

Consolidated Statements of Income

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND SHARES)

FOURTH QUARTER

YEAR ENDED DECEMBER 31

	Note	2009	2008	2009	2008
Revenues by activity:					
Services		\$ 557,156	\$ 711,962	\$ 2,221,410	\$ 2,305,393
Packages		587,316	778,473	2,202,162	3,229,444
Operations and Maintenance		335,302	369,601	1,297,905	1,225,012
Infrastructure Concession Investments		103,439	83,879	380,260	347,020
		1,583,213	1,943,915	6,101,737	7,106,869
Direct costs of activities		1,266,707	1,677,072	4,950,642	6,094,004
Gross margin		316,506	266,843	1,151,095	1,012,865
Selling, general and administrative expenses		148,131	157,095	545,604	515,199
Interest and capital taxes	6	39,448	21,636	128,238	94,471
Income before income taxes and non-controlling interest		128,927	88,112	477,253	403,195
Income taxes		25,945	12,073	108,141	85,114
Non-controlling interest		4,248	1,084	9,718	5,561
Net income		\$ 98,734	\$ 74,955	\$ 359,394	\$ 312,520

Earnings per share (\$)

Basic	\$	0.65	\$	0.50	\$	2.38	\$	2.07
Diluted	\$	0.65	\$	0.49	\$	2.36	\$	2.05

Weighted average number of outstanding shares (in thousands) 8

Basic	151,073	150,901	151,042	150,925
Diluted	152,267	151,518	151,992	152,265

See accompanying notes to interim consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(UNAUDITED)

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT COMMON SHARES)

2009

	SHARE CAPITAL		CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) ⁽¹⁾ (NOTE 5)	RETAINED EARNINGS ⁽¹⁾	TOTAL SHAREHOLDERS' EQUITY
	COMMON SHARES (IN THOUSANDS)	AMOUNT				
Balance at beginning of year	151,033	\$ 385,651	\$ 24,247	\$ (101,467)	\$ 780,722	\$ 1,089,153
Comprehensive income:						
Net income	—	—	—	—	359,394	359,394
Exchange differences on translating self-sustaining foreign operations	—	—	—	(19,990)	—	(19,990)
Net unrealized gain on available-for-sale financial assets ⁽²⁾	—	—	—	11,756	—	11,756
Net unrealized gain on derivative financial instruments designated as cash flow hedges ⁽³⁾	—	—	—	86,395	—	86,395
Total comprehensive income						437,555
Dividends paid to Company shareholders	—	—	—	—	(90,637)	(90,637)
Stock option compensation (Note 9)	—	—	11,809	—	—	11,809
Shares issued under stock option plans	539	13,503	(2,583)	—	—	10,920
Shares redeemed and cancelled	(539)	(1,419)	—	—	(22,689)	(24,108)
Balance at end of year	151,033	\$ 397,735	\$ 33,473	\$ (23,306)	\$ 1,026,790	\$ 1,434,692

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT COMMON SHARES)

2008

	SHARE CAPITAL		CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) ⁽¹⁾ (NOTE 5)	RETAINED EARNINGS ⁽¹⁾	TOTAL SHAREHOLDERS' EQUITY
	COMMON SHARES (IN THOUSANDS)	AMOUNT				
Balance at beginning of year	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 year	151,038	367,273	18,634	(48,958)	585,486	922,435
Comprehensive income:						
Net income	—	—	—	—	312,520	312,520
Exchange differences on translating self-sustaining foreign operations	—	—	—	27,677	—	27,677
Net unrealized loss on available-for-sale financial assets ⁽²⁾	—	—	—	(10,697)	—	(10,697)
Net unrealized loss on derivative financial instruments designated as cash flow hedges ⁽³⁾	—	—	—	(69,489)	—	(69,489)
Total comprehensive income						260,011
Dividends paid to Company shareholders	—	—	—	—	(72,471)	(72,471)
Stock option compensation (Note 9)	—	—	9,605	—	—	9,605
Shares issued under stock option plans	928	20,761	(3,992)	—	—	16,769
Shares redeemed and cancelled	(933)	(2,383)	—	—	(44,813)	(47,196)
Balance at end of year	151,033	\$ 385,651	\$ 24,247	\$ (101,467)	\$ 780,722	\$ 1,089,153

(1) Total of accumulated other comprehensive income (loss) and retained earnings was \$1,003.5 million at December 31, 2009 (December 31, 2008: \$679.3 million).

(2) Net of income tax benefit of \$0.3 million in 2009 (2008: \$nil).

(3) Net of income tax expense of \$25.1 million in 2009 (2008: net of income tax benefit of \$17.4 million).

See accompanying notes to interim consolidated financial statements.

Consolidated Balance Sheets

(UNAUDITED)

AT DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	2009	2008
Assets			
Current			
Cash and cash equivalents		\$ 1,218,225	\$ 988,236
Restricted cash		68,185	59,997
Trade and other receivables		1,480,478	1,675,170
Contracts in progress		513,578	707,994
Future income tax asset		112,557	121,026
Total current assets		3,393,023	3,552,423
Property and equipment:			
From infrastructure concession investments	3	2,217,047	1,750,690
From other activities		113,952	123,356
Goodwill		520,862	496,147
Infrastructure concession investments accounted for by the equity or cost methods	3	469,402	343,379
Future income tax asset		-	81,095
Other non-current assets		491,997	424,448
Total assets		\$ 7,206,283	\$ 6,771,538
Liabilities			
Current			
Trade and other payables		\$ 1,702,034	\$ 2,260,670
Downpayments on contracts		397,329	473,199
Deferred revenues		505,531	536,394
Current portion of long-term debt:			
Recourse	4	104,874	-
Non-recourse from infrastructure concession investments		139,183	5,764
Total current liabilities		2,848,951	3,276,027
Long-term debt:			
Recourse	4	348,048	104,709
Non-recourse from infrastructure concession investments	3	2,005,485	2,003,303
Future income tax liability		24,408	-
Other non-current liabilities		464,666	230,614
Total liabilities		5,691,558	5,614,653
Non-controlling interest		80,033	67,732
Shareholders' equity		1,434,692	1,089,153
Total liabilities, non-controlling interest and shareholders' equity		\$ 7,206,283	\$ 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.

Consolidated Statements of Cash Flows

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

(IN THOUSANDS OF CANADIAN DOLLARS)		FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	Note	2009	2008	2009	2008
Operating activities					
Net income		\$ 98,734	\$ 74,955	\$ 359,394	\$ 312,520
Items not involving a movement of cash:					
Depreciation of property and equipment and amortization of other non-current assets:					
From infrastructure concession investments		23,176	25,793	86,626	88,098
From other activities		11,037	11,188	43,452	41,947
Future income taxes (benefit)		39,570	(7,183)	89,136	(19,089)
Accrued interest expense and fair value adjustment on non-recourse long-term debt from infrastructure concession investments		6,596	(5,507)	20,287	10,583
Stock option compensation	9	2,128	1,733	11,809	9,605
Loss (income) from infrastructure concession investments accounted for by the equity method		(8,340)	5,534	(2,222)	3,219
Non-controlling interest		4,248	1,084	9,718	5,561
Other		(6,229)	1,173	3,012	881
Dividends and distributions received from infrastructure concession investments accounted for by the equity method		—	—	24,836	2,999
		170,920	108,770	646,048	456,324
Net change in non-cash working capital items	7	(58,153)	162,622	(247,558)	(143,047)
		112,767	271,392	398,490	313,277
Investing activities					
Acquisition of property and equipment:					
From infrastructure concession investments		(80,899)	(54,522)	(274,085)	(193,489)
From other activities		(9,306)	(17,873)	(32,445)	(46,348)
Payments for infrastructure concession investments		(9,920)	(6,336)	(130,924)	(25,924)
Increase in loan to Project Operator of Ambatovy project	3	—	(4,555)	(39,585)	(6,565)
Acquisition of businesses		2,025	(15,878)	(18,392)	(38,582)
Change in restricted cash position		19,252	(1,857)	(4,098)	6,007
Other		1,216	4,434	(12,918)	(5,987)
		(77,632)	(96,587)	(512,447)	(310,888)
Financing activities					
Repayment of non-recourse long-term debt:					
From infrastructure concession investments		(149,479)	(1,265)	(272,487)	(187,483)
From other activities		—	—	—	(25,812)
Increase in long-term debt:					
Recourse	4	—	—	348,600	—
Non-recourse from infrastructure concession investments		150,191	22,992	388,059	215,219
Proceeds from exercise of stock options		5,254	3,556	10,920	16,769
Redemption of shares		(17,392)	—	(24,108)	(47,196)
Dividends paid to Company shareholders		(22,668)	(18,119)	(90,637)	(72,471)
Other		(201)	(1,331)	(4,176)	(17,125)
		(34,295)	5,833	356,171	(118,099)
Increase (decrease) in exchange differences on translating cash and cash equivalents held in self-sustaining foreign operations		(3,925)	9,382	(12,225)	15,330
Net increase (decrease) in cash and cash equivalents		(3,085)	190,020	229,989	(100,380)
Cash and cash equivalents at beginning of period		1,221,310	798,216	988,236	1,088,616
Cash and cash equivalents at end of period		\$ 1,218,225	\$ 988,236	\$ 1,218,225	\$ 988,236
Supplementary cash flow information					
	7				

See accompanying notes to interim consolidated financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DECEMBER 31, 2009 AND 2008

(TABULAR FIGURES IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A) BASIS OF PRESENTATION

These interim unaudited consolidated financial statements (“financial statements”) are 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 “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. An entity that is fully consolidated but not wholly-owned by SNC-Lavalin results in non-controlling interests which are presented separately on the consolidated balance sheet, while the portion of net income attributable to such non-controlling interests 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) CHANGES IN ACCOUNTING STANDARDS FOR 2009 GOODWILL AND INTANGIBLE ASSETS

On January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants (“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, which requires the recognition in net income of pre-operating expenditures that were capitalizable under the previous standards, needed to be applied retroactively with restatement of comparative figures.

The adoption of the new section 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 ICI accounted for by the equity method; ii) a decrease of \$0.7 million in other non-current assets; and iii) an increase of \$1.5 million in non-current future income tax asset. These changes relate mainly to pre-operating expenditures that were incurred and capitalized by ICI 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 the 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 non-current liabilities at January 1, 2009.

CREDIT RISK AND FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

On January 1, 2009, the Company adopted Emerging Issues Committee (“EIC”)-173 of the CICA Handbook, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”, which requires credit risk to be taken into account in determining the fair value of derivative instruments. The guidance, which requires a retrospective application without restatement of prior periods, did not have any material impact on the Company’s financial statements.

MULTIPLE DELIVERABLE REVENUE ARRANGEMENTS

In December 2009, the Company early adopted EIC-175 of the CICA Handbook, “Multiple Deliverable Revenue Arrangements”, which provides amendments to the existing EIC-142. One of the amendments is the change in the level of evidence of the stand-alone selling price required to separate deliverables by allowing the use of the best estimate selling price when vendor-specific objective evidence or third-party evidence of the selling price are not available. The adoption of EIC-175, which was made prospectively to revenue arrangements entered into or modified since January 1, 2009, did not have any material impact on the Company’s financial statements.

2. SEGMENT DISCLOSURES

	FOURTH QUARTER				YEAR ENDED DECEMBER 31			
	2009		2008		2009		2008	
	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME (LOSS)
Services and Packages								
Infrastructure and Environment	\$ 419,448	\$ 29,750	503,313	\$ 44,200	\$ 1,602,629	\$ 212,893	1,700,445	\$ 113,056
Power	266,950	26,616	285,076	(23,962)	921,851	88,008	1,176,155	(24,401)
Chemicals and Petroleum	222,055	35,129	351,088	(10,237)	829,442	21,040	1,416,746	104,438
Mining and Metallurgy	168,289	4,541	244,579	42,065	764,652	72,194	858,969	116,991
Other Industries	67,730	12,530	106,380	16,363	304,998	40,649	382,522	46,770
Operations and Maintenance	335,302	11,458	369,600	14,892	1,297,905	32,458	1,225,012	25,409
ICI	103,439	22,689	83,879	13,608	380,260	36,884	347,020	37,173
	<u>\$ 1,583,213</u>	<u>142,713</u>	<u>1,943,915</u>	<u>96,929</u>	<u>\$ 6,101,737</u>	<u>504,126</u>	<u>7,106,869</u>	<u>419,436</u>
Reversal of items included above:								
Imputed interest benefit		(10,873)		(6,979)		(29,175)		(35,661)
Net interest expense and capital taxes from ICI		32,193		22,479		112,257		108,149
Income taxes (benefit) from ICI		97		(3,735)		8,400		520
Non-controlling interest before income taxes		4,245		1,054		9,883		5,222
Income before interest, taxes and non-controlling interest		168,375		109,748		605,491		497,666
Interest and capital taxes (Note 6)		39,448		21,636		128,238		94,471
Income before income taxes and non-controlling interest		128,927		88,112		477,253		403,195
Income taxes		25,945		12,073		108,141		85,114
Non-controlling interest		4,248		1,084		9,718		5,561
Net income		\$ 98,734		\$ 74,955		359,394		\$ 312,520

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2009	2008	2009	2008
Supplementary information:				
SNC-Lavalin's net income from ICI				
From Highway 407	\$ 4,919	\$ 13,315	\$ 9,760	\$ 19,968
From other ICI	17,770	293	27,124	17,205
Net income excluding ICI	76,045	61,347	322,510	275,347
Net income	\$ 98,734	\$ 74,955	\$ 359,394	\$ 312,520

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, cultural and public service buildings, 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 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.

AT DECEMBER 31	2009	2008
Cash and cash equivalents	\$ 42,434	\$ 28,920
Restricted cash	47,616	48,751
Trade and other receivables, contracts in progress and current future income tax asset	96,340	50,039
Property and equipment ⁽¹⁾	2,217,047	1,750,690
Goodwill	203,786	203,786
Other non-current assets and non-current future income tax asset	409,903	403,350
Total assets	3,017,126	2,485,536
Trade and other payables	166,182	75,524
Current portion of non-recourse long-term debt	139,183	5,764
Non-recourse long-term debt	2,005,485	2,003,303
Other non-current liabilities ⁽¹⁾	378,560	132,976
Non-controlling interest	76,852	63,761
Total liabilities and non-controlling interest	2,766,262	2,281,328
Net book value of ICI accounted for by the full or proportionate consolidation methods	250,864	204,208
Net book value of ICI accounted for by the equity method	194,559	110,420
Net book value of ICI accounted for by the cost method	274,843	232,959
Net book value of ICI accounted for by the equity or cost methods as shown on balance sheet	469,402	343,379
Net book value of total ICI	\$ 720,266	\$ 547,587

- (1) The "Property and equipment" and "Other non-current 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 entities subject to rate-regulation (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 non-current liabilities", amounted to \$186.3 million as at December 31, 2009 (December 31, 2008: \$60.2 million).

3. INFRASTRUCTURE CONCESSION INVESTMENTS (CONTINUED)

MONTREAL SYMPHONY ORCHESTRA CONCERT HALL

In May 2009, SNC-Lavalin announced that Groupe Immobilier Ovation, its wholly-owned subsidiary, had entered into a 29-year agreement with the Government of Quebec (the “Client”) to design, build, operate, maintain and finance a new concert hall for the Montreal Symphony Orchestra, to be located in downtown Montreal, Canada.

Under this agreement, SNC-Lavalin will receive its first payment from the Client once certain milestones are reached on the construction of the facility, with the remainder of the payments made on a regular basis until the end of the agreement, in 2038, upon availability of the facility. Accordingly, SNC-Lavalin’s total revenue recognized on this project will be recorded in the “Contracts in progress” account on its balance sheet until such milestones are reached, at which point the contract in progress amount will be reclassified to a non-current receivable, to be recovered through the payments received from the Client. 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. As at December 31, 2009, the contract in progress related to this project amounted to approximately \$33.9 million.

ASTORIA II PROJECT

In 2008, Astoria Project Partners II LLC and its subsidiary (collectively called “Astoria II”), in which SNC-Lavalin has a 18.5% equity interest based on total outstanding shares, signed a 20-year firm Power Purchase Agreement (“PPA”) with the New York Power Authority (“NYPA”) and began the development of a new 550 MW thermal power plant in Queens, New York, that it will build, own and operate.

On July 2, 2009, Astoria II obtained project financing from a number of financial institutions, which is non-recourse to SNC-Lavalin, at which time SNC-Lavalin committed to invest approximately US\$70 million (approximately CA\$74 million at December 31, 2009) for its equity interest in this ICI accounted for by the equity method. SNC-Lavalin provides engineering, procurement and construction management services to the facility, which is expected to be completed in 2011.

AMBATOVY NICKEL PROJECT (“AMBATOVY”)

In addition to its commitment to make equity contributions in Ambatovy, SNC-Lavalin provides a US\$105 million financial guarantee (December 31, 2008: US\$105 million) and a US\$70 million cross-guarantee (December 31, 2008: US\$50 million) to the Ambatovy project’s lenders. The amount of US\$175 million represents the maximum that could be paid if both the financial guarantee and cross-guarantee were called upon once the project debt financing is fully drawn. Both guarantees will remain outstanding until certain legal, financial and operating conditions are satisfied upon completion of construction and commissioning of the project.

In addition, SNC-Lavalin is committed to finance a portion of the equity contribution of one of Ambatovy’s shareholders, which is also the project Operator (“Project Operator”), for up to US\$57.3 million (CA\$60.3 million) (December 31, 2008: US\$20.0 million [CA\$24.3 million]). At December 31, 2009, SNC-Lavalin had loaned US\$40.0 million (CA\$42.1 million) (December 31, 2008: US\$5.3 million [CA\$6.5 million]) presented in “Other non-current assets”, while the remaining US\$17.3 million of funding will be recorded on SNC-Lavalin’s balance sheet once the loan is made.

The increase in the cross-guarantee to the Ambatovy’s project lenders and in the commitment to finance the Project Operator follows the agreement by the shareholders of Ambatovy, concluded in June 2009, to increase their equity contributions, in proportion to their respective shareholdings, to fund the revised increased capital cost estimate of the project, with no change to the project debt financing.

4. LONG-TERM DEBT

ISSUANCE OF RECOURSE LONG-TERM DEBT

On July 3, 2009, the Company issued 10-year unsecured debentures totalling \$350 million 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 unsecured debentures totalling \$105 million bearing interest at a rate of 7.70% per year 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).

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 sheet. As at December 31, 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) at December 31:

	2009	2008
Accumulated exchange differences on translating self-sustaining foreign operations	\$ (9,292)	\$ 10,698
Accumulated net unrealized loss on available-for-sale financial assets	(1,895)	(13,651)
Accumulated net unrealized loss on derivative financial instruments designated as cash flow hedges	(12,119)	(98,514)
Accumulated other comprehensive loss	\$ (23,306)	\$ (101,467)

In 2009 and 2008, no amounts were reclassified to net income for accumulated exchange differences on translating self-sustaining foreign operations. In 2009, no amounts were reclassified to net income for accumulated net unrealized loss on available-for-sale financial assets (2008: loss 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

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2009	2008	2009	2008
Interest revenues:				
From infrastructure concession investments	\$ (245)	\$ (1,187)	\$ (11,574)	\$ (3,730)
From other activities	(1,068)	(4,041)	(5,011)	(26,007)
Interest on long-term debt:				
Recourse	7,551	2,094	18,979	8,250
Non-recourse:				
From infrastructure concession investments	32,117	20,635	127,342	105,171
From other activities	—	—	—	444
Capital taxes and other:				
From infrastructure concession investments	321	3,031	(3,511)	6,708
From other activities	772	1,104	2,013	3,635
Interest and capital taxes	\$ 39,448	\$ 21,636	\$ 128,238	\$ 94,471

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:

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2009	2008	2009	2008
Decrease (increase) in trade and other receivables	\$ 36,081	\$ (128,552)	\$ 185,266	\$ (118,135)
Decrease (increase) in contracts in progress	22,731	94,647	186,346	(48,261)
Increase (decrease) in trade and other payables	(59,763)	182,199	(526,251)	11,930
Increase (decrease) in downpayments on contracts	(58,262)	(3,498)	(72,119)	132,243
Increase (decrease) in deferred revenues	1,060	17,826	(20,800)	(120,824)
Net change in non-cash working capital items	\$ (58,153)	\$ 162,622	\$ (247,558)	\$ (143,047)

B) INTEREST PAID AND INCOME TAXES PAID

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

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2009	2008	2009	2008
Interest paid:				
From ICI	\$ 35,149	\$ 26,434	\$ 109,551	\$ 91,570
From other activities	1,337	461	10,033	10,112
	\$ 36,486	\$ 26,895	\$ 119,584	\$ 101,682
Income taxes paid	\$ 15,860	\$ 12,604	\$ 30,285	\$ 186,497

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)	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2009	2008	2009	2008
Weighted average number of outstanding shares – basic	151,073	150,901	151,042	150,925
Dilutive effect of stock options	1,194	617	950	1,340
Weighted average number of outstanding shares – diluted	152,267	151,518	151,992	152,265

In 2009, 1,287,917 outstanding stock options have not been included in the computation of diluted earnings per share because they were anti-dilutive (2008: 1,312,000 outstanding stock options).

9. STOCK OPTION COMPENSATION

The stock option compensation cost recorded as an expense in the fourth quarter and year ended December 31, 2009 was \$2.1 million (2008: \$1.7 million) and \$11.8 million (2008: \$9.6 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:

	FOURTH QUARTER ^(*)		YEAR ENDED DECEMBER 31	
	2009	2008	2009	2008
Risk-free interest rate	–	1.51%	1.86%	2.79%
Expected stock price volatility	–	33.45%	35.21%	25.90%
Expected option life	–	4 years	4 years	4 years
Expected dividend yield	–	1.00%	1.00%	1.00%

(*) There are no figures for the fourth quarter 2009 as no stock options were granted to employees during this period.

During the fourth quarter 2009, no stock options were granted to employees (fourth quarter 2008: 15,000 stock options with a weighted average fair value of \$9.67 per stock option). For the year ended December 31, 2009, the Company granted 1,426,795 stock options (2008: 1,382,500 stock options) to employees with a weighted average fair value of \$9.21 per stock options (2008: \$10.33 per stock option).

As at December 31, 2009, 5,073,954 stock options were outstanding (December 31, 2008: 4,319,100 stock options were outstanding), while 1,629,891 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 expenses 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 \$3.6 million for the fourth quarter of 2009 (fourth quarter of 2008: \$4.1 million) and \$13.3 million for year ended December 31, 2009 (2008: \$12.9 million).

11. RELATED PARTY TRANSACTIONS

In the normal course of its 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 fourth quarter of 2009 and the year ended December 31, 2009, SNC-Lavalin recognized revenues of \$92.7 million (fourth quarter of 2008: \$157.3 million) and \$416.6 million (year ended December 31, 2008: \$660.1 million), respectively, from contracts with the ICI accounted for by the equity method.

SNC-Lavalin's trade and other receivables from these ICI accounted for by the equity method amounted to \$102.7 million as at December 31, 2009 (December 31, 2008: \$116.8 million) while SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was \$74.2 million at December 31, 2009 (December 31, 2008: \$50.3 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.