SNC·LAVALIN

Q3

Interim Consolidated Financial Statements (unaudited)

As at and for the nine-month period ended
September 30, 2010 and 2009

SNC-LAVALIN GROUP INC.

Consolidated Statements of Income

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND SHARES)	Note	THIRD QUARTER 2010	THIRD QUARTER 2009	NINE MONTHS ENDED SEPTEMBER 30 2010	NINE MONTHS ENDED SEPTEMBER 30 2009
Revenues by activity:					
Services		**$ 491,744**	$ 535,647	**$ 1,450,556**	$ 1,664,254
Packages		**666,121**	472,523	**1,651,316**	1,614,846
Operations and Maintenance		**308,187**	311,934	**947,268**	962,603
Infrastructure Concession Investments		**141,208**	102,324	**370,402**	276,821
		1,607,260	1,422,428	**4,419,542**	4,518,524
Direct costs of activities		**1,259,693**	1,116,467	**3,485,442**	3,683,935
Gross margin		**347,567**	305,961	**934,100**	834,589
Selling, general and administrative expenses		**133,916**	128,842	**414,592**	397,473
Interest and capital taxes	5	**47,781**	39,807	**126,962**	88,790
Income before income taxes and non-controlling interest		**165,870**	137,312	**392,546**	348,326
Income taxes		**36,099**	32,739	**86,791**	82,196
Non-controlling interest		**1,552**	1,429	**7,900**	5,470
Net income		**$ 128,219**	$ 103,144	**$ 297,855**	$ 260,660
Earnings per share ($)					
Basic		**$ 0.85**	$ 0.68	**$ 1.97**	$ 1.73
Diluted		**$ 0.84**	$ 0.68	**$ 1.96**	$ 1.72
Weighted average number of outstanding shares (in thousands)	7				
Basic		**150,967**	151,070	**150,963**	151,031
Diluted		**151,970**	152,218	**152,119**	151,860

See accompanying notes to interim consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Statements of Shareholders' Equity

(UNAUDITED)

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

2010

	Note	SHARE CAPITAL: COMMON SHARES (IN THOUSANDS)	SHARE CAPITAL: AMOUNT	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (NOTE 4) (1)	RETAINED EARNINGS (1)	TOTAL SHAREHOLDERS' EQUITY
Balance at beginning of period		**151,033**	**$ 397,735**	**$ 33,473**	**$ (23,306)**	**$ 1,026,790**	**$ 1,434,692**
Comprehensive income :							
Net income		**–**	**–**	**–**	**–**	**297,855**	**297,855**
Exchange differences on translating self-sustaining foreign operations		**–**	**–**	**–**	**(18,874)**	**–**	**(18,874)**
Net unrealized gain on available-for-sale financial assets (2)		**–**	**–**	**–**	**1,410**	**–**	**1,410**
Net unrealized loss on derivative financial instruments designated as cash flow hedges (3)		**–**	**–**	**–**	**(55,406)**	**–**	**(55,406)**
Total comprehensive income							**224,985**
Dividends declared		**–**	**–**	**–**	**–**	**(76,982)**	**(76,982)**
Stock option compensation	8	**–**	**–**	**12,480**	**–**	**–**	**12,480**
Shares issued under stock option plans		**388**	**12,219**	**(2,214)**	**–**	**–**	**10,005**
Shares redeemed and cancelled		**(391)**	**(1,060)**	**–**	**–**	**(17,767)**	**(18,827)**
Balance at end of period		**151,030**	**$ 408,894**	**$ 43,739**	**$ (96,176)**	**$ 1,229,896**	**$ 1,586,353**

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

2009

	Note	SHARE CAPITAL: COMMON SHARES (IN THOUSANDS)	SHARE CAPITAL: AMOUNT	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (NOTE 4)	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Balance at beginning of period		151,033	$ 385,651	$ 24,247	$ (101,467)	$ 780,722	$ 1,089,153
Comprehensive income :							
Net income		–	–	–	–	260,660	260,660
Exchange differences on translating self-sustaining foreign operations		–	–	–	(13,720)	–	(13,720)
Net unrealized gain on available-for-sale financial assets (2)		–	–	–	9,355	–	9,355
Net unrealized gain on derivative financial instruments designated as cash flow hedges (3)		–	–	–	57,094	–	57,094
Total comprehensive income							313,389
Dividends declared		–	–	–	–	(67,969)	(67,969)
Stock option compensation	8	–	–	9,681	–	–	9,681
Shares issued under stock option plans		290	7,003	(1,337)	–	–	5,666
Shares redeemed and cancelled		(175)	(455)	–	–	(6,261)	(6,716)
Balance at end of period		151,148	$ 392,199	$ 32,591	$ (48,738)	$ 967,152	$ 1,343,204

(1) Total of accumulated other comprehensive income (loss) and retained earnings was $1,133.7 million at September 30, 2010 (December 31, 2009: $1,003.5 million).

(2) Net of income tax expense of $0.2 million for the nine-month period ended September 30, 2010 (nine-month period ended September 30, 2009: net of income tax expense of $nil).

(3) Net of income tax benefit of $22.7 million for the nine-month period ended September 30, 2010 (nine-month period ended September 30, 2009: net of income tax expense of $14.9 million).

See accompanying notes to interim consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Balance Sheets

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)	Note	September 30 2010	December 31 2009
Assets			
Current			
Cash and cash equivalents		**$ 1,049,285**	$ 1,218,225
Restricted cash		**300,863**	68,185
Trade and other receivables		**1,434,201**	1,480,478
Contracts in progress		**775,693**	513,578
Future income tax asset		**83,779**	112,557
Total current assets		**3,643,821**	3,393,023
Property and equipment:			
From infrastructure concession investments	3	**2,470,296**	2,217,047
From other activities		**112,131**	113,952
Goodwill		**528,664**	520,862
Infrastructure concession investments accounted for by the equity or cost methods	3	**422,709**	469,402
Other non-current assets		**884,893**	491,997
Total assets		**$ 8,062,514**	$ 7,206,283
Liabilities			
Current			
Trade and other payables		**$ 1,524,325**	$ 1,702,034
Downpayments on contracts		**508,185**	397,329
Deferred revenues		**587,821**	505,531
Current portion of long-term debt:			
Recourse		**–**	104,874
Non-recourse from infrastructure concession investments	3	**110,080**	139,183
Total current liabilities		**2,730,411**	2,848,951
Long-term debt:			
Recourse		**348,165**	348,048
Non-recourse from infrastructure concession investments	3	**2,794,516**	2,005,485
Future income tax liability		**28,758**	24,408
Other non-current liabilities		**481,148**	464,666
Total liabilities		**6,382,998**	5,691,558
Non-controlling interest		**93,163**	80,033
Shareholders' equity		**1,586,353**	1,434,692
Total liabilities, non-controlling interest and shareholders' equity		**$ 8,062,514**	$ 7,206,283

See accompanying notes to interim consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Statements of Cash Flows

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)		THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	Note	**2010**	2009	**2010**	2009
Operating activities					
Net income		**$ 128,219**	$ 103,144	**$ 297,855**	$ 260,660
Items not involving a movement of cash:					
Depreciation of property and equipment and amortization of other non-current assets:					
From infrastructure concession investments		**23,865**	20,861	**68,393**	63,450
From other activities		**9,487**	11,561	**29,399**	32,415
Future income taxes		**26,254**	17,915	**57,320**	49,566
Accrued interest expense and fair value adjustment on non-recourse long-term debt from infrastructure concession investments		**2,143**	4,972	**4,568**	13,691
Stock option compensation	8	**2,471**	1,878	**12,480**	9,681
Loss (income) from infrastructure concession investments accounted for by the equity method		**(9,984)**	(102)	**(13,348)**	6,118
Non-controlling interest		**1,552**	1,429	**7,900**	5,470
Other		**12,495**	10,243	**5,434**	9,241
Dividends and distributions received from infrastructure concession investments accounted for by the equity method		**704**	14,831	**710**	24,836
		197,206	186,732	**470,711**	475,128
Net change in non-cash working capital items	6	**38,913**	191,361	**(148,566)**	(189,405)
		236,119	378,093	**322,145**	285,723
Investing activities					
Acquisition of property and equipment:					
From infrastructure concession investments		**(106,284)**	(67,602)	**(325,605)**	(193,186)
From other activities		**(13,440)**	(7,408)	**(27,289)**	(23,139)
Payments for infrastructure concession investments		**(19,200)**	(56,616)	**(31,189)**	(121,004)
Increase in loan to Project Operator of Ambatovy project		**(1,714)**	(9,183)	**(7,271)**	(39,585)
Acquisition of businesses		**(8,735)**	(2,046)	**(36,737)**	(20,417)
Change in restricted cash position		**(438,498)**	2,373	**(614,615)**	(23,350)
Other		**(1,652)**	(16,644)	**(5,738)**	(14,134)
		(589,523)	(157,126)	**(1,048,444)**	(434,815)
Financing activities					
Repayment of long-term debt:					
Recourse		**(105,000)**	–	**(105,000)**	–
Non-recourse from infrastructure concession investments		**(105,882)**	(1,114)	**(156,444)**	(123,008)
Increase in long-term debt:					
Recourse		**–**	348,600	**–**	348,600
Non-recourse from infrastructure concession investments		**493,548**	41,992	**909,565**	237,868
Proceeds from exercise of stock options		**3,683**	3,393	**10,005**	5,666
Redemption of shares		**(1,661)**	(2,485)	**(18,827)**	(6,716)
Dividends paid to Company's shareholders		**(25,664)**	(22,663)	**(76,982)**	(67,969)
Other		**7,352**	200	**5,415**	(3,975)
		266,376	367,923	**567,732**	390,466
Increase (decrease) in currency translation adjustment on cash and cash equivalents held in self-sustaining foreign operations		**6,020**	(3,189)	**(10,373)**	(8,300)
Net increase (decrease) in cash and cash equivalents		**(81,008)**	585,701	**(168,940)**	233,074
Cash and cash equivalents at beginning of period		**1,130,293**	635,609	**1,218,225**	988,236
Cash and cash equivalents at end of period		**$ 1,049,285**	$ 1,221,310	**$ 1,049,285**	$ 1,221,310
Supplementary cash flow information.	6				

See accompanying notes to interim consolidated financial statements.

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SNC-Lavalin Group Inc. is incorporated under the Canada Business Corporations Act and has its registered office at 455 René-Lévesque Boulevard West, Montreal, Quebec, Canada H2Z 1Z3. Reference to the "Company" or to "SNC-Lavalin" means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint ventures, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint ventures.

A) BASIS OF PRESENTATION

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

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

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

B) PRINCIPLES OF CONSOLIDATION

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

2. SEGMENT DISCLOSURES

	THIRD QUARTER				NINE MONTHS ENDED SEPTEMBER 30			
	2010		2009		**2010**		2009	
	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME (LOSS)
Services and Packages								
Infrastructure and Environment	**$ 498 705**	**$ 72 323**	$ 342 693	$ 66 080	**$ 1 238 404**	**$ 169 894**	$ 1 183 181	$ 183 143
Chemicals and Petroleum	**220 237**	**(2 795)**	201 073	10 725	**652 545**	**19 208**	607 387	(14 089)
Power **(*)**	**196 782**	**48 053**	202 643	21 768	**532 176**	**89 005**	654 901	61 392
Mining and Metallurgy	**169 948**	**17 081**	185 892	20 578	**480 933**	**43 042**	596 363	67 653
Other Industries	**72 193**	**5 069**	75 869	8 565	**197 814**	**15 283**	237 268	28 119
Operations and Maintenance	**308 187**	**11 942**	311 934	11 220	**947 268**	**26 010**	962 603	21 000
ICI	**141 208**	**17 346**	102 324	9 451	**370 402**	**50 739**	276 821	14 195
	$ 1 607 260	**169 019**	$ 1 422 428	148 387	**$ 4 419 542**	**413 181**	$ 4 518 524	361 413
Reversal of items included above:								
Imputed interest benefit		**(5 220)**		(6 589)		**(21 547)**		(18 302)
Net interest expense and capital taxes from ICI		**43 705**		32 630		**107 361**		80 064
Income taxes from ICI		**4 471**		1 160		**12 395**		8 303
Non-controlling interest before income taxes		**1 676**		1 531		**8 118**		5 638
Income before interest, taxes and non-controlling interest		**213 651**		177 119		**519 508**		437 116
Interest and capital taxes (Note 5)		**47 781**		39 807		**126 962**		88 790
Income before income taxes and non-controlling interest		**165 870**		137 312		**392 546**		348 326
Income taxes		**36 099**		32 739		**86 791**		82 196
Non-controlling interest		**1 552**		1 429		**7 900**		5 470
Net income		**$ 128 219**		$ 103 144		**$ 297 855**		$ 260 660

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2010	2009	**2010**	2009
Supplementary information:				
SNC-Lavalin's net income from ICI				
From Highway 407	**$ 4 834**	$ 2 153	**$ 12 590**	$ 4 841
From other ICI	**12 512**	7 298	**38 149**	9 354
Net income excluding ICI	**110 873**	93 693	**247 116**	246 465
Net income	**$ 128 219**	$ 103 144	**$ 297 855**	$ 260 660

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

(*) On August 2, 2010, SNC-Lavalin announced that it had concluded an agreement with a third-party to dispose of certain technology solution assets that help manage and optimize the flow of electricity through power grids. The transaction has generated a gain before taxes of $22.8 million included in Packages activities, under "Power", resulting in a gain after taxes of $19.6 million included in "Net income excluding ICI" in the third quarter of 2010. The disposal of these assets will not have a significant impact on the Company's future revenues.

3. INFRASTRUCTURE CONCESSION INVESTMENTS

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

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

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

	September 30 2010	December 31 2009
Cash and cash equivalents	**$ 45,673**	$ 42,434
Restricted cash	**273,733**	47,616
Trade and other receivables, contracts in progress and current future income tax asset	**179,347**	96,340
Property and equipment	**2,470,296**	2,217,047
Goodwill	**203,786**	203,786
Other non-current assets	**781,523**	409,903
Total assets	**3,954,358**	3,017,126
Trade and other payables	**264,812**	166,182
Current portion of non-recourse long-term debt	**110,080**	139,183
Non-recourse long-term debt	**2,794,516**	2,005,485
Other non-current liabilities and non-current future income tax liability	**398,076**	378,560
Non-controlling interest	**89,383**	76,852
Total liabilities and non-controlling interest	**3,656,867**	2,766,262
Net book value of ICI accounted for by the full or proportionate consolidation methods	**297,491**	250,864
Net book value of ICI accounted for by the equity method	**147,031**	194,559
Net book value of ICI accounted for by the cost method	**275,678**	274,843
Net book value of ICI accounted for by the equity or cost methods as shown on balance sheets	**422,709**	469,402
Net book value of total ICI	**$ 720,200**	$ 720,266

CHINOOK ROADS PARTNERSHIP

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

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

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

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

3. INFRASTRUCTURE CONCESSION INVESTMENTS (CONTINUED)

McGILL UNIVERSITY HEALTH CENTRE PROJECT

In July 2010, SNC-Lavalin and the McGill University Health Centre ("MUHC") announced the financial closure and official signing of a partnership agreement between the MUHC and the Groupe immobilier santé McGill ("GISM"), composed of SNC-Lavalin and Innisfree Ltd. Under this 34-year public-private partnership, the GISM will design, build, finance and maintain the MUHC's new Glen Campus in Montreal, Canada. Also in July 2010, GISM awarded to SNC-Lavalin an EPC contract for approximately $1.6 billion to design and build the facilities. Construction is underway and should be completed in the autumn of 2014. Once construction is completed, GISM will maintain the campus for the next 30 years.

Consistent with Canadian GAAP, intercompany profits generated by SNC-Lavalin from its revenues on its EPC contract with GISM will not be eliminated upon proportionate consolidation, as the transactions are considered realized by GISM through its contractual agreement with MUHC.

Also in July 2010, the GISM raised $764 million through the sale of Senior Secured Bonds, while SNC-Lavalin and Innisfree Secondary Fund LP committed to invest, directly or indirectly, an amount of $192 million in equity and subordinated debt, of which approximately $115 million is to be invested by SNC-Lavalin. SNC-Lavalin's investment in GISM is accounted for by the proportionate consolidation method.

4. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

		September 30 2010		December 31 2009
Accumulated exchange differences on translating self-sustaining foreign operations	$	(28,166)	$	(9,292)
Accumulated net unrealized loss on available-for-sale financial assets		(485)		(1,895)
Accumulated net unrealized loss on derivative financial instruments designated as cash flow hedges		(67,525)		(12,119)
Accumulated other comprehensive loss	$	(96,176)	$	(23,306)

For the nine-month periods ended September 30, 2010 and 2009, no amount was reclassified to net income for accumulated currency translation adjustment on self-sustaining foreign operations and for available-for-sale financial assets. For derivative financial instruments designated as cash flow hedges, any amount of the accumulated other comprehensive income (loss) that is reclassified to net income offsets the gain or loss recognized in net income on the underlying hedged items, since the Company's cash flow hedges are highly effective.

5. INTEREST AND CAPITAL TAXES

	THIRD QUARTER				NINE MONTHS ENDED SEPTEMBER 30			
		2010		2009		2010		2009
Interest revenues:								
From ICI	$	(2,556)	$	(380)	$	(3,027)	$	(11,329)
From other activities		(1,987)		(935)		(3,872)		(3,943)
Interest on long-term debt:								
Recourse		7,300		7,343		22,298		11,428
Non-recourse from ICI		42,857		32,670		104,535		95,225
Capital taxes and other:								
From ICI		3,404		340		5,853		(3,832)
From other activities		(1,237)		769		1,175		1,241
Interest and capital taxes	$	47,781	$	39,807	$	126,962	$	88,790

6. SUPPLEMENTARY CASH FLOW INFORMATION

A) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2010	2009	**2010**	2009
Decrease (increase) in trade and other receivables	**$ (86,836)**	$ 178,457	**$ 21,900**	$ 149,185
Decrease (increase) in contracts in progress	**(151,552)**	51,458	**(266,564)**	163,615
Increase (decrease) in trade and other payables	**90,894**	(181,557)	**(108,064)**	(466,488)
Increase (decrease) in downpayments on contracts	**151,987**	123,258	**114,209**	(13,857)
Increase (decrease) in deferred revenues	**34,420**	19,745	**89,953**	(21,860)
Net change in non-cash working capital items	**$ 38,913**	$ 191,361	**$ (148,566)**	$ (189,405)

B) INTEREST PAID AND INCOME TAXES PAID

The following table presents interest paid and income taxes paid:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2010	2009	**2010**	2009
Interest paid:				
From ICI	**$ 29,444**	$ 20,717	**$ 89,185**	$ 74,402
From other activities	**15,590**	4,357	**31,623**	8,696
	$ 45,034	$ 25,074	**$ 120,808**	$ 83,098
Income taxes paid (received)	**$ 1,856**	$ (20,628)	**$ 25,016**	$ 14,425

7. EARNINGS PER SHARE

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

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

(IN THOUSANDS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2010	2009	**2010**	2009
Weighted average number of outstanding shares – basic	**150,967**	151,070	**150,963**	151,031
Dilutive effect of stock options	**1,003**	1,148	**1,156**	829
Weighted average number of outstanding shares – diluted	**151,970**	152,218	**152,119**	151,860

In the nine-month period ended September 30, 2010, 1,090,750 outstanding stock options have not been included in the computation of diluted earnings per share because they were anti-dilutive (nine-month period ended September 30, 2009: 1,294,500 outstanding stock options).

8. STOCK OPTION COMPENSATION

The stock option compensation cost recorded as an expense in the third quarter and the first nine months of 2010 was $2.5 million (2009: $1.9 million) and $12.5 million (2009: $9.7 million), respectively. The following table presents the weighted average assumptions used to determine the stock option compensation cost, using the Black-Scholes option pricing model:

	THIRD QUARTER (*)		NINE MONTHS ENDED SEPTEMBER 30	
	2010	2009	**2010**	2009
Risk-free interest rate	**-**	-	**2.47%**	1.86%
Expected stock price volatility	**-**	-	**36.65%**	35.21%
Expected option life	**-**	-	**4 years**	4 years
Expected dividend yield	**-**	-	**1.00%**	1.00%

(*) There are no figures for the third quarters of 2010 and 2009 as no stock options were granted to employees during these periods.

During the third quarter of 2010, no stock options (third quarter of 2009: no stock options) were granted to employees. For the nine-month period ended September 30, 2010, the Company granted 1,098,500 stock options (nine-month period ended September 30, 2009: 1,426,795 stock options) to employees with a weighted average fair value of $15.49 per stock option (2009: $9.21 per stock option).

As at September 30, 2010, 5,673,406 stock options were outstanding (December 31, 2009: 5,073,954 stock options), while 549,266 stock options remained available (December 31, 2009: 1,629,891 stock options) for future grants under the Company's 2009 Stock Option Plan.

In 2010, the Company introduced a Restricted Share Unit ("RSU") plan for certain employees, whereby such employees will receive a cash payment equivalent to the number of units held multiplied by the value of the Company's common shares at the end of a three-year vesting period. In the event of cessation of employment, except under certain circumstances such as death or retirement, units are to be cancelled immediately. In 2010, the Company granted 72,400 RSUs (2009: none) and recorded a compensation cost of $1.0 million in the nine-month period ended September 30, 2010 (nine-month period ended September 30, 2009: $nil), such cost being recognized over the vesting period of the units.

9. PENSION PLANS

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

SNC-Lavalin's total defined benefit charges for its defined benefit pension plans were $2.1 million for the third quarter of 2010 (third quarter of 2009: $3.3 million) and $6.5 million for the first nine months ended September 30, 2010 (nine months ended September 30, 2009: $9.7 million).

10. RELATED PARTY TRANSACTIONS

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

For the third quarter and the first nine months of 2010, SNC-Lavalin recognized revenues of $38.5 million (third quarter of 2009: $93.0 million) and $119.3 million (first nine months of 2009: $323.9 million), respectively, from contracts with ICI accounted for by the equity method.

SNC-Lavalin's trade and other receivables from these ICI accounted for by the equity method amounted to $11.1 million as at September 30, 2010 (December 31, 2009: $102.7 million), while SNC-Lavalin's remaining commitment as at September 30, 2010 to invest in these ICI accounted for by the equity method was $62.8 million (December 31, 2009: $74.2 million).

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

11. COMPARATIVE FIGURES

Certain 2009 figures have been reclassified to conform to the presentation adopted in 2010.

12. SUBSEQUENT EVENTS

DISPOSAL OF VALENER SHARES

On October 12, 2010, SNC-Lavalin announced that it had entered into an agreement with a group of financial institutions to sell its approximately 10.07% equity interest in Valener Inc. (TSX:VNR) ("Valener") consisting of 3,516,453 common shares of Valener, on an underwritten block trade basis, for anticipated net proceeds of $58.7 million, resulting in a loss after taxes of approximately $1.3 million to be recognized in the fourth quarter of 2010. The transaction was closed on November 2, 2010 and, as a result, SNC-Lavalin holds no equity securities of Valener.

DISPOSAL OF TRENCAP LIMITED PARTNERSHIP UNITS

On November 1, 2010, SNC-Lavalin announced that it had entered into an agreement with Caisse de Dépôt et placement du Québec to sell its approximate 11.1% interest in Trencap Limited Partnership. The transaction generated net proceeds of approximately $118 million, resulting in a gain after taxes of approximately $27 million to be recognized in the fourth quarter of 2010.

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