep-pile and marine foundations and specialty steel structures including telescopes and entertainment industry rides.



EARTH & ENVIRONMENTAL ENGINEERING

AGRA provides a full range of environmental services including geotechnical engineering, environmental planning, management and analytical services, water resource management, waste management and materials testing.



ASSET DEVELOPMENT & INVESTMENTS

AGRA's last remaining major non-core asset is the Hyatt Regency Hotel and Resort property in Grand Cayman.



PROJECTS, ENGINEERING & TECHNOLOGY GROUP

Infrastructure  
Process Industries  
Power  
Systems Engineering

ECT

ENGINEERING, CONSTRUCTION & TECHNOLOGY SECTOR

SPECIALTY CONSTRUCTION GROUP

Pipelines  
Foundations  
Specialty Steel Structures

EARTH & ENVIRONMENTAL ENGINEERING GROUP

AGRA Earth & Environmental

ADI

ASSET DEVELOPMENT & INVESTMENTS SECTOR

1998 FISCAL HIGHLIGHTS

- > The Toronto ETR 407 toll highway project was awarded the American Public Works Association's Transportation Project of the Year Award following completion of the project, ahead of schedule, in September 1998
- > AGRA was selected, with partners, to finance/build/own/operate the 86-kilometre Cross Israel Highway
- > AGRA Monenco completed the internationally acclaimed Sudbury Neutrino Observatory with partners Canatom NPM and INCO
- > Torchinsky Engineering achieved a record year in Western Canada and AGRA Infrastructure expanded its revenues by 20 per cent in Arizona and Nevada
- > AGRA Monenco was selected, with partners, for the front-end engineering of Shell/BHP's Mnskeg River oil sands mine at Fort McMurray, Alberta
- > AGRA Monenco established an exclusive joint venture with Brown & Root Energy Services for future offshore energy work in Canada
- > AGRA and partners achieved project sanctioning and final alliance contracts as engineers and project managers for the \$2 billion Terra Nova Offshore oil project in Newfoundland, the \$1.5 billion Sable Offshore Energy Project in Nova Scotia and the \$500 million Aurora Mine expansion at Fort McMurray, Alberta
- > AGRA Monenco and a partner were awarded the final feasibility studies for the Goll Island and Muskrat Falls hydro power generation stations – key components of the proposed \$9 billion Churchill River hydro power project in Labrador
- > Canatom NPM Inc. advanced its work on two 700-megawatt CANDU units at Qinshan, China and provided engineering and licensing services to Ontario Hydro
- > AGRA's associated company, Teshmont, was awarded a contract for design of the first high voltage DC transmission lines from the Three Gorges project to Shanghai
- > AGRA completed work on the Zongo Valley hydro-electric project for Bolivian Power
- > AGRA Monenco implemented several Project Management System modules, a multimedia information system and Web site for the multi-billion dollar Three Gorges Project in China
- > AGRA Spectrocan's work progressed, with partner Thomson CSF, on a fully automated radio spectrum management solution for Argentina, including management of radio station licensing and national and international frequency plans
- > AGRA Monenco Quebec delivered a SCADA Freeway Traffic Management System for Quebec's Ministry of Transportation
- > U.S. Pipeline was awarded a 256-kilometre section of the Alliance Pipeline and work on a 192-kilometre section of the Northern Borders Pipeline and a 107-kilometre section of the Trans Colorado Pipeline
- > Midwest Management was awarded 55 kilometres of 42-inch pipeline by Nova Gas Transmission and worked on projects for Alberta Natural Gas Company, Alberta Energy Company, Canadian Western Natural Gas Company and others
- > AGRA Foundations worked near capacity throughout the year with large volumes of work in Boston, California and Western Canada
- > AGRA Earth & Environmental developed a flood control warning system for the Huanan Hydro and Power Department in China to help address flooding, and was selected as the Environmental and regulatory contractor for the Sakhalin-1 offshore oil project in the Russian Federation
- > Opened a new office in Lima, Peru providing geotechnical and environmental services for mining clients
- > Coordinated all environmental monitoring aspects of the Pinto Valley, Arizona tailings clean-up
- > Allied Water was selected as a finalist for the Peel Region Water Management project in Ontario
- > AGRA Monenco Quebec expanded its provision of road engineering and other services for the Quebec Ministry of Transport and other clients in Quebec
- > AGRA Monenco Atlantic was awarded several new contracts including the Stephenville hospital, the RCMP headquarters at Deer Lake and other municipal, commercial and industrial projects in Newfoundland and Labrador
- > AGRA and partners submitted the Toronto to Quebec City Lynx High Speed Rail development proposal, to governments in Canada
- > The Hibernia Oil project went into production on November 17, 1997, and AGRA and partners began work on a long-term operation and maintenance contract for the project
- > AGRA Monenco completed work on Nova Chemical's Ethyl Benzene plant expansion in Sarnia, Ontario and moved work forward for Dupont Canada, Merck & Co., and others
- > AGRA Monenco Quebec stepped up its volumes of work at Shell Canada's refinery in east end Montreal
- > AGRA was awarded a new Thailand rural electrification study by the Asian Development Bank and provided electric power planning studies in Peru, Barbados and St. Vincent
- > AGRA was selected to provide advisory services for power sector restructuring in several Canadian provinces
- > Seacore Limited installed marine foundations for wind power generators located off the coast of Denmark
- > AGRA Systems provided project management and system integration services for Canada's Departments of National Defence, Health, Justice, Human Resources, Industry, Elections, Fisheries and Oceans, Foreign Affairs, Veterans Affairs, the Canadian International Development Agency, and Ontario's Ministries of the Solicitor General and Northern Development
- > AGRA Baymont provided GIS data conversion services for PNEM Dienstra BV of Holland, Southern California Gas, Copenhagen Energy, Empresas Publicas de Medellin of Columbia, Stratus Networks of Australia, South Kentucky Rural Electric and US West Online Posting
- > Seacore Limited was awarded large marine drilling contracts in Canada and India
- > AGRA Coast completed the Gemini Telescope project in Hawaii and won large new projects for entertainment industry clients in the United States and Japan including the "Mad Cobra" roller coaster for Premier Rides in Maryland and "Dr. Seuss' McMonkey McBean" ride for Universal Studios in Florida
- > Conducted lead geotechnical consulting services for the San Joaquin Hills Transportation Corridor toll road project in Southern California
- > Provided expert witness and environmental impact studies for Voisey's Bay Nickel Company Inc. in Labrador
- > AGRA completed the sale of Alders International (Canada) duty free operations and its remaining share of AGRA Plastics
- > AGRA completed the beachfront extension at the Hyatt Regency Hotel in Grand Cayman to leverage increased value in preparation for the planned sale of this property

**FINANCIAL HIGHLIGHTS**

For the year ended July 31, 1998

	1998	1997
<b>OPERATIONS</b> (in thousands of dollars)		
Revenue	\$ 860,317	\$ 648,659
Earnings (loss)		
From continuing operations	15,070	(4,905)
Discontinued operations	15,744	1,766
Net earnings (loss)	<u>\$ 30,814</u>	<u>\$ (2,139)</u>
<b>COMMON SHARE STATISTICS</b> (per share)		
Earnings (loss)		
From continuing operations	\$ 0.51	\$ (0.21)
Net earnings (loss)	1.05	(0.09)
Fully diluted earnings (loss)		
From continuing operations	0.51	(0.21)
Net earnings (loss)	1.03	(0.09)
Cash flow from operations	1.10	0.08
Dividends – Common	0.16	0.12
– Class A	–	0.035
– Class B	–	0.04
Equity	<u>11.16</u>	<u>9.86</u>
<b>OTHER STATISTICS</b> (in thousands)		
Average shares outstanding	29,379	23,108
Shareholders' equity	\$ 327,479	\$ 290,461
Working capital	\$ 128,542	\$ 117,864
ICT Sector backlog	<u>\$ 1,083,000</u>	<u>\$ 860,000</u>
<b>SEGMENTED INFORMATION</b> (in thousands of dollars)		
Revenue		
Engineering, Construction & Technology	\$ 814,445	\$ 604,527
Asset Development & Investments	45,872	44,132
	<u>\$ 860,317</u>	<u>\$ 648,659</u>
Operating profit (loss) – before interest and taxes		
Engineering, Construction & Technology	\$ 30,025	\$ 3,907
Asset Development & Investments	(1,702)	2,794
	<u>\$ 28,323</u>	<u>\$ 6,701</u>

\* Comparative figures have been restated to reflect operations discontinued during the 1998 fiscal year.

## PRESIDENT'S MESSAGE

Fellow Shareholders,

AGRA achieved a significant turnaround in fiscal 1998. We increased our earnings steadily throughout the year and built our revenues and backlog to an all-time high. We sold one of our last remaining non-core assets and completed a number of important acquisitions that will add to our strength, performance and opportunities for the future.

### FINANCIAL PERFORMANCE

AGRA met or surpassed its operating profit targets in each quarter of 1998. Net earnings grew to \$30,814,000 or \$1.05 per share this past year, including a one-time gain of \$15,744,000 or \$0.54 per share from the sale of our discontinued, non-core operations. Revenues grew 33 per cent to \$860,317,000 with more than 80 per cent of this total coming from sales to customers in Canada and the United States.

*We remain focused on our primary objective, which is to improve our return on shareholders' equity and to achieve industry leading levels of profitability. We are confident that we will achieve this goal as we complete the sale of our non-core assets and continue to drive profitable growth in our core engineering, construction and technology business.*

### BACKLOG

AGRA's backlog of contracted work as at our fiscal year-end, July 31, 1998, grew to \$1.1 billion, up 26 per cent from \$860 million the year before. This did not include two significant awarded projects, the Cross Israel Toll Highway and our sections of the Alliance Pipeline, as final contracts for these projects had not been completed at the fiscal year-end. We enter fiscal 1999 with a very strong base of work in our industrial process, power, infrastructure, pipeline and foundation construction areas. Despite economic downturns in certain world regions, our unique mix of skills, partnerships and our focus on niche markets positions us well to capitalize on excellent new growth opportunities.

### STRATEGIC PLAN

The Company expanded its regular strategic planning process in fiscal 1998, to carry out a comprehensive review of AGRA's strengths, weaknesses, opportunities and directions for the future. The process involved AGRA's Board, senior management, our employees, and a number of external experts who added perspective and external validation to the review. We were guided throughout by one fundamental objective, which was to maximize value for our customers, employees and shareholders.

The 1998 Strategic Review identified opportunities for improvement while confirming key long-term strategies, including our redeployment of non-core assets to achieve profitable growth in our core business. Our efforts have culminated in new Mission and Vision statements, a strong Strategic Plan for 1999–2001 and a renewed sense of confidence and optimism throughout the organization.

Following the review, we made a number of important changes that are helping to improve cost efficiency and operating performance. We strengthened our management team, consolidated certain operations, integrated common services, reduced overhead costs and improved our business management processes.

Looking forward, our strategy for profitable growth is to consolidate our strengths, build on our leadership in local North American markets and fortify our international position in niche power, infrastructure, environmental and process industry markets. The key elements of our growth strategy are outlined in more detail in this report, as are some of the key market opportunities we see for our Company.

**BALANCE SHEET** AGRA's balance sheet improved in 1998, largely as a result of proceeds of \$30.4 million from discontinued operations. We finished the year with a strong cash position, enabling us to pursue our growth strategies in selected business areas. During the year, we worked toward the renegotiation of AGRA's banking and insurance relationships and extension of our available lines of credit, steps which will allow us to compete with confidence in today's international market for projects in our fields of expertise and speciality.

Throughout the year, we purchased AGRA shares through our Normal Course Issuer Bid and have since applied to continue our issuer bid throughout fiscal 1999. At the same time, we continue to make it our priority to invest in the profitable growth of the Company through internal development and acquisitions that will add long-term value for shareholders.

**SALE OF NON-CORE ASSETS** We made significant progress in 1998 toward our goal of focusing AGRA entirely in the core engineering, construction and technology business area. With the sale of our interest in Allders International (Canada) in the first half of the year, AGRA now generates 95 per cent of its revenues from its core operations. Construction is nearly completed on the beachfront addition at our hotel and resort property in Grand Cayman and we are confident that these necessary improvements will leverage much enhanced profitability and sale value as we proceed with our plans to divest this last major non-core asset in the coming year.

**ACQUISITIONS** AGRA purchased a number of highly successful firms in fiscal 1998, including Seaborne Information Technologies Ltd. of Newfoundland, a leading ocean science and environmental firm, which further strengthens AGRA Earth & Environmental's leadership in offshore services, and BFL Consultants Limited, which we merged with our Newfoundland and Labrador operations to create AGRA Monenco Atlantic, now the province's largest engineering firm. Also during the year, we pursued a large and significant acquisition in the process industries area, which we hope to complete early in fiscal 1999.

**ACKNOWLEDGEMENTS** We have entered a new fiscal year as a more focused, competitive and cost-efficient Company and look forward to continued success in the coming year. I wish to thank AGRA's employees, our Board of Directors, our customers and our shareholders for their continued support throughout the year.



*Alexander Taylor*

**ALEX TAYLOR**  
CHAIRMAN AND CEO

## CHAIRMAN'S MESSAGE

FOCUSING ON  
EXCELLENCE

Several of AGRA's people and companies were again honoured with a number of significant awards during fiscal 1998. These distinctions are a tribute to the talent and hard work of our employees and just one of the reasons why AGRA is attracting some of the best professionals in the industry. I am proud to summarize below the kudos which came our way during the year.

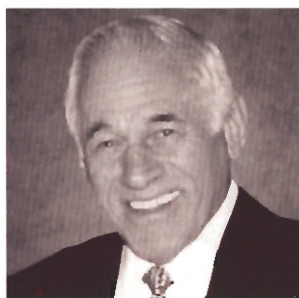
AGRA and our partners in Canadian Highways International Corporation were recognized with several awards for our work in developing Toronto's ETR 407 toll highway project. These included the American Public Works Association's Transportation Project of the Year Award, the Canadian Consulting Engineering Award of Excellence for Construction and, just recently, a Toll Innovation Award from the International Bridge, Tunnel & Turnpike Association.

AGRA Earth & Environmental continued its streak of awards with a 1997 Consulting Engineers of Canada Award of Excellence, the 1997 Canadian International Development Association's Award of Excellence for Environmental Protection, a 1997 Award of Merit from the Consulting Engineers of British Columbia and a 1998 Showcase Merit Award from the Consulting Engineers of Alberta. In the United States, AGRA Earth & Environmental was voted Outstanding Environmental Firm by *Arizona Business Magazine* and our newly established subsidiary, AGRA Infrastructure, received a Grand Award from the Arizona Consulting Engineers Association for its work on State Route 87.

A special honour was bestowed on AGRA's President and CEO, Alex Taylor, on June 17 when he was awarded an honorary Doctorate of Engineering from Toronto's Ryerson Polytechnic University in recognition of his distinguished career and many accomplishments in the international engineering community. Alex has also been named President-elect of the Canadian Academy of Engineering, one of Canada's foremost senior professional bodies.

These distinctions are a tribute to all AGRA employees and a very positive aspect of our renewal process. This year, we have made important additions to our leadership team throughout the organization and at some of the most senior levels of the Corporation. Furthermore, the Board's Human Resources Committee has recently initiated a process which is preparing the way for a well-managed succession for AGRA's Chairman, President and CEO positions — changes we anticipate will be completed by the end of calendar 1999.

I wish to thank the members of AGRA's Board for their dedication throughout a very busy year. I am particularly appreciative of the contributions of AGRA's newest director, Louis Comeau, as well as Steven Hudson, Joyce Borden Reed and Charles Hantho, who have added their special talents to those of a strong and active Board over the past year. Above all, I wish to thank AGRA's employees and shareholders for their ongoing support.



A handwritten signature in dark ink that reads "B.B. Torchinsky". The signature is written in a cursive style with a horizontal line underneath.

**B.B. TORCHINSKY**  
CHAIRMAN





## OUR STRENGTHS

AGRA HAS GROWN TO BECOME ONE OF NORTH AMERICA'S LEADING PROFESSIONAL ENGINEERING AND CONSTRUCTION FIRMS WITH WORLD LEADING CAPABILITIES IN NICHE AREAS AND A UNIQUE MIX OF SKILLS, TECHNOLOGIES AND EXPERIENCE.

### TODAY AGRA IS:

- > A world leader in public/private highway infrastructure development with strong project development and financing capabilities and internationally recognized "showcase" projects
- > Canada's leading provider of "Alliancing"\* and comprehensive engineering, procurement, construction, operations and maintenance solutions for energy sector clients
- > One of the world's most experienced power engineering firms with more than 90 years of national and international experience
- > One of North America's leading full service earth & environmental engineering firms
- > An international leader in pipeline, deep-pile and marine foundation construction
- > The world's foremost specialty steel design and fabrication company for astronomy telescopes and entertainment industry rides
- > A privileged partner with Newcourt Credit for project financing, Brown & Root for offshore oil & gas, AmericanAnglian for water/waste water, and others worldwide
- > The owner of proprietary information technologies and in-house systems engineering capabilities that assist clients to create value and stay ahead of the competition
- > A North American leader with long-term regional, national and international client relationships through a network of 130 offices in Canada and the United States
- > An international company with offices in 20 countries, long-term international partnerships and project experience in more than 100 countries worldwide

\* *Alliancing is a new, highly cooperative and incentive-driven approach to project development wherein the client, engineers, constructors and other key project participants align themselves to achieve common goals and objectives with strong incentives for minimizing costs, improving schedules, continuously improving performance, minimizing life cycle costs and forming long-term relationships.*



## ENHANCING PERFORMANCE

AGRA'S STRATEGY FOR PROFITABLE GROWTH IS TO CONSOLIDATE OUR STRENGTHS, BUILD ON OUR LEADERSHIP IN LOCAL NORTH AMERICAN MARKETS AND FORTIFY OUR INTERNATIONAL POSITION IN NICHE POWER, INFRASTRUCTURE, ENVIRONMENTAL AND PROCESS INDUSTRY MARKETS. TO MAXIMIZE VALUE THROUGHOUT THE ORGANIZATION, SEVERAL IMPORTANT INITIATIVES ARE UNDERWAY.

### BUSINESS MANAGEMENT

In fiscal 1998, we took steps to improve cost efficiencies, renew our management team and strengthen our processes and technologies. Business units were consolidated in Quebec, Newfoundland and overseas. Overheads were reduced significantly and common services, including human resources, communications and information technology were centralized under senior direction. We also launched a common brand initiative to promote the AGRA name in key markets worldwide.

An important step in 1998 was the implementation of the AGRA "Local Business Model," an initiative designed to ensure consistently superior financial management, customer service and profitable growth throughout our 130 local offices in North America. These improvements are strengthening the direct linkages between customer service, profitability and management compensation in our local offices. At the same time, we are building upon our strength in the development of large projects, which continue to contribute a significant percentage of AGRA's total revenues.

### CUSTOMER SERVICE

In fiscal 1998, AGRA carried out comprehensive customer surveys in key business areas in order to identify strengths and priorities for improvement. Our customers continue to target on-time, on-budget project delivery, innovative project approaches and leading technical capability as their top service priorities. Accordingly, we are maintaining our training program focus in these areas and applying a company-wide skills inventory to match our best skills with client needs.

Customers are also identifying increased demand for "turnkey" solutions including financing, shared risk and long-term operation and maintenance contracts as growing priorities. AGRA continues to build upon its expertise in the areas of project development and management, financing, alliancing and public/private partnerships as these skills represent important competitive strengths in today's markets.

### SKILLS & TECHNOLOGIES

AGRA's most important resource is its people. Our skills, experience and spirit of innovation set us apart in today's competitive market for engineering, construction and technology services. In fiscal 1998, we attracted several talented new employees, reinforced our skills training program and increased our investment in unique or proprietary technologies such as the AxioM project management and procurement system, the AGRA Environmental Management Information System and Duranote recyclable polymer currency.

We initiated the roll-out of an advanced, internal "AGRA Intranet" to enhance company-wide communications and made a number of important management changes at AGRA Systems to better integrate this unit as an in-house provider of technology solutions for the full range of AGRA customers.

These are just some of the changes we are making to ensure we deliver the best possible results for our customers, employees and shareholders.



## SEIZING OPPORTUNITY

AGRA'S OPPORTUNITIES FOR PROFITABLE GROWTH ARE EXCELLENT, EVEN IN TIMES OF ECONOMIC UPHEAVAL IN CERTAIN WORLD REGIONS.

AGRA will expand its market share in local North American markets while building international leadership in selected niche business areas. In North America, AGRA is benefiting from significant trends including power deregulation, strong markets for pipeline construction and repair work, infrastructure refurbishment, and public/private partnerships for water systems and other infrastructure projects. Internationally, AGRA is focused on growth in niche areas of strength including power, infrastructure, environmental and process industries where we will build our competitive position through strategic partnerships, investments and acquisitions.

THE FOLLOWING PAGES HIGHLIGHT SOME OF THE KEY MARKET OPPORTUNITIES AND GROWTH STRATEGIES FOR EACH OF AGRA'S MAIN LINES OF BUSINESS.

9	10	13	14	17	18
INFRASTRUCTURE	PROCESS INDUSTRIES	POWER ENGINEERING	SYSTEMS ENGINEERING	SPECIALTY CONSTRUCTION	EARTH AND ENVIRONMENTAL ENGINEERING

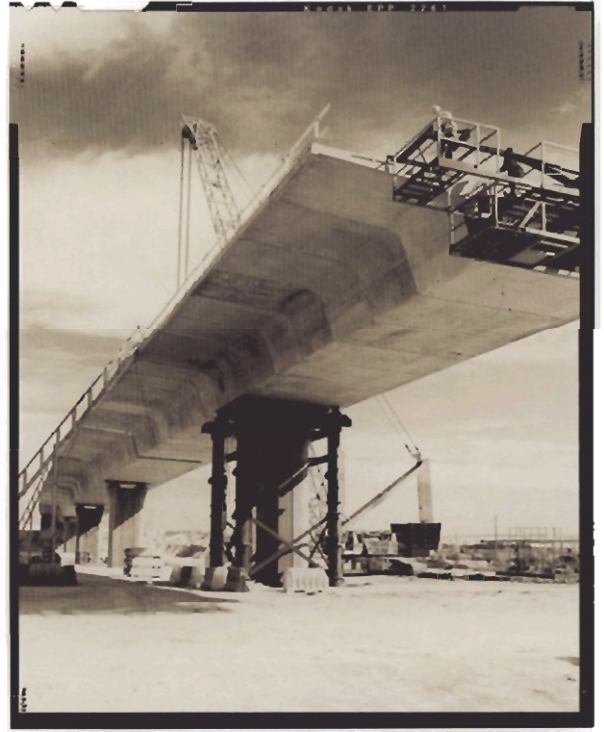
SUDBURY NEUTRINO OBSERVATORY,  
ONTARIO

16726



3462 7794233

CROSS ISRAEL TOLL HIGHWAY



1649911-2364 90



ETR 407, ONTARIO



AGRA INFRASTRUCTURE,  
ARIZONA

1649888-1156 89

- AGRA GROWTH STRATEGIES**
- We will consolidate our position as Canada's foremost provider of public/private infrastructure solutions and increase our share of world toll highway markets
  - We will expand AGRA's base of road engineering business in Western Canada, Nevada and Arizona and expand into Eastern Canada and the US Southwest and Southeast
  - We will leverage our project development expertise, environmental experience and our partnership with AmericanAnglian to win Canadian water and waste water operations contracts and build on our leading port engineering capabilities to capitalize on upcoming port infrastructure opportunities in North America and elsewhere
  - We will generate new opportunities by offering our clients project financing alternatives delivered through strategic partnerships with groups such as Newcourt Credit

- MARKET OPPORTUNITIES**
- The estimated world transportation infrastructure project market is approximately \$750 billion, of which \$300 billion will require project financing
  - The estimated annual capital value of planned toll highways worldwide is \$7 billion, with approximately 30 new projects proceeding each year
  - Important opportunities include the ETR 407 expansion and the Gardiner Expressway in Toronto as well as large prospective projects in the United States and South America
  - The US Transportation Equity Act (TEA-21) will provide more than \$300 billion in capital for public highways and surface transport projects over the next six years
  - The estimated annual market for privatized water and waste water projects is \$15 billion in North America and \$67 billion worldwide
  - The estimated annual market for seaports is \$6 billion worldwide

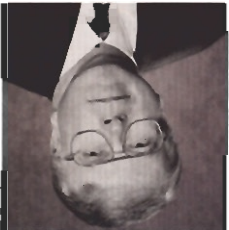
## INFRASTRUCTURE

AGRA PROVIDES PROJECT DEVELOPMENT AND FINANCING SERVICES FOR INFRASTRUCTURE CONSTRUCTION, OPERATION AND MAINTENANCE SERVICES FOR INFRASTRUCTURE AREAS OF THE HIGHWAY, PRIMARY AND SECONDARY ROADS, WATER AND WASTE WATER FACILITIES, PORTS, RAIL SYSTEMS, BUILDINGS, BRIDGES AND TUNNELS.



**SAM BULYCH**  
PRESIDENT, TORCHINSKY ENGINEERING

"For more than a quarter century, the top priority for Torchinsky Engineering has always been personalized customer service and technical excellence. That commitment has helped us to become one of Western Canada's most competitive and successful road, highway and infrastructure consulting engineering firms."



**BILL PEARSON**  
CHAIRMAN AND CEO, AGRA

"Today, many customers are seeking innovative project financing options and partners capable of providing turnkey solutions. From dealing with operation and maintenance, AGRA has established itself as a leader in these areas. Our ability to deliver total solutions for toll highways, power projects, water and waste water systems, ports and other large infrastructure projects will be a critical value driver for the future."

# PROCESS INDUSTRIES

## MARKET OPPORTUNITIES

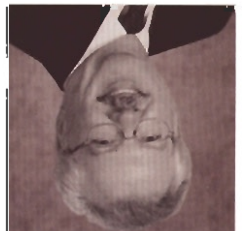
- The total estimated capital value of process industry projects planned for the North American market is \$125 billion with petrochemicals and oil & gas ranking as the dominant sectors
- > The estimated capital value of upcoming Canadian oil sands projects is approximately \$15 billion
- The estimated capital value of upcoming Canadian offshore oil & gas projects is approximately \$5 billion

## AGRA GROWTH STRATEGIES

- > We will maintain our leading position in the Canadian oil sands and offshore oil & gas industries and extend our successful joint ventures to serve new domestic and international projects
- We will add value for our clients through the Alliancing approach to energy project development and expand our share of process industry engineering in selected markets in Canada and the United States
- We will make strategic acquisitions to extend our service offerings and presence in international downstream process industry markets

AGRA has a strong presence in the process industries, with a focus on the oil and gas, petrochemicals and pharmaceuticals sectors. Our expertise in project management, engineering and construction services is well recognized in these markets. We have a proven track record of delivering high-quality projects on time and within budget. Our team of experienced professionals is dedicated to providing our clients with the highest level of service and support.

AGRA'S VICE-PRESIDENT, AGRA SERVICES  
**DOUG ANNABLE**



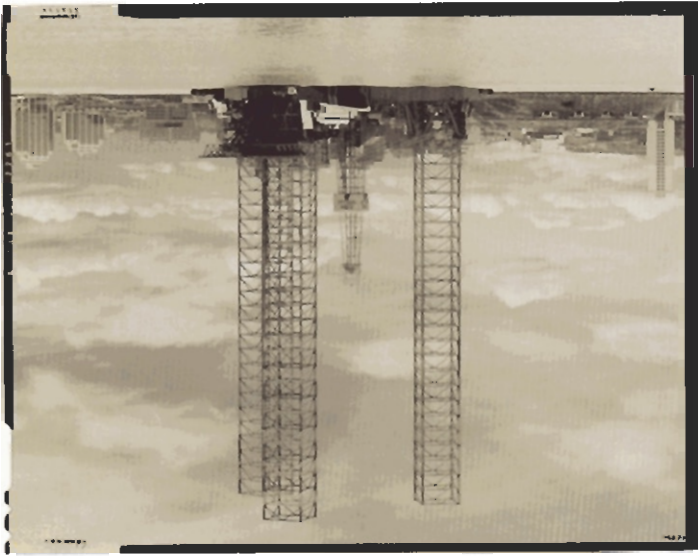
"In the oil & gas sector, we have made it our priority to move beyond technical excellence in active breakdown management skills and technologies. We are doing this with leading project management skills and technologies and innovative approaches such as Alliancing for large projects."

"AGRA's momentum is helping clients to stay at the leading edge of their industries. We are helping customers to add value for their shareholders and stay ahead of the competition. Our top priority is to deliver top quality service to clients of all sizes, from our smallest health contracts to our largest multi-million dollar projects."

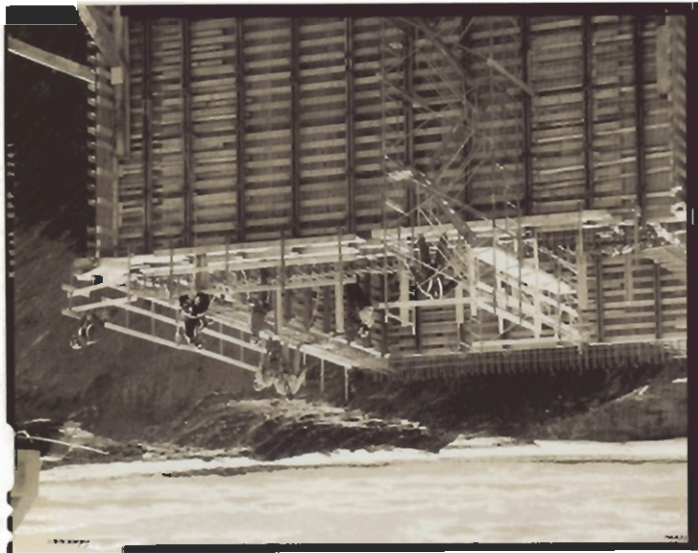
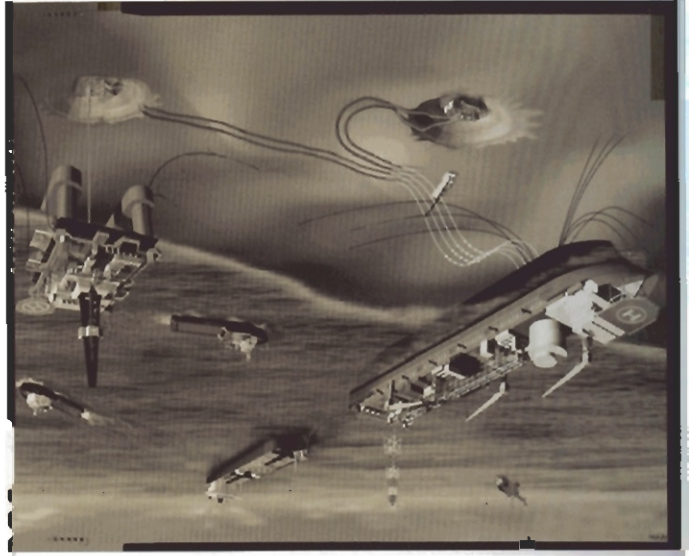


AGRA'S VICE-PRESIDENT, AGRA SERVICES  
**BOB VAN ADEL**

SABLE OFFSHORE  
ENERGY PROJECT  
NOVA SCOTIA



TERRA NOVA  
OFFSHORE OIL PROJECT  
NEWFOUNDLAND



SYNCRUDE AURORA MINE  
ALBERTA



WORK FOR  
NOVA CHEMICALS,  
ONTARIO

CASCADING HYDRO  
POWER PROJECT,  
BOLIVIA



SANDU POWER PROJECT,  
QINSHAN, CHINA



AR



WIND POWER,  
UNIT CONSTRUCTION,  
DENMARK



THERMAL POWER PROJECT,  
MIDDLE EAST





**BOB MADY**  
PRESIDENT, AGRA INTERNATIONAL

*"There is a vast global market for AGRA's key niche areas of expertise, even in these times of economic upheaval in certain international markets. We will expand our international base of business by building on our niche strength in areas like power, infrastructure and process industries and focusing on priority regions where we have offices, partners and extensive experience."*

*"AGRA Montreal has significantly increased its capacity and commitment to the Quebec market. We see important opportunities in the power, infrastructure, systems and process industry areas and we plan to offer our clients the very best skills, technologies and solutions in these areas."*



**CLAUDE COMTOIS**  
PRESIDENT, AGRA MONTREAL

AGRA IS A LEADER IN THE DESIGN AND CONSTRUCTION OF ENGINEERING PROJECTS IN THE FOLLOWING SECTORS: MANAGEMENT CONSULTING AND TRANSMISSION AND DISTRIBUTION SERVICES FOR HYDRO-ELECTRIC, THERMAL, COGENERATION AND NUCLEAR POWER PLANTS AND UTILITIES.

## POWER ENGINEERING

- MARKET OPPORTUNITIES**
- > The world market for independent power projects is estimated to be \$660 billion with approximately \$190 billion in North America
  - > Annual spending on power services will continue to be highly influenced by relative economic stability and the pace of deregulation and privatization in selected markets
  - > With power deregulation in North America, it is estimated that 70 per cent of new power projects will be merchant plants or projects developed with "non-recourse" financing
  - > Industry trends are toward convergence and consolidation as large developers become involved in power trading, marketing, distribution and retail as well as power generation
  - > Future prospects for CANDU power unit sales are in Turkey, China, Romania and South Korea

- AGRA GROWTH STRATEGIES**
- > We will pursue large upcoming hydro projects in Canada through strategic joint ventures
  - > We will capitalize on opportunities for small to mid-sized independent power or cogeneration projects in North America as market deregulation proceeds
  - > We will pursue power services opportunities in selected international markets including South America, the Middle East and China as well as international CANDU power opportunities through Canatom NPM

- ▶ We will invest in proprietary information technologies and systems integration capabilities to help AGRA clients strategically apply technology for competitive advantage
- ▶ We will build our share of the systems integration services market for clients in the government, energy and communications sectors and capitalize on new outsourcing and strategic consulting opportunities created by privatization and deregulation of the power industry in North America
- ▶ We will pursue select international projects in niche areas including radio spectrum management

AGRA GROWTH STRATEGIES

- ▶ AGRA Systems estimates the total world market for its current range of specialized systems integration services to be \$22 billion, with approximately \$3.7 billion in Canada
- ▶ The estimated annual world market for GIS data conversion services is \$12 billion

MARKET OPPORTUNITIES

# SYSTEMS ENGINEERING

AGRA provides a full range of systems management, project management, engineering and design services for the power, energy and communications sectors. AGRA operates in the areas of project management and procurement, systems, international information management, and environmental management and engineering.

GORDON GERRY  
VICE-PRESIDENT,  
GOVERNMENT AND  
INDUSTRIAL MARKETS



"AGRA places a very high priority on maintaining excellent relationships with governments and international financial institutions. Through these partnerships, we are helping Canada and other countries around the world develop the projects they require faster, more efficiently and at lower costs to taxpayers."

BOB MANNING  
VICE-PRESIDENT, AGRA SYSTEMS



"At AGRA Systems, we use information technology to help our clients improve their own ability to create value. We see tremendous opportunity to grow by helping to deliver innovative solutions for AGRA's broad base of clients in the government, energy and communications sectors."



SYSTEMS  
 INTEGRATION  
 SERVICES: ONTARIO



FREWAY TRAFFIC  
 MANAGEMENT SYSTEM,  
 MONTRÉAL



DURANOTE POLYMER  
 BASED CURRENCY

FOUNDATION CONSTRUCTION,  
CENTRAL ARTERY PROJECT,  
BOSTON



PIPELINE CONSTRUCTION, ALBERTA



AGRA COAST'S  
"MAD COBRA" RIDE  
JANUARY



WIND POWER MARINE FOUNDATIONS,  
BY SEACORE LIMITED IN DENMARK



**HANDY SETTLAGE**  
EXECUTIVE VICE-PRESIDENT, OPERATIONS  
AGRA CONSTRUCTION GROUP

*"AGRA Foundations significantly increased its presence and market share in North America in fiscal 1998. We benefited from very strong markets in Western Canada, California and the Boston area and our experience, equipment and technology position as for continued growth."*

*"Over the past two years, the AGRA Construction Group has doubled its capacity and tripled its revenues. North American markets for foundation and pipeline construction services remain strong and we will continue to focus on superior customer service and leading technology as we grow with today's markets."*



**TERRY WARD**  
SENIOR VICE-PRESIDENT, FINANCE  
AGRA CONSTRUCTION GROUP

AGRA PROVIDES SPECIALTY CONSTRUCTION SERVICES IN THE AREAS OF PIPELINES, EARTH RETENTION, SINKS, BLEEP PILE AND MARINE FOUNDATIONS AND SPECIALTY CONSTRUCTION. WE ARE THE LEADER IN SPECIALTY CONSTRUCTION SERVICES.

## SPECIALTY CONSTRUCTION

- MARKET OPPORTUNITIES**
- The North American pipeline construction services market, estimated at \$4 billion annually, continues to be driven by strong investment in new natural gas delivery systems and growing demand for pipeline remediation work
  - The annual North American foundation construction and ground improvement market, estimated at \$2.4 billion, has increased with strong infrastructure and industrial expansion in Canada and the United States
  - Specialized entertainment industry structures have grown into a multibillion dollar market worldwide, requiring highly specialized design, construction and fabrication skills

- AGRA GROWTH STRATEGIES**
- We will grow our pipeline business with the expanding US and Western Canadian markets and apply our automated welding capabilities to ensure superior quality and provide cost competitive service
  - We will expand our base beyond North America by pursuing selected international pipeline construction projects
  - We will expand our share of foundations and ground improvement markets in the United States and build upon our international leadership in marine foundations, astronomy telescopes and entertainment industry structures

*"AGRA Earth & Environmental's primary objective is to be the company of choice for environmental, geotechnical and materials solutions throughout North America. Excellence in environmental planning and engineering is a fundamental component of project development today. As we succeed in our markets, we add value all across the AGRA organization."*



**BILL SLUSARCHUK**

PRESIDENT, AGRA EARTH & ENVIRONMENTAL

AGRA PROVIDES A FULL RANGE OF ENVIRONMENTAL SERVICES INCLUDING GEOTECHNICAL ENGINEERING, ENVIRONMENTAL PLANNING, MANAGEMENT AND ANALYTICAL SERVICES, WATER RESOURCE MANAGEMENT, WASTE MANAGEMENT AND MATERIALS TESTING FOR CLIENTS IN THE GOVERNMENT, ENERGY, MINING, COMMERCIAL, INDUSTRIAL AND OTHER SECTORS

## EARTH & ENVIRONMENTAL ENGINEERING

- MARKET OPPORTUNITIES**
- The estimated total annual environmental industry market in North America is approximately \$200 billion
  - The estimated annual North American market for environmental services provided by AGRA is approximately \$20 billion
  - Annual World Bank funding for environmental projects has increased to \$17.4 billion
  - Declines in government "superfunding" for environmental services has led to increased competition and consolidation within the North American environmental industry

- AGRA GROWTH STRATEGIES**
- We will expand our presence in Eastern and Southeastern US markets through strategic acquisitions, organic growth and strong promotion of the AGRA brand
  - We will pursue select 'global slivers' of business, adding value for clients working in international markets
  - We will reinforce our focus on technical excellence, customer service and human resource management and build our growing roster of national and international clients
  - We will team with other AGRA divisions to add value for customers and help generate broader project opportunities



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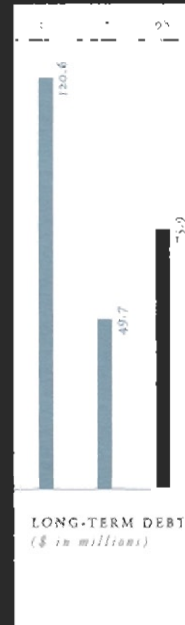
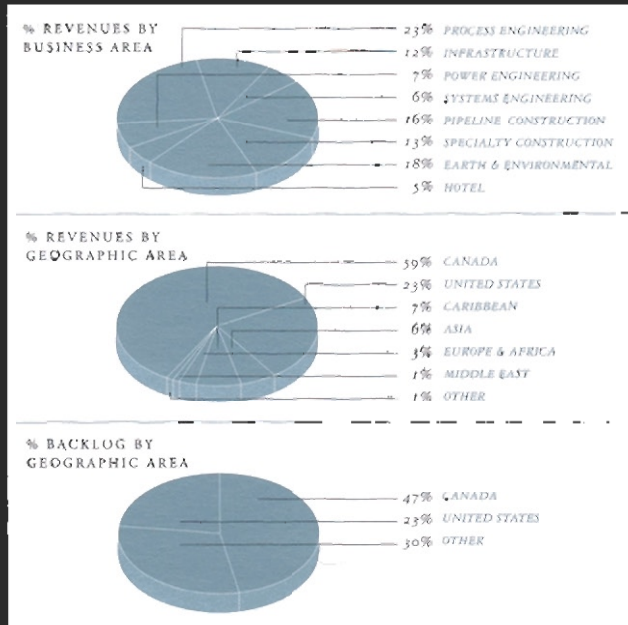
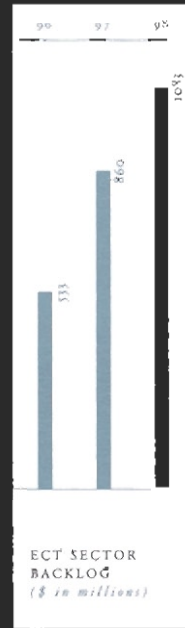
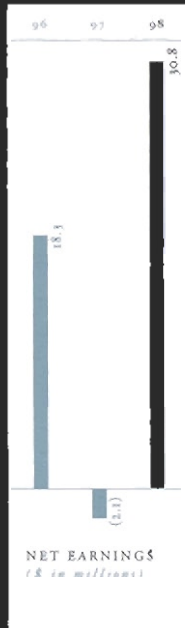
TAILINGS DAM,  
PORCO MINE,  
8, 1981

ENVIRONMENTAL STUDIES,  
LABRADOR

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FINANCIAL REVIEW AT A GLANCE





THIS DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL POSITION SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES, AS WELL AS THE PRESIDENT'S MESSAGE AND MANAGEMENT'S DISCUSSIONS CONTAINED THROUGHOUT THE 1998 ANNUAL REPORT.

**RESULTS OF OPERATIONS**

*Consolidated*

Comparative figures for 1997 have been restated for the effect of operations sold or discontinued during 1998.



Net earnings for fiscal 1998 reached \$30.8 million or \$1.05 per share (based on an average 29,379,129 shares outstanding) compared to a net loss of \$2.1 million or 9 cents per share in fiscal 1997 (based on an average 23,107,623 shares outstanding). Net earnings this year include net profit of \$15.7 million or 54 cents per share from discontinued operations whereas results last year included restated net profit of \$2.8 million or 12 cents per share arising from discontinued operations.

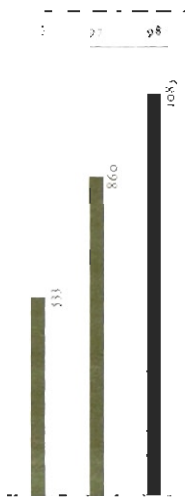
The gain from discontinued operations this year resulted primarily from the sale of the Corporation's 51% interest in Allders International (Canada) Ltd. and the remaining 25% of AGRA Plastics, whereas the 1997 amount was derived from the sale of 75% of AGRA Plastics Inc. These disposals mark progress in our strategy of concentrating our focus on the core businesses.

Earnings improved strongly in the latter half of fiscal 1998 because of several factors. Throughout 1998, significant reductions in overhead were achieved as well as more efficient staff utilization on revenue-producing projects. The U.S. operations of AGRA Earth & Environmental turned from losses in 1997 to profits in 1998 and losses were reduced in the steel fabrication plant and the Geographic Information Systems units. Our North American construction companies were working at near capacity levels on projects with much improved margins. Work on several major projects which were beginning in 1997 reached full production during the last half of 1998.

The strategies which produced results in 1998 will be continued in 1999, which should result in further improvement in AGRA's profitability. Initiatives such as careful cost control, focused marketing of our expertise in areas of technological strength in North America and in selected international markets, together with alliances with strong partners for large projects, will receive continuing emphasis in 1999. The sale of the hotel, which is planned for 1999, will release capital from a relatively low rate-of-return asset, which will then be available for businesses and projects from which higher rates of return can be achieved.

Results reported in fiscal 1997 also included a restated aggregate gain of \$5.6 million, after taxes and minority interest from the disposal of investments, including: the sale of our remaining interest in software developed by the Systems Engineering Group, part of which was sold previously; the sale of shares of Saztec Philippines, Inc., which were purchased previously to facilitate a supply arrangement; the disposal of our interest in the Toronto airport redevelopment project, including the sale of our interest in Terminal 3 and settlement of the dispute with the Government of Canada arising from cancellation of the development contracts; and the sale of a rental property.

Consolidated revenues increased 33% to \$860.3 million during the year ended July 31, 1998, an increase of \$211.7 million compared to restated revenues of \$648.6 million in 1997. With the sale of Allders and AGRA Plastics, revenues from core ECT operations now constitute 95% of total company revenues, the Cayman hotel being the only remaining major non-core asset.



Revenue during the past two years was derived primarily from the strong North American markets with exposure to foreign markets confined primarily to participation in large infrastructure projects, many of which are funded or supported by the World Bank or Canada's Export Development Corporation. Sources of revenue throughout the world are shown in the following table:

(in thousands of dollars)

	1998	%	1997	%
Canada	\$ 509,961	59	\$ 330,307	51
United States	198,052	23	143,122	22
Caribbean	58,402	7	76,910	12
Asia	52,937	6	61,117	9
Europe and Africa	25,420	3	17,622	3
Middle East	8,826	1	10,517	2
Other	6,719	1	9,064	1
<b>Total</b>	<b>\$ 860,317</b>	<b>100</b>	<b>\$ 648,659</b>	<b>100</b>

ECT SECTOR BACKLOG (\$ in millions)

Our goal continues to be to generate more revenue from strong projects in our specific areas of expertise from outside North America, with concentration in major world markets such as the Pacific Rim, Middle East and South America. The current world economic situation may slow the pace of progress toward this goal however.

Backlog in the ECT sector continued to grow significantly during the year with an increase of 26% to \$1.1 billion, which follows a 61% increase last year as strategic initiatives and focused marketing efforts continue to produce results.



ECT BACKLOG BY GROUP (\$ in millions)

- P&E GROUP
- S&C GROUP
- E&E GROUP

A significant part of the current backlog arises from long-term capital projects in the power, energy and infrastructure markets, primarily in North America. The company intends to concentrate its marketing efforts in such markets, both in North America and abroad, as those markets are considered less vulnerable to the effects of an economic slowdown.

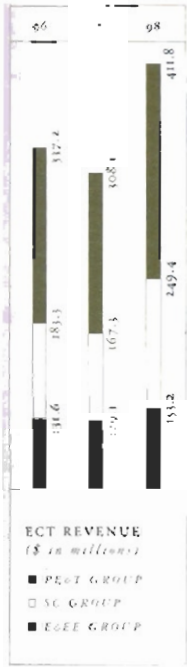
**Backlog**

(in millions of dollars)

	1998	1997
Projects, Engineering & Technology Group	\$ 686	\$ 630
Specialty Construction Group	247	98
Earth & Environmental Engineering Group	150	132
<b>Total</b>	<b>\$ 1,083</b>	<b>\$ 860</b>

**Engineering, Construction & Technology (ECT) Sector**

For financial reporting purposes, AGRA segments its core ECT sector into three groups which have been reorganized for the 1998 fiscal year to more closely match the Company's business management structure. Business units comprising each group are identified in the discussion of the groups which follow.



Continuing operations in this sector produced operating profit of \$30.0 million in 1998, compared to operating profit of \$3.9 million (after one-time gains of \$8.0 million) last year. This significant improvement in profitability resulted, in part, from an increase in total revenues arising from strong demand in our base businesses in this sector to \$814.4 million in 1998, an increase of 35% over revenues of \$604.5 million in 1997 and, in part, from an improvement in project margins and cost reductions achieved during the year.

Revenues by group in this sector were:

(in millions of dollars)

	1998	1997
Projects, Engineering & Technology Group	\$ 411.8	\$ 308.1
Specialty Construction Group	249.4	167.3
Earth & Environmental Engineering Group	153.2	129.1
<b>Total</b>	<b>\$ 814.4</b>	<b>\$ 604.5</b>

The unsatisfactory operating results in this sector in 1997 were primarily the result of the convergence of the following factors: the conclusion or winding down of several contracts during the latter part of the year which resulted in lower revenues and lower operating efficiency; the substantial marketing and proposal costs incurred in connection with the pursuit of several new contracts; losses incurred in the steel fabrication operation, the earth & environmental engineering unit in the United States, and the GIS data conversion unit; and the delay of commencement of the new contracts. Recovery from those factors began to occur as expected in the second half of fiscal 1998.

**Projects, Engineering & Technology Group**

The Projects, Engineering & Technology Group produced 50% of AGRA's ECT revenues in 1998. The Group includes four general areas: infrastructure, power, process industries and systems engineering. Several major projects including the Terra Nova and Sable offshore energy projects and Aurora mine project, which were started by this group late in 1997, moved toward full construction during the second half of this year. This volume of work, together with improvements in business practices in our smaller units, resulted in a return to revenue levels which provide sufficient margins to cover overheads, sustain operating efficiency, and generate profits.

In 1998, there was a continuation of our efforts to obtain new turnkey packages and projects arising from privatization and also to win strong projects in foreign markets. Pursuit of this work is costly in terms of marketing and proposal preparation and typically, significant time elapses during marketing and bidding on the projects, and before the realization of revenues and profits from successful project proposals.

Several large projects were bid in the second half of 1998; however it will be some time before the results are known. Prospects are encouraging for additional opportunities and we are continuing our efforts to form teams and alliances to assist in obtaining other projects in the power, roads, water and information systems and infrastructure markets and in response to the current trend to privatization. A consortium in which AGRA will participate was selected as the preferred bidder to design, finance, build, and operate the Cross Israel Highway, an 86-kilometre toll highway east of Tel Aviv. Contractual details are being negotiated and, upon successful completion of the negotiation, work is expected to commence in 1999.

Our joint venture contract for the turnkey construction of toll highway 407 in Ontario progressed very well again this year, with completion of the project achieved ahead of schedule in September 1998. Revenues and profits during the year from this project, however, did not reach the levels generated during the peak construction period in 1996. The joint venture expects to bid on the extension or privatization of the highway, as well as other upcoming toll highways in North America and elsewhere.

Growth of revenue and profits continued during the year in the local road engineering business area, as municipal road building activity remains strong in Quebec and Western Canada, as well as from expansion of the similar operation based in Arizona and Nevada, which was acquired in November 1996.

During the year, significant steps were taken to reduce overheads in this Group, resulting in improved margins this year, with further benefits to be realized next year.

Last year, profits in the group suffered as revenues decreased as a result of several large projects winding down and the delayed start of new work for the process engineering business unit on energy projects. Revenues from the construction of the Hibernia gravity base structure ended and the largest segment of toll highway 407 was completed. New contracts arising from the Sable and Terra Nova offshore energy projects and the Aurora mine project had not yet produced significant revenues. In addition, a paucity of contracts in the power engineering business unit further suppressed revenue and profit last year. The power engineering business unit was restructured with a new management team and efforts commenced to rebuild our volume of work in that market segment.

**Specialty Construction Group**

The Specialty Construction Group produced 31% of AGRA's ECT revenues in 1998. The Group includes AGRA's pipeline, marine and deep foundation construction, condominium development and specialty steel design and fabrication businesses. Demand continued to strengthen for all of these units this year, resulting in further improvement in margins. The foundation construction units have achieved much improved performance again this year, working near capacity as a result of buoyant construction in Western Canada and areas such as Boston and California. The pipeline construction division is also working at near capacity both in Canada and the United States with several major contracts in progress, including the Northern Border pipeline, the Trans Colorado pipeline and significant volumes of work in Alberta.

Steel fabrication and erection projects, which have been problematic in this group during the last two years, are now nearly complete. New contracts in this division have normal profit margins and the new management team, which was put in place last year, is proving to be effective, so that this unit is now expected to be a contributor to company profits. This year, significant new projects were won for major entertainment and theme park operators in North America.

**Earth & Environmental Engineering Group**

The Earth & Environmental Engineering Group produced 19% of AGRA's ECT revenues in 1998. The Group includes the Company's environmental and geotechnical engineering businesses based in Canada and the United States. Companies in this group have benefited from the recommendations arising from an independent consultant's study, with the introduction of a standardized local business model for improvement of marketing, financial and business practices. The effect of this effort is expected to be far-reaching in this group, with continuing improvement in 1999.





The Canadian unit of the Earth & Environmental Engineering Group maintained the level of profits it reached last year; however, profits failed to match the 19% growth in revenues, due in part to the cost of integrating the operations of several business units which were purchased during the year.

The US operation achieved a substantial turnaround on a 13% increase in revenue to reach profitability this year after incurring losses last year. The changes in management personnel and practices implemented in this group during last year, and increased emphasis on efficiency in the operation, achieved the intended return to normal profitability.

**ASSET DEVELOPMENT & INVESTMENTS SECTOR**

The non-core Asset Development & Investments Sector consists of the Hyatt Regency Hotel and Resort property in Grand Cayman. Figures reported for last year have been restated for comparability due to the sale during the year of the Allders duty-free business and the remaining 25% of AGRA Plastics. Operations produced a loss of \$1.7 million on revenues of \$45.9 million this year, compared to a restated profit of \$2.8 million on restated revenues of \$44.1 million last year.

Competition from a new hotel in Grand Cayman continued to affect the profitability of our hotel throughout the year, as did the impact of construction of the hotel expansion on the beach. Revenue from the additional 53 suites on the beach, which will commence in December 1998, will make a substantial positive impact on earnings of the hotel. The addition will also strengthen the position of our hotel as the premier property in the island's luxury market and enhance its value. It is the Company's intention to sell the hotel in 1999.

**FINANCIAL CONDITION AND LIQUIDITY**

Once again during 1998, there was a significant improvement in the balance sheet, largely attributable to net proceeds of \$30.4 million from discontinued operations, which included the sale of the 51% interest in Allders duty-free business and the remaining 25% interest in AGRA Plastics. The consolidated cash position, net of current bank indebtedness, increased slightly to \$33.4 million from \$32.4 million, after payment of \$4.7 million of dividends to AGRA shareholders. Cash was deployed within the Company primarily to reduce long-term debt, finance increases in current assets, expand the Cayman hotel, and purchase equipment.



Long-term debt of \$25.9 million was retired during the year and new long-term financing of \$48.0 million was obtained resulting in the year-end balance of \$95.0 million (including the current portion). \$22.0 million was expended during the year on the expansion of the Cayman hotel, for which \$17.5 million of financing is included in the new long-term debt. Consolidated working capital increased \$10.6 million to \$128.5 million from \$117.9 million last year. Scheduled repayments, as well as certain early repayments, were applied to long-term debt during the year. Of the \$80.3 million consolidated cash at year-end, \$24.7 million is held by joint ventures and operations which are not 100% owned. Availability of such cash for general purposes is subject to agreements with joint venture partners and minority shareholders.

Principal payments on long-term debt will be \$19.0 million in 1999 and \$13.5 million in 2000. Improvement in consolidated cash flow from operations is expected again in 1999, as a result of improved profitability. Settlement of outstanding claims related to certain projects, cash flow from joint ventures, and disposal of non-core assets will make substantial amounts of working capital available; however, timing of these events is uncertain.



#### RISKS AND UNCERTAINTIES

#### ACQUISITIONS

During 1998, \$9.4 million was expended for the acquisition of a number of businesses in the Engineering, Construction & Technology Sector, compared to \$5.2 million used for that purpose in 1997. The Corporation has available approximately \$40 million of cash that can be used for acquisitions or expansions. The Corporation intends to make acquisitions of companies that would enhance the growth of the core ECT Sector.

#### NORMAL COURSE ISSUER'S BID

During the year, the Corporation purchased for redemption, 276,100 shares of the Corporation in the open market at an average price of \$9.639 per share, for an aggregate cost of \$2,661,237. The Corporation intends to continue to repurchase its shares and proposes to introduce another normal course issuer's bid in November 1998 when the current program expires.

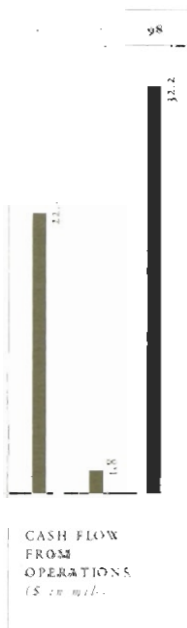
During 1997, there was also significant improvement in the balance sheet, largely attributable to proceeds of \$34.3 million from the public share issue and from proceeds from the sale of shares in ProMIRA, Saztec, 75% of AGRA Plastics and the recovery of our investment in the Toronto airport project. Cash was deployed within the Company during 1997 primarily to reduce long-term debt, finance increases in current assets, and purchase equipment. Long-term debt was also reduced last year by conversion of the 8% subordinated convertible debenture into common shares.

Our initiative to develop strategic alliances with reputable partners is continuing in order to position AGRA to participate in further joint venture contracts on major development projects, both domestically and internationally, in response to increasing demand for turnkey, fixed-price construction of infrastructure and industry projects in both the public and private sectors. Many of these infrastructure projects, however, are subject to changes in capital spending plans by governments and clients resulting from economic conditions which are outside the control of the Company.

Foreign contracts, fixed-price contracts and joint ventures, some of which may require equity investments, carry more risks than traditional domestic consulting engineering and construction contracts, including exposure to more significant contractual as well as political, commodity and currency risk and the need for increased capital resources. Such risks are insured wherever possible, and management and control measures are emphasized in order to reduce exposures. We continue also to develop our base domestic businesses in order to mitigate the cyclical impact of large projects.

During 1997, one of the risks associated with having a larger proportion of revenue generated from large projects and the importance of timely success in winning contracts was demonstrated, as the completion of several significant contracts converged at a time when work on new contracts had not commenced, resulting in reduced revenues and profits. This condition was reversed in 1998 when work commenced on several new projects. Advance marketing and careful timing of contracts have become more critical in maintaining consistent revenue growth and profitability. Increased emphasis on the quality of the bid preparation continues in order to improve the success rate and also to improve the accuracy of the estimates of contract costs.

International contracts require additional working capital due to a slower collection cycle. Since conventional bank financing for such requirements can be more difficult to obtain, increased internal working capital may be required which, together with the working capital requirements of large turnkey projects, may place some constraint on growth.



While the Corporation has the benefit of its record backlog to mitigate the effect of the economic slowdown which is now apparent, the long-term impact of the economic cycle in North America and elsewhere cannot be determined.

The Corporation's revenues are generated from contracts and construction activities from which claims occasionally arise; consequently, the Corporation and its subsidiaries are defendants in lawsuits involving various amounts. The results of these actions should not have any material effect on the financial position of the Corporation; however, such outcome cannot be determined with certainty.

#### YEAR 2000

The Year 2000 (Y2K) issue is the risk that computer programs using two-digit date fields will fail to properly recognize the year 2000, causing incorrect results or failure in systems performing arithmetic or logical operations on date fields. Such computer systems failures could lead to business interruptions for customers, suppliers, governments and other service providers.

AGRA initiated its response to this issue in mid-1997 and has organized a cross-functional project team to assess the Corporation's Year 2000 readiness and prepare appropriate responses to achieve compatibility by mid-1999. AGRA's Y2K project team reports regularly to a Y2K Steering Committee chaired by the Company's President and CEO. The Corporation's Year 2000 plan has set out a process and schedule for identifying and resolving Y2K-related concerns and includes a documentation, reporting and tracking system.

During fiscal 1998, AGRA identified Year 2000-related systems and initiated a program of assessment, remedial action and testing to be carried out with assistance from external consultants with specialized Y2K expertise. All mission-critical systems, such as the Corporation's financial systems, human resources systems, e-mail systems, telephone and voice mail systems and all corporate file servers have been assessed and all related remedial action and testing are targeted for completion by mid-1999. The Corporation expects to complete its review, remediation and testing of other Year 2000-related systems by this time as well.

Based on the review carried out to date, the Corporation does not expect the cost of software replacement, modification or coordination related to achieving Year 2000 compliance to be material to its financial results or the results of its operations. The Corporation's regular multiyear capital appropriation program anticipated costs for core systems upgrades in fiscal 1997, 1998 and 1999. It is expected that all hardware and software expenditures related to Year 2000 compliance will be adequately covered in these normal allocations. Costs related to coordination, testing and review of operations relate primarily to our own internal staff costs and these, together with our third party costs, are being expensed as they are incurred.

To the Shareholders of AGRA Inc.

We have audited the consolidated balance sheets of AGRA Inc. as at July 31, 1998 and 1997 and the consolidated statements of earnings, retained earnings and changes in cash for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 1998 and 1997, and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Calgary, Alberta  
October 1, 1998



Chartered Accountants



**CONSOLIDATED STATEMENT OF EARNINGS**

<i>For the year ended July 31, 1998 (in thousands of dollars)</i>	1998	1997
		(NOTE 3)
<b>REVENUE (NOTE 21)</b>	<b>\$ 860,317</b>	<b>\$ 648,659</b>
<b>EXPENSES</b>		
Cost of sales and services, selling, general and administrative	814,063	637,499
Depreciation and amortization	17,931	14,362
Interest on long-term debt	4,442	7,398
Other interest	2,467	2,337
	<b>838,903</b>	<b>661,596</b>
	<b>21,414</b>	<b>(12,937)</b>
Gain on sale of investments	-	9,903
Earnings (loss) before the following	<b>21,414</b>	<b>(3,034)</b>
Income tax (NOTE 11)		
Provision	11,202	2,532
Benefit from previously unrecorded tax items	(4,859)	(1,016)
	<b>6,343</b>	<b>1,516</b>
	<b>15,071</b>	<b>(4,550)</b>
Earnings of non-consolidated entities	794	191
Minority interest	(795)	(546)
Earnings (loss) from continuing operations	<b>15,070</b>	<b>(4,905)</b>
Discontinued operations (NOTE 3)	15,744	2,766
<b>NET EARNINGS (LOSS)</b>	<b>\$ 30,814</b>	<b>\$ (2,139)</b>
<b>PER SHARE (NOTE 15)</b>		

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

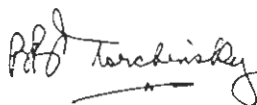
<i>For the year ended July 31, 1998 (in thousands of dollars)</i>	1998	1997
<b>BALANCE, BEGINNING OF YEAR</b>	<b>\$ 111,983</b>	<b>\$ 117,847</b>
Net earnings (loss)	30,814	(2,139)
	<b>142,797</b>	<b>115,708</b>
Dividends paid	(4,696)	(3,725)
Repurchase of shares (NOTE 13)	(1,111)	-
<b>BALANCE, END OF YEAR</b>	<b>\$ 136,990</b>	<b>\$ 111,983</b>

**CONSOLIDATED BALANCE SHEET**


Values in thousands of dollars

	1998	1997
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and short-term investments	\$ 80,263	\$ 68,111
Accounts receivable	242,125	211,494
Income taxes recoverable	-	3,865
Contracts in progress and inventory	50,676	62,859
Prepaid expenses	6,896	9,816
	379,960	356,145
Investments and other (NOTE 5)	35,640	40,881
Fixed assets (NOTE 6)	83,574	71,382
Resort hotel and golf course (NOTE 7)	116,245	87,651
Deferred charges (NOTE 8)	3,833	1,010
Goodwill	41,405	8,721
	<u>\$ 660,657</u>	<u>\$ 595,770</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Bank indebtedness (NOTE 9)	\$ 46,870	\$ 35,676
Accounts payable	178,041	180,853
Current portion of long-term debt (NOTE 10)	19,027	15,321
Income taxes payable	4,821	-
Deferred income taxes	2,659	6,451
	251,418	238,281
Long-term debt (NOTE 10)	75,928	49,712
Deferred income taxes	2,001	-
	329,347	287,993
Minority interest	3,831	17,316
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (NOTE 11)	164,940	165,153
Retained earnings	136,990	111,983
	301,930	277,136
Foreign currency translation adjustment	25,549	13,325
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>327,479</u>	<u>290,461</u>
	<u>\$ 660,657</u>	<u>\$ 595,770</u>

On behalf of the Board



Director



Director

CONSOLIDATED STATEMENT OF CHANGES IN CASH

<i>For the year ended July 31, 1998 (in thousands of dollars)</i>	1998	1997
		(NOTE 3)
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Earnings (loss) from continuing operations	\$ 15,070	\$ (4,905)
Items not affecting cash flow before minority interest		
Depreciation and amortization	17,663	14,650
Deferred income tax	(1,860)	2,293
Gain on sale of investments	-	(9,903)
Other	1,305	(346)
Cash flow from operations (NOTE 16)	32,178	1,789
Minority interest in cash flow	1,255	781
Increase in non-cash working capital items (NOTE 18)	(23,561)	(31,107)
	9,872	(28,537)
<b>DISCONTINUED OPERATIONS (NOTE 3)</b>	(548)	20,380
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(35,269)	(21,916)
Additions to resort hotel and golf course	(21,995)	(4,422)
Proceeds on disposal of fixed assets	3,996	8,839
Acquisition of subsidiary operations (NOTE 2)	(7,935)	(5,214)
Investments and other	(10,521)	(3,797)
Proceeds from investments and other	16,962	22,210
Proceeds from disposal of discontinued operations (NOTE 3)	30,361	7,379
	(24,401)	3,079
<b>FINANCING ACTIVITIES</b>		
Proceeds from resort hotel financing	17,469	1,461
Proceeds from other long-term debt	30,535	17,162
Retirement of resort hotel financing	(4,850)	(3,603)
Retirement of other long-term debt	(21,099)	(76,346)
Issuance of share capital (NOTE 13)	1,337	79,148
Repurchase of shares (NOTE 13)	(2,661)	-
	20,731	17,822
<b>PAYMENT OF DIVIDENDS</b>		
By the Company	(4,696)	(3,725)
By subsidiaries to minority shareholders	-	(8,500)
	(4,696)	(12,225)
<b>INCREASE IN CASH</b>	958	519
<b>CASH POSITION, BEGINNING OF YEAR</b>	32,435	31,916
<b>CASH POSITION, END OF YEAR</b>	\$ 33,393	\$ 32,435
<b>REPRESENTED BY:</b>		
Cash and short-term investments	\$ 80,263	\$ 68,111
Bank indebtedness	(46,870)	(35,676)
	\$ 33,393	\$ 32,435
<b>CASH FLOW PER SHARE (NOTE 16)</b>		

For the year ended July 31, 1998

NOTE 1.  
SUMMARY OF  
SIGNIFICANT  
ACCOUNTING  
POLICIES

*Basis of presentation*

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

*Principles of consolidation*

The consolidated financial statements include the accounts of all entities in which the Company holds a controlling interest.

Investments in which the Company exercises joint control are accounted for using the proportionate consolidation method. Under this method, only the Company's share of the assets, liabilities, revenues and expenses are consolidated. Note 4 to the financial statements summarizes the effect of joint ventures on the consolidated financial statements.

Investments in which the Company exercises significant influence are accounted for using the equity method. Under this method, only the Company's share of the net income is recorded.

Other investments are recorded at cost.

*Contracts in progress and inventory*

Engineering and construction contracts in progress are recorded at estimated realizable value on the percentage of completion basis. Inventory is valued at the lower of cost and net realizable value using the first in, first out method. Losses are provided for when they become apparent.

*Fixed assets*

Fixed assets (including equipment under capital lease) are stated at cost. Depreciation has been recorded in the accounts on a straight-line basis at annual rates of 2% to 33% providing for amortization of the cost of buildings and equipment over their estimated useful lives.

The hotel buildings and golf course are being depreciated using the sinking fund method over their estimated useful life of 50 years.

*Deferred charges*

The costs of obtaining long-term financing are deferred and amortized to interest on long-term debt on a straight-line basis over the terms of the debt. The costs of software development are deferred and amortized to depreciation and amortization expenses over a term not to exceed five years.

*Goodwill*

The excess of the purchase price over the net fair value of identifiable assets of acquired companies is amortized on a straight-line basis over terms not exceeding 40 years.

*Foreign currency translation adjustment*

The accounts of the Company's self-sustaining foreign operations are translated into Canadian dollars using the current-rate method. Assets and liabilities are translated at the year-end exchange rate and revenues and expenses are translated at average exchange rates. Gains and losses arising from the translation of the financial statements of the foreign operations are deferred in a "Foreign Currency Translation Adjustment" account in shareholders' equity.

NOTE 2.  
ACQUISITIONS

During the current and prior year, the Company acquired the shares or assets of a number of businesses in its Engineering, Construction & Technology Sector for aggregate consideration of \$9,382,000 and \$5,189,000 respectively.

A summary of these acquisitions, all of which were accounted for as purchases, is as follows:

<i>(in thousands of dollars)</i>	1998	1997
Assets acquired		
Non-cash working capital	\$ 1,799	\$ 1,416
Fixed assets	4,749	541
Goodwill	3,787	4,255
	<u>10,335</u>	<u>6,212</u>
Liabilities assumed		
Long-term debt	2,350	464
Deferred income taxes	50	534
	<u>2,400</u>	<u>998</u>
Net non-cash assets acquired	7,935	5,214
Cash acquired (bank loans assumed)	1,447	(25)
Net assets acquired	<u>\$ 9,382</u>	<u>\$ 5,189</u>

NOTE 3.  
DISCONTINUED  
OPERATIONS

## 1998

During 1998, the Company sold its 51% interest in Allders International (Canada) Ltd., its remaining 25% interest in AGRA Plastics (1996) Inc., and completed the disposal of certain other assets relating to previously discontinued operations, producing cash proceeds of \$30,361,000. The net gain on the sale of these operations totalled \$15,406,000 after taxes of \$4,440,000. Aggregate operating profits for the year in these discontinued operations was \$470,000 after taxes of \$839,000. Discontinued operations generated revenues of \$58,746,000 to the date of sale in 1998 (1997 - \$146,183,000) which are excluded from consolidated revenues.

Net costs of \$132,000 after tax recoveries of \$5,000 were incurred during 1998 from operations discontinued in prior years.

## 1997

During 1997, the Company sold the assets of AGRA Plastics Inc. and completed the disposal of certain other assets realizing cash of \$7,379,000. The net gain on the sale of these discontinued operations totalled \$1,066,000 after taxes of \$552,000. Revenues of \$58,000 for 1997 from these discontinued operations were excluded from consolidated revenues.

Net costs of \$837,000 after tax recoveries of \$696,000 were incurred during 1997 from operations discontinued in prior years.

Income from operations discontinued in 1998 has been reclassified in the comparative 1997 Statement of Earnings. This reclassification reduced income before gain on sale of investments by \$2,529,000, gain on sale of investments by \$11,774,000, income tax expense by \$9,291,000 and minority interest by \$2,475,000 and increased

income from discontinued operations by \$2,537,000. The 1997 comparative Statement of Changes in Cash has been reclassified to include in discontinued operations \$1,108,000 of cash flow from operations, \$42,046,000 of proceeds from investments, \$3,351,000 of fixed asset purchases and \$15,000,000 of long-term debt retirements.

**NOTE 4. JOINT VENTURES** The effect of proportionate consolidation of joint ventures on the consolidated financial statements is summarized as follows:

<i>(in thousands of dollars)</i>	1998	1997
<b>EARNINGS</b>		
Revenue	\$ 264,405	\$ 149,028
Expenses	237,407	141,489
Earnings before income taxes	<u>\$ 26,998</u>	<u>\$ 7,539</u>
<b>ASSETS</b>		
Current	\$ 103,832	\$ 115,179
Fixed assets	1,988	2,708
Other	3,857	4,247
	<u>\$ 109,677</u>	<u>\$ 122,134</u>
<b>LIABILITIES</b>		
Current	\$ 65,943	\$ 86,233
Long-term debt	373	211
	<u>\$ 66,316</u>	<u>\$ 86,444</u>
<b>CASH FLOW</b>		
Operating activities	\$ 6,264	\$ 324
Investing activities	\$ 320	\$ 1,238
Financing activities	<u>\$ (2,457)</u>	<u>\$ (2,994)</u>

<b>NOTE 5. INVESTMENTS AND OTHER</b> <i>(in thousands of dollars)</i>	1998	1997
Investments		
Non-consolidated entities, equity basis	\$ 6,705	\$ 5,739
Other, at cost	5,051	6,820
	<u>11,756</u>	<u>12,559</u>
Condominium projects under development – at lower of cost and net realizable value	23,884	28,322
	<u>\$ 35,640</u>	<u>\$ 40,881</u>

NOTE 6. (in thousands of dollars)  
FIXED ASSETS

	1998		
	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>
Land	\$ 3,990	\$ —	\$ 3,990
Buildings	13,394	4,178	9,216
Equipment	141,975	71,607	70,368
	<u>\$ 159,359</u>	<u>\$ 75,785</u>	<u>\$ 83,574</u>

	1997		
	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>
Land	\$ 4,224	\$ —	\$ 4,224
Buildings	12,070	4,427	7,643
Equipment	122,213	62,698	59,515
	<u>\$ 138,507</u>	<u>\$ 67,125</u>	<u>\$ 71,382</u>

NOTE 7.  
RESORT HOTEL  
AND GOLF  
COURSE

	1998	1997
Land	\$ 12,118	\$ 10,787
Hotel and golf course	123,396	92,034
	<u>135,514</u>	<u>102,821</u>
Less accumulated depreciation	19,269	15,190
	<u>\$ 116,245</u>	<u>\$ 87,631</u>

Converted from US dollars under the policy described in Note 1, at the conversion rate of \$1.5111 (1997 – \$1.3814).

NOTE 8.  
DEFERRED CHARGES

	1998	1997
Software development costs	\$ 2,373	\$ —
Deferred financing costs	1,460	1,010
	<u>\$ 3,833</u>	<u>\$ 1,010</u>

During the year, amortization of deferred charges totalled \$537,000 (1997 – \$583,000).

**NOTE 9. BANK INDEBTEDNESS** The bank loans are secured by general assignments of accounts receivable, inventory, contracts in progress, and fixed and floating charge debentures on certain fixed assets.

**NOTE 10. LONG-TERM DEBT** *(in thousands of dollars)*

	1998	1997
Mortgages, chattel mortgages and obligations under capital lease with average interest rates of 9.1% (maturity dates to 2017)	\$ 6,030	\$ 3,185
Notes, agreements and loans payable with average interest rates of 6.2%, secured by certain assets (maturity dates to 2006)	88,925	61,848
	94,955	65,033
Less current portion	19,027	15,321
	<u>\$ 75,928</u>	<u>\$ 49,712</u>

Principal payments for the five succeeding years are: \$19,027,000; \$13,496,000; \$11,883,000; \$11,262,000 and \$8,314,000.

**NOTE 11. LEASE COMMITMENTS** Minimum annual payments under long-term operating leases, the longest of which will expire in 2008, for the five succeeding years are: \$13,337,000; \$8,845,000; \$5,807,000; \$4,100,000 and \$1,848,000.

**NOTE 12. CONTINGENT LIABILITIES** The Company and its subsidiaries are defendants in lawsuits involving various amounts. The results of these actions should not have any material effect on the financial position of the Company.

**NOTE 13. SHARE CAPITAL** *Authorized*  
Unlimited number of common shares, without nominal or par value.

*Issued and outstanding*  
*(in thousands)*

	1998		1997	
	<i>Shares</i>	<i>Amount</i>	<i>Shares</i>	<i>Amount</i>
Outstanding, beginning of year	29,451	\$ 165,153	—	\$ —
Issued in exchange for Class A and Class B shares	—	—	21,297	86,334
Issued on conversion of subordinated debentures	—	—	4,444	39,167
Public share issue	—	—	3,000	34,294
Exercise of options	73	522	636	4,607
Employee share purchase plan	51	479	59	571
Dividend reinvestment	32	336	15	180
Repurchased by the Company	(276)	(1,550)	—	—
Outstanding, end of year	<u>29,331</u>	<u>\$ 164,940</u>	<u>29,451</u>	<u>\$ 165,153</u>

On October 17, 1996, 3,288,000 Class A voting shares were exchanged for 1.05 common shares each and 17,845,000 Class B non-voting shares were exchanged for 1 common share each.



During the year, the Company purchased for cancellation, under the terms of its Normal Course Issuer Bid, 276,000 common shares for an aggregate consideration of \$2,661,000. The excess of the purchase price over the stated value was \$1,111,000. This amount was charged to retained earnings.

At July 31, 1998, there were employee stock options outstanding in respect of 838,095 common shares (1997 – 611,480 common shares) exercisable at prices not less than the market price at the time the options were granted, which range from \$5.88 to \$12.20. These options expire at various dates to 2003.

**NOTE 14.  
INCOME TAX**

The Company's consolidated tax provision is based on rates and allowances applicable to each of the income tax jurisdictions in which the Company operates. The consolidated tax provision differs from that expected by applying the combined Canadian federal and provincial income tax rate to consolidated earnings before income taxes and discontinued operations, for the following reasons:

<i>(in thousands of dollars)</i>	1998	1997
		(NOTE 3)
Expected combined Canadian federal and provincial income tax rate	44.6%	44.6%
Expected provision for income tax (recovery) based on the above rate	\$ 9,551	\$ (1,353)
Increase (decrease) in income tax resulting from:		
Differences in foreign income tax rates	(275)	273
Permanent differences	1,039	2,301
Large corporations tax	513	417
Foreign withholding taxes	159	472
Other	215	422
Provision	11,202	2,532
Benefits from previously unrecorded tax items	(4,859)	(1,016)
Income tax	\$ 6,343	\$ 1,516
Consisting of		
Current	\$ 8,012	\$ (838)
Deferred	(1,669)	2,354
	\$ 6,343	\$ 1,516

**NOTE 15. EARNINGS (LOSS) PER SHARE** The computation of basic earnings per share is based on the weighted average number of common shares issued and outstanding during the year.

Fully diluted earnings per share reflect earnings that would have been reported had all options and, for 1997, all conversion rights been exercised.

	<i>Basic</i>		<i>Fully Diluted</i>	
	1998	1997	1998	1997
Earnings (loss) from continuing operations	\$ 0.51	(NOTE 3) \$ (0.21)	\$ 0.51	(NOTE 3) \$ (0.21)
Net earnings (loss)	\$ 1.05	\$ (0.09)	\$ 1.03	\$ (0.09)

**NOTE 16. CASH FLOW PER SHARE** The computation of the cash flow per share is determined by dividing the cash flow from operations by the weighted average number of common shares outstanding.

	1998	1997
Cash flow per share	\$ 1.10	(NOTE 3) \$ 0.08

**NOTE 17. PENSION FUNDS** The Company sponsors defined benefit and defined contribution pension plans for its employees. For the defined benefit plan, pension costs are determined using the projected benefit method and funded on the same basis. Gains and losses arising from actuarial valuations are determined every three years and from asset performance annually. Such gains and losses are deferred and amortized on a straight-line basis. The value of defined benefit pension fund assets at July 31, 1998 was \$7.4 million and there is no material surplus or unfunded liability.

**NOTE 18. (INCREASE) DECREASE IN NON-CASH WORKING CAPITAL ITEMS** *(in thousands of dollars)*

	1998	1997
Accounts receivable	\$ (32,438)	\$ (16,377)
Contracts in progress and inventory	(14,431)	(2,952)
Prepaid expenses	(267)	(2,435)
Accounts payable	12,550	(3,781)
Income taxes	8,623	(5,698)
Other	2,402	136
	\$ (23,561)	\$ (31,107)

**NOTE 19.  
FINANCIAL  
INSTRUMENTS**

Cash and short-term investments consist primarily of high-grade financial instruments which are recorded at the lower of cost and market. The carrying values of all short-term assets and liabilities are a reasonable estimate of their fair values due to the short maturity terms.

All bank indebtedness and virtually all long-term debt is either subject to floating interest rates or is at interest rates approximating current interest rates, which therefore reflect rates currently available for debt with similar terms and maturities. Accordingly, the fair value of the debt is not materially different from the recorded value.

Certain contracts require bank guarantees or letters of credit in favour of clients to secure performance of contractual obligations. Such guarantees usually decrease with performance of the contract or expire without being exercised and therefore do not represent cash obligations of the Company.

Concentration of credit risk with respect to accounts receivable and contracts in progress is limited due to the diverse client base and their dispersion through business and geographic areas. At July 31, 1998, the Company had no significant concentration of credit risk.

The Company periodically uses forward foreign exchange contracts to hedge against foreign currency exchange fluctuation risk. At July 31, 1998, the Company had contracts to sell US\$6,700,000 in fiscal 1999 and US\$1,200,000 in fiscal 2000 at average exchange rates of C\$1.418 and C\$1.389 respectively.

**NOTE 20.  
UNCERTAINTY  
DUE TO THE  
YEAR 2000 ISSUE**

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Company's ability to conduct normal business operations. While the Company is actively addressing Year 2000 issues, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

NOTE 21. *A. Industry segments*  
**SEGMENTED INFORMATION**

	<i>Engineering, Construction &amp; Technology</i>		<i>Asset Development &amp; Investments</i>		<i>Total</i>	
	1998	1997	1998	1997	1998	1997
<i>(in thousands of dollars)</i>						
<b>REVENUE</b>	\$ 814,445	\$ 604,527	\$ 45,872	\$ 44,132	\$ 860,317	\$ 648,659
<b>SEGMENTED OPERATING PROFIT</b>	\$ 30,025	\$ 3,907	\$ (1,702)	\$ 2,794	\$ 28,323	\$ 6,701
Interest					(6,909)	(9,735)
Income tax					(6,343)	(1,516)
Earnings of non-consolidated entities					794	191
Minority interest					(795)	(546)
Earnings (loss) from continuing operations					15,070	(4,905)
Discontinued operations					15,744	2,766
<b>NET EARNINGS (LOSS)</b>					\$ 30,814	\$ (2,139)
<b>ASSETS</b>	\$ 479,992	\$ 412,530	\$ 180,665	\$ 183,240	\$ 660,657	\$ 595,770
<b>DEPRECIATION AND AMORTIZATION</b>	\$ 14,603	\$ 11,282	\$ 3,328	\$ 3,080	\$ 17,931	\$ 14,362
<b>CAPITAL EXPENDITURES, NET OF DISPOSALS</b>	\$ 31,145	\$ 18,426	\$ 22,123	\$ (927)	\$ 53,268	\$ 17,499

Figures for 1997 have been restated as described in Note 3.

Included in the 1997 Engineering, Construction & Technology operating profits is a gain on sale of investments of \$7,984,000. Included in the 1997 Asset Development & Investments operating profits is a gain on investments of \$1,919,000.

*B. Geographic segments*

	<i>Canadian</i>		<i>US</i>		<i>Other</i>		<i>Total</i>	
	1998	1997	1998	1997	1998	1997	1998	1997
<b>REVENUE</b>	\$ 590,079	\$ 421,260	\$ 186,870	\$ 126,682	\$ 83,368	\$ 100,717	\$ 860,317	\$ 648,659
<b>SEGMENTED OPERATING PROFIT</b>	\$ 16,590	\$ 2,234	\$ 8,658	\$ (925)	\$ 3,075	\$ 5,392	\$ 28,323	\$ 6,701
Interest							(6,909)	(9,735)
Income tax							(6,343)	(1,516)
Earnings of non-consolidated entities							794	191
Minority interest							(795)	(546)
Earnings (loss) from continuing operations							15,070	(4,905)
Discontinued operations							15,744	2,766
<b>NET EARNINGS (LOSS)</b>							\$ 30,814	\$ (2,139)
<b>ASSETS</b>	\$ 349,967	\$ 366,515	\$ 124,681	\$ 67,657	\$ 186,009	\$ 161,598	\$ 660,657	\$ 595,770
<b>DEPRECIATION AND AMORTIZATION</b>	\$ 10,336	\$ 7,945	\$ 3,803	\$ 3,194	\$ 3,792	\$ 3,223	\$ 17,931	\$ 14,362
<b>CAPITAL EXPENDITURES, NET OF DISPOSALS</b>	\$ 12,056	\$ 7,971	\$ 19,003	\$ 4,660	\$ 22,209	\$ 4,868	\$ 53,268	\$ 17,499

Total export sales of Canadian operations are \$82 million (1997 - \$95 million). Figures for 1997 have been restated as described in Note 3.

**QUARTERLY FINANCIAL HIGHLIGHTS**

<i>(in thousands of dollars except per share data)</i>	July 31, 1998	April 30, 1998	January 31, 1998	October 31, 1997
				<i>(Note 1)</i>
<b>REVENUE</b>				
Engineering, Construction & Technology Projects, Engineering & Technology Group	\$ 120,886	\$ 119,131	\$ 78,365	\$ 93,379
Specialty Construction Group	85,671	72,264	41,059	50,452
Earth & Environmental Engineering Group	43,732	33,026	35,320	41,160
	<u>250,289</u>	<u>224,421</u>	<u>154,744</u>	<u>184,991</u>
Asset Development & Investments	9,601	16,478	12,535	7,258
<b>TOTAL REVENUE</b>	<u>\$ 259,890</u>	<u>\$ 240,899</u>	<u>\$ 167,279</u>	<u>\$ 192,249</u>
<b>EARNINGS FROM</b>				
CONTINUING OPERATIONS	\$ 8,282	\$ 3,565	\$ 612	\$ 2,611
Discontinued operations	(77)	(43)	14,904	960
<b>NET EARNINGS</b>	<u>\$ 8,205</u>	<u>\$ 3,522</u>	<u>\$ 15,516</u>	<u>\$ 3,571</u>
<b>EARNINGS PER SHARE</b>				
FROM CONTINUING OPERATIONS				
Basic	\$ 0.28	\$ 0.12	\$ 0.02	\$ 0.09
Fully diluted	\$ 0.28	\$ 0.12	\$ 0.02	\$ 0.09
<b>NET EARNINGS</b>				
Basic	\$ 0.28	\$ 0.12	\$ 0.53	\$ 0.12
Fully diluted	\$ 0.27	\$ 0.12	\$ 0.52	\$ 0.12

*Note 1 - Figures have been restated to reflect operations discontinued during the 1998 fiscal year.*

**FIVE-YEAR REVIEW**

	1998	1997	1996	1995	1994
<b>EARNINGS STATISTICS</b>					
<i>(in thousands of dollars)</i>					
Revenue (Note 1)	\$ 860,317	\$ 648,659	\$ 700,203	\$ 577,963	\$ 509,273
Depreciation and amortization (Note 1)	17,931	14,362	13,792	12,790	11,849
Net earnings (loss)	30,814	(2,139)	18,257	12,518	(7,044)
Dividends paid	4,696	3,725	3,281	3,220	2,992
<b>BALANCE SHEET STATISTICS</b>					
<i>(in thousands of dollars)</i>					
Current assets	\$ 379,960	\$ 356,145	\$ 339,199	\$ 334,221	\$ 265,829
Current liabilities	251,418	238,281	254,792	254,998	195,935
Working capital	128,542	117,864	84,407	79,223	69,894
Fixed assets – net	199,819	159,013	158,560	151,045	140,839
Long-term debt	75,928	49,712	120,613	129,031	144,662
Shareholders' equity	327,479	290,461	216,606	200,007	191,786
<b>COMMON SHARE STATISTICS</b>					
Earnings (loss) per share	\$ 1.05	\$ (0.09)	\$ 0.87	\$ 0.61	\$ (0.36)
Dividends per share (common/A/B)	\$ .16	\$ .12/.035/.04	\$ .14/.16	\$ .14/.16	\$ .14/.16
Equity per share	\$ 11.16	\$ 9.86	\$ 10.27	\$ 9.63	\$ 9.33
Return on equity (average)	10%	-1%	9%	6%	-4%
<b>OTHER STATISTICS</b>					
Average shares outstanding	29,379,129	23,107,623	20,931,384	20,613,740	19,525,427
Total shares traded	12,436,657	17,048,200	12,728,757	6,708,795	9,511,912
Price – high	\$ 13.05	\$ 14.80	\$ 10.30	\$ 7.60	\$ 10.20
– low	\$ 8.50	\$ 10.00	\$ 6.20	\$ 5.30	\$ 5.60

*Note 1 – Comparative figures have been restated to reflect operations discontinued during the 1998 fiscal year.*

## AGRA BOARD OF DIRECTORS

### LOUIS R. COMEAU<sup>5</sup>

*Chairman, Assumption Life Company; Chairman, Nav Canada; Former President and Chief Executive Officer, Nova Scotia Power (1985-1996)*

### GERALD DÉSORUDY<sup>1,5</sup>

*President, Groupe International Désourdy Inc.*

### ROBERT G. DITTMER

*Executive Vice-President, Finance & Administration and Secretary of the Corporation, AGRA Inc.*

### CHARLES H. HANTHO, C.M., FCAE<sup>5</sup>

*Chairman, Dofasco Inc.; Chairman of the Board of Governors, York University; Former President and Chief Executive Officer, Dominion Textile Inc. (1980-1994) and Chairman (1994-1995)*

### STEVEN K. HUDSON<sup>1</sup>

*Chief Executive Officer, Newcourt Credit Group Inc.*

### JOYCE A. BORDEN REED<sup>2,3</sup>

*Corporate Counsel and Secretary, Motorola Canada Limited*

### ROBERT RICHARDSON<sup>1,4</sup>

*Retired, Former President and Chief Executive Officer, Export Development Corporation (1986-1991)*

### STEVEN R. ROESSLER<sup>2</sup>

*President, S.R. Roessler Associates Ltd.; Chairman and Managing Director, Howe (India) PVT. Ltd.*

### WALTER G.O. STOTHERS<sup>2,4</sup>

*Independent Consultant; Former Ontario Agent General to the United States (1987-1990); Partner, Ernst & Young (1961-1986)*

### ALEX TAYLOR<sup>1</sup>

*President and Chief Executive Officer, AGRA Inc.*

### STELLA M. THOMPSON<sup>2,4</sup>

*Principal, Governance West Inc. (since 1996); President Stellar Energy Ltd. (since 1992); Former Vice-President, Planning, Business Information and Systems, Petro-Canada Products (1988-1991)*

### BENJAMIN B. TORCHINSKY<sup>1,2</sup>

*Chairman of the Board, AGRA Inc.*

<sup>1</sup> Executive Committee

<sup>2</sup> Audit Committee

<sup>3</sup> Human Resources Committee

<sup>4</sup> Governance Committee

## AGRA OFFICERS

### BENJAMIN B. TORCHINSKY

*Chairman of the Board, AGRA Inc.*

### ALEX TAYLOR

*President and Chief Executive Officer, AGRA Inc.*

### ROBERT G. DITTMER

*Executive Vice-President, Finance and Administration, and Secretary, AGRA Inc.*

### H. WILLIAM PEARSON

*Vice-President, AGRA Inc.; President, AGRA Development Group*

### ROBERT G. VAN ADEL

*Vice-President, AGRA Inc.; President, AGRA Monenco*

### WILLIAM A. SLUSARCHUK

*Vice-President, AGRA Inc.; President, AGRA Earth & Environmental*

### GERALD BARSALOU

*Vice-President, Human Resources, AGRA Inc.*

### ANDREW DEHAAN

*Vice-President, Chief Information Officer, AGRA Inc.*

### GORDON GERRY

*Vice-President, Government and Institutional Relations, AGRA Inc.*

### WILLIAM S. KANIGAN

*Vice-President, Taxation, AGRA Inc.*

### KENNETH MCGILLION

*Vice-President, Risk Management, AGRA Inc.*

### DONALD MCLEOD

*Vice-President, Legal and Corporate Counsel, AGRA Inc.*

### DAVID W. PATERSON

*Vice-President, Corporate Affairs and Investor Relations, AGRA Inc.*

### F. DAVID REDDEN

*Vice-President, Finance, AGRA Inc.*

### RICHARD A. BAIN

*Assistant Secretary, AGRA Inc.*

**AGRA INC.**

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Tel 86-10-6561-1038  
Fax 86-10-6561-1037

Howe India House  
81 Nehru Place  
New Delhi 110019, India  
Tel 91-11-646-4475  
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Malecon Cisneros 738  
Suite 602  
Miraflores, Lima, Peru  
Tel 51-14-447-250  
Fax 51-14-447-310

Ayala Life Building  
Suite 406  
6786 Ayala Avenue  
Makati City, Metro Manila  
Philippines  
Tel 63-2-810-0742  
Fax 63-2-810-1077

c/o UAM Engineering Ltd.  
4<sup>th</sup> Floor, Saha Union Building  
1828 Sukhumvit Road  
Phrakong, Bangkok 10250  
Thailand  
Tel 66-2-741-5673  
Fax 66-2-741-5674

**PROJECTS, ENGINEERING & TECHNOLOGY GROUP**

**AGRA Baymont Limited**  
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Canada L6H 6A3  
Tel (905) 829-5400  
Fax (905) 829-5401

**AGRA Baymont, Inc.**  
Rubin Icon Center  
14100 – 58<sup>th</sup> Street North  
Clearwater, Florida  
U.S.A. 33760-3796  
Tel (813) 539-1661  
Fax (813) 539-1749

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Damansara Utama  
47400 Petaling Jaya  
P.O. Box 10114  
Kuala Lumpur, Malaysia  
Tel 60-3-717-7569  
Fax 60-3-717-7273

SPI Building, Pasacor Drive  
Santo Nino Paranaque  
Metro Manila  
1700 Philippines  
Tel 63-2-831-1396  
Fax 63-2-831-0279

1 Maritime Square  
#10 – 30 World Trade Centre  
Singapore 099253  
Tel 65-276-6318  
Fax 65-276-0136

**AGRA Infrastructure, Inc.**  
2830 E. Brown Road  
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Mesa, Arizona  
U.S.A. 85213-5432  
Tel (602) 830-3700  
Fax (602) 830-3903

**AGRA Monenco Inc.**  
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Oakville, Ontario  
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Fax (905) 829-5401

**AGRA Monenco Atlantic Inc.**  
133 Crosbie Road  
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St. John's, Newfoundland  
Canada A1B 1H3  
Tel (709) 724-1900  
Fax (709) 739-6823

**AGRA Monenco Québec Inc.**  
2045 Stanley Street, 11<sup>th</sup> Floor  
Montréal, Québec  
Canada H3A 2V4  
Tel (514) 499-3300  
Fax (514) 739-3121

**AGRA Spectrocan Limited**  
1145 Hunt Club Road  
Suite 600  
Ottawa, Ontario  
Canada K1V 0Y3  
Tel (613) 526-1661  
Fax (613) 526-5326

**AGRA Systems Limited**  
1145 Hunt Club Road  
Suite 600  
Ottawa, Ontario  
Canada K1V 0Y3  
Tel (613) 526-1661  
Fax (613) 526-5326

**AGRA Vadeko Inc.**  
2902 South Sheridan Way  
Suite 103  
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Canada L6J 7J6  
Tel (905) 829-5951  
Fax (905) 829-4397

**Allied Water (50%)**  
2010 Winston Park Drive  
Oakville, Ontario  
Canada L6H 6A3  
Tel (905) 829-4402  
Fax (905) 829-4403

**Canada-China Power Inc.**  
(40%)  
2020 University Street  
Suite 2200  
Montréal, Québec  
Canada H3A 2A5  
Tel (514) 288-0293  
Fax (514) 288-3697

Suite 1802, CITIC Building  
19 Jianguomenwai Street  
Beijing, China 100004  
Tel 86-10-6512-6120  
Fax 86-10-1512-6125

**Canadian Highways International Corporation**  
(25%)  
Markborough Place  
6711 Mississauga Road  
Suite 614  
Mississauga, Ontario  
Canada L5N 2W3  
Tel (905) 858-2083  
Fax (905) 858-9597

**Canatom NPM Inc. (38%)**  
2020 University Street  
Suite 2200  
Montréal, Québec  
Canada H3A 2A5  
Tel (514) 288-1990  
Fax (514) 288-7189

**Consultores Occidentales, S.A. (COSA) (20%)**  
Centro Comercial OlimpicoPlanta Alta  
Boulevard 5 de Julio  
entre Avda 13A Y 14  
Maracaibo, Edo Zulia  
Venezuela  
Tel 58-61-970-202  
Fax 58-61-975-615

**Howe AGRA Limited**  
1145 Hunt Club Road  
Suite 600  
Ottawa, Ontario  
Canada K1V 0Y3  
Tel (613) 526-1661  
Fax (613) 526-5326

**Howe (India) PVT. Limited (40%)**  
Howe India House  
81 Nehru Place  
New Delhi, India 110019  
Tel 91-11-641-1521  
Fax 91-11-646-7557

**PT AGRA Monenco**  
Artha Graha Building,  
23<sup>rd</sup> Floor  
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Business District  
Jl.Jend Sudirman Kav. 52-53  
Jakarta 12190  
Indonesia  
Tel 62-21-515-2653  
Fax 62-21-515-2620

**Teshmont Consultants Inc.**  
(50%)  
1190 Waverley Street  
Winnipeg, Manitoba  
Canada R3T 0P4  
Tel (204) 284-8100  
Fax (204) 475-4601

**Torchinsky Engineering Ltd.**  
206, 610 – 70<sup>th</sup> Avenue SE  
Calgary, Alberta  
Canada T2H 2J6  
Tel (403) 253-2560  
Fax (403) 258-1016



**SPECIALTY  
CONSTRUCTION GROUP**

**AGRA Coast Limited**

1515 Kingsway Avenue  
Port Coquitlam,  
British Columbia  
Canada V3C 1S2  
Tel (604) 941-9481  
Fax (604) 941-7447

**AGRA Construction  
Group Limited**

7708 Wagner Road  
Edmonton, Alberta  
Canada T6E 5B2  
Tel (403) 468-3392  
Fax (403) 466-7465

**AGRA Construction  
Group, Inc.**

10108 - 32<sup>nd</sup> Avenue West  
Bldg C3 Suite A2  
Everett, Washington  
U.S.A. 98204  
Tel (425) 353-5506  
Fax (425) 353-4151

**AGRA Construction  
(Wuban China) Limited  
(65%)**

No. 420 Yingwu Avenue  
Hanyang District  
Wuhan City, Hubei Province  
P.R.C. 430052  
Tel 86-27-452-8353  
Fax 86-27-452-8354

**AGRA Foundations  
Limited**

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Edmonton, Alberta  
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Tel (403) 468-3392  
Fax (403) 466-7465

**AGRA Foundations, Inc.**

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Fax (425) 353-4151

**AGRA (Hong Kong)  
Limited**

D3/F, Unique Tower  
7-9, Wong Nai Chung Road  
Happy Valley, Hong Kong  
Tel 852-2777-6164  
Fax 852-2776-4289

**AGRA Land Surveys Ltd.**

(75%)  
130 Sioux Road  
Sherwood Park, Alberta  
Canada T8A 3X5  
Tel (403) 464-4553  
Fax (403) 464-4533

**AGRA Marine  
Construction Limited**

206 - 11240 Bridgeport Road  
Richmond, British Columbia  
Canada V6X 1T2  
Tel (604) 278-3674  
Fax (604) 279-9097

**Ellesmere Britannia Ltd.**

West Bay Road  
Grand Cayman Island  
B.W.I.  
Tel (345) 949-7440  
Fax (345) 949-8032

**Midwest Management  
(1987) Ltd.**

510 Ellis Drive  
Acheson Industrial Park  
Edmonton, Alberta  
Canada T5P 4C5  
Tel (403) 962-1993  
Fax (403) 962-1014

**Seacore Ltd. (50%)**

Lower Quay, Gweek  
Helston, Cornwall  
United Kingdom TR12 6UD  
Tel 44-132-622-1771  
Fax 44-132-622-1553

**U.S. Pipeline, Inc. (80%)**

11767 Katy Freeway  
Suite 100  
Houston, Texas  
U.S.A. 77079  
Tel (281) 531-6100  
Fax (281) 531-6700

**EARTH &  
ENVIRONMENTAL  
ENGINEERING GROUP**

**AGRA Earth &  
Environmental Limited**

221 - 18<sup>th</sup> Street SE  
Calgary, Alberta  
Canada T2E 6J5  
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**AGRA Earth &  
Environmental, Inc.**

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Kirakyuhoji-Machi, Chuo-ku  
Osaka 540057, Japan  
Tel 81-6-244-3600  
Fax 81-6-244-3605

P.O. Box 2422  
Bole Road  
Addis Ababa, Ethiopia  
Tel 251-1-513-688  
Fax 251-1-514-594

1118 Somloi ut 251/1  
Budapest, Hungary  
Tel/Fax 36-1-386-6571

105062  
Lalin Per 8, Stroenie 2  
Moscow, Russia  
Tel 7-501-926-4843  
Fax 7-501-926-4841

Roma 455, San Isidro  
Lima 27, Peru  
Tel 51-14-222-241  
Fax 51-14-415-146

42 Mircea Vulcanescu Str.  
Bucharest, Romania  
Sector 1 COD 70784  
Tel 40-1-615-1815  
Fax 40-1-311-0350

**Moore & Taber  
Grouting Services**

P.O. Box 19079  
Anaheim, California  
U.S.A. 92817  
Tel (714) 779-0681  
Fax (714) 779-8377

**ASSET DEVELOPMENT &  
INVESTMENTS SECTOR**

**Cayman Hotel & Golf Club**

*Partnership (99%)*  
West Bay Road  
Grand Cayman Island  
B.W.I.  
Tel (345) 949-7440  
Fax (345) 949-8032

AGRA AWARD OF EXCELLENCE



AGRA's greatest strength is the experience, creativity and innovative spirit of its people. Each year, Company employees honour one of their colleagues with the AGRA Award of Excellence, the Company's foremost employee award. The Award recognizes the AGRA employee who best embodies the qualities of leadership, innovation, technical excellence and customer service.

*Boyd Harris*, the 1998 AGRA Award of Excellence winner, is well known to AGRA's energy sector clients. His colleagues cited his professionalism, resourcefulness and dedication as the leader of the marketing group at AGRA Monenco's Process Division office in Calgary. Boyd helped to introduce and develop the alliancing concept for large project development in Canada. He led AGRA Monenco's winning bids for the Terra Nova and Sable Offshore Energy Projects as well as the Company's winning proposals for major oil sands projects for Syncrude and Shell/BHP.

COMMUNITY SUPPORT



AGRA is active in supporting educational and selected charitable causes in communities where we work. The Company's priority for corporate donations has been to provide support for the United Way and parallel organizations, as well as the establishment of AGRA scholarships in engineering, environmental sciences and other educational areas related to our business.

In 1998, AGRA became a major sponsor of the Canada Tree initiative, a millennium project symbolizing the diversity of the Canadian experience through types of wood taken from each province and territory, and a mosaic of artifacts contributed by ordinary and extraordinary Canadians. AGRA staff engineered the base of the 10-metre, 2.5-tonne tree to withstand 100-kilometre winds, meet all building code standards, and split apart in three sections for easy transport. The Canada Tree Exhibition tours across Canada throughout 1999.

**ANNUAL MEETING** AGRA'S ANNUAL MEETING OF SHAREHOLDERS WILL BE HELD AT 11:00 A.M., THURSDAY, DECEMBER 10, 1998, AT THE DESIGN EXCHANGE, 234 BAY STREET, TORONTO, ONTARIO, CANADA.

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**SECURITIES EXCHANGE LISTINGS**  
Toronto Stock Exchange  
Montreal Stock Exchange  
(Symbol: AGR)

**COMPANY AUDITORS**  
Deloitte & Touche  
Calgary, Alberta, Canada

**REGISTRAR AND TRANSFER AGENT**  
Montreal Trust Company of Canada  
(416) 981-9633

**SHAREHOLDER AND INVESTOR CONTACT**  
David Paterson  
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Corporate Affairs  
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