



SNC • LAVALIN

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**Interim Condensed Consolidated
Financial Statements** (unaudited)

As at and for the three-month periods ended
March 31, 2011 and 2010

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
(UNAUDITED)

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

		THREE MONTHS ENDED MARCH 31	
	Note	2011	2010
Revenues by activity:			
Services		\$ 480,153	\$ 457,256
Packages		632,068	384,081
Operations and Maintenance ("O&M")		426,767	383,072
Infrastructure Concession Investments ("ICI")		101,771	86,916
		1,640,759	1,311,325
Direct cost of activities		1,367,348	1,047,795
Gross margin		273,411	263,530
Selling, general and administrative expenses		153,063	130,358
Net financial expenses	6	27,184	25,582
Income before income tax expense		93,164	107,590
Income tax expense		16,538	20,857
Net income for the period		\$ 76,626	\$ 86,733
Net income attributable to:			
The Company's shareholders		\$ 73,880	\$ 84,131
Non-controlling interests		2,746	2,602
Net income for the period		\$ 76,626	\$ 86,733
Earnings per share (in \$)			
Basic		\$ 0.49	\$ 0.56
Diluted		\$ 0.49	\$ 0.55
Weighted average number of outstanding shares (in thousands)	18		
Basic		150,952	150,992
Diluted		152,295	152,371

In accordance with International Financial Reporting Standards ("IFRS").

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

THREE MONTHS ENDED MARCH 31
(IN THOUSANDS OF CANADIAN DOLLARS)

	2011		
	Attributable to the Company's shareholders	Non- controlling interests	Total
Net income for the period	\$ 73,880	\$ 2,746	\$ 76,626
Other comprehensive income:			
Exchange differences on translating foreign operations (Note 20)	455	50	505
Available-for-sale financial assets (Note 20)	338	-	338
Cash flow hedges (Note 20)	688	218	906
Defined benefit pension plans and other post-retirement benefits	1,000	-	1,000
Share of other comprehensive income of investments accounted for by the equity method (Note 20)	11,275	-	11,275
Income tax expense relating to components of other comprehensive income (Note 20)	(4,243)	-	(4,243)
Total other comprehensive income for the period	9,513	268	9,781
Total comprehensive income for the period	\$ 83,393	\$ 3,014	\$ 86,407

THREE MONTHS ENDED MARCH 31
(IN THOUSANDS OF CANADIAN DOLLARS)

	2010		
	Attributable to the Company's shareholders	Non- controlling interests	Total
Net income for the period	\$ 84,131	\$ 2,602	\$ 86,733
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 20)	(22,548)	(76)	(22,624)
Available-for-sale financial assets (Note 20)	4,899	-	4,899
Cash flow hedges (Note 20)	10,129	218	10,347
Defined benefit pension plans and other post-retirement benefits	(237)	-	(237)
Share of other comprehensive loss of investments accounted for by the equity method (Note 20)	(6,521)	-	(6,521)
Income tax benefit relating to components of other comprehensive income (loss) (Note 20)	200	-	200
Total other comprehensive income (loss) for the period	(14,078)	142	(13,936)
Total comprehensive income for the period	\$ 70,053	\$ 2,744	\$ 72,797

In accordance with International Financial Reporting Standards ("IFRS").

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

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

2011

OF COMMON SHARES)

2011

Equity attributable to the Company's shareholders							
Share Capital					Total		
	Number of common shares (in thousands)	Amount	Other components of equity (Note 20)	Retained earnings			Non- controlling interests
Balance at beginning of period	151,034	\$ 424,935	\$ (67,480)	\$ 1,477,211	\$ 1,834,666	\$ 102,654	\$ 1,937,320
Net income for the period	-	-	-	73,880	73,880	2,746	76,626
Other comprehensive income for the period	-	-	8,770	743	9,513	268	9,781
Total comprehensive income for the period	-	-	8,770	74,623	83,393	3,014	86,407
Dividends declared (Note 19)	-	-	-	(31,687)	(31,687)	-	(31,687)
Stock option compensation (Note 17)	-	-	-	1,980	1,980	-	1,980
Shares issued under stock option plans	253	9,694	-	(1,815)	7,879	-	7,879
Shares redeemed and cancelled	(472)	(1,355)	-	(25,584)	(26,939)	-	(26,939)
Capital contributions by non-controlling interests	-	-	-	-	-	2,309	2,309
Balance at end of period	150,815	\$ 433,274	\$ (58,710)	\$ 1,494,728	\$ 1,869,292	\$ 107,977	\$ 1,977,269

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

2010

Equity attributable to the Company's shareholders								
Share Capital					Total			
	Number of common shares (in thousands)	Amount	Other components of equity (Note 20)	Retained earnings			Non- controlling interests	Total equity
Balance at beginning of period	151,033	\$ 397,735	\$ (4,035)	\$ 1,124,508	\$ 1,518,208	\$ 81,485	\$ 1,599,693	
Net income for the period	-	-	-	84,131	84,131	2,602	86,733	
Other comprehensive (loss) income for the period	-	-	(13,902)	(176)	(14,078)	142	(13,936)	
Total comprehensive income for the period	-	-	(13,902)	83,955	70,053	2,744	72,797	
Dividends declared (Note 19)	-	-	-	(25,673)	(25,673)	-	(25,673)	
Stock option compensation (Note 17)	-	-	-	7,039	7,039	-	7,039	
Shares issued under stock option plans	102	3,261	-	(591)	2,670	-	2,670	
Shares redeemed and cancelled	(168)	(446)	-	(8,024)	(8,470)	-	(8,470)	
Balance at end of period	150,967	\$ 400,550	\$ (17,937)	\$ 1,181,214	\$ 1,563,827	\$ 84,229	\$ 1,648,056	

In accordance with International Financial Reporting Standards ("IFRS").

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	March 31 2011	December 31 2010	January 1 2010
ASSETS				
Current assets				
Cash and cash equivalents		\$ 1,181,924	\$ 1,235,085	\$ 1,191,398
Restricted cash		45,109	39,369	31,377
Trade receivables		1,337,708	1,273,509	1,042,421
Contracts in progress	2j	599,048	624,547	479,637
Other current financial assets	7	326,961	271,139	278,111
Other current assets	8	114,318	120,128	132,941
Total current assets		3,605,068	3,563,777	3,155,885
Property and equipment:				
From ICI		2,155,846	2,072,814	1,725,206
From other activities		116,206	115,189	111,672
ICI accounted for by the equity or cost methods	5	637,956	626,948	575,863
Goodwill		542,804	542,028	520,862
Deferred tax asset		153,309	158,419	139,265
Non-current financial assets	9	355,439	332,410	287,422
Other non-current assets	10	128,213	125,607	73,974
Total assets		\$ 7,694,841	\$ 7,537,192	\$ 6,590,149
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables		\$ 1,327,342	\$ 1,274,658	\$ 1,294,752
Downpayments on contracts	2o	392,509	422,930	397,329
Deferred revenues	2p	783,939	728,187	510,189
Other current financial liabilities	11	306,138	324,949	240,083
Other current liabilities	12	103,910	95,630	121,757
Current portion of long-term debt and short-term debt:				
Recourse	13	-	-	104,874
Non-recourse from ICI	13	88,748	38,762	51,596
Total current liabilities		3,002,586	2,885,116	2,720,580
Long-term debt:				
Recourse	13	348,245	348,204	348,048
Non-recourse from ICI	13	1,528,612	1,529,024	1,258,402
Other non-current financial liabilities	14	67,326	76,397	81,697
Provisions	15	181,977	177,087	131,411
Non-current deferred revenues	2p	425,293	422,879	368,354
Deferred tax liability		154,836	151,861	71,843
Other non-current liabilities		8,697	9,304	10,121
Total liabilities		5,717,572	5,599,872	4,990,456
Equity				
Share capital		433,274	424,935	397,735
Other components of equity	20	(58,710)	(67,480)	(4,035)
Retained earnings		1,494,728	1,477,211	1,124,508
Equity attributable to the Company's shareholders		1,869,292	1,834,666	1,518,208
Non-controlling interests		107,977	102,654	81,485
Total equity		1,977,269	1,937,320	1,599,693
Total liabilities and equity		\$ 7,694,841	\$ 7,537,192	\$ 6,590,149

In accordance with International Financial Reporting Standards ("IFRS").

See accompanying notes to interim condensed consolidated financial statements.

SNC Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

		THREE MONTHS ENDED MARCH 31	
	Note	2011	2010
Operating activities			
Net income for the period		\$ 76,626	\$ 86,733
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation of property and equipment and amortization of other assets:			
From ICI		19,670	18,270
From other activities		9,978	10,249
Income tax expense recognized in net income		16,538	20,857
Income taxes paid		(12,841)	(19,857)
Net financial expenses recognized in net income	6	27,184	25,582
Interest paid:			
From ICI		(12,672)	(9,080)
From other activities		(10,885)	(15,355)
Expense recognized in respect of stock options	17A	1,980	7,039
Expense recognized in respect of PSU, DSU and RSU plans	17B	2,761	3,024
Income from ICI accounted for by the equity method		(19,218)	(10,920)
Finance income on receivables under service concession arrangements		(3,868)	(2,986)
Other		(10,665)	1,353
Dividends and distributions received from ICI accounted for by the equity method		20,378	9,232
		104,966	124,141
Net change in non-cash working capital items	21	14,637	(18,485)
Net cash generated from operating activities		119,603	105,656
Investing activities			
Acquisition of property and equipment:			
From ICI		(114,082)	(114,602)
From other activities		(11,356)	(6,113)
Payments for ICI		(38,692)	(1,958)
Acquisition of businesses		(19,580)	(19,519)
Change in restricted cash position		(5,781)	(3,536)
Increase in receivables under service concession arrangements		(12,346)	(4,515)
Recovery of receivables under service concession arrangements		3,946	2,844
Other		(3,326)	(1,480)
Net cash used for investing activities		(201,217)	(148,879)
Financing activities			
Repayment of non-recourse long-term debt from ICI		(863)	(48,594)
Increase in non-recourse long-term debt from ICI		49,025	124,997
Proceeds from exercise of stock options		7,879	2,670
Redemption of shares		(26,939)	(8,470)
Other		(1,064)	(1,048)
Net cash generated from financing activities		28,038	69,555
Increase (decrease) in exchange differences on translating cash and cash equivalents held in foreign operations		415	(9,346)
Net increase (decrease) in cash and cash equivalents		(53,161)	16,986
Cash and cash equivalents at beginning of period		1,235,085	1,191,398
Cash and cash equivalents at end of period		\$ 1,181,924	\$ 1,208,384

In accordance with International Financial Reporting Standards ("IFRS").

See accompanying notes to interim condensed consolidated financial statements.

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1. DESCRIPTION OF BUSINESS

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. SNC-Lavalin Group Inc. is a public company listed on the Toronto Stock Exchange in Canada. 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.

The Company, which celebrates its 100th anniversary in 2011, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION

The Company’s financial statements are prepared in accordance with **International Financial Reporting Standards (“IFRS”)** issued and effective for the period ended March 31, 2011, or issued and early adopted and are presented in **Canadian dollars**. All values are rounded to the nearest thousand dollars, except where otherwise indicated.

These financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, (“IAS 34”). They are the Company’s first IFRS interim condensed consolidated financial statements for part of the period covered by the first annual financial statements and IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, (“IFRS 1”) has been applied.

The preparation of interim condensed consolidated financial statements in accordance with IAS 34 resulted in changes to the accounting policies as compared to the most recent annual financial statements prepared under Canadian generally accepted accounting principles (“GAAP”). An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 23.

The IFRS accounting policies set out below were consistently applied to all periods presented. They were also applied in preparing the IFRS statement of financial position as at January 1, 2010 for the purpose of transition to IFRS, as required by IFRS 1.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 3.

The Company’s financial statements have been prepared on the historical cost basis, with the exception of certain financial instruments and derivative financial instruments, which are measured at fair value. Historical cost is generally based on the fair value of consideration given in exchange for assets.

These interim condensed consolidated financial statements are intended to provide an update on the latest complete set of annual financial statements. Accordingly, they do not include all of the information required for annual financial statements and should be read in conjunction with the Company’s most recent audited annual consolidated financial statements.

The Company’s interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 5, 2011.

B) STANDARDS AND INTERPRETATIONS ISSUED TO BE ADOPTED AT A LATER DATE

The following standard has been issued and is to be adopted by the Company:

- IFRS 9, *Financial Instruments*, covers the classification and measurement of financial assets and financial liabilities and is applicable for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently evaluating the impact of adopting this standard on its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) BASIS OF CONSOLIDATION

The financial statements consist of the consolidation of the accounts of SNC-Lavalin Group Inc. and its subsidiaries.

Subsidiaries: Subsidiaries are entities over which the Company has the power to govern the financial and operating policies in order to obtain benefits from their activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries.

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 statement of financial position, while the portions of net income and of comprehensive income attributable to such non-controlling interests are also shown separately on the consolidated income statement and on the consolidated statement of comprehensive income, respectively.

Associates: An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

Joint ventures: A joint venture is a contractual agreement whereby the Company and other parties undertake an economic activity that is subject to joint control, arising when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control. The Company has two types of joint ventures:

Jointly controlled entities: A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has a long-term interest such as an infrastructure concession investment. The Company reports its interest in jointly controlled entities using the equity method of accounting.

Jointly controlled operations: A jointly controlled operation is a joint arrangement, or part of a joint arrangement, that involves the use of the assets and other resources of the parties, often to provide Services, Packages and/or Operations and Maintenance activities. The Company's proportionate interest in the assets, liabilities, revenues, expenses and cash flows of a jointly controlled operation is incorporated into the Company's financial statements.

When necessary, adjustments are made to the financial statements of subsidiaries, joint ventures and associates to bring their accounting policies in line with those used by the Company.

Acquisitions

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company, if any, in exchange for control of the acquiree. Provisional fair values allocated at a reporting date are finalized within twelve months of the acquisition date.

Acquisition costs associated with a business combination are expensed in the periods in which these costs are incurred and the services are received.

The results of businesses acquired are included in the consolidated financial statements from the date on which control commences.

D) FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The individual financial statements of each entity within the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity within the Company are expressed in Canadian dollars ("CAD"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Foreign currency transactions and balances

In preparing the financial statements of the individual foreign operations, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each period end, monetary items denominated in foreign currencies are translated at the rates prevailing at the period end date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in net income in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note 2 F below for hedging accounting policies).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Translation of financial statements of foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations that have a functional currency other than Canadian dollars are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Such exchange differences arising on consolidation are recognized initially in other comprehensive income and reclassified from equity to net income on disposal or partial disposal or in the case of impairment of the net investment.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

E) REVENUE RECOGNITION

REVENUES FROM SERVICES, PACKAGES, AND OPERATIONS AND MAINTENANCE ACTIVITIES

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

- **Services and Packages: Cost-plus reimbursable contract** revenues are recognized as costs are incurred, and include applicable fees earned as services are provided. **Fixed-price contract** revenues are recorded on the stage of completion basis over the duration of the contract, which consists of recognizing revenue on a given contract proportionately with its stage of completion at any given time. The stage of completion is determined by dividing the cumulative costs incurred as at the period end date by the sum of incurred costs and anticipated costs for completing a contract.
- **Operations and Maintenance:** The fixed-fee revenue portion from **cost reimbursable with a fixed-fee contracts** is recognized on a straight-line basis over the term of the contract, while the revenues from the cost-reimbursable portion are recognized as costs are incurred. Revenues on **fixed-price contracts** are recognized based on the stage of completion of the contract activity which involves taking the costs incurred as at the period end 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 INCOME STATEMENT
Full consolidation	Revenues that are recognized and reported by the ICI, including financial income from service concession arrangements accounted for under IFRIC Interpretation 12, <i>Service Concession Arrangements</i> (refer to Note 23.2 a)
Equity method	SNC-Lavalin's share of net results of the ICI or dividends from ICI for which the carrying amount is \$nil
Cost method	Dividends and distributions from the ICI

MULTIPLE REVENUE CATEGORY CONTRACTUAL ARRANGEMENTS

SNC-Lavalin may enter into contractual arrangements with a client to deliver activities on one project which span more than one of the following categories: Services or Packages, and/or Operations and Maintenance, and/or ICI. When entering into such arrangements, the Company allocates consideration received or receivable by reference to the relative fair values of the services delivered, when the amounts are separately identifiable. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) 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 is 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	Fair value derived from published bid price quotations for listed securities. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost	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 including transaction costs	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 components of equity, while the ineffective portion, if any, of such change is recognized in net income. Gains or losses from cash flow hedges included in other components of equity are reclassified to net income as an offset to the losses or gains recognized on the underlying hedged items.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those held for trading, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in net income.

When an available-for-sale financial asset is considered to be impaired, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to net income. Impairment losses previously recognized in net income are not reversed through net income. Any increase in fair value subsequent to an impairment is recognized in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G) SERVICES CONCESSION ARRANGEMENTS UNDER IFRIC INTERPRETATION 12

IFRIC Interpretation 12, *Service Concession Arrangements*, (“IFRIC 12”) provides guidance on the accounting for certain qualifying public-private partnership arrangements, whereby the grantor (i.e., usually a government):

- controls or regulates what services the operator (i.e. “the concessionaire”) must provide with the infrastructure, to whom it must provide them, and at what price, and
- controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

Under such concession arrangements, the concessionaire accounts for the infrastructure asset by applying i) the intangible asset model if the concessionaire bears demand risk through the usage of the infrastructure; ii) the financial asset model if the concessionaire does not bear such risk; or iii) a combination of both (i.e., bifurcated model) if the concessionaire bears part of such risk. See Note 23.2a for additional details on the accounting of service concession arrangements.

H) 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.

I) RESTRICTED CASH

Restricted cash includes cash and cash equivalents, primarily from ICI that are 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 “Non-current financial assets” (Note 9). Restricted cash is designated as held for trading and accounted for at fair value.

J) CONTRACTS IN PROGRESS

Contracts in progress represent the gross unbilled amount for a given project that is expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized by the Company to date less progress billings.

If progress billings for a given project exceed costs incurred plus recognized profits, then the difference is presented as deferred revenues.

K) 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 less their residual values (if any) over their estimated useful lives.

FROM ICI

Property and equipment from ICI that are accounted for by the full consolidation method are primarily:

ICI	CATEGORY	DEPRECIATION METHOD	DEPRECIATION PERIOD
AltaLink	Transmission assets	Straight-line	30 to 40 years

FROM OTHER ACTIVITIES

Property and equipment used for Services, Packages, and Operations and Maintenance 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)

L) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to an individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of: i) fair value less costs to sell; and ii) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in net income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in net income.

M) 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 on acquisition of subsidiaries is separately disclosed and goodwill on acquisitions of associates and jointly controlled entities is included within investments accounted for by the equity method.

Goodwill is not amortized and is assessed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's CGU or group of CGUs expected to benefit from the synergies of the combination. A CGU or group of CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU or group of CGUs may be impaired. If the recoverable amount of the CGU or group of CGUs is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs and then to the other assets of the CGU or group of CGUs pro-rata on the basis of the carrying amount of each asset in the CGU or group of CGUs. An impairment loss recognized for goodwill is not reversed in a subsequent period.

The Company has designated October 31 as the date for the annual impairment test. As at January 1, 2010, Date of Transition to IFRS, and as at October 31, 2010, date of the last impairment test, goodwill was not considered to be impaired.

N) 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.

O) 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.

P) DEFERRED REVENUES

Deferred revenues consist of amounts billed to clients for a given project 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.

Non-current deferred revenues relate to deposits received by AltaLink from third parties used to finance certain capital construction costs which are recognized as non-current deferred revenues and are released into revenues over the lives of the related assets. Non-current deferred revenues of AltaLink also include funds provided by the *Alberta Utilities Commission* to pay for salvage costs, which are released into revenues when the associated costs are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q) INCOME TAXES

Tax expense recognised in net income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise amounts receivable from or payable to tax authorities relating to the current or prior reporting periods, which are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from net income in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. For management's assessment of the probability of future taxable income to utilise against deferred tax assets, see Note 3. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in net income, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

R) DEFINED BENEFIT PENSION PLANS AND OTHER POST-RETIREMENT BENEFITS

Defined benefit pension plans and other post-retirement benefits obligations are included in "Provisions" (Note 15) and have been determined using the projected unit credit method. In valuing the defined benefit cost as well as other post-retirement benefits, assumptions are based on management's best estimates, except for the discount rate where the Company uses the market interest rate at the measurement date based on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

Current service costs, past service costs and effects of any curtailment or settlements are recognized in net income in the period. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to equity in other comprehensive income in the period in which they arise. For the purpose of calculating the expected return on plans' assets, such assets are valued at fair value.

S) SELLING EXPENSES

All costs related to contract proposals are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T) EARNINGS PER SHARE

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

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

U) SHARE-BASED PAYMENTS

Stock options

Stock options granted to employees are measured at their fair value at the grant date. Details regarding the determination of the fair value of stock options are set out in Note 17.

The fair value determined at the grant date of the stock options is expensed on a straight-line basis over the shorter of the vesting period or the term over which an employee becomes eligible to retire, based on the Company's estimate of stock options that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of stock options expected to vest and the impact of such revision, if any, is recognized in net income.

Preferred share unit ("PSU") plans, Deferred share unit ("DSU") plans, and Restricted share unit ("RSU") plan

For PSU, DSU, and RSU granted to employees, a liability is recognized and measured at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in net income for the period.

V) PROVISIONS

A provision is a liability of uncertain timing or amount.

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue and gross margin recognition

Revenues are generated from Services, Packages, O&M, and ICI activities. Services revenues are derived primarily from cost-plus reimbursable contracts. Packages revenues are derived primarily from fixed-price contracts. Revenues from O&M activities are derived primarily from cost reimbursable with fixed-fee contracts, and from fixed-price contracts.

SERVICES, PACKAGES, AND O&M ACTIVITIES

TYPES OF CONTRACTS	ACTIVITIES	REVENUE RECOGNITION
Cost-plus reimbursable contracts	Services and Packages	Revenues are recognized as costs are incurred, and include applicable fees earned as services are provided. Revenue recognition for cost-plus reimbursable contracts does not usually involve significant estimates.
Cost reimbursable with a fixed-fee contracts	O&M	Fixed-fee revenues are recognized on a straight-line basis over the term of the contract and do not usually involve significant estimates.
Fixed-price contracts	Services, Packages and O&M	Revenues are recorded on the stage of completion basis over the duration of the contract, which consists of recognizing revenue on a given contract proportionately with its stage of completion at any given time. The stage of completion is determined by dividing the cumulative costs incurred as at the period end date by the sum of incurred costs and anticipated costs for completing a contract.

The determination of **anticipated costs** for completing a fixed-price contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, as well as possible claims from subcontractors.

The determination of **anticipated revenues** includes the contractually agreed revenue and may also involve estimates of 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. A change order results from a change to the scope of the work to be performed compared to the original contract that was signed. An example of such contract variation could be a change in the specifications or design of the project, whereby costs related to such variation might be incurred prior to the client's formal contract amendment signature. A claim represents an amount expected to be collected from the client or a third-party as reimbursement for costs incurred that are not part of the original contract. In both cases, management's judgment is required in determining the probability that additional revenue will be recovered from these variations and in determining the measurement of the amount to be recovered.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

As risks and uncertainties are different for each fixed-price project, the sources of variations between anticipated costs and actual costs incurred will also vary for each project. In particular, while Services and Packages activities usually do not exceed 4 years, O&M activities include fixed-price contracts for which the duration might exceed 20 years, notably on certain public-private partnership arrangements. The long-term nature of certain fixed-price arrangements usually results in significant estimates related to scheduling and prices.

Estimates used to determine revenues and costs of fixed-price contracts involve uncertainties that ultimately depend on the outcome of future events and are periodically revised as projects progress. The cumulative effect of changes to anticipated revenues and anticipated costs for completing a contract is recognized in the period in which the revisions are identified. In the event that the anticipated costs exceed the anticipated revenue on a contract, such loss is recognized in its entirety in the period it becomes known.

The determination of estimates is based on SNC-Lavalin's business practices as well as its historical experience. Furthermore, management regularly reviews underlying estimates of project profitability.

Service concession arrangements

The accounting for certain ICI activities requires the application of judgement in determining if they fall within the scope of IFRIC Interpretation 12, *Service Concession Arrangements*, ("IFRIC 12"). Additional judgement needs to be exercised when determining, among other things, the accounting model to be applied under IFRIC 12, the allocation of the consideration receivable between revenue-generating activities, the classification of costs incurred on such activities, the accounting treatment of rehabilitation costs and associated estimates, as well as the effective interest rate to be applied to the financial asset. As the accounting for ICI under IFRIC 12 requires the use of estimates over the term of the arrangement, any changes to these long-term estimates could result in a significant variation in the accounting for the ICI.

Basis of consolidation

Under certain circumstances, the determination of the Company's level of power to govern the financial and operating policies of another entity requires exercise of judgment. As such, the classification of the entity as a subsidiary, a joint venture, an associate or a cost investment might require the application of judgement through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors and various other factors.

Values used in impairment tests

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU or group of CGUs to which goodwill has been allocated. The value in use calculation requires management to estimate future cash flows expected to arise from the CGU or group of CGUs and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill was \$542.8 million as at March 31, 2011 (December 31, 2010: \$542.0 million and January 1, 2010: \$520.9 million).

The assumptions and estimates made to determine the recoverable amount of property and equipment relate in particular to the assessment of market prospects needed to estimate the cash flows, and discount rates adopted. Any changes in these assumptions could have a material effect on the recoverable amount and could entail a change in impairment losses to recognize.

The carrying amount of property and equipment was \$2,272.1 million as at March 31, 2011 (December 31, 2010: \$2,188.0 million and January 1, 2010: \$1,836.9 million).

Measurement of retirement benefit obligations and other post-retirement benefits

SNC-Lavalin's obligations and expenses relating to defined benefits pension plans and other post-retirement benefits are determined using actuarial valuations, and are dependent on significant weighted average assumptions such as the expected long-term rate of return on plans' assets and the rate of compensation increase as determined by management. While management believes these assumptions are reasonable, differences in actual results or changes in assumptions could have an impact on the obligations and expenses recorded by the Company. Details of the assumptions used are provided in Note 22 to the most recent audited annual consolidated financial statements.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Measurement of share-based payment expenses

The Company offers stock option compensation plans to selected individuals within the organization. At each measurement date, management is required to estimate the fair value of the options awarded. Management uses the Black-Scholes option pricing model to value its options, which requires assumptions related to the risk-free interest rate (with a term that matches the expected life of the options), the expected stock price volatility, the expected life of the options and the expected dividend yield on the Company's shares. The main assumptions (expected volatility, expected dividend yield, etc.) used by the Company are described in Note 17.

Appraisal of deferred tax assets and liabilities

Deferred 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. Deferred tax assets also reflect the benefit of unutilized tax losses that can be carried forward to reduce income taxes in future years. This method requires the exercise of significant judgment in determining whether or not the Company's deferred tax assets are "probable" to be recovered from future taxable income and therefore, can be recognized in the Company's consolidated financial statements. Also, estimates are required to determine the expected timing upon which tax assets will be realized and upon which tax liabilities will be settled, and the enacted or substantially enacted tax rates that will apply at such time.

Measurement of financial instruments at fair value

The Company measures certain of its financial instruments at fair value. The determination of such fair value is based on the most readily available market data. When no readily available data is available, management is required to estimate the fair value of the instrument using various inputs that are either, directly or indirectly observable, or not based on observable market data. Details of the assumptions used are provided in Note 20 to the most recent audited annual consolidated financial statements.

Impairment of financial assets

The identification of events that could have an impact on the estimated cash flows of the financial assets and the determination of these estimated cash flows require the exercise of judgment, which might result in significant variances in the carrying amount of these assets.

Rate-regulated activities

AltaLink, a 76.92%-owned subsidiary of the Company, is an entity whose operations are subject to rate regulation. Certain estimates are necessary since the regulatory environment in which AltaLink operates often requires amounts to be recorded at estimated values until these amounts are finalized in regulatory decisions, or other regulatory proceedings. Estimates and judgments are based on historical experience, including experience with the regulatory process, current conditions and various other assumptions that are believed to be reasonable under the circumstances. These factors form the basis for making judgments about the carrying values of assets and liabilities.

4. SEGMENT DISCLOSURES

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

THREE MONTHS ENDED MARCH 31		2011		2010	
	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME	
Services and Packages					
Infrastructure & Environment	\$ 420,491	\$ 6,095 ¹	\$ 325,993	\$ 43,249	
Chemicals & Petroleum	299,993	15,122	193,787	12,580	
Mining & Metallurgy	177,367	1,429	149,470	12,041	
Power	137,185	25,046	106,170	15,755	
Other Industries	77,185	10,480	65,917	5,125	
O&M	426,767	17,789	383,072	11,638	
ICI	101,771	24,379	86,916	19,511	
	\$ 1,640,759	100,340	\$ 1,311,325	119,899	
Reversal of items included above:					
Imputed interest benefit		(8,165)		(8,873)	
Net financial expense from ICI		23,203		18,091	
Income tax expense from ICI		2,203		1,425	
Non-controlling interests before income tax expense		2,767		2,630	
Income before net financial expenses and income tax expense		120,348		133,172	
Net financial expenses (Note 6)		27,184		25,582	
Income before income tax expense		93,164		107,590	
Income tax expense		16,538		20,857	
Net income for the period		\$ 76,626		\$ 86,733	
Net income attributable to:					
The Company's shareholders		\$ 73,880		\$ 84,131	
Non-controlling interests		2,746		2,602	
Net income for the period		\$ 76,626		\$ 86,733	

¹ For the first quarter of 2011, operating income was unfavourably affected by the impact of the Libyan events.

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

THREE MONTHS ENDED MARCH 31		2011	2010
Supplementary information:			
SNC-Lavalin's net income attributable to the Company's shareholders from ICI			
From Highway 407		\$ 13,839	\$ 9,226
From other ICI		10,540	10,285
Net income attributable to the Company's shareholders excluding ICI		49,501	64,620
Net income attributable to the Company's shareholders for the period		\$ 73,880	\$ 84,131

5. INFRASTRUCTURE CONCESSION INVESTMENTS (“ICI”)

SNC-Lavalin makes investments in infrastructure concessions in certain infrastructure for public services, such as airports, bridges, cultural and public service buildings, power, mass transit systems, roads and water.

In accordance with IFRS, SNC-Lavalin’s investments are accounted for by as follows:

Accounting method

TYPE OF INFLUENCE	ACCOUNTING METHOD
Insignificant influence	Cost method
Significant influence	Equity method
Jointly controlled entity	Equity method
Control	Full consolidation method

Accounting model

TYPE OF CONCESSION	ACCOUNTING MODEL
Service concession arrangement under IFRIC 12	Financial asset model when concessionaire bears no demand risk
	Intangible asset model when concessionaire bears demand risk
	Bifurcated model when concessionaire and grantor share demand risk
Other investments	Model based on specific facts and circumstances, but usually with infrastructure asset accounted for as property and equipment.

The main concessions and public-private partnerships contracts reported under IFRIC Interpretation 12, *Service Concession Arrangements*, (“IFRIC 12”) are all accounted for under the financial asset model, except Rayalseema Expressway Private Limited (“REPL”) concession, which is accounted for under the intangible asset model.

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 AND AGREEMENT TO INCREASE OWNERSHIP INTEREST OF ICI

I) IN THE THREE-MONTH PERIOD ENDED MARCH 31, 2011

ALTALINK

On February 25, 2011, SNC-Lavalin entered into an agreement to acquire a 23.08% ownership interest in AltaLink from Macquarie Essential Assets Partnership (“MEAP”) for \$213 million. The agreement was concluded following the acceptance by SNC-Lavalin of an offer from MEAP to make the acquisition. The offer was presented to SNC-Lavalin in response to a binding offer received by MEAP from a third party and pursuant to a right of first refusal held by SNC-Lavalin to acquire MEAP’s ownership interest in AltaLink. The closing of the transaction is subject to customary closing conditions and regulatory approval, including approval from the *Alberta Utilities Commission*, and would bring SNC-Lavalin’s ownership in AltaLink to 100%.

This potential acquisition of the remaining ownership in AltaLink is expected to be recorded in accordance with the requirements of IFRS 3, *Business Combinations*, as an equity transaction.

5. INFRASTRUCTURE CONCESSION INVESTMENTS (“ICI”) (CONTINUED)

II) IN THE YEAR ENDED DECEMBER 31, 2010

CHINOOK ROADS PARTNERSHIP

At the end of March 2010, Chinook Roads Partnership (“Chinook”), an entity accounted for by the equity 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.

SNC-Lavalin and its partner committed to invest a total of \$32.3 million in equity and subordinated debt in Chinook.

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. 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 equity method.

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. SNC-Lavalin’s investment in REPL is accounted for by the equity method.

5. INFRASTRUCTURE CONCESSION INVESTMENTS (“ICI”) (CONTINUED)

B) NET BOOK VALUE AND DESCRIPTIONS OF ICI

The Company’s consolidated statement of financial position includes the following assets and liabilities from its ICI:

	MARCH 31 2011	DECEMBER 31 2010	JANUARY 1 2010
Cash and cash equivalents	\$ 4,967	\$ 16,757	\$ 15,612
Restricted cash	8,269	8,235	10,800
Trade receivables, contracts in progress, other current financial assets, and other current assets	45,237	45,698	39,720
Property and equipment	2,155,846	2,072,814	1,725,206
Goodwill	203,786	203,786	203,786
Non-current financial assets, other non-current assets and deferred tax asset	424,648	401,391	313,972
Total assets	2,842,753	2,748,681	2,309,096
Trade payables, deferred revenues, other current financial liabilities and other current liabilities	150,485	142,560	150,218
Current portion of non-recourse long-term debt and short term debt	88,748	38,762	51,596
Non-recourse long-term debt	1,528,612	1,529,024	1,258,402
Other non-current financial liabilities, provisions, non-current deferred revenues and other non-current liabilities	493,831	498,728	452,105
Non-controlling interests	103,102	98,172	76,886
Total liabilities and non-controlling interests	2,364,778	2,307,246	1,989,207
Net assets from ICI accounted for by the full consolidation method	\$ 477,975	\$ 441,435	\$ 319,889
Net book value of ICI accounted for by the equity method	\$ 400,331	\$ 392,528	\$ 244,632
Net book value of ICI accounted for by the cost method ¹	237,625	234,420	331,231
Net book value of ICI accounted for by the equity or cost method	\$ 637,956	\$ 626,948	\$ 575,863
Total net book value of ICI	\$ 1,115,931	\$ 1,068,383	\$ 895,752

¹ Includes a loan to one of the Ambatovy’s shareholders (the Project Operator) which amounted to US\$57.3 million (CA\$56.0 million) at March 31, 2011 (December 31, 2010: US\$53.5 million [CA\$53.5 million] and January 1, 2010: US\$40.0 million [CA\$42.1 million]).

I) ICI ACCOUNTED FOR BY THE FULL CONSOLIDATION METHOD

SNC-Lavalin’s main ICI accounted for by the full consolidation method are detailed below:

NAME OF ICI	PRINCIPAL ACTIVITY	IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	OWNERSHIP INTEREST		
					MARCH 31 2011	DECEMBER 31 2010	JANUARY 1 2010
AltaLink L.P. (“AltaLink”)	Rate-regulated transmission lines and substations	No	N/A	Canada	76.92%	76.92%	76.92%
Ovation Real Estate Group (Quebec) Inc. (“Ovation”)	2,100-seat acoustic concert hall under a 29-year concession agreement (under construction)	Yes	2038	Canada	100.0%	100.0%	100.0%
Okanagan Lake Concession L.P. (“Okanagan Lake Concession”)	1.1-km William R. Bennett Bridge under a 30-year concession agreement	Yes	2035	Canada	100.0%	100.0%	100.0%

N/A: not applicable

5. INFRASTRUCTURE CONCESSION INVESTMENTS (“ICI”) (CONTINUED)

II) ICI ACCOUNTED FOR BY THE EQUITY METHOD

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

NAME OF ICI	PRINCIPAL ACTIVITY	IFRIC 12	MATURITY OF CONCESSION AGREEMENT	LOCATION	OWNERSHIP INTEREST		
					MARCH 31 2011	DECEMBER 31 2010	JANUARY 1 2010
407 International Inc. ¹ (“Highway 407”)	108-km toll highway under a 99-year concession agreement	No	2098	Canada	16.77%	16.77%	16.77%
Astoria Project Partners LLC	500 MW natural-gas power plant	No	N/A	U.S.A.	21.0%	21.0%	21.0%
Astoria Project Partners II LLC ³	550 MW natural-gas power plant (under construction)	No	N/A	U.S.A	18.5%	18.5%	18.5%
Chinook Roads Partnership (“Chinook”)	25-km of six-lane road (under construction)	Yes	2043	Canada	50.0%	50.0%	–
Groupe Immobilier Santé McGill ² (« MIHG »)	McGill University Health Centre – Glen Campus under a 34-year concession agreement (under construction)	Yes	2044	Canada	60.0%	60.0%	–
InTransit BC L.P. (“InTransit BC”)	19-km rapid transit line	Yes	2040	Canada	33.3%	33.3%	33.3%
Malta International Airport p.l.c. ³	65-year concession agreement to operate the Malta airport	No	2067	Malta	15.5%	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)	No	N/A	Algeria	25.5%	25.5%	25.5%
Rayalseema Expressway Private Limited	30-year concession agreement to build and operate a 189-km toll highway section (under construction)	Yes	2040	India	36.9%	36.9%	–
Société d’exploitation de Vatry Europort S.A. ²	20-year concession agreement to operate the Vatry airport	No	2020	France	51.1%	51.1%	51.1%
Shariket Kahraba Hadjret En Nouss S.p.A.	1,227 MW gas-fired thermal power plant supplying electricity under a 20-year take-or-pay agreement	No	N/A	Algeria	26.0%	26.0%	26.0%
TC Dôme S.A.S. ² (“TC Dôme”)	5.3-km electric cog railway (under construction)	Yes	2043	France	51.0%	51.0%	51.0%

¹ Although the Company holds less than 20% of the equity shares of Highway 407, the Company exercises joint control over this entity based on its contractual agreements.

² Although the Company’s ownership interest in MIHG, Société d’exploitation de Vatry Europort S.A. and TC Dôme is more than 50%, the Company does not exercise control over these entities based on its contractual agreements.

³ Although the Company’s ownership interest in Astoria Project Partners II LLC and in Malta International Airport p.l.c. is less than 20%, the Company exercises significant influence over these entities based on its contractual agreements.

N/A: not applicable

The equity method of accounting requires the Company to stop recognizing its share of the losses of a jointly controlled entity when the recognition of such losses results in a negative balance for its investment, unless the Company has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. Also, under the equity method of accounting, distributions receivable from a jointly controlled entity reduce the carrying amount of the investment recorded by the Company. Where dividends payable by the jointly controlled entity are in excess of the carrying amount of the investment, the carrying value is reduced to \$nil, but does not become negative, unless the Company has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. Such excess amount of dividends payable by a jointly controlled entity is recognized in net income of the Company.

As a result, the Company’s recognized in its income statement dividends from Highway 407 of \$13.8 million in the first quarter of 2011 (first quarter of 2010: \$9.2 million) and did not recognize its share of Highway 407 net income of \$2.6 million

5. INFRASTRUCTURE CONCESSION INVESTMENTS (“ICI”) (CONTINUED)

(first quarter of 2010: \$2.1 million) in the same period, as the carrying amount of its investment in Highway 407 was \$nil at March 31, 2011, December 31, 2010 and January 1, 2010.

III) ICI ACCOUNTED FOR BY THE COST METHOD

SNC-Lavalin’s main ICI accounted for by the cost method are listed below:

NAME OF ICI	PRINCIPAL ACTIVITY	MATURITY OF CONCESSION AGREEMENT	LOCATION	OWNERSHIP INTEREST		
				MARCH 31 2011	DECEMBER 31 2010	JANUARY 1 2010
Ambatovy Nickel Project (“Ambatovy”)	Open-pit mine and hydrometallurgical processing plant (under construction)	N/A	Madagascar	5.0%	5.0%	5.0%
Valener Inc. (previously Gaz Métro Limited Partnership) ¹	Publicly traded entity involved mainly in natural gas distribution	N/A	Canada	–	–	2.42%
Trencap Limited Partnership ¹	Holds an indirect interest in Gaz Métro	N/A	Canada	–	–	11.1%

¹ In 2010, SNC-Lavalin sold all of its ownership interest in Valener Inc. and Trencap Limited Partnership.

N/A: not applicable

6. NET FINANCIAL EXPENSES

THREE MONTHS ENDED MARCH 31			2011	2010		
	FROM ICI	FROM OTHER ACTIVITIES	TOTAL	FROM ICI	FROM OTHER ACTIVITIES	TOTAL
Interest revenues	\$ (40)	\$ (2,612)	\$ (2,652)	\$ (13)	\$ (803)	\$ (816)
Interest on long-term debt:						
Recourse	–	5,424	5,424	–	7,470	7,470
Non-recourse:						
AltaLink	19,668	–	19,668	15,815	–	15,815
Other	2,037	–	2,037	2,170	–	2,170
Other	1,538	1,169	2,707	119	824	943
Net financial expenses	\$ 23,203	\$ 3,981	\$ 27,184	\$ 18,091	\$ 7,491	\$ 25,582

7. OTHER CURRENT FINANCIAL ASSETS

	MARCH 31 2011	DECEMBER 31 2010	JANUARY 1 2010
Advances to suppliers, subcontractors and employees and deposits on contracts	\$ 121,129	\$ 93,141	\$ 127,174
Retentions on client contracts	90,920	77,000	71,362
Performance Share Unit, Deferred Share Unit and Restricted Share Unit arrangement asset	38,301	34,544	47,766
Derivative financial instruments used for cash flow hedges – favourable fair value	30,426	37,793	26,448
Other	46,185	28,661	5,361
Other current financial assets	\$ 326,961	\$ 271,139	\$ 278,111

8. OTHER CURRENT ASSETS

	MARCH 31 2011	DECEMBER 31 2010	JANUARY 1 2010
Income taxes and other taxes receivable	\$ 85,779	\$ 94,352	\$ 108,761
Prepaid expenses	28,539	25,776	24,180
Other current assets	\$ 114,318	\$ 120,128	\$ 132,941

9. NON-CURRENT FINANCIAL ASSETS

	MARCH 31 2011	DECEMBER 31 2010	JANUARY 1 2010
From ICI			
Receivables under service concession arrangements	\$ 251,029	\$ 238,761	\$ 192,293
Third party deposits of AltaLink	54,279	48,965	62,842
Restricted cash	6,139	6,098	5,937
Other	25,052	20,142	6,138
	336,499	313,966	267,210
From other activities	18,940	18,444	20,212
Other non-current financial assets	\$ 355,439	\$ 332,410	\$ 287,422

10. OTHER NON-CURRENT ASSETS

	MARCH 31 2011	DECEMBER 31 2010	JANUARY 1 2010
From ICI			
Intangible assets of AltaLink	\$ 85,742	\$ 84,965	\$ 42,085
Other	2,406	2,461	337
	88,148	87,426	42,422
From other activities	40,065	38,181	31,552
Other non-current assets	\$ 128,213	\$ 125,607	\$ 73,974

11. OTHER CURRENT FINANCIAL LIABILITIES

	MARCH 31 2011	DECEMBER 31 2010	JANUARY 1 2010
Commitments to invest in ICI accounted for by the equity and cost methods	\$ 174,241	\$ 214,678	\$ 105,600
Retentions on supplier contracts	84,916	77,322	104,482
Balance of purchase price payable relating to acquisition of businesses	2,949	25,356	19,529
Derivative financial instruments used for cash flow hedges – unfavourable fair value	12,345	7,593	10,472
Dividends payable (Note 19)	31,687	–	–
Other current financial liabilities	\$ 306,138	\$ 324,949	\$ 240,083

12. OTHER CURRENT LIABILITIES

	MARCH 31 2011	DECEMBER 31 2010	JANUARY 1 2010
Income taxes and other taxes payable	\$ 70,222	\$ 61,400	\$ 73,991
Performance Share Unit, Deferred Share Unit and Restricted Share Unit liabilities (Note 17B)	33,688	34,230	47,766
Other current liabilities	\$ 103,910	\$ 95,630	\$ 121,757

13. LONG-TERM DEBT

	MARCH 31 2011	DECEMBER 31 2010	JANUARY 1 2010
Recourse long-term debt:			
Current portion of recourse long-term debt	\$ -	\$ -	\$ 104,874
Non-current portion of recourse long-term debt	348,245	348,204	348,048
Total recourse long-term debt	\$ 348,245	\$ 348,204	\$ 452,922
Non-recourse long-term debt from ICI:			
From AltaLink	\$ 1,468,514	\$ 1,418,082	\$ 1,156,977
From Okanagan Lake Concession	148,846	149,704	153,021
Total non-recourse long-term debt from ICI	\$ 1,617,360	\$ 1,567,786	\$ 1,309,998
Presented in the statement of financial position as follows:			
Current portion of non-recourse long-term debt and short-term debt from ICI	\$ 88,748	\$ 38,762	\$ 51,596
Non-current portion of non-recourse long-term debt from ICI	1,528,612	1,529,024	1,258,402
Total non-recourse long-term debt from ICI	\$ 1,617,360	\$ 1,567,786	\$ 1,309,998

14. OTHER NON-CURRENT FINANCIAL LIABILITIES

	MARCH 31 2011	DECEMBER 31 2010	JANUARY 1 2010
Third party deposits of AltaLink	\$ 54,279	\$ 48,965	\$ 62,842
Other	13,047	27,432	18,855
Other non-current financial liabilities	\$ 67,326	\$ 76,397	\$ 81,697

15. PROVISIONS

	PENSION AND OTHER POST- RETIREMENT BENEFITS	OTHER ¹	TOTAL
Balance at January 1, 2011	\$ 50,753	\$ 126,334	\$ 177,087
Additional provisions recognized in the period	1,203	20,149	21,352
Amounts used during the period	(3,562)	(12,917)	(16,479)
Unused amounts reversed during the period	-	(1,171)	(1,171)
Actuarial gains recognized in equity	(1,000)	-	(1,000)
Unwinding of discount and effect of changes in discount rates	2,072	116	2,188
Balance at March 31, 2011	\$ 49,466	\$ 132,511	\$ 181,977

¹ Other provisions include mainly litigations, warranty provisions and forecasted losses on certain contracts.

16. PENSION PLANS

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

SNC-Lavalin's total defined benefit charges for its defined benefit pension plans were \$0.4 million for the first three months of 2011 (first three months of 2010: \$0.4 million).

17. SHARE-BASED PAYMENTS

A) STOCK OPTIONS

The stock option compensation cost recorded as an expense in the three-month period ended March 31, 2011 was \$2.0 million (three-month period ended March 31, 2010: \$7.0 million). The following table presents the weighted average assumptions used to determine the stock option compensation cost, using the Black-Scholes option pricing model:

THREE MONTHS ENDED MARCH 31	2011	2010
Risk-free interest rate	—	2.47%
Expected stock price volatility	—	36.65%
Expected option life	—	4 years
Expected dividend yield	—	1.00%

The underlying expected volatility was determined by reference to historical data.

During the first three months of 2011, no stock options (first three months of 2010: 1,098,500 stock options) were granted to employees (first three months of 2010: weighted average fair value of \$15.49 per stock option).

As at March 31, 2011, 4,872,464 stock options were outstanding (December 31, 2010: 5,126,117 stock options and January 1, 2010: 5,073,954 stock options), while 548,641 stock options remained available for future grants (December 31, 2010: 548,516 stock options and January 1, 2010: 1,629,891 stock options) under the Company's 2009 Stock Option Plan.

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

THREE MONTHS ENDED MARCH 31	2011		2010	
	NUMBER OF GRANTED SHARE UNITS	AVERAGE FAIR VALUE PER UNIT	NUMBER OF GRANTED SHARE UNITS	AVERAGE FAIR VALUE PER UNIT
2009 PSU plan	35,734	\$ 55.00	31,322	\$ 52.40
2009 DSU plan	35,734	55.00	34,027	52.40
RSU plan	-	\$ -	72,400	\$ 52.35

The compensation expense relating to the PSU, DSU and RSU plans recorded in the three-month period ended March 31, 2011 was \$2.8 million (three-month period ended March 31, 2010: \$3.0 million).

18. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares in the three-month periods ended March 31, 2011 and 2010 used to calculate the basic and diluted earnings per share were as follows:

THREE MONTHS ENDED MARCH 31 (IN THOUSANDS)	2011	2010
Weighted average number of outstanding shares – basic	150,952	150,992
Dilutive effect of stock options	1,343	1,379
Weighted average number of outstanding shares – diluted	152,295	152,371

In the three-month period ended March 31, 2011, all outstanding stock options have been included in the computation of diluted earnings per share, while 1,099,500 outstanding stock options have not been included in the computation of diluted earnings per share because they were anti-dilutive in the three-month period ended March 31, 2010.

19. DIVIDENDS

During the three-month period ended March 31, 2011, the Company recognized as distributions to its equity shareholders dividends of \$31.7 million or \$0.21 per share (three-month period ended March 31, 2010: \$25.7 million or \$0.17 per share). This amount payable on April 1, 2011 (April 1, 2010), is included in “other current financial liabilities” (Note 11) on the consolidated statement of financial position as at March 31, 2011 (March 31, 2010: \$25.7 million).

THREE MONTHS ENDED MARCH 31	2011	2010
Dividends payable at January 1	\$ -	\$ -
Interim dividends declared during the quarter	31,687	25,673
Interim dividends paid during the quarter	-	-
Dividends payable at March 31	\$ 31,687	\$ 25,673

20. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income tax, within its other components of equity at March 31, 2011, December 31, 2010 and January 1, 2010:

	MARCH 31 2011	DECEMBER 31 2010	JANUARY 1 2010
Exchange differences on translating foreign operations	\$ (20,622)	\$ (21,077)	\$ - ¹
Available-for-sale financial assets	1,608	1,317	11,215
Cash flow hedges	(15,627)	(15,920)	(1,136)
Share of other comprehensive loss of investments accounted for by the equity method	(24,069)	(31,800)	(14,114)
Other components of equity	\$ (58,710)	\$ (67,480)	\$ (4,035)

¹ As mentioned in section 23.1, the Company elected to reclassify cumulative translation losses included in other components of equity, under “exchange differences on translating foreign operations” account, to retained earnings.

- Translation of foreign operations component represents exchange differences relating to the translation from the functional currencies of the Company’s foreign operations into Canadian dollars. On disposal of a foreign operation, the cumulative translation differences are reclassified to net income as part of the gain or loss on disposal.
- Available-for-sale financial assets component arises upon the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the component that relates to that financial asset, and is effectively realized, is recognized in net income. Where a revalued financial asset is impaired, the portion of the component that relates to that financial asset is recognized in net income.
- Cash flow hedges component represents hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in net income when the hedged transaction impacts net income, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.
- Share of other comprehensive income (loss) of investments accounted for by the equity method represents the Company’s proportionate share of the other comprehensive income (loss) from its investments accounted for by the equity method.

20. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the three-month periods ended March 31, 2011 and 2010:

THREE MONTHS ENDED MARCH 31	2011	2010
Exchange difference on translating foreign operations:		
Balance at beginning of period	\$ (21,077)	\$ –
Current period gains (losses)	455	(22,548)
Balance at end of period	(20,622)	(22,548)
Available-for-sale financial assets:		
Balance at beginning of period	1,317	11,215
Current period gains	338	4,899
Income tax expense relating to current period gains	(47)	(603)
Balance at end of period	1,608	15,511
Cash flow hedges:		
Balance at beginning of period	(15,920)	(1,136)
Current period gains (losses)	(5,691)	30,495
Income tax benefit (expense) relating to current period gains (losses)	858	(4,451)
Reclassification to net income	6,379	(20,366)
Income tax benefit (expense) relating to amounts reclassified to net income	(1,253)	2,872
Balance at end of period	(15,627)	7,414
Share of other comprehensive income (loss) of investments accounted for by the equity method:		
Balance at beginning of period	(31,800)	(14,114)
Current period share	9,534	(10,299)
Income tax benefit (expense) relating to current period share	(3,061)	3,568
Reclassification to net income	1,741	3,778
Income tax expense relating to amounts reclassified to net income	(483)	(1,247)
Balance at end of period	(24,069)	(18,314)
Other components of equity	\$ (58,710)	\$ (17,937)

21. SUPPLEMENTARY CASH FLOW INFORMATION

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 three-month periods ended March 31:

	2011	2010
Decrease (increase) in trade receivables	\$ (79,455)	\$ 88,144
Increase in other current financial assets	(63,291)	(44,730)
Decrease in other current assets	3,289	5,736
Decrease (increase) in contracts in progress	26,177	(5,639)
Increase (decrease) in trade payables	94,046	(3,308)
Increase (decrease) in other current financial liabilities	5,883	(19,259)
Increase (decrease) in other current liabilities	7,514	(26,414)
Decrease in downpayments on contracts	(30,866)	(40,559)
Increase in deferred revenues	51,340	27,544
Net change in non-cash working capital items	\$ 14,637	\$ (18,485)

22. RELATED PARTY TRANSACTIONS

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

Consistent with IFRS, intragroup 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 intragroup profits upon consolidation is summarized below:

ICI	ACCOUNTING TREATMENT OF INTRAGROUP 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.
Service concession arrangements accounted for under IFRIC 12	Not eliminated upon consolidation in the period they occur, as transactions are considered realized by the ICI through the contractual agreement with its client.
Others	Eliminated in the period they occur, as a reduction of the underlying asset and subsequently recognized over the depreciation period of the corresponding asset.

In regards to ICI accounted for by the equity method, SNC-Lavalin applies the same principles as under the full consolidation method by eliminating its portion of intragroup 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 IFRS.

For the first three months of 2011, SNC-Lavalin recognized revenues of \$117.2 million (first three months of 2010: \$49.3 million) from contracts with ICI accounted for by the equity method.

SNC-Lavalin's trade receivables from these ICI accounted for by the equity method amounted to \$56.5 million as at March 31, 2011 (December 31, 2010: \$12.0 million and January 1, 2010: \$102.8 million). SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was \$150.6 million at March 31, 2011 (December 31, 2010: \$178.6 million and January 1, 2010: \$78.3 million).

All of these related party transactions are measured at fair value.

23. FIRST-TIME ADOPTION OF IFRS

As stated in Note 2, these are the Company's first consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced the changeover to IFRS for Canadian publicly accountable enterprises for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. In October 2009, the AcSB reconfirmed January 1, 2011 as the date of changeover to move financial reporting for Canadian publicly accountable enterprises to IFRS, as issued by the International Accounting Standards Board ("IASB"). Therefore, the Company's IFRS accounting policies presented in Note 2 have been applied in preparing these interim condensed consolidated financial statements as at and for the three-month period ended March 31, 2011, the opening consolidated statement of financial position as at January 1, 2010, as well as all comparative information included in these financial statements. Consequently, January 1, 2010 is the Company's date of transition ("Date of Transition") from Canadian generally accepted accounting principles ("GAAP") to IFRS.

The current note has been prepared with the objective of explaining to the reader the impact of the Company's transition from Canadian GAAP to IFRS, and is structured as follows:

Section	Title	Objective
23.1	Executive summary	Provides an overview of the main accounting differences in the Company's accounting policies resulting from the adoption of IFRS
23.2	Effect of IFRS adoption on the Company's consolidated statements of financial position	Provides a quantitative reconciliation between Canadian GAAP and IFRS for the Company's consolidated statements of financial position as at the Date of Transition, as at March 31, 2010 and as at December 31, 2010, with detailed explanations on the reconciling items
23.3	Effect of IFRS adoption on the Company's consolidated income statements	Provides a quantitative reconciliation between Canadian GAAP and IFRS for the Company's consolidated income statements for the three-month period ended March 31, 2010 and for the year ended December 31, 2010, with detailed explanations on the reconciling items
23.4	Effect of IFRS adoption on the Company's consolidated statements of comprehensive income	Provides a quantitative reconciliation between Canadian GAAP and IFRS for the Company's consolidated statements of comprehensive income for the three-month period ended March 31, 2010 and for the year ended December 31, 2010, with detailed explanations of the reconciling items
23.5	Effect of IFRS adoption on the Company's consolidated statements of cash flows	Explains the main differences between Canadian GAAP and IFRS for the Company's consolidated statements of cash flows from January 1, 2010 and thereafter
23.6	Other	Explains other IFRS requirements regarding January 1, 2010

23.1 Executive summary

As required by IFRS, the Company has applied IFRS 1, *First-time Adoption of International Financial Reporting Standards*, ("IFRS 1") in preparing its first IFRS consolidated financial statements. The general principle underlying IFRS 1 is that the first IFRS financial statements are to be prepared as if IFRS had been the framework for the Company's accounting since its inception (i.e., retrospective application).

While IFRS 1 does not require the restatement of all historical financial statements previous to the Date of Transition (January 1, 2010), the cumulative differences on net income between Canadian GAAP and IFRS resulting from transactions prior to that date are to be recorded as adjustments to the opening balance of retained earnings as at January 1, 2010. As the burden of issuers adopting IFRS for the first time could be significant, IFRS 1 provides for a limited number of mandatory exceptions and of optional exemptions to the general principle of retrospective application. All issuers adopting IFRS for the first time are required to apply the mandatory exceptions, but they have a choice to apply or not the optional exemptions. The Company has applied all mandatory exceptions and has applied certain of the optional exemptions that are detailed in the current note, resulting in the prospective application of IFRS related to these exceptions and exemptions.

Upon transition to IFRS, certain of the Company's accounting policies did not require a change, while others have been changed. The following table summarizes the main differences between IFRS and Canadian GAAP that impacted the Company's consolidated financial statements:

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

IFRS	Canadian GAAP	Impact on the Company at the Date of Transition	Future impact on the Company	Retrospective application
Service Concession Arrangements (IFRIC 12) [note a in section 23.2]				
IFRIC 12 provides guidance on the accounting for certain qualifying public-private partnership arrangements. Under such arrangements, the concessionaire accounts for the infrastructure asset by applying the intangible asset model, the financial asset model, or a combination of both.	No equivalent standard. The accounting treatment is derived from other relevant standards based on the arrangement's facts and circumstances.	The adjustments relating to the retrospective application of IFRIC 12 were recorded in the Company's opening retained earnings at the Date of Transition to IFRS.	The Company will follow the guidance of IFRIC 12 to account for its qualifying public-private partnership agreements.	Yes
Interests in Joint Ventures (IAS 31) [note b in section 23.2]				
IFRS currently allows accounting for jointly controlled entities using either the equity method or the proportionate consolidation method. IFRS requires a venturer to account for its share of the assets, liabilities, revenues and expenses for jointly controlled operations and jointly controlled assets.	Canadian GAAP requires the use of the proportionate consolidation method for all types of joint ventures.	Upon transition to IFRS, the Company elected to account for its jointly controlled entities, mainly ICI, using the equity method. At the Date of Transition, the adjustment relating to this change in accounting policy was recorded in the opening retained earnings of the Company. This adjustment is related to investments that had a negative carrying amount.	The Company continues to account for its share of the assets, liabilities, revenues and expenses from its jointly controlled operations while the equity method applies to its jointly controlled entities (mainly ICI).	Yes
Business Combinations (IFRS 3)				
IFRS requires all business combinations to be accounted for using the acquisition method. As per the acquisition method, identifiable net assets acquired in a business combination are recorded at "full fair value", with components of non-controlling interests in the acquiree recorded at either: i) fair value; or ii) non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All acquisition-related costs are recognized as period expenses, unless they constitute the costs associated with issuing debt or equity securities.	Under Canadian GAAP, business acquisitions were accounted for using the purchase method. As per the purchase method, identifiable net assets and goodwill acquired in a business combination were recorded at the acquirer's share of the fair value of the net assets acquired. Any non-controlling interest in the acquiree was recorded at the non-controlling interest's proportionate share in the net book value of the acquiree's identifiable net assets. All acquisition-related costs were capitalized in goodwill, unless they constituted the costs associated with issuing debt or equity securities.	As per the optional exemption in IFRS 1, an entity may elect not to apply IFRS 3 retrospectively to business combinations undertaken prior to the Date of Transition. The Company has elected not to restate business combinations undertaken prior to January 1, 2010. However, the Company applied all of the requirements prescribed by IFRS 1 to business combinations that the Company recognized before the Date of Transition, with no adjustment relating to business combinations recorded by the Company on the Date of Transition to IFRS.	All business combinations undertaken on or after January 1, 2010 are accounted for using the acquisition method.	No
Employee Benefits (IAS 19) [note d.2 in section 23.2]				
IFRS allows accounting for actuarial gains and losses arising from defined benefit plans and post-retirement benefit plans in net income or in other comprehensive income.	Canadian GAAP requires to account for recognized actuarial gains or losses arising from defined benefit plans and post-retirement benefit plans in net income.	The optional exemption in IFRS 1 provides for the recognition of all cumulative unrecognized actuarial gains and losses through an adjustment to the opening balance of retained earnings at the Date of Transition to IFRS. The Company elected to apply this exemption and recorded an adjustment in the amount of the Canadian GAAP balance of its cumulative unrecognized net actuarial losses in its opening retained earnings at the Date of Transition.	The effect of actuarial gains and losses arising from defined benefit plans and post-retirement benefit plans will no longer affect net income under the Company's accounting policy choice. The effects of actuarial gains and losses will be recognized immediately in equity, rather than being recognized over a period of time in net income.	No

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

IFRS	Canadian GAAP	Impact on the Company at the Date of Transition	Future impact on the Company	Retrospective application
The Effects of Changes in Foreign Exchange Rates (IAS 21) [note d.3 in section 23.2]				
IFRS does not distinguish between self-sustaining or integrated foreign operations. It rather requires all entities, including foreign operations, to determine their functional currency and to translate their results and financial position into that functional currency. Then, the financial statements of foreign operations with a functional currency different from the functional currency of the reporting entity are translated in the presentation currency, so that the foreign operations can be included in the financial statements of the reporting entity by consolidation, proportionate consolidation or the equity method by using a method equivalent to the current rate method.	Canadian GAAP requires self-sustaining foreign operations to be translated using the current rate method and integrated foreign operations to be translated using the temporal method.	The optional exemption in IFRS 1 allows an entity to reset its cumulative translation differences for all foreign operations to zero by transferring the balance of its cumulative translation differences account, included in the statement of changes in equity, to its retained earnings at the Date of Transition to IFRS. The Company elected to apply this exemption and transferred to retained earnings the Canadian GAAP balance included in other components of equity, under "exchange differences on translating foreign operations" account, on the Date of Transition to IFRS.	Starting January 1, 2010, the Company applies the IFRS guidance on foreign currency on a prospective basis, with no significant impact expected on net income.	No
Rate-regulated Activities [note c.5 in section 23.2]				
No specific standard for rate-regulated activities	Canadian GAAP provides guidance for entities subject to rate regulation related to the recognition of their regulatory assets and regulatory liabilities.	<p>The carrying amount of items of property and equipment or intangible assets subject to rate regulation might include amounts, under Canadian GAAP, that do not qualify for capitalisation under IFRS. As per the optional exemption in IFRS 1 effective for annual periods beginning on or after January 1, 2011, an entity may elect to use the Canadian GAAP carrying amount of such items as its opening IFRS balance at the Date of Transition to IFRS if it early adopts this optional exemption on January 1, 2010. The Company elected to early adopt this optional exemption on January 1, 2010 and applied it to the qualifying items of property and equipment and intangible assets of AltaLink, its subsidiary involved with rate-regulated transmission lines and substations in Alberta, Canada. AltaLink's qualifying items of property and equipment and intangible assets subject to rate regulation are therefore carried at their Canadian GAAP balance in the Company's consolidated statement of financial position at the Date of Transition to IFRS and thereafter.</p> <p>All other assets and liabilities of AltaLink were subject to the IFRS 1 requirement of retrospective application, except for those subject to the mandatory exceptions and optional exemptions.</p>	Property and equipment and intangible assets of AltaLink used in operations subject to rate regulation constructed or acquired on or after January 1, 2010 are accounted for under applicable relevant standards of IFRS. No material impact on AltaLink's net income is expected following the transition to IFRS.	No for property and equipment and intangible assets subject to rate regulation.
Financial Instruments: Recognition and Measurement (IAS 39) [note d.1 in section 23.2]				
IFRS requires all available-for-sale financial assets to be measured at fair value, unless fair value is not reliably determinable.	Under Canadian GAAP, unlisted securities are measured at cost, even if their fair value could be reliably determined.	The Company measured its unlisted securities at fair value on January 1, 2010, unless fair value was not reliably measurable, and recorded a corresponding adjustment in its other components of equity at January 1, 2010.	Subsequent to January 1, 2010, revaluation gains (losses) on these securities are recognized in the statement of comprehensive income.	Yes

Other optional exemptions available under IFRS 1 as well as other accounting standards under which the Company had to elect a method from available accounting methods are not discussed here as their impact is not material to the Company.

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

23.2 Effect of IFRS adoption on the Company's January 1, 2010 ("opening statement of financial position"), March 31, 2010 and December 31, 2010 consolidated statements of financial position

(IN THOUSANDS OF CANADIAN DOLLARS)

	Canadian GAAP	January 1, 2010 Effect of transition to IFRS					IFRS
		IFRIC 12 (Note 23.2 a)	IAS 31 (Note 23.2 b)	Reclassi- fications (Note 23.2 c)	Other (Note 23.2 d)	Tax effect	
ASSETS							
Current assets							
Cash and cash equivalents	1,218,225	-	(26,827)	-	-	-	1,191,398
Restricted cash	68,185	-	(36,808)	-	-	-	31,377
Trade and other receivables	1,480,478	(16,537)	(6,588)	(414,932)	-	-	1,042,421
Contracts in progress	479,637	-	-	-	-	-	479,637
Contracts in progress from concession arrangements	33,941	(33,941)	-	-	-	-	-
Other current financial assets	-	-	(3,824)	281,935	-	-	278,111
Deferred tax asset	112,557	-	-	(112,557)	-	-	-
Other current assets	-	-	(56)	132,997	-	-	132,941
Total current assets	3,393,023	(50,478)	(74,103)	(112,557)	-	-	3,155,885
Property and equipment:							
From ICI	2,217,047	(144,309)	(384,747)	37,215	-	-	1,725,206
From other activities	113,952	-	-	-	(2,280)	-	111,672
ICI accounted for by the equity or cost methods	469,402	40,097	9,976	43,588	12,800	-	575,863
Goodwill	520,862	-	-	-	-	-	520,862
Deferred tax asset	-	-	(8,555)	112,557	38,775	(3,512)	139,265
Non-current financial assets	-	192,293	(52,585)	145,082	2,632	-	287,422
Other non-current assets	491,997	-	(271,438)	(146,585)	-	-	73,974
Total assets	7,206,283	37,603	(781,452)	79,300	51,927	(3,512)	6,590,149
EQUITY AND LIABILITIES							
Current liabilities							
Trade and other payables	1,702,034	-	(16,975)	(390,307)	-	-	1,294,752
Downpayments on contracts	397,329	-	-	-	-	-	397,329
Deferred revenues	505,531	(328)	(620)	5,606	-	-	510,189
Other current financial liabilities	-	-	4,094	235,989	-	-	240,083
Other current liabilities	-	-	-	121,757	-	-	121,757
Current portion of long-term debt:							
Recourse	104,874	-	-	-	-	-	104,874
Non-recourse from ICI	139,183	-	(135,193)	47,606	-	-	51,596
Total current liabilities	2,848,951	(328)	(148,694)	20,651	-	-	2,720,580
Long-term debt:							
Recourse	348,048	-	-	-	-	-	348,048
Non-recourse from ICI	2,005,485	-	(699,477)	(47,606)	-	-	1,258,402
Other non-current financial liabilities	-	-	-	83,225	(1,528)	-	81,697
Provisions	-	-	-	109,529	21,882	-	131,411
Non-current deferred revenues	-	-	-	368,354	-	-	368,354
Deferred tax liability	24,408	-	6,654	(308)	38,775	2,314	71,843
Other non-current liabilities	464,666	-	-	(454,545)	-	-	10,121
Total liabilities	5,691,558	(328)	(841,517)	79,300	59,129	2,314	4,990,456
Non-controlling interests	80,033	-	-	(80,033)	-	-	-
Equity							
Share capital	397,735	-	-	-	-	-	397,735
Contributed surplus	33,473	-	-	(33,473)	-	-	-
Other components of equity	(23,306)	-	(3,131)	-	24,724	(2,322)	(4,035)
Retained earnings	1,026,790	36,513	63,196	33,473	(31,960)	(3,504)	1,124,508
Equity attributable to the Company's shareholders	1,434,692	36,513	60,065	-	(7,236)	(5,826)	1,518,208
Non-controlling interests	-	1,418	-	80,033	34	-	81,485
Total equity	1,434,692	37,931	60,065	80,033	(7,202)	(5,826)	1,599,693
Total liabilities and equity	7,206,283	37,603	(781,452)	79,300	51,927	(3,512)	6,590,149

See pages 36 to 47 for explanatory notes to the reconciliation above.

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

(IN THOUSANDS OF CANADIAN DOLLARS)

March 31, 2010

(IN THOUSANDS OF CANADIAN DOLLARS)		March 31, 2010					
	Canadian GAAP	Effect of transition to IFRS				Tax effect	IFRS
		IFRIC 12	IAS 31	Reclassi- fications	Other		
		(Note 23.2 a)	(Note 23.2 b)	(Note 23.2 c)	(Note 23.2 d)		
ASSETS							
Current assets							
Cash and cash equivalents	1,230,916	-	(22,532)	-	-	-	1,208,384
Restricted cash	73,858	-	(38,984)	-	-	-	34,874
Trade and other receivables	1,411,398	(16,537)	(6,050)	(448,286)	-	-	940,525
Contracts in progress	479,217	-	-	-	-	-	479,217
Contracts in progress from concession arrangements	41,601	(38,893)	(2,708)	-	-	-	-
Other current financial assets	-	-	(4,954)	327,749	46	-	322,841
Deferred tax asset	101,943	-	-	(101,943)	-	-	-
Other current assets	-	-	(111)	120,537	-	-	120,426
Total current assets	3,338,933	(55,430)	(75,339)	(101,943)	46	-	3,106,267
Property and equipment:							
From ICI	2,306,522	(143,168)	(383,648)	21,705	(2,079)	-	1,799,332
From other activities	108,932	-	-	-	(2,290)	-	106,642
ICI accounted for by the equity or cost methods	453,348	44,918	24,567	43,574	18,375	-	584,782
Goodwill	512,103	-	-	-	(220)	-	511,883
Deferred tax asset	-	-	(9,729)	101,943	77,719	(3,759)	166,174
Non-current financial assets	-	196,950	(126,517)	218,891	4,622	-	293,946
Other non-current assets	566,238	-	(271,283)	(198,393)	-	-	96,562
Total assets	7,286,076	43,270	(841,949)	85,777	96,173	(3,759)	6,665,588
EQUITY AND LIABILITIES							
Current liabilities							
Trade and other payables	1,615,232	-	(19,338)	(317,276)	-	-	1,278,618
Downpayments on contracts	353,788	-	-	-	-	-	353,788
Deferred revenues	527,886	(355)	(1,679)	5,688	-	-	531,540
Other current financial liabilities	-	-	19,891	202,080	-	-	221,971
Other current liabilities	-	-	(9)	82,149	-	-	82,140
Current portion of long-term debt:							
Recourse	104,917	-	-	-	-	-	104,917
Non-recourse from ICI	231,321	-	(227,291)	(278)	-	-	3,752
Total current liabilities	2,833,144	(355)	(228,426)	(27,637)	-	-	2,576,726
Long-term debt:							
Recourse	348,086	-	-	-	-	-	348,086
Non-recourse from ICI	2,067,218	-	(685,202)	278	-	-	1,382,294
Other non-current financial liabilities	-	-	-	87,322	(1,528)	-	85,794
Provisions	-	-	-	110,811	21,455	-	132,266
Non-current deferred revenues	-	-	-	372,685	-	-	372,685
Deferred tax liability	24,637	-	4,493	(1,229)	77,719	3,899	109,519
Other non-current liabilities	466,615	-	-	(456,453)	-	-	10,162
Total liabilities	5,739,700	(355)	(909,135)	85,777	97,646	3,899	5,017,532
Non-controlling interests	82,751	-	-	(82,751)	-	-	-
Equity							
Share capital	400,550	-	-	-	-	-	400,550
Contributed surplus	40,130	-	-	(40,130)	-	-	-
Other components of equity	(42,068)	-	(3,107)	-	30,256	(3,018)	(17,937)
Retained earnings	1,065,013	42,181	70,293	40,130	(31,763)	(4,640)	1,181,214
Equity attributable to the Company's shareholders	1,463,625	42,181	67,186	-	(1,507)	(7,658)	1,563,827
Non-controlling interests	-	1,444	-	82,751	34	-	84,229
Total equity	1,463,625	43,625	67,186	82,751	(1,473)	(7,658)	1,648,056
Total liabilities and equity	7,286,076	43,270	(841,949)	85,777	96,173	(3,759)	6,665,588

See pages 36 to 47 for explanatory notes to the reconciliation above.

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	December 31, 2010						IFRS
	Canadian GAAP	IFRIC 12	IAS 31	Reclassifications	Other	Tax effect	
		(Note 23.2 a)	(Note 23.2 b)	(Note 23.2 c)	(Note 23.2 d)		
ASSETS							
Current assets							
Cash and cash equivalents	1,288,232	-	(53,147)	-	-	-	1,235,085
Restricted cash	340,063	-	(300,694)	-	-	-	39,369
Trade and other receivables	1,673,082	(16,537)	(5,960)	(377,076)	-	-	1,273,509
Contracts in progress	624,547	-	-	-	-	-	624,547
Contracts in progress from concession arrangements	167,097	(82,249)	(84,848)	-	-	-	-
Other current financial assets	-	-	15,054	255,477	608	-	271,139
Deferred tax asset	78,306	-	-	(78,306)	-	-	-
Other current assets	-	-	(1,471)	121,599	-	-	120,128
Total current assets	4,171,327	(98,786)	(431,066)	(78,306)	608	-	3,563,777
Property and equipment:							
From ICI	2,588,649	(141,289)	(380,799)	22,548	(16,295)	-	2,072,814
From other activities	117,510	-	-	-	(2,321)	-	115,189
ICI accounted for by the equity or cost methods	386,696	61,348	123,712	55,192	-	-	626,948
Goodwill	543,642	-	-	-	(1,614)	-	542,028
Deferred tax asset	-	-	(6,545)	78,306	91,978	(5,320)	158,419
Non-current financial assets	-	238,761	(356,162)	429,282	20,529	-	332,410
Other non-current assets	795,399	-	(270,282)	(399,510)	-	-	125,607
Total assets	8,603,223	60,034	(1,321,142)	107,512	92,885	(5,320)	7,537,192
EQUITY AND LIABILITIES							
Current liabilities							
Trade and other payables	1,666,117	(17)	(18,407)	(373,035)	-	-	1,274,658
Downpayments on contracts	551,862	-	(128,932)	-	-	-	422,930
Deferred revenues	700,279	(744)	19,782	8,870	-	-	728,187
Other current financial liabilities	-	-	129,080	195,869	-	-	324,949
Other current liabilities	-	-	-	95,630	-	-	95,630
Current portion of long-term debt:							
Recourse	-	-	-	-	-	-	-
Non-recourse from ICI	6,651	-	(2,463)	34,574	-	-	38,762
Total current liabilities	2,924,909	(761)	(940)	(38,092)	-	-	2,885,116
Long-term debt:							
Recourse	348,204	-	-	-	-	-	348,204
Non-recourse from ICI	2,981,448	-	(1,417,850)	(34,574)	-	-	1,529,024
Other non-current financial liabilities	-	-	(660)	75,858	1,199	-	76,397
Provisions	-	-	-	155,543	21,544	-	177,087
Non-current deferred revenues	-	-	-	422,879	-	-	422,879
Deferred tax liability	56,493	-	3,053	(4,447)	91,978	4,784	151,861
Other non-current liabilities	481,148	-	(2,189)	(469,655)	-	-	9,304
Total liabilities	6,792,202	(761)	(1,418,586)	107,512	114,721	4,784	5,599,872
Non-controlling interests	102,595	-	-	(102,595)	-	-	-
Equity							
Share capital	424,935	-	-	-	-	-	424,935
Contributed surplus	42,742	-	-	(42,742)	-	-	-
Other components of equity	(74,943)	-	(3,031)	-	10,912	(418)	(67,480)
Retained earnings	1,315,692	60,778	100,475	42,742	(32,790)	(9,686)	1,477,211
Equity attributable to the Company's shareholders	1,708,426	60,778	97,444	-	(21,878)	(10,104)	1,834,666
Non-controlling interests	-	17	-	102,595	42	-	102,654
Total equity	1,708,426	60,795	97,444	102,595	(21,836)	(10,104)	1,937,320
Total liabilities and equity	8,603,223	60,034	(1,321,142)	107,512	92,885	(5,320)	7,537,192

See pages 36 to 47 for explanatory notes to the reconciliation above.

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

Reconciliation of equity

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	Effect of transition to IFRS		
		January 1, 2010	March 31, 2010	December 31, 2010
Total shareholders' equity under Canadian GAAP		1,434,692	1,463,625	1,708,426
Service concession arrangements	23.2 a	37,931	43,625	60,795
Jointly controlled entities	23.2 b	60,065	67,186	97,444
Reclassification of non-controlling interests to equity	23.2 c.1	80,033	82,751	102,595
Measurement of available-for-sale securities	23.2 d.1	15,432	20,964	1,620
Defined benefit plans and other post-retirement benefits	23.2 d.2	(19,366)	(19,083)	(18,847)
Other		(3,268)	(3,354)	(4,609)
Total adjustment to equity, before income taxes		170,827	192,089	238,998
Income tax effect of the above		(5,826)	(7,658)	(10,104)
Total adjustment to equity		165,001	184,431	228,894
Total equity under IFRS		1,599,693	1,648,056	1,937,320

23.2 a. SERVICE CONCESSION ARRANGEMENTS (IFRIC 12)

Upon transition to IFRS, the Company retrospectively adopted IFRIC Interpretation 12, *Service Concession Arrangements*, ("IFRIC 12"). IFRIC 12 provides guidance on the accounting for certain qualifying public-private partnership arrangements, whereby the grantor (i.e., usually a government):

- i) controls or regulates what services the operator (i.e. "the concessionaire") must provide with the infrastructure, to whom it must provide them, and at what price, and
- ii) controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

Typically, in a public-private service concession arrangement within the scope of IFRIC 12, the underlying infrastructure is used to deliver public services (e.g., roads, bridges, hospitals, electricity supply plants, etc.) to users of those services. The contractual arrangement between the government and the concessionaire is referred to as a "concession agreement", under which the government specifies the responsibilities of the concessionaire and governs the basis upon which the concessionaire will be remunerated. The concessionaire is usually responsible for the construction of the infrastructure, its operation and maintenance and its rehabilitation and is usually paid by the government, the users, or both. In certain cases, the concessionaire can receive payments from the government during the initial construction phase. At the end of the term of a concession agreement, the infrastructure is returned to the government, often for no additional consideration. These arrangements vary greatly in duration, but terms of 20 to 40 years are usual.

Under such concession arrangements, the concessionaire accounts for the infrastructure asset by applying i) the intangible asset model if the concessionaire bears demand risk through the usage of the infrastructure; ii) the financial asset model if the concessionaire does not bear such risk; or iii) a combination of both (i.e., bifurcated model) if the concessionaire bears part of such risk.

The following Company's ICI were identified as being within the scope of IFRIC 12:

	Financial Asset Model	Intangible Asset Model
ICI existing at January 1, 2010:		
InTransit BC	√	
Okanagan Lake Concession	√	
Ovation	√	
TC Dôme	√	
ICI entered into after January 1, 2010:		
Chinook	√	
MIHG	√	
REPL		√

In these concession arrangements, the concessionaire usually subcontracts the EPC and O&M contracts to the Company's subsidiaries or joint ventures.

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

The table below highlights the main characteristics of the Company's concession arrangements within the scope of IFRIC 12 for which the financial asset model is applied:

Demand risk	The government bears demand risk as the government pays the Company a fixed monetary amount, usually conditional on availability and performance conditions, regardless of the usage of the infrastructure.
Impact on the Company's consolidated income statement	<p>General principle: The Company accounts for the total consideration as revenue, based on the fair value of each deliverable activity. Consistent with IFRS, intragroup profits generated by the Company's subsidiaries or joint ventures acting as a contractor or operator for the concessionaire are not eliminated, resulting in the Company recognizing revenues and profit (loss) from all activities provided through the concession agreement.</p> <p>Construction revenues: The Company recognizes revenues and costs relating to construction of infrastructure in accordance with IAS 11, <i>Construction Contracts</i>, ("IAS 11") under the same methodology as any other construction contract and classifies these revenues as "Packages" activities.</p> <p>Operations and maintenance revenues: The Company recognizes revenues and costs relating to operation and maintenance of an infrastructure as any other operation and maintenance contract and classifies these revenues as "O&M" activities.</p> <p>Rehabilitation revenues: When rehabilitation activities are considered revenue-generating activities, revenues are recognized in accordance with IAS 11 under the same methodology as any other similar contract and the Company classifies these revenues as "O&M" activities.</p> <p>Finance income: Finance income generated on financial assets is recognized using the effective interest method and is classified as revenue from "ICI" activities.</p>
Impact on the Company's consolidated statement of financial position	Revenues recognized by the Company under the financial asset model are accumulated in "Receivables under service concession arrangements", which are included in "Non-current financial assets" on the Company's consolidated statement of financial position. The balance of these "Receivables under service concession arrangements" is reduced by the payments received from the government.

For concession arrangements accounted for by the intangible asset model, the concessionaire recognizes an intangible asset to the extent that it receives a right to charge for the usage of the asset.

Borrowing costs, if any, are capitalized as part of the carrying amount of the intangible asset during the construction phase. Capitalization of borrowing costs ceases when the infrastructure is ready for its intended use.

The intangible asset is amortized over its expected useful life, which is the concession period in a service concession arrangement. Amortization period begins when the infrastructure is available for use.

The Company's only concession arrangement accounted for by the intangible asset model is REPL, which is an ICI accounted for by the equity method.

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

23.2 b. INTERESTS IN JOINT VENTURES (IAS 31)

The Company carries out certain of its activities through joint ventures, which are mainly jointly controlled operations for its Services, Packages and O&M activities, and jointly controlled entities for its ICI activities.

Jointly controlled operations

Under Canadian GAAP, jointly controlled operations were accounted for by the proportionate consolidation method. Under IFRS, the Company recognizes the assets that it controls, the liabilities and expenses that it incurs, and its share of the income that it earns from the sale of goods or services by the jointly controlled operations. Therefore, there is no significant impact on the Company's consolidated financial statements at the Date of Transition to IFRS or thereafter relating to the accounting of its jointly controlled operations.

Jointly controlled entities

Under IFRS, interests in jointly controlled entities are to be accounted for using either the equity method or the proportionate consolidation method. Under Canadian GAAP, such interests were accounted for using the proportionate consolidation method.

To better reflect the Company's view of the nature of its jointly controlled entities, which are mainly ICI, the Company elected to use the equity method upon its transition to IFRS. The use of the equity method for jointly controlled entities provides the reader with a greater understanding of the Company's underlying assets, earning base and financial resources as opposed to the proportionate consolidation method which recognizes the Company's proportionate share of assets and liabilities that it does not control or for which it has no obligation, including debt that is non-recourse to the Company.

- *Impact on the Company's consolidated statements of financial positions*

At the Date of Transition, at March 31, 2010 and at December 31, 2010, the Company eliminated its share of proportionately consolidated assets and liabilities of its interests in jointly controlled entities and recognized its net investment in these entities as "ICI accounted for by the equity or cost methods" for its jointly controlled entities from ICI.

Under Canadian GAAP, the proportionate method of accounting required the Company to recognize its proportionate share of the jointly controlled entities' losses irrespective of the carrying amount of its investment in such jointly controlled entities. As a result, the balance of interests in jointly controlled entities was negative \$60.1 million at January 1, 2010 (March 31, 2010: \$67.2 million and December 31, 2010: 97.5 million), mainly due to Highway 407.

Under IFRS, the equity method requires the Company to stop recognizing its share of the losses of a jointly controlled entity when the recognition of such losses results in a negative balance for its investment, unless the Company has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. Since the Company did not incur any legal or constructive obligations or did not make payments on behalf of these jointly controlled entities, the carrying amount of the Company's investments in these jointly controlled entities is not negative under IFRS, but is recorded at \$nil.

Therefore, the change in accounting policy from the proportionate consolidation method used to account for the Company's jointly controlled entities under Canadian GAAP to the equity method which is used to account for the Company's jointly controlled entities under IFRS was accounted for on a retrospective basis and resulted in an increase of the Company's equity of \$60.1 million at the Date of Transition (an increase of \$63.2 million in retained earnings and a decrease of \$3.1 million in other components of equity), of \$67.2 million at March 31, 2010 (an increase of \$70.3 million in retained earnings and a decrease of \$3.1 million in other components of equity) and of \$97.5 million at December 31, 2010 (an increase of \$100.5 million in retained earnings and a decrease of \$3.0 million in other components of equity), mainly from the Company's investment in Highway 407.

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

- *Impact on the Company's consolidated income statements*

In regards to the income statement, under Canadian GAAP, the proportionate consolidation method required the Company to consolidate its proportionate share of the jointly controlled entities' revenues and expenses on a line-by-line basis.

Under IFRS, the equity method requires the Company to recognize in its income statement its share of net income (loss) of its jointly controlled entities for the period. Also, under the equity method, distributions receivable from a jointly controlled entity reduce the carrying amount of the investment recorded by the Company. Where dividends payable by the jointly controlled entity are in excess of the carrying amount of the investment, the carrying value is reduced to nil, but does not become negative, unless the Company has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. Such excess amount of dividends payable by a jointly controlled entity is recognized in net income of the Company.

Accordingly, the adjustments to the Company's consolidated income statement for the three-month period ended March 31, 2010 and for the year ended December 31, 2010 include: (i) an elimination of revenues and expenses previously recognized by the Company under the proportionate consolidation method; (ii) a recognition by the Company of its share of net income (loss) for the period of its jointly controlled entities which investment account shows a positive carrying amount as at March 31, 2010 and as at December 31, 2010, respectively; and (iii) a recognition by the Company of dividends from its jointly controlled entities where dividends are in excess of the carrying amount of the investment.

For further details regarding the Company's jointly controlled entities accounted for by the equity method, refer to Note 5.

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

23.2 c. RECLASSIFICATIONS

The following reclassifications were made to the Company's consolidated statement of financial position at January 1, 2010, at March 31, 2010 and at December 31, 2010, with the total impact presented under the "Reclassifications" column of the "Effect of IFRS adoption on the Company's January 1, 2010 ("opening statement of financial position"), March 31, 2010 and December 31, 2010 consolidated statements of financial position" tables:

(IN THOUSANDS OF CANADIAN DOLLARS)		January 1, 2010					
		Reclassifications					
Statement of financial position line items	Note 23.2 c.1	Note 23.2 c.2	Note 23.2 c.3	Note 23.2 c.4	Note 23.2 c.5	Note 23.2 c.6	Total
Current assets							
Trade and other receivables	-	(414,932)	-	-	-	-	(414,932)
Other current financial assets	-	281,935	-	-	-	-	281,935
Deferred tax asset	-	-	(112,557)	-	-	-	(112,557)
Other current assets	-	132,997	-	-	-	-	132,997
Net impact on current assets	-	-	(112,557)	-	-	-	(112,557)
Non-current assets							
Property and equipment:							
From ICI	-	-	-	200,675	(163,460)	-	37,215
ICI accounted for by the equity or cost methods	-	43,588	-	-	-	-	43,588
Deferred tax asset	-	-	112,557	-	-	-	112,557
Non-current financial assets	-	145,082	-	-	-	-	145,082
Other non-current assets	-	(188,670)	-	-	42,085	-	(146,585)
Net impact on non-current assets	-	-	112,557	200,675	(121,375)	-	191,857
Total impact on assets	-	-	-	200,675	(121,375)	-	79,300
Current liabilities							
Trade and other payables	-	(359,438)	-	-	-	(30,869)	(390,307)
Deferred revenues	-	-	-	5,606	-	-	5,606
Other current financial liabilities	-	235,989	-	-	-	-	235,989
Other current liabilities	-	121,757	-	-	-	-	121,757
Current portion of long-term debt:							
Non-recourse from ICI	-	47,606	-	-	-	-	47,606
Net impact on current liabilities	-	45,914	-	5,606	-	(30,869)	20,651
Non-current liabilities							
Long-term debt:							
Non-recourse from ICI	-	(47,606)	-	-	-	-	(47,606)
Other non-current financial liabilities	-	191,580	-	-	(108,355)	-	83,225
Provisions	-	-	-	-	-	109,529	109,529
Non-current deferred revenues	-	-	-	195,069	173,285	-	368,354
Deferred tax liability	-	(308)	-	-	-	-	(308)
Other non-current liabilities	-	(189,580)	-	-	(186,305)	(78,660)	(454,545)
Net impact on non-current liabilities	-	(45,914)	-	195,069	(121,375)	30,869	58,649
Non-controlling interests	(80,033)	-	-	-	-	-	(80,033)
Equity							
Contributed surplus	(33,473)	-	-	-	-	-	(33,473)
Retained earnings	33,473	-	-	-	-	-	33,473
Non-controlling interests	80,033	-	-	-	-	-	80,033
	80,033	-	-	-	-	-	80,033
Total impact on liabilities and equity	-	-	-	200,675	(121,375)	-	79,300

Only line items of the Company's consolidated statement of financial position affected by the reclassifications at January 1, 2010 are shown in the table above.

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

(IN THOUSANDS OF CANADIAN DOLLARS)

(IN THOUSANDS OF CANADIAN DOLLARS)			March 31, 2010				
	Reclassifications						
Statement of financial position line items	Note 23.2 c.1	Note 23.2 c.2	Note 23.2 c.3	Note 23.2 c.4	Note 23.2 c.5	Note 23.2 c.6	Total
Current assets							
Trade and other receivables	-	(448,286)	-	-	-	-	(448,286)
Other current financial assets	-	327,749	-	-	-	-	327,749
Deferred tax asset	-	-	(101,943)	-	-	-	(101,943)
Other current assets	-	120,537	-	-	-	-	120,537
Net impact on current assets	-	-	(101,943)	-	-	-	(101,943)
Non-current assets							
Property and equipment:							
From ICI	-	-	-	203,449	(181,744)	-	21,705
ICI accounted for by the equity method or cost methods	-	43,574	-	-	-	-	43,574
Deferred tax asset	-	-	101,943	-	-	-	101,943
Non-current financial assets	-	218,891	-	-	-	-	218,891
Other non-current assets	-	(262,465)	-	-	64,072	-	(198,393)
Net impact on non-current assets	-	-	101,943	203,449	(117,672)	-	187,720
Total impact on assets	-	-	-	203,449	(117,672)	-	85,777
Current liabilities							
Trade and other payables	-	(285,459)	-	-	-	(31,817)	(317,276)
Deferred revenues	-	-	-	5,688	-	-	5,688
Other current financial liabilities	-	202,080	-	-	-	-	202,080
Other current liabilities	-	82,149	-	-	-	-	82,149
Current portion of long-term debt:							
Non-recourse from ICI	-	(278)	-	-	-	-	(278)
Net impact on current liabilities	-	(1,508)	-	5,688	-	(31,817)	(27,637)
Non-current liabilities							
Long-term debt:							
Non-recourse from ICI	-	278	-	-	-	-	278
Other non-current financial liabilities	-	191,461	-	-	(104,139)	-	87,322
Provisions	-	-	-	-	-	110,811	110,811
Non-current deferred revenues	-	-	-	197,761	174,924	-	372,685
Deferred tax liability	-	(1,229)	-	-	-	-	(1,229)
Other non-current liabilities	-	(189,002)	-	-	(188,457)	(78,994)	(456,453)
Net impact on non-current liabilities	-	1,508	-	197,761	(117,672)	31,817	113,414
Non-controlling interests	(82,751)	-	-	-	-	-	(82,751)
Equity							
Contributed surplus	(40,130)	-	-	-	-	-	(40,130)
Retained earnings	40,130	-	-	-	-	-	40,130
Non-controlling interests	82,751	-	-	-	-	-	82,751
	82,751	-	-	-	-	-	82,751
Total impact on liabilities and equity	-	-	-	203,449	(117,672)	-	85,777

Only line items of the Company's consolidated statement of financial position affected by the reclassifications at March 31, 2010 are shown in the table above.

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

(IN THOUSANDS OF CANADIAN DOLLARS)

(IN THOUSANDS OF CANADIAN DOLLARS)			December 31, 2010				
	Reclassifications						
Statement of financial position line items	Note 23.2 c.1	Note 23.2 c.2	Note 23.2 c.3	Note 23.2 c.4	Note 23.2 c.5	Note 23.2 c.6	Total
Current assets							
Trade and other receivables	-	(377,076)	-	-	-	-	(377,076)
Other current financial assets	-	255,477	-	-	-	-	255,477
Deferred tax asset	-	-	(78,306)	-	-	-	(78,306)
Other current assets	-	121,599	-	-	-	-	121,599
Net impact on current assets	-	-	(78,306)	-	-	-	(78,306)
Non-current assets							
Property and equipment:							
From ICI	-	-	-	256,787	(234,239)	-	22,548
ICI accounted for by the equity or cost methods	-	55,192	-	-	-	-	55,192
Deferred tax asset	-	-	78,306	-	-	-	78,306
Non-current financial assets	-	429,282	-	-	-	-	429,282
Other non-current assets	-	(484,474)	-	-	84,964	-	(399,510)
Net impact on non-current assets	-	-	78,306	256,787	(149,275)	-	185,818
Total impact on assets	-	-	-	256,787	(149,275)	-	107,512
Current liabilities							
Trade and other payables	-	(291,200)	-	-	-	(81,835)	(373,035)
Deferred revenues	-	-	-	8,870	-	-	8,870
Other current financial liabilities	-	195,869	-	-	-	-	195,869
Other current liabilities	-	95,630	-	-	-	-	95,630
Current portion of long-term debt							
Non-recourse from ICI	-	34,574	-	-	-	-	34,574
Net impact on current liabilities	-	34,873	-	8,870	-	(81,835)	(38,092)
Non-current liabilities							
Long-term debt							
Non-recourse from ICI	-	(34,574)	-	-	-	-	(34,574)
Other non-current financial liabilities	-	160,752	-	-	(84,894)	-	75,858
Provisions	-	-	-	-	-	155,543	155,543
Non-current deferred revenues	-	-	-	247,917	174,962	-	422,879
Deferred tax liability	-	(4,447)	-	-	-	-	(4,447)
Other non-current liabilities	-	(156,604)	-	-	(239,343)	(73,708)	(469,655)
Net impact on non-current liabilities	-	(34,873)	-	247,917	(149,275)	81,835	145,604
Non-controlling interests	(102,595)	-	-	-	-	-	(102,595)
Equity							
Contributed surplus	(42,742)	-	-	-	-	-	(42,742)
Retained earnings	42,742	-	-	-	-	-	42,742
Non-controlling interests	102,595	-	-	-	-	-	102,595
	102,595	-	-	-	-	-	102,595
Total impact on liabilities and equity	-	-	-	256,787	(149,275)	-	107,512

Only line items of the Company's consolidated statement of financial position affected by the reclassifications at December 31, 2010 are shown in the table above.

23.2 c.1 Reclassification of non-controlling interests and contributed surplus

Under IFRS, non-controlling interests are presented within equity as the non-controlling interests represent the residual interest in the net assets of the subsidiaries and therefore meet the definition of equity as per the *Framework for the Preparation and Presentation of Financial Statements*. Under Canadian GAAP, non-controlling interests were presented outside shareholders' equity. The effect of the change is an increase in equity of \$80.0 million at January 1, 2010, of \$82.8 million at March 31, 2010 and of \$102.6 million at December 31, 2010.

On the Date of Transition, the Company elected to reclassify the amount of contributed surplus relating to the stock option compensation to retained earnings. The effect of the change is a decrease in contributed surplus and an equivalent increase in retained earnings of \$33.5 million at January 1, 2010, of \$40.1 million at March 31, 2010 and of \$42.7 million at December 21, 2010.

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

23.2 c.2 Reclassification of financial and non-financial instruments

Certain figures relating to financial and non-financial instruments have been reclassified to conform to the presentation adopted by the Company upon transition to IFRS as required by IAS 1, *Presentation of Financial Statements*, with no impact on the Company's total assets, total liabilities or equity.

23.2 c.3 Reclassification of deferred tax asset and deferred tax liability

Under Canadian GAAP, when an enterprise segregated its assets and liabilities between current and non-current assets and liabilities, the current and non-current portions of deferred tax liabilities and deferred tax assets were also segregated.

Under IFRS, when an entity classifies its statement of financial position by presenting current assets and current liabilities separately from non-current assets and non-current liabilities, it needs to classify deferred tax assets and deferred tax liabilities as non-current assets and non-current liabilities. Therefore, a deferred tax asset of \$112.6 million included in current assets was reclassified to non-current assets on the Date of Transition (\$101.9 million at March 31, 2010 and \$78.3 million at December 31, 2010).

23.2 c.4 Transfers of assets from customers

AltaLink, a 76.92%-owned subsidiary of the Company, enters into certain transactions whereby it receives cash from customers dedicated to the construction of transmission lines and substations, which provides these customers with ongoing access to a supply of electricity. Under Canadian GAAP, there is no specific guidance applicable to such agreements and the amount of such cash received by AltaLink was presented as a reduction of the carrying values of the related items of property and equipment in the statement of financial position.

Upon transition to IFRS, the Company retrospectively adopted IFRIC Interpretation 18, *Transfers of Assets from Customers*, ("IFRIC 18") with the effective date of April 29, 2002 (date of inception of AltaLink). IFRIC 18 applies to transactions described above. As per IFRIC 18's guidance, when an entity receives a transfer of cash from a customer, it shall assess whether the constructed or acquired item of property, plant and equipment meets the definition of an asset. If the definition of an asset is met, the entity recognizes the item of property, plant and equipment at its cost and recognizes revenue or deferred revenue, as applicable, for the same amount based on the appropriate revenue recognition policy.

The effect of this change resulted in an increase in property and equipment of \$200.7 million at January 1, 2010 (\$203.4 million at March 31, 2010 and \$256.8 million at December 31, 2010), with an equivalent increase to deferred revenues, of which \$5.6 million is in current liabilities and \$195.1 million is in non-current deferred revenues (\$5.7 million and \$197.7 million at March 31, 2010 and \$8.9 million and \$247.9 million at December 31, 2010, respectively). This change did not have any impact on the Company's retained earnings at January 1, 2010.

The effect of this change also resulted in an increase of revenues and of the depreciation expense by \$1.4 million for the three-month period ended March 31, 2010 and by \$7.9 million for the year ended December 31, 2010, with no impact on net income.

23.2 c.5 Asset retirement obligation and rate-regulated activities

Under Canadian GAAP, AltaLink recognized liabilities for future dismantling costs related to both the interim retirement and the final retirement of transmission facilities. Under IFRS, AltaLink recognizes a reserve for salvage costs liability for forecasted future dismantling costs associated with the retirement of tangible long-lived assets.

Under IFRS, AltaLink's asset retirement obligation at January 1, 2010 is reduced from \$186.3 million (March 31, 2010: \$188.5 million and December 31, 2010: \$239.3 million) to \$nil, combined with a decrease of \$121.4 million (March 31, 2010: \$117.7 million and December 31, 2010: \$149.3 million) in property and equipment and an increase of \$64.9 million (March 31, 2010: \$70.8 million and December 31, 2010: \$90.0 million) in non-current deferred revenues.

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

As mentioned in section 23.1, AltaLink is an entity whose operations are subject to rate regulation. Under Canadian GAAP, it is subject to accounting for entities subject to rate regulation. Consequently, AltaLink presented certain of its intangible assets, mainly land rights, together with property and equipment. Under IFRS, such intangible assets are presented as a separate line item in the statement of financial position. Therefore, the effect of this reclassification is a decrease of property and equipment of \$42.1 million at January 1, 2010 (\$64.1 million at March 31, 2010 and \$85.0 million at December 31, 2010) and an increase in other non-current assets of the same amount.

23.2 c.6 Provisions

Under Canadian GAAP, provisions were included in “trade and other payables” and “other non-current liabilities” in the statement of financial position. Under IFRS, provisions have to be included in the statement of financial position as a separate line item. Therefore, the effect of this reclassification is a decrease of trade and other payables of \$30.9 million and of other non-current liabilities of \$78.7 million at January 1, 2010 (\$31.8 million and \$79.0 million at March 31, 2010, and \$81.8 million and \$73.7 million at December 31, 2010, respectively) and an increase in provisions of the same amount.

23.2 d. OTHER ADJUSTMENTS

The following other adjustments were made to the Company’s consolidated statement of financial position at January 1, 2010, March 31, 2010 and December 31, 2010, with the total impact presented under the “Other” column of the “Effect of IFRS adoption on the Company’s January 1, 2010 (“opening statement of financial position”), March 31, 2010 and December 31, 2010 consolidated statements of financial position” tables:

(IN THOUSANDS OF CANADIAN DOLLARS)					
Statement of financial position line items	Note 23.2 d.1	January 1, 2010			
		Other adjustments			
		Note 23.2 d.2	Note 23.2 d.3	Other	Total
Non-current assets					
Property and equipment:					
From other activities	-	-	-	(2,280)	(2,280)
ICI accounted for by the equity or cost methods	12,800	-	-	-	12,800
Deferred tax asset	-	-	-	38,775	38,775
Non-current financial assets	2,632	-	-	-	2,632
Total impact on assets	15,432	-	-	36,495	51,927
Non-current liabilities					
Other non-current financial liabilities	-	(1,528)	-	-	(1,528)
Provisions	-	20,894	-	988	21,882
Deferred tax liability	-	-	-	38,775	38,775
Net impact on non-current liabilities	-	19,366	-	39,763	59,129
Equity					
Other components of equity	15,432	-	9,292	-	24,724
Retained earnings	-	(19,400)	(9,292)	(3,268)	(31,960)
Non-controlling interests	-	34	-	-	34
Net impact on equity	15,432	(19,366)	-	(3,268)	(7,202)
Total impact on liabilities and equity	15,432	-	-	36,495	51,927

Only line items of the Company’s consolidated statement of financial position affected by the adjustments at January 1, 2010 are shown in the table above.

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

(IN THOUSANDS OF CANADIAN DOLLARS)

Statement of financial position line items	March 31, 2010				Total
	Note 23.2 d.1	Note 23.2 d.2	Note 23.2 d.3	Other adjustments	
Current assets					
Other current financial assets	-	-	-	46	46
Net impact on current assets	-	-	-	46	46
Non-current assets					
Property and equipment:					
From ICI	-	-	-	(2,079)	(2,079)
From other activities	-	-	-	(2,290)	(2,290)
ICI accounted for by the equity or cost methods	18,375	-	-	-	18,375
Goodwill	-	-	-	(220)	(220)
Deferred tax asset	-	-	-	77,719	77,719
Non-current financial assets	2,589	-	-	2,033	4,622
Net impact on non-current assets	20,964	-	-	75,163	96,127
Total impact on assets	20,964	-	-	75,209	96,173
Non-current liabilities					
Other non-current financial liabilities	-	(1,528)	-	-	(1,528)
Provisions	-	20,611	-	844	21,455
Deferred tax liability	-	-	-	77,719	77,719
Net impact on non-current liabilities	-	19,083	-	78,563	97,646
Equity					
Other components of equity	20,964	-	9,292	-	30,256
Retained earnings	-	(19,117)	(9,292)	(3,354)	(31,763)
Non-controlling interests	-	34	-	-	34
Net impact on equity	20,964	(19,083)	-	(3,354)	(1,473)
Total impact on liabilities and equity	20,964	-	-	75,209	96,173

Only line items of the Company's consolidated statement of financial position affected by the adjustments at March 31, 2010 are shown in the table above.

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

(IN THOUSANDS OF CANADIAN DOLLARS)

Statement of financial position line items	December 31, 2010				
	Note 23.2 d.1	Note 23.2 d.2	Note 23.2 d.3	Other adjustments	
				Other	Total
Current assets					
Other current financial assets	-	-	-	608	608
Net impact on current assets	-	-	-	608	608
Non-current assets					
Property and equipment:					
From ICI	-	-	-	(16,295)	(16,295)
From other activities	-	-	-	(2,321)	(2,321)
Goodwill	-	-	-	(1,614)	(1,614)
Deferred tax asset	-	-	-	91,978	91,978
Non-current financial assets	1,620	-	-	18,909	20,529
Net impact on non-current assets	1,620	-	-	90,657	92,277
Total impact on assets	1,620	-	-	91,265	92,885
Non-current liabilities					
Other non-current financial liabilities	-	(2,023)	-	3,222	1,199
Provisions	-	20,870	-	674	21,544
Deferred tax liability	-	-	-	91,978	91,978
Net impact on non-current liabilities	-	18,847	-	95,874	114,721
Equity					
Other components of equity	1,620	-	9,292	-	10,912
Retained earnings	-	(18,889)	(9,292)	(4,609)	(32,790)
Non-controlling interests	-	42	-	-	42
Net impact on equity	1,620	(18,847)	-	(4,609)	(21,836)
Total impact on liabilities and equity	1,620	-	-	91,265	92,885

Only line items of the Company's consolidated statement of financial position affected by the adjustments at December 31, 2010 are shown in the table above.

23.2 d.1 Measurement of unlisted securities

Under Canadian GAAP, available-for-sale equity securities that are not traded on an active market were measured at cost. Under IFRS, all available-for-sale financial assets are measured at fair value, unless fair value is not reliably determinable. Upon transition to IFRS, the effect of the change is an increase in equity of \$15.4 million (March 31, 2010: \$21.0 million and December 31, 2010: \$1.6 million), with an increase to ICI accounted for by the equity or cost methods of \$12.8 million (\$18.4 million at March 31, 2010 and \$nil at December 31, 2010) and to non-current financial assets of \$2.6 million (\$2.6 million at March 31, 2010 and \$1.6 million at December 31, 2010).

After the Date of Transition, revaluation gains (losses) on these available-for-sale financial assets that are not traded on an active market are recognized in the statement of comprehensive income. When these available-for-sale financial assets are disposed of or are determined to be impaired, the cumulative amount of gains (losses) recognized in the statement of comprehensive income is reclassified from the "other components of equity" to the income statement.

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

23.2 d.2 Defined benefit plans and other post-retirement benefits

As mentioned in section 23.1, the Company has elected to apply the optional exemption in IFRS 1 and recognized unamortized net actuarial losses for all its defined benefit plans in the consolidated statement of financial position, i.e., the full net pension liability is recognized at January 1, 2010. The Company also applied IFRIC Interpretation 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*, ("IFRIC 14"). The total effect of IFRS 1 and IFRIC 14 is a decrease in equity at the Date of Transition of \$19.4 million.

Net actuarial losses arising after the Date of Transition for all the Company's defined benefit plans are recognized in other comprehensive income and amounted to \$0.2 million for the three-month period ended March 31, 2010 and to \$1.4 million for the year ended December 31, 2010. The reversal of the Canadian GAAP amount relating to the amortization of actuarial losses in net income represented \$0.5 million for the three-month period ended March 31, 2010 and \$1.1 million for the year ended December 31, 2010.

23.2 d.3 Cumulative translation difference from foreign operations

As mentioned in section 23.1, the Company elected to reclassify cumulative translation losses included in other components of equity, under "exchange differences on translating foreign operations" account, to retained earnings. The gain or loss on a subsequent disposal of any foreign operation excludes translation differences that arose before the Date of Transition.

Upon transition to IFRS, the effect of the change is a decrease to retained earnings and an increase to other components of equity of \$9.3 million at January 1, 2010.

23.3 Effect of IFRS adoption on the Company's consolidated income statements for the three-month period ended March 31, 2010 and for the year ended December 31, 2010

Three-month period ended March 31, 2010

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
PER SHARE AMOUNT)

	Effect of transition to IFRS					IFRS
	Canadian GAAP	IFRIC 12	IAS 31	Reclass and consolidation elimination	Other	
		(Note 23.2 a)	(Note 23.2 b)	(Note 23.3 a)		
Revenues by activity:						
Services	457,256	-	-	-	-	457,256
Packages	447,438	2,167	-	(65,524)	-	384,081
O&M	383,212	(140)	-	-	-	383,072
ICI	98,284	3,519	(14,846)	1,413	(1,454)	86,916
	1,386,190	5,546	(14,846)	(64,111)	(1,454)	1,311,325
Direct cost of activities	1,120,336	(108)	(6,197)	(64,111)	(2,125)	1,047,795
Gross margin	265,854	5,654	(8,649)	-	671	263,530
Selling, general and administrative expenses	133,116	(32)	(2,323)	31	(434)	130,358
Net financial expenses	-	-	(12,428)	37,548	462	25,582
Interest and capital taxes	36,658	-	-	(36,658)	-	-
Income before income tax expense	96,080	5,686	6,102	(921)	643	107,590
Income tax expense	21,576	-	(995)	(921)	1,197	20,857
Non-controlling interests	2,584	-	-	(2,584)	-	-
Net income for the period	71,920	5,686	7,097	2,584	(554)	86,733
Net income attributable to:						
The Company's shareholders	71,920	5,660	7,097	-	(546)	84,131
Non-controlling interests	-	26	-	2,584	(8)	2,602
Net income for the period	71,920	5,686	7,097	2,584	(554)	86,733
Earnings per share (in \$)						
Basic	0.48					0.56
Diluted	0.47					0.55

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

Year ended December 31, 2010

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT
PER SHARE AMOUNT)

	Effect of transition to IFRS					IFRS
	Canadian GAAP	IFRIC 12 (Note 23.2 a)	IAS 31 (Note 23.2 b)	Reclass and consolidation elimination (Note 23.3 a)	Other	
Revenues by activity:						
Services	2,051,894	1,893	-	-	-	2,053,787
Packages	2,409,000	8,496	-	(263,663)	-	2,153,833
O&M	1,330,501	(42)	-	-	-	1,330,459
ICI	523,595	12,365	(84,048)	7,911	12,451	472,274
	6,314,990	22,712	(84,048)	(255,752)	12,451	6,010,353
Direct cost of activities	4,983,264	(1,703)	(32,099)	(255,752)	(746)	4,692,964
Gross margin	1,331,726	24,415	(51,949)	-	13,197	1,317,389
Selling, general and administrative expenses	585,629	193	(12,254)	1,315	6,816	581,699
Net financial expenses	-	-	(70,488)	177,727	3,836	111,075
Interest and capital taxes	174,903	-	-	(174,903)	-	-
Income before income tax expense	571,194	24,222	30,793	(4,139)	2,545	624,615
Income tax expense	123,422	-	(6,486)	(4,139)	6,541	119,338
Non-controlling interests	10,758	-	-	(10,758)	-	-
Net income	437,014	24,222	37,279	10,758	(3,996)	505,277
Net income attributable to:						
The Company's shareholders	437,014	24,265	37,279	-	(4,004)	494,554
Non-controlling interests	-	(43)	-	10,758	8	10,723
Net income	437,014	24,222	37,279	10,758	(3,996)	505,277
Earnings per share (in \$)						
Basic	2.89					3.27
Diluted	2.87					3.25

23.3 a. RECLASSIFICATIONS AND CONSOLIDATION ELIMINATION

Certain figures have been reclassified to conform to the presentation adopted by the Company upon transition to IFRS as required by IAS 1, *Presentation of Financial Statements*, with no impact on net income attributable to the Company's shareholders.

Packages revenues between SNC-Lavalin and AltaLink have been eliminated on a consolidated basis while related intragroup profits have not been 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 such, this packages revenues elimination has no impact on the Company's net income.

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

23.4 Effect of IFRS adoption on the Company's consolidated statements of comprehensive income for the three-month period ended March 31, 2010 and for the year ended December 31, 2010

Three-month period ended March 31, 2010

(IN THOUSANDS OF CANADIAN DOLLARS)

	Effect of transition to IFRS					
	Canadian GAAP	IFRIC 12 (Note 23.2 a)	IAS 31 (Note 23.2 b)	Reclass and consolidation elimination (Note 23.3 a)	Other	IFRS
Net income for the period	71,920	5,686	7,097	2,584	(554)	86,733
Other comprehensive income (loss):						
Exchange differences on translating foreign operations	(22,548)	-	-	(76)	-	(22,624)
Available-for-sale financial assets (Note 23.2 d.1)	(540)	-	-	(93)	5,532	4,899
Cash flow hedges	4,326	-	24	5,997	-	10,347
Defined benefit pension plans and other post-retirement benefits (Note 23.2 d.2)	-	-	-	-	(237)	(237)
Share of other comprehensive loss of investments accounted for by the equity method	-	-	-	(6,521)	-	(6,521)
Income tax expense (benefit) relating to components of other comprehensive income (loss)	-	-	-	835	(635)	200
Total other comprehensive loss for the period	(18,762)	-	24	142	4,660	(13,936)
Total comprehensive income for the period	53,158	5,686	7,121	2,726	4,106	72,797
Total comprehensive income attributable to:						
The Company's shareholders	53,158	5,660	7,121	-	4,114	70,053
Non-controlling interests	-	26	-	2,726	(8)	2,744
Total comprehensive income for the period	53,158	5,686	7,121	2,726	4,106	72,797

Year ended December 31, 2010

(IN THOUSANDS OF CANADIAN DOLLARS)

	Effect of transition to IFRS					
	Canadian GAAP	IFRIC 12 (Note 23.2 a)	IAS 31 (Note 23.2 b)	Reclass and consolidation elimination (Note 23.3 a)	Other	IFRS
Net income	437,014	24,222	37,279	10,758	(3,996)	505,277
Other comprehensive income (loss):						
Exchange differences on translating foreign operations	(21,077)	-	-	(116)	-	(21,193)
Available-for-sale financial assets (Note 23.2 d.1)	2,010	-	-	346	(13,812)	(11,456)
Cash flow hedges	(32,570)	-	100	16,948	-	(15,522)
Defined benefit pension plans and other post-retirement benefits (Note 23.2 d.2)	-	-	-	-	(1,442)	(1,442)
Share of other comprehensive loss of investments accounted for by the equity method	-	-	-	(27,250)	-	(27,250)
Income tax benefit relating to components of other comprehensive income (loss)	-	-	-	10,842	2,263	13,105
Total other comprehensive loss	(51,637)	-	100	770	(12,991)	(63,758)
Total comprehensive income	385,377	24,222	37,379	11,528	(16,987)	441,519
Total comprehensive income attributable to:						
The Company's shareholders	385,377	24,265	37,379	-	(16,995)	430,026
Non-controlling interests	-	(43)	-	11,528	8	11,493
Total comprehensive income	385,377	24,222	37,379	11,528	(16,987)	441,519

23. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

23.5 Effect of IFRS adoption on the Company's consolidated statements of cash flows

INTERESTS IN JOINT VENTURES (IAS 31)

Under Canadian GAAP, interests in jointly controlled entities were accounted for using the proportionate consolidation method. Under IFRS, interests in jointly controlled entities are accounted for using either the equity method or the proportionate consolidation method. The Company has elected to account for its interests in jointly controlled entities using the equity method upon transition to IFRS.

In regards to the statement of cash flows, under Canadian GAAP, the proportionate consolidation method required the Company to consolidate its proportionate share of the jointly controlled entities' cash flows on a line-by-line basis. Therefore, the adjustment to the consolidated statements of cash flows represents an elimination of cash flows and cash positions previously recognized by the Company under proportionate consolidation method.

STATEMENT OF CASH FLOWS (IAS 7)

Under Canadian GAAP, interest paid and income taxes paid included in the determination of net income were disclosed separately as supplementary cash flow information. Under IFRS, interest paid and income taxes paid are included into the body of the statement of cash flows as separate line items.

23.6 Other

As per IFRS 1, since IFRS 3 is not applied retrospectively, regardless of whether there is any indication that the goodwill may be impaired, the first-time adopter applies International Accounting Standard 36, *Impairment of Assets*, in testing the goodwill for impairment at the date of transition to IFRS. Therefore, the Company performed an impairment test on its goodwill as at the Date of Transition and concluded that no impairment was necessary.

24. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The main subsidiaries, jointly controlled entities, jointly controlled operations and associates of the Company at March 31, 2011, their jurisdiction of incorporation and the percentage of voting shares beneficially owned, or controlled, or directed, directly or indirectly by the Company or the percentage of joint venture interest are set out below.

SUBSIDIARIES	%	COUNTRY
AltaLink L.P.	76.92	Canada
Groupe Qualitas Inc.	100.0	Canada
Intecsa-Inarsa, S.A.	100.0	Spain
Itansuca Proyectos de Ingenieria S.A.	100.0	Colombia
Marte Engenharia Ltda	100.0	Brazil
Minerconsult Engenharia Ltda	100.0	Brazil
Nexacor Realty Management Inc.	100.0	Canada
Okanagan Lake Concession L.P.	100.0	Canada
Ovation Real Estate Group (Québec) Inc.	100.0	Canada
P.T. SNC-Lavalin TPS	95.0	Indonesia
S.A. SNC-Lavalin N.V.	100.0	Belgium
SLIVIA Inc.	60.0	Canada
SNC-Lavalin (Malaysia) Sdn. Bhd.	100.0	Malaysia
SNC-Lavalin (S.A.) Inc.	100.0	Canada
SNC-Lavalin (Shanghai) International Trading Co. Ltd.	100.0	China
SNC-Lavalin Aéroports S.A.S.U.	100.0	France
SNC-Lavalin Algérie EURL	100.0	Algeria
SNC-Lavalin America, Inc.	100.0	United States
SNC-Lavalin Arabia LLC	100.0	Saudi Arabia
SNC-Lavalin ATP Inc.	100.0	Canada
SNC-Lavalin Australia Pty. Ltd.	100.0	Australia
SNC-Lavalin Chile S.A.	100.0	Chile
SNC-Lavalin Construction (Atlantic) Inc.	100.0	Canada
SNC-Lavalin Construction Inc.	100.0	Canada
SNC-Lavalin Construction (Ontario) Inc.	100.0	Canada
SNC-Lavalin Construction International SAS	100.0	France
SNC-Lavalin Constructors Inc.	100.0	United States
SNC-Lavalin Dominicana S.A.	100.0	Dominican Republic
SNC-Lavalin Egypt LLC	100.0	Egypt
SNC-Lavalin Engineering India Private Limited	100.0	India
SNC-Lavalin Engineers & Constructors, Inc.	100.0	United States
SNC-Lavalin Eurasia OOO	100.0	Russia
SNC-Lavalin Europe B.V.	100.0	Netherlands
SNC-Lavalin Europe S.A.S.	100.0	France
SNC-Lavalin Inc.	100.0	Canada
SNC-Lavalin International Inc.	100.0	Canada
SNC-Lavalin International S.A.S.	100.0	France
SNC-Lavalin Nuclear Inc.	100.0	Canada

24. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

SUBSIDIARIES	%	COUNTRY
SNC-Lavalin Operations & Maintenance Inc.	100.0	Canada
SNC-Lavalin Peru S.A.	100.0	Peru
SNC-Lavalin Pharma Inc.	100.0	Canada
SNC-Lavalin Pharma S.A.	100.0	Belgium
SNC-Lavalin Polska Sp. zo.o.	100.0	Poland
SNC-Lavalin Project Services, Inc.	100.0	United States
SNC-Lavalin Romania S.A.	100.0	Romania
SNC-Lavalin S.A.S.	100.0	France
SNC-Lavalin Services Ltd.	100.0	Canada
SNC-Lavalin South Africa (Proprietary) Limited	100.0	South Africa
SNC-Lavalin Sucres & Bioindustries S.A.S.	66.0	France
SNC-Lavalin UK Limited	100.0	United Kingdom
Socodex Venezuela C.A.	100.0	Venezuela
The SNC-Lavalin Corporation	100.0	United States
VST Ingenieros Limitada	100.0	Chile

JOINTLY CONTROLLED ENTITIES	%	COUNTRY
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Infrastructure Concession Investments

407 International Inc. ¹	16.77	Canada
Chinook Roads Partnership	50.0	Canada
Groupe immobilier santé McGill, S.E.N.C. ²	60.0	Canada
TC Dôme S.A.S. ²	51.0	France

¹ Although the Company holds less than 20% of the equity shares of Highway 407, the Company exercises joint control over this entity based on its contractual agreements.

² Although the Company's ownership interest in MIHG and TC Dôme is more than 50%, the Company does not exercise control over these entities based on its contractual agreements.

JOINTLY CONTROLLED OPERATIONS	%	COUNTRY
Nishi-Khon / SNC-Lavalin Limited	49.0	Canada
SLN-Aecon JV	50.0	Canada
SNC-Lavalin Graham Joint Venture	50.0	Canada
SNC-Lavalin Gulf Contractors LLC	49.0	United Arab Emirates
SNC-Lavalin PAE Inc.	50.0	Canada
SNC-Lavalin International Inc. and WorleyParsons Engineering PTY Ltd.	66.67	United Arab Emirates
Société d'expertise et d'ingénierie L.G.L., S.A.	33.33	Haiti
JV Vault	50.0	Canada

24. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

ASSOCIATES	%	COUNTRY
Infrastructure Concession Investments		
Astoria Project Partners LLC	21.0	United States
Astoria Project Partners II LLC ¹	18.5	United States
InTransit BC Limited Partnership	33.3	Canada
Malta International Airport p.l.c. ¹	15.5	Malta
Myah Tipaza S.p.A.	25.5	Algeria
Rayalseema Expressway Private Limited	36.9	India
Shariket Kahraba Hadjret En Nouss S.p.A.	26.0	Algeria
Société d'exploitation de Vatry Europort S.A. ²	51.1	France
Other		
OAO Vnpineft	48.0	Russia

¹ Although the Company's ownership interest in Astoria Project Partners II LLC and in Malta International Airport p.l.c. is less than 20%, the Company exercises significant influence over these entities based on its contractual agreements.

² Although the Company's ownership interest in Société d'exploitation de Vatry Europort S.A. is more than 50%, the Company does not exercise control over this entity based on its contractual agreements.



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