

SNC-Lavalin Group Inc.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	December 31 2011	December 31 2010
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 1,231,049	\$ 1,235,085
Restricted cash		39,354	39,369
Trade receivables		1,155,544	1,273,509
Contracts in progress		557,220	608,135
Other current financial assets		396,552	290,254
Other current assets		166,563	120,128
<b>Total current assets</b>		<b>3,546,282</b>	<b>3,566,480</b>
Property and equipment:			
From ICI	4	2,637,735	2,072,814
From other activities		159,883	115,189
ICI accounted for by the equity or cost methods	4	643,487	626,948
Goodwill		639,471	542,028
Deferred income tax asset		161,364	158,419
Non-current financial assets		412,258	313,295
Other non-current assets		153,521	125,607
<b>Total assets</b>		<b>\$ 8,354,001</b>	<b>\$ 7,520,780</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade payables		\$ 1,520,395	\$ 1,274,658
Downpayments on contracts		316,714	422,930
Deferred revenues		907,118	728,187
Other current financial liabilities		291,031	324,949
Other current liabilities		151,689	97,106
Short-term debt and current portion of long-term debt:			
Non-recourse from ICI	4	327,381	38,762
<b>Total current liabilities</b>		<b>3,514,328</b>	<b>2,886,592</b>
Long-term debt:			
Recourse		348,369	348,204
Non-recourse from ICI	4	1,561,377	1,529,024
Other non-current financial liabilities		130,744	76,397
Provisions		224,834	177,087
Other non-current liabilities		486,217	432,183
Deferred income tax liability		201,416	151,861
<b>Total liabilities</b>		<b>6,467,285</b>	<b>5,601,348</b>
<b>Equity</b>			
Share capital		455,682	424,935
Retained earnings		1,543,199	1,459,323
Other components of equity	11	(115,813)	(67,480)
Equity attributable to SNC-Lavalin shareholders		1,883,068	1,816,778
Non-controlling interests		3,648	102,654
<b>Total equity</b>		<b>1,886,716</b>	<b>1,919,432</b>
<b>Total liabilities and equity</b>		<b>\$ 8,354,001</b>	<b>\$ 7,520,780</b>

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(UNAUDITED)

YEAR ENDED DECEMBER 31  
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER  
OF COMMON SHARES)

OF COMMON SHARES)					2011		
Equity attributable to SNC-Lavalin shareholders						Non-controlling interests	Total equity
Share Capital							
Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 11)	Total			
Balance at beginning of year	151,034	\$ 424,935	\$ 1,459,323	\$ (67,480)	\$ 1,816,778	\$ 102,654	\$ 1,919,432
Net income	—	—	378,800	—	378,800	8,542	387,342
Other comprehensive income (loss)	—	—	(11,747)	(45,565)	(57,312)	702	(56,610)
Total comprehensive income	—	—	367,053	(45,565)	321,488	9,244	330,732
Dividends declared (Note 10)	—	—	(126,750)	—	(126,750)	—	(126,750)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(827)	(827)
Stock option compensation (Note 8A)	—	—	15,411	—	15,411	—	15,411
Shares issued under stock option plans	820	33,219	(6,283)	—	26,936	—	26,936
Shares redeemed and cancelled	(820)	(2,472)	(41,799)	—	(44,271)	—	(44,271)
Acquisition of non-controlling interests of AltaLink (Note 4A)	—	—	(124,353)	(2,768)	(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 year	151,034	\$ 455,682	\$ 1,543,199	\$ (115,813)	\$ 1,883,068	\$ 3,648	\$ 1,886,716

YEAR ENDED DECEMBER 31  
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER  
OF COMMON SHARES)

2010							
Equity attributable to SNC-Lavalin shareholders						Non-controlling interests	Total equity
Share Capital			Retained earnings	Other components of equity (Note 11)	Total		
Common shares (in thousands)	Amount						
Balance at beginning of year	151,033	\$ 397,735	\$ 1,124,508	\$ (4,035)	\$ 1,518,208	\$ 81,485	\$ 1,599,693
Net income	—	—	476,666	—	476,666	10,723	487,389
Other comprehensive income (loss)	—	—	(1,083)	(63,445)	(64,528)	770	(63,758)
Total comprehensive income	—	—	475,583	(63,445)	412,138	11,493	423,631
Dividends declared (Note 10)	—	—	(102,706)	—	(102,706)	—	(102,706)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(1,796)	(1,796)
Stock option compensation (Note 8A)	—	—	12,736	—	12,736	—	12,736
Shares issued under stock option plans	903	29,737	(5,392)	—	24,345	—	24,345
Shares redeemed and cancelled	(902)	(2,537)	(45,406)	—	(47,943)	—	(47,943)
Capital contributions by non-controlling interests	—	—	—	—	—	11,472	11,472
Balance at end of year	151,034	\$ 424,935	\$ 1,459,323	\$ (67,480)	\$ 1,816,778	\$ 102,654	\$ 1,919,432

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)

		FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	Note	2011	2010	2011	2010
<b>Revenues by activity:</b>					
Services		\$ 795,245	\$ 601,338	\$ 2,437,778	\$ 2,053,787
Packages		784,544	683,454	2,871,530	2,137,421
O&M		382,458	383,619	1,399,197	1,330,459
ICI		155,851	156,745	501,366	472,274
		<b>2,118,098</b>	<b>1,825,156</b>	<b>7,209,871</b>	<b>5,993,941</b>
Direct cost of activities		1,799,163	1,423,778	5,957,735	4,692,964
<b>Gross margin</b>		<b>318,935</b>	<b>401,378</b>	<b>1,252,136</b>	<b>1,300,977</b>
Selling, general and administrative expenses		184,851	173,199	654,691	581,699
Net financial expenses	6	30,630	29,462	115,211	111,075
<b>Income before income tax expense</b>		<b>103,454</b>	<b>198,717</b>	<b>482,234</b>	<b>608,203</b>
Income tax expense		27,328	37,148	94,892	120,814
<b>Net income for the period</b>		<b>\$ 76,126</b>	<b>\$ 161,569</b>	<b>\$ 387,342</b>	<b>\$ 487,389</b>
<b>Net income attributable to:</b>					
SNC-Lavalin shareholders		\$ 75,989	\$ 158,703	\$ 378,800	\$ 476,666
Non-controlling interests		137	2,866	8,542	10,723
<b>Net income for the period</b>		<b>\$ 76,126</b>	<b>\$ 161,569</b>	<b>\$ 387,342</b>	<b>\$ 487,389</b>
<b>Earnings per share (in \$)</b>					
Basic		\$ 0.50	\$ 1.05	\$ 2.51	\$ 3.16
Diluted		\$ 0.50	\$ 1.04	\$ 2.49	\$ 3.13
<b>Weighted average number of outstanding shares (in thousands)</b>	9				
Basic		150,924	151,187	150,897	151,020
Diluted		151,645	152,454	151,940	152,277

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(UNAUDITED)

THREE MONTHS ENDED DECEMBER 31  
(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	\$ 75,989	\$ 137	\$ 76,126	\$ 158,703	\$ 2,866	\$ 161,569
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 11)	(5,471)	1	(5,470)	(2,203)	(29)	(2,232)
Available-for-sale financial assets (Note 11)	649	–	649	(35,930)	–	(35,930)
Cash flow hedges (Note 11)	30,256	–	30,256	5,138	224	5,362
Defined benefit pension plans and other post-employment benefits	(15,110)	–	(15,110)	(784)	–	(784)
Share of other comprehensive income of investments accounted for by the equity method (Note 11)	13,790	–	13,790	29,226	–	29,226
Income tax expense relating to components of other comprehensive income	(5,823)	–	(5,823)	(6,378)	–	(6,378)
Total other comprehensive income (loss) for the period	18,291	1	18,292	(10,931)	195	(10,736)
<b>Total comprehensive income for the period</b>	<b>\$ 94,280</b>	<b>\$ 138</b>	<b>\$ 94,418</b>	<b>\$ 147,772</b>	<b>\$ 3,061</b>	<b>\$ 150,833</b>

YEAR ENDED DECEMBER 31  
(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	\$ 378,800	\$ 8,542	\$ 387,342	\$ 476,666	\$ 10,723	\$ 487,389
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 11)	(11,951)	39	(11,912)	(21,077)	(116)	(21,193)
Available-for-sale financial assets (Note 11)	212	–	212	(11,456)	–	(11,456)
Cash flow hedges (Note 11)	(11,859)	663	(11,196)	(16,408)	886	(15,522)
Defined benefit pension plans and other post-employment benefits (Note 11)	(16,033)	–	(16,033)	(1,442)	–	(1,442)
Share of other comprehensive loss of investments accounted for by the equity method (Note 11)	(42,863)	–	(42,863)	(27,250)	–	(27,250)
Income tax benefit relating to components of other comprehensive loss (Note 11)	25,182	–	25,182	13,105	–	13,105
Total other comprehensive income (loss)	(57,312)	702	(56,610)	(64,528)	770	(63,758)
<b>Total comprehensive income</b>	<b>\$ 321,488</b>	<b>\$ 9,244</b>	<b>\$ 330,732</b>	<b>\$ 412,138</b>	<b>\$ 11,493</b>	<b>\$ 423,631</b>

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)		FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	Note	2011	2010	2011	2010
<b>Operating activities</b>					
Net income for the period		\$ 76,126	\$ 161,569	\$ 387,342	\$ 487,389
Adjustments to reconcile net income to cash flows from operating activities:					
Depreciation of property and equipment and amortization of other non-current assets:					
From ICI		31,279	26,064	93,099	86,879
From other activities		13,429	10,235	45,378	39,664
Income tax expense recognized in net income		27,328	37,148	94,892	120,814
Income taxes received (paid)		(6,031)	22,619	(14,145)	(2,397)
Net financial expenses recognized in net income	6	30,630	29,462	115,211	111,075
Interest received (paid):					
From ICI		(32,448)	(28,490)	(91,072)	(78,287)
From other activities		405	(1,161)	(21,507)	(32,784)
Expense recognized in respect of stock options	8A	2,181	1,982	15,411	12,736
Expense recognized in respect of cash-settled share-based payment arrangements	8B	2,688	1,409	8,938	5,523
Income from ICI accounted for by the equity method		(22,164)	(22,471)	(102,827)	(76,897)
Net gain on disposals of ICI, before taxes		—	(29,567)	—	(29,567)
Other		(12,299)	(37)	(42,178)	(6,491)
Dividends and distributions received from ICI accounted for by the equity method		19,521	19,323	89,372	51,904
		130,645	228,085	577,914	689,561
Net change in non-cash working capital items	12	288,450	13,329	341,755	(189,480)
Net cash generated from operating activities		419,095	241,414	919,669	500,081
<b>Investing activities</b>					
Acquisition of property and equipment:					
From ICI		(200,917)	(93,624)	(545,781)	(402,013)
From other activities		(19,112)	(18,743)	(67,224)	(46,032)
Payments for ICI		(18,071)	(57,905)	(101,138)	(92,728)
Recovery from ICI		16,055	—	16,055	—
Acquisition of businesses		(82,014)	(2,992)	(140,399)	(39,164)
Proceeds from disposals of ICI		—	176,934	—	176,934
Increase in receivables under service concession arrangements		(18,152)	(17,922)	(83,735)	(48,999)
Recovery of receivables under service concession arrangements		(1,824)	3,937	68,255	15,698
Other		6,045	(22,022)	(9,670)	(39,589)
Net cash used for investing activities		(317,990)	(32,337)	(863,637)	(475,893)
<b>Financing activities</b>					
Repayment of debt:					
Non-recourse from ICI		(874)	(91,817)	(7,683)	(142,263)
Recourse from other activities		—	—	—	(105,000)
Acquisition of a subsidiary's debenture related to the AltaLink transaction	4A	—	—	(50,000)	—
Increase in non-recourse debt from ICI		172,356	150,122	374,792	400,646
Proceeds from exercise of stock options		11,457	14,340	26,936	24,345
Redemption of shares		(8,194)	(29,116)	(44,271)	(47,943)
Dividends paid to SNC-Lavalin shareholders	10	(31,700)	(25,724)	(126,750)	(102,706)
Acquisition of non-controlling interests of AltaLink <sup>1</sup>	4A	—	—	(228,816)	—
Other		(10,570)	709	(976)	4,790
Net cash generated from (used for) financing activities		132,475	18,514	(56,768)	31,869
Decrease in exchange differences on translating cash and cash equivalents held in foreign operations		(3,165)	(1,997)	(3,300)	(12,370)
Net increase (decrease) in cash and cash equivalents		230,415	225,594	(4,036)	43,687
Cash and cash equivalents at beginning of period		1,000,634	1,009,491	1,235,085	1,191,398
Cash and cash equivalents at end of period		\$ 1,231,049	\$ 1,235,085	\$ 1,231,049	\$ 1,235,085

Supplementary cash flow information

12

<sup>1</sup> 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 **investing activities**.

See accompanying notes to interim condensed consolidated financial statements.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

NOTE	PAGE
1. DESCRIPTION OF BUSINESS	12
2. BASIS OF PREPARATION	12
3. SEGMENT DISCLOSURES	14
4. INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI")	16
5. ACQUISITION OF BUSINESSES	19
6. NET FINANCIAL EXPENSES	21
7. PENSION PLANS	21
8. SHARE-BASED PAYMENTS	22
9. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES	22
10. DIVIDENDS	22
11. OTHER COMPONENTS OF EQUITY	23
12. SUPPLEMENTARY CASH FLOW INFORMATION	25
13. RELATED PARTY TRANSACTIONS	25
14. FIRST-TIME ADOPTION OF IFRS	26
15. CONTINGENT LIABILITIES	40
16. SUBSEQUENT EVENTS	41

## 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 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 consolidated financial statements for the year ended December 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 consolidated financial statements for the year ended December 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 consolidated financial statements for the year ended December 31, 2011.

The Company’s financial statements have been prepared on the historical cost basis, with the exception of i) certain financial instruments, derivative financial instruments and liabilities for cash-settled share-based payment arrangements, which are measured at fair value; and ii) defined benefit liability, which is measured as the net total of the present value of the defined benefit obligation minus the fair value of plan assets. 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 2010 annual financial statements. Accordingly, they do not include all of the information required for annual financial statements and should be read in conjunction with the Company’s 2010 audited annual consolidated financial statements.

The Company’s interim condensed consolidated financial statements were authorized for issue by the Board of Directors on March 25, 2012.

## 2. BASIS OF PREPARATION (CONTINUED)

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

The following standards and amendments to 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 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 following standard has been issued and is applicable to the Company for its annual periods beginning on or after January 1, 2015, with earlier application permitted:

- IFRS 9, *Financial Instruments*, covers the classification and measurement of financial assets and financial liabilities.

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 (loss) according to the Company's segments:

	FOURTH QUARTER				YEAR ENDED DECEMBER 31			
	2011		2010		2011		2010	
	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME
<b>Services and Packages</b>								
Infrastructure & Environment	\$ 519,844	\$ (6,094)	\$ 560,203	\$ 63,022	\$ 1,945,147	\$ 46,801	\$ 1,807,120	\$ 221,320
Hydrocarbons & Chemicals <sup>1</sup>	249,004	(23,497)	248,124	(248)	1,075,559	33,747	888,653	21,770
Mining & Metallurgy	355,468	34,345	202,877	16,406	1,022,006	80,611	683,821	59,547
Power <sup>2</sup>	343,100	25,878	156,421	27,262	894,081	119,637	496,565	116,367
Other Industries	112,373	13,319	117,167	23,290	372,515	43,228	315,049	38,621
<b>O&amp;M</b>	382,458	20,368	383,619	13,421	1,399,197	50,136	1,330,459	39,432
<b>ICI</b> <sup>3</sup>	155,851	39,494	156,745	54,611	501,366	131,215	472,274	134,896
	<b>\$ 2,118,098</b>	<b>103,813</b>	<b>\$ 1,825,156</b>	<b>197,764</b>	<b>\$ 7,209,871</b>	<b>505,375</b>	<b>\$ 5,993,941</b>	<b>631,953</b>
Reversal of items included above:								
Imputed interest benefit		(6,443)		(1,339)		(29,058)		(22,886)
Net financial expenses from ICI		30,810		24,497		99,731		85,094
Income tax expense from ICI		5,637		4,686		12,644		14,428
Non-controlling interests before income tax expense		267		2,571		8,753		10,689
Income before net financial expenses and income tax expense		134,084		228,179		597,445		719,278
Net financial expenses (Note 6)		30,630		29,462		115,211		111,075
Income before income tax expense		103,454		198,717		482,234		608,203
Income tax expense		27,328		37,148		94,892		120,814
<b>Net income for the period</b>	<b>\$ 76,126</b>		<b>\$ 161,569</b>		<b>\$ 387,342</b>		<b>\$ 487,389</b>	
<b>Net income attributable to:</b>								
SNC-Lavalin shareholders	\$ 75,989		\$ 158,703		\$ 378,800		\$ 476,666	
Non-controlling interests	137		2,866		8,542		10,723	
<b>Net income for the period</b>	<b>\$ 76,126</b>		<b>\$ 161,569</b>		<b>\$ 387,342</b>		<b>\$ 487,389</b>	

<sup>1</sup> Previously Chemicals & Petroleum.

<sup>2</sup> In 2010, SNC-Lavalin 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 2010.

<sup>3</sup> In 2010, SNC-Lavalin sold all of its interests in Trencap Limited Partnership and Valener Inc. (Note 4B). The transactions resulted in a net gain after taxes of \$26.1 million included in "ICI" in 2010.

### 3. SEGMENT DISCLOSURES (CONTINUED)

The Company also discloses in the table below under "Supplementary Information" its dividends from 407 International Inc. ("Highway 407"), separately from its net income attributable to SNC-Lavalin shareholders from other ICI, from other activities and from net gains on disposals as this information is useful in assessing the value of the Company's share price.

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2011	2010	2011	2010
<b>Supplementary information:</b>				
Net income attributable to SNC-Lavalin shareholders from ICI:				
From Highway 407	\$ 17,193	\$ 18,452	\$ 77,161	\$ 50,323
From other ICI:				
From a net gain on disposal of Trencap Limited Partnership and Valener Inc. <sup>1</sup>	—	26,125	—	26,125
Excluding the net gain on disposal of Trencap Limited Partnership and Valener Inc.	22,301	10,034	54,054	58,448
Net income attributable to SNC-Lavalin shareholders excluding ICI: <sup>2</sup>				
From a gain on disposal of certain technology solution assets	—	—	—	19,625
Excluding the gain on disposal of certain technology solution assets	36,495	104,092	247,585	322,145
<b>Net income attributable to SNC-Lavalin shareholders for the period</b>	<b>\$ 75,989</b>	<b>\$ 158,703</b>	<b>\$ 378,800</b>	<b>\$ 476,666</b>

<sup>1</sup> In 2010, SNC-Lavalin sold all of its interests in Trencap Limited Partnership and Valener Inc. (Note 4B). The transactions resulted in a net gain after taxes of \$26.1 million included in "ICI" in 2010.

<sup>2</sup> In 2010, SNC-Lavalin 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 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
Joint control	Equity method
Control	Full consolidation method

### Accounting model

TYPE OF CONCESSION	ACCOUNTING MODEL
ICI 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
ICI outside the scope of application of IFRIC 12	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 the Rayalseema Expressway Private Limited (“REPL”) concession, which is accounted for under the intangible asset model, and the Société d’Exploitation de l’Aéroport de Mayotte S.A.S. concession, which is accounted for under the bifurcated 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 INCREASED OWNERSHIP INTEREST IN ICI

#### I) IN 2011

##### MAYOTTE DAOUDZI AIRPORT

In April 2011, Société d’Exploitation de l’Aéroport de Mayotte S.A.S., a wholly-owned subsidiary of the Company, entered into an agreement with the French government to upgrade the infrastructure and build a new terminal building for the Mayotte airport, on a French island located in the Indian Ocean. Société d’Exploitation de l’Aéroport de Mayotte S.A.S. also has the mandate to manage and maintain the airport, in addition to assuming the commercial development, for a 15-year period. The Company committed to invest in this ICI an amount of €10.6 million (approximately \$14 million) in equity.

##### 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. As part of the transaction, SNC-Lavalin recognized an additional \$9.1 million of deferred income 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 income 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

#### 4. INFRASTRUCTURE CONCESSION INVESTMENTS (“ICI”) (CONTINUED)

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.

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	<b>\$ 110,813</b>
Carrying amount of debenture and accrued interest acquired by SNC-Lavalin and eliminated at consolidated level	<b>46,062</b>
Net increase in SNC-Lavalin’s ownership interest in AltaLink	<b>156,875</b>
Carrying amount of SNC-Lavalin’s 76.92% ownership interest in AltaLink, excluding carrying amount of non-controlling interests	<b>370,859</b>
Carrying amount of SNC-Lavalin’s 100% ownership interest in AltaLink, after the acquisition	<b>\$ 527,734</b>

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’s investment in Rainbow is accounted for by the full consolidation method.

##### **II) IN 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.

#### 4. INFRASTRUCTURE CONCESSION INVESTMENTS (“ICI”) (CONTINUED)

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 then an amount of \$36.7 million in equity and subordinated debt. SNC-Lavalin’s investment in REPL is accounted for by the equity method.

#### **B) DISPOSALS OF ICI**

##### **I) IN 2010**

##### **VALENER INC. (PREVIOUSLY GAZ MÉTRO LIMITED PARTNERSHIP)**

In October 2010, SNC-Lavalin had entered into an agreement with a group of financial institutions to sell all of its 10.07% equity interest in Valener Inc. (“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 had entered into an agreement with Caisse de dépôt et placement du Québec to sell all of its 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:

AT DECEMBER 31	2011	2010
Cash and cash equivalents	\$ 30,901	\$ 16,757
Restricted cash	2,365	8,235
Trade receivables, other current financial assets and other current assets	101,989	64,813
Property and equipment	2,637,735	2,072,814
Goodwill	203,786	203,786
Non-current financial assets	366,869	294,851
Other non-current assets	115,038	87,425
<b>Total assets</b>	<b>3,458,683</b>	<b>2,748,681</b>
Trade payables, deferred revenues, other current financial liabilities and other current liabilities	246,599	142,560
Non-recourse short-term debt and current portion of non-recourse long-term debt	327,381	38,762
Non-recourse long-term debt	1,561,377	1,529,024
Other non-current financial liabilities	113,958	69,932
Provisions and other non-current liabilities	487,510	428,796
Non-controlling interests	–	98,172
<b>Total liabilities and non-controlling interests</b>	<b>2,736,825</b>	<b>2,307,246</b>
<b>Net assets from ICI accounted for by the full consolidation method</b>	<b>\$ 721,858</b>	<b>\$ 441,435</b>
Net book value of ICI accounted for by the equity method	\$ 350,246	\$ 392,528
Net book value of ICI accounted for by the cost method	293,241	234,420
Net book value of ICI accounted for by the equity or cost methods	\$ 643,487	\$ 626,948
<b>Total net book value of ICI</b>	<b>\$ 1,365,345</b>	<b>\$ 1,068,383</b>

## 5. ACQUISITION OF BUSINESSES

### A) BUSINESSES ACQUIRED

**In 2011, SNC-Lavalin completed the following business acquisitions, which added approximately 2,900 people to its workforce:**

In May 2011, Groupe Stavibel, a multidisciplinary consulting engineering firm based in Abitibi-Témiscamingue, Quebec. Groupe Stavibel provides engineering consulting expertise in numerous fields of activity in the buildings, infrastructure, transport, mining, and environment sectors. The firm has approximately 300 permanent employees working in several offices throughout Abitibi-Témiscamingue and in the Greater Montreal area.

In June 2011, Aqua Data, a company of about 100 employees specializing in the computerized diagnosis and analysis of water distribution systems and wastewater collection systems for municipal, commercial and industrial clients. Formerly a subsidiary of Gaz Métro, Aqua Data has clients in Quebec, Ontario, the Maritimes and the United States. Its head office is in Pincourt, Quebec, near Montreal.

In July 2011, MDH Engineered Solutions, an engineering consulting and research firm based in Saskatoon, Saskatchewan. MDH Engineered Solutions provides geo-environmental, geotechnical, hydrogeological and environmental engineering consulting services to the mining, oil and gas, transportation, utility and government sectors. The firm has approximately 175 permanent employees working in offices in Saskatoon, Regina, Prince Albert and Esterhazy, Saskatchewan, and in Edmonton and Fort McMurray, Alberta.

In October 2011, Candu Energy Inc., a wholly-owned subsidiary of the Company, acquired certain assets of Atomic Energy of Canada Limited's ("AECL") commercial reactor division. Approximately 1,400 employees transitioned from AECL to Candu Energy Inc. In addition to the acquisition, Candu Energy Inc. will work towards completing the Enhanced CANDU reactor (EC6) development program.

In October 2011, Interfleet Technology ("Interfleet"), an international rail technology consultancy group headquartered in Derby, United Kingdom. Interfleet specializes in rolling stock, railway systems, and strategic railway management and is well-known for its detailed understanding of both national rail systems and international best-practice. Interfleet has approximately 600 employees in 22 locations. Interfleet serves public and private clients around the world from its offices in United Kingdom, Scandinavia, Central Europe, Australasia, India and North America.

In December 2011, Arcturus Realty Corporation ("Arcturus"), an entity that manages over 35 million square feet of office, retail and industrial properties in Canada. With over 350 employees, Arcturus provides a comprehensive scope of real estate services including property management, leasing, development advisory services and facilities management. Its client base consists of financial institutions, insurance companies, major retailers, public sector and private investors.

In December 2011, Harder Associates Engineering Consulting, an engineering consulting firm based in Fort St. John, British Columbia. Harder Associates Engineering Consulting provides consulting services in construction, upstream oil and gas, and environmental and geotechnical fields. The firm has 16 employees working in offices in Fort St. John and Fort Nelson, British Columbia, and Grande Prairie, Alberta.

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

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

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

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

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

## 5. ACQUISITION OF BUSINESSES (CONTINUED)

### B) ALLOCATION OF PURCHASE PRICE

These acquisitions have been accounted for using the acquisition method and consolidated from the effective date of acquisition. All business acquisitions completed by SNC-Lavalin in 2011 and 2010 were for 100% of the voting shares, except for the acquisition of certain assets of AECL in October 2011.

The purchase price for these business acquisitions, subject to final adjustments, was \$131.4 million (2010: \$39.1 million), net of cash and cash equivalents existing in these businesses at the time of acquisition of \$2.5 million (2010: \$9.9 million). The allocation of the purchase price to acquire these businesses and the total cash consideration paid were as follows:

YEAR ENDED DECEMBER 31	2011	2010
Cash and cash equivalents	\$ 2,530	\$ 9,896
Trade receivables and other current assets	79,908	27,230
Contracts in progress	11,870	171
Property and equipment	24,970	1,767
Other non-current assets	3,448	1,188
Trade payables	(39,279)	(16,389)
Other liabilities assumed	(55,130)	(3,402)
Net identifiable assets of businesses acquired	28,317	20,461
Goodwill	105,653	28,576
Total purchase price	133,970	49,037
Less: Cash and cash equivalents at acquisition	2,530	9,896
Total purchase price, net of cash and cash equivalents at acquisition	131,440	39,141
Less: Balance of purchase price payable in future years	18,455	19,195
Cash consideration paid for businesses acquired in the year	112,985	19,946
Plus: Balance of purchase price from previous years paid in current year	27,414	19,218
Cash consideration paid for acquisition of businesses presented on consolidated statements of cash flows	\$ 140,399	\$ 39,164

### C) GOODWILL ARISING ON BUSINESS ACQUISITIONS

Goodwill arose in the business combinations because the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognized separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

### D) BUSINESS ACQUISITION COSTS

For the year ended December 31, 2011, business acquisition costs of \$4.0 million (2010: \$1.6 million) related to the transactions described above and were included in the selling, general and administrative expenses in the consolidated income statement.

### E) IMPACT OF BUSINESS ACQUISITIONS ON THE RESULTS OF SNC-LAVALIN

SNC-Lavalin's consolidated revenues and net income attributable to SNC-Lavalin shareholders in 2011 included approximately \$142.1 million and \$9.2 million, respectively, from business acquisitions completed in 2011. Had 2011 business acquisitions all occurred on January 1, 2011, SNC-Lavalin's pro-forma consolidated revenues and net income attributable to SNC-Lavalin shareholders would have been approximately \$7,542.1 million and \$397.9 million, respectively. These pro-forma figures have been estimated based on the results of the acquired businesses prior to being purchased by SNC-Lavalin, adjusted to reflect the Company's accounting policies when significant differences existed, and should not be viewed as indicative of SNC-Lavalin's future results.

## 6. NET FINANCIAL EXPENSES

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2011	2010	2011	2010
Interest revenues:				
From ICI	\$ (1,791)	\$ (44)	\$ (7,139)	\$ (105)
From other activities	(2,565)	(2,774)	(10,158)	(6,646)
Interest on debt:				
Recourse	5,507	5,456	21,879	27,754
Non-recourse from ICI:				
AltaLink	29,646	21,301	87,862	71,829
Other	1,947	2,167	7,947	8,609
Other:				
From ICI <sup>1</sup>	1,008	1,073	11,061	4,761
From other activities	(3,122)	2,283	3,759	4,873
<b>Net financial expenses</b>	<b>\$ 30,630</b>	<b>\$ 29,462</b>	<b>\$ 115,211</b>	<b>\$ 111,075</b>

<sup>1</sup> In 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).

## 7. 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 \$0.6 million for the fourth quarter of 2011 (fourth quarter of 2010: \$0.2 million) and \$1.5 million for the year ended December 31, 2011 (2010: \$4.7 million).



## 8. SHARE-BASED PAYMENTS

### A) STOCK OPTIONS

The stock option compensation cost recorded as an expense in the fourth quarter and year ended December 31, 2011 was \$2.2 million (fourth quarter of 2010: \$2.0 million) and \$15.4 million (2010: \$12.7 million), respectively. The following table presents the weighted average assumptions used to determine the stock option compensation cost, using the Black-Scholes option pricing model:

	FOURTH QUARTER (*)		YEAR ENDED DECEMBER 31	
	2011	2010	2011	2010
Risk-free interest rate	—	2.21%	<b>2.15%</b>	2.47%
Expected stock price volatility	—	35.64%	<b>34.78%</b>	36.64%
Expected option life	—	4 years	<b>4 years</b>	4 years
Expected dividend yield	—	1.00%	<b>1.00%</b>	1.00%

(\*) There are no figures for the fourth quarter of 2011 as no stock options were granted to employees during that period.

During the fourth quarter of 2011, no stock options were granted (fourth quarter of 2010: 12,000 stock options with a weighted average fair value of \$16.26 per stock option). For the year ended December 31, 2011, the Company granted 1,119,200 stock options (2010: 1,110,500 stock options) to employees with a weighted average fair value of \$15.04 per stock option (2010: \$15.50 per stock option).

As at December 31, 2011, 5,357,515 stock options were outstanding (December 31, 2010: 5,126,117 stock options), while 1,188,300 stock options remained available for future grants under the 2011 stock option plan (December 31, 2010: 548,516 stock options remained available under the 2009 Stock Option Plan).

### B) CASH-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

YEAR ENDED DECEMBER 31	2011		2010	
	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER UNIT (IN DOLLARS)	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER UNIT (IN DOLLARS)
2009 PSU plan	<b>35,734</b>	<b>\$ 55.00</b>	31,322	\$ 52.40
2009 DSU plan	<b>36,516</b>	<b>\$ 54.98</b>	34,027	\$ 52.40
RSU plan	<b>91,678</b>	<b>\$ 55.07</b>	84,507	\$ 52.86
DSU plan	<b>24,717</b>	<b>\$ 52.85</b>	22,037	\$ 48.82

The compensation expense recorded in the fourth quarter and year ended December 31, 2011 was \$2.7 million (fourth quarter of 2010: \$1.4 million) and \$8.9 million (2010: \$5.5 million), respectively.

## 9. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the fourth quarters and the years ended December 31, 2011 and 2010 used to calculate the basic and diluted earnings per share were as follows:

(IN THOUSANDS)	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2011	2010	2011	2010
Weighted average number of outstanding shares - basic	<b>150,924</b>	151,187	<b>150,897</b>	151,020
Dilutive effect of stock options	<b>721</b>	1,267	<b>1,043</b>	1,257
Weighted average number of outstanding shares - diluted	<b>151,645</b>	152,454	<b>151,940</b>	152,277

In the year ended December 31, 2011, 2,186,950 outstanding stock options have not been included in the computation of diluted earnings per share because they were anti-dilutive (2010: 1,095,250 outstanding stock options).

## 10. DIVIDENDS

During the year ended December 31, 2011, the Company recognized as distributions to its equity shareholders dividends of \$126.8 million or \$0.84 per share (2010: \$102.7 million or \$0.68 per share).

## 11. OTHER COMPONENTS OF EQUITY

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

AT DECEMBER 31	2011	2010
Exchange differences on translating foreign operations	\$ (33,028)	\$ (21,077)
Available-for-sale financial assets	1,538	1,317
Cash flow hedges	(24,375)	(15,920)
Share of other comprehensive loss of investments accounted for by the equity method	(59,948)	(31,800)
<b>Other components of equity</b>	<b>\$ (115,813)</b>	<b>\$ (67,480)</b>

- 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.
- 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 revalued financial asset is impaired, the portion of the component that relates to that financial asset is recognized in net income.
- Cash flow hedges component represents hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in net income when the hedged transaction impacts net income, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.
- Share of other comprehensive income (loss) of investments accounted for by the equity method component represents the Company's proportionate share of the other comprehensive income (loss) from its investments accounted for by the equity method.

## 11. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the fourth quarters and the years ended December 31, 2011 and 2010:

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2011	2010	2011	2010
Exchange differences on translating foreign operations:				
Balance at beginning of period	\$ (27,557)	\$ (18,874)	\$ (21,077)	\$ –
Current period losses	(5,471)	(2,203)	(11,951)	(21,077)
Balance at end of period	(33,028)	(21,077)	(33,028)	(21,077)
Available-for-sale financial assets:				
Balance at beginning of period	955	32,095	1,317	11,215
Current period gains (losses)	649	(6,363)	1,395	18,111
Income tax benefit (expense) relating to current period gains (losses)	(66)	1,710	(151)	(1,884)
Reclassification to net income	-	(29,567)	(1,183)	(29,567)
Income tax expense relating to amounts reclassified to net income	-	3,442	160	3,442
Balance at end of period	1,538	1,317	1,538	1,317
Cash flow hedges:				
Balance at beginning of period	(49,981)	(20,664)	(15,920)	(1,136)
Current period gains (losses)	30,056	30,282	(7,618)	38,519
Income tax benefit (expense) relating to current period gains (losses)	(5,881)	(6,118)	2,632	(18,743)
Reclassification to net income	200	(25,144)	(4,241)	(54,927)
Income tax expense relating to amounts reclassified to net income	1,231	5,724	3,540	20,367
Balance at end of period before the acquisition of non-controlling interests of AltaLink	(24,375)	(15,920)	(21,607)	(15,920)
Portion of cash flow hedges attributable to non-controlling interests of AltaLink reallocated to equity attributable to SNC-Lavalin shareholders	-	-	(3,690)	-
Income tax benefit related to the reallocated portion of cash flow hedges of AltaLink	-	-	922	-
Balance at end of period after the acquisition of non-controlling interests of AltaLink	(24,375)	(15,920)	(24,375)	(15,920)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	(68,582)	(49,920)	(31,800)	(14,114)
Current period share	11,902	28,761	(49,738)	(34,178)
Income tax benefit (expense) relating to current period share	(4,916)	(11,216)	16,156	11,236
Reclassification to net income	1,888	465	6,875	6,928
Income tax expense (benefit) relating to amounts reclassified to net income	(240)	110	(1,441)	(1,672)
Balance at end of period	(59,948)	(31,800)	(59,948)	(31,800)
<b>Other components of equity</b>	<b>\$ (115,813)</b>	<b>\$ (67,480)</b>	<b>\$ (115,813)</b>	<b>\$ (67,480)</b>

### ACTUARIAL GAINS AND LOSSES RECOGNIZED IN OTHER COMPREHENSIVE INCOME

Actuarial gains and losses recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits were as follows:

YEAR ENDED DECEMBER 31	2011			2010		
	BEFORE TAX	INCOME TAX BENEFIT	NET OF TAX	BEFORE TAX	INCOME TAX BENEFIT (EXPENSE)	NET OF TAX
Cumulative amount at January 1	\$ (1,442)	\$ 359	\$ (1,083)	\$ –	\$ –	\$ –
Recognized during the year:						
Defined benefit pension plans	(15,358)	4,117	(11,240)	(2,204)	544	(1,660)
Other post-employment benefits	(675)	169	(507)	762	(185)	577
	(16,033)	4,286	(11,747)	(1,442)	359	(1,083)
<b>Cumulative amount at December 31</b>	<b>\$ (17,475)</b>	<b>\$ 4,645</b>	<b>\$ (12,830)</b>	<b>\$ (1,442)</b>	<b>\$ 359</b>	<b>\$ (1,083)</b>

The actuarial gains and losses on defined benefit plans are recognized in other comprehensive income and are not reclassified to net income in subsequent periods. The cumulative amount of actuarial gains and losses is included in retained earnings.

## 12. 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:

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2011	2010	2011	2010
Decrease (increase) in trade receivables	\$ 100,438	\$ (253,199)	\$ 69,674	\$ (241,840)
Decrease (increase) in contracts in progress	(23,207)	46,720	59,384	(135,748)
Decrease (increase) in other current financial assets	(35,184)	(2,369)	(98,480)	6,972
Decrease (increase) in other current assets	(19,486)	20,318	(16,793)	(2,970)
Increase in trade payables	42,080	72,253	151,221	19,985
Increase (decrease) in downpayments on contracts	3,201	49,702	(75,024)	29,690
Increase in deferred revenues	174,319	95,819	223,617	224,260
Increase (decrease) in other current financial liabilities	9,421	11,925	24,557	(22,045)
Increase (decrease) in other current liabilities	36,868	(27,840)	3,599	(67,784)
<b>Net change in non-cash working capital items</b>	<b>\$ 288,450</b>	<b>\$ 13,329</b>	<b>\$ 341,755</b>	<b>\$ (189,480)</b>

## 13. 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. 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 via legislation applied by an independent governmental regulatory body.
ICI 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 fourth quarter and the year ended December 31, 2011, SNC-Lavalin recognized revenues of \$154.6 million (fourth quarter of 2010: \$158.6 million) and \$559.5 million (2010: \$306.3 million), respectively, from contracts with ICI accounted for by the equity method. SNC-Lavalin also recognized income from these ICI, which represents the Company's share of net income from these ICI, of \$22.2 million for the three-month period ended December 31, 2011 (three-month period ended December 31, 2010: \$22.5 million) and \$102.8 million for the year ended December 31, 2011 (2010: \$76.9 million), respectively. For the fourth quarter and the year ended December 31, 2011, intragroup revenues generated from transactions with AltaLink, which amounted to \$206.0 million (fourth quarter of 2010: \$72.5 million) and \$419.6 million (2010: \$263.7 million), respectively, were eliminated upon consolidation, while profits from those transactions were not eliminated.

SNC-Lavalin's trade receivables from these ICI accounted for by the equity method amounted to \$43.7 million as at December 31, 2011 (December 31, 2010: \$12.0 million). SNC-Lavalin's other non-current financial assets receivables from these ICI accounted for by the equity method amounted to \$83.0 million as at December 31, 2011 (December 31, 2010: \$25.5 million). SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was \$129.0 million at December 31, 2011 (December 31, 2010: \$178.6 million).

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

## 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 year ended December 31, 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 December 31, 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 period and year ended December 31, 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 period and year ended December 31, 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).

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
<b>Service Concession Arrangements (IFRIC 12)</b> [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
<b>Interests in Joint Ventures (IAS 31)</b> [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
<b>Business Combinations (IFRS 3)</b>				
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
<b>Employee Benefits (IAS 19)</b> [Note d.2 in section 14.2]				
IFRS allows accounting for actuarial gains and losses arising from defined benefit plans and post-employment 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-employment 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-employment 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
<b>The Effects of Changes in Foreign Exchange Rates (IAS 21)</b> [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
<b>Rate-regulated Activities</b> [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.	<p>The carrying amount of items of property and equipment or intangible assets subject to rate regulation might include amounts, under Canadian GAAP, that do not qualify for capitalisation under IFRS. As per the optional exemption in IFRS 1 effective for annual periods beginning on or after January 1, 2011, an entity may elect to use the Canadian GAAP carrying amount of such items as its opening IFRS balance at the Date of Transition to IFRS if it early adopts this optional exemption on January 1, 2010. The Company elected to early adopt this optional exemption on January 1, 2010 and applied it to the qualifying items of property and equipment and intangible assets of AltaLink, its subsidiary involved with rate-regulated transmission lines and substations in Alberta, Canada. AltaLink's qualifying items of property and equipment and intangible assets subject to rate regulation are therefore carried at their Canadian GAAP balance in the Company's consolidated statement of financial position at the Date of Transition to IFRS and thereafter.</p> <p>All other assets and liabilities of AltaLink were subject to the IFRS 1 requirement of retrospective application, except for those subject to the mandatory exceptions and optional exemptions.</p>	Property and equipment and intangible assets of AltaLink used in operations subject to rate regulation constructed or acquired on or after January 1, 2010 are accounted for under applicable relevant standards of IFRS. No material impact on AltaLink's net income is expected following the transition to IFRS.	<p>No for property and equipment and intangible assets subject to rate regulation</p> <p>Yes for all other assets and liabilities</p>
<b>Financial Instruments: Recognition and Measurement (IAS 39)</b> [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. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

### 14.2 Effect of IFRS adoption on the Company's December 31, 2010 consolidated statement of financial position

(IN THOUSANDS OF CANADIAN DOLLARS)

(IN THOUSANDS OF CANADIAN DOLLARS)			December 31, 2010					
	Canadian GAAP	2010 correction	Effect of transition to IFRS					
			IFRIC 12	IAS 31	Reclassi- fications	Other	Tax effect	IFRS
ASSETS		(Note 14.2e)	(Note 14.2a)	(Note 14.2b)	(Note 14.2c)	(Note 14.2d)		
<b>Current assets</b>								
Cash and cash equivalents	1,288,232	-	-	(53,147)	-	-	-	1,235,085
Restricted cash	340,063	-	-	(300,694)	-	-	-	39,369
Trade and other receivables	1,673,082	-	(16,537)	(5,960)	(377,076)	-	-	1,273,509
Contracts in progress	624,547	(16,412)	-	-	-	-	-	608,135
Contracts in progress from concession arrangements	167,097	-	(82,249)	(84,848)	-	-	-	-
Other current financial assets	-	-	19,115	15,054	255,477	608	-	290,254
Deferred income tax asset	78,306	-	-	-	(78,306)	-	-	-
Other current assets	-	-	-	(1,471)	121,599	-	-	120,128
<b>Total current assets</b>	<b>4,171,327</b>	<b>(16,412)</b>	<b>(79,671)</b>	<b>(431,066)</b>	<b>(78,306)</b>	<b>608</b>	<b>-</b>	<b>3,566,480</b>
Property and equipment:								
From ICI	2,588,649	-	(141,289)	(380,799)	22,548	(16,295)	-	2,072,814
From other activities	117,510	-	-	-	-	(2,321)	-	115,189
ICI accounted for by the equity or cost methods	386,696	-	61,348	123,712	55,192	-	-	626,948
Goodwill	543,642	-	-	-	-	(1,614)	-	542,028
Deferred income tax asset	-	-	-	(6,545)	78,306	91,978	(5,320)	158,419
Non-current financial assets	-	-	219,646	(356,162)	429,282	20,529	-	313,295
Other non-current assets	795,399	-	-	(270,282)	(399,510)	-	-	125,607
<b>Total assets</b>	<b>8,603,223</b>	<b>(16,412)</b>	<b>60,034</b>	<b>(1,321,142)</b>	<b>107,512</b>	<b>92,885</b>	<b>(5,320)</b>	<b>7,520,780</b>
<b>LIABILITIES AND EQUITY</b>								
<b>Current liabilities</b>								
Trade and other payables	1,666,117	-	(17)	(18,407)	(373,035)	-	-	1,274,658
Downpayments on contracts	551,862	-	-	(128,932)	-	-	-	422,930
Deferred revenues	700,279	-	(744)	19,782	8,870	-	-	728,187
Other current financial liabilities	-	-	-	129,080	195,869	-	-	324,949
Other current liabilities	-	1,476	-	-	95,630	-	-	97,106
Current portion of long-term debt:								
Recourse	-	-	-	-	-	-	-	-
Non-recourse from ICI	6,651	-	-	(2,463)	34,574	-	-	38,762
<b>Total current liabilities</b>	<b>2,924,909</b>	<b>1,476</b>	<b>(761)</b>	<b>(940)</b>	<b>(38,092)</b>	<b>-</b>	<b>-</b>	<b>2,886,592</b>
Long-term debt:								
Recourse	348,204	-	-	-	-	-	-	348,204
Non-recourse from ICI	2,981,448	-	-	(1,417,850)	(34,574)	-	-	1,529,024
Other non-current financial liabilities	-	-	-	(660)	75,858	1,199	-	76,397
Provisions	-	-	-	-	155,543	21,544	-	177,087
Other non-current liabilities	481,148	-	-	(2,189)	(46,776)	-	-	432,183
Deferred income tax liability	56,493	-	-	3,053	(4,447)	91,978	4,784	151,861
<b>Total liabilities</b>	<b>6,792,202</b>	<b>1,476</b>	<b>(761)</b>	<b>(1,418,586)</b>	<b>107,512</b>	<b>114,721</b>	<b>4,784</b>	<b>5,601,348</b>
Non-controlling interests	102,595	-	-	-	(102,595)	-	-	-
<b>Equity</b>								
Share capital	424,935	-	-	-	-	-	-	424,935
Contributed surplus	42,742	-	-	-	(42,742)	-	-	-
Retained earnings	1,315,692	(17,888)	60,778	100,475	42,742	(32,790)	(9,686)	1,459,323
Other components of equity	(74,943)	-	-	(3,031)	-	10,912	(418)	(67,480)
Equity attributable to SNC-Lavalin shareholders	1,708,426	(17,888)	60,778	97,444	-	(21,878)	(10,104)	1,816,778
Non-controlling interests	-	-	17	-	102,595	42	-	102,654
<b>Total equity</b>	<b>1,708,426</b>	<b>(17,888)</b>	<b>60,795</b>	<b>97,444</b>	<b>102,595</b>	<b>(21,836)</b>	<b>(10,104)</b>	<b>1,919,432</b>
<b>Total liabilities and equity</b>	<b>8,603,223</b>	<b>(16,412)</b>	<b>60,034</b>	<b>(1,321,142)</b>	<b>107,512</b>	<b>92,885</b>	<b>(5,320)</b>	<b>7,520,780</b>

See pages 30 to 37 for explanatory notes to the reconciliation above.



## 14. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

### Reconciliation of equity

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	December 31 2010
<b>Total shareholders' equity under Canadian GAAP</b>		1,708,426
Service concession arrangements	14.2 a	60,795
Jointly controlled entities	14.2 b	97,444
Reclassification of non-controlling interests to equity	14.2 c.1	102,595
Measurement of available-for-sale securities	14.2 d.1	1,620
Defined benefit plans and other post-employment benefits	14.2 d.2	(18,847)
2010 correction	14.2 e	(16,412)
Other		(4,609)
Total adjustment to equity, before income taxes		222,586
Income tax effect of the above		(11,580)
Total adjustment to equity		211,006
<b>Total equity under IFRS</b>		1,919,432

#### 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	Bifurcated Model
ICI existing at January 1, 2010:			
In Transit BC Limited Partnership	√		
Okanagan Lake Concession Limited Partnership	√		
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		√	
Société d'Exploitation de l'Aéroport de Mayotte S.A.S.			√

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:

<b>Demand risk</b>	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.
<b>Impact on the Company's consolidated income statement</b>	<p><b>General principle:</b> The Company accounts for the total consideration as revenue, based on the fair value of each deliverable activity. Consistent with IFRS, intragroup profits generated by the Company's subsidiaries or joint ventures acting as a contractor or operator for the concessionaire are not eliminated, resulting in the Company recognizing revenues and profit (loss) from all activities provided through the concession agreement.</p> <p><b>Construction revenues:</b> The Company recognizes revenues and costs relating to construction of infrastructure in accordance with IAS 11, <i>Construction Contracts</i>, ("IAS 11") under the same methodology as any other construction contract and classifies these revenues as "Packages" activities.</p> <p><b>Operations and maintenance revenues:</b> 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&amp;M" activities.</p> <p><b>Rehabilitation revenues:</b> 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&amp;M" activities.</p> <p><b>Finance income:</b> Finance income generated on financial assets is recognized using the effective interest method and is classified as revenue from "ICI" activities.</p>
<b>Impact on the Company's consolidated statement of financial position</b>	Revenues recognized by the Company under the financial asset model are accumulated in "Receivables under service concession arrangements", which are included in "Other current financial assets" or "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.

### 14.2 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.

## 14. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

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

Under Canadian GAAP, the proportionate method of accounting required the Company to recognize its proportionate share of the jointly controlled entities' losses irrespective of the carrying amount of its investment in such jointly controlled entities. As a result, the balance of interests in jointly controlled entities was negative \$97.5 million at December 31, 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 \$97.5 million at December 31, 2010 (an increase of \$100.5 million in retained earnings and a decrease of \$3.0 million in other components of equity), mainly from the Company's investment in Highway 407.

- *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 period and year ended December 31, 2010 include: (i) an elimination of revenues and expenses previously recognized by the Company under the proportionate consolidation method; (ii) a recognition by the Company of its share of net income (loss) for the periods of its jointly controlled entities which investment account shows a positive carrying amount as at December 31, 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 December 31, 2010, with the total impact presented under the "Reclassifications" column of the "Effect of IFRS adoption on the Company's December 31, 2010 consolidated statement of financial position" table:

(IN THOUSANDS OF CANADIAN DOLLARS)

(IN THOUSANDS OF CANADIAN DOLLARS)			December 31, 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
<b>Current assets</b>							
Trade and other receivables	-	(377,076)	-	-	-	-	(377,076)
Other current financial assets	-	255,477	-	-	-	-	255,477
Deferred income tax asset	-	-	(78,306)	-	-	-	(78,306)
Other current assets	-	121,599	-	-	-	-	121,599
Net impact on current assets	-	-	(78,306)	-	-	-	(78,306)
<b>Non-current assets</b>							
Property and equipment:							
From ICI	-	-	-	256,787	(234,239)	-	22,548
ICI accounted for by the equity or cost methods	-	55,192	-	-	-	-	55,192
Deferred income tax asset	-	-	78,306	-	-	-	78,306
Non-current financial assets	-	429,282	-	-	-	-	429,282
Other non-current assets	-	(484,474)	-	-	84,964	-	(399,510)
Net impact on non-current assets	-	-	78,306	256,787	(149,275)	-	185,818
<b>Total impact on assets</b>	-	-	-	256,787	(149,275)	-	107,512
<b>Current liabilities</b>							
Trade and other payables	-	(291,200)	-	-	-	(81,835)	(373,035)
Deferred revenues	-	-	-	8,870	-	-	8,870
Other current financial liabilities	-	195,869	-	-	-	-	195,869
Other current liabilities	-	95,630	-	-	-	-	95,630
Current portion of long-term debt:							
Non-recourse from ICI	-	34,574	-	-	-	-	34,574
Net impact on current liabilities	-	34,873	-	8,870	-	(81,835)	(38,092)
<b>Non-current liabilities</b>							
Long-term debt							
Non-recourse from ICI	-	(34,574)	-	-	-	-	(34,574)
Other non-current financial liabilities	-	160,752	-	-	(84,894)	-	75,858
Provisions	-	-	-	-	-	155,543	155,543
Other non-current liabilities	-	(156,604)	-	247,917	(64,381)	(73,708)	(46,776)
Deferred income tax liability	-	(4,447)	-	-	-	-	(4,447)
Net impact on non-current liabilities	-	(34,873)	-	247,917	(149,275)	81,835	145,604
<b>Non-controlling interests</b>	(102,595)	-	-	-	-	-	(102,595)
<b>Equity</b>							
Contributed surplus	(42,742)	-	-	-	-	-	(42,742)
Retained earnings	42,742	-	-	-	-	-	42,742
Non-controlling interests	102,595	-	-	-	-	-	102,595
	102,595	-	-	-	-	-	102,595
<b>Total impact on liabilities and equity</b>	-	-	-	256,787	(149,275)	-	107,512

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

## 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 they 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 \$102.6 million at December 31, 2010.

On the Date of Transition, the Company elected to reclassify the amount of contributed surplus relating to the stock option compensation to retained earnings. The effect of the change is a decrease in contributed surplus and an equivalent increase in retained earnings of \$42.7 million at December 31, 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 income tax asset and deferred income 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 income tax liabilities and deferred income 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 income tax assets and deferred income tax liabilities as non-current assets and non-current liabilities. Therefore, a deferred income tax asset of \$78.3 million included in current assets was reclassified to non-current assets at December 31, 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 \$256.8 million at December 31, 2010, with an equivalent increase to deferred revenues, of which \$8.9 million is in current liabilities and \$247.9 million is in other non-current liabilities.

The effect of this change also resulted in an increase of revenues and of the depreciation expense by \$2.8 million for the three-month period ended December 31, 2010 and by \$7.9 million for the year ended December 31, 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 December 31, 2010 is reduced from \$239.3 million to \$nil, combined with a decrease of \$149.3 million in property and equipment and an increase of \$90.0 million in other non-current liabilities.

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 \$85.0 million at December 31, 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 \$81.8 million and of other non-current liabilities of \$73.7 million at December 31, 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 December 31, 2010, with the total impact presented under the "Other" column of the "Effect of IFRS adoption on the Company's December 31, 2010 consolidated statement of financial position" table:

(IN THOUSANDS OF CANADIAN DOLLARS)					
December 31, 2010					
Statement of financial position line items	Note 14.2 d.1	Note 14.2 d.2	Note 14.2 d.3	Other	Total
<b>Current assets</b>					
Other current financial assets	-	-	-	608	608
Net impact on current assets	-	-	-	608	608
<b>Non-current assets</b>					
Property and equipment:					
From ICI	-	-	-	(16,295)	(16,295)
From other activities	-	-	-	(2,321)	(2,321)
Goodwill	-	-	-	(1,614)	(1,614)
Deferred income tax asset	-	-	-	91,978	91,978
Non-current financial assets	1,620	-	-	18,909	20,529
Net impact on non-current assets	1,620	-	-	90,657	92,277
<b>Total impact on assets</b>	1,620	-	-	91,265	92,885
<b>Non-current liabilities</b>					
Other non-current financial liabilities	-	(2,023)	-	3,222	1,199
Provisions	-	20,870	-	674	21,544
Deferred income tax liability	-	-	-	91,978	91,978
Net impact on non-current liabilities	-	18,847	-	95,874	114,721
<b>Equity</b>					
Retained earnings	-	(18,889)	(9,292)	(4,609)	(32,790)
Other components of equity	1,620	-	9,292	-	10,912
Non-controlling interests	-	42	-	-	42
Net impact on equity	1,620	(18,847)	-	(4,609)	(21,836)
<b>Total impact on liabilities and equity</b>	1,620	-	-	91,265	92,885

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

#### 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 \$1.6 million at December 31, 2010, with an increase to non-current financial assets of \$1.6 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.

#### 14.2 d.2 Defined benefit plans and other post-employment 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"). The total effect of IFRS 1 and IFRIC 14 is a decrease in equity at December 31, 2010 of \$18.8 million.

## 14. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

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 losses recognized in other comprehensive income amounted to \$1.4 million for the year ended December 31, 2010. The reversal of the Canadian GAAP amount relating to the amortization of actuarial losses in net income represented \$0.9 million for the three-month period ended December 31, 2010 and \$1.1 million for the year ended December 31, 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.

### 14.2 e. 2010 CORRECTION

The 2010 correction relates to \$20 million in payments made in 2010 under what is presumed to be an agency agreement, that were charged and documented to a construction project to which they did not relate (see Note 36A). Because these payments were documented to a construction project to which they did not relate and that there is no direct and conclusive evidence on the use and purpose of these payments or the nature of services rendered in connection therewith, the Company concluded that these payments should be treated as period expenses (i.e., not generating revenues) for accounting purposes.

The 2010 payments accounted for as period expenses, net of the effect resulting from an increased forecasted gross margin following the exclusion of the payments from the project costs on the project that the payments were originally allocated to, resulted in a reduction in net income of \$17.9 million in 2010 (\$0.12 per share on both a basic and diluted basis). The Company decided to correct its prior period comparative financial information under its first issuance of annual audited consolidated financial statements prepared in accordance with IFRS.

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

Three-month period ended December 31, 2010  
(IN THOUSANDS OF CANADIAN DOLLARS,  
EXCEPT PER SHARE AMOUNTS)

	Canadian GAAP	2010 correction	Effect of transition to IFRS				IFRS
			IFRIC 12	IAS 31	Reclass and consolidation elimination	Other	
<b>Revenues by activity:</b>		(Note 14.2e)	(Note 14.2a)	(Note 14.2b)	(Note 14.3a)		
Services	601,338	-	-	-	-	-	601,338
Packages	757,684	(4,152)	2,381	-	(72,459)	-	683,454
O&M	383,233	-	386	-	-	-	383,619
ICI	153,193	-	2,703	(14,692)	2,763	12,778	156,745
	1,895,448	(4,152)	5,470	(14,692)	(69,696)	12,778	1,825,156
Direct cost of activities	1,497,822	-	(1,416)	(7,269)	(69,696)	4,337	1,423,778
<b>Gross margin</b>	397,626	(4,152)	6,886	(7,423)	-	8,441	401,378
Selling, general and administrative expenses	171,037	-	(53)	(4,857)	438	6,634	173,199
Net financial expenses	-	-	-	(20,393)	48,938	917	29,462
Interest and capital taxes	47,941	-	-	-	(47,941)	-	-
<b>Income before income tax expense</b>	178,648	(4,152)	6,939	17,827	(1,435)	890	198,717
Income tax expense	36,631	358	-	(259)	(1,435)	1,853 <sup>1</sup>	37,148
Non-controlling interests	2,858	-	-	-	(2,858)	-	-
<b>Net income for the period</b>	139,159	(4,510)	6,939	18,086	2,858	(963)	161,569
<b>Net income attributable to:</b>							
SNC-Lavalin shareholders	139,159	(4,510)	6,939	18,086	-	(971)	158,703
Non-controlling interests	-	-	-	-	2,858	8	2,866
<b>Net income for the period</b>	139,159	(4,510)	6,939	18,086	2,858	(963)	161,569
<b>Earnings per share (in \$)</b>							
Basic	0.92						1.05
Diluted	0.91						1.04

<sup>1</sup> Represents income tax expense from all IFRS adjustments, excluding \$0.4 million of income tax expense relating to the 2010 correction, for the three-month period ended December 31, 2010.



## 14. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

Year ended December 31, 2010  
(IN THOUSANDS OF CANADIAN DOLLARS,  
EXCEPT PER SHARE AMOUNTS)

	Canadian GAAP	2010 correction	Effect of transition to IFRS				IFRS
			IFRIC 12	IAS 31	Reclass and consolidation elimination	Other	
		(Note 14.2e)	(Note 14.2a)	(Note 14.2b)	(Note 14.3a)		
<b>Revenues by activity:</b>							
Services	2,051,894	-	1,893	-	-	-	2,053,787
Packages	2,409,000	(16,412)	8,496	-	(263,663)	-	2,137,421
O&M	1,330,501	-	(42)	-	-	-	1,330,459
ICI	523,595	-	12,365	(84,048)	7,911	12,451	472,274
	6,314,990	(16,412)	22,712	(84,048)	(255,752)	12,451	5,993,941
Direct cost of activities	4,983,264	-	(1,703)	(32,099)	(255,752)	(746)	4,692,964
<b>Gross margin</b>	1,331,726	(16,412)	24,415	(51,949)	-	13,197	1,300,977
Selling, general and administrative expenses	585,629	-	193	(12,254)	1,315	6,816	581,699
Net financial expenses	-	-	-	(70,488)	177,727	3,836	111,075
Interest and capital taxes	174,903	-	-	-	(174,903)	-	-
<b>Income before income taxes</b>	571,194	(16,412)	24,222	30,793	(4,139)	2,545	608,203
Income tax expense	123,422	1,476	-	(6,486)	(4,139)	6,541 <sup>1</sup>	120,814
Non-controlling interests	10,758	-	-	-	(10,758)	-	-
<b>Net income</b>	437,014	(17,888)	24,222	37,279	10,758	(3,996)	487,389
<b>Net income attributable to:</b>							
SNC-Lavalin shareholders	437,014	(17,888)	24,265	37,279	-	(4,004)	476,666
Non-controlling interests	-	-	(43)	-	10,758	8	10,723
<b>Net income</b>	437,014	(17,888)	24,222	37,279	10,758	(3,996)	487,389
<b>Earnings per share (in \$)</b>							
Basic	2.89						3.16
Diluted	2.87						3.13

<sup>1</sup> Represents income tax expense from all IFRS adjustments, excluding \$1.5 million of income tax expense relating to the 2010 correction, for the year ended December 31, 2010.

### 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 via legislation applied by an independent governmental regulatory body. 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 period and year ended December 31, 2010

Three-month period ended December 31, 2010  
(IN THOUSANDS OF CANADIAN DOLLARS)

	Canadian GAAP	2010 correction (Note 14.2e)	Effect of transition to IFRS				IFRS
			IFRIC 12 (Note 14.2a)	IAS 31 (Note 14.2b)	Reclass and consolidation elimination (Note 14.3a)	Other	
Net income for the period	139,159	(4,510)	6,939	18,086	2,858	(963)	161,569
Other comprehensive income (loss):							
Exchange differences on translating foreign operations	(2,203)	-	-	-	(29)	-	(2,232)
Available-for-sale financial assets (Note 14.2 d.1)	600	-	-	-	103	(36,633)	(35,930)
Cash flow hedges	22,836	-	-	25	(17,502)	3	5,362
Defined benefit pension plans and other post-employment benefits (Note 14.2 d.2)	-	-	-	-	-	(784)	(784)
Share of other comprehensive income of investments accounted for by the equity method	-	-	-	-	29,226	-	29,226
Income tax expense relating to components of other comprehensive income	-	-	-	-	(11,603)	5,225	(6,378)
<b>Total other comprehensive loss for the period</b>	<b>21,233</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>195</b>	<b>(32,189)</b>	<b>(10,736)</b>
<b>Total comprehensive income for the period</b>	<b>160,392</b>	<b>(4,510)</b>	<b>6,939</b>	<b>18,111</b>	<b>3,053</b>	<b>(33,152)</b>	<b>150,833</b>
<b>Total comprehensive income attributable to:</b>							
SNC-Lavalin shareholders	160,392	(4,510)	6,939	18,111	-	(33,160)	147,772
Non-controlling interests	-	-	-	-	3,053	8	3,061
<b>Total comprehensive income for the period</b>	<b>160,392</b>	<b>(4,510)</b>	<b>6,939</b>	<b>18,111</b>	<b>3,053</b>	<b>(33,152)</b>	<b>150,833</b>

Year ended December 31, 2010  
(IN THOUSANDS OF CANADIAN DOLLARS)

	Canadian GAAP	2010 correction (Note 14.2e)	Effect of transition to IFRS				IFRS
			IFRIC 12 (Note 14.2a)	IAS 31 (Note 14.2b)	Reclass and consolidation elimination (Note 14.3a)	Other	
Net income	437,014	(17,888)	24,222	37,279	10,758	(3,996)	487,389
Other comprehensive income (loss):							
Exchange differences on translating foreign operations	(21,077)	-	-	-	(116)	-	(21,193)
Available-for-sale financial assets (Note 14.2 d.1)	2,010	-	-	-	346	(13,812)	(11,456)
Cash flow hedges	(32,570)	-	-	100	16,948	-	(15,522)
Defined benefit pension plans and other post-employment benefits (Note 14.2 d.2)	-	-	-	-	-	(1,442)	(1,442)
Share of other comprehensive loss of investments accounted for by the equity method	-	-	-	-	(27,250)	-	(27,250)
Income tax benefit relating to components of other comprehensive income (loss)	-	-	-	-	10,842	2,263	13,105
<b>Total other comprehensive loss</b>	<b>(51,637)</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>770</b>	<b>(12,991)</b>	<b>(63,758)</b>
<b>Total comprehensive income</b>	<b>385,377</b>	<b>(17,888)</b>	<b>24,222</b>	<b>37,379</b>	<b>11,528</b>	<b>(16,987)</b>	<b>423,631</b>
<b>Total comprehensive income attributable to:</b>							
SNC-Lavalin shareholders	385,377	(17,888)	24,265	37,379	-	(16,995)	412,138
Non-controlling interests	-	-	(43)	-	11,528	8	11,493
<b>Total comprehensive income</b>	<b>385,377</b>	<b>(17,888)</b>	<b>24,222</b>	<b>37,379</b>	<b>11,528</b>	<b>(16,987)</b>	<b>423,631</b>

## 14. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

### 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 there was no impairment.

## 15. CONTINGENT LIABILITIES

In the normal conduct of operations, there are pending claims by and against SNC-Lavalin. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, final determination of these litigations will not materially affect the Company's consolidated financial position or results of operations.

#### BANGLADESH INVESTIGATION

As previously announced on September 6, 2011, the Royal Canadian Mounted Police (the "RCMP") is investigating the Company's involvement in projects in Bangladesh and certain countries in Africa. The Company understands that the investigation is primarily focused on its involvement in a past submission as the Owner's Engineer for the Bangladesh government where the Company would have supervised the contractor responsible for the overall project. The Company's involvement in this matter is also being investigated by the World Bank. The Company understands that the RCMP investigation into this matter is ongoing but no charges have been laid against the Company. The Company also understands that the World Bank investigation is ongoing but no sanctions or proceedings have been initiated against the Company. Due to the nature of these investigations, it is not possible to predict the respective outcomes with any certainty or potential losses, if any, for the Company in connection therewith.

## **16. SUBSEQUENT EVENTS**

### **A) INDEPENDENT REVIEW**

In February 2012, the Board of Directors initiated an independent review (the “Independent Review”) led by its Audit Committee, of the facts and circumstances surrounding certain payments that were documented (under certain agreements presumed to be agency agreements, the “Representative Agreements”) to construction projects to which they did not relate, and certain other contracts. The Company’s senior management and Board of Directors have been required to devote significant time to the Independent Review and related matters which has been distracting from the conduct of the Company’s daily business and significant expenses have been incurred in connection with the Independent Review including substantial fees of lawyers and other advisors. In addition, the Company and/or employees of the Company could become the subject of investigations by law enforcement and/or regulatory authorities in respect of the matters that were subject to the Independent Review which, in turn, could require the devotion of additional time of senior management and other resources. In the absence of direct and conclusive evidence, the use and purpose of the payments or nature of the services rendered or actions taken under these Representative Agreements could not be determined with certainty by the Independent Review. However, the absence of conclusive findings of the Independent Review does not exclude the possibility that, if additional facts that are adverse to the Company became known, including matters beyond the scope of the Representative Agreements that were the subject of the Independent Review, sanctions could be brought against the Company in connection with possible violations of law or contracts. The consequences of any such sanctions or other actions, whether actual or alleged, could adversely affect our business and the market price of our publicly traded securities. In addition, the Independent Review and any negative publicity associated with the Independent Review, could damage our reputation and ability to do business.

### **B) PROPOSED CLASS ACTION LAWSUIT**

On March 1, 2012, a proposed class action lawsuit was filed with the Quebec Superior Court, on behalf of persons who acquired SNC-Lavalin securities from and including March 13, 2009 through and including February 28, 2012, whether in a primary market offering or in the secondary market. The Motion for authorization alleges that certain documents issued by SNC-Lavalin between these dates contained misrepresentations. The Motion seeks leave from the Superior Court to bring a statutory misrepresentation claim under Quebec's Securities Act and the equivalent provisions contained in the various other Canadian provinces' securities legislation. The proposed action claims damages equivalent to the decline in market value of the securities purchased by class members when SNC-Lavalin issued a press release dated February 28, 2012, as well as the costs of administering the plan to distribute recovery pursuant to the class action. Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of this lawsuit or determine the amount of any potential losses, if any, and SNC-Lavalin may, in the future, be subject to further class actions or other litigation.