SNC·LAVALIN

Q3

Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the nine-month periods ended
September 30, 2011 and 2010

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	September 30 2011	December 31 2010
ASSETS			
Current assets			
Cash and cash equivalents		$ 1,000,634	$ 1,235,085
Restricted cash		38,289	39,369
Trade receivables		1,296,470	1,273,509
Contracts in progress		539,767	624,547
Other current financial assets		331,196	271,139
Other current assets		137,025	120,128
Total current assets		3,343,381	3,563,777
Property and equipment:			
From ICI	4	2,413,886	2,072,814
From other activities		138,278	115,189
ICI accounted for by the equity or cost methods	4	634,825	626,948
Goodwill		567,989	542,028
Deferred tax asset		171,632	158,419
Non-current financial assets		343,574	332,410
Other non-current assets		142,109	125,607
Total assets		$ 7,755,674	$ 7,537,192
EQUITY AND LIABILITIES			
Current liabilities			
Trade payables		$ 1,390,552	$ 1,274,658
Downpayments on contracts		344,828	422,930
Deferred revenues		780,870	728,187
Other current financial liabilities		308,113	324,949
Other current liabilities		124,829	95,630
Current portion of long-term debt and short-term debt:			
Non-recourse from ICI	4	241,238	38,762
Total current liabilities		3,190,430	2,885,116
Long-term debt:			
Recourse		348,327	348,204
Non-recourse from ICI	4	1,477,802	1,529,024
Other non-current financial liabilities		91,874	76,397
Provisions		187,820	177,087
Non-current deferred revenues		451,437	422,879
Deferred tax liability		164,600	151,861
Other non-current liabilities		9,314	9,304
Total liabilities		5,921,604	5,599,872
Equity			
Share capital		442,121	424,935
Other components of equity	10	(145,165)	(67,480)
Retained earnings		1,533,404	1,477,211
Equity attributable to SNC-Lavalin shareholders		1,830,360	1,834,666
Non-controlling interests		3,710	102,654
Total equity		1,834,070	1,937,320
Total liabilities and equity		$ 7,755,674	$ 7,537,192

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

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

2011

	Equity attributable to SNC-Lavalin shareholders						
	Share Capital						
	Number of common shares (in thousands)	Amount	Other components of equity (Note 10)	Retained earnings	Total	Non-controlling interests	Total equity
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	–	–	–	**300,239**	**300,239**	**8,405**	**308,644**
Other comprehensive income (loss) for the period	–	–	**(74,917)**	**(686)**	**(75,603)**	**701**	**(74,902)**
Total comprehensive income for the period	–	–	**(74,917)**	**299,553**	**224,636**	**9,106**	**233,742**
Dividends declared (Note 9)	–	–	–	**(95,050)**	**(95,050)**	–	**(95,050)**
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	**(627)**	**(627)**
Stock option compensation (Note 7A)	–	–	–	**13,230**	**13,230**	–	**13,230**
Shares issued under stock option plans	**471**	**19,089**	–	**(3,610)**	**15,479**	–	**15,479**
Shares redeemed and cancelled	**(649)**	**(1,903)**	–	**(34,174)**	**(36,077)**	–	**(36,077)**
Acquisition of non-controlling interests of AltaLink (Note 4A)	–	–	**(2,768)**	**(124,353)**	**(127,121)**	**(110,813)**	**(237,934)**
Acquisition of other non-controlling interests	–	–	–	**597**	**597**	**(1,226)**	**(629)**
Capital contributions by non-controlling interests	–	–	–	–	–	**4,616**	**4,616**
Balance at end of period	**150,856**	**$ 442,121**	**$ (145,165)**	**$ 1,533,404**	**$ 1,830,360**	**$ 3,710**	**$ 1,834,070**

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

2010

	Equity attributable to SNC-Lavalin shareholders						
	Share Capital						
	Number of common shares (in thousands)	Amount	Other components of equity (Note 10)	Retained earnings	Total	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	–	–	–	331,341	331,341	7,857	339,198
Other comprehensive income (loss) for the period	–	–	(53,328)	(269)	(53,597)	575	(53,022)
Total comprehensive income for the period	–	–	(53,328)	331,072	277,744	8,432	286,176
Dividends declared (Note 9)	–	–	–	(76,982)	(76,982)	–	(76,982)
Dividends declared by subsidiaries to non-controlling interests	–	–	–	–	–	(220)	(220)
Stock option compensation (Note 7A)	–	–	–	10,754	10,754	–	10,754
Shares issued under stock option plans	388	12,219	–	(2,214)	10,005	–	10,005
Shares redeemed and cancelled	(391)	(1,060)	–	(17,767)	(18,827)	–	(18,827)
Capital contributions by non-controlling interests	–	–	–	–	–	4,954	4,954
Balance at end of period	151,030	$ 408,894	$ (57,363)	$ 1,369,371	$ 1,720,902	$ 94,651	$ 1,815,553

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)		THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	Note	**2011**	2010	**2011**	2010
Revenues by activity:					
Services		**$ 597,992**	$ 493,637	**$ 1,642,533**	$ 1,452,449
Packages		**758,799**	610,501	**2,082,923**	1,466,227
O&M		**308,284**	308,041	**1,016,739**	946,840
ICI		**115,031**	100,820	**345,515**	315,529
		1,780,106	1,512,999	**5,087,710**	4,181,045
Direct cost of activities		**1,439,118**	1,191,197	**4,158,572**	3,269,186
Gross margin		**340,988**	321,802	**929,138**	911,859
Selling, general and administrative expenses		**150,650**	132,175	**469,840**	408,500
Net financial expenses	5	**30,999**	25,230	**84,581**	81,613
Income before income tax expense		**159,339**	164,397	**374,717**	421,746
Income tax expense		**30,709**	34,826	**66,073**	82,548
Net income for the period		**$ 128,630**	$ 129,571	**$ 308,644**	$ 339,198
Net income attributable to:					
SNC-Lavalin shareholders		**$ 125,620**	$ 128,062	**$ 300,239**	$ 331,341
Non-controlling interests		**3,010**	1,509	**8,405**	7,857
Net income for the period		**$ 128,630**	$ 129,571	**$ 308,644**	$ 339,198
Earnings per share (in $)					
Basic		**$ 0.83**	$ 0.85	**$ 1.99**	$ 2.19
Diluted		**$ 0.83**	$ 0.84	**$ 1.97**	$ 2.18
Weighted average number of outstanding shares (in thousands)	8				
Basic		**150,889**	150,967	**150,888**	150,963
Diluted		**151,800**	151,970	**152,027**	152,142

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

THREE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS)

	2011			2010		
	Attributable to SNC-Lavalin shareholders	**Non-controlling interests**	**Total**	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income for the period	**$ 125,620**	**$ 3,010**	**$ 128,630**	$ 128,062	$ 1,509	$ 129,571
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 10)	**(12,863)**	**2**	**(12,861)**	14,712	50	14,762
Available-for-sale financial assets (Note 10)	**(1,479)**	**–**	**(1,479)**	12,739	–	12,739
Cash flow hedges (Note 10)	**(36,484)**	**224**	**(36,260)**	(14,963)	224	(14,739)
Defined benefit pension plans and other post-retirement benefits	**(307)**	**–**	**(307)**	2,942	–	2,942
Share of other comprehensive loss of investments accounted for by the equity method (Note 10)	**(53,218)**	**–**	**(53,218)**	(27,441)	–	(27,441)
Income tax benefit relating to components of other comprehensive loss	**29,100**	**–**	**29,100**	7,331	–	7,331
Total other comprehensive income (loss) for the period	**(75,251)**	**226**	**(75,025)**	(4,680)	274	(4,406)
Total comprehensive income for the period	**$ 50,369**	**$ 3,236**	**$ 53,605**	$ 123,382	$ 1,783	$ 125,165

NINE MONTHS ENDED SEPTEMBER 30
(IN THOUSANDS OF CANADIAN DOLLARS)

	2011			2010		
	Attributable to SNC-Lavalin shareholders	**Non-controlling interests**	**Total**	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income for the period	**$ 300,239**	**$ 8,405**	**$ 308,644**	$ 331,341	$ 7,857	$ 339,198
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 10)	**(6,480)**	**38**	**(6,442)**	(18,874)	(87)	(18,961)
Available-for-sale financial assets (Note 10)	**(437)**	**–**	**(437)**	24,474	–	24,474
Cash flow hedges (Note 10)	**(42,115)**	**663**	**(41,452)**	(21,546)	662	(20,884)
Defined benefit pension plans and other post-retirement benefits	**(923)**	**–**	**(923)**	(658)	–	(658)
Share of other comprehensive loss of investments accounted for by the equity method (Note 10)	**(56,653)**	**–**	**(56,653)**	(56,476)	–	(56,476)
Income tax benefit relating to components of other comprehensive loss	**31,005**	**–**	**31,005**	19,483	–	19,483
Total other comprehensive income (loss) for the period	**(75,603)**	**701**	**(74,902)**	(53,597)	575	(53,022)
Total comprehensive income for the period	**$ 224,636**	**$ 9,106**	**$ 233,742**	$ 277,744	$ 8,432	$ 286,176

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)

		THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	Note	**2011**	2010	**2011**	2010
Operating activities					
Net income for the period		**$ 128,630**	$ 129,571	**$ 308,644**	$ 339,198
Adjustments to reconcile net income to cash flows from operating activities:					
Depreciation of property and equipment and amortization of other assets:					
From ICI		**20,904**	20,801	**61,820**	60,815
From other activities		**11,383**	9,497	**31,949**	29,429
Income tax expense recognized in net income		**30,709**	34,826	**66,073**	82,548
Income taxes received (paid)		**11,012**	(1,856)	**(8,114)**	(25,016)
Net financial expenses recognized in net income	5	**30,999**	25,230	**84,581**	81,613
Interest paid:					
From ICI		**(13,202)**	(12,667)	**(58,624)**	(49,797)
From other activities		**(10,936)**	(15,590)	**(21,912)**	(31,623)
Expense recognized in respect of stock options	7A	**3,806**	2,000	**13,230**	10,754
Expense recognized in respect of PSU, DSU and RSU plans	7B	**1,794**	1,242	**6,250**	4,114
Income from ICI accounted for by the equity method		**(23,896)**	(12,821)	**(80,663)**	(54,426)
Finance income on receivables under service concession arrangements		**(4,580)**	(3,400)	**(12,615)**	(9,541)
Recovery of finance income on receivables under service concession arrangements		**2,404**	2,449	**7,246**	7,350
Other		**1,384**	12,838	**(24,510)**	(4,263)
Dividends and distributions received from ICI accounted for by the equity method		**15,796**	704	**69,851**	32,581
		206,207	192,824	**443,206**	473,736
Net change in non-cash working capital items	11	**92,312**	(64,051)	**57,368**	(215,069)
Net cash generated from operating activities		**298,519**	128,773	**500,574**	258,667
Investing activities					
Acquisition of property and equipment:					
From ICI		**(121,674)**	(97,268)	**(344,864)**	(308,389)
From other activities		**(19,934)**	(13,440)	**(48,112)**	(27,289)
Payments for ICI [1]		**(20,209)**	(22,834)	**(83,067)**	(34,823)
Acquisition of businesses		**(23,308)**	(8,567)	**(58,385)**	(36,172)
Change in restricted cash position		**(312)**	(1,955)	**1,121**	(4,527)
Increase in receivables under service concession arrangements		**(34,389)**	(6,200)	**(65,583)**	(31,077)
Recovery of receivables under service concession arrangements		**61,023**	4,033	**70,079**	11,761
Increase in loan to Project Operator of Ambatovy project		**–**	(1,714)	**(3,894)**	(7,271)
Other		**(5,661)**	1,447	**(12,942)**	(5,769)
Net cash used for investing activities		**(164,464)**	(146,498)	**(545,647)**	(443,556)
Financing activities					
Repayment of non-recourse debt from ICI		**(861)**	(840)	**(6,809)**	(50,446)
Acquisition of a subsidiary's debenture related to the AltaLink transaction	4A	**(50,000)**	–	**(50,000)**	–
Repayment of recourse debt from other activities		**–**	(105,000)	**–**	(105,000)
Increase in non-recourse debt from ICI		**65,552**	42,911	**202,436**	250,524
Proceeds from exercise of stock options		**2,553**	3,683	**15,479**	10,005
Redemption of shares		**(5,489)**	(1,661)	**(36,077)**	(18,827)
Dividends paid to SNC-Lavalin shareholders	9	**(31,689)**	(25,664)	**(95,050)**	(76,982)
Acquisition of non-controlling interests of AltaLink [1]	4A	**(228,816)**	–	**(228,816)**	–
Other		**6,356**	5,323	**9,594**	4,081
Net cash generated from (used for) financing activities		**(242,394)**	(81,248)	**(189,243)**	13,355
Increase (decrease) in exchange differences on translating cash and cash equivalents held in foreign operations		**(2,426)**	6,020	**(135)**	(10,373)
Net decrease in cash and cash equivalents		**(110,765)**	(92,953)	**(234,451)**	(181,907)
Cash and cash equivalents at beginning of period		**1,111,399**	1,102,444	**1,235,085**	1,191,398
Cash and cash equivalents at end of period		**$ 1,000,634**	$ 1,009,491	**$ 1,000,634**	$ 1,009,491

[1] The acquisition of non-controlling interests of AltaLink is classified as cash flows used for financing activities in accordance with IFRS as there is specific applicable guidance when acquiring non-controlling interests and, as such, is not part of "Payments for ICI" shown as investing activities.

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 ("O&M") expertise through its network of offices located across Canada and in over 40 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 and are referred to as "ICI" in these financial statements.

2. BASIS OF PREPARATION

A) BASIS OF PREPARATION

The Company's financial statements 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 part of the period covered by the first annual IFRS financial statements and IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, ("IFRS 1") has been applied. 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 14.

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").

The IFRS accounting policies that are set out in the Company's interim condensed consolidated financial statements for the three-month period ended March 31, 2011 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. Please refer to Note 2 in the Company's interim condensed consolidated financial statements for the three-month period ended March 31, 2011 for a complete description of the Company's accounting policies.

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 in the Company's interim condensed consolidated financial statements for the three-month period ended March 31, 2011 and remained unchanged for the nine-month period ended September 30, 2011.

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 and of the Company's first interim condensed consolidated financial statements prepared under IFRS for the three-month period ended March 31, 2011. 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 and the Company's interim condensed consolidated financial statements for the three-month period ended March 31, 2011.

These Company's interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 4, 2011.

2. BASIS OF PREPARATION (CONTINUED)

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

The following standards and amendments to the existing standards have been issued and are applicable to the Company for its annual periods beginning on or after January 1, 2013, with earlier application permitted:

- IFRS 9, *Financial Instruments*, covers the classification and measurement of financial assets and financial liabilities.
- IFRS 10, *Consolidated Financial Statements*, ("IFRS 10") replaces IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*, and establishes principles for identifying when an entity controls other entities.
- IFRS 11, *Joint Arrangements*, ("IFRS 11") supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*, and requires a single method to account for interests in jointly controlled entities.
- IFRS 12, *Disclosure of Interests in Other Entities*, ("IFRS 12") establishes comprehensive disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, and special purpose vehicles.
- IFRS 13, *Fair Value Measurement*, provides a single source of fair value measurement and disclosure requirements in IFRS.
- Amended and re-titled IAS 27, *Separate Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*, as a consequence of the new IFRS 10, IFRS 11 and IFRS 12.
- Amendments to IAS 1, *Presentation of Financial Statements*, to require entities to group items within other comprehensive income that may be reclassified to net income.
- Amendments to IAS 19, *Employee Benefits*, to eliminate the corridor method that defers the recognition of gains and losses, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans.

The Company is currently evaluating the impact of adopting these standards and amendments on its financial statements.

3. SEGMENT DISCLOSURES

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

	THIRD QUARTER				NINE MONTHS ENDED SEPTEMBER 30			
	2011		2010		2011		2010	
	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME
Services and Packages								
Infrastructure & Environment	$ 537,761	$ 39,538	$ 503,334	$ 73,901	$ 1,425,303	$ 55,395	$ 1,246,917	$ 173,298
Chemicals & Petroleum	247,828	13,033	220,481	(2,954)	822,492	50,681	652,789	19,278
Mining & Metallurgy	255,730	29,794	169,959	16,887	666,538	46,266	480,944	43,141
Power [1]	238,592	40,235	138,103	47,909	550,981	93,759	340,144	89,105
Other Industries	76,880	10,057	72,261	5,002	260,142	29,909	197,882	15,331
O&M	308,284	8,528	308,041	12,225	1,016,739	29,768	946,840	26,011
ICI	115,031	25,597	100,820	16,422	345,515	91,721	315,529	80,285
	$ 1,780,106	166,782	$ 1,512,999	169,392	$ 5,087,710	397,499	$ 4,181,045	446,449
Reversal of items included above:								
Imputed interest benefit		(8,459)		(5,220)		(22,615)		(21,547)
Net financial expenses from ICI		25,605		20,863		68,921		60,597
Income tax expense from ICI		3,347		2,916		7,007		9,742
Non-controlling interests before income tax expense		3,063		1,676		8,486		8,118
Income before net financial expenses and income tax expense		190,338		189,627		459,298		503,359
Net financial expenses (Note 5)		30,999		25,230		84,581		81,613
Income before income tax expense		159,339		164,397		374,717		421,746
Income tax expense		30,709		34,826		66,073		82,548
Net income for the period		$ 128,630		$ 129,571		$ 308,644		$ 339,198
Net income attributable to:								
SNC-Lavalin shareholders		125,620		128,062		300,239		331,341
Non-controlling interests		3,010		1,509		8,405		7,857
Net income for the period		$ 128,630		$ 129,571		$ 308,644		$ 339,198

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

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	2011	2010
Supplementary information:				
Net income attributable to SNC-Lavalin shareholders from ICI:				
From Highway 407	$ 13,839	$ –	$ 59,968	$ 31,871
From other ICI	11,758	16,422	31,753	48,414
Net income attributable to SNC-Lavalin shareholders excluding ICI: [1]				
From a gain on disposal of certain technology solution assets	–	19,625	–	19,625
Excluding the gain on disposal of certain technology solution assets	100,023	92,015	208,518	231,431
Net income attributable to SNC-Lavalin shareholders for the period	$ 125,620	$ 128,062	$ 300,239	$ 331,341

[1] On August 2, 2010, SNC-Lavalin announced that it had concluded an agreement with a third-party to dispose of certain technology solution assets that help manage and optimize the flow of electricity through power grids. The transaction has generated a gain before taxes of $22.8 million included in Packages activities, under "Power", resulting in a gain after taxes of $19.6 million included in "Net income attributable to SNC-Lavalin shareholders excluding ICI" in the third quarter of 2010.

4. 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 infrastructure concession investments are accounted for as follows:

Accounting method

TYPE OF INFLUENCE	ACCOUNTING METHOD
Non-significant 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 arrangements accounted for 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 OF ICI AND INCREASE OF OWNERSHIP INTEREST IN ICI

I) IN THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011

ALTALINK

In September 2011, SNC-Lavalin completed the acquisition of Macquarie Essential Assets Partnership's ("MEAP") 23.08% ownership interest in AltaLink for a total consideration of $228.8 million in cash, consisting of the $213.0 million initial cost announced in February 2011 plus $4.6 million of capital contributions made by non-controlling interests since then and $11.2 million for the time value of money consideration and transaction costs. As part of the transaction, SNC-Lavalin recognized an additional $9.1 million of deferred tax liability. The transaction increased the Company's ownership of AltaLink from 76.92% to 100%.

The following summarizes the effect of this transaction on equity attributable to SNC-Lavalin shareholders:

Cash consideration paid for the additional 23.08% ownership interest in AltaLink, including transaction costs	$ 228,816
Recognition of deferred tax liability	9,118
Total consideration and liability related to the equity transaction	237,934
Less: Carrying amount of non-controlling interests at the date of acquisition	110,813
Difference recognized as a reduction of equity attributable to SNC-Lavalin shareholders	$ 127,121

Upon acquisition of the remaining interest in AltaLink, SNC-Lavalin also acquired from MEAP a debenture issued by one of the Company's subsidiaries with a face value of $45.0 million, plus accrued interest. The acquisition of the debenture for a consideration of $50.0 million plus accrued interest of $1.1 million for a total consideration of $51.1 million in cash resulted in a loss before taxes of $5.0 million ($3.8 million after taxes). This loss is due to the fact that SNC-Lavalin's subsidiary that issued the debenture was carrying it at amortized cost in its statement of financial position in accordance with IFRS while the receivable relating to this debenture recognized in the statement of financial position of another SNC-Lavalin's subsidiary was carried at the amount of consideration paid of $50.0 million, which corresponds to its fair value. Upon consolidation, both the asset and the liability of the subsidiaries are eliminated.

4. INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI") (CONTINUED)

The following summarizes the effect of the acquisition of the 23.08% ownership interest and $45.0 million debenture on the carrying amount of SNC-Lavalin's investment in AltaLink, at the date of transaction:

Carrying amount of 23.08% ownership interest of non-controlling interests acquired, prior to the date of acquisition	$ **110,813**
Carrying amount of debenture and accrued interest acquired by SNC-Lavalin and eliminated at consolidated level	**46,062**
Net increase in SNC-Lavalin's ownership interest in AltaLink	**156,875**
Carrying amount of SNC-Lavalin's 76.92% ownership interest in AltaLink, excluding carrying amount of non-controlling interests	**370,859**
Carrying amount of SNC-Lavalin's 100% ownership interest in AltaLink, after the acquisition	$ **527,734**

As previously indicated, the carrying amount of SNC-Lavalin's 100% ownership interest in AltaLink of $527.7 million has not been affected by the difference between i) the total consideration of $237.9 million and ii) the carrying amount of the 23.08% ownership interest of the non-controlling interests prior to the acquisition of $110.8 million, since that difference of $127.1 million was recognized as a reduction of equity attributable to SNC-Lavalin shareholders.

RAINBOW HOSPITAL PARTNERSHIP

In September 2011, Rainbow Hospital Partnership ("Rainbow"), wholly-owned by SNC-Lavalin, was awarded a public-private partnership contract by the Government of New Brunswick for the design, construction, commissioning, financing and certain operation and maintenance functions of the new Restigouche Hospital Centre for psychiatric care in Campbellton, New Brunswick. Rainbow subcontracted the construction of the new hospital to an SNC-Lavalin-led joint venture. It will have 140 beds in seven in-patient units with facilities for education and research, clinical support, and administration and general support services. It will also serve as the forensic psychiatry facility for the province. SNC-Lavalin Operations & Maintenance will provide the operations and maintenance activities for the centre for a total of 30 years.

SNC-Lavalin will finance the costs related to this project with its cash and cash equivalents. SNC-Lavalin's investment in Rainbow is accounted for by the full consolidation method.

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.

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.

4. INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI") (CONTINUED)

B) DISPOSALS OF ICI

I) IN THE YEAR ENDED DECEMBER 31, 2010

VALENER INC. (PREVIOUSLY GAZ MÉTRO LIMITED PARTNERSHIP)

In October 2010, SNC-Lavalin entered into an agreement with a group of financial institutions to sell all of its approximately 10.07% equity interest in Valener Inc. (TSX:VNR) ("Valener") consisting of 3,516,453 common shares of Valener, on an underwritten block trade basis, for net proceeds of $58.7 million, resulting in a loss after taxes of $1.3 million. The transaction was closed in November 2010.

TRENCAP LIMITED PARTNERSHIP

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

C) NET BOOK VALUE OF ICI

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

	SEPTEMBER 30 2011	DECEMBER 31 2010
Cash and cash equivalents	**$ 19,837**	$ 16,757
Restricted cash	**2,339**	8,235
Trade receivables, contracts in progress, other current financial assets and other current assets	**67,319**	45,698
Property and equipment	**2,413,886**	2,072,814
Goodwill	**203,786**	203,786
Non-current financial assets, other non-current assets and deferred tax asset	**426,860**	401,391
Total assets	**3,134,027**	2,748,681
Trade payables, deferred revenues, other current financial liabilities and other current liabilities	**227,629**	142,560
Non-recourse short-term debt and current portion of non-recourse long-term debt	**241,238**	38,762
Non-recourse long-term debt	**1,477,802**	1,529,024
Other non-current financial liabilities, provisions, non-current deferred revenues and other non-current liabilities	**535,486**	498,728
Non-controlling interests	**–**	98,172
Total liabilities and non-controlling interests	**2,482,155**	2,307,246
Net assets from ICI accounted for by the full consolidation method	**$ 651,872**	$ 441,435
Net book value of ICI accounted for by the equity method	**$ 346,242**	$ 392,528
Net book value of ICI accounted for by the cost method	**288,583**	234,420
Net book value of ICI accounted for by the equity or cost methods	**$ 634,825**	$ 626,948
Total net book value of ICI	**$ 1,286,697**	$ 1,068,383

5. NET FINANCIAL EXPENSES

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Interest revenues:				
From ICI	**$ (2,101)**	$ (28)	**$ (5,348)**	$ (61)
From other activities	**(2,529)**	(1,987)	**(7,593)**	(3,872)
Interest on debt:				
Recourse	**5,462**	7,300	**16,372**	22,298
Non-recourse from ICI:				
AltaLink	**19,142**	17,501	**58,216**	50,528
Other	**1,970**	2,203	**6,000**	6,442
Other:				
From ICI [1]	**6,594**	1,187	**10,053**	3,688
From other activities	**2,461**	(946)	**6,881**	2,590
Net financial expenses	**$ 30,999**	$ 25,230	**$ 84,581**	$ 81,613

[1] In the third quarter of 2011, other net financial expenses from ICI include a loss of $5.0 million before taxes from the acquisition of a subsidiary's debenture related to the AltaLink transaction (Note 4A).

6. 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 $0.1 million for the third quarter of 2011 (third quarter of 2010: $1.7 million) and $0.9 million for the first nine months of 2011 (first nine months of 2010: $4.5 million).

7. SHARE-BASED PAYMENTS

A) STOCK OPTIONS

The stock option compensation cost recorded as an expense in the third quarter and the first nine months of 2011 was $3.8 million (2010: $2.0 million) and $13.2 million (2010: $10.8 million), respectively. The following table presents the weighted average assumptions used to determine the stock option compensation cost, using the Black-Scholes option pricing model:

	THIRD QUARTER (*)		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Risk-free interest rate	**1.48%**	–	**2.15%**	2.47%
Expected stock price volatility	**34.71%**	–	**34.78%**	36.65%
Expected option life	**4 years**	–	**4 years**	4 years
Expected dividend yield	**1.00%**	–	**1.00%**	1.00%

(*) There are no figures for the third quarter of 2010 as no stock options were granted to employees during that period.

During the third quarter of 2011, 5,000 stock options were granted (third quarter of 2010: no stock options) with a weighted average fair value of $13.87 per stock option. For the nine-month period ended September 30, 2011, the Company granted 1,119,200 stock options (nine-month period ended September 30, 2010: 1,098,500 stock options) to employees with a weighted average fair value of $15.04 per stock option (nine-month period ended September 30, 2010: $15.49 per stock option).

As at September 30, 2011, 5,757,338 stock options were outstanding (December 31, 2010: 5,126,117 stock options), while 1,182,300 stock options remained available for future grants (December 31, 2010: 548,516 stock options under the Company's 2009 Stock Option Plan) under the Company's 2011 Stock Option Plan.

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

NINE MONTHS ENDED SEPTEMBER 30	**2011**		2010	
	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER UNIT	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER UNIT
2009 PSU plan	**35,734**	**$ 55.00**	31,322	$ 52.40
2009 DSU plan	**36,516**	**$ 54.98**	34,027	$ 52.40
RSU plan	**91,678**	**$ 55.07**	72,400	$ 52.35

The compensation expense relating to the PSU, DSU and RSU plans recorded in the third quarter and the first nine months of 2011 was $1.8 million (2010: $1.2 million) and $6.3 million (2010: $4.1 million), respectively.

8. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the third quarters and the nine-month periods ended September 30, 2011 and 2010 used to calculate the basic and diluted earnings per share were as follows:

(IN THOUSANDS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Weighted average number of outstanding shares - basic	**150,889**	150,967	**150,888**	150,963
Dilutive effect of stock options	**911**	1,003	**1,139**	1,179
Weighted average number of outstanding shares - diluted	**151,800**	151,970	**152,027**	152,142

In the nine-month period ended September 30, 2011, 2,206,450 outstanding stock options have not been included in the computation of diluted earnings per share (nine-month period ended September 30, 2010: 1,090,750 outstanding stock options).

9. DIVIDENDS

During the nine-month period ended September 30, 2011, SNC-Lavalin recognized as distributions to its equity shareholders dividends of $95.1 million or $0.63 per share (nine-month period ended September 30, 2010: $77.0 million or $0.51 per share).

NINE MONTHS ENDED SEPTEMBER 30		**2011**		2010
Dividends payable at January 1	**$**	**–**	$	–
Interim dividends declared during the nine-month period ended September 30		**95,050**		76,982
Interim dividends paid during the nine-month period ended September 30		**(95,050)**		(76,982)
Dividends payable at September 30	**$**	**–**	$	–

10. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income tax, within its other components of equity at September 30, 2011 and December 31, 2010:

		SEPTEMBER 30 2011		DECEMBER 31 2010
Exchange differences on translating foreign operations	**$**	**(27,557)**	$	(21,077)
Available-for-sale financial assets		**955**		1,317
Cash flow hedges		**(49,981)**		(15,920)
Share of other comprehensive loss of investments accounted for by the equity method		**(68,582)**		(31,800)
Other components of equity	**$**	**(145,165)**	$	(67,480)

- The exchange differences on translating 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.

- The available-for-sale financial assets component arises upon the revaluation of available-for-sale financial assets. When a revalued financial asset is sold, the portion of the component that relates to that financial asset that is effectively realized is recognized in net income. When a revaluated financial asset is impaired, the portion of the component that relates to that financial asset is recognized in net income.

- The 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.

- The share of other comprehensive income (loss) of investments accounted for by the equity method component represents the Company's proportionate share of the other comprehensive income (loss) from its investments accounted for by the equity method.

10. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the third quarters and the nine-month periods ended September 30, 2011 and 2010:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Exchange differences on translating foreign operations:				
Balance at beginning of period	**$ (14,694)**	$ (33,586)	**$ (21,077)**	$ – [1]
Current period gains (losses)	**(12,863)**	14,712	**(6,480)**	(18,874)
Balance at end of period	**(27,557)**	(18,874)	**(27,557)**	(18,874)
Available-for-sale financial assets:				
Balance at beginning of period	**2,185**	21,453	**1,317**	11,215
Current period gains (losses)	**(331)**	12,739	**746**	24,474
Income tax benefit (expense) relating to current period gains (losses)	**94**	(2,097)	**(85)**	(3,594)
Reclassification to net income	**(1,148)**	–	**(1,183)**	–
Income tax expense relating to amounts reclassified to net income	**155**	–	**160**	–
Balance at end of period	**955**	32,095	**955**	32,095
Cash flow hedges:				
Balance at beginning of period	**(20,887)**	(6,424)	**(15,920)**	(1,136)
Current period gains (losses)	**(28,771)**	(24,256)	**(37,674)**	8,237
Income tax benefit (expense) relating to current period gains (losses)	**6,855**	3,565	**8,513**	(12,625)
Reclassification to net income	**(7,713)**	9,293	**(4,441)**	(29,783)
Income tax expense (benefit) relating to amounts reclassified to net income	**3,303**	(2,842)	**2,309**	14,643
Balance at end of period before the acquisition of non-controlling interests of AltaLink	**(47,213)**	(20,664)	**(47,213)**	(20,664)
Portion of cash flow hedges attributable to non-controlling interests reallocated to equity attributable to SNC-Lavalin shareholders	**(3,690)**	–	**(3,690)**	–
Income tax benefit related to the reallocated portion of cash flow hedges of AltaLink	**922**	–	**922**	–
Balance at end of period after the acquisition of non-controlling interests of AltaLink	**(49,981)**	(20,664)	**(49,981)**	(20,664)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	**(33,979)**	(31,722)	**(31,800)**	(14,114)
Current period share	**(54,059)**	(28,427)	**(61,640)**	(62,939)
Income tax benefit relating to current period share	**18,606**	9,457	**21,072**	22,452
Reclassification to net income	**841**	986	**4,987**	6,463
Income tax expense (benefit) relating to amounts reclassified to net income	**9**	(214)	**(1,201)**	(1,782)
Balance at end of period	**(68,582)**	(49,920)	**(68,582)**	(49,920)
Other components of equity	**$ (145,165)**	$ (57,363)	**$ (145,165)**	$ (57,363)

[1] As mentioned in Note 14, 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 upon transition to IFRS on January 1, 2010.

11. 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:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Decrease (increase) in trade receivables	**$ 163,936**	$ (108,024)	**$ (30,764)**	$ 11,359
Decrease (increase) in contracts in progress	**(112,384)**	(109,710)	**86,654**	(194,728)
Decrease (increase) in other current financial assets	**23,964**	37,751	**(63,296)**	9,341
Decrease (increase) in other current assets	**22,378**	(16,226)	**2,693**	(23,288)
Increase (decrease) in trade payables	**75,430**	42,701	**109,141**	(52,268)
Increase (decrease) in downpayments on contracts	**(19,233)**	17,766	**(78,225)**	(20,012)
Increase (decrease) in deferred revenues	**(17,257)**	66,156	**49,298**	128,441
Increase (decrease) in other current financial liabilities	**(3,695)**	(5,156)	**15,136**	(33,970)
Increase (decrease) in other current liabilities	**(40,827)**	10,691	**(33,269)**	(39,944)
Net change in non-cash working capital items	**$ 92,312**	$ (64,051)	**$ 57,368**	$ (215,069)

12. 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 equity or full consolidation methods are eliminated in the period they occur, except when such profits are deemed to have been realized by the ICI with a third party. Profits generated from transactions with ICI accounted for by the cost method are not eliminated, in accordance with IFRS.

The accounting treatment of intragroup profits is summarized below:

ICI	ACCOUNTING METHOD	ACCOUNTING TREATMENT OF INTRAGROUP PROFITS
AltaLink	Full consolidation method	Not eliminated upon consolidation in the period they occur, as they are considered realized by AltaLink with a third party through the approval of rates.
Service concession arrangements accounted for under IFRIC 12	Full consolidation method	Not eliminated upon consolidation in the period they occur, as they are considered realized by the ICI through the contractual agreement with its client.
	Equity method	Not eliminated upon consolidation in the period they occur, as they are considered realized by the ICI through the contractual agreement with its client.
Others	Equity method	Eliminated in the period they occur, as a reduction of the underlying asset and subsequently recognized over the depreciation period of the corresponding asset.
	Cost method	Not eliminated, in accordance with IFRS.

For the third quarter and the first nine months of 2011, SNC-Lavalin recognized revenues of $174.8 million (third quarter of 2010: $59.3 million) and $464.9 million (first nine months of 2010: $179.6 million), respectively, from contracts with ICI accounted for by the equity method. For the third quarter and the first nine months of 2011, intragroup revenues generated from transactions with AltaLink, which amounted to $101.1 million (third quarter of 2010: $57.8 million) and $213.6 million (first nine months of 2010: $191.2 million), respectively, were eliminated upon consolidation, while profits from those transactions were not eliminated as they are deemed to have been realized with a third party.

SNC-Lavalin's trade receivables from these ICI accounted for by the equity method amounted to $55.8 million as at September 30, 2011 (December 31, 2010: $12.0 million). SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was $129.1 million at September 30, 2011 (December 31, 2010: $178.6 million).

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

13. ATOMIC ENERGY OF CANADA LIMITED

In June 2011, CANDU Energy Inc. ("CANDU Energy"), a wholly-owned subsidiary of the Company, agreed with the Government of Canada to acquire certain assets of Atomic Energy of Canada Limited's ("AECL") commercial reactor division for a purchase price of $15 million and royalty payments from future new build and life extension projects. As part of the transaction, AECL will retain its past liabilities. In addition to the acquisition, CANDU Energy will work towards completing the Enhanced CANDU reactor (EC6) development program, with the support of up to $75 million from the Government of Canada.

In October 2011, CANDU Energy completed the acquisition as all the conditions relating to the transaction were fulfilled, including compliance with the Competition Act and other administrative approvals. The Company is currently working on finalizing the purchase price allocation relating to this acquisition.

14. FIRST-TIME ADOPTION OF IFRS

As stated in Note 2, these financial statements have been prepared in accordance with IAS 34.

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 in the Company's interim condensed consolidated financial statements for the three-month period ended March 31, 2011 have been applied in preparing these interim condensed consolidated financial statements as at and for the nine-month period ended September 30, 2011, 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
14.1	Executive summary	Provides an overview of the main accounting differences in the Company's accounting policies resulting from the adoption of IFRS
14.2	Effect of IFRS adoption on the Company's consolidated statement of financial position and equity	Provides a quantitative reconciliation between Canadian GAAP and IFRS for the Company's consolidated statement of financial position and equity as at September 30, 2010, with detailed explanations on the reconciling items
14.3	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 and nine-month periods ended September 30, 2010, with detailed explanations on the reconciling items
14.4	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 and nine-month periods ended September 30, 2010, with detailed explanations of the reconciling items
14.5	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
14.6	Other	Explains other IFRS requirements regarding January 1, 2010

14.1 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 IFRS consolidated financial statements. The general principle underlying IFRS 1 is that the 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).

14. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

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:

14. 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 14.2]				
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 14.2]				
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 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 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 14.2]				
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

14. 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 14.2]				
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 14.2]				
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.	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.	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.
		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.		Yes for all other assets and liabilities.
Financial Instruments: Recognition and Measurement (IAS 39) [note d.1 in section 14.2]				
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.

14.2 Effect of IFRS adoption on the Company's September 30, 2010 consolidated statement of financial position

(IN THOUSANDS OF CANADIAN DOLLARS)	September 30, 2010						
		Effect of transition to IFRS					
	Canadian GAAP	IFRIC 12	IAS 31	Reclassi-fications	Other	Tax effect	IFRS
ASSETS		**(Note 14.2a)**	**(Note 14.2b)**	**(Note 14.2c)**	**(Note 14.2d)**		
Current assets							
Cash and cash equivalents	1,049,285	-	(39,794)	-	-	-	1,009,491
Restricted cash	300,863	-	(265,079)	-	-	-	35,784
Trade and other receivables	1,434,201	(16,537)	(12,007)	(400,432)	-	-	1,005,225
Contracts in progress	669,916	-	-	-	-	-	669,916
Contracts in progress from concession arrangements	105,777	(63,744)	(42,033)	-	-	-	-
Other current financial assets	-	-	(9,727)	273,116	496		263,885
Deferred tax asset	83,779	-	-	(83,779)	-	-	-
Other current assets	-	-	(521)	127,316	-	-	126,795
Total current assets	3,643,821	(80,281)	(369,161)	(83,779)	496	-	3,111,096
Property and equipment:							
From ICI	2,470,296	(141,394)	(389,837)	54,183	(11,957)	-	1,981,291
From other activities	112,131	-	-	-	(2,310)	-	109,821
ICI accounted for by the equity or cost methods	422,709	55,261	131,104	50,319	32,434	-	691,827
Goodwill	528,664	-	-	-	(565)	-	528,099
Deferred tax asset	-	-	(11,093)	83,779	91,114	(4,623)	159,177
Non-current financial assets	-	221,152	(432,515)	526,577	17,388	-	332,602
Other non-current assets	884,893	-	(270,906)	(509,274)	-	-	104,713
Total assets	8,062,514	54,738	(1,342,408)	121,805	126,600	(4,623)	7,018,626
EQUITY AND LIABILITIES							
Current liabilities							
Trade and other payables	1,524,325	-	(53,478)	(249,656)	4	-	1,221,195
Downpayments on contracts	508,185	-	(134,221)	-	-	-	373,964
Deferred revenues	587,821	(555)	36,242	7,459	-	-	630,967
Other current financial liabilities	-	-	129,280	158,892	-	-	288,172
Other current liabilities	-	-	(264)	61,482	-	-	61,218
Current portion of long-term debt and short-term debt:							
Non-recourse from ICI	110,080	-	(105,949)	125,163	-	-	129,294
Total current liabilities	2,730,411	(555)	(128,390)	103,340	4	-	2,704,810
Long-term debt:							
Recourse	348,165	-	-	-	-	-	348,165
Non-recourse from ICI	2,794,516	-	(1,288,698)	(125,163)	-	-	1,380,655
Other non-current financial liabilities	-	-	-	113,395	(1,421)	-	111,974
Provisions	-	-	-	106,630	22,016	-	128,646
Non-current deferred revenues	-	-	-	397,204	-	-	397,204
Deferred tax liability	28,758	-	(651)	(3,012)	91,114	8,853	125,062
Other non-current liabilities	481,148	-	(4,002)	(470,589)	-	-	6,557
Total liabilities	6,382,998	(555)	(1,421,741)	121,805	111,713	8,853	5,203,073
Non-controlling interests	93,163	-	-	(93,163)	-	-	-
Equity							
Share capital	408,894	-	-	-	-	-	408,894
Contributed surplus	43,739	-	-	(43,739)	-	-	-
Other components of equity	(96,176)	-	(3,056)	-	47,542	(5,673)	(57,363)
Retained earnings	1,229,896	53,839	82,389	43,739	(32,689)	(7,803)	1,369,371
Equity attributable to SNC-Lavalin shareholders	1,586,353	53,839	79,333	-	14,853	(13,476)	1,720,902
Non-controlling interests	-	1,454	-	93,163	34	-	94,651
Total equity	1,586,353	55,293	79,333	93,163	14,887	(13,476)	1,815,553
Total liabilities and equity	8,062,514	54,738	(1,342,408)	121,805	126,600	(4,623)	7,018,626

See pages 22 to 30 for explanatory notes to the reconciliation above.

14. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

Reconciliation of equity

(IN THOUSANDS OF CANADIAN DOLLARS)		**Effect of transition to IFRS**
	Note	**September 30, 2010**
Total shareholders' equity under Canadian GAAP		1,586,353
Service concession arrangements	14.2 a	55,293
Jointly controlled entities	14.2 b	79,333
Reclassification of non-controlling interests to equity	14.2 c.1	93,163
Measurement of available-for-sale securities	14.2 d.1	38,253
Defined benefit plans and other post-retirement benefits	14.2 d.2	(19,868)
Other		(3,498)
Total adjustment to equity, before income taxes		242,676
Income tax effect of the above		(13,476)
Total adjustment to equity		229,200
Total equity under IFRS		1,815,553

14.2 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 L.P.	√	
Okanagan Lake Concession L.P.	√	
Ovation Real Estate Group (Quebec) Inc.	√	
TC Dôme S.A.S.	√	
ICI entered into after January 1, 2010:		
Chinook Roads Partnership	√	
Groupe Immobilier Santé McGill	√	
Rayalseema Expressway Private Limited		√

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

14. 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	**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. **Construction revenues:** The Company recognizes revenues and costs relating to construction of infrastructure in accordance with IAS 11, *Construction Contracts*, ("IAS 11") under the same methodology as any other construction contract and classifies these revenues as "Packages" activities. **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. **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. **Finance income:** Finance income generated on financial assets is recognized using the effective interest method and is classified as revenue from "ICI" activities.
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.

14. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

14.2 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 September 30, 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 $79.3 million at September 30, 2010, 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 $79.3 million at September 30, 2010 (an increase of $82.4 million in retained earnings and a decrease of $3.1 million in other components of equity), mainly from the Company's investment in Highway 407.

14. 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 statements for the three-month and nine-month periods ended September 30, 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 periods of its jointly controlled entities which investment account shows a positive carrying amount as at September 30, 2010; 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.

14. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

14.2 c. RECLASSIFICATIONS

The following reclassifications were made to the Company's consolidated statement of financial position at September 30, 2010, with the total impact presented under the "Reclassifications" column of the "Effect of IFRS adoption on the Company's September 30, 2010 consolidated statement of financial position" table:

(IN THOUSANDS OF CANADIAN DOLLARS)	September 30, 2010						
	Reclassifications						
Statement of financial position line items	Note 14.2 c.1	Note 14.2 c.2	Note 14.2 c.3	Note 14.2 c.4	Note 14.2 c.5	Note 14.2 c.6	Total
Current assets							
Trade and other receivables	-	(400,432)	-	-	-	-	(400,432)
Other current financial assets	-	273,116	-	-	-	-	273,116
Deferred tax asset	-	-	(83,779)	-	-	-	(83,779)
Other current assets	-	127,316	-	-	-	-	127,316
Net impact on current assets	-	-	(83,779)	-	-	-	(83,779)
Non-current assets							
Property and equipment:							
From ICI	-	-	-	228,019	(173,836)	-	54,183
ICI accounted for by the equity or cost methods	-	50,319	-	-	-	-	50,319
Deferred tax asset	-	-	83,779	-	-	-	83,779
Non-current financial assets	-	526,577	-	-	-	-	526,577
Other non-current assets	-	(576,896)	-	-	67,622	-	(509,274)
Net impact on non-current assets	-	-	83,779	228,019	(106,214)	-	205,584
Total impact on assets	-	-	-	228,019	(106,214)	-	121,805
Current liabilities							
Trade and other payables	-	(219,362)	-	-	-	(30,294)	(249,656)
Deferred revenues	-	-	-	7,459	-	-	7,459
Other current financial liabilities	-	158,892	-	-	-	-	158,892
Other current liabilities	-	61,482	-	-	-	-	61,482
Current portion of long-term debt and short-term debt:							
Non-recourse from ICI	-	125,163	-	-	-	-	125,163
Net impact on current liabilities	-	126,175	-	7,459	-	(30,294)	103,340
Non-current liabilities							
Long-term debt:							
Non-recourse from ICI	-	(125,163)	-	-	-	-	(125,163)
Other non-current financial liabilities	-	209,097	-	-	(95,702)	-	113,395
Provisions	-	-	-	-	-	106,630	106,630
Non-current deferred revenues	-	-	-	220,560	176,644	-	397,204
Deferred tax liability	-	(3,012)	-	-	-	-	(3,012)
Other non-current liabilities	-	(207,097)	-	-	(187,156)	(76,336)	(470,589)
Net impact on non-current liabilities	-	(126,175)	-	220,560	(106,214)	30,294	18,465
Non-controlling interests	(93,163)	-	-	-	-	-	(93,163)
Equity							
Contributed surplus	(43,739)	-	-	-	-	-	(43,739)
Retained earnings	43,739	-	-	-	-	-	43,739
Non-controlling interests	93,163	-	-	-	-	-	93,163
Net impact on equity	93,163	-	-	-	-	-	93,163
Total impact on liabilities and equity	-	-	-	228,019	(106,214)	-	121,805

Only line items of the Company's consolidated statement of financial position affected by the reclassifications at September 30, 2010 are shown in the table above.

14. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

14.2 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 $93.2 million at September 30, 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 $43.7 million at September 30, 2010.

14.2 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.

14.2 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 $83.8 million included in current assets was reclassified to non-current assets at September 30, 2010.

14.2 c.4 Transfers of assets from customers

AltaLink, a 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 $228.0 million at September 30, 2010, with an equivalent increase to deferred revenues, of which $7.4 million is in current liabilities and $220.6 million is in non-current deferred revenues.

The effect of this change also resulted in an increase of revenues and of the depreciation expense by $2.0 million for the three-month period ended September 30, 2010 and by $5.1 million for the nine-month period ended September 30, 2010, with no impact on net income.

14. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

14.2 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 September 30, 2010 is reduced from $187.2 million to $nil, combined with a decrease of $106.2 million in property and equipment and an increase of $81.0 million in non-current deferred revenues.

As mentioned in section 14.1, 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 $67.6 million at September 30, 2010 and an increase in other non-current assets of the same amount.

14.2 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 $30.3 million and of other non-current liabilities of $76.3 million at September 30, 2010 and an increase in provisions of the same amount.

14. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

14.2 d. OTHER ADJUSTMENTS

The following other adjustments were made to the Company's consolidated statement of financial position at September 30, 2010, with the total impact presented under the "Other" column of the "Effect of IFRS adoption on the Company's September 30, 2010 consolidated statement of financial position" table:

(IN THOUSANDS OF CANADIAN DOLLARS)	September 30, 2010				
	Other adjustments				
Statement of financial position line items	Note 14.2 d.1	Note 14.2 d.2	Note 14.2 d.3	Other	Total
Current assets					
Other current financial assets	-	-	-	496	496
Net impact on current assets	-	-	-	496	496
Non-current assets					
Property and equipment:					
From ICI	-	-	-	(11,957)	(11,957)
From other activities	-	-	-	(2,310)	(2,310)
ICI accounted for by the equity or cost methods	32,434	-	-	-	32,434
Goodwill	-	-	-	(565)	(565)
Deferred tax asset	-	-	-	91,114	91,114
Non-current financial assets	5,819	-	-	11,569	17,388
Net impact on non-current assets	38,253	-	-	87,851	126,104
Total impact on assets	38,253	-	-	88,347	126,600
Current liabilities					
Trade and other payables	-	-	-	4	4
Net impact on current liabilities	-	-	-	4	4
Non-current liabilities					
Other non-current financial liabilities	-	(1,528)	-	107	(1,421)
Provisions	-	21,396	-	620	22,016
Deferred tax liability	-	-	-	91,114	91,114
Net impact on non-current liabilities	-	19,868	-	91,841	111,709
Equity					
Other components of equity	38,253	-	9,292	(3)	47,542
Retained earnings	-	(19,902)	(9,292)	(3,495)	(32,689)
Non-controlling interests	-	34	-	-	34
Net impact on equity	38,253	(19,868)	-	(3,498)	14,887
Total impact on liabilities and equity	38,253	-	-	88,347	126,600

Only line items of the Company's consolidated statement of financial position affected by the adjustments at September 30, 2010 are shown in the table above.

14.2 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 $38.2 million at September 30, 2010, with an increase to ICI accounted for by the equity or cost methods of $32.4 million and to non-current financial assets of $5.8 million.

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.

14. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

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

As mentioned in section 14.1, 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").

Net actuarial gains and losses arising after the Date of Transition for all the Company's defined benefit plans are recognized in other comprehensive income. Net actuarial gains recognized in other comprehensive income amounted to $2.9 million for the three-month period ended September 30, 2010. Net actuarial losses recognized in other comprehensive income amounted to $0.7 million for the nine-month period ended September 30, 2010. The reversal of the Canadian GAAP amount relating to the amortization of actuarial gains in net income represented $0.8 million for the three-month period ended September 30, 2010 and the amortization of actuarial losses in net income represented $0.2 million for the nine-month period ended September 30, 2010.

14.2 d.3 Cumulative translation difference from foreign operations

As mentioned in section 14.1, 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.

14.3 Effect of IFRS adoption on the Company's consolidated income statements for the three-month and nine-month periods ended September 30, 2010

Three-month period ended September 30, 2010
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

		Effect of transition to IFRS				
	Canadian GAAP	IFRIC 12	IAS 31	Reclass and consolidation elimination	Other	IFRS
Revenues by activity:		(Note 14.2a)	(Note 14.2b)	(Note 14.3a)		
Services	491,744	1,893	-	-	-	493,637
Packages	666,121	2,231	-	(57,851)	-	610,501
O&M	308,187	(146)	-	-	-	308,041
ICI	141,208	4,528	(47,897)	2,044	937	100,820
	1,607,260	8,506	(47,897)	(55,807)	937	1,512,999
Direct cost of activities	1,259,693	814	(12,825)	(55,807)	(678)	1,191,197
Gross margin	347,567	7,692	(35,072)	-	1,615	321,802
Selling, general and administrative expenses	133,916	319	(3,547)	426	1,061	132,175
Net financial expenses	-	-	(24,100)	48,297	1,033	25,230
Interest and capital taxes	47,781	-	-	(47,781)	-	-
Income before income tax expense	165,870	7,373	(7,425)	(942)	(479)	164,397
Income tax expense	36,099	-	(2,558)	(942)	2,227	34,826
Non-controlling interests	1,552	-	-	(1,552)	-	-
Net income for the period	128,219	7,373	(4,867)	1,552	(2,706)	129,571
Net income attributable to:						
SNC-Lavalin shareholders	128,219	7,416	(4,867)	-	(2,706)	128,062
Non-controlling interests	-	(43)	-	1,552	-	1,509
Net income for the period	128,219	7,373	(4,867)	1,552	(2,706)	129,571
Earnings per share (in $)						
Basic	0.85					0.85
Diluted	0.84					0.84

14. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

Nine-month period ended September 30, 2010

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

		Effect of transition to IFRS				
	Canadian GAAP	IFRIC 12	IAS 31	Reclass and consolidation elimination	Other	IFRS
Revenues by activity:		(Note 14.2a)	(Note 14.2b)	(Note 14.3a)		
Services	1,450,556	1,893	-	-	-	1,452,449
Packages	1,651,316	6,115	-	(191,204)	-	1,466,227
O&M	947,268	(428)	-	-	-	946,840
ICI	370,402	9,662	(69,356)	5,148	(327)	315,529
	4,419,542	17,242	(69,356)	(186,056)	(327)	4,181,045
Direct cost of activities	3,485,442	(287)	(24,830)	(186,056)	(5,083)	3,269,186
Gross margin	934,100	17,529	(44,526)	-	4,756	911,859
Selling, general and administrative expenses	414,592	246	(7,397)	877	182	408,500
Net financial expenses	-	-	(50,095)	128,789	2,919	81,613
Interest and capital taxes	126,962	-	-	(126,962)	-	-
Income before income tax expense	392,546	17,283	12,966	(2,704)	1,655	421,746
Income tax expense	86,791	-	(6,227)	(2,704)	4,688	82,548
Non-controlling interests	7,900	-	-	(7,900)	-	-
Net income for the period	297,855	17,283	19,193	7,900	(3,033)	339,198
Net income attributable to:						
SNC-Lavalin shareholders	297,855	17,326	19,193	-	(3,033)	331,341
Non-controlling interests	-	(43)	-	7,900	-	7,857
Net income for the period	297,855	17,283	19,193	7,900	(3,033)	339,198
Earnings per share (in $)						
Basic	1.97					2.19
Diluted	1.96					2.18

14.3 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 SNC-Lavalin 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.

14. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

14.4 Effect of IFRS adoption on the Company's consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2010

Three-month period ended September 30, 2010

(IN THOUSANDS OF CANADIAN DOLLARS)

		Effect of transition to IFRS				
	Canadian GAAP	IFRIC 12	IAS 31	Reclass and consolidation elimination	Other	IFRS
		(Note 14.2a)	(Note 14.2b)	(Note 14.3a)		
Net income	128,219	7,373	(4,867)	1,552	(2,706)	129,571
Other comprehensive income (loss):						
Exchange differences on translating foreign operations	14,712	-	-	50	-	14,762
Available-for-sale financial assets (Note 14.2 d.1)	2,308	-	-	400	10,031	12,739
Cash flow hedges	(32,460)	-	25	17,699	(3)	(14,739)
Defined benefit pension plans and other post-retirements benefits (Note 14.2 d.2)	-	-	-	-	2,942	2,942
Share of other comprehensive loss of investments accounted for by the equity method	-	-	-	(27,441)	-	(27,441)
Income tax expense (benefit) relating to components of other comprehensive income (loss)	-	-	-	9,566	(2,235)	7,331
Total other comprehensive income (loss) for the period	(15,440)	-	25	274	10,735	(4,406)
Total comprehensive income for the period	112,779	7,373	(4,842)	1,826	8,029	125,165
Total comprehensive income attributable to:						
SNC-Lavalin shareholders	112,779	7,416	(4,842)	-	8,029	123,382
Non-controlling interests	-	(43)	-	1,826	-	1,783
Total comprehensive income for the period	112,779	7,373	(4,842)	1,826	8,029	125,165

Nine-month period ended September 30, 2010

(IN THOUSANDS OF CANADIAN DOLLARS)

		Effect of transition to IFRS				
	Canadian GAAP	IFRIC 12	IAS 31	Reclass and consolidation elimination	Other	IFRS
		(Note 14.2a)	(Note 14.2b)	(Note 14.3a)		
Net income	297,855	17,283	19,193	7,900	(3,033)	339,198
Other comprehensive income (loss):						
Exchange differences on translating foreign operations	(18,874)	-	-	(87)	-	(18,961)
Available-for-sale financial assets (Note 14.2 d.1)	1,410	-	-	243	22,821	24,474
Cash flow hedges	(55,406)	-	75	34,450	(3)	(20,884)
Defined benefit pension plans and other post-retirements benefits (Note 14.2 d.2)	-	-	-	-	(658)	(658)
Share of other comprehensive loss of investments accounted for by the equity method	-	-	-	(56,476)	-	(56,476)
Income tax expense (benefit) relating to components of other comprehensive income (loss)	-	-	-	22,445	(2,962)	19,483
Total other comprehensive income (loss) for the period	(72,870)	-	75	575	19,198	(53,022)
Total comprehensive income for the period	224,985	17,283	19,268	8,475	16,165	286,176
Total comprehensive income attributable to:						
SNC-Lavalin shareholders	224,985	17,326	19,268	-	16,165	277,744
Non-controlling interests	-	(43)	-	8,475	-	8,432
Total comprehensive income for the period	224,985	17,283	19,268	8,475	16,165	286,176

14.5 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.

14.6 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 IAS 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.

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