SNC • LAVALIN

Q1

Interim Consolidated Financial Statements (unaudited)

As at and for the three-month period ended
March 31, 2010 and 2009

SNC-LAVALIN GROUP INC.

Consolidated Statements of Income

(UNAUDITED)

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

	Note	THREE MONTHS ENDED MARCH 31 2010	2009
Revenues by activity:			
Services		**$ 457,256**	$ 559,841
Packages		**447,438**	566,826
Operations and Maintenance		**383,212**	409,375
Infrastructure Concession Investments		**98,284**	89,703
		1,386,190	1,625,745
Direct costs of activities		**1,120,336**	1,357,935
Gross margin		**265,854**	267,810
Selling, general and administrative expenses		**133,116**	136,962
Interest and capital taxes	5	**36,658**	26,643
Income before income taxes and non-controlling interest		**96,080**	104,205
Income taxes		**21,576**	24,746
Non-controlling interest		**2,584**	1,974
Net income		**$ 71,920**	$ 77,485
Earnings per share ($)			
Basic		**$ 0.48**	$ 0.51
Diluted		**$ 0.47**	$ 0.51
Weighted average number of outstanding shares (in thousands)	7		
Basic		**150,992**	150,983
Diluted		**152,367**	151,471

See accompanying notes to interim consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Statements of Shareholders' Equity

(UNAUDITED)

THREE MONTHS ENDED MARCH 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT COMMON SHARES)

2010

	SHARE CAPITAL					
	COMMON SHARES (IN THOUSANDS)	AMOUNT	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (1) (NOTE 4)	RETAINED EARNINGS (1)	TOTAL SHAREHOLDERS' EQUITY
Balance at beginning of period	**151,033**	**$ 397,735**	**$ 33,473**	**$ (23,306)**	**$ 1,026,790**	**$ 1,434,692**
Comprehensive income:						
Net income	**–**	**–**	**–**	**–**	**71,920**	**71,920**
Exchange differences on translating self-sustaining foreign operations	**–**	**–**	**–**	**(22,548)**	**–**	**(22,548)**
Net unrealized loss on available-for-sale financial assets (2)	**–**	**–**	**–**	**(540)**	**–**	**(540)**
Net unrealized gain on derivative financial instruments designated as cash flow hedges (3)	**–**	**–**	**–**	**4,326**	**–**	**4,326**
Total comprehensive income						**53,158**
Dividends declared	**–**	**–**	**–**	**–**	**(25,673)**	**(25,673)**
Stock option compensation (Note 8)	**–**	**–**	**7,248**	**–**	**–**	**7,248**
Shares issued under stock option plans	**102**	**3,261**	**(591)**	**–**	**–**	**2,670**
Shares redeemed and cancelled	**(168)**	**(446)**	**–**	**–**	**(8,024)**	**(8,470)**
Balance at end of period	**150,967**	**$ 400,550**	**$ 40,130**	**$ (42,068)**	**$ 1,065,013**	**$ 1,463,625**

THREE MONTHS ENDED MARCH 31
(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 4)	RETAINED EARNINGS (1)	TOTAL SHAREHOLDERS' EQUITY
Balance at beginning of period	151,033	$ 385,651	$ 24,247	$ (101,467)	$ 780,722	$ 1,089,153
Comprehensive income:						
Net income	–	–	–	–	77,485	77,485
Exchange differences on translating self-sustaining foreign operations	–	–	–	738	–	738
Net unrealized gain on available-for-sale financial assets (2)	–	–	–	3,904	–	3,904
Net unrealized gain on derivative financial instruments designated as cash flow hedges (3)	–	–	–	6,890	–	6,890
Total comprehensive income						89,017
Dividends declared	–	–	–	–	(22,649)	(22,649)
Stock option compensation (Note 8)	–	–	4,095	–	–	4,095
Shares issued under stock option plans	91	1,887	(367)	–	–	1,520
Shares redeemed and cancelled	(99)	(254)	–	–	(3,200)	(3,454)
Balance at end of period	151,025	$ 387,284	$ 27,975	$ (89,935)	$ 832,358	$ 1,157,682

(1) Total of accumulated other comprehensive income (loss) and retained earnings was $1,022.9 million at March 31, 2010 (December 31, 2009: $1,003.5 million).

(2) Net of income tax benefit of $0.1 million in the first three months of 2010 (first three months of 2009: $nil).

(3) Net of income tax benefit of $0.7 million in the first three months of 2010 (first three months of 2009: net of income tax expense of $0.5 million).

See accompanying notes to interim consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Balance Sheets

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)	Note	MARCH 31 2010	DECEMBER 31 2009
Assets			
Current			
Cash and cash equivalents		**$ 1,230,916**	$ 1,218,225
Restricted cash		**73 858**	68,185
Trade and other receivables		**1,411,398**	1,480,478
Contracts in progress		**520,818**	513,578
Future income tax asset		**101,943**	112,557
Total current assets		**3,338,933**	3,393,023
Property and equipment:			
From infrastructure concession investments	3	**2,306,522**	2,217,047
From other activities		**108,932**	113,952
Goodwill		**512,103**	520,862
Infrastructure concession investments accounted for by the equity or cost methods	3	**453,348**	469,402
Other non-current assets		**566,238**	491,997
Total assets		**$ 7,286,076**	$ 7,206,283
Liabilities			
Current			
Trade and other payables		**$ 1,615,232**	$ 1,702,034
Downpayments on contracts		**353,788**	397,329
Deferred revenues		**527,886**	505,531
Current portion of long-term debt:			
Recourse		**104,917**	104,874
Non-recourse from infrastructure concession investments	3	**231,321**	139,183
Total current liabilities		**2,833,144**	2,848,951
Long-term debt:			
Recourse		**348,086**	348,048
Non-recourse from infrastructure concession investments	3	**2,067,218**	2,005,485
Future income tax liability		**24,637**	24,408
Other non-current liabilities		**466,615**	464,666
Total liabilities		**5,739,700**	5,691,558
Non-controlling interest		**82,751**	80,033
Shareholders' equity		**1,463,625**	1,434,692
Total liabilities, non-controlling interest and shareholders' equity		**$ 7,286,076**	$ 7,206,283

See accompanying notes to interim consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Statements of Cash Flows

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)	Note	THREE MONTHS ENDED MARCH 31 2010	2009
Operating activities			
Net income		**$ 71,920**	$ 77,485
Items not involving a movement of cash:			
Depreciation of property and equipment and amortization of other non-current assets:			
From infrastructure concession investments		**22,122**	22,706
From other activities		**10,239**	10,015
Future income tax		**11,167**	12,807
Accrued interest expense and fair value adjustment on non-recourse long-term debt from infrastructure concession investments		**1,321**	1,838
Stock option compensation	8	**7,248**	4,095
Loss from infrastructure concession investments accounted for by the equity method		**1,653**	2,516
Non-controlling interest		**2,584**	1,974
Other		**1,288**	1,973
		129,542	135,409
Net change in non-cash working capital items	6	**(27,878)**	(174,500)
		101,664	(39,091)
Investing activities			
Acquisition of property and equipment:			
From infrastructure concession investments		**(116,466)**	(44,081)
From other activities		**(6,113)**	(8,571)
Payments for infrastructure concession investments		**(1,958)**	(32,241)
Acquisition of businesses		**(19,739)**	(5,158)
Change in restricted cash position		**(79,671)**	(65,875)
Other		**(1,480)**	(5,404)
		(225,427)	(161,330)
Financing activities			
Repayment of non-recourse long-term debt from infrastructure concession investments		**(48,953)**	(1,112)
Increase in non-recourse long-term debt from infrastructure concession investments		**201,601**	93,012
Proceeds from exercise of stock options		**2,670**	1,520
Redemption of shares		**(8,470)**	(3,454)
Other		**(1,048)**	(2,207)
		145,800	87,759
Decrease in exchange differences on translating cash and cash equivalents held in self-sustaining foreign operations		**(9,346)**	(3,323)
Net increase (decrease) in cash and cash equivalents		**12,691**	(115,985)
Cash and cash equivalents at beginning of period		**1,218,225**	988,236
Cash and cash equivalents at end of period		**$ 1,230,916**	$ 872,251
Supplementary cash flow information	6		

See accompanying notes to interim consolidated financial statements.

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SNC-Lavalin Group Inc is incorporated under the Canada Business Corporations Act and has its registered office at 455 René-Lévesque Boulevard West, Montreal, Quebec, Canada H2Z 1Z3. Reference to the “Company” or to “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

The Company’s financial statements are prepared in **Canadian dollars** and are in accordance with **Canadian generally accepted accounting principles (“GAAP”)**.

These interim unaudited consolidated financial statements (“interim financial statements”) use the same accounting policies and methods used in the preparation of the Company’s 2009 annual audited consolidated financial statements. All disclosures required for annual audited consolidated financial statements have not been included in these interim financial statements. Therefore, these interim financial statements should be read in conjunction with the Company’s most recent audited annual consolidated financial statements.

In these interim 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 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.

2. SEGMENT DISCLOSURES

	THREE MONTHS ENDED MARCH 31			
	2010		2009	
	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME (LOSS)
Services and Packages				
Infrastructure and Environment	**$ 323,826**	**$ 42,563**	$ 405,070	$ 55,496
Chemicals and Petroleum	**193,787**	**12,479**	236,767	(10,011)
Power	**171,694**	**15,669**	212,798	14,365
Mining and Metallurgy	**149,470**	**11,923**	199,373	26,254
Other Industries	**65,917**	**5,076**	72,659	7,438
Operations and Maintenance	**383,212**	**11,890**	409,375	10,354
ICI	**98,284**	**8,663**	89,703	4,384
	$ 1,386,190	**108,263**	$ 1,625,745	108,280
Reversal of items included above:				
Imputed interest benefit		**(8,873)**		(7,299)
Net interest expense and capital taxes from ICI		**29,769**		26,284
Income taxes from ICI		**949**		1,563
Non-controlling interest before income taxes		**2,630**		2,020
Income before interest, taxes and non-controlling interest		**132,738**		130,848
Interest and capital taxes (Note 5)		**36,658**		26,643
Income before income taxes and non-controlling interest		**96,080**		104,205
Income taxes		**21,576**		24,746
Non-controlling interest		**2,584**		1,974
Net income		**$ 71,920**		$ 77,485

	THREE MONTHS ENDED MARCH 31	
	2010	2009
Supplementary information:		
SNC-Lavalin's net income from ICI		
From Highway 407	**$ 2,109**	$ 1,348
From other ICI	**6,554**	3,036
Net income excluding ICI	**63,257**	73,101
Net income	**$ 71,920**	$ 77,485

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 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.

	MARCH 31 2010	DECEMBER 31 2009
Cash and cash equivalents	**$ 41,724**	$ 42,434
Restricted cash	**48,304**	47,616
Trade and other receivables, contracts in progress and current future income tax asset	**110,953**	96,340
Property and equipment	**2,306,522**	2,217,047
Goodwill	**203,786**	203,786
Other non-current assets	**473,009**	409,903
Total assets	**3,184,298**	3,017,126
Trade and other payables	**176,400**	166,182
Current portion of non-recourse long-term debt	**231,321**	139,183
Non-recourse long-term debt	**2,067,218**	2,005,485
Other non-current liabilities and non-current future income tax liability	**372,590**	378,560
Non-controlling interest	**79,532**	76,852
Total liabilities and non-controlling interest	**2,927,061**	2,766,262
Net book value of ICI accounted for by the full or proportionate consolidation methods	**257,237**	250,864
Net book value of ICI accounted for by the equity method	**179,907**	194,559
Net book value of ICI accounted for by the cost method	**273,441**	274,843
Net book value of ICI accounted for by the equity or cost methods as shown on balance sheet	**453,348**	469,402
Net book value of total ICI	**$ 710,585**	$ 720,266

3. INFRASTRUCTURE CONCESSION INVESTMENTS (CONTINUED)

CHINOOK ROADS PARTNERSHIP

At the end of March 2010, Chinook Roads Partnership ("Chinook"), an entity accounted for by the proportionate consolidation method in which SNC-Lavalin holds a 50% equity interest, entered into a contract with Alberta Transportation to design, build, operate, maintain and partially finance the southeast section of Calgary's Stoney Trail Ring Road.

Under this public-private partnership contract, Chinook will design and build 25 kilometres of six-lane road including nine interchanges, one road flyover, two rail flyovers and 27 bridge structures. Once completed, Chinook will operate and maintain the road and other existing infrastructure until 2043.

Upon signing the contract with Alberta Transportation, Chinook subcontracted the engineering, procurement and construction ("EPC") and the operations and maintenance ("O&M") work to joint ventures 50% owned by SNC-Lavalin.

Also at the end of March 2010, Chinook obtained project financing, which is non-recourse to SNC-Lavalin, for which SNC-Lavalin's proportionate share represents approximately $75 million and which is presented as non-recourse long-term debt from ICI.

4. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

		MARCH 31 2010		DECEMBER 31 2009
Accumulated exchange differences on translating self-sustaining foreign operations	**$**	**(31,840)**	$	(9,292)
Accumulated net unrealized loss on available-for-sale financial assets		**(2,435)**		(1,895)
Accumulated net unrealized loss on derivative financial instruments designated as cash flow hedges		**(7,793)**		(12,119)
Accumulated other comprehensive loss	**$**	**(42,068)**	$	(23,306)

For the three-month periods ended March 31, 2010 and 2009, no amounts were reclassified to net income for accumulated exchange differences on translating self-sustaining foreign operations and for available-for-sale financial assets. 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.

5. **INTEREST AND CAPITAL TAXES**

	THREE MONTHS ENDED MARCH 31	
	2010	2009
Interest revenues:		
From ICI	**$ (155)**	$ (571)
From other activities	**(803)**	(1,952)
Interest on long-term debt:		
Recourse	**7,470**	2,045
Non-recourse from ICI	**30,163**	27,587
Capital taxes and other:		
From ICI	**(239)**	(732)
From other activities	**222**	266
Interest and capital taxes	**$ 36,658**	$ 26,643

6. **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:

	THREE MONTHS ENDED MARCH 31	
	2010	2009
Decrease (increase) in trade and other receivables	**$ 55,282**	$ (14,734)
Increase in contracts in progress	**(13,299)**	(38,905)
Decrease in trade and other payables	**(57,932)**	(71,355)
Decrease in downpayments on contracts	**(40,559)**	(53,747)
Increase in deferred revenues	**28,630**	4,241
Net change in non-cash working capital items	**$ (27,878)**	$ (174,500)

B) INTEREST PAID AND INCOME TAXES PAID

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

	THREE MONTHS ENDED MARCH 31	
	2010	2009
Interest paid:		
From ICI	**$ 20,845**	$ 20,236
From other activities	**15,355**	4,246
	$ 36,200	$ 24,482
Income taxes paid	**$ 19,857**	$ 27,734

7. 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)	THREE MONTHS ENDED MARCH 31	
	2010	2009
Weighted average number of outstanding shares – basic	**150,992**	150,983
Dilutive effect of stock options	**1,375**	488
Weighted average number of outstanding shares – diluted	**152,367**	151,471

In the three-month period ended March 31, 2010, 1,099,500 outstanding stock options have not been included in the computation of diluted earnings per share because they were anti-dilutive (three-month period ended March 31, 2009: 2,440,950 outstanding stock options).

8. STOCK OPTION COMPENSATION

The stock option compensation cost recorded as an expense in the first three months of 2010 was $7.2 million (first three months of 2009: $4.1 million). The following table presents the weighted average assumptions used to determine the stock option compensation cost, using the Black-Scholes option pricing model:

	THREE MONTHS ENDED MARCH 31	
	2010	2009
Risk-free interest rate	**2.47%**	1.73%
Expected stock price volatility	**36.65%**	35.15%
Expected option life	**4 years**	4 years
Expected dividend yield	**1.00%**	1.00%

During the first three months of 2010, 1,098,500 stock options (first three months of 2009: 1,051,437 stock options) were granted to employees with a weighted average fair value of $15.49 per stock option (first three months of 2009: $8.70 per stock option). The exercise price of all options granted in 2010 and 2009 was determined on the sixth trading day (the "measurement date") following the award, as the greater of i) the average closing price for the five trading days preceding the measurement date; and ii) the closing price on the first trading day immediately preceding the measurement date. Based on such provision, the exercise price of all options granted in the first three months of 2010 was greater than the share's market price at the date of the award, which was also the case in the first three months of 2009.

As at March 31, 2010, 6,040,893 stock options were outstanding (December 31, 2009: 5,073,954 stock options), while 534,516 stock options remained available for future grants (December 31, 2009: 1,629,891 stock options) under the Company's 2009 Stock Option Plan.

9. 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 $2.2 million for the first three months of 2010 (first three months of 2009: $3.2 million).

10. **RELATED PARTY TRANSACTIONS**

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

For the first three months of 2010, SNC-Lavalin recognized revenues of $38.5 million (first three months of 2009: $116.6 million) from contracts with 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 $11.3 million as at March 31, 2010 (December 31, 2009: $102.7 million), while SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was $71.7 million at March 31, 2010 (December 31, 2009: $74.2 million).

All of these related party transactions are measured at the exchange amount agreed upon by the related parties, which corresponds to fair value.

www.snclavalin.com

SNC-LAVALIN
455 René-Lévesque Blvd.
West
Montreal, Quebec
H2Z 1Z3 Canada
Tel.: 514-393-1000
Fax: 514-866-0795