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 controls over financial reporting. They have evaluated disclosure controls and procedures and internal controls 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 independent 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 independent auditor's 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 independent auditor, and reviews and approves the terms of its engagement as well as the fee, scope and timing of its services.

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

PIERRE DUHAIME
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

GILLES LARAMÉE
EXECUTIVE VICE-PRESIDENT AND
CHIEF FINANCIAL OFFICER

MONTREAL, CANADA
MARCH 4, 2011

INDEPENDENT AUDITOR'S REPORT

To the shareholders of SNC-Lavalin Group Inc.

We have audited the accompanying consolidated financial statements of SNC-Lavalin Group Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of income, of shareholders' equity and of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SNC-Lavalin Group Inc. as at December 31, 2010 and 2009, 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
MARCH 4, 2011

(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	2010	2009
Revenues by activity:			
Services		**$ 2,051,894**	$ 2,221,410
Packages		**2,409,000**	2,202,162
Operations and Maintenance (“O&M”)		**1,330,501**	1,297,905
Infrastructure Concession Investments (“ICI”)		**523,595**	380,260
		6,314,990	6,101,737
Direct costs of activities		**4,983,264**	4,950,642
Gross margin		**1,331,726**	1,151,095
Selling, general and administrative expenses		**585,629**	545,604
Interest and capital taxes	17	**174,903**	128,238
Income before income taxes and non-controlling interests		**571,194**	477,253
Income taxes	19	**123,422**	108,141
Non-controlling interests		**10,758**	9,718
Net income		**$ 437,014**	$ 359,394
Earnings per share ($)			
Basic		**$ 2.89**	$ 2.38
Diluted		**$ 2.87**	$ 2.36
Weighted average number of outstanding shares (in thousands)	15E		
Basic		**151,020**	151,042
Diluted		**152,221**	151,992

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) — 2010

	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**	**$ 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 (Note 15B)	–	–	**14,661**	–	–	**14,661**
Shares issued under stock option plans (Note 15B)	**903**	**29,737**	**(5,392)**	–	–	**24,345**
Shares redeemed and cancelled (Note 15D)	**(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

	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 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

(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: income tax benefit of $0.3 million).

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

See accompanying notes to consolidated financial statements.

SNC-Lavalin Group Inc.

CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31 (IN THOUSANDS OF CANADIAN DOLLARS)	NOTE	2010	2009
Assets			
Current			
Cash and cash equivalents	7A	**$ 1,288,232**	$ 1,218,225
Restricted cash	7B	**340,063**	68,185
Trade and other receivables	8	**1,673,082**	1,480,478
Contracts in progress	2F	**624,547**	479,637
Contracts in progress from concession arrangements	2G, 4E	**167,097**	33,941
Future income tax asset	19	**78,306**	112,557
Total current assets		**4,171,327**	3,393,023
Property and equipment:			
From ICI	4, 9	**2,588,649**	2,217,047
From other activities	9	**117,510**	113,952
Goodwill	10	**543,642**	520,862
ICI accounted for by the equity or cost methods	4	**386,696**	469,402
Other non-current assets	11	**795,399**	491,997
Total assets		**$ 8,603,223**	$ 7,206,283
Liabilities			
Current			
Trade and other payables	12	**$ 1,666,117**	$ 1,702,034
Downpayments on contracts	2M	**551,862**	397,329
Deferred revenues	2N	**700,279**	505,531
Current portion of long-term debt:			
Recourse	13	**–**	104,874
Non-recourse from ICI	4, 13	**6,651**	139,183
Total current liabilities		**2,924,909**	2,848,951
Long-term debt:			
Recourse	13	**348,204**	348,048
Non-recourse from ICI	4, 13	**2,981,448**	2,005,485
Future income tax liability	19	**56,493**	24,408
Other non-current liabilities	14	**481,148**	464,666
Total liabilities		**6,792,202**	5,691,558
Non-controlling interests	1B	**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 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	2010	2009
Operating activities			
Net income		**$ 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		**93,772**	86,626
From other activities		**39,624**	43,452
Future income tax expense	19	**70,342**	89,136
Accrued interest expense and fair value adjustment on non-recourse long-term debt from ICI		**8,866**	20,287
Stock option compensation	15B	**14,661**	11,809
Income from ICI accounted for by the equity method		**(15,112)**	(2,222)
Non-controlling interests		**10,758**	9,718
Net gain on disposals of ICI, before taxes	4B	**(29,567)**	–
Other		**2,793**	3,012
Dividends and distributions received from ICI accounted for by the equity method	4C	**1,581**	24,836
		634,732	646,048
Net change in non-cash working capital items	18	**(145,946)**	(247,558)
		488,786	398,490
Investing activities			
Acquisition of property and equipment:			
From ICI		**(418,651)**	(274,085)
From other activities		**(46,032)**	(32,445)
Payments for ICI	4D	**(89,094)**	(130,924)
Increase in loan to Project Operator of Ambatovy project	4D	**(13,744)**	(39,585)
Acquisition of businesses	5	**(39,970)**	(18,392)
Change in restricted cash position		**(577,471)**	(4,098)
Proceeds from disposals of ICI		**176,934**	–
Other		**(17,778)**	(12,918)
		(1,025,806)	(512,447)
Financing activities			
Repayment of long-term debt:			
Non-recourse from ICI		**(340,617)**	(272,487)
Recourse from other activities		**(105,000)**	–
Increase in long-term debt:			
Recourse		**–**	348,600
Non-recourse from ICI		**1,187,702**	388,059
Proceeds from exercise of stock options		**24,345**	10,920
Redemption of shares	15D	**(47,943)**	(24,108)
Dividends paid to Company shareholders		**(102,706)**	(90,637)
Other		**3,616**	(4,176)
		619,397	356,171
Decrease in exchange differences on translating cash and cash equivalents held in self-sustaining foreign operations		**(12,370)**	(12,225)
Net increase in cash and cash equivalents		**70,007**	229,989
Cash and cash equivalents at beginning of year		**1,218,225**	988,236
Cash and cash equivalents at end of year		**$ 1,288,232**	$ 1,218,225
Supplementary cash flow information	18		

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009
(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 select investments in infrastructure concessions that are complementary to its other activities.

The Company reports its revenues under **four categories of activity**, 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 is responsible not only for providing one or more of the Services activities listed above, but also undertakes the responsibility for providing materials/equipment and/or construction activities.

Packages revenues are derived primarily from fixed-price contracts.

> **Operations and Maintenance ("O&M"):** 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.

O&M revenues are derived primarily from cost reimbursable with fixed-fee contracts, and from fixed-price contracts.

> **Infrastructure Concession Investments ("ICI"):** regroups SNC-Lavalin's 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 these audited consolidated financial statements ("financial statements"), activities from Services, Packages, and O&M are collectively referred to as "from other activities" or "excluding ICI" to distinguish them 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.

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) 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.

B) REVENUE RECOGNITION

REVENUES FROM SERVICES, PACKAGES, AND O&M ACTIVITIES

Revenues from **Services**, **Packages**, and **O&M** 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.

> **O&M:** The fixed-fee revenue portion from **cost reimbursable with 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 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 STATEMENT OF INCOME
Full consolidation	**Revenues** that are recognized and reported by the ICI
Proportionate consolidation	SNC-Lavalin's **proportionate share of revenues** that are recognized 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 O&M, 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.

C) 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	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 (loss) 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)

D) 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.

E) RESTRICTED CASH

Restricted cash includes cash and cash equivalents, primarily from ICI that are fully consolidated or proportionately 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.

F) 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.

G) 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.

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 O&M activities are primarily:

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

2 Summary of Significant Accounting Policies (continued)

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.

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 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, 2010, 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 pension 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 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.

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 grant 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

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 identified the expected impact of adopting IFRS on its financial statements. Section 13 of the Company's annual Management's Discussion and Analysis for the year ended December 31, 2010 provides further details of the impact of 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 evaluated by regrouping its projects within the industries they are executed for, and are as follows:

> **Infrastructure & 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 the public and private sectors, as well as environmental projects, including impact assessments and studies, site assessment, remediation and reclamation, ecological and human health risk assessments, waste management, water and wastewater, marine and coastal management, air quality and acoustics, environmental management, climate change, institutional strengthening and rural development.

> **Chemicals & Petroleum** includes projects in gas processing, heavy and conventional oil production, onshore and offshore oil and gas, liquefied natural gas ("LNG") re-gasification terminals, coal to liquid gas, carbon capture, transportation and sequestration, pipelines, terminals and pump stations, refining and upgrading, bitumen production, biofuels, petrochemicals and chemicals.

> **Power** includes projects in hydro, nuclear and thermal power generation, energy from waste, green energy solutions, and transmission and distribution.

> **Mining & 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 fertilizer plants.

> **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) **O&M** 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) **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**, which consists of gross margin less directly related selling, general and administrative expenses, imputed interest and corporate selling, 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 selling, 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.

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 proportionate share of the net income of its investments accounted for by the proportionate consolidation method; and iv) net income from investments accounted for by the full consolidation method, less the portion attributable to non-controlling interests. 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 represents SNC-Lavalin's net income from its ICI.

3 Segment Disclosures (continued)

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

YEAR ENDED DECEMBER 31	2010		2009	
	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME
Services and Packages				
Infrastructure & Environment	**$ 1,796,730**	**$ 236,678**	$ 1,602,629	$ 212,893
Chemicals & Petroleum	**905,065**	**18,122**	829,442	21,040
Power (1)	**760,228**	**116,306**	921,851	88,008
Mining & Metallurgy	**683,821**	**59,483**	764,652	72,194
Other Industries	**315,050**	**38,584**	304,998	40,649
O&M	**1,330,501**	**39,431**	1,297,905	32,458
ICI (2)	**523,595**	**82,882**	380,260	36,884
	$ 6,314,990	**591,486**	$ 6,101,737	504,126
Reversal of items included above:				
Imputed interest benefit		**(22,969)**		(29,175)
Net interest expense and capital taxes from ICI		**151,774**		112,257
Income taxes from ICI		**15,082**		8,400
Non-controlling interests before income taxes		**10,724**		9,883
Income before interest, taxes and non-controlling interests		**746,097**		605,491
Interest and capital taxes (Note 17)		**174,903**		128,238
Income before income taxes and non-controlling interests		**571,194**		477,253
Income taxes (Note 19)		**123,422**		108,141
Non-controlling interests		**10,758**		9,718
Net income		**$ 437,014**		$ 359,394

(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 2010, SNC-Lavalin sold all of its interests in Valener Inc. and Trencap Limited Partnership (see Note 4B). 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.

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	2010	2009
Supplementary information:		
SNC-Lavalin's net income from ICI		
From Highway 407	**$ 12,908**	$ 9,760
From other ICI	**69,974**	27,124
Net income excluding ICI	**354,132**	322,510
Net income	**$ 437,014**	$ 359,394

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	2010	2009
Total assets from ICI (Note 4):		
ICI accounted for by the full or proportionate consolidation methods	**$ 4,138,157**	$ 3,017,126
ICI accounted for by the equity method	**207,468**	194,559
ICI accounted for by the cost method	**179,228**	274,843
Total assets from ICI	**4,524,853**	3,486,528
Segment non-cash working capital (deficit) from other activities		
Services and Packages		
Infrastructure & Environment	**(6,079)**	(64,353)
Chemicals & Petroleum	**114,065**	(81,337)
Power	**(204,390)**	(34,591)
Mining & Metallurgy	**22,756**	23,383
Other Industries	**(85,728)**	(75,187)
O&M	**(64,250)**	(92,659)
Total segment non-cash working capital (deficit) from other activities	**(223,626)**	(324,744)
Reversal of current liabilities included in the non-cash working capital above	**2,540,161**	2,335,017
Current assets from other activities, excluding cash and cash equivalents and restricted cash	**2,316,535**	2,010,273
Other assets from other activities:		
Cash and cash equivalents and restricted cash from other activities	**1,249,463**	1,196,360
Property and equipment, goodwill and other non-current assets from other activities	**512,372**	513,122
Total assets from other activities	**4,078,370**	3,719,755
Total assets	**$ 8,603,223**	$ 7,206,283

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

AT DECEMBER 31	2010	2009
Property, equipment and goodwill		
Canada:		
From ICI	**$ 2,792,435**	$ 2,420,833
From other activities	**200,426**	199,661
	2,992,861	2,620,494
Outside Canada:		
From ICI	**–**	–
From other activities	**256,940**	231,367
	256,940	231,367
	$ 3,249,801	$ 2,851,861

3 Segment Disclosures (continued)

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

YEAR ENDED DECEMBER 31	2010			
	SERVICES AND PACKAGES	O&M	ICI	TOTAL
Revenues by geographic area				
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			
	SERVICES AND PACKAGES	O&M	ICI	TOTAL
Revenues by geographic area				
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 recent events in Libya, the Company expects to have lower revenues in 2011 from this country compared to 2010.

4 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.

Unlike Services, Packages and O&M activities, ICI are often capital intensive. 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, the main impact on the Company's balance sheet when fully consolidating or proportionately consolidating such investments is on property and equipment, contracts in progress from concession arrangements and non-recourse long-term debt accounts. Furthermore, most of the Company's depreciation, amortization and interest expense is from the full consolidation or proportionate consolidation of these investments.

4 Infrastructure Concession Investments ("ICI") (continued)

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.

A) ADDITIONS OF ICI

I) ADDITIONS IN 2010

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.

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 two 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.

4 Infrastructure Concession Investments ("ICI") (continued)

II) ADDITIONS IN 2009

NEW ACOUSTIC CONCERT HALL OF MONTREAL

In May 2009, SNC-Lavalin announced that Ovation Real Estate Group (Quebec) Inc. ("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 acoustic concert hall, located in downtown Montreal, Canada.

Also in May 2009, Ovation subcontracted the EPC and O&M work to subsidiaries wholly-owned by SNC-Lavalin. While SNC-Lavalin will finance the costs related to this project 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, 2010, the contracts in progress from concession arrangements relating to this project amounted to approximately $82.2 million (December 31, 2009: $33.9 million).

B) DISPOSALS OF ICI

I) DISPOSALS IN 2010

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) 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	2010	2009
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 or cost methods:		
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 sheet	**386,696**	469,402
Net book value of ICI	**$ 763,531**	$ 720,266

4 Infrastructure Concession Investments ("ICI") (continued)

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

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

				OWNERSHIP INTEREST	
NAME OF ICI	PRINCIPAL ACTIVITY	MATURITY OF CONCESSION AGREEMENT	LOCATION	2010	2009
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%
Chinook Roads Partnership ("Chinook")	25-km ring-road highway under a 33-year concession agreement (under construction)	2043	Canada	**50.0%**	–
Ovation Real Estate Group (Quebec) Inc. ("Ovation")	2,100-seat acoustic concert hall under 29-year concession agreement (under construction)	2038	Canada	**100.0%**	100.0%
Groupe Immobilier Santé McGill ("MIHG")	McGill University Health Centre – Glen Campus under a 34-year concession agreement (under construction)	2044	Canada	**60.0%**	–
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 Dôme S.A.S.	5.3-km electric cog railway (under construction)	2043	France	**51.0%**	51.0%

N/A: not applicable

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

YEAR ENDED DECEMBER 31	2010	2009
Revenues and net income included in the Company's consolidated statement of income:		
Revenues	**$ 471,792**	$ 368,914
Net income from ICI accounted for by the full consolidation method, less the portion attributable to non-controlling interests, and from ICI accounted for by the proportionate consolidation method	**$ 33,355**	$ 27,473

4 Infrastructure Concession Investments ("ICI") (continued)

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

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

II) ICI ACCOUNTED FOR BY THE EQUITY METHOD

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

				OWNERSHIP INTEREST	
NAME OF ICI	PRINCIPAL ACTIVITY	MATURITY OF CONCESSION AGREEMENT	LOCATION	2010	2009
Astoria Project Partners LLC	500 MW natural gas power plant	N/A	United States	**21.0%**	21.0%
Astoria Project Partners II LLC ("Astoria II")	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%
Rayalseema Expressway Private Limited ("REPL")	30-year concession agreement to build and operate a 189-km toll highway section (under construction)	2040	India	**36.9%**	–
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%

N/A: not applicable

4 Infrastructure Concession Investments ("ICI") (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	2010	2009
Share of net income of ICI accounted for by the equity method, as included in the Company's consolidated statements of income reflecting its share, net of income taxes and allocated taxes	**$ 16,278**	$ 287
Share of net assets of ICI accounted for by the equity method, as included in the Company's consolidated balance sheets reflecting its share	**$ 207,468**	$ 194,559
Dividends and distributions from ICI accounted for by the equity method included in the Company's financial statements	**$ 1,581**	$ 24,836

III) ICI ACCOUNTED FOR BY THE COST METHOD

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

				OWNERSHIP INTEREST	
NAME OF ICI	PRINCIPAL ACTIVITY	MATURITY OF CONCESSION AGREEMENT	LOCATION	2010	2009
Ambatovy Nickel Project ("Ambatovy")	Open-pit mine and hydro-metallurgical processing plant (under construction)	N/A	Madagascar	**5.0%**	5.0%
Valener Inc.[1]	Publicly traded entity involved mainly in natural gas distribution	N/A	Canada	**–**	2.42%
Trencap Limited Partnership	Holds an indirect interest in Gaz Métro	N/A	Canada	**–**	11.1%

(1) Previously Gaz Métro Limited Partnership ("Gaz Métro"). SNC-Lavalin's ownership interest of 2.42% represents its ownership before the corporate reorganization of Gaz Métro which created Valener Inc. in October 2010. After such corporate reorganization, SNC-Lavalin's ownership interest resulted in 10.07% participation.

N/A: not applicable

AT DECEMBER 31	2010	2009
Net book value of ICI accounted for by the cost method	**$ 179,228**	$ 274,843
Dividends and distributions from ICI accounted for by the cost method included in the Company's consolidated statements of income	**$ 7,124**	$ 9,124
Net gain on disposals of ICI accounted for by the cost method included in the Company's consolidated statements of income, net of income taxes	**$ 26,125**	$ –

4 Infrastructure Concession Investments ("ICI") (continued)

D) PAYMENTS AND REMAINING COMMITMENTS TO INVEST IN ICI

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

The following table summarizes SNC-Lavalin's payments and outstanding commitments to invest in ICI accounted for by the equity or cost methods as at December 31, 2010 and 2009:

AT DECEMBER 31	2010	2009
Commitments to invest in ICI at beginning of year	**$ 101,506**	$ 106,649
Increase in commitments to invest in ICI	**73,186**	125,781
Payments for ICI during the year:		
Astoria II	**(33,310)**	–
REPL	**(24,863)**	–
Ambatovy	**(30,921)**	(61,370)
InTransit BC L.P.	**–**	(40,071)
Myah Tipaza S.p.A.	**–**	(5,951)
Shariket Kahraba Hadjret En Nouss S.p.A. ("SKH")	**–**	(23,532)
Total payments for ICI during the year	**(89,094)**	(130,924)
Commitments to invest in ICI at end of year	**$ 85,598**	$ 101,506

At December 31, 2010 and 2009, the commitments to invest in ICI were related to contributions for Ambatovy, Astoria II and REPL 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, 2009: US$105 million) and a US$70 million cross-guarantee (December 31, 2009: US$70 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$57.4 million) (December 31, 2009: US$57.3 million [CA$60.3 million]). At December 31, 2010, SNC-Lavalin had loaned US$53.5 million (CA$53.5 million) (December 31, 2009: US$40.0 million [CA$42.1 million]) presented in "Other non-current assets", while the remaining US$3.8 million of funding will be recorded on SNC-Lavalin's balance sheet once the loan is made.

E) CONTRACTS IN PROGRESS FROM CONCESSION ARRANGEMENTS

Contracts in progress from concession arrangements are detailed as follows:

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

5 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 Montreal, 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.

5 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

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

SNC-Lavalin's consolidated revenues and net income in 2010 included approximately $19.5 million and $1.8 million, respectively, from business acquisitions completed in 2010 (2009: $29.3 million of revenues and $0.9 million of net income from business acquisitions completed in 2009). Had these 2010 business acquisitions all occurred on January 1, 2010, SNC-Lavalin's pro-forma consolidated revenues and net income would have been approximately $6,383.5 million and $443.9 million, respectively (2009: pro-forma revenues of $6,165.2 million and net income of $362.0 million assuming all transactions in 2009 had been completed on January 1, 2009). These unaudited 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	2010	2009
Balance sheets		
Cash and cash equivalents	**$ 184,541**	$ 136,134
Other current assets	**554,111**	276,513
Property and equipment:		
From ICI	**380,800**	384,748
From other activities	**280**	332
Other non-current assets	**630,389**	330,284
	$ 1,750,121	$ 1,128,011
Current liabilities	**$ 389,821**	$ 417,082
Non-recourse long-term debt from ICI	**1,415,957**	699,477
Non-current liabilities from ICI	**2,849**	–
Pro rata share of net assets (net liabilities) of joint ventures	**(58,506)**	11,452
	$ 1,750,121	$ 1,128,011

YEAR ENDED DECEMBER 31	2010	2009
Statements of income		
Revenues	**$ 717,502**	$ 649,357
Expenses	**666,770**	619,786
Pro rata share of net income of joint ventures	**$ 50,732**	$ 29,571
Cash and cash equivalents generated by (used in):		
Operating activities	**$ 167,886**	$ 44,359
Investing activities	**(583,170)**	(14,447)
Financing activities	**465,942**	(67,333)
Decrease in exchange differences on translating cash and cash equivalents held in self-sustaining foreign operations	**(2,251)**	(2,938)
Pro rata share of changes in cash and cash equivalents of joint ventures	**$ 48,407**	$ (40,359)

7 Cash and Cash Equivalents and Restricted Cash

A) CASH AND CASH EQUIVALENTS

AT DECEMBER 31	2010	2009
Bank balances, bank term deposits and bankers' acceptances	**$ 1,288,232**	$ 1,217,605
Government treasury bills and treasury notes	**–**	620
Cash and cash equivalents	**$ 1,288,232**	$ 1,218,225

B) RESTRICTED CASH

AT DECEMBER 31	2010	2009
Bank balances, bank term deposits and bankers' acceptances	**$ 634,946**	$ 48,219
Government treasury bills and treasury notes	**49,844**	58,975
Restricted cash—current and non-current	**$ 684,790**	$ 107,194
Presented on the balance sheet as follows:		
Current assets—"Restricted cash"	**$ 340,063**	$ 68,185
Non-current assets—included in "Other non-current assets" (Note 11)	**$ 344,727**	$ 39,009

8 Trade and Other Receivables

A) DETAILS OF TRADE AND OTHER RECEIVABLES

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

AT DECEMBER 31	2010	2009
Trade receivables, net of allowance for doubtful accounts	**$ 1,296,006**	$ 1,065,546
Other receivables:		
Retentions on client contracts	**61,720**	71,362
Income taxes and other taxes receivable	**95,402**	108,761
Performance Share Unit, Deferred Share Unit and Restricted Share Unit arrangement asset (Note 15C)	**34,544**	47,766
Prepaid expenses	**26,197**	24,236
Derivative financial instruments used for cash flow hedges—favourable fair value	**37,793**	26,448
Other	**121,420**	136,359
Trade and other receivables	**$ 1,673,082**	$ 1,480,478

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	2010	2009
Trade receivables:		
Within normal terms of payment	**$ 981,918**	$ 846,419
Past due	**419,836**	305,237
Total trade receivables	**1,401,754**	1,151,656
Allowance for doubtful accounts	**(105,748)**	(86,110)
Trade receivables, net of allowance for doubtful accounts	**$ 1,296,006**	$ 1,065,546

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	2010	2009
Balance at beginning of year	**$ 86,110**	$ 88,073
Change in allowance, other than write-offs and recoveries	**43,220**	22,221
Write-offs of trade receivables	**(8,975)**	(10,393)
Recoveries	**(14,607)**	(13,791)
Balance at end of year	**$ 105,748**	$ 86,110

9 Property and Equipment

AT DECEMBER 31	2010		2009	
	COST	ACCUMULATED DEPRECIATION	COST	ACCUMULATED DEPRECIATION
From ICI				
Transmission assets	**$ 2,465,005**	**$ 398,445**	$ 1,989,321	$ 301,331
Toll highway	**391,962**	**29,599**	382,693	25,849
Toll equipment	**51,058**	**41,303**	48,940	38,187
William R. Bennett Bridge	**155,980**	**14,690**	153,225	8,916
Other	**21,063**	**12,382**	37,784	20,633
	3,085,068	**$ 496,419**	2,611,963	$ 394,916
Accumulated depreciation	**496,419**		394,916	
Net book value of property and equipment—From ICI	**2,588,649**		2,217,047	
From other activities				
Buildings	**67,263**	**$ 24,373**	65,579	$ 22,279
Computer equipment	**253,138**	**226,435**	237,226	211,608
Office furniture	**108,007**	**81,479**	105,382	80,248
Other	**58,419**	**37,030**	55,717	35,817
	486,827	**$ 369,317**	463,904	$ 349,952
Accumulated depreciation	**369,317**		349,952	
Net book value of property and equipment—From other activities	**117,510**		113,952	
Total net book value of property and equipment	**$ 2,706,159**		$ 2,330,999	

Total depreciation expense on property and equipment from ICI was $92.8 million in 2010 (2009: $85.9 million), while total depreciation expense on property and equipment from other activities was $38.6 million in 2010 (2009: $42.5 million).

An amount of $295.6 million as at December 31, 2010 (December 31, 2009: $273.6 million) of property and equipment from ICI was not being depreciated as the corresponding assets are all under construction and represent either transmission assets, toll highway or toll equipment.

10 Goodwill

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

		FROM OTHER ACTIVITIES		
	ICI	SERVICES AND PACKAGES	O&M	TOTAL
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
Goodwill arising from acquisitions completed in the year	**–**	**30,190**	**–**	**30,190**
Exchange differences on translating goodwill of self-sustaining foreign operations and other	**–**	**(7,410)**	**–**	**(7,410)**
Balance at December 31, 2010	**$ 203,786**	**$ 318,981**	**$ 20,875**	**$ 543,642**

11 Other Non-current Assets

AT DECEMBER 31	2010	2009
From ICI		
Concession right from Highway 407 (1)	**$ 270,282**	$ 270,954
Restricted cash (Note 7B)	**344,727**	39,009
Other	**125,384**	89,313
	740,393	399,276
From other activities	**55,006**	92,721
	$ 795,399	$ 491,997

(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 $10.9 million as at December 31, 2010 (December 31, 2009: $10.2 million). Amortization of the concession right was $0.7 million in 2010 (2009: $0.6 million).

12 Trade and Other Payables

Trade and other payables were detailed as follows:

AT DECEMBER 31	2010	2009
Trade and accrued liabilities	**$ 1,399,974**	$ 1,363,817
Other payables:		
Retentions on supplier contracts	**77,322**	104,482
Derivative financial instruments used for cash flow hedges—unfavourable fair value	**7,593**	10,472
Commitments to invest in ICI (Note 4D)	**85,598**	101,506
Income taxes and other taxes payable	**61,400**	73,991
Performance Share Unit, Deferred Share Unit and Restricted Share Unit liabilities (Note 15C)	**34,230**	47,766
Trade and other payables	**$ 1,666,117**	$ 1,702,034

13 Long-term Debt

A) RECOURSE REVOLVING CREDIT FACILITIES

The Company has access to committed long-term revolving lines of credit with banks, totalling $710.0 million, upon which it may either issue letters of credit, or borrow at variable rates not exceeding the prime rate plus 0.20%. As at December 31, 2010, $275.0 million of these lines of credit remained unused, while the balance of $435.0 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.

B) RECOURSE LONG-TERM DEBT

AT DECEMBER 31	2010	2009
Recourse (to the general credit of the Company)		
Debentures, 7.70%, fully repaid at face value of $105.0 million in 2010	**$ –**	$ 104,874
Debentures, 6.19%, due in July 2019 with a face value of $350.0 million repayable in full at maturity	**348,204**	348,048
Both the 2010 and 2019 debentures described are unsecured and subject to negative pledge clauses.		
Total recourse long-term debt	**348,204**	452,922
Less: current portion	**–**	104,874
Recourse long-term debt	**$ 348,204**	$ 348,048

13 Long-term Debt (continued)

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

AT DECEMBER 31	2010	2009
AltaLink (76.92% ownership with the following debt reflected at 100% at full consolidation method)		
Senior Debt, 4.87% to 5.43%, due from 2013 to 2040, secured by a first floating charge security interest on AltaLink L.P.'s assets.	**$ 945,211**	$ 671,543
Unsecured Debt, 5.02%, due in 2012, 10.50%, due in 2015, and 5.21%, due in 2016	**437,200**	436,469
Unsecured credit facilities of $150 million (December 31, 2009: $10 million), maturing in 2012	**34,964**	–
Unsecured Commercial Paper and bank credit facility The unsecured commercial paper is supported by a $550 million (December 31, 2009: $400 million) bank credit facility under which AltaLink may also borrow at prime rate and bankers' acceptances, maturing in 2012 and ranking equally with the Senior Debt. At December 31, 2010, drawdowns under the bank credit facility were $nil (December 31, 2009: $nil).	**–**	47,982
Other	**707**	983
Chinook (50% ownership with the following debt reflected at such percentage per proportionate consolidation method)		
Senior Bonds, 7.134%, due in 2043, secured by all assets of Chinook and an assignement of the concession's future revenues, and by a pledge by SNC-Lavalin of its interest in Chinook.	**74,138**	–
MIHG (60% ownership with the following debt reflected at such percentage per proportionate consolidation method)		
Senior Secured Sinking Bonds, 6.632%, maturing in 2044	**440,046**	–
Senior Construction Facility, CDOR 1 month plus 220 basis points, due in 2014	**21,104**	–
The amounts under Senior Secured Bonds and Senior Construction Facility are secured by full security charges over all of the respective property and assets of MIHG, including a pledge by SNC-Lavalin of its interest in MIHG as well as an assignment of the concession's future revenues.		
Highway 407 (16.77% ownership with the following debt reflected at such percentage per proportionate consolidation method)		
Senior Bonds, 3.88% to 6.75%, due from 2012 to 2039	**452,761**	399,471
Inflation-linked Senior Bonds, 3.28% to 5.33%, plus inflation component, due from 2016 to 2039	**273,261**	265,262
Junior Bonds, ranking after the Senior Bonds, 7.125%, due in 2040	**27,562**	27,554
Subordinated Bonds, ranking after the Junior Bonds, 3.87% and 5.75%, due in 2017 and 2036	**130,053**	130,201
Other	**1,388**	993
Highway 407's bonds are secured by substantially all the 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.	**149,704**	153,021
Other	**–**	11,189
Total non-recourse long-term debt from ICI	**2,988,099**	2,144,668
Less: current portion	**6,651**	139,183
Non-recourse long-term debt from ICI	**$ 2,981,448**	$ 2,005,485

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, 2010	RECOURSE	NON-RECOURSE FROM ICI	TOTAL
2011	$ –	$ 6,753	$ 6,753
2012	–	291,546	291,546
2013	–	331,821	331,821
2014	–	70,328	70,328
2015	–	191,687	191,687
Thereafter	350,000	2,141,772	2,491,772
Total	$ 350,000	$ 3,033,907	$ 3,383,907
Net unamortized deferred financing costs and unamortized discounts	(1,796)	(45,808)	(47,604)
Net carrying amount of long-term debt	$ 348,204	$ 2,988,099	$ 3,336,303

14 Other Non-current Liabilities

AT DECEMBER 31	**2010**	2009
Asset retirement obligations ("ARO") from an ICI	**$ 239,343**	$ 186,305
Pension and other post-retirement benefits (Note 22)	**29,883**	33,872
Non-current regulatory liabilities of AltaLink	**104,555**	124,445
Other	**107,367**	120,044
	$ 481,148	$ 464,666

The ARO from an ICI relate to the AltaLink infrastructure concession and are expected from the interim retirement of the component parts of transmission lines, estimated to occur between 2011 and 2051.

As at December 31, 2010, the estimated total undiscounted amount of ARO was approximately $607.3 million (December 31, 2009: $453.1 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 4.30% (2009: 4.96%). ARO have varied as follows in 2010 and 2009:

AT DECEMBER 31	**2010**	2009
ARO from an ICI at beginning of year	**$ 186,305**	$ 60,181
Net change in liability for the year (1)	**49,465**	118,455
Liabilities settled in the year	**(8,211)**	(1,236)
Accretion expense	**11,784**	8,905
ARO from an ICI at end of year	**$ 239,343**	$ 186,305

(1) The net change in liability for the year ended December 31, 2010 includes an increase of $44.1 million (2009: $114.4 million) pursuant to changes 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, 2010 are summarized below:

	2009 AND 2007 STOCK OPTION PLANS	2004 STOCK OPTION PLAN
GRANT DATE	Sixth trading day following the approval by the Company's Board of Directors	Corresponds to the 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 the grant date	Full vesting two years after the grant date
EXPIRY OF STOCK OPTIONS	Five years after the grant date	Six years after the 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 2010 and 2009:

	2010		2009	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (IN DOLLARS)
Options outstanding at beginning of year	**5,073,954**	**$ 35.57**	4,319,100	$ 34.48
Granted (1) (2)	**1,110,500**	**$ 52.45**	1,426,795	$ 33.15
Exercised (3)	**(902,465)**	**$ 26.98**	(538,393)	$ 20.28
Cancelled	**(155,872)**	**$ 39.84**	(133,548)	$ 35.94
Options outstanding at end of year	**5,126,117**	**$ 40.61**	5,073,954	$ 35.57

(1) The weighted average fair value of stock options granted was $15.50 in 2010 ($9.21 in 2009).

(2) The exercise price of options granted under the 2009 stock option plan in the years 2010 and 2009 was lower than the market price of the Company's common share at the grant date. The exercise price of options granted under the 2007 stock option plan in the year 2009 was higher than the market price of the Company's share at the grant date.

(3) The weighted average market price of the Company's common shares upon the exercise of stock options was $52.63 in 2010 ($45.18 in 2009).

15 Share Capital (continued)

The table below summarizes information regarding the stock options outstanding and exercisable as at December 31, 2010.

	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)
$24.27 to $24.33	2004	2005	91,100	4	$ 24.27	91,100	$ 24.27
$29.20 to $32.50	2004	2006	489,880	14	$ 29.59	489,880	$ 29.59
$37.64 to $42.36	2007	2007	911,523	17	$ 37.73	634,625	$ 37.73
$37.17 to $55.10	2007	2008	1,186,364	27	$ 46.22	366,096	$ 46.30
$31.59	2007	2009	995,766	38	$ 31.59	–	$ –
$37.53	2009	2009	357,234	40	$ 37.53	–	$ –
$52.40 to $57.07	2009	2010	1,094,250	51	$ 52.45	–	$ –
			5,126,117	32	$ 40.61	1,581,701	$ 36.42

As at December 31, 2010, 548,516 stock options remained available for future grants under the 2009 stock option plan (December 31, 2009: 1,629,891 stock options remained available under the 2009 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:

	2010	2009
Risk-free interest rate	**2.47%**	1.86%
Expected stock price volatility	**36.64%**	35.21%
Expected option life	**4 years**	4 years
Expected dividend yield	**1.00%**	1.00%

C) PERFORMANCE SHARE UNIT ("PSU") PLAN, DEFERRED SHARE UNIT ("DSU") PLAN AND RESTRICTED SHARE UNIT ("RSU") 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 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.

15 Share Capital (continued)

The terms and conditions of the above-mentioned plans are summarized below:

	2009 PSU PLAN	2009 DSU PLAN	RSU PLAN
GRANT DATE	Date of approval by the Company's Board of Directors	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	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	Units vest in full three years following their grant date
PAYMENT OR CONVERSION	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 thirty days following the first year anniversary of a participant's cessation of employment	Units are redeemable for cash by the Company within ninety business days following the completion of the vesting period
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	Average closing price per share on the Toronto Stock Exchange on the five trading days preceding the vesting date
FORFEITURE	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made	If a participant terminates his employment voluntarily for reasons other than death or retirement or if a participant is terminated for cause before the end of the vesting period, the units expire immediately on the date of termination with no payment being made
OTHER PROVISIONS	The units vest immediately in the event of death or if a participant is eligible to retire, with payment being made within ninety business days following the end of the third calendar year from the grant date	The units vest immediately in the event of death or if a participant is retiring, with payment being made on the date of the first year anniversary following the participant's last day of employment	In the event of death or retirement of a participant before the end of the vesting period, the units vest on a pro rata basis, with payment being made within ninety business days following the end of the original vesting period

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.

The Previous PSU plan has the same terms 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.

15 Share Capital (continued)

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, DSU and RSU liabilities are recorded in "Trade and other payables". Gains and losses from the remeasurement of the financial instrument offset most of the related losses and gains from the fair value remeasurement of the PSU, DSU and RSU liabilities. The financing arrangement is adjusted as needed to reflect new awards and/or settlements of units. 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).

D) REDEMPTION OF SHARES

In May 2010, 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 (2009: 3.0 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 2010 and 2009 were as follows:

	2010	2009
Redeemed and cancelled:		
Portion allocated to share capital	**$ 2,537**	$ 1,419
Portion allocated to retained earnings	**45,406**	22,689
	$ 47,943	$ 24,108
Number of shares redeemed and cancelled	**901,600**	538,800
Average redemption price per share ($)	**$ 53.18**	$ 44.74

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

The weighted average number of outstanding shares in 2010 and 2009 used to calculate the basic and diluted earnings per share were as follows:

AT DECEMBER 31 (IN THOUSANDS)	2010	2009
Weighted average number of outstanding shares—basic	**151,020**	151,042
Dilutive effect of stock options	**1,201**	950
Weighted average number of outstanding shares—diluted	**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).

16 Accumulated Other Comprehensive Income (Loss)

The following table provides the balances of the components of accumulated other comprehensive income (loss) 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 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. The Company expects that approximately $12.9 million of the accumulated net unrealized loss on cash flow hedges balance at December 31, 2010 will be reclassified in net income in the next 12 months, offsetting unrealized gains on the corresponding underlying hedged items.

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

	2010	2009
Balance at the beginning of year	**$ (12,119)**	$ (98,514)
Net increase (decrease) in fair value of derivative financial instruments designated as cash flow hedges	**(3,143)**	50,408
Reclassification of gain (loss) to net income to offset the impact of the underlying hedged items	**(29,427)**	35,987
Balance at end of year	**$ (44,689)**	$ (12,119)

17 Interest and Capital Taxes

YEAR ENDED DECEMBER 31	2010			2009		
	FROM ICI	FROM OTHER ACTIVITIES	TOTAL	FROM ICI	FROM OTHER ACTIVITIES	TOTAL
Interest revenues	**$ (6,131)**	**$ (6,646)**	**$ (12,777)**	$ (11,574)	$ (5,011)	$ (16,585)
Interest on long-term debt:						
Recourse	**–**	**27,754**	**27,754**	–	18,979	18,979
Non-recourse	**152,274**	**–**	**152,274**	127,342	–	127,342
Capital taxes and other	**5,631**	**2,021**	**7,652**	(3,511)	2,013	(1,498)
Interest and capital taxes	**$ 151,774**	**$ 23,129**	**$ 174,903**	$ 112,257	$ 15,981	$ 128,238

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:

	2010	2009
Decrease (increase) in trade and other receivables	**$ (201,840)**	$ 185,266
Decrease (increase) in contracts in progress	**(152,160)**	220,287
Increase in contracts in progress from concession arrangements	**(133,156)**	(33,941)
Decrease in trade and other payables	**(21,692)**	(526,251)
Increase (decrease) in downpayments on contracts	**158,622**	(72,119)
Increase (decrease) in deferred revenues	**204,280**	(20,800)
Net change in non-cash working capital items	**$ (145,946)**	$ (247,558)

B) INTEREST PAID AND INCOME TAXES PAID

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

	2010	2009
Interest paid:		
From ICI	**$ 146,464**	$ 109,551
From other activities	**32,784**	10,033
	$ 179,248	$ 119,584
Income taxes paid	**$ 2,397**	$ 30,285

19 Income Taxes

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

YEAR ENDED DECEMBER 31	2010	2009
Current income tax expense	**$ 53,080**	$ 19,005
Future income tax expense	**70,342**	89,136
Income tax expense	**$ 123,422**	$ 108,141

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	2010		2009	
	AMOUNT	%	AMOUNT	%
Income tax expense at statutory Canadian rates	**$ 168,099**	**29.4**	$ 145,796	30.6
Increase (decrease) resulting from:				
Effect of differences of foreign tax rates compared to Canadian rates	**(44,380)**	**(7.8)**	(32,760)	(6.9)
Non-deductible expenses for tax purposes	**6,443**	**1.1**	7,642	1.6
Proportionate share of future income tax benefit recognized by Highway 407	**–**	**–**	(4,260)	(0.9)
Non-taxable income from certain ICI accounted for by the equity or cost methods	**(12,082)**	**(2.1)**	(2,183)	(0.4)
Non-taxable portion of capital gain from disposal of assets and ICI	**(6,646)**	**(1.1)**	–	–
Other	**11,988**	**2.1**	(6,094)	(1.3)
Income tax expense at effective tax rate	**$ 123,422**	**21.6**	$ 108,141	22.7

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 consolidated balance sheets:

AT DECEMBER 31	2010	2009
Temporary differences arising from:		
Retentions on client contracts	**$ (9,479)**	$ (1,410)
Contracts in progress	**(14,639)**	(12,056)
Property and equipment, and goodwill	**(58,506)**	(30,297)
ICI accounted for by the equity or cost methods	**(2,113)**	(12,854)
Accrued employees compensation	**4,528**	7,612
Pension plans and other post-retirement benefits	**6,382**	7,529
Other liabilities	**5,556**	30,429
Accumulated other comprehensive loss	**15,121**	4,279
Other	**670**	3,288
Tax loss carry-forwards	**74,293**	91,629
Future income tax asset, net	**$ 21,813**	$ 88,149
Presented on the balance sheet as follows:		
Future income tax asset—current	**$ 78,306**	$ 112,557
Future income tax liability—non-current	**$ 56,493**	$ 24,408

At December 31, 2010, SNC-Lavalin had $246.3 million of non-capital tax loss carry-forwards that expire in varying amounts from 2011 to 2030. A future income tax asset of $74.3 million has been recognized on $222.0 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	2010					
	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	**$ 1,288,232**	**$ –**	**$ –**	**$ –**	**$ 1,288,232**	**$ 1,288,232**
Restricted cash	**340,063**	**–**	**–**	**–**	**340,063**	**340,063**
Trade and other receivables:						
PSU, DSU and RSU arrangement asset	**34,544**	**–**	**–**	**–**	**34,544**	**34,544**
Derivative financial instruments	**–**	**–**	**–**	**37,793**	**37,793**	**37,793**
Other financial assets	**–**	**–**	**1,479,146**	**–**	**1,479,146**	**1,479,146**
ICI accounted for by the cost method:						
At cost (1)	**–**	**179,228**	**–**	**–**	**179,228**	**See (1)**
Other non-current assets:						
Restricted cash	**344,727**	**–**	**–**	**–**	**344,727**	**344,727**
Other:						
At fair value	**16,749**	**9,687**	**–**	**–**	**26,436**	**26,436**
At cost/amortized cost (1)	**–**	**3,469**	**57,602**	**–**	**61,071**	**See (1)**
Total	**$ 2,024,315**	**$ 192,384**	**$ 1,536,748**	**$ 37,793**	**$ 3,791,240**	

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	

(1) The available-for-sale financial assets represent equity instruments that do not have a quoted market price in an active market, while the $57.6 million presented in loans and receivables (December 31, 2009: $46.3 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	2010				
	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	**$ –**	**$ 7,593**	**$ –**	**$ 7,593**	**$ 7,593**
Other financial liabilities	**–**	**–**	**1,562,894**	**1,562,894**	**1,562,894**
Downpayments on contracts	**–**	**–**	**551,862**	**551,862**	**551,862**
Long-term debt [(1)]:					
Recourse	**–**	**–**	**348,204**	**348,204**	**387,730**
Non-recourse from ICI	**33,207**	**–**	**2,954,892**	**2,988,099**	**3,314,096**
Other non-current liabilities	**–**	**–**	**1,555**	**1,555**	**1,555**
Total	**$ 33,207**	**$ 7,593**	**$ 5,419,407**	**$ 5,460,207**	

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	

(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, DSU and RSU arrangements 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	$16.7 million proportionate share of long-term notes held by Highway 407 (December 31, 2009: $17.1 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, DSU and RSU 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 a manager's compensation, and of the associated operating segment.

iv) The financial assets classified as "Loans and Receivables" included in "Other non-current assets", which consist mainly of a loan to the Ambatovy's Project Operator (Note 4D).

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

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 $3,663.2 million at December 31, 2010 (December 31, 2009: $2,689.4 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 $799.7 million of financial assets at December 31, 2010 (December 31, 2009: $203.7 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 $376.8 million at December 31, 2010 (December 31, 2009: $250.9 million).

SNC-Lavalin's future principal payments on its long-term debt are 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, 2010			AT DECEMBER 31, 2009		
BUY	SELL	MATURITY	BUY	SELL	MATURITY
CA$ 181,642	**US$ 172,856**	**2011-2015**	CA$ 290,643	US$ 264,634	2010-2013
CA$ 530,946	**€ 375,608**	**2011-2015**	CA$ 368,559	€ 241,171	2010-2013
US$ 27,961	**CA$ 28,756**	**2011-2012**	US$ 27,787	CA$ 29,499	2010-2011
US$ 37,098	**€ 28,689**	**2011**	US$ 50,924	€ 37,474	2010
€ 9,756	**US$ 13,368**	**2011**	€ 23,639	US$ 32,777	2010
€ 20,487	**CA$ 30,454**	**2011-2013**	€ 19,304	CA$ 29,112	2010-2012

As at December 31, 2010, the forward foreign exchange contracts used for hedging purposes by the Company had a net favourable fair value of $30.2 million (December 31, 2009: net favourable fair value of $16.0 million). 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 loss of $51.9 million, compared to a cumulative loss of $74.9 million reported at December 31, 2010
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 $97.9 million, compared to a cumulative loss of $74.9 million reported at December 31, 2010

(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

Unlike Services, Packages and O&M activities, ICI 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

SNC-Lavalin limits its exposure arising from the PSU, DSU and RSU, 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, 2010, SNC-Lavalin had outstanding letters of credit of $2,005.6 million (December 31, 2009: $1,652.1 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	**2010**	2009
Recourse debt	**$ 348,204**	$ 452,922
Shareholders' equity	**$ 1,708,426**	$ 1,434,692
Plus: Accumulated other comprehensive loss	**74,943**	23,306
Plus: Recourse debt	**348,204**	452,922
Capital	**$ 2,131,573**	$ 1,910,920
Recourse debt-to-capital ratio	**16:84**	24:76

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 21 consecutive years and strives to increase its yearly dividend paid per share, which it has done over the past 10 years.

In 2010, 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 $57.6 million in 2010 (2009: $53.7 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, 2007 and December 31, 2009. 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 $68.0 million in 2010 (2009: $63.6 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	2010	2009
Change in pension benefit obligation:		
Pension benefit obligation at beginning of year	**$ 150,626**	$ 174,920
Current service cost	**756**	1,486
Interest cost	**6,562**	7,951
Benefits paid	**(10,297)**	(9,604)
Actuarial losses	**5,703**	105
Settlement (1)	**(33,125)**	(27,738)
Other	**–**	3,506
Pension benefit obligation at end of year	**$ 120,225**	$ 150,626
Change in pension plans' assets:		
Fair value of pension plans' assets at beginning of year	**$ 115,038**	$ 130,419
Actual return on plans' assets	**6,331**	12,276
Benefits paid	**(10,297)**	(9,604)
Employer contributions	**10,361**	9,971
Settlement (1)	**(36,189)**	(28,153)
Other	**–**	129
Fair value of pension plans' assets at end of year	**$ 85,244**	$ 115,038
Funded status:		
Pension plans' deficit at end of year	**$ (34,981)**	$ (35,588)
Unamortized net actuarial losses	**17,521**	15,643
Net accrued pension benefit liability	**$ (17,460)**	$ (19,945)

(1) The settlement related to two plans that were wound-up over a period of two years ending in 2010.

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

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

AT DECEMBER 31	2010			2009		
	PENSION BENEFIT OBLIGATION	PENSION PLANS' ASSETS	PENSION PLANS' 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
Pension plans for which the benefit obligation exceeds the plan's assets	**120,225**	**85,244**	**(34,981)**	116,704	80,526	(36,178)
Total	**$ 120,225**	**$ 85,244**	**$ (34,981)**	$ 150,626	$ 115,038	$ (35,588)

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

AT DECEMBER 31	2010	2009
Asset class		
Equity securities	**56%**	43%
Debt securities	**44%**	57%
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	2010	2009
Accrued pension benefit obligation		
Discount rate	**4.75%**	4.96%
Rate of compensation increase	**4.58%**	4.56%

YEAR ENDED DECEMBER 31	2010	2009
Net benefit pension costs		
Discount rate	**4.96%**	5.02%
Expected long-term rate of return on plans' assets	**5.56%**	5.37%
Rate of compensation increase	**4.56%**	4.18%

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

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

YEAR ENDED DECEMBER 31	2010	2009
Current service cost	**$ 756**	$ 1,486
Interest cost on benefit obligation	**6,562**	7,951
Actual return on plans' assets	**(6,331)**	(12,276)
Actuarial losses on benefit obligation	**5,703**	105
Settlement loss (gain)	**3,064**	(640)
Other	**–**	1,988
Cost (recovery of cost) arising in the period	**9,754**	(1,386)
Adjustments to cost arising in the period to recognize the long-term nature of defined benefit pension costs:		
Deferral of excess of actual return on plans' assets over expected return	**633**	5,913
Deferral of actuarial losses on benefit obligation	**(5,703)**	(105)
Amortization of previously deferred actuarial losses	**3,192**	8,847
	(1,878)	14,655
Net defined benefit pension cost recognized in the period	**$ 7,876**	$ 13,269

B) OTHER POST-RETIREMENT BENEFITS

As at December 31, 2010, the obligation for other post-retirement benefits amounted to $12.4 million (December 31, 2009: $13.9 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 rent under long-term operating leases, mainly for office space, amounted to $304.2 million in 2010. The annual minimum lease payments are as follows: 2011—$71.3 million; 2012—$56.0 million; 2013—$43.3 million; 2014—$35.7 million; 2015—$33.6 million and thereafter—$64.3 million.

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

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 O&M 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 is 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
Chinook, MIHG, 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 method by eliminating its portion of intercompany profit based on its ownership interests in the ICI. Profits 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 $167.6 million in 2010 (2009: $416.6 million) from contracts with ICI accounted for by the equity method.

SNC-Lavalin's trade and other receivables from these ICI accounted for by the equity method amounted to $8.6 million as at December 31, 2010 (December 31, 2009: $102.7 million) while SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was $49.5 million at December 31, 2010 (December 31, 2009: $74.2 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 2009 figures have been reclassified to conform to the presentation adopted in 2010.

27 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.