

SNC-LAVALIN GROUP INC.

Consolidated Statements of Income

(UNAUDITED)

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

FOURTH QUARTER

YEAR ENDED DECEMBER 31

	Note	2010	2009	2010	2009
Revenues by activity:					
Services		\$ 601,338	\$ 557,156	\$ 2,051,894	\$ 2,221,410
Packages		757,684	587,316	2,409,000	2,202,162
Operations and Maintenance ("O&M")		383,233	335,302	1,330,501	1,297,905
Infrastructure Concession Investments ("ICI")		153,193	103,439	523,595	380,260
		1,895,448	1,583,213	6,314,990	6,101,737
Direct costs of activities		1,497,822	1,266,707	4,983,264	4,950,642
Gross margin		397,626	316,506	1,331,726	1,151,095
Selling, general and administrative expenses		171,037	148,131	585,629	545,604
Interest and capital taxes	6	47,941	39,448	174,903	128,238
Income before income taxes and non-controlling interests		178,648	128,927	571,194	477,253
Income taxes		36,631	25,945	123,422	108,141
Non-controlling interests		2,858	4,248	10,758	9,718
Net income		\$ 139,159	\$ 98,734	\$ 437,014	\$ 359,394
Earnings per share (\$)					
Basic		\$ 0.92	\$ 0.65	\$ 2.89	\$ 2.38
Diluted		\$ 0.91	\$ 0.65	\$ 2.87	\$ 2.36
Weighted average number of outstanding shares (in thousands)	8				
Basic		151,187	151,073	151,020	151,042
Diluted		152,454	152,267	152,221	151,992

See accompanying notes to interim consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Statements of Shareholders' Equity

(UNAUDITED)

YEAR ENDED DECEMBER 31

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT COMMON SHARES)

2010

	Note	SHARE CAPITAL		CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (NOTE 5)	(1)	RETAINED EARNINGS (1)	TOTAL SHAREHOLDERS' EQUITY
		COMMON SHARES (IN THOUSANDS)	AMOUNT					
Balance at beginning of year		151,033	\$ 397,735	\$ 33,473	\$ (23,306)	\$	1,026,790	\$ 1,434,692
Comprehensive income :								
Net income		—	—	—	—		437,014	437,014
Exchange differences on translating self-sustaining foreign operations		—	—	—	(21,077)		—	(21,077)
Net unrealized gain on available-for-sale financial assets ⁽²⁾		—	—	—	2,010		—	2,010
Net unrealized loss on cash flow hedges ⁽³⁾		—	—	—	(32,570)		—	(32,570)
Total comprehensive income								385,377
Dividends paid to Company shareholders		—	—	—	—		(102,706)	(102,706)
Stock option compensation	9	—	—	14,661	—		—	14,661
Shares issued under stock option plans		903	29,737	(5,392)	—		—	24,345
Shares redeemed and cancelled		(902)	(2,537)	—	—		(45,406)	(47,943)
Balance at end of year		151,034	\$ 424,935	\$ 42,742	\$ (74,943)	\$	1,315,692	\$ 1,708,426

YEAR ENDED DECEMBER 31

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT COMMON SHARES)

2009

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

(1) Total of accumulated other comprehensive income (loss) and retained earnings was \$1,240.7 million at December 31, 2010 (December 31, 2009: \$1,003.5 million).

(2) Net of income tax expense of \$0.3 million in 2010 (2009: net of income tax benefit of \$0.3 million).

(3) Net of income tax benefit of \$11.2 million in 2010 (2009: net of income tax expense of \$25.1 million).

See accompanying notes to interim consolidated financial statements.

SNC-LAVALIN GROUP INC.

Consolidated Balance Sheets

(UNAUDITED)

AT DECEMBER 31

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	2010	2009
Assets			
Current			
Cash and cash equivalents		\$ 1,288,232	\$ 1,218,225
Restricted cash		340,063	68,185
Trade and other receivables		1,673,082	1,480,478
Contracts in progress		624,547	479,637
Contracts in progress from concession arrangements		167,097	33,941
Future income tax asset		78,306	112,557
Total current assets		4,171,327	3,393,023
Property and equipment:			
From ICI	3	2,588,649	2,217,047
From other activities		117,510	113,952
Goodwill		543,642	520,862
ICI accounted for by the equity or cost methods	3	386,696	469,402
Other non-current assets		795,399	491,997
Total assets		\$ 8,603,223	\$ 7,206,283
Liabilities			
Current			
Trade and other payables		\$ 1,666,117	\$ 1,702,034
Downpayments on contracts		551,862	397,329
Deferred revenues		700,279	505,531
Current portion of long-term debt:			
Recourse		—	104,874
Non-recourse from ICI	3	6,651	139,183
Total current liabilities		2,924,909	2,848,951
Long-term debt:			
Recourse		348,204	348,048
Non-recourse from ICI	3	2,981,448	2,005,485
Future income tax liability		56,493	24,408
Other non-current liabilities		481,148	464,666
Total liabilities		6,792,202	5,691,558
Non-controlling interests		102,595	80,033
Shareholders' equity		1,708,426	1,434,692
Total liabilities, non-controlling interests and shareholders' equity		\$ 8,603,223	\$ 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)		FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	Note	2010	2009	2010	2009
Operating activities					
Net income		\$ 139,159	\$ 98,734	\$ 437,014	\$ 359,394
Items not involving a movement of cash:					
Depreciation of property and equipment and amortization of other non-current assets:					
From ICI		25,379	23,176	93,772	86,626
From other activities		10,225	11,037	39,624	43,452
Future income tax expense		13,022	39,570	70,342	89,136
Accrued interest expense and fair value adjustment on non-recourse long-term debt from ICI		4,298	6,596	8,866	20,287
Stock option compensation	9	2,181	2,128	14,661	11,809
Income from ICI accounted for by the equity method		(1,764)	(8,340)	(15,112)	(2,222)
Non-controlling interests		2,858	4,248	10,758	9,718
Net gain on disposals of ICI, before taxes		(29,567)	—	(29,567)	—
Other		(2,641)	(6,229)	2,793	3,012
Dividends and distributions received from ICI accounted for by the equity method		871	—	1,581	24,836
		164,021	170,920	634,732	646,048
Net change in non-cash working capital items	7	2,620	(58,153)	(145,946)	(247,558)
		166,641	112,767	488,786	398,490
Investing activities					
Acquisition of property and equipment:					
From ICI		(93,046)	(80,899)	(418,651)	(274,085)
From other activities		(18,743)	(9,306)	(46,032)	(32,445)
Payments for ICI		(57,905)	(9,920)	(89,094)	(130,924)
Increase in loan to Project Operator of Ambatovy project		(6,473)	—	(13,744)	(39,585)
Acquisition of businesses		(3,233)	2,025	(39,970)	(18,392)
Change in restricted cash position		37,144	19,252	(577,471)	(4,098)
Proceeds from disposals of ICI		176,934	—	176,934	—
Other		(12,040)	1,216	(17,778)	(12,918)
		22,638	(77,632)	(1,025,806)	(512,447)
Financing activities					
Repayment of long-term debt:					
Non-recourse from ICI		(184,173)	(149,479)	(340,617)	(272,487)
Recourse from other activities		—	—	(105,000)	—
Increase in long-term debt:					
Recourse		—	—	—	348,600
Non-recourse from ICI		278,137	150,191	1,187,702	388,059
Proceeds from exercise of stock options		14,340	5,254	24,345	10,920
Redemption of shares		(29,116)	(17,392)	(47,943)	(24,108)
Dividends paid to Company shareholders		(25,724)	(22,668)	(102,706)	(90,637)
Other		(1,799)	(201)	3,616	(4,176)
		51,665	(34,295)	619,397	356,171
Decrease in exchange differences on translating cash and cash equivalents held in self-sustaining foreign operations					
		(1,997)	(3,925)	(12,370)	(12,225)
Net increase (decrease) in cash and cash equivalents		238,947	(3,085)	70,007	229,989
Cash and cash equivalents at beginning of period		1,049,285	1,221,310	1,218,225	988,236
Cash and cash equivalents at end of period		\$ 1,288,232	\$ 1,218,225	\$ 1,288,232	\$ 1,218,225
Supplementary cash flow information.	7				

See accompanying notes to interim consolidated financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DECEMBER 31, 2010 AND 2009

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

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SNC-Lavalin Group Inc. is incorporated under the Canada Business Corporations Act 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, except that contracts in progress from concession arrangements, included in contracts in progress in the 2009 annual audited consolidated balance sheets, are now presented on a separate line item in these 2010 interim consolidated balance sheet. 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 (“O&M”) 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

	FOURTH QUARTER				YEAR ENDED DECEMBER 31			
	2010		2009		2010		2009	
	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME
Services and Packages								
Infrastructure & Environment	\$ 558,326	\$ 66,784	\$ 419,448	\$ 29,750	\$ 1,796,730	\$ 236,678	\$ 1,602,629	\$ 212,893
Chemicals & Petroleum	252,520	(1,086)	222,055	35,129	905,065	18,122	829,442	21,040
Power ⁽¹⁾	228,052	27,301	266,950	26,616	760,228	116,306	921,851	88,008
Mining & Metallurgy	202,888	16,441	168,289	4,541	683,821	59,483	764,652	72,194
Other Industries	117,236	23,301	67,730	12,530	315,050	38,584	304,998	40,649
O&M	383,233	13,421	335,302	11,458	1,330,501	39,431	1,297,905	32,458
ICI ⁽²⁾	153,193	32,143	103,439	22,689	523,595	82,882	380,260	36,884
	<u>\$ 1,895,448</u>	<u>178,305</u>	<u>\$ 1,583,213</u>	<u>142,713</u>	<u>\$ 6,314,990</u>	<u>591,486</u>	<u>\$ 6,101,737</u>	<u>504,126</u>
Reversal of items included above:								
Imputed interest benefit		(1,422)		(10,873)		(22,969)		(29,175)
Net interest expense and capital taxes from ICI		44,413		32,193		151,774		112,257
Income taxes from ICI		2,687		97		15,082		8,400
Non-controlling interests before income taxes		2,606		4,245		10,724		9,883
Income before interest, taxes and non-controlling interests		226,589		168,375		746,097		605,491
Interest and capital taxes (Note 6)		47,941		39,448		174,903		128,238
Income before income taxes and non-controlling interests		178,648		128,927		571,194		477,253
Income taxes		36,631		25,945		123,422		108,141
Non-controlling interests		2,858		4,248		10,758		9,718
Net income		\$ 139,159		\$ 98,734		\$ 437,014		\$ 359,394

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2010	2009	2010	2009
Supplementary information:				
SNC-Lavalin's net income from ICI				
From Highway 407	\$ 318	\$ 4,919	\$ 12,908	\$ 9,760
From other ICI	31,825	17,770	69,974	27,124
Net income excluding ICI	107,016	76,045	354,132	322,510
Net income	<u>\$ 139,159</u>	<u>\$ 98,734</u>	<u>\$ 437,014</u>	<u>\$ 359,394</u>

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.

(1) 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 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 2010. The disposal of these assets will not have a significant impact on the Company's future revenues.

(2) During the fourth quarter of 2010, SNC-Lavalin sold all of its interests in Valener Inc. and Trencap Limited Partnership (see Note 3). The transactions resulted in a net gain after taxes of \$26.1 million included in "ICI" in 2010. The dispositions of these ICI will not have a significant impact on the Company's future revenues.

2. SEGMENT DISCLOSURES (CONTINUED)

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

YEAR ENDED DECEMBER 31		2010		
Revenues by geographic area	SERVICES AND PACKAGES	O&M	ICI	TOTAL
Canada	\$ 1,706,326	\$ 1,179,772	\$ 497,162	\$ 3,383,260
Africa ⁽¹⁾	1,140,122	76,777	25,510	1,242,409
Europe	442,972	24,911	2,202	470,085
Middle East	396,616	2,906	—	399,522
Latin America and Caribbean	343,069	23,644	—	366,713
United States	221,243	—	(1,279)	219,964
Asia	159,324	22,491	—	181,815
Other Regions	51,222	—	—	51,222
	\$ 4,460,894	\$ 1,330,501	\$ 523,595	\$ 6,314,990

YEAR ENDED DECEMBER 31		2009		
Revenues by geographic area	SERVICES AND PACKAGES	O&M	ICI	TOTAL
Canada	\$ 1,642,305	\$ 1,196,042	\$ 380,324	\$ 3,218,671
Africa ⁽¹⁾	832,034	56,716	(1,190)	887,560
Europe	547,531	17,883	2,071	567,485
Middle East	590,483	796	—	591,279
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

(1) Revenues for the year ended December 31, 2010 include \$418.2 million of revenues from Libya (2009: \$278.8 million). Due to the recent events in Libya, the Company expects to have lower revenues in 2011 from this country compared to 2010.

3. INFRASTRUCTURE CONCESSION INVESTMENTS (“ICI”)

SNC-Lavalin makes 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 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 investments, SNC-Lavalin may not be required to make its contribution immediately but, instead, may commit to making its 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, contracts in progress from concession arrangements 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 ICI, additional information is provided in the table below on the assets, liabilities and non-controlling interests of ICI accounted for by the full or proportionate consolidation method and on the net book value of the Company’s ICI.

AT DECEMBER 31	2010	2009
Cash and cash equivalents	\$ 69,904	\$ 42,434
Restricted cash	308,928	47,616
Trade and other receivables and current future income tax asset	59,400	73,026
Contracts in progress from concession arrangements	167,097	33,941
Property and equipment	2,588,649	2,217,047
Goodwill	203,786	203,786
Other non-current assets	740,393	399,276
Total assets	4,138,157	3,017,126
Trade and other payables	279,500	166,182
Current portion of non-recourse long-term debt	6,651	139,183
Non-recourse long-term debt	2,981,448	2,005,485
Other non-current liabilities and non-current future income tax liability	395,610	378,560
Non-controlling interests	98,113	76,852
Total liabilities and non-controlling interests	3,761,322	2,766,262
Net book value of ICI accounted for by the full or proportionate consolidation methods	376,835	250,864
Net book value of ICI accounted for by the equity method	207,468	194,559
Net book value of ICI accounted for by the cost method	179,228	274,843
Net book value of ICI accounted for by the equity or cost methods as shown on balance sheets	386,696	469,402
Net book value of total ICI	\$ 763,531	\$ 720,266

A) ADDITIONS OF ICI

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 and 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 O&M work to joint ventures 50% owned by SNC-Lavalin.

Chinook’s project financing for which SNC-Lavalin’s proportionate share represents \$74.1 million as at December 31, 2010, is presented as non-recourse long-term debt from ICI. SNC-Lavalin and its partner committed to invest a total of \$32.3 million in equity and subordinated debt in Chinook.

3. INFRASTRUCTURE CONCESSION INVESTMENTS (CONTINUED)

As at December 31, 2010, the Company's share of the contracts in progress from concession arrangements relating to this project amounted to \$29.5 million.

MCGILL UNIVERSITY HEALTH CENTRE PROJECT

In July 2010, SNC-Lavalin, its partner and the McGill University Health Centre ("MUHC") announced the financial closure and official signing of a partnership agreement between MUHC and Groupe immobilier santé McGill ("MIHG"), composed of SNC-Lavalin and Innisfree Ltd. Under this 34-year public-private partnership, MIHG will design, build, finance and maintain MUHC's new Glen Campus, comprised mainly of 2 hospitals, a cancer centre and a research institute, located in Montreal, Canada.

Also in July 2010, MIHG awarded to SNC-Lavalin an EPC contract for approximately \$1.6 billion to design and build the facilities. Construction is underway and is expected to be completed in the autumn of 2014. Once completed, MIHG will maintain the campus for the next 30 years.

MIHG raised \$764 million through the sale of Senior Secured Bonds, while SNC-Lavalin and its partner committed to invest, directly or indirectly, an amount of \$191.8 million in equity and subordinated debt.

SNC-Lavalin's investment in MIHG is accounted for by the proportionate consolidation method. As at December 31, 2010, the Company's share of the contracts in progress from concession arrangements relating to this project amounted to \$55.4 million.

RAYALSEEMA EXPRESSWAY PRIVATE LIMITED

The Company acquired in 2010 a 36.9% equity interest in Rayalseema Expressway Private Limited ("REPL"), an entity that had previously entered into a contract with the National Highways Authority of India to build and operate the 189-kilometre Cuddapah-Kurnool section of National Highway 18, in the state of Andhra Pradesh, India. Under this 30-year public-private partnership contract, REPL will expand the existing two-lane stretch to four lanes and operate the section of the toll highway. SNC-Lavalin committed to invest an amount of \$36.7 million in equity and subordinated debt, of which \$24.9 million was paid prior to December 31, 2010. SNC-Lavalin's investment in REPL is accounted for by the equity method.

B) DISPOSALS OF ICI

VALENER INC. (PREVIOUSLY GAZ MÉTRO LIMITED PARTERSHIP)

In October 2010, SNC-Lavalin announced that it had entered into an agreement with a group of financial institutions to sell all of 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 net proceeds of \$58.7 million, resulting in a loss after taxes of \$1.3 million. The transaction was closed in November 2010.

TRENCAP LIMITED PARTNERSHIP

In November 2010, SNC-Lavalin announced that it had entered into an agreement with Caisse de dépôt et placement du Québec to sell all of its approximately 11.1% interest in Trencap Limited Partnership. The transaction generated net proceeds of \$118.2 million and resulted in a gain after taxes of \$27.4 million.

C) CONTRACTS IN PROGRESS FROM CONCESSION ARRANGEMENTS

Contracts in progress from concession arrangements relate to fully consolidated or proportionately consolidated concessions for which revenue is deemed to be realized with a third party. The contracts in progress from concession arrangements amount consists of revenues recognized by these concessions in excess of amounts billed to the client and are recorded at their estimated realizable value. The amount of contracts in progress from concession arrangements expected to be collected upon the completion of the construction of the concession's infrastructure is presented in current assets. Upon completion of the construction of the infrastructure, the non-current portion of the contracts in progress generated from concession arrangements is reclassified to a non-current receivable, to be recovered through the payments received from the client.

3. INFRASTRUCTURE CONCESSION INVESTMENTS (CONTINUED)

Contracts in progress from concession arrangements are detailed as follows:

AT DECEMBER 31	2010	2009
Chinook	\$ 29,489	\$ –
MIHG	55,359	–
Ovation Real Estate Group	82,249	33,941
	\$ 167,097	\$ 33,941

4. ACQUISITION OF BUSINESSES

A) BUSINESSES ACQUIRED

In 2010, SNC-Lavalin completed the following business acquisitions, which added approximately 1,200 people to its workforce:

In April 2010, a South African firm, B E Morgan Associates (Proprietary) Limited, specializing in engineering and construction of various industrial facilities and that also provides project management and contracting services primarily to various South African corporations, employing approximately 50 people.

In December 2010, Itansuca Proyectos de Ingenieria S.A., an engineering firm in the chemicals and petroleum sector based in Bogota, Colombia, that employs approximately 1,000 people. Since 1989, Itansuca Proyectos de Ingenieria S.A. has been offering consulting, electromechanical installation, design and supervision services from its Bogota head office and 21 other locations around the country to clients in Colombia and in a number of other countries around the world.

During 2010, five engineering firms in France, namely EBI Conseil, Groupe Teco, Pénicaud Architecture Environnement EURL, ETF Ingénierie – Société d'ingénieurs conseils and Groupe Setor, that employ a total of approximately 160 people.

During 2010, two engineering firms in Montréal, Canada, namely Nucleonex Inc. and Hydrosult, that employ a total of approximately 20 people.

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.

In April 2009, two French firms, Antis Conseils and 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.

4. ACQUISITION OF BUSINESSES (CONTINUED)

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 \$40.8 million (2009: \$38.2 million), net of cash and cash equivalents existing in these businesses at the time of acquisition of \$9.9 million (2009: \$5.9 million). The allocation of the purchase price to acquire these businesses and the total cash consideration paid were as follows:

	2010	2009
Cash and cash equivalents	\$ 9,896	\$ 5,917
Trade and other receivables	27,230	17,891
Contracts in progress	171	2,204
Property and equipment	1,767	5,702
Other non-current assets	1,188	496
Trade and other payables	(16,389)	(14,370)
Other liabilities assumed	(3,402)	(1,793)
Net identifiable assets of businesses acquired	20,461	16,047
Goodwill	30,190	28,078
Total purchase price	50,651	44,125
Less: Cash and cash equivalents at acquisition	9,896	5,917
Total purchase price, net of cash and cash equivalents at acquisition	40,755	38,208
Less: Balance of purchase price payable in future years	20,003	22,078
Cash consideration paid for businesses acquired in the year	20,752	16,130
Plus: Balance of purchase price from previous year paid in current year	19,218	2,262
Cash consideration paid for acquisition of businesses presented on consolidated statements of cash flows	\$ 39,970	\$ 18,392

5. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table provides the balances of the components of accumulated other comprehensive income (loss) as at December 31:

	2010	2009
Accumulated exchange differences on translating self-sustaining foreign operations	\$ (30,369)	\$ (9,292)
Accumulated net unrealized gain (loss) on available-for-sale financial assets	115	(1,895)
Accumulated net unrealized loss on cash flow hedges	(44,689)	(12,119)
Accumulated other comprehensive loss	\$ (74,943)	\$ (23,306)

In 2010 and 2009, no amounts were reclassified to net income for accumulated exchange differences on translating self-sustaining foreign operations. In the fourth quarter and the year ended December 31, 2010, \$1.3 million was reclassified to net income from accumulated net unrealized loss on available-for-sale financial assets (2009: \$nil). For cash flow hedges, any amount of the accumulated other comprehensive income (loss) that is reclassified to net income offsets the gain or loss recognized in net income on the underlying hedged items, since the Company's cash flow hedges are highly effective.

6. INTEREST AND CAPITAL TAXES

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2010	2009	2010	2009
Interest revenues:				
From ICI	\$ (3,104)	\$ (245)	\$ (6,131)	\$ (11,574)
From other activities	(2,774)	(1,068)	(6,646)	(5,011)
Interest on long-term debt:				
Recourse	5,456	7,551	27,754	18,979
Non-recourse from ICI	47,739	32,117	152,274	127,342
Capital taxes and other:				
From ICI	(222)	321	5,631	(3,511)
From other activities	846	772	2,021	2,013
Interest and capital taxes	\$ 47,941	\$ 39,448	\$ 174,903	\$ 128,238

7. SUPPLEMENTARY CASH FLOW INFORMATION

A) NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2010	2009	2010	2009
Decrease (increase) in trade and other receivables	\$ (223,740)	\$ 36,081	\$ (201,840)	\$ 185,266
Decrease (increase) in contracts in progress	42,568	37,543	(152,160)	220,287
Increase in contract in progress from concession arrangements	(61,320)	(14,812)	(133,156)	(33,941)
Increase (decrease) in trade and other payables	86,372	(59,763)	(21,692)	(526,251)
Increase (decrease) in downpayments on contracts	44,413	(58,262)	158,622	(72,119)
Increase (decrease) in deferred revenues	114,327	1,060	204,280	(20,800)
Net change in non-cash working capital items	\$ 2,620	\$ (58,153)	\$ (145,946)	\$ (247,558)

B) INTEREST PAID AND INCOME TAXES PAID

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

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2010	2009	2010	2009
Interest paid:				
From ICI	\$ 57,279	\$ 35,149	\$ 146,464	\$ 109,551
From other activities	1,161	1,337	32,784	10,033
	\$ 58,440	\$ 36,486	\$ 179,248	\$ 119,584
Income taxes paid (received)	\$ (22,619)	\$ 15,860	\$ 2,397	\$ 30,285

8. EARNINGS PER SHARE

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

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

(IN THOUSANDS)	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2010	2009	2010	2009
Weighted average number of outstanding shares – basic	151,187	151,073	151,020	151,042
Dilutive effect of stock options	1,267	1,194	1,201	950
Weighted average number of outstanding shares – diluted	152,454	152,267	152,221	151,992

In 2010, 1,095,250 outstanding stock options have not been included in the computation of diluted earnings per share because they were anti-dilutive (2009: 1,287,917 outstanding stock options).

9. STOCK OPTION COMPENSATION

The stock option compensation cost recorded as an expense in the fourth quarter and the year ended December 31, 2010 was \$2.2 million (2009: \$2.1 million) and \$14.7 million (2009: \$11.8 million), respectively. The following table presents the weighted average assumptions used to determine the stock option compensation cost, using the Black-Scholes option pricing model:

	FOURTH QUARTER (*)		YEAR ENDED DECEMBER 31	
	2010	2009	2010	2009
Risk-free interest rate	2.21%	-	2.47%	1.86%
Expected stock price volatility	35.64%	-	36.64%	35.21%
Expected option life	4 years	-	4 years	4 years
Expected dividend yield	1.00%	-	1.00%	1.00%

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

During the fourth quarter of 2010, 12,000 stock options (fourth quarter of 2009: no stock options) were granted by the Company with a weighted average fair value of \$16.26 per stock option (2009: \$nil). For the year ended December 31, 2010, the Company granted 1,110,500 stock options (2009: 1,426,795 stock options) to employees with a weighted average fair value of \$15.50 per stock option (2009: \$9.21 per stock option).

As at December 31, 2010, 5,126,117 stock options were outstanding (December 31, 2009: 5,073,954 stock options), while 548,516 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, to complement its offering of share-based compensation plans, the Company introduced a Restricted Share Unit ("RSU") plan for selected employees (the plan "participants"), which are not awarded stock options or any other share-based units.

In 2010, the Company awarded 31,322 PSU (average fair value of \$52.40 per unit) under the 2009 PSU plan, 34,027 DSU (average fair value of \$52.40 per unit) under the 2009 DSU plan, 84,507 RSU (average fair value of \$52.86 per unit) under the RSU plan. No units were awarded in 2009 under the 2009 PSU plan and the 2009 DSU plan. The Company awarded 99,942 PSU (average fair value of \$32.08 per unit) in 2009 under the Previous PSU plan.

9. STOCK OPTION COMPENSATION (CONTINUED)

The compensation expense, net of the gain of \$3.7 million from the remeasurement of the PSU, DSU and RSU arrangement asset which offsets the loss of \$3.7 million from the remeasurement of the PSU, DSU and RSU liabilities in 2010 (2009: gain of \$12.2 million from the remeasurement of the PSU arrangement asset which offsets the loss of \$12.2 million from the remeasurement of the PSU liability), was \$5.5 million for the year ended December 31, 2010 (2009: \$1.7 million).

10. PENSION PLANS

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

SNC-Lavalin's total defined benefit charges for its defined benefit pension plans were \$1.4 million for the fourth quarter of 2010 (fourth quarter of 2009: \$3.6 million) and \$7.9 million for the year ended December 31, 2010 (year ended December 31, 2009: \$13.3 million).

11. 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 fourth quarter and the year ended December 31, 2010, SNC-Lavalin recognized revenues of \$48.3 million (fourth quarter of 2009: \$92.7 million) and \$167.6 million (year ended December 31, 2009: \$416.6 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 \$8.6 million as at December 31, 2010 (December 31, 2009: \$102.7 million), while SNC-Lavalin's remaining commitment as at December 31, 2010 to invest in these ICI accounted for by the equity method was \$49.5 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.

12. COMPARATIVE FIGURES

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

13. SUBSEQUENT EVENT

On February 10, 2011, SNC-Lavalin announced that it will acquire a 23.08% ownership interest in AltaLink from Macquarie Essential Assets Partnership ("MEAP") for \$213 million. The offer was presented in response to a binding offer received by MEAP from a third party pursuant to a right of first refusal held by SNC-Lavalin and would bring SNC-Lavalin's ownership in AltaLink to 100%. The transaction is subject to customary closing conditions and regulatory approval, including approval from the Alberta Utilities Commission.