SNC • LAVALIN

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Interim Consolidated Financial Statements (unaudited)

As at and for the nine-month period ended
September 30, 2009 and 2008

SNC-LAVALIN GROUP INC.

Consolidated Statements of Income

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND SHARES)		THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	Note	**2009**	2008	**2009**	2008
Revenues by activity:					
Services		**$ 535,647**	$ 548,714	**$ 1,664,254**	$ 1,593,431
Packages		**472,523**	791,380	**1,614,846**	2,450,970
Operations and Maintenance		**311,934**	249,624	**962,603**	855,412
Infrastructure Concession Investments		**102,324**	95,657	**276,821**	263,141
		1,422,428	1,685,375	**4,518,524**	5,162,954
Direct costs of activities		**1,116,467**	1,425,896	**3,683,935**	4,416,932
Gross margin		**305,961**	259,479	**834,589**	746,022
Selling, general and administrative expenses		**128,842**	120,147	**397,473**	358,104
Interest and capital taxes	6	**39,807**	20,763	**88,790**	72,835
Income before income taxes and non-controlling interest		**137,312**	118,569	**348,326**	315,083
Income taxes		**32,739**	25,676	**82,196**	73,041
Non-controlling interest		**1,429**	1,591	**5,470**	4,477
Net income		**$ 103,144**	$ 91,302	**$ 260,660**	$ 237,565
Earnings per share ($)	8				
Basic		**$ 0.68**	$ 0.61	**$ 1.73**	$ 1.57
Diluted		**$ 0.68**	$ 0.60	**$ 1.72**	$ 1.56
Weighted average number of outstanding shares (in thousands)	8				
Basic		**151,070**	150,816	**151,031**	150,933
Diluted		**152,218**	152,226	**151,860**	152,518

See accompanying notes to interim consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Statements of Shareholders' Equity

(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT COMMON SHARES)

2009

	SHARE CAPITAL					
	COMMON SHARES (IN THOUSANDS)	AMOUNT	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (1) (NOTE 5)	RETAINED EARNINGS (1)	TOTAL SHAREHOLDERS' EQUITY
Balance at beginning of period (Note 1C)	**151,033**	**$ 385,651**	**$ 24,247**	**$ (101,467)**	**$ 780,722**	**$ 1,089,153**
Comprehensive income:						
Net income	**–**	**–**	**–**	**–**	**260,660**	**260,660**
Currency translation adjustment on self-sustaining foreign operations	**–**	**–**	**–**	**(13,720)**	**–**	**(13,720)**
Net unrealized gain on available-for-sale financial assets (2)	**–**	**–**	**–**	**9,355**	**–**	**9,355**
Net unrealized gain on derivative financial instruments designated as cash flow hedges (3)	**–**	**–**	**–**	**57,094**	**–**	**57,094**
Total comprehensive income						**313,389**
Dividends declared	**–**	**–**	**–**	**–**	**(67,969)**	**(67,969)**
Stock option compensation (Note 9)	**–**	**–**	**9,681**	**–**	**–**	**9,681**
Shares issued under stock option plans	**290**	**7,003**	**(1,337)**	**–**	**–**	**5,666**
Shares redeemed and cancelled	**(175)**	**(455)**	**–**	**–**	**(6,261)**	**(6,716)**
Balance at end of period	**151,148**	**$ 392,199**	**$ 32,591**	**$ (48,738)**	**$ 967,152**	**$ 1,343,204**

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT COMMON SHARES)

2008

	SHARE CAPITAL					
	COMMON SHARES (IN THOUSANDS)	AMOUNT	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (1) (NOTE 5)	RETAINED EARNINGS (1)	TOTAL SHAREHOLDERS' EQUITY
Balance at beginning of period	151,038	$ 367,273	$ 18,634	$ (48,958)	$ 591,340	$ 928,289
Transitional adjustment on adoption of new accounting standards (Note 1C)	–	–	–	–	(5,854)	(5,854)
Adjusted balance at beginning of period	151,038	367,273	18,634	(48,958)	585,486	922,435
Comprehensive income:						
Net income	–	–	–	–	237,565	237,565
Currency translation adjustment on self-sustaining foreign operations	–	–	–	15,772	–	15,772
Net unrealized loss on available-for-sale financial assets (2)	–	–	–	(5,765)	–	(5,765)
Net unrealized loss on derivative financial instruments designated as cash flow hedges (3)	–	–	–	(7,385)	–	(7,385)
Total comprehensive income						240,187
Dividends declared	–	–	–	–	(54,352)	(54,352)
Stock option compensation (Note 9)	–	–	7,872	–	–	7,872
Shares issued under stock option plans	604	16,281	(3,068)	–	–	13,213
Shares redeemed and cancelled	(933)	(2,360)	–	–	(44,836)	(47,196)
Balance at end of period	150,709	$ 381,194	$ 23,438	$ (46,336)	$ 723,863	$ 1,082,159

(1) Total of accumulated other comprehensive income (loss) and retained earnings was $918.4 million at September 30, 2009 (September 30, 2008: $677.5 million).

(2) Net of income taxes of $nil for the nine-month period ended September 30, 2009 (nine-month period ended September 30, 2008: net of income taxes of $nil).

(3) Net of income tax expense of $14.9 million for the nine-month period ended September 30, 2009 (nine-month period ended September 30, 2008: net of income tax benefit of $0.3 million).

See accompanying notes to interim consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Balance Sheets

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)	Note	SEPTEMBER 30 2009	DECEMBER 31 2008
Assets			
Current			
Cash and cash equivalents		**$ 1,221,310**	$ 988,236
Restricted cash		**80,001**	59,997
Trade and other receivables		**1,512,812**	1,675,170
Contracts in progress		**540,522**	707,994
Future income tax asset		**102,360**	121,026
Total current assets		**3,457,005**	3,552,423
Property and equipment:			
From infrastructure concession investments	3	**2,153,365**	1,750,690
From other activities		**111,973**	123,356
Goodwill		**515,687**	496,147
Infrastructure concession investments accounted for by the equity or cost methods	3	**443,820**	343,379
Future income tax asset		**35,470**	81,095
Other long-term assets		**506,278**	424,448
Total assets		**$ 7,223,598**	$ 6,771,538
Liabilities			
Current			
Trade and other payables		**$ 1,778,772**	$ 2,260,670
Downpayments on contracts		**456,143**	473,199
Deferred revenues		**507,581**	536,394
Current portion of long-term debt:			
Recourse	4	**104,831**	–
Non-recourse from infrastructure concession investments		**34,332**	5,764
Total current liabilities		**2,881,659**	3,276,027
Long-term debt:			
Recourse	4	**347,986**	104,709
Non-recourse from infrastructure concession investments	3	**2,106,425**	2,003,303
Other long-term liabilities		**472,199**	230,614
Total liabilities		**5,808,269**	5,614,653
Non-controlling interest		**72,125**	67,732
Shareholders' equity		**1,343,204**	1,089,153
Total liabilities, non-controlling interest and shareholders' equity		**$ 7,223,598**	$ 6,771,538

Certain figures at December 31, 2008 have been restated following the adoption of new accounting standards (Note 1C).

See accompanying notes to interim consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Statements of Cash Flows

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)		THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	Note	**2009**	2008	**2009**	2008
Operating activities					
Net income		**$ 103,144**	$ 91,302	**$ 260,660**	$ 237,565
Items not involving a movement of cash:					
Depreciation of property and equipment and amortization of other long-term assets:					
From infrastructure concession investments		**20,861**	22,497	**63,450**	62,305
From other activities		**11,561**	10,634	**32,415**	30,759
Future income taxes (benefit)		**17,915**	1,997	**49,566**	(11,906)
Accrued interest expense on non-recourse long-term debt from infrastructure concession investments		**4,972**	(580)	**13,691**	16,090
Stock option compensation	9	**1,878**	1,555	**9,681**	7,872
Loss (income) from infrastructure concession investments accounted for by the equity method		**3,403**	(3,744)	**19,584**	(2,315)
Non-controlling interest		**1,429**	1,591	**5,470**	4,477
Other		**10,243**	(1,905)	**9,241**	(292)
Dividends received from infrastructure concession investments accounted for by the equity method		**11,326**	2,932	**11,370**	2,999
		186,732	126,279	**475,128**	347,554
Net change in non-cash working capital items	7	**191,361**	(149,762)	**(189,405)**	(305,669)
		378,093	(23,483)	**285,723**	41,885
Investing activities					
Acquisition of property and equipment:					
From infrastructure concession investments		**(67,602)**	(35,356)	**(193,186)**	(138,967)
From other activities		**(7,408)**	(11,084)	**(23,139)**	(28,475)
Payments for infrastructure concession investments		**(56,616)**	(10,707)	**(121,004)**	(19,588)
Increase in loan to Project Operator of Ambatovy project	3	**(9,183)**	(2,010)	**(39,585)**	(2,010)
Acquisition of businesses		**(2,046)**	(11,878)	**(20,417)**	(22,704)
Change in restricted cash position		**2,373**	(12,272)	**(23,350)**	7,864
Other		**(16,644)**	893	**(14,134)**	(10,421)
		(157,126)	(82,414)	**(434,815)**	(214,301)
Financing activities					
Repayment of non-recourse long-term debt:					
From infrastructure concession investments		**(1,114)**	(2,323)	**(123,008)**	(186,218)
From other activities		**–**	–	**–**	(25,812)
Increase in long-term debt:					
Recourse	4	**348,600**	–	**348,600**	–
Non-recourse from infrastructure concession investments		**41,992**	–	**237,868**	192,227
Proceeds from exercise of stock options		**3,393**	2,160	**5,666**	13,213
Redemption of shares		**(2,485)**	(20,541)	**(6,716)**	(47,196)
Dividends paid to Company's shareholders		**(22,663)**	(18,100)	**(67,969)**	(54,352)
Other		**200**	(1,031)	**(3,975)**	(15,794)
		367,923	(39,835)	**390,466**	(123,932)
Increase (decrease) in currency translation adjustment on cash and cash equivalents held in self-sustaining foreign operations		**(3,189)**	(2,392)	**(8,300)**	5,948
Net increase (decrease) in cash and cash equivalents		**585,701**	(148,124)	**233,074**	(290,400)
Cash and cash equivalents at beginning of period		**635,609**	946,340	**988,236**	1,088,616
Cash and cash equivalents at end of period		**$ 1,221,310**	$ 798,216	**$ 1,221,310**	$ 798,216
Supplementary cash flow information	7				

See accompanying notes to interim consolidated financial statements.

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SNC-Lavalin Group Inc. (the "Company") is incorporated under the Canada Business Corporations Act. "SNC-Lavalin" means, as the context may require, the Company and all or some of its subsidiaries or joint ventures, or the Company or one or more of its subsidiaries or joint ventures.

A) BASIS OF PRESENTATION

These interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and use the same accounting policies and methods used in the preparation of the Company's 2008 annual audited consolidated financial statements, except as described below under Note 1C "Recent Changes in Accounting Standards for 2009". All disclosures required for annual audited consolidated financial statements have not been included in these interim unaudited consolidated financial statements. Therefore, these interim unaudited consolidated financial statements should be read in conjunction with the Company's most recent audited annual consolidated financial statements.

In these financial statements, activities from Services, Packages, and Operations and Maintenance are collectively referred to as "from other activities" or "excluding ICI" to distinguish them from Infrastructure Concession Investments ("ICI").

B) PRINCIPLES OF CONSOLIDATION

The interim unaudited consolidated financial statements include the accounts of the Company, its subsidiaries and its pro-rata share of each of the assets, liabilities, revenues and expenses of its joint ventures. The portion of the net assets of an entity that is fully consolidated but not wholly-owned by SNC-Lavalin is presented as non-controlling interest on the consolidated balance sheet, while the portion of net income attributable to such non-controlling interest is also shown separately on the consolidated statement of income. Investments in entities in which SNC-Lavalin has significant influence, but does not exercise control or joint control, are accounted for by the equity method. Investments in entities in which SNC-Lavalin does not have significant influence are accounted for by the cost method.

C) RECENT CHANGES IN ACCOUNTING STANDARDS FOR 2009

GOODWILL AND INTANGIBLE ASSETS

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This new section replaced Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs", and, concurrently, EIC-27, "Revenues and Expenditures in the Pre-operating Period" was withdrawn, while Accounting Guideline 11, "Enterprises in the Development Stage" and Section 1000, "Financial Statements Concepts", was amended. These new accounting standards were effective January 1, 2009 for SNC-Lavalin and were required to be adopted retroactively, with restatement of comparative figures.

The adoption of these new accounting standards resulted in a transitional adjustment reducing the Company's retained earnings at January 1, 2008 by $5.9 million, representing the cumulative net income impact of applying the new standards up to that date. The transitional adjustment also resulted in the following changes to the Company's consolidated balance sheet at the same date: i) a decrease of $6.7 million in infrastructure concession investments accounted for by the equity method; ii) a decrease of $0.7 million in other long-term assets; and iii) an increase of $1.5 million in long-term future income tax asset. These changes relate mainly to pre-operating expenditures that were incurred and capitalized by infrastructure concession investments that are no longer capitalized under the new accounting standards. The adoption of the new accounting standards did not have any impact on the Company's 2008 consolidated net income and, accordingly, the transitional adjustments are limited to those described above.

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RATE-REGULATED OPERATIONS

On January 1, 2009, the removal of the temporary exemption granted to rate-regulated enterprises from applying Section 1100 of the CICA Handbook, “Generally Accepted Accounting Principles” took effect. The Company has a 76.92% equity interest in AltaLink L.P. (“AltaLink”), a rate-regulated subsidiary which owns and operates transmission lines and substations. The temporary exemption permitted rate-regulated entities to apply industry practice as a primary source of Canadian GAAP. Accordingly, based on industry practice, AltaLink was recording the portion of the amount collected for future removal and site restoration as a reduction to its property and equipment. The removal of the temporary exemption of Section 1100 requires AltaLink to present such amount as a liability, with such change being made prospectively. As such, the removal of the temporary exemption resulted in a $145.4 million increase in property and equipment, with a corresponding increase in other long-term liabilities at January 1, 2009. This accounting change had no impact on SNC-Lavalin’s 2008 consolidated net income.

2. SEGMENT DISCLOSURES

	THIRD QUARTER				NINE MONTHS ENDED SEPTEMBER 30			
	2009		2008		2009		2008	
	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME (LOSS)
Services and Packages								
Infrastructure and Environment	**$ 342,693**	**$ 66,080**	$ 435,262	$ 31,591	**$ 1,183,181**	**$ 183,143**	$ 1,197,132	$ 68,856
Power	**202,643**	**21,768**	291,133	(5,535)	**654,901**	**61,392**	891,079	(439)
Chemicals and Petroleum	**201,073**	**10,725**	336,370	22,975	**607,387**	**(14,089)**	1,065,658	114,675
Mining and Metallurgy	**185,892**	**20,578**	192,019	37,536	**596,363**	**67,653**	614,390	74,926
Other Industries	**75,869**	**8,565**	85,310	8,869	**237,268**	**28,119**	276,142	30,407
Operations and Maintenance	**311,934**	**11,220**	249,624	3,870	**962,603**	**21,000**	855,412	10,517
Infrastructure Concession Investments (“ICI”)	**102,324**	**9,451**	95,657	19,254	**276,821**	**14,195**	263,141	23,565
	$ 1,422,428	**148,387**	$ 1,685,375	118,560	**$ 4,518,524**	**361,413**	$ 5,162,954	322,507
Reversal of items included above:								
Imputed interest benefit		**(6,589)**		(6,875)		**(18,302)**		(28,682)
Net interest expense and capital taxes from ICI		**32,630**		24,197		**80,064**		85,670
Income taxes from ICI		**1,160**		1,824		**8,303**		4,255
Non-controlling interest before income taxes		**1,531**		1,626		**5,638**		4,168
Income before interest, taxes and non-controlling interest		**177,119**		139,332		**437,116**		387,918
Interest and capital taxes (Note 6)		**39,807**		20,763		**88,790**		72,835
Income before income taxes and non-controlling interest		**137,312**		118,569		**348,326**		315,083
Income taxes		**32,739**		25,676		**82,196**		73,041
Non-controlling interest		**1,429**		1,591		**5,470**		4,477
Net income		**$ 103,144**		$ 91,302		**$ 260,660**		$ 237,565

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2009	2008	**2009**	2008
Supplementary information:				
SNC-Lavalin’s net income from ICI				
From Highway 407	**$ 2,153**	$ 10,125	**$ 4,841**	$ 6,653
From other ICI	**7,298**	9,129	**9,354**	16,912
Net income excluding ICI	**93,693**	72,048	**246,465**	214,000
Net income	**$ 103,144**	$ 91,302	**$ 260,660**	$ 237,565

The Company discloses its 16.77% proportionate share of Highway 407’s net income as well as its net income from other ICI as shown above, as this information is useful in assessing the value of the Company’s share price.

3. INFRASTRUCTURE CONCESSION INVESTMENTS

SNC-Lavalin makes equity investments in infrastructure concessions in certain industry sectors, such as airports, bridges, power, mass transit systems, roads and water. In accordance with Canadian GAAP, SNC-Lavalin's investments are accounted for by either the cost, equity, proportionate consolidation or full consolidation methods depending on whether SNC-Lavalin exercises, or not, significant influence, joint control or control.

When making equity investments in infrastructure concessions, SNC-Lavalin ensures that the debt included in these concessions is non-recourse to the general credit of the Company. Also, when making such equity investments, SNC-Lavalin may not be required to make its equity contribution immediately but instead may commit to making its equity contribution over time.

The infrastructure concession investments have a significant impact on the Company's consolidated balance sheet. Specifically, these investments usually have significant property and equipment, and long-term debt, which is non-recourse to the general credit of the Company. In order to assist the reader in understanding the impact of the infrastructure concession investments, additional information is provided in the table below on the assets, liabilities and non-controlling interest of infrastructure concession investments accounted for by the full or proportionate consolidation methods and on the net book value of the Company's infrastructure concession investments.

	SEPTEMBER 30 2009	DECEMBER 31 2008
Cash and cash equivalents	**$ 35,142**	$ 28,920
Restricted cash	**39,126**	48,751
Trade and other receivables, contracts in progress and current future income tax asset	**80,466**	50,039
Property and equipment(1)	**2,153,365**	1,750,690
Goodwill	**203,786**	203,786
Other long-term assets and long-term future income tax asset	**428,623**	403,335
Total assets	**2,940,508**	2,485,521
Trade and other payables	**132,350**	75,524
Current portion of non-recourse long-term debt	**34,332**	5,764
Non-recourse long-term debt	**2,106,425**	2,003,303
Other long-term liabilities(1)	**376,691**	132,976
Non-controlling interest	**69,274**	63,761
Total liabilities and non-controlling interest	**2,719,072**	2,281,328
Net book value of ICI accounted for by the full or proportionate consolidation methods	**221,436**	204,193
Net book value of ICI accounted for by the equity method	**170,285**	110,420
Net book value of ICI accounted for by the cost method	**273,535**	232,959
Net book value of ICI accounted for by the equity or cost methods as shown on balance sheet	**443,820**	343,379
Net book value of total ICI	**$ 665,256**	$ 547,572

(1) The "Property and equipment" and "Other long-term liabilities" accounts shown above reflect two adjustments that were made in 2009 by AltaLink, with no change to the December 31, 2008 figures:

i) an increase of $145.4 million in both of the above accounts on January 1, 2009 pursuant to a change in accounting standards for rate-regulated operations (Note 1C). This amount represents a regulatory liability as it reflects funds collected from the regulator for future removal and site restoration that was previously recorded as a reduction of "Property and equipment"; and

ii) an increase of $86.6 million in both of the above accounts in the second quarter of 2009 pursuant to a change in estimates related to asset retirement obligations resulting from AltaLink's legal obligations to dismantle and remove certain assets in the future. AltaLink's asset retirement obligations, which are presented in other long-term liabilities, amounted to $150.5 million as at September 30, 2009 (December 31, 2008: $60.2 million).

3. INFRASTRUCTURE CONCESSION INVESTMENTS (CONTINUED)

The $221.4 million net book value of ICI accounted for by the full or proportionate consolidation methods as at September 30, 2009 (December 31, 2008: $204.2 million) is net of the negative carrying amount resulting from the proportionate consolidation of Highway 407. Under Canadian GAAP, the proportionate consolidation method requires the venturer to recognize its proportionate share of the joint venture cumulative losses irrespective of the carrying amount of its investment in such joint venture. Consistent with this requirement, the net book value of the Company's investment in Highway 407 resulted in a negative balance of $57.0 million as at September 30, 2009 (December 31, 2008: negative balance of $37.9 million). The negative balance of this investment, which varies depending on SNC-Lavalin's proportionate share of Highway 407's accounting losses and income and dividends received, does not represent a liability or any future obligation that SNC-Lavalin has relative to Highway 407 or any other party.

As at September 30, 2009, Highway 407, which is accounted for by the proportionate consolidation method, held a $151.4 million principal amount of long-term notes (December 31, 2008: $147.0 million of Asset-Backed Commercial Paper, converted to notes in 2009, and $6.3 million of non-bank notes, collectively referred to as "Notes" in 2009). The market for the Notes is not liquid and therefore they have been valued using best available market data, resulting in a carrying value of $100.9 million as at September 30, 2009 (December 31, 2008: $92.0 million). The increase in the carrying value in the first nine months of 2009 was primarily due to a fair value adjustment recovery of $18.1 million, partially offset by principal and accrued interest received of $9.2 million. SNC-Lavalin's proportionate share in the carrying value of the Notes held by Highway 407 represented approximately $16.9 million as at September 30, 2009 (December 31, 2008: $15.4 million) and is presented in "Other long-term assets". SNC-Lavalin's proportionate share in the fair value recovery adjustment of the Notes in the first nine months of 2009, which amounted to $3.0 million (first nine months of 2008: $3.7 million proportionate share of the fair value adjustment expense), has been recorded as part of "Interest and capital taxes". While some uncertainties exist about the amount and timing of cash flows relating to the Notes, they will not have a significant impact on SNC-Lavalin's financial position. On a consolidated basis, SNC-Lavalin has no other direct or indirect investment in such Notes.

ASTORIA II PROJECT

On July 2, 2009, Astoria Project Partners II LLC and its subsidiary ("Astoria II"), an entity that signed a 20-year firm Power Purchase Agreement ("PPA") with the New York Power Authority ("NYPA") in 2008 for a 550 MW thermal power plant to be built in Queens, New York, obtained project financing from a number of financial institutions. This project financing is non-recourse to SNC-Lavalin. On the same day, SNC-Lavalin's notes receivable from Astoria II were collected and all letters of credit provided by SNC-Lavalin to support certain contractual obligations of Astoria II in relation to its project were released. Furthermore, SNC-Lavalin, which invested a nominal amount in Astoria II, committed to invest approximately US$70 million (approximately CA$75 million) for its 18.5% equity interest, based on total outstanding shares, in this investment accounted for by the equity method. SNC-Lavalin is involved in providing engineering, procurement and construction management services to the facility, which is expected to be completed in 2011.

MONTREAL SYMPHONY ORCHESTRA CONCERT HALL

In May 2009, SNC-Lavalin announced that it had entered into an agreement with the Government of Quebec to design, build, finance, operate and maintain a new concert hall for the Montreal Symphony Orchestra, to be located in downtown Montreal, Canada.

Over the duration of the project, SNC-Lavalin will recognize revenues from three categories of activity: i) Packages revenues from the engineering, procurement and construction ("EPC") portion of the project, expected to be completed in 2011; ii) Operations and Maintenance ("O&M") revenues for operating and maintaining the concert hall, mainly once construction is completed, until 2038; and iii) Infrastructure Concession Investments revenues from its fully consolidated infrastructure concession investment that signed the agreement with the Government of Quebec, also until 2038. This agreement provides that the payments from the Government of Quebec will begin once certain milestones are reached on the construction of the facility, and thereafter for the duration of the agreement. Accordingly, SNC-Lavalin's revenue recognized on the EPC portion of this project will result in the recognition of a corresponding amount in the "Contracts in progress" account on its consolidated balance sheet until such milestones are reached, at which point the contract in progress amount will be transferred to a long-term receivable, to be reduced upon payments by the Government of Quebec. While SNC-Lavalin will finance the costs related to the new concert hall with its cash and cash equivalents, it expects to refinance these costs with non-recourse long-term debt in the future.

3. INFRASTRUCTURE CONCESSION INVESTMENTS (CONTINUED)

AMBATOVY NICKEL PROJECT

SNC-Lavalin has a 5% equity interest in the Ambatovy Nickel Project ("Ambatovy") in Madagascar, which will consist, once completed, of an open-pit mine operation, and a hydrometallurgical processing plant, expected to produce mainly nickel and cobalt. In early 2009, the capital cost estimate of the Ambatovy project was updated, reflecting increased costs to complete the project.

As a result of the revised capital cost estimate, the shareholders of Ambatovy concluded, in June 2009, an equity arrangement whereby they will increase their equity contributions to the project in proportion to their respective shareholding, with no change to the project debt financing. Concurrently, the shareholders also concluded a funding arrangement to finance the remaining required equity contribution of one of the shareholders of Ambatovy, which is also the project operator ("Project Operator").

Under the arrangement, the Project Operator will receive funding from the other shareholders in proportion to their respective shareholding in the project under a new loan (the "New Loan"), which is non-recourse to the Project Operator except under certain limited circumstances. The Project Operator will have the option to prepay part or all of the New Loan, while the other shareholders will have the option, subject to certain conditions, to exchange part or all of the New Loan for a portion of the Project Operator's equity interest in Ambatovy. Furthermore, the other shareholders will provide additional cross-guarantees through letters of credit to the project's senior lenders to support the Project Operator's share of financial completion guarantee that was not covered by the initial cross-guarantee. The financial completion guarantees and cross-guarantees will remain outstanding until certain legal, financial and operating conditions are satisfied upon completion of construction and commissioning on the project.

The table below summarizes SNC-Lavalin's commitments as at September 30, 2009 and December 31, 2008 related to the Ambatovy project:

	COMMITMENTS AS AT SEPTEMBER 30, 2009 (BASED ON 2009 APPROVED COST ESTIMATE AND JUNE 2009 FUNDING ARRANGEMENT)	COMMITMENTS AS AT DECEMBER 31, 2008
Equity contributions in Ambatovy (1)	US$ 127.5 million	US$ 96 million
Financial completion guarantee	US$ 105.0 million	US$ 105 million
Cross-guarantee	US$ 70.2 million	US$ 50 million
Initial Loan to Project Operator (2)	US$ 7.2 million	US$ 20 million
New Loan to Project Operator (3)	US$ 50.1 million	–

(1) As at September 30, 2009, SNC-Lavalin had made equity contributions of CA$112.2 million (US$101.5 million) (December 31, 2008: CA$50.9 million [US$49.6 million]) in Ambatovy, which is accounted for by the cost method.

(2) This interest-bearing variable-rate loan has a 15-year term and will be repaid from a portion of the Project Operator's share of the project future distributions. Any additional loan to the Project Operator after the June 2009 funding arrangement is to be funded through the New Loan to Project Operator. SNC-Lavalin's principal amount of Initial Loan to Project Operator amounted to CA$7.7 million (US$7.2 million) as at September 30, 2009 (December 31, 2008: CA$6.5 million [US$5.3 million]).

(3) This interest-bearing variable-rate loan will be repaid from a portion of the Project Operator's share of the project future distributions and is covered by the put/call arrangement between SNC-Lavalin and two shareholders of Ambatovy, including the Project Operator. The equity contributions of SNC-Lavalin and its initial loan to Project Operator are also covered by the put/call arrangement. SNC-Lavalin's principal amount of New Loan to Project Operator amounted to CA$35.0 million (US$32.8 million) as at September 30, 2009 (December 31, 2008: $nil).

4. LONG-TERM DEBT

ISSUANCE OF RECOURSE LONG-TERM DEBT

On July 3, 2009, the Company issued $350 million of 10-year unsecured debentures maturing in July 2019, bearing interest at a rate of 6.19% per year. The Company expects to use the net proceeds from this issuance to fully repay its $105 million principal amount 7.70% unsecured debentures due in September 2010, to fund potential investments in Infrastructure Concession Investments opportunities and potential selective business acquisitions, and for general corporate purposes. The credit rating for the debentures assigned by Standard & Poor's was BBB+ and by DBRS was BBB (high) at issuance.

The $348.6 million proceeds from the issuance of the debentures, net of the agency fee, is presented on the Company's consolidated statements of cash flows as part of its financing activities in 2009, while the carrying amount of the debentures, net of the agency fee and other transaction costs, is presented on the Company's consolidated balance sheets. As at September 30, 2009, the carrying amount of the debentures, which are measured at amortized cost, was $348.0 million.

5. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table provides the balances of the components of accumulated other comprehensive income (loss) as at:

		SEPTEMBER 30 2009		DECEMBER 31 2008
Accumulated currency translation adjustment on self-sustaining foreign operations	**$**	**(3,022)**	$	10,698
Accumulated net unrealized loss on available-for-sale financial assets		**(4,296)**		(13,651)
Accumulated net unrealized loss on derivative financial instruments designated as cash flow hedges		**(41,420)**		(98,514)
Accumulated other comprehensive loss	**$**	**(48,738)**	$	(101,467)

For the nine-month period ended September 30, 2009, no amount was reclassified to net income for both accumulated currency translation adjustment on self-sustaining foreign operations (nine months ended September 30, 2008: $nil) and for available-for-sale financial assets (nine months ended September 30, 2008: gain of $0.1 million). For derivative financial instruments designated as cash flow hedges, any amount of the accumulated other comprehensive income (loss) that is reclassified to net income offsets the gain or loss recognized in net income on the underlying hedged items, since the Company's cash flow hedges are highly effective.

6. INTEREST AND CAPITAL TAXES

	THIRD QUARTER				NINE MONTHS ENDED SEPTEMBER 30			
		2009		2008		**2009**		2008
Interest revenues:								
From infrastructure concession investments	**$**	**(380)**	$	(642)	**$**	**(11,329)**	$	(2,543)
From other activities		**(935)**		(5,753)		**(3,943)**		(21,966)
Interest on long-term debt:								
Recourse		**7,343**		2,061		**11,428**		6,156
Non-recourse:								
From infrastructure concession investments		**32,670**		23,758		**95,225**		84,536
From other activities		**–**		–		**–**		444
Capital taxes and other:								
From infrastructure concession investments		**340**		1,081		**(3,832)**		3,677
From other activities		**769**		258		**1,241**		2,531
Interest and capital taxes	**$**	**39,807**	$	20,763	**$**	**88,790**	$	72,835

7. SUPPLEMENTARY CASH FLOW INFORMATION

A) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

The following table presents the items included in the net change in non-cash working capital related to operating activities presented in the statements of cash flows:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2009	2008	**2009**	2008
Decrease (increase) in trade and other receivables	**$ 178,457**	$ (151,215)	**$ 149,185**	$ 10,417
Decrease (increase) in contracts in progress	**51,458**	30,272	**163,615**	(142,908)
Decrease in trade and other payables	**(181,557)**	(34,072)	**(466,488)**	(170,269)
Increase (decrease) in downpayments on contracts	**123,258**	28,908	**(13,857)**	135,741
Increase (decrease) in deferred revenues	**19,745**	(23,655)	**(21,860)**	(138,650)
Net change in non-cash working capital items	**$ 191,361**	$ (149,762)	**$ (189,405)**	$ (305,669)

B) INTEREST PAID AND INCOME TAXES PAID

The following table presents the interest paid and income taxes paid:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2009	2008	**2009**	2008
Interest paid:				
From infrastructure concession investments	**$ 20,717**	$ 19,886	**$ 74,402**	$ 65,136
From other activities	**4,357**	4,462	**8,696**	9,651
	$ 25,074	$ 24,348	**$ 83,098**	$ 74,787
Income taxes paid (received)	**$ (20,628)**	$ 27,121	**$ 14,425**	$ 173,893

8. EARNINGS PER SHARE

Basic and diluted earnings per share have been determined by dividing the consolidated net income for the period by the basic and diluted weighted average number of shares for the period, respectively.

The diluted weighted average number of shares outstanding is calculated as if all dilutive options had been exercised at the later of the beginning of the reporting period or date of grant, using the treasury stock method, with deemed proceeds from the exercise of such dilutive options used to repurchase common shares at the average market price for the period.

(IN THOUSANDS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2009	2008	**2009**	2008
Weighted average number of outstanding shares – basic	**151,070**	150,816	**151,031**	150,933
Dilutive effect of stock options	**1,148**	1,410	**829**	1,585
Weighted average number of outstanding shares – diluted	**152,218**	152,226	**151,860**	152,518

In the nine-month period ended September 30, 2009, 1,294,500 outstanding stock options were not included in the computation of diluted earnings per share because they were anti-dilutive (nine-month period ended September 30, 2008: 1,000 outstanding stock options).

9. **STOCK OPTION COMPENSATION**

The stock option compensation cost recorded as an expense in the third quarter and the first nine months of 2009 was $1.9 million (2008: $1.6 million) and $9.7 million (2008: $7.9 million), respectively. The following table presents the weighted average assumptions used to determine the stock option compensation cost, using the Black-Scholes option pricing model:

	THIRD QUARTER(*)		NINE MONTHS ENDED SEPTEMBER 30	
	2009	2008	**2009**	2008
Risk-free interest rate	**–**	–	**1.86%**	2.80%
Expected stock price volatility	**–**	–	**35.21%**	25.81%
Expected option life	**–**	–	**4 years**	4 years
Expected dividend yield	**–**	–	**1.00%**	1.00%

(*) There are no figures for the third quarters of 2009 and 2008 as no stock options were granted to employees during these periods.

For the nine months ended September 30, 2009, the Company granted 1,426,795 stock options (nine months ended September 30, 2008: 1,367,500 stock options) to employees with a weighted average fair value of $9.21 per stock option (2008: $10.34 per stock option).

As at September 30, 2009, 5,337,636 stock options were outstanding (December 31, 2008: 4,319,100 stock options were outstanding), while 1,628,267 stock options remained available for future grants under the Company's 2009 Stock Option Plan (December 31, 2008: 1,037,800 stock options remained available under the 2007 Stock Option Plan). The 2009 Stock Option Plan was adopted in the second quarter of 2009 and has the same terms and conditions as the Company's previous 2007 Stock Option Plan, described in Note 15 to the Company's 2008 annual audited consolidated financial statements.

10. **PENSION PLANS**

SNC-Lavalin has defined contribution pension plans for which its contributions are recorded as an expense in the period in which they are incurred, as well as defined benefit pension plans which provide pension benefits based on length of service and final pensionable earnings.

SNC-Lavalin's total defined benefit charges for its defined benefit pension plans were $3.3 million for the third quarter of 2009 (third quarter of 2008: $3.3 million) and $9.7 million for the nine months ended September 30, 2009 (nine months ended September 30, 2008: $8.8 million).

11. **RELATED PARTY TRANSACTIONS**

In the normal course of operations, SNC-Lavalin enters into transactions with certain of its infrastructure concession investments. Consistent with Canadian GAAP, investments in which SNC-Lavalin has significant influence, which are accounted for by the equity method, are considered related parties.

For the third quarter of 2009 and the nine months ended September 30, 2009, SNC-Lavalin recognized revenues of $93.0 million (third quarter of 2008: $160.9 million) and $323.9 million (nine months ended September 30, 2008: $502.8 million), respectively, mainly from contracts with the following infrastructure concession investments accounted for by the equity method:

i) Astoria II, described in Note 3.

ii) InTransit BC L.P., an entity that signed in 2005 a 35-year concession agreement with Richmond-Airport-Vancouver Project Management Ltd. ("RAVCO") and the Greater Vancouver Transportation Authority ("GVTA") to design, build, partially finance, operate and maintain the Canada Line, a 19 km rapid transit line connecting the cities of Vancouver and Richmond with Vancouver International Airport, in the Province of British Columbia. SNC-Lavalin, which holds a 33.3% ownership interest in this entity, was awarded in 2005 an EPC contract, as well as an operations and maintenance ("O&M") contract for this project.

11. RELATED PARTY TRANSACTIONS (CONTINUED)

iii) Myah Tipaza S.p.A., an entity established to build, own and operate a 120,000 m3/day seawater desalination plant located in Fouka, province (wilaya) of Tipaza, Algeria. SNC-Lavalin, which holds a 25.5% indirect ownership interest in this entity, was also awarded an EPC contract, through a joint venture, by Myah Tipaza, as well as an O&M contract for this project.

iv) Shariket Kahraba Hadjret En Nouss S.p.A., an entity established to build, own and operate a 1,227 MW gas-fired power plant in Algeria. SNC-Lavalin, which holds a 26.0% indirect ownership interest in this entity, was awarded an EPC contract in 2006, as well as an O&M contract for this project.

SNC-Lavalin's trade receivables from these ICI amounted to $150.3 million as at September 30, 2009 (December 31, 2008: $95.8 million) while SNC-Lavalin's remaining commitment to invest in these ICI was $86.8 million at September 30, 2009 (December 31, 2008: $50.3 million). As at September 30, 2009, the notes receivable from Astoria II had been collected (December 31, 2008: $21.0 million outstanding amount [US$17.2 million]) and all letters of credit provided by SNC-Lavalin to support certain contractual obligations of Astoria II in relation to its project had been released (December 31, 2008: $28.5 million outstanding amount [US$23.4 million]). All these related party transactions are measured at the exchange amount agreed upon by the related parties, which corresponds to fair value.

12. **COMPARATIVE FIGURES**

Certain 2008 figures have been reclassified to conform to the presentation adopted in 2009.

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