MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited consolidated financial statements ("financial statements") of SNC-Lavalin Group Inc. and all the information in this financial report are the responsibility of management and are approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it considers most appropriate for the circumstances.

The significant accounting policies used are described in Note 2 to the financial statements. Certain amounts in the financial statements are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the financial report and has ensured that it is consistent with that in the financial statements.

The Company's Chief Executive Officer and Chief Financial Officer are responsible for having established and maintaining disclosure controls and procedures and internal control over financial reporting. They have evaluated disclosure controls and procedures and internal control over financial reporting at the financial year end and have concluded that such controls and procedures are effective.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors, and all of its members are independent directors. The Audit Committee meets periodically with management, as well as with the internal and external auditors, to discuss disclosure controls and procedures, internal controls over financial reporting, management information systems, accounting policies, auditing and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the financial statements, the Management's Discussion and Analysis and the external auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the external auditors, and reviews and approves the terms of their engagement as well as the fee, scope and timing of their services.

The financial statements have been audited, on behalf of the shareholders, by Deloitte & Touche LLP, the external auditors, in accordance with Canadian generally accepted auditing standards. The external auditors have full and free access to the Audit Committee and may meet with or without the presence of management.

Pierre Duhaime

PIERRE DUHAIME
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Gilles Laramée

GILLES LARAMÉE
EXECUTIVE VICE-PRESIDENT AND
CHIEF FINANCIAL OFFICER

MONTREAL, CANADA
FEBRUARY 23, 2010

AUDITORS' REPORT

To the shareholders of SNC-Lavalin Group Inc.

We have audited the consolidated balance sheets of SNC-Lavalin Group Inc. as at December 31, 2009 and 2008 and the consolidated statements of income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of SNC-Lavalin Group Inc. as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP[1]

CHARTERED ACCOUNTANTS

MONTREAL, CANADA
FEBRUARY 23, 2010

(1) Chartered accountant auditor permit No. 18190

CONSOLIDATED FINANCIAL STATEMENTS

SNC-Lavalin Group Inc.

CONSOLIDATED STATEMENTS OF INCOME

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND SHARES)	NOTE	2009	2008
Revenues by activity:			
Services		**$ 2,221,410**	$ 2,305,393
Packages		**2,202,162**	3,229,444
Operations and Maintenance		**1,297,905**	1,225,012
Infrastructure Concession Investments		**380,260**	347,020
		6,101,737	7,106,869
Direct costs of activities		**4,950,642**	6,094,004
Gross margin		**1,151,095**	1,012,865
Selling, general and administrative expenses		**545,604**	515,199
Interest and capital taxes	17	**128,238**	94,471
Income before income taxes and non-controlling interest		**477,253**	403,195
Income taxes	19	**108,141**	85,114
Non-controlling interest		**9,718**	5,561
Net income		**$ 359,394**	$ 312,520
Earnings per share ($)			
Basic		**$ 2.38**	$ 2.07
Diluted		**$ 2.36**	$ 2.05
Weighted average number of outstanding shares (in thousands)	15E		
Basic		**151,042**	150,925
Diluted		**151,992**	152,265

See accompanying notes to consolidated financial statements.

SNC-Lavalin Group Inc.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

2009

	SHARE CAPITAL					
	COMMON SHARES (IN THOUSANDS)	AMOUNT	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (NOTE 16) (1)	RETAINED EARNINGS (1)	TOTAL SHAREHOLDERS' EQUITY
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 15B)	**–**	**–**	**11,809**	**–**	**–**	**11,809**
Shares issued under stock option plans (Note 15B)	**539**	**13,503**	**(2,583)**	**–**	**–**	**10,920**
Shares redeemed and cancelled (Note 15D)	**(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					
	COMMON SHARES (IN THOUSANDS)	AMOUNT	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (NOTE 16) (1)	RETAINED EARNINGS (1)	TOTAL SHAREHOLDERS' EQUITY
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 2A)	–	–	–	–	(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 15B)	–	–	9,605	–	–	9,605
Shares issued under stock option plans (Note 15B)	928	20,761	(3,992)	–	–	16,769
Shares redeemed and cancelled (Note 15D)	(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 consolidated financial statements.

SNC-Lavalin Group Inc.

CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	NOTE	**2009**	2008
Assets			
Current			
Cash and cash equivalents	7A	**$ 1,218,225**	$ 988,236
Restricted cash	7B	**68,185**	59,997
Trade and other receivables	8	**1,480,478**	1,675,170
Contracts in progress	2G	**513,578**	707,994
Future income tax asset	19	**112,557**	121,026
Total current assets		**3,393,023**	3,552,423
Property and equipment:			
From infrastructure concession investments	4, 9	**2,217,047**	1,750,690
From other activities	9	**113,952**	123,356
Goodwill	10	**520,862**	496,147
Infrastructure concession investments accounted for by the equity or cost methods	4	**469,402**	343,379
Future income tax asset	19	**–**	81,095
Other non-current assets	11	**491,997**	424,448
Total assets		**$ 7,206,283**	$ 6,771,538
Liabilities			
Current			
Trade and other payables	12	**$ 1,702,034**	$ 2,260,670
Downpayments on contracts	2M	**397,329**	473,199
Deferred revenues	2N	**505,531**	536,394
Current portion of long-term debt:			
Recourse	13	**104,874**	–
Non-recourse from infrastructure concession investments	13	**139,183**	5,764
Total current liabilities		**2,848,951**	3,276,027
Long-term debt:			
Recourse	13	**348,048**	104,709
Non-recourse from infrastructure concession investments	4, 13	**2,005,485**	2,003,303
Future income tax liability	19	**24,408**	–
Other non-current liabilities	14	**464,666**	230,614
Total liabilities		**5,691,558**	5,614,653
Non-controlling interest	1B	**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 2A).

See accompanying notes to consolidated financial statements.

Approved, on behalf of the Board of Directors, by:

PIERRE DUHAIME
DIRECTOR

DAVID GOLDMAN
DIRECTOR

SNC-Lavalin Group Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	NOTE	**2009**	2008
Operating activities			
Net income		**$ 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		**86,626**	88,098
From other activities		**43,452**	41,947
Future income tax (benefit)	19	**89,136**	(19,089)
Accrued interest expense and fair value adjustment on non-recourse long-term debt from infrastructure concession investments		**20,287**	10,583
Stock option compensation	15B	**11,809**	9,605
Loss (income) from infrastructure concession investments accounted for by the equity method		**(2,222)**	3,219
Non-controlling interest		**9,718**	5,561
Other		**3,012**	881
Dividends and distributions received from infrastructure concession investments accounted for by the equity method	4B	**24,836**	2,999
		646,048	456,324
Net change in non-cash working capital items	18	**(247,558)**	(143,047)
		398,490	313,277
Investing activities			
Acquisition of property and equipment:			
From infrastructure concession investments		**(274,085)**	(193,489)
From other activities		**(32,445)**	(46,348)
Payments for infrastructure concession investments	4C	**(130,924)**	(25,924)
Increase in loan to Project Operator of Ambatovy project	4C	**(39,585)**	(6,565)
Acquisition of businesses	5	**(18,392)**	(38,582)
Change in restricted cash position		**(4,098)**	6,007
Other		**(12,918)**	(5,987)
		(512,447)	(310,888)
Financing activities			
Repayment of non-recourse long-term debt:			
From infrastructure concession investments		**(272,487)**	(187,483)
From other activities		**–**	(25,812)
Increase in long-term debt:			
Recourse		**348,600**	–
Non-recourse from infrastructure concession investments		**388,059**	215,219
Proceeds from exercise of stock options		**10,920**	16,769
Redemption of shares	15D	**(24,108)**	(47,196)
Dividends paid to Company shareholders		**(90,637)**	(72,471)
Other		**(4,176)**	(17,125)
		356,171	(118,099)
Increase (decrease) in exchange differences on translating cash and cash equivalents held in self-sustaining foreign operations		**(12,225)**	15,330
Net increase (decrease) in cash and cash equivalents		**229,989**	(100,380)
Cash and cash equivalents at beginning of year		**988,236**	1,088,616
Cash and cash equivalents at end of year		**$ 1,218,225**	$ 988,236
Supplementary cash flow information	18		

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

SNC-LAVALIN GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008
(TABULAR FIGURES IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

1 Description of Business and Basis of Presentation

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) DESCRIPTION OF BUSINESS

The Company provides engineering and construction, and operations and maintenance expertise through its network of offices located across Canada and in over 35 other countries, and is currently working on projects around the world. SNC-Lavalin also makes selective investments in infrastructure concessions that are complementary to its other activities.

The Company reports its revenues under **four categories of activities**, which are as follows:

> **Services:** includes contracts in which SNC-Lavalin provides engineering services, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management and commissioning.

Services revenues are derived primarily from cost-plus reimbursable contracts.

> **Packages:** includes contracts in which SNC-Lavalin takes the responsibility not only for providing one or more of the Services activities listed above, but also undertakes the responsability for providing materials/equipment and/or construction activities.

Packages revenues are derived primarily from fixed-price contracts.

> **Operations and Maintenance:** consists of providing operations, maintenance and logistics solutions for buildings, power plants, water supply and treatment systems, postal services, broadcasting facilities, highways, bridges, light rail transit systems, airports, military and construction camps, and ships.

Operations and Maintenance revenues are derived primarily from cost reimbursable with a fixed-fee contracts and from fixed-price contracts.

> **Infrastructure Concession Investments ("ICI"):** regroups SNC-Lavalin's investments in infrastructure concessions. SNC-Lavalin makes selective investments for which its technical, engineering, project construction and management, construction, and operations and maintenance expertise, along with its experience in arranging project financing, represent a distinct advantage.

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

B) BASIS OF PRESENTATION

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

PRINCIPLES OF CONSOLIDATION

The 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.

1 Description of Business and Basis of Presentation (continued)

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT APPLIED

The preparation of the Company's financial statements in conformity with Canadian GAAP requires management to apply judgment when making estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses of the reporting period, as well as disclosures made in these accompanying notes to the financial statements. The estimates and associated assumptions are based on past experience and other factors that are considered relevant. Actual results could differ from these estimates. The Company's critical accounting estimates include, among others, estimates related to revenue recognition, mainly on the determination of appropriate anticipated costs and revenues on fixed-price contracts and on items such as claims and change orders, as well as estimates related to measurement of financial instruments, long-lived assets, goodwill impairment, pension plans, stock option compensation and income taxes.

2 Summary of Significant Accounting Policies

A) 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.

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 Summary of Significant Accounting Policies (continued)

B) FOREIGN CURRENCY TRANSLATION

Self-sustaining foreign operations are accounted for using the current rate method. Under this method, assets and liabilities are translated into Canadian dollars using the exchange rate in effect at the consolidated balance sheet date, and revenues and expenses are translated at the average rates for the year. Foreign exchange gains or losses on translation of SNC-Lavalin's net equity investment in these operations are included as part of shareholders' equity, under "Accumulated other comprehensive income (loss)", which has no impact on the consolidated statements of income until the Company reduces its net equity investments in these foreign operations.

Integrated foreign operations and foreign currency transactions of Canadian operations are accounted for by translating i) monetary items into Canadian dollars using the exchange rate in effect at the consolidated balance sheet date; ii) non-monetary items using the historical exchange rate; and iii) revenues and expenses using the average monthly exchange rates for the year. Any resulting gains or losses are charged to income and, if hedged, offsetting losses or gains from the hedging items are also charged to income.

C) REVENUE RECOGNITION

REVENUES FROM SERVICES, PACKAGES, AND OPERATIONS AND MAINTENANCE ACTIVITIES

Revenues from **Services**, **Packages**, and **Operations and Maintenance** activities are recognized based on the nature of the contract, which are mainly as follows:

> **Services and Packages: Cost-plus reimbursable contract** revenues are recognized as costs are incurred, and include applicable fees earned as services are provided. **Fixed-price contract** revenues are recorded on the percentage-of-completion basis over the duration of the contract, which consists of recognizing revenue on a given contract proportionately with its percentage of completion at any given time. The percentage of completion is determined by dividing the cumulative costs incurred as at the balance sheet date by the sum of incurred costs and anticipated costs for completing a contract.

> **Operations and Maintenance:** The fixed-fee revenue portion from **cost reimbursable with a fixed-fee contracts** is recognized on a straight-line basis over the term of the contract, while the revenues from the cost-reimbursable portion are recognized as costs are incurred. Revenues on **fixed-price contracts** are recognized based on the stage of completion of the contract activity which involves taking the costs incurred as at the balance sheet date and dividing by the estimated total costs for the activity. This measure of progress is then applied to the related anticipated revenue, resulting in recognizing revenue proportionately with the stage of completion at any given time.

For fixed-price contracts in all of the above-mentioned activities, the cumulative effect of changes to anticipated costs and anticipated revenues for completing a contract are recognized in the period in which the revisions are identified. In the event that the total anticipated costs exceed the total anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known. SNC-Lavalin has numerous contracts that are in various stages of completion. Estimates are required to determine the appropriate anticipated costs and revenues. Anticipated revenues on contracts may include future revenues from claims and unapproved change orders, if such additional revenues can be reliably estimated and it is considered probable that they will be recovered. Such additional revenues are limited to the costs related to the claims or unapproved change orders. Revenues from performance incentives are recognized when specific indicators have been met and collection is reasonably assured.

In all cases, the value of services, construction activities, material and equipment purchased by SNC-Lavalin, when acting as purchasing agent for a client, is not recorded as revenue.

REVENUES FROM ICI

Revenues from **ICI** regroup the following:

ACCOUNTING METHOD FOR ICI	REVENUES INCLUDED IN THE COMPANY'S CONSOLIDATED INCOME STATEMENT
Full consolidation	**Revenues** that are recognized and reported by the ICI
Proportionate consolidation	SNC-Lavalin's **share of revenues** that are generated and reported by the ICI
Equity method	SNC-Lavalin's **share of net results** of the ICI
Cost method	**Dividends and distributions** from the ICI

2 Summary of Significant Accounting Policies (continued)

MULTIPLE REVENUE CATEGORY CONTRACTUAL ARRANGEMENTS

SNC-Lavalin may enter into contractual arrangements with a client to deliver activities on one project which span more than one of the following categories: Services or Packages, and/or Operations and Maintenance, and/or ICI. When entering into such arrangements, the Company assesses each activity based on its fair value or on the best estimate of selling price. Accordingly, when such arrangements exist on the same project, the value of each revenue category is based on the fair value of each related activity and recognized according to the respective revenue recognition methods described above.

D) FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES

Financial instruments are contracts that give rise to a financial asset or a financial liability. Unless specifically covered by another accounting policy, the measurement of financial assets and financial liabilities is based on their classification, which under Canadian GAAP are one of the following for SNC-Lavalin:

CATEGORY	APPLICABLE TO	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT	RECOGNITION OF INCOME/ EXPENSE AND GAINS/LOSSES ON REMEASUREMENT, IF ANY
Held for trading	Financial assets and financial liabilities	Transaction price. Includes transaction costs for assets only	Fair value	All recognized in net income
Available-for-sale	Financial assets	Transaction price including transaction costs	Cost for equity instruments that do not have a quoted market price in an active market, otherwise fair value derived from published bid price quotations for identical assets	Investment income, which includes interest, dividends or distributions, is recognized in net income. Gains/losses from revaluation are recognized in other comprehensive income until assets are disposed of or impaired, at which time the gains/losses are recognized in net income
Loans and receivables	Financial assets	Transaction price	Amortized cost using the effective interest method	All recognized in net income
Other financial liabilities	Financial liabilities	Transaction price including transaction costs		

DERIVATIVE FINANCIAL INSTRUMENTS USED FOR HEDGE ACCOUNTING

SNC-Lavalin enters into derivative financial instruments, namely i) forward exchange contracts to hedge its exposure to fluctuations in foreign currency exchange rates on projects; and ii) interest-rate swaps and bond forwards to hedge the variability of interest rates relating to financing arrangements. SNC-Lavalin formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking these hedge transactions, and regularly assesses the effectiveness of these hedges. As such, all the derivative financial instruments described above qualify for hedge accounting, are accounted for as cash flow hedges and are measured at fair value. The Company does not enter into derivative financial instruments for speculative purposes.

Derivative financial instruments designated as cash flow hedges are measured at fair value established by using valuation techniques based on observable market data and taking into account the credit quality of the instruments. The effective portion of the change in fair value of the derivative financial instruments is recorded in other comprehensive income, while the ineffective portion, if any, of such change is recognized in net income. Gains or losses from cash flow hedges included in accumulated other comprehensive income are reclassified to net income as an offset to the losses or gains recognized on the underlying hedged items.

2 Summary of Significant Accounting Policies (continued)

E) CASH EQUIVALENTS

Cash equivalents include short-term liquid investments that are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are designated as held for trading and accounted for at fair value.

F) RESTRICTED CASH

Restricted cash includes cash and cash equivalents, primarily from ICI that are consolidated or proportionally consolidated, for which the use is restricted for specific purposes under certain arrangements, mainly from financing agreements. Restricted cash that is not expected to become unrestricted within the next twelve months is included in “Other non-current assets” (Note 11). Restricted cash is designated as held for trading and accounted for at fair value.

G) CONTRACTS IN PROGRESS

Contracts in progress consist of revenues recognized by the Company as work is performed, in accordance with the revenue recognition method applied, in excess of amounts billed to clients and are recorded at their estimated realizable value.

H) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is recorded at rates set to charge operations with the cost of depreciable assets over their estimated useful lives.

FROM ICI

Property and equipment from ICI that are accounted for by the full or proportionate consolidation methods are primarily:

ICI	CATEGORY	DEPRECIATION METHOD	DEPRECIATION PERIOD
AltaLink	Transmission assets	Straight-line	30 to 40 years
Highway 407	Toll highway	On a usage basis using actual Vehicle Kilometres Travelled (VKT) compared to projected VKT for each significant component part	Corresponds to a weighted average period of 90 years
	Toll equipment	Straight-line	10 years
Okanagan Lake Concession	William R. Bennett Bridge	Straight-line	27 years

FROM OTHER ACTIVITIES

Property and equipment used for Services, Packages, and Operations and Maintenance activities are primarily:

CATEGORY	DEPRECIATION METHOD	DEPRECIATION PERIOD
Buildings and surface installations	Straight-line	25 to 40 years
	Diminishing balance	5%
Computer equipment	Straight-line	2 years
Office furniture	Diminishing balance	20%

I) IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets, mainly property and equipment from ICI, are tested for recoverability whenever events or changes in circumstances indicate that an asset’s carrying amount may not be recoverable. An impairment loss, if any, is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value.

2 Summary of Significant Accounting Policies (continued)

J) GOODWILL

Goodwill represents the excess of the purchase price of an acquired enterprise over the fair value assigned to assets acquired and liabilities assumed. Goodwill is assessed for impairment at least annually, or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. The assessment of impairment is based on fair values derived from certain valuation models, which may consider various factors such as normalized and estimated future earnings, price earnings multiples, terminal values and discount rates. The Company has designated October 31 as the date for the annual impairment test. As at October 31, 2009, date of the last impairment test, goodwill was not considered to be impaired.

K) CONCESSION RIGHT

Concession right relates to SNC-Lavalin's proportionate share of its investment in the Highway 407 concession. The concession right is included in "Other non-current assets" (Note 11) and amortized under the usage method based on projected revenues over 99 years to reflect the duration of the Highway 407 Concession and Ground Lease Agreement with the Province of Ontario.

L) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred, except if the costs are related to the development and setup of new products, processes and systems and satisfy generally recognized conditions for capitalization, including reasonable assurance that they will be recovered. All capitalized development costs are amortized when commercial production begins, using the straight-line method over a period not exceeding three years. An impairment loss, if any, is recognized in the period it occurs.

M) DOWNPAYMENTS ON CONTRACTS

Downpayments on contracts are contractually agreed advance payments made by clients that are deducted from future billings to such clients as work is performed.

N) DEFERRED REVENUES

Deferred revenues consist of amounts billed to clients in excess of revenue recognized according to the corresponding revenue recognition method. A given project may present an amount in either deferred revenues, as described above, or in contracts in progress, which consist of revenue recognized in excess of amounts billed to clients and therefore represents the opposite of deferred revenues, but not both.

O) ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations relate to SNC-Lavalin's investment in AltaLink. The fair value of liabilities for asset retirement obligations is recognized by AltaLink in the period they are incurred, with a corresponding increase to the carrying amount of the related asset. The amount of the liability is subject to re-measurement at each reporting period and is accreted over the estimated time period until settlement of the obligation.

P) INCOME TAXES

The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. Future income tax assets also reflect the benefit of unutilized tax losses that can be carried forward to reduce income taxes in future years.

Future income tax assets and liabilities are measured based upon substantively enacted tax rates that are expected to be in effect for the years in which the temporary differences are expected to reverse and the tax losses are projected to be used. In all cases, future income tax assets are recognized only to the extent that it is more likely than not that they will be realized.

2 Summary of Significant Accounting Policies (continued)

Q) PENSION PLANS AND OTHER POST-RETIREMENT BENEFITS

Defined benefit pension plans and other post-retirement benefits obligations are included in "Other non-current liabilities" (Note 14) and have been determined using the projected benefit method. In valuing the defined benefit cost as well as other post-retirement benefits, assumptions are based on management's best estimates, except for the discount rate where the Company uses the market interest rate at the measurement date based on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

Current service costs are expensed in the year. In accordance with Canadian GAAP, past service costs and net actuarial gains or losses related to defined benefit pension plans and post-retirement benefit plans are amortized by individual pension plans using the straight-line method over periods ranging from one to five years, not exceeding the expected average remaining service period of active employees for each plan. For the purpose of calculating the expected return on plans' assets, such assets are valued at fair value.

R) SELLING EXPENSES

All costs related to contract proposals are expensed as incurred.

S) EARNINGS PER SHARE

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

T) STOCK OPTION COMPENSATION

Stock option compensation is expensed using the fair value method. The estimated fair value of the options is determined using the Black-Scholes option pricing model. The Company determines the fair value of stock options on their measurement date and charges this amount to income as a compensation cost over the shorter of the vesting period of the stock options or the term over which an employee becomes eligible to retire, with an equivalent increase to contributed surplus.

U) FUTURE CHANGES TO ACCOUNTING STANDARDS

BUSINESS COMBINATIONS, CONSOLIDATED FINANCIAL STATEMENTS AND NON-CONTROLLING INTERESTS

In 2009, the CICA issued the following new Handbook Sections:

> Section 1582, "Business Combinations";

> Section 1601, "Consolidated Financial Statements"; and

> Section 1602, "Non-controlling Interests".

Section 1582, which replaces the former Section 1581, requires all business combinations to be accounted for by applying the acquisition method. Under this method, assets acquired and liabilities assumed are measured at their full fair value at the date of acquisition, unless another standard requires otherwise. Section 1582 provides the option of accounting for non-controlling interest at either fair value, or at the non-controlling interest's proportionate share of the identifiable net assets acquired. Acquisition costs associated with a business combination are to be expensed in the periods in which they are incurred. Section 1601 carries forward the standards for the preparation of consolidated financial statements of former Section 1600, while Section 1602 requires non-controlling interests to be reported as a separate component of equity, with net income calculated without deduction for non-controlling interests. The new standards require consolidated net income to be allocated between controlling and non-controlling interest.

These three new sections are to be implemented concurrently and applied prospectively to all business combinations for which the acquisition date is on or after January 1, 2011, with early adoption permitted. The Company intends to adopt new guidance on these topics upon transition to International Financial Reporting Standards ("IFRS").

2 Summary of Significant Accounting Policies (continued)

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS IN CANADA

In October 2009, the Canadian Accounting Standards Board ("AcSB") reconfirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to IFRS, as issued by the International Accounting Standards Board ("IASB"). Accordingly, the Company will issue its last financial statements prepared in accordance with Canadian GAAP in 2010. Starting from the first quarter of 2011, the Company's financial statements will be prepared in accordance with IFRS in effect in 2011, with 2010 comparative figures and January 1, 2010 ("date of transition") opening balance sheet restated to conform with such IFRS, along with reconciliations from Canadian GAAP to IFRS, as per the guidance provided in IFRS 1, *First-Time Adoption of International Financial Reporting Standards*.

As part of its transition to IFRS, the Company is currently evaluating the impact of adopting IFRS on its financial statements.

3 Segment Disclosures

The Company's results are analyzed by segment. The segments regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated:

i) Services and Packages activities relate to engineering and construction operations and are presented in the way management performance is assessed by regrouping its projects within the industries they are executed for, and are as follows:

- Infrastructure and Environment includes a full range of infrastructure projects, including airports, bridges, buildings, seaports, marine and ferry terminals, flood control systems, healthcare facilities, mass transit systems, railways, roads, and water treatment and distribution infrastructure and facilities for public and private sectors, as well as environment projects, including impact assessments and studies, site assessments, remediation and reclamation, ecological and human health risk assessments, waste management, and water and wastewater, marine and coastal management, air quality and acoustics, environmental management, climate change, institutional strengthening and rural development.
- Power includes projects in hydro, nuclear and thermal power generation, transmission and distribution, as well as in energy control systems.
- Chemicals and Petroleum includes projects in gas processing, heavy and conventional oil production, onshore and offshore oil and gas, liquefied natural gas ("LNG"), coal to liquid gas, carbon capture, transportation and sequestration, pipelines, terminals and pump stations, refining and upgrading, bitumen production, biofuels, petrochemicals, and chemicals.
- Mining and Metallurgy includes a full range of services for all mineral and metal recovery processes, including mine development, mineral processing, smelting, refining, mine closure and reclamation, and fertilizers.
- Other Industries combines projects in several industry sectors, namely agrifood, pharmaceuticals and biotechnology, sulphuric acid as well as projects related to other industrial facilities not already identified as part of any other segment above.

ii) Operations and Maintenance consists of providing operations, maintenance and logistics solutions for buildings, power plants, water supply and treatment systems, postal services, broadcasting facilities, highways, bridges, light rail transit systems, airports, military and construction camps, and ships.

iii) Infrastructure Concession Investments ("ICI") regroups SNC-Lavalin's investments in infrastructure concessions, for which further details are provided in Note 4.

The accounting policies for the segments are the same as those described in the Summary of Significant Accounting Policies (Note 2) except for imputed interest calculated on non-cash working capital position. The Company evaluates segment performance, except for the ICI segment, using operating income net of imputed interest and corporate general and administrative expenses. Imputed interest is allocated monthly to these segments at a rate of 10% per year resulting in a cost or revenue depending on whether the segment's current assets exceed current liabilities or vice versa, while corporate general and administrative expenses are allocated based on the gross margin of each of these segments. Corporate income taxes are not allocated to these segments.

3 Segment Disclosures (continued)

The Company evaluates the ICI segment performance using: i) dividends or distributions received from investments accounted for by the cost method; ii) SNC-Lavalin's share of the net income of its investments accounted for by the equity method; iii) SNC-Lavalin's share of the net income of its investments accounted for by the proportionate consolidation method; iv) net income from investments accounted for by the full consolidation method, less the portion attributable to non-controlling interest; and v) any adjustment to eliminate intercompany profits from transactions with ICI. In the case of ICI for which income taxes are payable by the investor, such as investments in limited partnerships in Canada, corporate income taxes are allocated based on SNC-Lavalin's tax rate for such investments. Accordingly, the operating income from ICI is reported net of income taxes and intercompany profit eliminations and represents SNC-Lavalin's net income from its ICI.

The following table presents revenues and operating income according to the Company's segments:

YEAR ENDED DECEMBER 31	2009		2008	
	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME (LOSS)
Services and Packages				
Infrastructure and Environment	**$ 1,602,629**	**$ 212,893**	$ 1,700,445	$ 113,056
Power	**921,851**	**88,008**	1,176,155	(24,401)
Chemicals and Petroleum	**829,442**	**21,040**	1,416,746	104,438
Mining and Metallurgy	**764,652**	**72,194**	858,969	116,991
Other Industries	**304,998**	**40,649**	382,522	46,770
Operations and Maintenance	**1,297,905**	**32,458**	1,225,012	25,409
ICI	**380,260**	**36,884**	347,020	37,173
	$ 6,101,737	**504,126**	$ 7,106,869	419,436
Reversal of items included above:				
Imputed interest benefit		**(29,175)**		(35,661)
Net interest expense and capital taxes from ICI		**112,257**		108,149
Income taxes from ICI		**8,400**		520
Non-controlling interest before income taxes		**9,883**		5,222
Income before interest, taxes and non-controlling interest		**605,491**		497,666
Interest and capital taxes (Note 17)		**128,238**		94,471
Income before income taxes and non-controlling interest		**477,253**		403,195
Income taxes		**108,141**		85,114
Non-controlling interest		**9,718**		5,561
Net income		**$ 359,394**		$ 312,520

The Company also discloses in the table below under "Supplementary Information" its 16.77% proportionate share of Highway 407's net income, as well as its net income from other ICI, as this information is useful in assessing the value of the Company's share price.

YEAR ENDED DECEMBER 31	2009	2008
Supplementary information:		
SNC-Lavalin's net income from ICI		
From Highway 407	**$ 9,760**	$ 19,968
From other ICI	**27,124**	17,205
Net income excluding ICI	**322,510**	275,347
Net income	**$ 359,394**	$ 312,520

3 Segment Disclosures (continued)

As previously stated, the segment performance, except for the ICI segment, takes into account imputed interest calculated on non-cash working capital position. As such, the table below reconciles the Company's consolidated total assets to the sum of i) total assets from ICI; ii) the non-cash working capital of segments from other activities; and iii) other assets from other activities:

AT DECEMBER 31	2009	2008
Total assets from ICI (Note 4):		
ICI accounted for by the full or proportionate consolidation methods	**$ 3,017,126**	$ 2,485,536
ICI accounted for by the equity method	**194,559**	110,420
ICI accounted for by the cost method	**274,843**	232,959
Total assets from ICI	**3,486,528**	2,828,915
Segment non-cash working capital from other activities		
Services and Packages		
Infrastructure and Environment	**(64,353)**	(259,220)
Power	**(34,591)**	(94,465)
Chemicals and Petroleum	**(81,337)**	40,247
Mining and Metallurgy	**23,383**	52,747
Other Industries	**(75,187)**	(106,674)
Operations and Maintenance	**(92,659)**	(48,064)
Total segment non-cash working capital from other activities	**(324,744)**	(415,429)
Reversal of current liabilities included in the non-cash working capital above	**2,335,017**	2,869,580
Current assets from other activities, excluding cash and cash equivalents and restricted cash	**2,010,273**	2,454,151
Other assets from other activities:		
Cash and cash equivalents and restricted cash from other activities	**1,196,360**	970,562
Property and equipment, goodwill, non-current future income tax asset and other non-current assets from other activities	**513,122**	517,910
Total assets from other activities	**3,719,755**	3,942,623
Total assets	**$ 7,206,283**	$ 6,771,538

The following table presents property, equipment and goodwill inside and outside Canada reflected on the Company's consolidated balance sheet:

AT DECEMBER 31	2009	2008
Property, equipment and goodwill		
Canada:		
From ICI	**$ 2,420,833**	$ 1,954,476
From other activities	**199,661**	198,893
	2,620,494	2,153,369
Outside Canada:		
From ICI	**–**	–
From other activities	**231,367**	216,824
	231,367	216,824
	$ 2,851,861	$ 2,370,193

3 Segment Disclosures (continued)

The following table presents revenues by geographic area according to project location:

YEAR ENDED DECEMBER 31	2009			
	SERVICES AND PACKAGES	OPERATIONS AND MAINTENANCE	ICI	TOTAL
Revenues by geographic area				
Canada	**$ 1,642,305**	**$ 1,196,042**	**$ 380,324**	**$ 3,218,671**
Africa	**832,034**	**56,716**	**(1,190)**	**887,560**
Middle East	**590,483**	**796**	**–**	**591,279**
Europe	**547,531**	**17,883**	**2,071**	**567,485**
Latin America and Caribbean	**289,247**	**–**	**–**	**289,247**
United States	**272,962**	**–**	**(945)**	**272,017**
Asia	**191,304**	**21,010**	**–**	**212,314**
Other Regions	**57,706**	**5,458**	**–**	**63,164**
	$ 4,423,572	**$ 1,297,905**	**$ 380,260**	**$ 6,101,737**

YEAR ENDED DECEMBER 31	2008			
	SERVICES AND PACKAGES	OPERATIONS AND MAINTENANCE	ICI	TOTAL
Revenues by geographic area				
Canada	$ 2,109,795	$ 1,154,547	$ 346,087	$ 3,610,429
Africa	867,341	44,675	(1,432)	910,584
Middle East	1,180,310	1,146	–	1,181,456
Europe	552,843	–	2,336	555,179
Latin America and Caribbean	346,977	–	–	346,977
United States	235,052	–	29	235,081
Asia	137,175	18,058	–	155,233
Other Regions	105,344	6,586	–	111,930
	$ 5,534,837	$ 1,225,012	$ 347,020	$ 7,106,869

4 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.

ICI are often capital intensive, contrary to Services, Packages and Operations and Maintenance activities. This is due to the ownership of infrastructure assets that are financed mainly with project-specific debt, which is non-recourse to the general credit of the Company. Therefore, when consolidating or proportionately consolidating such investments, the main impact on the Company's balance sheet is on the property and equipment, and the non-recourse long-term debt accounts, while most of the Company's depreciation, amortization and interest expense is from the consolidation or proportionate consolidation of these investments.

In order to provide the reader of the financial statements with a better understanding of the financial position and results of operations of its ICI, the Company presents certain distinct financial information related specifically to its ICI throughout its financial statements, as well as certain additional information below.

4 Infrastructure Concession Investments (continued)

A) ADDITIONS OF ICI

I) ADDITIONS IN 2009

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.

II) ADDITIONS IN 2008

INVESTMENT IN MYAH TIPAZA S.P.A.

In June 2008, SNC-Lavalin announced its commitment to invest in Myah Tipaza S.p.A. ("Myah Tipaza"), a new company established to build, own and operate a 120,000 m^3/day seawater desalination plant located in Fouka, province (wilaya) of Tipaza, Algeria. SNC-Lavalin's investment of approximately 650 million Algerian Dinars ("DZD") (CA$11 million at December 31, 2009) provides for a 25.5% indirect interest in this concession, which is accounted for by the equity method. SNC-Lavalin, through a joint venture, was also awarded in June 2008 an engineering, procurement and construction ("EPC") contract by Myah Tipaza, as well as an operations and maintenance ("O&M") contract, for the desalination plant. The construction of the desalination plant, which is currently ongoing, is expected to be completed in 2010.

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.

TC DOME S.A.S.

In 2008, TC Dome S.A.S. ("TC Dome"), a wholly-owned subsidiary of the Company at that time, was awarded a contract by the Conseil Général du Puy-de-Dôme, in France, to design, build and operate until 2043 a 5.3 km electric cog railway with a capacity to carry approximately 1,200 visitors per hour from the base of the Puy de Dôme mountain to its summit. TC Dome then awarded an EPC contract to the Company, expected to be completed in 2012.

In 2009, SNC-Lavalin sold a 49% equity interest in TC Dome to a third party, resulting in no gain or loss. SNC-Lavalin's investment in TC Dome, which was accounted for by the full consolidation method prior to this transaction, is now accounted for by the proportionate consolidation method. As at December 31, 2009, SNC-Lavalin has a €2.1 million commitment (CA$3.1 million) to invest in TC Dome.

4 Infrastructure Concession Investments (continued)

B) NET BOOK VALUE AND DESCRIPTIONS OF ICI

The net book value of the Company's investments in infrastructure concessions was as follows:

AT DECEMBER 31	2009	2008
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 or cost methods:		
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

I) ICI ACCOUNTED FOR BY THE FULL OR PROPORTIONATE CONSOLIDATION METHODS

SNC-Lavalin's ICI accounted for by the full or proportionate consolidation methods are detailed below:

				EQUITY PARTICIPATION (%)	
NAME OF ICI	PRINCIPAL ACTIVITY	MATURITY OF CONCESSION AGREEMENT	LOCATION	2009	2008
407 International Inc. ("Highway 407")	108-km toll highway under a 99-year concession agreement	2098	Canada	**16.77**	16.77
AltaLink L.P. ("AltaLink")	Rate-regulated transmission lines and substations	N/A	Canada	**76.92**	76.92
Gazmont Limited Partnership	25 MW biogas thermal power plant	N/A	Canada	**50.0**	50.0
Groupe Immobilier Ovation	2100-seat concert hall under 29-year concession agreement (under construction)	2038	Canada	**100.0**	–
Okanagan Lake Concession L.P. ("Okanagan Lake Concession")	1.1 km William R. Bennett Bridge under a 30-year concession agreement	2035	Canada	**100.0**	100.0
TC Dome S.A.S.	5.3 km electric cog railway (under construction)	2043	France	**51.0**	100.0

N/A: not applicable

The Company's consolidated statement of income includes the following revenues and expenses from these investments:

YEAR ENDED DECEMBER 31	2009	2008
Statements of income included in the Company's consolidated statement of income:		
Revenues	**$ 373,102**	$ 338,822
Net income from ICI accounted for by the full consolidation method, less the portion attributable to non-controlling interest, and from ICI accounted for by the proportionate consolidation method	**$ 27,473**	$ 31,360

4 Infrastructure Concession Investments (continued)

The Company's consolidated balance sheet includes the following assets, liabilities and non-controlling interest from these 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

(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 2A). 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.

II) ICI ACCOUNTED FOR BY THE EQUITY METHOD

SNC-Lavalin's ICI accounted for by the equity method are listed below:

				EQUITY PARTICIPATION (%)	
NAME OF ICI	PRINCIPAL ACTIVITY	MATURITY OF CONCESSION AGREEMENT	LOCATION	2009	2008
Astoria Project Partners LLC	500 MW natural-gas power plant	N/A	United States	**21.0**	21.0
Astoria Project Partners II LLC	550 MW natural-gas power plant (under construction)	N/A	United States	**18.5**	18.5
InTransit BC L.P.	19-km rapid transit line	2040	Canada	**33.3**	33.3
Malta International Airport p.l.c.	65-year concession agreement to operate the Malta airport	2067	Malta	**15.5**	15.5
Myah Tipaza S.p.A.	Seawater desalination plant to supply treated water under a 25-year take-or-pay agreement (under construction)	N/A	Algeria	**25.5**	25.5
Société d'exploitation de Vatry-Europort	20-year concession agreement to operate the Vatry airport	2020	France	**51.1**	51.1
Shariket Kahraba Hadjret En Nouss S.p.A. ("SKH")	1,227 MW gas-fired thermal power plant supplying electricity under a 20-year take-or-pay agreement	N/A	Algeria	**26.0**	26.0
West End Dam Associates	4.5 MW hydro-power generating facility	2016	United States	**21.0**	21.0

4 Infrastructure Concession Investments (continued)

The summary table below provides supplementary information by presenting the Company's share in net income, share in net assets, and dividends and distributions from ICI accounted for by the equity method:

YEAR ENDED DECEMBER 31	2009	2008
Share of net income (loss) of ICI accounted for by the equity method, as included in the Company's consolidated statements of income reflecting its ownership interest, net of income taxes and allocated taxes	**$ 287**	$ (2,225)
Share of net assets of ICI accounted for by the equity method, as included in the Company's consolidated balance sheets reflecting its ownership interest	**$ 194,559**	$ 110,420
Dividends and distributions from ICI accounted for by the equity method included in the Company's financial statements	**$ 24,836**	$ 2,999

III) ICI ACCOUNTED FOR BY THE COST METHOD

SNC-Lavalin's ICI accounted for by the cost method are listed below and had the following net book value:

				EQUITY PARTICIPATION (%)	
NAME OF ICI	PRINCIPAL ACTIVITY	MATURITY OF CONCESSION AGREEMENT	LOCATION	2009	2008
Ambatovy Nickel Project ("Ambatovy")	Open-pit mine and hydro-metallurgical processing plant (under construction)	N/A	Madagascar	**5.0**	5.0
Gaz Métro Limited Partnership ("Gaz Métro")	Publicly traded entity involved mainly in natural gas distribution	N/A	Canada	**2.42**	2.42
Trencap Limited Partnership	Holds an indirect interest in Gaz Métro	N/A	Canada	**11.1**	11.1

AT DECEMBER 31	2009	2008
Net book value of ICI accounted for by the cost method	**$ 274,843**	$ 232,959
Dividends and distributions from ICI accounted for by the cost method included in the Company's financial statements	**$ 9,124**	$ 8,038

C) PAYMENTS AND REMAINING COMMITMENTS IN ICI

When making equity investments in infrastructure concessions, SNC-Lavalin may not be required to make its equity contribution immediately but instead may commit to make its equity contribution over time.

The following table summarizes SNC-Lavalin's payments and outstanding commitments to invest in ICI as at December 31, 2009 and 2008:

AT DECEMBER 31	2009	2008
Commitments to invest in ICI—beginning of year	**$ 106,649**	$ 99,360
Increase in commitments to invest in ICI	**125,781**	33,213
Payments for ICI during the year:		
Ambatovy	**(61,370)**	(15,163)
InTransit BC L.P.	**(40,071)**	–
Myah Tipaza	**(5,951)**	(4,693)
Shariket Kahraba Hadjret En Nouss S.p.A. ("SKH")	**(23,532)**	(5,206)
Société d'exploitation de Vatry-Europort	**–**	(862)
Total payments for ICI during the year	**(130,924)**	(25,924)
Commitments to invest in ICI—end of year	**$ 101,506**	$ 106,649

4 Infrastructure Concession Investments (continued)

At December 31, 2009, the commitments to invest in ICI were related to equity contributions for Ambatovy and Astoria II (December 31, 2008: Ambatovy, SKH, Myah Tipaza and InTransit BC) and were presented as "Trade and other payables" since they are either expected to be paid in the following year or are callable on demand.

In addition to the commitments presented above, 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.

5 Acquisition of Businesses

A) BUSINESSES ACQUIRED

In 2009, SNC-Lavalin completed the following business acquisitions, which added approximately 1,200 people to its workforce:

In January 2009, BV2 BVBA, a Belgian firm specialized in pharmaceutical and biotechnology engineering employing approximately 60 people.

In April 2009, VST Ingenieros Ltda, a Chilean consulting engineering firm of approximately 50 employees, specialized in mining geotechnical work with expertise and technology in the field of thickened tailings disposal, as well as two French firms, Antis Conseils et Ingénierie S.A.S., involved in industrial engineering and logistics, and Cabinet d'Études Édouard Coumelongue Ingénieurs Conseils S.A., with expertise in infrastructure studies, employing a total of approximately 30 people.

In May 2009, Spectrol Energy Services Inc., a Canadian engineering and technical services firm in St. John's, Newfoundland and Labrador, employing approximately 75 people with expertise that includes inspection, quality, asset integrity, maintenance and reliability engineering for the oil and gas industry and other natural resource sectors.

In December 2009, Marte Engenharia Ltda., a Brazilian engineering firm with approximately 1,000 people serving the power industry in Brazil and Latin America, with particular expertise in the design of high voltage transmission lines and electrical substations.

In 2008, SNC-Lavalin completed the following business acquisitions, which added approximately 600 people to its workforce:

In February 2008, Techmat (1992) Inc., known as Groupe Techmat, a Canadian firm specialized in the materials and geotechnical engineering sectors employing approximately 80 people.

In the first quarter of 2008, a 50% interest in two Turkish joint ventures involved in operations and maintenance activities, mainly in facilities management with commercial, residential and retail clients, adding approximately 100 people to the Company's total employees.

In July 2008, three Canadian firms with a total of approximately 100 people: i) Genesis Network Architecture and Engineering Inc., a firm in Saskatchewan involved in design and project management for institutional, recreational and commercial clients; ii) C.J. MacLellan & Associates Inc., an engineering and surveying firm in Nova Scotia, offering a full range of multi-discipline design services; and iii) Laboratoire Sol et Béton L.S.B. Inc., a firm specialized in material and geotechnical engineering, based in Quebec City.

In the third quarter of 2008, the assets of two engineering groups based in Bucharest, Romania, providing a multidisciplinary engineering team of some 200 professionals with extensive experience in steel metallurgy and other industrial process plants, materials handling, and in the infrastructure, commercial and institutional sectors.

5 Acquisition of Businesses (continued)

In December 2008, Québformat Ltd., a Canadian firm specialized in material engineering, geotechnology and environmental sciences, and roofs and waterproofing, employing approximately 100 people.

Also in 2008, two French engineering firms with a total of approximately 20 employees: i) SODER S.A.S., specialized in industrial buildings and agrifood; and ii) Arcoba Mediterranée H.M. Ingénierie S.A.S., specialized in buildings.

B) COST OF ACQUISITIONS AND ALLOCATION OF PURCHASE PRICE

These acquisitions have been accounted for using the purchase method and consolidated from the effective date of acquisition.

The purchase price for these business acquisitions, subject to final adjustments, was $38.2 million (2008: $23.7 million), net of cash and cash equivalents existing in these businesses at the time of acquisition of $5.9 million (2008: $1.2 million). The allocation of the purchase price to acquire these businesses and the total cash consideration paid were as follows:

	2009	2008
Cash and cash equivalents	**$ 5,917**	$ 1,201
Trade and other receivables	**17,891**	13,149
Contracts in progress	**2,204**	3,765
Property and equipment	**5,702**	4,136
Other non-current assets	**496**	2,647
Trade and other payables	**(14,370)**	(7,289)
Other liabilities assumed	**(1,793)**	(1,521)
Net assets of businesses acquired	**16,047**	16,088
Goodwill	**28,078**	8,788
Total purchase price	**44,125**	24,876
Less: Cash and cash equivalents at acquisition	**5,917**	1,201
Total purchase price, net of cash and cash equivalents at acquisition	**38,208**	23,675
Less: Balance of purchase price payable in future years	**22,078**	2,948
Cash consideration paid for businesses acquired in the year	**16,130**	20,727
Plus: Balance of purchase price from previous year paid in current year	**2,262**	17,855
Cash consideration paid for acquisition of businesses presented on consolidated statements of cash flows	**$ 18,392**	$ 38,582

C) IMPACT OF BUSINESS ACQUISITIONS ON THE RESULTS OF SNC-LAVALIN PROVIDED AS SUPPLEMENTARY INFORMATION

SNC-Lavalin's consolidated revenues and net income in 2009 included approximately $29.3 million and $0.9 million, respectively, from business acquisitions completed in 2009 (2008: $25.7 million of revenues and $0.3 million of net income from business acquisitions completed in 2008). Had these 2009 business acquisitions all occurred on January 1, 2009, SNC-Lavalin's pro-forma consolidated revenues and net income would have been approximately $6,165.2 million and $362.0 million, respectively (2008: pro-forma revenues of $7,115.7 million and net income of $312.8 million assuming all transactions in 2008 had been completed on January 1, 2008). These pro-forma figures have been estimated based on the results of the acquired businesses prior to being purchased by SNC-Lavalin, adjusted to reflect the Company's accounting policies when significant differences existed, and are provided as supplementary information only and should not be viewed as indicative of SNC-Lavalin's future results.

6 Joint Venture Activities

SNC-Lavalin carries out part of its activities through joint ventures. SNC-Lavalin's pro rata share of the assets, liabilities, net income and cash flows of such joint ventures is summarized below:

AT DECEMBER 31	2009	2008
Balance sheets		
Cash and cash equivalents	**$ 136,134**	$ 176,493
Other current assets	**276,513**	317,269
Property and equipment:		
From ICI	**384,748**	380,933
From other activities	**332**	379
Other non-current assets and non-current future income tax asset	**330,284**	337,650
	$ 1,128,011	$ 1,212,724
Current liabilities	**$ 417,082**	$ 359,076
Non-recourse long-term debt from ICI	**699,477**	796,796
Pro rata share of net assets of joint ventures	**11,452**	56,852
	$ 1,128,011	$ 1,212,724

YEAR ENDED DECEMBER 31	2009	2008
Statements of income		
Revenues	**$ 649,357**	$ 814,371
Expenses	**619,786**	759,520
Pro rata share of net income of joint ventures	**$ 29,571**	$ 54,851
Cash and cash equivalents generated by (used in):		
Operating activities	**$ 44,359**	$ 104,399
Investing activities	**(14,447)**	(24,947)
Financing activities	**(67,333)**	(109,670)
Increase (decrease) in exchange differences on translating cash and cash equivalent held in self-sustaining foreign operations	**(2,938)**	6,053
Pro rata share of changes in cash and cash equivalents of joint ventures	**$ (40,359)**	$ (24,165)

7 Cash and Cash Equivalents and Restricted Cash

A) CASH AND CASH EQUIVALENTS

AT DECEMBER 31	2009	2008
Bank balances, bank term deposits and bankers' acceptances	**$ 1,217,605**	$ 969,212
Government treasury bills and treasury notes	**620**	19,024
Cash and cash equivalents	**$ 1,218,225**	$ 988,236

B) RESTRICTED CASH

AT DECEMBER 31	2009	2008
Bank balances, bank term deposits and bankers' acceptances	**$ 48,219**	$ 55,295
Government treasury bills and treasury notes	**58,975**	47,888
Restricted cash—current and non-current	**$ 107,194**	$ 103,183
Presented on the balance sheet as follows:		
Current assets—"Restricted cash"	**$ 68,185**	$ 59,997
Non-current assets—included in "Other non-current assets" (Note 11)	**$ 39,009**	$ 43,186

8 Trade and Other Receivables

A) DETAILS OF TRADE AND OTHER RECEIVABLES

Trade and other receivables are carried on the balance sheet net of an allowance for doubtful accounts, which relates exclusively to trade receivables. Trade and other receivables are detailed in the following table:

AT DECEMBER 31	2009	2008
Trade receivables, net of allowance for doubtful accounts	**$ 1,065,546**	$ 1,223,623
Other receivables:		
Retentions on client contracts	**71,362**	135,190
Income taxes and other taxes receivable	**108,761**	82,989
Performance Share Unit arrangement asset (Note 15C)	**47,766**	31,305
Prepaid expenses	**24,236**	29,309
Derivative financial instruments used for cash flow hedges—favourable fair value	**26,448**	26,334
Other	**136,359**	146,420
Trade and other receivables	**$ 1,480,478**	$ 1,675,170

B) TRADE RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The following table presents the Company's trade receivables that are within normal terms of payment separately from those that are past due, with reconciliation to the net carrying amount:

AT DECEMBER 31	2009	2008
Trade receivables:		
Within normal terms of payment	**$ 846,419**	$ 1,031,944
Past due	**305,237**	279,752
Total trade receivables	**1,151,656**	1,311,696
Allowance for doubtful accounts	**(86,110)**	(88,073)
Trade receivables, net of allowance for doubtful accounts	**$ 1,065,546**	$ 1,223,623

The allowance for doubtful accounts is established based on SNC-Lavalin's best estimates on the recovery of balances for which collection may be uncertain. Uncertainty of collection may become apparent from various indicators, such as a deterioration of the credit situation of a given client or delay in collection when the aging of invoices exceeds the normal payment terms. Management regularly reviews trade receivables and assesses the appropriateness of the allowance for doubtful accounts.

The change in the allowance for doubtful accounts is detailed below:

YEAR ENDED DECEMBER 31	2009	2008
Balance at beginning of year	**$ 88,073**	$ 85,117
Change in allowance, other than write-offs and recoveries	**22,221**	46,473
Write-offs of trade receivables	**(10,393)**	(5,887)
Recoveries	**(13,791)**	(37,630)
Balance at end of year	**$ 86,110**	$ 88,073

9 Property and Equipment

AT DECEMBER 31	2009		2008	
	COST	ACCUMULATED DEPRECIATION	COST	ACCUMULATED DEPRECIATION
From ICI				
Transmission assets	**$ 1,989,321**	**$ 301,331**	$ 1,577,377	$ 353,771
Toll highway	**382,693**	**25,849**	373,471	21,872
Toll equipment	**48,940**	**38,187**	46,644	34,543
William R. Bennett Bridge	**153,225**	**8,916**	149,298	3,146
Other	**37,784**	**20,633**	36,519	19,287
	2,611,963	**$ 394,916**	2,183,309	$ 432,619
Accumulated depreciation	**394,916**		432,619	
Net book value of property and equipment—From ICI	**2,217,047**		1,750,690	
From other activities				
Buildings and surface installations	**65,579**	**$ 22,279**	63,899	$ 20,387
Computer equipment	**237,226**	**211,608**	253,617	223,361
Office furniture	**105,382**	**80,248**	102,752	75,912
Other	**55,717**	**35,817**	54,051	31,303
	463,904	**$ 349,952**	474,319	$ 350,963
Accumulated depreciation	**349,952**		350,963	
Net book value of property and equipment—From other activities	**113,952**		123,356	
Total net book value of property and equipment	**$ 2,330,999**		$ 1,874,046	

Total depreciation expense on property and equipment from ICI was $85.9 million in 2009 (2008: $86.4 million), while total depreciation expense on property and equipment from other activities was $42.5 million in 2009 (2008: $40.8 million).

An amount of $273.6 million as at December 31, 2009 (December 31, 2008: $118.8 million) of property and equipment from ICI was not being depreciated as they relate to transmission assets, the toll highway and toll equipment under construction.

10 Goodwill

The following table details a reconciliation of the carrying amount of the Company's goodwill:

	INFRASTRUCTURE CONCESSION INVESTMENTS	FROM OTHER ACTIVITIES		TOTAL
		SERVICES AND PACKAGES	OPERATIONS AND MAINTENANCE	
Balance at December 31, 2007	$ 203,786	$ 256,860	$ 20,875	$ 481,521
Goodwill arising from acquisitions completed in the year	–	7,781	1,007	8,788
Exchange differences on translating goodwill of self-sustaining foreign operations	–	5,838	–	5,838
Balance at December 31, 2008	203,786	270,479	21,882	496,147
Goodwill arising from acquisitions completed in the year	**–**	**28,078**	**–**	**28,078**
Exchange differences on translating goodwill of self-sustaining foreign operations and other	**–**	**(2,356)**	**(1,007)**	**(3,363)**
Balance at December 31, 2009	**$ 203,786**	**$ 296,201**	**$ 20,875**	**$ 520,862**

11 Other Non-current Assets

AT DECEMBER 31	2009	2008
From ICI		
Concession right from Highway 407 (1)	**$ 270,954**	$ 271,569
Restricted cash (Note 7B)	**39,009**	43,186
Other	**89,313**	70,576
	399,276	385,331
From other activities	**92,721**	39,117
	$ 491,997	$ 424,448

(1) The Company's proportionate share of the original cost of the concession right from Highway 407 was $281.2 million, while accumulated depreciation totalled $10.2 million as at December 31, 2009 (December 31, 2008: $9.6 million). Amortization of the concession right was $0.6 million in 2009 (2008: $0.6 million).

12 Trade and Other Payables

Trade and other payables were detailed as follows:

AT DECEMBER 31	2009	2008
Trade and accrued liabilities	**$ 1,363,817**	$ 1,735,012
Other payables:		
Retentions on supplier contracts	**104,482**	201,015
Derivative financial instruments used for cash flow hedges—unfavourable fair value	**10,472**	107,591
Commitments to invest in ICI (Note 4C)	**101,506**	106,649
Income taxes and other taxes payable	**73,991**	79,098
Performance Share Unit liability (Note 15C)	**47,766**	31,305
Trade and other payables	**$ 1,702,034**	$ 2,260,670

13 Long-term Debt

A) RECOURSE REVOLVING CREDIT FACILITIES

The Company has access to committed long-term revolving lines of credit with banks, totalling $452.5 million, upon which it may either issue letters of credit, or borrow at variable rates not exceeding the prime rate plus 1%. As at December 31, 2009, $280.6 million of these lines of credit remained unused, while the balance of $171.9 million was exclusively used for the issuance of letters of credit. In addition, the Company has other lines of credit specifically available for the issuance of letters of credit. All the above-mentioned lines of credit are unsecured and subject to negative pledge clauses.

13 Long-term Debt (continued)

B) RECOURSE LONG-TERM DEBT

AT DECEMBER 31	2009	2008
Recourse (to the general credit of the Company)		
Debentures, 7.70%, due in September 2010 with a face value of $105.0 million repayable in full at maturity	**$ 104,874**	$ 104,709
Debentures, 6.19%, due in July 2019 with a face value of $350.0 million repayable in full at maturity	**348,048**	–
Both the 2010 and 2019 debentures described are unsecured and subject to negative pledge clauses.		
Total recourse long-term debt	**452,922**	104,709
Less: current portion	**104,874**	–
Recourse long-term debt	**$ 348,048**	$ 104,709

C) NON-RECOURSE LONG-TERM DEBT FROM ICI (UNSECURED OR SECURED ONLY BY ICI'S SPECIFIC ASSETS)

AT DECEMBER 31	2009	2008
AltaLink (76.92% ownership with the following debt reflected at 100% based on full consolidation method)		
Senior Debt, 5.24% to 5.43%, due from 2013 to 2036, secured by a first floating charge security interest on AltaLink, L.P.'s assets.	**$ 671,543**	$ 568,899
Unsecured Debt, 5.02%, due in 2012, 10.50%, due in 2015, and 5.21%, due in 2016	**436,469**	287,300
Unsecured Commercial Paper and secured bank credit facility The unsecured commercial paper is supported by a $400 million (December 31, 2008: $200 million) secured bank credit facility under which AltaLink may also borrow at prime rate and bankers' acceptances, maturing in 2011 and ranking equally with the Senior Debt. At December 31, 2009, drawdowns under the bank credit facility were $nil (December 31, 2008: $139.5 million). The secured bank credit facility ranks equally with the senior debt.	**47,982**	164,686
Unsecured revolving credit facility expiring in 2011	**–**	31,783
Other	**983**	1,261
Highway 407 (16.77% ownership with the following debt reflected at such percentage per proportionate consolidation method)		
Senior Bonds, 4.50% to 6.75%, due from 2010 to 2039	**399,471**	383,113
Inflation-linked Senior Bonds, 3.28% to 5.33%, plus inflation component, due from 2016 to 2039	**265,262**	246,321
Junior Bonds, ranking after the Senior Bonds, 7.00%, due in 2010, extendible to 2040 at 7.125%	**27,554**	27,521
Subordinated Bonds, ranking after the Junior Bonds, 5.00% and 5.75%, due in 2011 and 2036	**130,201**	130,093
Other	**993**	732
Highway 407's bonds are secured by substantially all assets of 407 International Inc. and its wholly-owned subsidiaries, which primarily include 407 ETR Concession Company Limited, including an assignment of future revenues.		
Okanagan Lake Concession (100% ownership with the following debt reflected at full consolidation method)		
5.415% credit facility, due in 2033, secured by all assets of Okanagan Lake Concession, including a pledge by SNC-Lavalin of its units in Okanagan Lake Concession as well as an assignment of the concession's future revenues.	**153,021**	156,164
Other	**11,189**	11,194
Total non-recourse long-term debt from ICI	**2,144,668**	2,009,067
Less: current portion	**139,183**	5,764
Non-recourse long-term debt from ICI	**$ 2,005,485**	$ 2,003,303

13 Long-term Debt (continued)

D) REPAYMENT OF PRINCIPAL OF LONG-TERM DEBT

The future principal payments of SNC-Lavalin's recourse and non-recourse long-term debt are summarized below and reconciled to their net carrying amount:

AT DECEMBER 31, 2009	RECOURSE	NON-RECOURSE FROM ICI	TOTAL
2010	$ 105,000	$ 139,556	$ 244,556
2011	–	147,067	147,067
2012	–	259,334	259,334
2013	–	336,353	336,353
2014	–	41,208	41,208
Thereafter	350,000	1,235,005	1,585,005
Total	$ 455,000	$ 2,158,523	$ 2,613,523
Net unamortized deferred financing costs and unamortized discounts	(2,078)	(13,855)	(15,933)
Net carrying amount of long-term debt	$ 452,922	$ 2,144,668	$ 2,597,590

14 Other Non-current Liabilities

AT DECEMBER 31	2009	2008
Asset retirement obligations ("ARO") from an ICI	**$ 186,305**	$ 60,181
Pension and other post-retirement benefits (Note 22)	**33,872**	32,644
Non-current regulatory liabilities of AltaLink (Note 2A)	**124,445**	20,774
Other	**120,044**	117,015
	$ 464,666	$ 230,614

The ARO from an ICI relate to the AltaLink infrastructure concession and arise from the legal obligation related to the interim retirement of the component parts of transmission lines, estimated to occur between 2010 and 2050.

As at December 31, 2009, the estimated total undiscounted amount of ARO was approximately $453.1 million (December 31, 2008: $130.7 million). In determining the fair value of the asset retirement obligations, the estimated cash flows of new obligations incurred during the year have been discounted, using a discount rate adjusted for credit risks and inflation factors, at 4.96% (2008: 6.73%). ARO have varied as follows in 2009 and 2008:

AT DECEMBER 31	2009	2008
ARO from an ICI at beginning of year	**$ 60,181**	$ 57,954
Net change in liability for the year (1)	**118,455**	1,915
Liabilities settled in the year	**(1,236)**	(2,651)
Accretion expense	**8,905**	2,963
ARO from an ICI at end of year	**$ 186,305**	$ 60,181

(1) The net change in liability for the year includes an increase of $86.6 million in the second quarter of 2009 pursuant to a change in estimates.

15 Share Capital

A) AUTHORIZED

The Company is authorized to issue an unlimited number of common shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares.

The Board of Directors is authorized to issue such preferred shares in one or more series and to establish the number of shares in each series and the conditions attaching thereto, prior to their issue.

B) STOCK OPTION PLANS

The main features of the stock option plans under which stock options were outstanding at December 31, 2009 are summarized below:

	2009 AND 2007 STOCK OPTION PLANS	2004 STOCK OPTION PLAN
GRANT DATE	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors
EXERCISE PRICE OF STOCK OPTIONS	The greater of: i) the average closing price for the five trading days preceding the grant date and ii) the closing price on the first trading day immediately preceding the grant date	Closing price on the first trading day immediately preceding the grant date
VESTING OF STOCK OPTIONS	Graded vesting in three equal tranches two years, three years and four years, respectively, after grant date	Full vesting two years after grant date
EXPIRY OF STOCK OPTIONS	Five years after grant date	Six years after grant date
OTHER PROVISIONS	In the event of cessation of employment, except in the event of death or if the optionee is eligible to retire, unvested options are cancelled immediately and vested options remain exercisable for a specified period not exceeding 30 days. In the event of death or if the optionee is eligible to retire, both vested and unvested options continue to run their normal course	In the event of death or if the optionee is eligible to retire, the vesting of the options continues in accordance with the plan, but the life of the option is limited to a period of two years following such event. All options are cancelled immediately upon other cessations of employment

The table below presents the changes in the number of options outstanding in 2009 and 2008:

	2009		2008	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
Options outstanding at beginning of year	**4,319,100**	**$ 34.48**	4,036,670	$ 26.92
Granted (1) (2)	**1,426,795**	**$ 33.15**	1,382,500	$ 46.20
Exercised (3)	**(538,393)**	**$ 20.28**	(927,920)	$ 18.07
Cancelled	**(133,548)**	**$ 35.94**	(172,150)	$ 39.76
Options outstanding at end of year	**5,073,954**	**$ 35.57**	4,319,100	$ 34.48

(1) The weighted average fair value of stock options granted was $9.21 in 2009 ($10.33 in 2008).

(2) The exercise price of options granted under the 2007 stock option plan in the years 2009 and 2008 was higher than the market price of the Company's common share at the grant date, while the exercise price of options granted under the 2009 stock option plan in the year 2009 was lower than the market price of the Company's common share at the grant date.

(3) The weighted average market price of the Company's common shares upon the exercise of stock options was $45.18 in 2009 ($45.75 in 2008).

15 Share Capital (continued)

The table below summarizes information regarding the stock options outstanding and exercisable as at December 31, 2009.

	OPTIONS OUTSTANDING					OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	STOCK OPTION PLAN	YEAR OF GRANT	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING OPTIONS' TERM (MONTHS)	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
$16.66	2004	2004	135,500	7	$ 16.66	135,500	$ 16.66
$20.92 to $24.33	2004	2005	444,170	15	$ 22.79	444,170	$ 22.79
$29.20 to $32.50	2004	2006	726,330	26	$ 29.63	726,330	$ 29.63
$37.64 to $42.36	2007	2007	1,078,537	29	$ 37.72	349,750	$ 37.72
$37.17 to $55.10	2007	2008	1,284,917	39	$ 46.19	–	$ –
$31.59	2007	2009	1,034,391	50	$ 31.59	–	$ –
$37.53	2009	2009	370,109	52	$ 37.53	–	$ –
			5,073,954	35	$ 35.57	1,655,750	$ 28.44

As at December 31, 2009, 1,629,891 stock options remained available for future grants under the 2009 stock option plan (December 31, 2008: 1,037,800 stock options remained available under the 2007 stock option plan), while no stock options remain available for future grants under the 2007 and the 2004 stock option plans.

The following table presents the weighted average assumptions used to determine the stock option compensation cost, using the Black-Scholes option pricing model, for the year ended December 31:

	2009	2008
Risk-free interest rate	**1.86%**	2.79%
Expected stock price volatility	**35.21%**	25.90%
Expected option life	**4 years**	4 years
Expected dividend yield	**1.00%**	1.00%

C) PERFORMANCE SHARE UNIT ("PSU") PLAN AND DEFERRED SHARE UNIT ("DSU") PLAN

In December 2009, the Board of Directors approved two new remuneration plans for selected key executives (the plan "participants"). As such, the 2009 Performance Share Unit plan ("2009 PSU plan") and the 2009 Deferred Share Unit plan for Executive Employees (the "2009 DSU plan") replaced the previous PSU plan (the "Previous PSU plan") and any units granted after December 2009 will be under the two new plans, without any impact on the units granted in the past under the Previous PSU plan. The terms and conditions of the new plans are summarized below:

	2009 PSU PLAN	2009 DSU PLAN
GRANT DATE	Date of approval by the Company's Board of Directors	Date of approval by the Company's Board of Directors
NUMBER OF UNITS	Subject to performance conditions, the number of units granted shall be adjusted depending on the three-year cumulative annualized growth of earnings per share, to determine the number of units to which all participants receiving the award will be entitled to, if any	Determined at grant date, without any further changes
VESTING OF UNITS	Units vest in full at the end of the third calendar year following the grant date	Units vest at a rate of 20% per year following the grant date
REDEMPTION FEATURES	At the option of the participant, upon vesting, units are redeemable for cash by the Company within ninety days following the completion of the vesting period or are converted as vested DSU	Units are redeemable for cash by the Company within three months following the first year anniversary of a participant's cessation of employment
REDEMPTION PRICE	Average closing price per share on the Toronto Stock Exchange at the vesting date and the four trading days preceding such date	Average closing price per share on the Toronto Stock Exchange on the first year anniversary of cessation of employment and the last trading day on the Toronto Stock Exchange of each of the 12 weeks preceding that date
OTHER PROVISIONS	The units vest immediately in the event of death or if a participant is eligible to retire	The units vest immediately in the event of death or if a participant is eligible to retire

15 Share Capital (continued)

The Previous PSU plan has the same term and conditions as the 2009 DSU plan, except that vesting could be immediate under certain conditions and the participant may receive 50% of the current year's grant as a cash payment.

The Company awarded 99,942 PSU (average fair value of $32.08 per unit) in 2009 and 48,751 PSU (average fair value of $46.29 per unit) in 2008, all under the Previous PSU plan. No units were awarded in 2009 under the 2009 PSU plan and the 2009 DSU plan.

The Company has a financial arrangement with an investment grade financial institution to limit its exposure to the variability of the units caused by fluctuations in its share price. This financial arrangement includes a financial instrument, which fluctuates in accordance with the movement in the Company's share price, and is required to be classified as held for trading. As such, it is measured at fair value on the consolidated balance sheet under "Trade and other receivables", while the PSU liability is recorded in "Trade and other payables" for the same amount. Gains and losses from the remeasurement of the financial instrument offset the related losses and gains from the fair value remeasurement of the PSU liability. The financing arrangement is adjusted as needed to reflect new awards and/or settlements of units. The compensation expense, net of the $12.2 million offsetting unrealized gain/loss from the remeasurement of the financial arrangement/PSU liability in 2009 (2008: offsetting unrealized loss/gain of $7.5 million from the remeasurement of the financial arrangement/PSU liability), was $1.7 million for the year ended December 31, 2009 (2008: $5.7 million).

D) REDEMPTION OF SHARES

In May 2009, the Board of Directors authorized the renewal of its normal course issuer bid to purchase for cancellation, on the open market, up to 3.0 million (2008: 10.6 million) common shares within a one-year period. The renewal of the Company's normal course issuer bid requires annual approval by the Board of Directors and the Toronto Stock Exchange. The redemption of shares in 2009 and 2008 were as follows:

	2009	2008
Redeemed and cancelled:		
Portion allocated to share capital	**$ 1,419**	$ 2,383
Portion allocated to retained earnings	**22,689**	44,813
	$ 24,108	$ 47,196
Number of shares redeemed and cancelled	**538,800**	933,100
Average redemption price per share ($)	**$ 44.74**	$ 50.58

E) WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES—BASIC AND DILUTED

The weighted average number of outstanding shares in 2009 and 2008 used to calculate the basic and diluted earnings per share were as follows:

AT DECEMBER 31 (IN THOUSANDS)	2009	2008
Weighted average number of outstanding shares—basic	**151,042**	150,925
Dilutive effect of stock options	**950**	1,340
Weighted average number of outstanding shares—diluted	**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).

16 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. The Company expects that approximately $5.3 million of the accumulated net unrealized loss on derivative financial instruments designated as cash flow hedges balance at December 31, 2009 will be reclassified in net income in the next 12 months, offseting unrealized gains on the corresponding underlying hedged items.

The reconciliation of the accumulated net unrealized loss on derivative financial instruments designated as cash flow hedges is as follows:

	2009	2008
Balance at the beginning of year	**$ (98,514)**	$ (29,025)
Net increase (decrease) in fair value of derivative financial instruments designated as cash flow hedges	**50,408**	(130,822)
Reclassification of loss to net income to offset the impact of the underlying hedged items	**35,987**	61,333
Balance at end of year	**$ (12,119)**	$ (98,514)

17 Interest and Capital Taxes

YEAR ENDED DECEMBER 31	2009			2008		
	FROM ICI	FROM OTHER ACTIVITIES	TOTAL	FROM ICI	FROM OTHER ACTIVITIES	TOTAL
Interest revenues	**$ (11,574)**	**$ (5,011)**	**$ (16,585)**	$ (3,730)	$ (26,007)	$ (29,737)
Interest on long-term debt:						
Recourse	**–**	**18,979**	**18,979**	–	8,250	8,250
Non-recourse	**127,342**	**–**	**127,342**	105,171	444	105,615
Capital taxes and other	**(3,511)**	**2,013**	**(1,498)**	6,708	3,635	10,343
Interest (revenues) and capital taxes	**$ 112,257**	**$ 15,981**	**$ 128,238**	$ 108,149	$ (13,678)	$ 94,471

18 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, for the year ended December 31:

	2009	2008
Decrease (increase) in trade and other receivables	**$ 185,266**	$ (118,135)
Decrease (increase) in contracts in progress	**186,346**	(48,261)
Increase (decrease) in trade and other payables	**(526,251)**	11,930
Increase (decrease) in downpayments on contracts	**(72,119)**	132,243
Decrease in deferred revenues	**(20,800)**	(120,824)
Net change in non-cash working capital items	**$ (247,558)**	$ (143,047)

B) INTEREST PAID AND INCOME TAXES PAID

The following table presents the interest paid and income taxes paid for the year ended December 31:

	2009	2008
Interest paid:		
From ICI	**$ 109,551**	$ 91,570
From other activities	**10,033**	10,112
	$ 119,584	$ 101,682
Income taxes paid	**$ 30,285**	$ 186,497

19 Income Taxes

SNC-Lavalin's income tax expense was comprised of the following:

YEAR ENDED DECEMBER 31	2009	2008
Current income tax expense	**$ 19,005**	$ 104,203
Future income tax expense (benefit)	**89,136**	(19,089)
Income tax expense	**$ 108,141**	$ 85,114

The following table presents the reconciliation between the income tax expense calculated using statutory Canadian rates to the effective income tax expense in SNC-Lavalin's consolidated statements of income:

YEAR ENDED DECEMBER 31	2009		2008	
	AMOUNT	%	AMOUNT	%
Income tax expense at statutory Canadian rates	**$ 145,796**	**30.6**	$ 124,631	30.9
Increase (decrease) resulting from:				
Effect of differences of foreign tax rates compared to Canadian rates	**(32,760)**	**(6.9)**	(25,180)	(6.2)
Non-deductible expenses for tax purposes	**7,642**	**1.6**	6,257	1.5
Proportionate share of future income tax benefit recognized by Highway 407	**(4,260)**	**(0.9)**	(10,169)	(2.5)
Non-taxable income from certain ICI accounted for by the equity or cost methods	**(2,183)**	**(0.4)**	(1,519)	(0.4)
Other	**(6,094)**	**(1.3)**	(8,906)	(2.2)
Income tax expense at effective tax rate	**$ 108,141**	**22.7**	$ 85,114	21.1

The following table presents i) the temporary differences between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements, and ii) tax loss carry forwards, which give rise to future income tax assets presented on the Company's balance sheet:

AT DECEMBER 31	2009	2008
Temporary differences arising from:		
Retentions on client contracts	**$ (1,410)**	$ (6,382)
Contracts in progress	**(12,056)**	(18,071)
Retentions on supplier contracts	**15,777**	28,750
Accrued employees compensation	**7,612**	7,428
Other accrued liabilities	**14,652**	68,285
Property and equipment, and goodwill	**(30,297)**	(26,187)
ICI accounted for by the equity or cost methods	**(12,854)**	(6,061)
Pension plans and other post-retirement benefits	**7,529**	7,681
Accumulated other comprehensive loss from cash flow hedges	**4,279**	29,054
Other	**3,288**	(1,258)
Tax loss carry-forwards	**91,629**	118,882
Future income tax asset, net	**$ 88,149**	$ 202,121
Presented on the balance sheet as follows:		
Future income tax asset—current	**$ 112,557**	$ 121,026
Future income tax asset—non-current	**$ –**	$ 81,095
Future income tax liability—non-current	**$ 24,408**	$ –

At December 31, 2009, SNC-Lavalin had $310.2 million of non-capital tax loss carry-forwards that expire in varying amounts from 2010 to 2029. A future income tax asset of $91.6 million has been recognized on $293.0 million of these losses.

20 Financial Instruments

A) CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables present the carrying value of financial assets held by SNC-Lavalin at December 31, by category and classification, with the corresponding fair value, when available:

AT DECEMBER 31	2009					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	HELD FOR TRADING	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR CASH FLOW HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	**$ 1,218,225**	**$ –**	**$ –**	**$ –**	**$ 1,218,225**	**$ 1,218,225**
Restricted cash	**68,185**	**–**	**–**	**–**	**68,185**	**68,185**
Trade and other receivables:						
PSU arrangement asset	**47,766**	**–**	**–**	**–**	**47,766**	**47,766**
Derivative financial instruments	**–**	**–**	**–**	**26,448**	**26,448**	**26,448**
Other financial assets	**–**	**–**	**1,273,267**	**–**	**1,273,267**	**1,273,267**
ICI accounted for by the cost method:						
At fair value	**–**	**47,786**	**–**	**–**	**47,786**	**47,786**
At cost (1)	**–**	**227,057**	**–**	**–**	**227,057**	**See (1)**
Other non-current assets:						
Restricted cash	**39,009**	**–**	**–**	**–**	**39,009**	**39,009**
Other:						
At fair value	**17,066**	**9,892**	**–**	**3,759**	**30,717**	**30,717**
At cost/amortized cost (1)	**–**	**3,923**	**46,285**	**–**	**50,208**	**See (1)**
Total	**$ 1,390,251**	**$ 288,658**	**$ 1,319,552**	**$ 30,207**	**$ 3,028,668**	

AT DECEMBER 31	2008					
	CARRYING VALUE OF FINANCIAL ASSETS BY CATEGORY					
	HELD FOR TRADING	AVAILABLE-FOR-SALE	LOANS AND RECEIVABLES	DERIVATIVES USED FOR CASH FLOW HEDGES	TOTAL	FAIR VALUE
Cash and cash equivalents	$ 988,236	$ –	$ –	$ –	$ 988,236	$ 988,236
Restricted cash	59,997	–	–	–	59,997	59,997
Trade and other receivables:						
PSU arrangement asset	31,305	–	–	–	31,305	31,305
Derivative financial instruments	–	–	–	26,334	26,334	26,334
Other financial assets	–	–	1,505,233	–	1,505,233	1,505,233
ICI accounted for by the cost method:						
At fair value	–	38,316	–	–	38,316	38,316
At cost (1)	–	194,643	–	–	194,643	See (1)
Other non-current assets:						
Restricted cash	43,186	–	–	–	43,186	43,186
Other:						
At fair value	15,431	7,932	–	–	23,363	23,363
At cost/amortized cost (1)	–	4,423	6,504	–	10,927	See (1)
Total	$ 1,138,155	$ 245,314	$ 1,511,737	$ 26,334	$ 2,921,540	

(1) The available-for-sale financial assets represent equity instruments that do not have a quoted market price in an active market, while the $46.3 million presented in loans and receivables (December 31, 2008: $6.5 million) is a reasonable estimate of their fair value.

20 Financial Instruments (continued)

The following tables present the carrying value of SNC-Lavalin's financial liabilities at December 31, by category and classification, with the corresponding fair value, when available:

AT DECEMBER 31	2009				
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	HELD FOR TRADING	DERIVATIVES USED FOR CASH FLOW HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade and other payables:					
Derivative financial instruments	**$ –**	**$ 10,472**	**$ –**	**$ 10,472**	**$ 10,472**
Other financial liabilities	**–**	**–**	**1,569,805**	**1,569,805**	**1,569,805**
Downpayments on contracts	**–**	**–**	**397,329**	**397,329**	**397,329**
Long-term debt (1):					
Recourse	**–**	**–**	**452,922**	**452,922**	**481,005**
Non-recourse from ICI	**30,000**	**–**	**2,114,668**	**2,144,668**	**2,279,647**
Other non-current liabilities	**–**	**–**	**1,742**	**1,742**	**1,742**
Total	**$ 30,000**	**$ 10,472**	**$ 4,536,466**	**$ 4,576,938**	

AT DECEMBER 31	2008				
	CARRYING VALUE OF FINANCIAL LIABILITIES BY CATEGORY				
	HELD FOR TRADING	DERIVATIVES USED FOR CASH FLOW HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE
Trade and other payables:					
Derivative financial instruments	$ –	$ 107,591	$ –	$ 107,591	$ 107,591
Other financial liabilities	–	–	2,042,676	2,042,676	2,042,676
Downpayments on contracts	–	–	473,199	473,199	473,199
Long-term debt (1):					
Recourse	–	–	104,709	104,709	107,804
Non-recourse from ICI	14,082	–	1,994,985	2,009,067	1,950,773
Other non-current liabilities	–	–	7,725	7,725	7,725
Total	$ 14,082	$ 107,591	$ 4,623,294	$ 4,744,967	

(1) The fair value of long-term debt classified in the "other financial liabilities" category was determined using public quotations or the discounted cash flows method in accordance with current financing arrangements. The discount rates used correspond to prevailing market rates offered to SNC-Lavalin or to the ICI, depending on which entity has issued the debt instrument, for debt with the same terms and conditions.

20 Financial Instruments (continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS

The methodology used to measure the Company's financial instruments accounted for at fair value is determined based on the following hierarchy:

LEVEL	BASIS FOR DETERMINATION OF FAIR VALUE	FINANCIAL INSTRUMENTS
Level 1	Quoted prices in active markets for identical assets or liabilities	Available-for-sale equity investments accounted for at fair value
Level 2	Inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the asset or liability	Cash and cash equivalents, restricted cash, derivatives used for cash flow hedges, as well as PSU arrangement asset (included in trade and other receivables) and non-recourse long-term debt from ICI which had to be classified as held for trading
Level 3	Inputs for the asset or liability that are not based on observable market data	$17.1 million proportionate share of long-term notes held by Highway 407 (December 31, 2008: $15.4 million) included in other non-current assets

B) NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

NATURE OF RISK	DESCRIPTION
Credit risk	Risk that SNC-Lavalin will incur a financial loss if the other party to a financial instrument fails to discharge an obligation. The maximum exposure to credit risk for SNC-Lavalin at the end of a given period usually corresponds to the carrying amount of its financial assets exposed to such risk
Liquidity risk	Possibility that SNC-Lavalin will encounter difficulties in meeting the obligations associated with its financial liabilities
Market risk	Variability in the fair value or future cash flows of a financial instrument caused by a change in market prices in items such as currency rates, interest rates and equity prices

CREDIT RISK

For SNC-Lavalin, credit risk arises from:

i) Cash and cash equivalents, and restricted cash, which are invested in liquid and high-grade financial instruments, based on SNC-Lavalin's investment policy.

ii) Derivative financial instruments used for hedging purposes with a favourable fair value and the PSU arrangement asset, which contain an inherent credit risk relating to default on obligations by the counterparty. This credit risk is reduced by entering into such contracts with sound financial institutions, which are expected to satisfy their obligations under the contracts.

iii) Trade and other receivables, as detailed in Note 8. A given client may represent a material portion of SNC-Lavalin's consolidated revenues in any given year due to the size of a particular project and the progress accomplished on such project; however, the exposure to credit risk is generally limited due to the large number of clients comprising SNC-Lavalin's revenue base, and their dispersion across different industry segments and geographic areas. Furthermore, SNC-Lavalin endeavours to structure positive cash flow arrangements on its projects to reduce the underlying credit risk.

The Company's objective is to reduce credit risk by ensuring collection of its trade and other receivables on a timely basis. The Company internally allocates imputed interest to provide an incentive to project managers to collect trade and other receivables, as uncollected balances result in an internal cost for the related project and, as such, impacts the profitability of the project, which is used to determine manager's compensation, and of the associated operating segment.

iv) The financial assets included in "Other non-current assets", other than equity instruments classified as available-for-sale.

v) The financial guarantees on the Ambatovy project disclosed in Note 4C.

20 Financial Instruments (continued)

LIQUIDITY RISK

SNC-Lavalin monitors its liquidity risk arising from financial instruments on an ongoing basis by ensuring that it has access to sufficient resources to meet its obligations.

As part of its liquidity analysis, the Company calculates what it refers to as freehold cash, which represents the amount of cash and cash equivalents that is not committed for its operations and not committed for investments in ICI. Furthermore, if needed, SNC-Lavalin has access to committed lines of credit with banks.

As presented in Note 4, SNC-Lavalin's consolidated balance sheet included approximately $2,689.4 million at December 31, 2009 (December 31, 2008: $2,217.6 million) of liabilities from ICI that are accounted for by the full or proportionate consolidation methods. These liabilities, which are non-recourse to the Company, are to be repaid by the ICI and are secured by the respective concession's assets, including $203.7 million of financial assets at December 31, 2009 (December 31, 2008: $170.5 million), and by SNC-Lavalin's shares or units in such concession investments. As such, the actual book value at risk for SNC-Lavalin assuming its ICI accounted for by the full or proportionate consolidation methods were unable to meet their obligations corresponds to the carrying amount invested in these entities, which totalled $250.9 million at December 31, 2009 (December 31, 2008: $204.2 million).

SNC-Lavalin's future principal payments on its long-term debt is presented in Note 13.

MARKET RISK

I) CURRENCY RISK

SNC-Lavalin's foreign currency risk arises from arrangements in currencies other than its reporting currency and from the net assets of its foreign operations.

Foreign currency risk is managed by the Company by matching, when possible, the cash receipts in a foreign currency and the cash disbursements in the same foreign currency, for each revenue-generating project in which foreign currencies are involved. Derivative financial instruments with banks (i.e., forward foreign exchange contracts) are also used to hedge the cash flows in foreign currencies.

The following table summarizes the major forward foreign exchange contracts that were outstanding, for which SNC-Lavalin has committed to buy or sell foreign currencies:

AT DECEMBER 31, 2009			AT DECEMBER 31, 2008		
BUY	SELL	MATURITY	BUY	SELL	MATURITY
CA$ 290,643	**US$ 264,634**	**2010-2013**	CA$ 680,248	US$ 611,038	2009-2013
CA$ 368,559	**€ 241,171**	**2010-2013**	CA$ 391,723	€ 256,745	2009-2013
US$ 27,787	**CA$ 29,499**	**2010-2011**	US$ 126,874	CA$ 147,348	2009-2010
US$ 50,924	**€ 37,474**	**2010**	US$ 147,024	€ 108,785	2009-2010
€ 23,639	**US$ 32,777**	**2010**	€ 46,363	US$ 61,671	2009-2010
€ 19,304	**CA$ 29,112**	**2010-2012**	€ 73,108	CA$ 120,341	2009-2011

As at December 31, 2009, the forward foreign exchange contracts used for hedging purposes by the Company had a net favourable fair value of $16.0 million (December 31, 2008: $81.3 million unfavourable). The major forward foreign exchange contracts that were outstanding at that date were to either buy or sell foreign currencies against the Canadian dollar, or to either buy or sell the US dollar against the Euro.

20 Financial Instruments (continued)

SENSITIVITY ANALYSIS

CHANGE IN FOREIGN EXCHANGES RATES (1)	ESTIMATED IMPACT ON ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (2)
10% increase in the Canadian dollar for all forward foreign exchange contracts involving Canadian dollars combined with a 10% increase in the US dollar for all forward foreign exchange contracts involving the US dollar against the Euro	"Accumulated other comprehensive income (loss)" would have been a cumulative income of $0.9 million, compared to a cumulative loss of $23.3 million reported at December 31, 2009
10% decrease in the Canadian dollar for all forward foreign exchange contracts involving Canadian dollars combined with a 10% decrease in the US dollar for all forward foreign exchange contracts involving the US dollar against the Euro	"Accumulated other comprehensive income (loss)" would have been a cumulative loss of $47.5 million, compared to a cumulative loss of $23.3 million reported at December 31, 2009

(1) Assuming all other variables remain the same.

(2) No material impact on the Company's net income as all forward foreign exchange contracts entered into by the Company are used for hedging purposes and the hedging relationships are highly effective.

Investments made in self-sustaining foreign operations are usually not hedged against foreign currency fluctuations. The exchange gains or losses on the net equity investment of these operations are reflected in the "Accumulated other comprehensive income (loss)" account in the shareholders' equity, as part of the accumulated exchange differences on translating self-sustaining foreign operations.

II) INTEREST RATE RISK

Cash and cash equivalents, and restricted cash, usually involve limited interest rate risk due to their short-term nature.

NON-RECOURSE LONG-TERM DEBT FROM ICI

ICI, unlike Services, Packages and Operations and Maintenance activities, are often capital intensive due to the ownership of infrastructure assets that are financed mainly with project-specific debt, which is non-recourse to the general credit of the Company. These investments usually reduce their exposure to interest rate risk by entering into fixed-rate financing arrangements or by hedging the variability of interest rates through derivative financial instruments. Fixing the interest rates gives the ICI stable and predictable financing cash outflows, which are usually structured to match the expected timing of their cash inflows. As a result, the changes in interest rates do not have a significant impact on SNC-Lavalin's consolidated net income.

RECOURSE LONG-TERM DEBT FROM OTHER ACTIVITIES

SNC-Lavalin's recourse long-term debt bears interest at a fixed rate and is measured at amortized cost, therefore, the Company's net income is not exposed to a change in interest rates on these financial liabilities.

III) EQUITY RISK

At December 31, 2009, SNC-Lavalin held equity investments classified as "available-for-sale" that have a quoted market price in an active market totalling $47.8 million (December 31, 2008: $38.3 million) included in "ICI accounted for by the equity or cost methods" and $9.9 million (December 31, 2008: $7.9 million) included in "Other non-current assets". The cumulative change in the fair value of these investments is recorded in "Accumulated other comprehensive income (loss)" (Note 16) until such investments are sold or when an other than temporary impairment loss occurs.

In addition, SNC-Lavalin limits its exposure arising from the PSU, caused by fluctuations in its share price, through a financing arrangement with an investment grade financial institution described in Note 15C.

C) LETTERS OF CREDIT

Under certain circumstances, SNC-Lavalin provides bank letters of credit as collateral for the fulfillment of contractual obligations, including guarantees for performance, advance payments, contractual retentions and bid bonds. Certain letters of credit decrease in relation to the percentage of completion of projects. As at December 31, 2009, SNC-Lavalin had outstanding letters of credit of $1,652.1 million (December 31, 2008: $1,909.3 million).

21 Capital Management

SNC-Lavalin's main objective when managing its capital is to maintain an adequate balance between i) having sufficient capital for financing net asset positions, maintaining satisfactory bank lines of credit and capacity to absorb project net retained risks, while at the same time, ii) optimizing return on average shareholders' equity.

Maintaining sufficient capital and access to satisfactory bank lines of credit is key to the Company's activities, as it demonstrates the Company's financial strength and its ability to meet its performance guarantees on multiple projects, and allows the Company to provide letters of credit as collateral for the fulfillment of its contractual obligations. Maintaining sufficient capital is also a key financial indicator that allows the Company to maintain its investment grade credit rating, which results in, among other things, having access to financing arrangements at a competitive cost.

The Company defines its capital as its shareholders' equity excluding accumulated other comprehensive income (loss) plus its recourse debt. The Company excludes accumulated other comprehensive income (loss) from its definition of capital because this component of shareholders' equity results mainly from the accounting treatment of cash flow hedges and is not representative of the way the Company evaluates the management of its foreign currency risk. Accordingly, the accumulated other comprehensive income (loss) is not representative of the Company's financial position.

The Company does not consider non-recourse debt when monitoring its capital because such debt results from the full or proportionate consolidation of certain ICI held by the Company. As such, the lenders of such debt do not have recourse to the general credit of the Company, but rather to the specific assets of the ICI they finance. The Company's investment in its ICI may, however, be at risk if such investments were unable to repay their non-recourse long-term debt.

The Company's objective remains to maintain a recourse debt-to-capital ratio that would not exceed a ratio of 30:70. The recourse debt-to-capital ratio, as calculated by the Company, was as follows:

AT DECEMBER 31	2009	2008
Recourse debt	**$ 452,922**	$ 104,709
Shareholders' equity	**$ 1,434,692**	$ 1,089,153
Plus: Accumulated other comprehensive loss	**23,306**	101,467
Plus: Recourse debt	**452,922**	104,709
Capital	**$ 1,910,920**	$ 1,295,329
Recourse debt-to-capital ratio	**24:76**	8:92

As a general practice, when managing its capital, the Company repurchases its common shares under its normal course issuer bid mainly to offset the dilutive effect of stock issuance under its stock option programs. The Company has paid quarterly dividends for 20 consecutive years and strives to increase its yearly dividend paid per share, which it has done over the past 9 years.

In 2009, the Company complied with all of the covenants related to its debentures and bank credit facilities.

22 Pension Plans and Other Post-Retirement Benefits

A) PENSION PLANS

SNC-Lavalin has defined contribution pension plans for which its contributions are recorded as expenses in the year in which they are incurred, totalling $53.7 million in 2009 (2008: $42.6 million).

SNC-Lavalin also has a number of defined benefit pension plans, which are closed to new entrants and provide pension benefits based on length of service and final pensionable earnings. An individual actuarial valuation is performed at least every three years for each plan. For the two principal pension plans, the latest actuarial valuations were performed on December 31, 2006 and June 30, 2009, this later date corresponding to the termination of membership for a group of employees in one of SNC-Lavalin's pension plans. The measurement date used for the above benefit obligation and plans' assets is December 31 of each year.

The total cash amount paid by SNC-Lavalin for its pension plans, consisting of contributions to its defined contribution and defined benefit pension plans, was $63.6 million in 2009 (2008: $52.0 million).

The following table sets forth the change in pension benefit obligation and pension plans' assets, as well as the funded status of SNC-Lavalin's defined benefit pension plans:

AT DECEMBER 31	2009	2008
Change in pension benefit obligation:		
Pension benefit obligation at beginning of year	**$ 174,920**	$ 177,811
Current service cost	**1,486**	3,134
Interest cost	**7,951**	9,001
Benefits paid	**(9,604)**	(9,940)
Actuarial losses	**105**	1,519
Settlement	**(27,738)**	(12,774)
Other	**3,506**	6,169
Pension benefit obligation at end of year	**$ 150,626**	$ 174,920
Change in pension plans' assets:		
Fair value of pension plans' assets at beginning of year	**$ 130,419**	$ 149,110
Actual return (loss) on plans' assets	**12,276**	(4,575)
Benefits paid	**(9,604)**	(9,940)
Employer contributions	**9,971**	9,389
Settlement	**(28,153)**	(13,720)
Other	**129**	155
Fair value of pension plans' assets at end of year	**$ 115,038**	$ 130,419
Funded status:		
Pension plans' deficit at end of year	**$ (35,588)**	$ (44,501)
Unamortized net actuarial losses	**15,643**	27,854
Net accrued pension benefit liability	**$ (19,945)**	$ (16,647)

SNC-Lavalin's funded status of its defined benefit pension plans is further detailed below:

AT DECEMBER 31	2009			2008		
	PENSION BENEFIT OBLIGATION	PENSION PLANS' ASSETS	PENSION PLANS' SURPLUS (DEFICIT)	PENSION BENEFIT OBLIGATION	PENSION PLANS' ASSETS	PENSION PLANS' SURPLUS (DEFICIT)
Pension plans for which the plan's assets exceed the benefit obligation	**$ 33,922**	**$ 34,512**	**$ 590**	$ 6,625	$ 7,012	$ 387
Pension plans for which the benefit obligation exceeds the plan's assets	**116,704**	**80,526**	**(36,178)**	168,295	123,407	(44,888)
Total	**$ 150,626**	**$ 115,038**	**$ (35,588)**	$ 174,920	$ 130,419	$ (44,501)

22 Pension Plans and Other Post-Retirement Benefits (continued)

The following table presents the asset allocation of SNC-Lavalin's defined benefit pension plans:

AT DECEMBER 31	2009	2008
Asset class		
Equity securities	**43%**	32%
Debt securities	**57%**	68%
Total	**100%**	100%

The following is a summary of significant weighted average assumptions used in measuring SNC-Lavalin's accrued pension benefit obligation and net benefit pension costs:

AT DECEMBER 31	2009	2008
Accrued pension benefit obligation		
Discount rate	**4.96%**	5.03%
Rate of compensation increase	**4.56%**	4.18%

YEAR ENDED DECEMBER 31	2009	2008
Net benefit pension costs		
Discount rate	**5.02%**	4.98%
Expected long-term rate of return on plans' assets	**5.37%**	5.46%
Rate of compensation increase	**4.18%**	4.18%

SNC-Lavalin's net defined benefit pension cost recognized in net income was comprised of:

YEAR ENDED DECEMBER 31	2009	2008
Current service cost	**$ 1,486**	$ 3,134
Interest cost on benefit obligation	**7,951**	9,001
Actual loss (return) on plans' assets	**(12,276)**	4,575
Actuarial losses on benefit obligation	**105**	1,519
Settlement loss (gain)	**(640)**	946
Other	**1,988**	1,614
Cost (recovery of cost) arising in the period	**(1,386)**	20,789
Adjustments to cost arising in the period to recognize the long-term nature of defined benefit pension costs:		
Deferral of excess (deficiency) of actual return on plans' assets over expected return	**5,913**	(12,517)
Deferral of actuarial losses on benefit obligation	**(105)**	(1,519)
Amortization of previously deferred actuarial losses	**8,847**	6,180
	14,655	(7,856)
Net defined benefit pension cost recognized in the period	**$ 13,269**	$ 12,933

B) OTHER POST-RETIREMENT BENEFITS

As at December 31, 2009, the obligation for other post-retirement benefits amounted to $13.9 million (December 31, 2008: $16.0 million) and is reflected in the consolidated balance sheet under "Other non-current liabilities".

23 Contingencies

In the normal conduct of operations, there are pending claims by and against SNC-Lavalin. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, final determination of these litigations will not materially affect the Company's consolidated financial position or results of operations.

24 Commitments

SNC-Lavalin's minimum lease payments for annual basic rental under long-term operating leases, mainly for office space, amounted to $305.0 million in 2009. The annual minimum lease payments are as follows: 2010—$74.8 million; 2011—$58.9 million; 2012—$45.1 million; 2013—$33.0 million; 2014—$26.2 million and thereafter—$67.0 million.

Other commitments relating to ICI are disclosed under Note 4C.

25 Related Party Transactions

In the normal course of its operations, SNC-Lavalin enters into transactions with certain of its ICI to perform Services, Packages and/or Operations and Maintenance activities. These transactions reflect the Company's strategy to invest in ICI that complement its other activities.

Consistent with Canadian GAAP, intercompany profits generated from revenues with ICI accounted for by the full consolidation method are eliminated in the period they occur, except when such profits are deemed to have been realized by the ICI with a third party. The accounting treatment of intercompany profits upon consolidation are summarized below:

ICI	ACCOUNTING TREATMENT OF INTERCOMPANY PROFITS UPON CONSOLIDATION
AltaLink	Not eliminated upon consolidation in the period they occur, as transactions are considered realized by AltaLink with a third party through the approval of rates, as required by Canadian GAAP
Groupe Immobilier Ovation	Not eliminated upon consolidation in the period they occur, as transactions are considered realized by the ICI through the contractual agreement with its Client, in accordance with Canadian GAAP
Others	Eliminated in the period they occur, as a reduction of the asset and subsequently recognized over the depreciation period of the corresponding asset

In regards to proportionately consolidated ICI and ICI accounted for by the equity method, SNC-Lavalin applies the same principles as under the full consolidation model, except that it eliminates its portion of intercompany profit based on its ownership interests in the ICI. Profit generated from transactions with ICI accounted for by the cost method are not eliminated, in accordance with Canadian GAAP.

SNC-Lavalin's financial statements include revenues of $416.6 million in 2009 (2008: $660.1 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 $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.

26 Comparative Figures

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