SNC·LAVALIN

Management's Discussion and Analysis

Third Quarter and First Nine Months of 2011 versus
Third Quarter and First Nine Months of 2010

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November 4, 2011

All financial information in Canadian dollars, unless otherwise indicated

1 – HIGHLIGHTS OF THE THIRD QUARTER AND FIRST NINE MONTHS OF 2011

LOWER NET INCOME

> **Third quarter**

- For the third quarter ended September 30, 2011, net income attributable to SNC-Lavalin shareholders was $125.6 million ($0.83 per share on a diluted basis), compared to $128.1 million ($0.84 per share on a diluted basis) for the third quarter of 2010, or $108.5 million excluding the gain after taxes of $19.6 million from the disposal of certain technology solution assets in the third quarter of 2010.
- For the third quarter of 2011, net income attributable to SNC-Lavalin shareholders excluding Infrastructure Concession Investments ("ICI") was $100.0 million, compared to $111.7 million for the corresponding period of 2010, or $92.1 million excluding the 2010 gain mentioned above. The increase, excluding the 2010 gain, mainly reflected higher contributions from Chemicals & Petroleum, Power, and Mining & Metallurgy, partially offset by a lower contribution from Infrastructure & Environment.
- For the third quarter of 2011, net income attributable to SNC-Lavalin shareholders from ICI was $25.6 million, compared to $16.4 million for the same period last year, mainly reflecting the dividends from 407 International Inc. ("Highway 407"), whereas there were no dividends from Highway 407 in the third quarter of 2010 because two dividend payments were received in the second quarter of 2010. The increase is partially offset by an after-tax loss of $3.8 million resulting from the acquisition of a subsidiary's debenture related to the AltaLink transaction.

> **Nine-month period ended September 30**

- For the first nine months of 2011, net income attributable to SNC-Lavalin shareholders was $300.2 million ($1.97 per share on a diluted basis), compared to $331.3 million ($2.18 per share on a diluted basis) for the corresponding period of 2010, or $311.7 million excluding the 2010 gain mentioned above.
- For the first nine months of 2011, net income attributable to SNC-Lavalin shareholders excluding ICI was $208.5 million, compared to $251.0 million for the first nine months of 2010, or $231.4 million excluding the 2010 gain. The decrease, excluding the 2010 gain, mainly reflected a lower contribution from Infrastructure & Environment, partially offset by higher contributions from all other segments.
- For the first nine months of 2011, net income attributable to SNC-Lavalin shareholders from ICI was $91.7 million, compared to $80.3 million for the corresponding period of 2010, mainly due to higher dividends from Highway 407, partially offset by lower contributions from other ICI.

HIGHER REVENUES

> Revenues for the nine-month period ended September 30, 2011 increased by 21.7% to $5.1 billion compared to $4.2 billion for the same period in 2010. Revenues increased in all the Company's segments of activity and in all revenue categories, with Packages revenues growing by 42.1% and Services revenues growing by 13.1%. For the third quarter of 2011, Packages and Services revenues increased by 24.3% and 21.1% respectively compared to the third quarter of 2010.

SOLID FINANCIAL POSITION

> The Company's financial position remained solid with cash and cash equivalents of $1.0 billion at September 30, 2011, compared to $1.2 billion at December 31, 2010.

> Net cash position (cash and cash equivalents, less cash and cash equivalents from ICI and recourse debt) remained strong at $632.5 million at September 30, 2011 and $870.1 million at December 31, 2010. In the third quarter of 2011, the net cash position was impacted by 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, as well as the $51.1 million cash used to acquire a subsidiary's debenture and accrued interest as part of the same transaction.

STRONG REVENUE BACKLOG

(IN MILLIONS OF CANADIAN DOLLARS)	September 30 2011	June 30 2011	December 31 2010
Services	$ 2,196.6	$ 1,679.9	$ 1,410.7
Packages	4,840.0	5,319.4	5,556.0
Operations & Maintenance ("O&M")	2,393.2	2,343.5	2,732.8
Total	$ 9,429.8	$ 9,342.8	$ 9,699.5

> The revenue backlog at the end of September 2011, compared to the end of December 2010, reflected a decrease in Packages and O&M, partially offset by a 55.7% increase in Services, at an all-time high of $2.2 billion. The increase in Services was mainly in Mining & Metallurgy.

NOTABLE EVENTS RELATED TO ICI

The following notable events related to ICI took place since January 1, 2011:

> In September 2011, SNC-Lavalin completed the acquisition of MEAP's 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. The transaction increased the Company's ownership of AltaLink from 76.92% to 100%.

> 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 operation and maintenance activities for the centre for a total of 30 years.

ATOMIC ENERGY OF CANADA LIMITED

> In October 2011, CANDU Energy Inc., a wholly-owned subsidiary of the Company, completed the acquisition of certain assets of Atomic Energy of Canada Limited's commercial reactor division as all the conditions relating to the acquisition were fulfilled, including compliance with the Competition Act and other administrative approvals.

RETURN ON AVERAGE SHAREHOLDERS' EQUITY ("ROASE")

> ROASE was 24.0% for the 12-month period ended September 30, 2011, compared to 27.4% for the same period last year, and significantly higher than the Company's performance objective of 600 basis points above the long-term Canada Bond Yield for the period, totalling 9.5%.

2011 OUTLOOK

> Based on the Company's revenue backlog and prospects list, the Company continues to expect its 2011 net income to remain in line with 2010, when excluding the gains from the disposals of certain assets and investments recognized in 2010.

Unless otherwise indicated, all financial information presented in this Management's Discussion and Analysis ("MD&A"), including tabular amounts, is in **Canadian dollars**, and prepared in accordance with **International Financial Reporting Standards ("IFRS")**.

Management's Discussion and Analysis is designed to provide the reader with a greater understanding of the Company's business, the Company's business strategy and performance, the Company's expectations of the future, and how the Company manages risk and capital resources. It is intended to enhance the understanding of the unaudited interim condensed consolidated financial statements for the third quarter of 2011 and accompanying notes, and should therefore be read in conjunction with these documents and with the Financial Report for the year ended December 31, 2010. Reference in this MD&A 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.

2 – CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Statements made in this Management's Discussion and Analysis that describe the Company's or management's budgets, estimates, expectations, forecasts, objectives, predictions or projections of the future may be "forward-looking statements", which can be identified by the use of the conditional or forward-looking terminology such as "anticipates", "believes", "estimates", "expects", "may", "plans", "projects", "should", "will", or the negative thereof or other variations thereon. The Company cautions that, by their nature, forward-looking statements involve risks and uncertainties, and that its actual actions and/or results could differ materially from those expressed or implied in such forward-looking statements, or could affect the extent to which a particular projection materializes.

For more information on risks and uncertainties, and assumptions that would cause the Company's actual results to differ from current expectations, please refer to the section "Risks and Uncertainties" and the section "How We Analyze and Report Our Results", respectively, in the Company's 2010 Financial Report under "Management's Discussion and Analysis". The forward-looking statements in this document reflect the Company's expectations as at the date of this report and are subject to change after this date. The Company does not undertake any obligation to update publicly or to revise any such forward-looking statements, unless required by applicable legislation or regulation.

3 – OUR BUSINESS

SNC-Lavalin, which celebrates its 100th anniversary in 2011, provides its clients with engineering and construction, and operations and maintenance ("O&M") expertise. The Company has a network of offices located across Canada and in over 40 other countries around the world, and is currently working on projects in some 100 countries, making it a leading international engineering and construction company, and a leader in O&M in Canada. SNC-Lavalin also makes select investments in infrastructure concessions.

3.1 – ENGINEERING AND CONSTRUCTION EXPERTISE PROVIDED VIA SERVICES AND PACKAGES ACTIVITIES

Engineering and construction expertise is provided by the Company's employees as either Services or Packages activities:

> **Services**: include contracts under which SNC-Lavalin provides engineering services, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, and commissioning.

> **Packages**: include contracts under which SNC-Lavalin is responsible not only for providing one or more Services activities, but also undertakes the responsibility for providing materials/equipment, and/or construction activities.

Services and Packages activities are offered to clients in multiple industries including, among others, Infrastructure & Environment, Chemicals & Petroleum, Mining & Metallurgy, and Power. Refer to section 7 of this report for a review of the Company's operating results by segment.

3.2 – OPERATIONS AND MAINTENANCE ACTIVITIES

O&M activities are provided in the following lines of business: i) project, facility and property management; ii) industrial; iii) transportation; and iv) defence and remote camp logistics. SNC-Lavalin's expertise in O&M activities, in addition to obtaining stand-alone O&M contracts, allows the Company to expand on its Services, Packages, and ICI activities by offering all-inclusive expertise that meets client's needs and complements its ICI.

3.3 – INFRASTRUCTURE CONCESSION INVESTMENTS

SNC-Lavalin makes select investments in infrastructure concessions for which its technical, engineering and construction, project management, and O&M expertise, along with its experience in arranging project financing, represent a distinct advantage.

4 – HOW WE ANALYZE AND REPORT OUR RESULTS

The Company reports its results under **four categories of activity**, which are **Services** and **Packages** (together these regroup activities from engineering and construction), **O&M,** and **ICI**. The Company regularly analyzes the results of these categories independently as they generate different gross margin yields and have different risk profiles. The Company also analyzes results by segments, which regroup related activities within SNC-Lavalin **consistent with the way management performance is evaluated**. Services and Packages activities relate to engineering and construction operations and are presented in the way management performance is evaluated by regrouping its projects within the industries they are executed for, which are as follows: **Infrastructure & Environment, Chemicals & Petroleum, Mining & Metallurgy, Power,** and **Other Industries**. The **O&M** and **ICI** segments correspond to the categories of activity of the same name.

4.1 – NON-IFRS FINANCIAL MEASURES

Some of the indicators used by the Company to analyze and evaluate its results represent non-IFRS financial measures. Consequently, they do not have a standard meaning as prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other issuers. Management believes that these indicators nevertheless provide useful information because they allow for the evaluation of the performance of the Company and its components based on various aspects, such as past, current and expected profitability and financial position. These non-IFRS financial measures include the following Company indicators:

NON-IFRS FINANCIAL MEASURE	REFERENCE
Performance	
Revenue backlog	Section 6
Operating income by segment	Section 7
ROASE	Section 8.4

NON-IFRS FINANCIAL MEASURE	REFERENCE
Liquidity	
Net cash position	Section 8.1
Freehold cash	Section 8.1

Definitions of all non-IFRS financial measures are provided in the sections referenced previously to give the reader a better understanding of the indicators used by management, and when applicable, the Company provides a clear quantitative reconciliation from the non-IFRS financial measures to the most directly comparable measure calculated in accordance with IFRS.

5 – BREAKDOWN OF INCOME STATEMENT

(IN MILLIONS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Revenues by activity:				
Services	**$ 598.0**	$ 493.6	**$ 1,642.5**	$ 1,452.5
Packages	**758.8**	610.5	**2,082.9**	1,466.2
O&M	**308.3**	308.1	**1,016.8**	946.8
ICI	**115.0**	100.8	**345.5**	315.5
	$ 1,780.1	$ 1,513.0	**$ 5,087.7**	$ 4,181.0
Gross margin	**$ 341.0**	$ 321.8	**$ 929.1**	$ 911.8
Selling, general and administrative expenses	**150.7**	132.2	**469.8**	408.5
Net financial expenses:				
From ICI	**25.6**	20.8	**68.9**	60.6
From other activities	**5.4**	4.4	**15.7**	21.0
	31.0	25.2	**84.6**	81.6
Income before income tax expense	**159.3**	164.4	**374.7**	421.7
Income tax expense	**30.7**	34.8	**66.1**	82.5
Net income for the period	**$ 128.6**	$ 129.6	**$ 308.6**	$ 339.2
Net income attributable to:				
SNC-Lavalin shareholders	**$ 125.6**	$ 128.1	**$ 300.2**	$ 331.3
Non-controlling interests	**3.0**	1.5	**8.4**	7.9
Net income for the period	**$ 128.6**	$ 129.6	**$ 308.6**	$ 339.2
Earnings per share ($)				
Basic	**$ 0.83**	$ 0.85	**$ 1.99**	$ 2.19
Diluted	**$ 0.83**	$ 0.84	**$ 1.97**	$ 2.18
Supplementary information:				
Net income attributable to SNC-Lavalin shareholders from ICI:				
From Highway 407	**$ 13.8**	$ -	**$ 60.0**	$ 31.9
From other ICI	**11.8**	16.4	**31.7**	48.4
Net income attributable to SNC-Lavalin shareholders excluding ICI:				
From a gain on disposal of certain technology solution assets	**-**	19.6	**-**	19.6
Excluding the gain on disposal of certain technology solution assets	**100.0**	92.1	**208.5**	231.4
Net income attributable to SNC-Lavalin shareholders for the period	**$ 125.6**	$ 128.1	**$ 300.2**	$ 331.3

5.1 – NET INCOME ANALYSIS

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Net income attributable to SNC-Lavalin shareholders excluding ICI:				
From a gain on disposal of certain technology solution assets	**$ –**	$ 19.6	**$ –**	$ 19.6
Excluding the gain on disposal of certain technology solution assets	**100.0**	92.1	**208.5**	231.4
Net income attributable to SNC-Lavalin shareholders excluding ICI	**100.0**	111.7	**208.5**	251.0
Net income attributable to SNC-Lavalin shareholders from ICI	**25.6**	16.4	**91.7**	80.3
Net income attributable to SNC-Lavalin shareholders	**$ 125.6**	$ 128.1	**$ 300.2**	$ 331.3

For the third quarter of 2011, net income attributable to SNC-Lavalin shareholders excluding ICI decreased compared to the third quarter of 2010, but increased compared to the corresponding period of 2010 excluding the gain after taxes of $19.6 million from the disposal of certain technology solution assets in the third quarter of 2010. The increase, excluding the 2010 gain, mainly reflected higher contributions from Chemicals & Petroleum, Power, and Mining & Metallurgy, partially offset by a lower contribution from Infrastructure & Environment.

For the third quarter of 2011, net income attributable to SNC-Lavalin shareholders from ICI increased compared to the third quarter of 2010, primarily reflecting the dividends from Highway 407, whereas there were no dividends from Highway 407 in the third quarter of 2010 because two dividend payments were received in the second quarter of 2010. The increase is partially offset by an after-tax loss of $3.8 million resulting from the acquisition of a subsidiary’s debenture related to the AltaLink transaction. Refer to section 7.3.1 for more details on the AltaLink transaction.

For the first nine months of 2011, net income attributable to SNC-Lavalin shareholders excluding ICI was lower compared to the corresponding period of 2010. The decrease, excluding the 2010 gain, mainly reflected a lower contribution from Infrastructure & Environment, partially offset by higher contributions from all other segments.

For the first nine months of 2011, net income attributable to SNC-Lavalin shareholders from ICI increased compared to the corresponding period of 2010, mainly due to higher dividends from Highway 407, partially offset by lower contributions from other ICI.

5.2 – REVENUE ANALYSIS

For the third quarter of 2011, revenues amounted to $1,780.1 million compared to $1,513.0 million for the corresponding period of 2010. **For the first nine months of 2011, revenues amounted to $5,087.7 million** compared to $4,181.0 million for the first nine months of 2010, reflecting higher revenues in all segments, mainly in Power, Mining & Metallurgy, Infrastructure & Environment, and Chemicals & Petroleum.

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Services revenues	**$ 598.0**	$ 493.6	**$ 1,642.5**	$ 1,452.5

The increase in Services revenues for the first nine months of 2011 mainly reflected a higher volume of activity in Mining & Metallurgy, and Chemicals & Petroleum, partially offset by a decrease in Power.

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Packages revenues	**$ 758.8**	$ 610.5	**$ 2,082.9**	$ 1,466.2

The increase in Packages revenues for the first nine months of 2011 reflected a higher volume of activity in all segments, primarily in Power, Infrastructure & Environment, and Chemicals & Petroleum.

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
O&M revenues	**$ 308.3**	$ 308.1	**$ 1,016.8**	$ 946.8

The increase in O&M revenues for the first nine months of 2011 was mainly due to a higher level of activity in Canada.

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
ICI revenues	**$ 115.0**	$ 100.8	**$ 345.5**	$ 315.5

The increase in ICI revenues for the first nine months of 2011 mainly reflected higher dividends from Highway 407, as well as higher revenues from AltaLink, partially offset by the absence of revenues in the first nine months of 2011 from the Company’s investments in Valener Inc. and Trencap Limited Partnership, which were sold in the fourth quarter of 2010.

5.3 – GROSS MARGIN ANALYSIS

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Gross margin excluding ICI	**$ 279.8**	$ 277.9	**$ 738.5**	$ 744.4
Gross margin from ICI	**61.2**	43.9	**190.6**	167.4
Gross margin	**$ 341.0**	$ 321.8	**$ 929.1**	$ 911.8
Gross margin-to-revenue ratio (%)	**19.2%**	21.3%	**18.3%**	21.8%

The gross margin amount excluding ICI for the first nine months of 2011 remained in line with the corresponding period of 2010, but increased when compared to the first nine months of 2010 excluding the gain before taxes of $22.8 million from the disposal of certain technology solution assets in the third quarter of 2010. The increase, excluding the 2010 gain, mainly reflected an overall higher level of activity, partially offset by an expected lower gross margin-to-revenue ratio in Packages, primarily due to favourable cost reforecasts in 2010.

The gross margin amount from ICI for the first nine months of 2011 increased mainly due to higher dividends from Highway 407, partially offset by lower contributions from other ICI.

5.4 – SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Selling, general and administrative expenses	**$ 150.7**	$ 132.2	**$ 469.8**	$ 408.5

For the third quarter of 2011, the selling, general and administrative expenses increased compared to the corresponding period of 2010, notably reflecting selling, general and administrative expenses of $5.9 million from businesses acquired after the third quarter of 2010. **For the first nine months of 2011, the increase in selling, general and administrative expenses compared to the first nine months of 2010** mainly reflected a higher volume of activity in all revenue categories, as well as selling, general and administrative expenses of $9.8 million from businesses acquired after the third quarter of 2010, and higher selling costs.

5.5 – NET FINANCIAL EXPENSES ANALYSIS

THIRD QUARTER ENDED SEPTEMBER 30 (IN MILLIONS OF CANADIAN DOLLARS)	**2011**			2010		
	FROM ICI	FROM OTHER ACTIVITIES	TOTAL	FROM ICI	FROM OTHER ACTIVITIES	TOTAL
Interest revenues	**$ (2.1)**	**$ (2.5)**	**$ (4.6)**	$ –	$ (2.0)	$ (2.0)
Interest on debt:						
Recourse	**–**	**5.5**	**5.5**	–	7.3	7.3
Non-recourse:						
AltaLink	**19.1**	**–**	**19.1**	17.5	–	17.5
Other	**2.0**	**–**	**2.0**	2.2	–	2.2
Other	**6.6**	**2.4**	**9.0**	1.1	(0.9)	0.2
Net financial expenses	**$ 25.6**	**$ 5.4**	**$ 31.0**	$ 20.8	$ 4.4	$ 25.2

NINE MONTHS ENDED SEPTEMBER 30 (IN MILLIONS OF CANADIAN DOLLARS)	**2011**			2010		
	FROM ICI	FROM OTHER ACTIVITIES	TOTAL	FROM ICI	FROM OTHER ACTIVITIES	TOTAL
Interest revenues	**$ (5.3)**	**$ (7.6)**	**$ (12.9)**	$ –	$ (3.9)	$ (3.9)
Interest on debt:						
Recourse	**–**	**16.4**	**16.4**	–	22.3	22.3
Non-recourse:						
AltaLink	**58.2**	**–**	**58.2**	50.5	–	50.5
Other	**6.0**	**–**	**6.0**	6.4	–	6.4
Other	**10.0**	**6.9**	**16.9**	3.7	2.6	6.3
Net financial expenses	**$ 68.9**	**$ 15.7**	**$ 84.6**	$ 60.6	$ 21.0	$ 81.6

For the third quarter of 2011, net financial expenses from ICI increased to $25.6 million from $20.8 million for the comparable period of 2010. **For the first nine months of 2011, net financial expenses from ICI increased to $68.9 million,** compared to $60.6 million in the first nine months of 2010, mainly due to a higher interest expense from AltaLink, reflecting additional non-recourse debt, as well as to a loss before taxes of $5.0 million recorded in the third quarter of 2011 resulting from the acquisition of a subsidiary's debenture related to the AltaLink transaction, partially offset by higher interest revenues.

For the third quarter of 2011, net financial expenses from other activities were $5.4 million compared to $4.4 million for the comparable period of 2010. **For the first nine months of 2011, net financial expenses from other activities were $15.7 million,** compared to $21.0 million in the first nine months of 2010, mainly reflecting lower interest expense, primarily due to the repayment at maturity, in September 2010, of unsecured debentures totalling $105 million .

5.6 – INCOME TAXES ANALYSIS

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Income tax expense excluding ICI	**$ 27.4**	$ 31.9	**$ 59.1**	$ 72.8
Income tax expense from ICI	**3.3**	2.9	**7.0**	9.7
Income tax expense	**$ 30.7**	$ 34.8	**$ 66.1**	$ 82.5

The decrease in income tax expense for the first nine months of 2011 mainly reflected a decrease in the Company's income before income tax expense.

6 – REVENUE BACKLOG

The Company reports revenue backlog, which is a non-IFRS financial measure, for the following **categories of activity**: i) **Services**; ii) **Packages**; and iii) **O&M**. Revenue backlog is a **forward-looking indicator of anticipated revenues** to be recognized by the Company. In the case of **O&M** activities, the Company **limits** the revenue backlog to **the earlier of either**: i) **the contract term awarded**; or ii) **the next five years**.

The Company aims to provide a revenue backlog that is both meaningful and current. As such, the Company regularly reviews its backlog to ensure that it reflects any modifications, which include awards of new projects, changes of scope on current projects, and project cancellations, if any.

Considering the impact of IFRIC Interpretation 12, *Service Concession Arrangements*, ("IFRIC 12"), and IAS 31, *Interests in Joint Ventures,* ("IAS 31") on its ICI, the **Company decided to no longer include** its revenue backlog for ICI activities when reporting its financial results under IFRS. All comparative figures herein have been restated accordingly. The Company's ICI revenue backlog disclosed in the Company's 2010 Financial Report 2010, under "Management's Discussion and Analysis", was $2.9 billion at December 31, 2010.

The following table provides a breakdown of the Company's revenue backlog by category of activity and by segment:

AT SEPTEMBER 30 (IN MILLIONS OF CANADIAN DOLLARS)	2011			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Services and Packages				
Infrastructure & Environment	**$ 775.6**	**$ 2,240.6**	**$ –**	**$ 3,016.2**
Chemicals & Petroleum	**269.7**	**408.0**	**–**	**677.7**
Mining & Metallurgy	**720.5**	**78.5**	**–**	**799.0**
Power	**271.8**	**1,687.6**	**–**	**1,959.4**
Other Industries	**159.0**	**425.3**	**–**	**584.3**
O&M	**–**	**–**	**2,393.2**	**2,393.2**
Total	**$ 2,196.6**	**$ 4,840.0**	**$ 2,393.2**	**$ 9,429.8**

AT JUNE 30 (IN MILLIONS OF CANADIAN DOLLARS)	2011			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Services and Packages				
Infrastructure & Environment	$ 612.8	$ 2,379.2	$ –	$ 2,992.0
Chemicals & Petroleum	282.8	561.2	–	844.0
Mining & Metallurgy	468.6	116.4	–	585.0
Power	231.8	1,780.0	–	2,011.8
Other Industries	83.9	482.6	–	566.5
O&M	–	–	2,343.5	2,343.5
Total	$ 1,679.9	$ 5,319.4	$ 2,343.5	$ 9,342.8

AT DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	2010			
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Services and Packages				
Infrastructure & Environment	$ 665.1	$ 2,820.6	$ –	$ 3,485.7
Chemicals & Petroleum	165.8	907.4	–	1,073.2
Mining & Metallurgy	273.6	167.1	–	440.7
Power	219.6	1,340.4	–	1,560.0
Other Industries	86.6	320.5	–	407.1
O&M	–	–	2,732.8	2,732.8
Total	$ 1,410.7	$ 5,556.0	$ 2,732.8	$ 9,699.5

At September 30, 2011, revenue backlog was $9,429.8 million, compared to $9,342.8 million at June 30, 2011, and $9,699.5 million at December 31, 2010. The revenue backlog at the end of September 2011, compared to the end of December 2010, reflected a decrease in Packages and O&M, partially offset by a 55.7% increase in Services, at an all-time high of $2.2 billion, as explained in the following section.

6.1 – SERVICES BACKLOG

(IN MILLIONS OF CANADIAN DOLLARS)	**September 30 2011**	June 30 2011	December 31 2010
Services backlog	**$ 2,196.6**	$ 1,679.9	$ 1,410.7

The increase from December 2010 reflected an increase in all segments, mainly in Mining & Metallurgy.

The Services backlog at September 30, 2011 included notable additions such as:

> A contract awarded by Emirates Aluminum Company Limited PJSC ("EMAL") to provide engineering, procurement, and construction management ("EPCM") services for Phase II of its smelter in Al Taweelah, in the Emirate of Abu Dhabi. The contract, included in Mining & Metallurgy, involves a new aluminum smelter, including a 1,000 MW power plant and a 1.7 km-long potline. Once completed, the smelter will produce 525,000 tonnes of aluminum per year. EMAL Phase II smelter is expected to be fully operational in 2014.

> A contract, included in Mining & Metallurgy, for the Definition Phase (typically known as a feasibility study) for Jansen Phase I, located near Lanigan, Saskatchewan, awarded in the context of a multi-year contract with BHP Billiton for the execution of potash projects to be developed and built mainly in Saskatchewan. EPCM execution is expected to follow in 2012 for the Jansen project. The full Jansen project is being designed to produce approximately 8 million tonnes of potash per year, and development is expected to occur in three phases.

6.2 – PACKAGES BACKLOG

(IN MILLIONS OF CANADIAN DOLLARS)	**September 30 2011**	June 30 2011	December 31 2010
Packages backlog	**$ 4,840.0**	$ 5,319.4	$ 5,556.0

The decrease from December 2010 mainly reflected a decrease in Infrastructure & Environment, and Chemicals & Petroleum, partially offset by an increase in Power.

6.3 – O&M BACKLOG

(IN MILLIONS OF CANADIAN DOLLARS)	**September 30 2011**	June 30 2011	December 31 2010
O&M backlog	**$ 2,393.2**	$ 2,343.5	$ 2,732.8

The decrease from December 2010 is mainly due to normal fluctuations in the timing of long-term contracts, primarily in Canada.

7 – OPERATING RESULTS BY SEGMENT

As mentioned previously, the Company's results are analyzed by segment. The segments regroup related activities within SNC-Lavalin consistent with the way management performance is evaluated. The Company presents the information in the way management performance is evaluated, and regroups its projects within the industries in which they are executed.

With the exception of the ICI segment, the Company evaluates segment performance using operating income net of imputed interest, and corporate general and administrative costs. Imputed interest is calculated based on the non-cash working capital position and allocated monthly to these segments at a rate of 10% per year resulting in a cost or revenue depending on whether the segment's current assets exceed current liabilities or vice versa, while corporate general and administrative costs are allocated based on the gross margin of each of these segments. Corporate income taxes are not allocated to segments except for the ICI segment.

SNC-Lavalin's ICI are accounted for as follows:

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

Such investments are grouped into the ICI segment wherein its performance is evaluated, as follows:

ACCOUNTING METHOD	PERFORMANCE EVALUATION
Cost method	Dividends or distributions received
Equity method	SNC-Lavalin's share of the net results of its investments, or dividends from ICI for which the carrying amount is $nil (i.e. Highway 407)
Full consolidation method	Net income from investments, less the portion attributable to non-controlling interests

In the case of ICI for which income taxes are payable by the investors, such as investments in partnerships in Canada, corporate income taxes are allocated based on SNC-Lavalin's tax rate for such investments. Accordingly, the operating income of the ICI segment is reported net of income taxes and represents SNC-Lavalin's net income from its ICI.

The table below summarizes the revenues of the Company's segments:

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
BY SEGMENT	**2011**	2010	**2011**	2010
Services and Packages				
Infrastructure & Environment	**$ 537.8**	$ 503.3	**$ 1,425.3**	$ 1,246.9
Chemicals & Petroleum	**247.8**	220.5	**822.5**	652.8
Mining & Metallurgy	**255.7**	169.9	**666.5**	481.0
Power	**238.6**	138.1	**551.0**	340.1
Other Industries	**76.9**	72.3	**260.1**	197.9
O&M	**308.3**	308.1	**1,016.8**	946.8
ICI	**115.0**	100.8	**345.5**	315.5
Total	**$ 1,780.1**	$ 1,513.0	**$ 5,087.7**	$ 4,181.0

The following table summarizes the Company's operating income (loss) by segment:

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
BY SEGMENT	**2011**	2010	**2011**	2010
Services and Packages				
Infrastructure & Environment	**$ 39.6**	$ 73.9	**$ 55.4**	$ 173.3
Chemicals & Petroleum	**13.0**	(2.9)	**50.7**	19.3
Mining & Metallurgy	**29.8**	16.9	**46.3**	43.1
Power	**40.2**	47.9	**93.7**	89.1
Other Industries	**10.1**	5.0	**29.9**	15.3
O&M	**8.5**	12.2	**29.8**	26.0
ICI	**25.6**	16.4	**91.7**	80.3
Total	**$ 166.8**	$ 169.4	**$ 397.5**	$ 446.4

7.1 – SERVICES AND PACKAGES ACTIVITIES

Engineering and construction expertise is provided by the Company's employees as either Services or Packages activities.

7.1.1 – INFRASTRUCTURE & ENVIRONMENT

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Revenues from Infrastructure & Environment				
Services	**$ 178.0**	$ 159.8	**$ 469.6**	$ 449.2
Packages	**359.8**	343.5	**955.7**	797.7
Total	**$ 537.8**	$ 503.3	**$ 1,425.3**	$ 1,246.9
Operating income from Infrastructure & Environment	**$ 39.6**	$ 73.9	**$ 55.4**	$ 173.3
Operating income over revenues from Infrastructure & Environment (%)	**7.4%**	14.7%	**3.9%**	13.9%

Infrastructure & Environment revenues for the third quarter of 2011 increased to $537.8 million, compared to $503.3 million for the corresponding period of 2010. **For the first nine months of 2011, revenues increased to $1,425.3 million,** compared to $1,246.9 million in the first nine months of 2010, mainly reflecting a higher level of Packages activity, partially offset by a decrease in revenues from Libya. It should be noted that revenues for the year ended December 31, 2010 included $418.2 million of revenues from Libya.

For the third quarter of 2011, operating income decreased to $39.6 million, compared to $73.9 million for the corresponding quarter of 2010, mainly due to favourable cost reforecasts on major Packages projects in 2010. **For the first nine months of 2011, operating income totalled $55.4 million,** compared to $173.3 million in the first nine months of 2010. The decrease is mainly due to an expected lower gross margin-to-revenue ratio, primarily reflecting favourable cost reforecasts on major Packages projects in 2010, as well as to the impact of the Libyan events in 2011, partially offset by a higher volume of activity.

7.1.2 – CHEMICALS & PETROLEUM

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Revenues from Chemicals & Petroleum				
Services	**$ 91.9**	$ 67.4	**$ 277.9**	$ 233.8
Packages	**155.9**	153.1	**544.6**	419.0
Total	**$ 247.8**	$ 220.5	**$ 822.5**	$ 652.8
Operating income (loss) from Chemicals & Petroleum	**$ 13.0**	$ (2.9)	**$ 50.7**	$ 19.3
Operating income (loss) over revenues from Chemicals & Petroleum (%)	**5.3%**	(1.3%)	**6.2%**	3.0%

Revenues from Chemicals & Petroleum were $247.8 million in the third quarter of 2011, compared to $220.5 million in the third quarter of 2010. **For the first nine months of 2011, revenues were $822.5 million,** compared to $652.8 million in the corresponding period of 2010, mainly reflecting a higher level of Packages activities.

In the third quarter of 2011, operating income increased to $13.0 million, compared to an operating loss of $2.9 million in the third quarter of 2010, mainly due to an unfavourable cost reforecast on a Packages project in 2010. **For the first nine months of 2011, operating income was $50.7 million,** compared to $19.3 million in the corresponding period of 2010, mainly reflecting a higher gross margin-to-revenue ratio, primarily due to unfavourable cost reforecasts on certain Packages projects in 2010, as well as a higher level of activity in 2011.

7.1.3 – MINING & METALLURGY

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Revenues from Mining & Metallurgy				
Services	**$ 222.6**	$ 159.5	**$ 592.2**	$ 455.8
Packages	**33.1**	10.4	**74.3**	25.2
Total	**$ 255.7**	$ 169.9	**$ 666.5**	$ 481.0
Operating income from Mining & Metallurgy	**$ 29.8**	$ 16.9	**$ 46.3**	$ 43.1
Operating income over revenues from Mining & Metallurgy (%)	**11.7%**	9.9%	**6.9%**	9.0%

Mining & Metallurgy revenues in the third quarter of 2011 were $255.7 million, compared to $169.9 million for the corresponding period of 2010. **For the first nine months of 2011, revenues were $666.5 million,** compared to $481.0 million in the first nine months of 2010, primarily due to a higher level of Services activity.

Operating income was $29.8 million in the third quarter of 2011, compared to $16.9 million for the corresponding period of 2010. **For the first nine months of 2011, operating income was $46.3 million,** compared to $43.1 million in the first nine months of 2010, primarily reflecting a higher level of activity, partially offset by additional costs on one project in the first quarter of 2011.

7.1.4 – POWER

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Revenues from Power				
Services	**$ 74.3**	$ 80.1	**$ 195.0**	$ 232.3
Packages	**164.3**	58.0	**356.0**	107.8
Total	**$ 238.6**	$ 138.1	**$ 551.0**	$ 340.1
Operating income from Power:				
From a gain on disposal of certain technology solution assets	**$ –**	$ 22.8	**$ –**	$ 22.8
Excluding the gain on disposal of certain technology solution assets	**40.2**	25.1	**93.7**	66.3
Total	**$ 40.2**	$ 47.9	**$ 93.7**	$ 89.1
Operating income over revenues from Power (%)	**16.9%**	34.7%	**17.0%**	26.2%

Power revenues amounted to $238.6 million in the third quarter of 2011, compared to $138.1 million in the third quarter of 2010. **For the first nine months of 2011, revenues amounted to $551.0 million,** compared to $340.1 million in the corresponding period of 2010, mainly reflecting a higher level of Packages activity.

Operating income totalled $40.2 million in the third quarter of 2011, compared to $47.9 million for the corresponding quarter of 2010, or $25.1 million excluding the gain before taxes of $22.8 million from the disposal of certain technology solution assets in the third quarter of

2010. The increase, excluding the 2010 gain, mainly reflected a higher volume of Packages activity. **For the first nine months of 2011, operating income totalled $93.7 million,** compared to $89.1 million in the corresponding period of 2010, mainly reflecting a higher level of Packages activity, offset in large part by the 2010 gain mentioned above, while both nine-month periods reflected favourable cost reforecasts.

7.1.5 – OTHER INDUSTRIES

Other Industries combines projects in several industry sectors, namely agrifood, pharmaceuticals and biotechnology, sulphuric acid, as well as projects related to other industrial facilities not already identified as part of any other preceding segments.

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Revenues from Other Industries				
Services	**$ 31.2**	$ 26.8	**$ 107.8**	$ 81.4
Packages	**45.7**	45.5	**152.3**	116.5
Total	**$ 76.9**	$ 72.3	**$ 260.1**	$ 197.9
Operating income from Other Industries	**$ 10.1**	$ 5.0	**$ 29.9**	$ 15.3
Operating income over revenues from Other Industries (%)	**13.1%**	6.9%	**11.5%**	7.7%

Other Industries revenues were $76.9 million in the third quarter of 2011, compared to $72.3 million in the corresponding quarter of 2010. **For the first nine months of 2011, revenues were $260.1 million,** compared to $197.9 million in the first nine months of 2010, reflecting a higher level of activity in both revenue categories.

Operating income for the third quarter of 2011 was $10.1 million, compared to $5.0 million for the corresponding period of 2010. **For the first nine months of 2011, operating income was $29.9 million,** compared to $15.3 million in the first nine months of 2010, mainly reflecting a higher level of activity.

7.2 – O&M

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Revenues from O&M	**$ 308.3**	$ 308.1	**$ 1,016.8**	$ 946.8
Operating income from O&M	**$ 8.5**	$ 12.2	**$ 29.8**	$ 26.0
Operating income over revenues from O&M (%)	**2.8%**	4.0%	**2.9%**	2.7%

O&M revenues in the third quarter of 2011 were $308.3 million, in line with the third quarter of 2010. **For the first nine months of 2011, revenues were $1,016.8 million,** compared to $946.8 million in the corresponding period of 2010, mainly due to a higher level of activity in Canada.

Operating income decreased to $8.5 million in the third quarter of 2011, compared to $12.2 million for the third quarter of 2010, primarily due to higher general and administrative expenses. **For the first nine months of 2011, operating income amounted to $29.8 million**, compared to $26.0 million in the corresponding period of 2010, mainly reflecting a higher gross margin-to-revenue ratio, partially offset by higher general and administrative expenses.

7.3 – 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, which are grouped into the ICI segment and described in section 9.3 of the Company's 2010 Financial Report under "Management's Discussion and Analysis".

7.3.1 – NET BOOK VALUE OF ICI

Given the significant effect of ICI on the Company's consolidated statement of financial position, the Company provides additional information in Note 4 to its unaudited interim condensed consolidated financial statements for the third quarter of 2011 regarding the net book value of its ICI in accordance with the method accounted for in SNC-Lavalin's consolidated statement of financial position.

(IN MILLIONS OF CANADIAN DOLLARS)	**September 30 2011**	December 31 2010
ICI accounted for by the full consolidation method	**$ 651.9**	$ 441.5
ICI accounted for by the equity method	**346.2**	392.5
ICI accounted for by the cost method	**288.6**	234.4
Net book value of ICI	**$ 1,286.7**	$ 1,068.4

The Company estimates the fair value of its ICI to be significantly greater than their net book value, as reflected by the following events:

> In the fourth quarter of 2010, Cintra Infraestructuras S.A. ("Cintra"), one of SNC-Lavalin's co-shareholders in Highway 407, sold its 10% ownership interest in the total issued and outstanding shares of Highway 407 to a subsidiary of Canada Pension Plan Investment Board ("CPPIB") for $894.3 million. The value of the transaction between Cintra and CPPIB for Cintra's shares in Highway 407, when applied to the 16.77% share owned by the Company, would represent approximately $1.5 billion, while the net book value of the Company's investment was $nil as at September 30, 2011.

> In September 2011, SNC-Lavalin completed the acquisition of Macquarie Essential Assets Partnership's 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. The transaction increased the Company's ownership of AltaLink from 76.92% to 100%. The difference between the consideration paid and the carrying amount of the non-controlling interests at the date of acquisition is recognized as a reduction of equity attributable to SNC-Lavalin shareholders in accordance with IFRS. Upon this transaction, SNC-Lavalin also acquired from MEAP a debenture issued by one of the Company's subsidiaries, along with accrued interest, for a consideration of $51.1 million in cash. The difference between the amount paid to acquire the debenture, excluding accrued interest, and the carrying amount of the same debenture prior to the transaction resulted in a loss before taxes of $5.0 million ($3.8 million after taxes). Following the elimination of the non-recourse long-term debt at the consolidated level, the amount of non-recourse long-term debt is no longer presented on the consolidated statement of financial position and the related interest is no longer accruing after the transaction. Refer to Note 4A to the unaudited interim condensed consolidated financial statements for the third quarter of 2011 for more details on the AltaLink transaction. The value of the transaction for the 23.08% ownership interest in AltaLink, when applied to the 100% share owned by SNC-Lavalin, would represent $989.7 million, while the net book value of the Company's investment was $543.2 million as at September 30, 2011.

7.3.2 – OPERATING RESULTS OF THE ICI SEGMENT

(IN MILLIONS OF CANADIAN DOLLARS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2011	2010	**2011**	2010
Revenues from ICI	**$ 115.0**	$ 100.8	**$ 345.5**	$ 315.5
Operating income				
From Highway 407	**$ 13.8**	$ -	**$ 60.0**	$ 31.9
From other ICI	**11.8**	16.4	**31.7**	48.4
Operating income from ICI	**$ 25.6**	$ 16.4	**$ 91.7**	$ 80.3

The Company's investments are accounted for by either the cost, equity or full consolidation methods depending on whether SNC-Lavalin exercises, or not, significant influence, joint control or control. In evaluating the performance of the segment, the relationship between revenues and operating income, which equals net income for ICI, is not meaningful, as a significant portion of the investments are accounted for by the cost and equity methods, which do not reflect the line by line items of the individual ICI's financial results.

The ICI segment operating income increased to $25.6 million in the third quarter of 2011, compared to $16.4 million for the corresponding quarter of 2010, mainly reflecting the dividends from Highway 407, whereas there were no dividends from Highway 407 in the third quarter of 2010 because two dividend payments were received in the second quarter of 2010. The increase is partially offset by an after-tax loss of $3.8 million resulting from the acquisition of a subsidiary's debenture related to the AltaLink transaction, described in section 7.3.1. **Net income attributable to SNC-Lavalin shareholders from ICI increased to $91.7 million for the first nine months of 2011**, compared to $80.3 million for the corresponding period of 2010, mainly due to higher dividends from Highway 407, partially offset by the absence of contributions in the first nine months of 2011 from the Company's investments in Valener Inc. and Trencap Limited Partnership, which were sold in the fourth quarter of 2010, and by an after-tax loss of $3.8 million resulting from the acquisition of a subsidiary's debenture related to the AltaLink transaction.

8 – LIQUIDITY AND CAPITAL RESOURCES

This section has been prepared to provide the reader with a better understanding of the Company's liquidity and capital resources, and has been structured as follows:

- A review of the Company's **net cash position** and **freehold cash**;
- A **cash flow analysis**, providing details on how the Company generated and used cash and cash equivalents; and
- An assessment of the Company's **Return on Average Shareholders' Equity ("ROASE")**.

8.1 – NET CASH POSITION AND FREEHOLD CASH

Maintaining a strong statement of financial position with a net cash position sufficient to meet expected operating, investing and financing plans is a key financial objective.

The Company's **net cash position**, which is a non-IFRS financial measure, is arrived at by excluding cash and cash equivalents from ICI and its recourse debt from its cash and cash equivalents, and was as follows at:

(IN MILLIONS OF CANADIAN DOLLARS)	**September 30 2011**	December 31 2010
Cash and cash equivalents	**$ 1,000.6**	$ 1,235.1
Less:		
Cash and cash equivalents from ICI (1)	**19.8**	16.8
Recourse debt	**348.3**	348.2
Net cash position	**$ 632.5**	$ 870.1

(1) ICI accounted for by the full consolidation method.

The net cash position at September 30, 2011 was $632.5 million, compared to $870.1 million at December 31, 2010.

In addition to determining its net cash position, the Company estimates its **freehold cash**, a non-IFRS financial measure defined as the amount of cash and cash equivalents that is not committed for its operations, investments in ICI and balance of payment for past business acquisitions. As such, the freehold cash is derived from the cash and cash equivalents, excluding cash and cash equivalents from fully consolidated ICI at the end of the period, adjusted for estimated cash requirements to complete existing projects and the estimated net cash inflows from major ongoing projects upon their completion, as well as deducting the remaining commitments to invest in ICI, and the balance of payment for past business acquisitions.

The freehold cash was approximately $650 million as at September 30, 2011, compared to approximately $900 million as at December 31, 2010. The decrease mainly reflected the acquisition of MEAP's 23.08% ownership interest in AltaLink as well as the acquisition of a subsidiary's debenture, as part of the same transaction.

8.2 – CASH FLOW ANALYSIS

NINE MONTHS ENDED SEPTEMBER 30 (IN MILLIONS OF CANADIAN DOLLARS)	2011	2010
Cash flows generated from (used for):		
Operating activities	**$ 500.6**	$ 258.7
Investing activities	**(545.7)**	(443.6)
Financing activities	**(189.3)**	13.4
Decrease in exchange differences on translating cash and cash equivalents held in foreign operations	**(0.1)**	(10.4)
Net decrease in cash and cash equivalents	**(234.5)**	(181.9)
Cash and cash equivalents at beginning of period	**1,235.1**	1,191.4
Cash and cash equivalents at end of period	**$ 1,000.6**	$ 1,009.5

Cash and cash equivalents were $1,000.6 million at September 30, 2011, compared to $1,235.1 million at December 31, 2010, as discussed further below.

8.2.1 – CASH FLOWS RELATED TO OPERATING ACTIVITIES

Cash generated from operating activities was $500.6 million for the first nine months of 2011, compared to $258.7 million for the corresponding period of 2010. The variance was mainly due to:

> Cash generated by the change in non-cash working capital items of $57.4 million in the first nine months of 2011, compared to cash used by the change in non-cash working capital items

of $215.1 million for the corresponding period of 2010, primarily reflecting lower working capital requirements.

8.2.2 – CASH FLOWS RELATED TO INVESTING ACTIVITIES

Cash used for investing activities was $545.7 million for the first nine months of 2011, compared to $443.6 million for the corresponding period of 2010. The major investing activities were as follows:

> The acquisition of property and equipment from fully consolidated ICI used a total cash outflow of $344.9 million in the first nine months of 2011, compared to $308.4 million for the corresponding period of 2010, both due to AltaLink, mainly relating to capital expenditures for transmission projects.

> The increase in receivables under service concession arrangements was $65.6 million in the first nine months of 2011, compared to $31.1 million for the corresponding period of 2010, both mainly relating to Ovation Real Estate Group ("Ovation"). The recovery of receivables under service concession arrangements was $70.1 million in the first nine months of 2011, mainly relating to Ovation, while the amount for the corresponding period of 2010 was $11.8 million, mainly relating to Okanagan Lake Concession L.P.

> The cash outflow from the acquisition of businesses was $58.4 million in the first nine months of 2011, compared to $36.2 million for the corresponding period of 2010.

> The acquisition of property and equipment for Services, Packages, and O&M activities amounted to a total cash outflow of $48.1 million in the first nine months of 2011, compared to $27.3 million for the corresponding period of 2010.

> Payments for ICI amounted to $83.1 million in the first nine months of 2011, mainly reflecting payments for Astoria Project Partners II LLC, Ambatovy Nickel Project and Rayalseema Expressway Private Limited, compared to $34.8 million for the corresponding period of 2010.

8.2.3 – CASH FLOWS RELATED TO FINANCING ACTIVITIES

Cash used in financing activities was $189.3 million in the first nine months of 2011, compared to cash generated from financing activities of $13.4 million for the corresponding period of 2010. The major financing activities were as follows:

> The increase in non-recourse debt from ICI amounted to $202.4 million in the first nine months of 2011, compared to $250.5 million for the corresponding period of 2010. The lower level of issuance of non-recourse debt from ICI in the first nine months of 2011 compared to the

corresponding period of 2010 mainly relates to AltaLink. The repayment of non-recourse debt from ICI totalled $6.8 million in the first nine months of 2011 compared to $50.4 million for the corresponding period of 2010.

> The acquisition of MEAP's 23.08% ownership interest in AltaLink for a total consideration of $228.8 million in cash in the third quarter of 2011, as described in section 7.3.1. As part of that transaction, the Company also acquired a subsidiary's debenture for $50.0 million.
> The repayment of recourse debt from other activities was $nil in the first nine months of 2011 compared to $105.0 million for the corresponding period of 2010.
> Under its normal course issuer bid, the Company repurchased 649,400 shares and 391,400 shares for a total cash consideration of $36.1 million and $18.8 million during the first nine months of 2011 and 2010, respectively.
> The issuance of shares pursuant to the exercise of stock options generated $15.5 million in cash in the first nine months of 2011 (471,561 stock options at an average price of $32.83), compared to $10.0 million in the first nine months of 2010 (388,677 stock options at an average price of $25.74). As at October 26, 2011, there were 5,749,921 stock options outstanding. At that same date, there were 150,849,529 shares issued and outstanding.
> During the first nine months of 2011 and 2010, the Company paid dividends totalling $95.1 million and $77.0 million, respectively.

8.3 – DIVIDENDS DECLARED

On March 4, 2011, May 5, 2011, August 5, 2011 and November 4, 2011, the Board of Directors declared a quarterly cash dividend of $0.21 per share, payable April 1, 2011, June 2, 2011, September 2, 2011, and December 2, 2011, respectively, representing an increase of 23.5% compared to the dividend of $0.17 per share for the corresponding periods in 2010.

8.4 – RETURN ON AVERAGE SHAREHOLDERS' EQUITY ("ROASE")

ROASE, a non-IFRS financial measure, is a key performance indicator used to measure the Company's return on equity. ROASE, as calculated by the Company, corresponds to the trailing 12-month net income attributable to SNC-Lavalin shareholders, divided by a trailing 13-month average equity attributable to SNC-Lavalin shareholders, excluding "other components of equity". As discussed in section 4 of the Company's 2010 Financial Report under "Management's Discussion and Analysis", achieving a ROASE at least equal to the long-term Canada Bond Yield plus 600 basis points is a key financial objective for the Company.

ROASE was 24.0% for the 12-month period ended September 30, 2011, compared to 27.4% for the same period last year, and significantly higher than the Company's performance objective of 600 basis points above the long-term Canada Bond Yield for the period, totalling 9.5%.

8.5 – FINANCIAL INSTRUMENTS

The nature and extent of risks arising from financial instruments, and their related risk management, are described in Note 20 to the Company's 2010 annual audited consolidated financial statements. The changeover from Canadian generally accepted accounting principles ("GAAP") to IFRS had no impact on the nature and extent of risks arising from financial instruments, and their related risk management. In the first nine months of 2011, there was no material change to the nature of risks arising from financial instruments, related risk management or classification of financial instruments. Furthermore, there was no change in the methodology used to determine the fair value of the financial instruments that are measured at fair value on the Company's consolidated statement of financial position.

9 – 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.

10 – ACCOUNTING POLICIES AND CHANGES

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced the changeover from Canadian GAAP to IFRS for Canadian publicly accountable enterprises for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As such, starting from the first quarter of 2011, the Company's unaudited interim condensed consolidated financial statements are prepared in accordance with IAS 34, *Interim Financial Reporting*, and all 2010 comparative figures have been restated. See Note 14 to the Company's unaudited interim condensed consolidated financial statements for the third quarter of 2011 for quantitative reconciliations between Canadian GAAP and IFRS.

The Company established its accounting policies and methods used in the preparation of its unaudited interim condensed consolidated financial statements for the third quarter of 2011 in accordance with IFRS. See Note 2 to the Company's unaudited interim condensed consolidated financial statements for the first quarter of 2011 for more information about the significant accounting principles used to prepare the financial statements, as they remain unchanged for the third quarter of 2011.

The key assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the unaudited interim condensed consolidated financial statements and notes, were disclosed in the Company's unaudited interim condensed consolidated financial statements for the first quarter of 2011 and remain unchanged for the third quarter of 2011.

10.1 – 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-titeled 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.

11 – RISKS AND UNCERTAINTIES

Risks and uncertainties and risk management practices are described in section 14 of the Company's 2010 Financial Report under "Management's Discussion and Analysis". Risks and uncertainties and risk management practices have not been materially changed in the first nine months of 2011.

12 – QUARTERLY INFORMATION

(IN MILLIONS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND DIVIDENDS PER SHARE)	**2011**			2010				2009 (1)
	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER
Revenues	**$ 1,780.1**	$ 1,666.8	$ 1,640.8	$ 1,829.3	$ 1,513.0	$ 1,356.7	$ 1,311.3	$ 1,583.2
Net income attributable to SNC-Lavalin shareholders from ICI								
From Highway 407	**$ 13.8**	$ 32.3	$ 13.8	$ 18.4	$ –	$ 22.6	$ 9.2	$ 4.9
From other ICI	**11.8**	9.4	10.6	36.2	16.4	21.7	10.3	17.8
Net income attributable to SNC-Lavalin shareholders excluding ICI	**100.0**	59.0	49.5	108.6	111.7	74.8	64.6	76.0
Net income attributable to SNC-Lavalin shareholders	**125.6**	100.7	73.9	163.2	128.1	119.1	84.1	98.7
Net income attributable to non-controlling interests	**3.0**	2.7	2.7	2.9	1.5	3.8	2.6	–
Net income	**$ 128.6**	$ 103.4	$ 76.6	$ 166.1	$ 129.6	$ 122.9	$ 86.7	$ 98.7
Basic earnings per share ($)	**$ 0.83**	$ 0.67	$ 0.49	$ 1.08	$ 0.85	$ 0.79	$ 0.56	$ 0.65
Diluted earnings per share ($)	**$ 0.83**	$ 0.66	$ 0.49	$ 1.07	$ 0.84	$ 0.78	$ 0.55	$ 0.65
Dividends declared per share ($)	**$ 0.21**	$ 0.21	$ 0.21	$ 0.21	$ 0.17	$ 0.17	$ 0.17	$ 0.17

(1) The fourth quarter figures for 2009 have been prepared in accordance with Canadian GAAP, and have not been restated as they relate to a period prior to the Date of Transition (January 1st, 2010). The fourth quarter net income for 2009 is presented net of non-controlling interests, as they were considered an expense item under Canadian GAAP.

The most significant impacts of adopting IFRS related to: i) the presentation of the net income attributable to SNC-Lavalin shareholders separately from the net income attributable to non-controlling interests; ii) the accounting for the Company's ICI, accounted for under IFRIC 12; and iii) the accounting for its jointly controlled entities, accounted for under IAS 31. The transition to IFRS had a limited impact on the Company's other activities.

The Company did not restate its 2009 comparative figures. Non-controlling interests for the fourth quarter of 2009 totalling $4.2 million were recorded as an expense rather than an allocation of net income, while the estimated impact of IFRIC 12 and IAS 31, mainly attributable to the change of consolidation method for Highway 407, would have been, for the fourth quarter of 2009, a decrease in revenues of $12.9 million, and an increase in net income attributable to SNC-Lavalin shareholders of $7.6 million.

13 – CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

> Material information related to the company is made known to them, particularly during the period in which the interim filings were being prepared; and

> Information required to be disclosed in the Company's filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The CEO and CFO have also designed internal controls over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

There has been no change in the Company's internal control over financial reporting that occurred during the period beginning on July 1, 2011 and ended on September 30, 2011, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

14 – ADDITIONAL INFORMATION

The Company's quarterly and annual financial information, its Annual Information Form and other financial documents are available on the Company's website (www.snclavalin.com) as well as on SEDAR (www.sedar.com).