SNC • LAVALIN

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Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the six-month periods ended
June 30, 2012 and 2011

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	June 30 2012	December 31 2011
ASSETS			
Current assets			
Cash and cash equivalents		$ 1,241,419	$ 1,231,049
Restricted cash		47,494	39,354
Trade receivables		1,160,698	1,155,544
Contracts in progress		641,657	557,220
Other current financial assets		380,838	396,552
Other current assets		198,427	166,563
Total current assets		3,670,533	3,546,282
Property and equipment:			
From ICI	4B	2,977,896	2,637,735
From other activities		183,431	159,883
ICI accounted for by the equity method	4B	369,100	350,246
ICI accounted for by the cost method	4B	322,227	293,241
Goodwill		633,761	639,471
Deferred income tax asset		170,809	161,364
Non-current financial assets		407,499	412,258
Other non-current assets		217,775	153,521
Total assets		$ 8,953,031	$ 8,354,001
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		$ 1,482,930	$ 1,520,395
Downpayments on contracts		353,729	316,714
Deferred revenues		993,551	907,118
Other current financial liabilities		289,871	291,031
Other current liabilities		142,171	151,689
Short-term debt and current portion of long-term debt:			
Non-recourse from ICI	4B	527,597	327,381
Total current liabilities		3,789,849	3,514,328
Long-term debt:			
Recourse		348,456	348,369
Non-recourse from ICI	4B	1,735,590	1,561,377
Other non-current financial liabilities		137,442	130,744
Provisions		266,276	224,834
Other non-current liabilities		529,031	486,217
Deferred income tax liability		196,952	201,416
Total liabilities		7,003,596	6,467,285
Equity			
Share capital		462,091	455,682
Retained earnings		1,576,248	1,543,199
Other components of equity	10	(92,969)	(115,813)
Equity attributable to SNC-Lavalin shareholders		1,945,370	1,883,068
Non-controlling interests		4,065	3,648
Total equity		1,949,435	1,886,716
Total liabilities and equity		$ 8,953,031	$ 8,354,001

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

SIX MONTHS ENDED JUNE 30
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

2012

	Equity attributable to SNC-Lavalin shareholders											
	Share Capital											
	Common shares (in thousands)		Amount		Retained earnings		Other components of equity (Note 10)		Total		Non-controlling interests		Total equity
Balance at beginning of the period	**151,034**	**$**	**455,682**	**$**	**1,543,199**	**$**	**(115,813)**	**$**	**1,883,068**	**$**	**3,648**	**$**	**1,886,716**
Net income for the period	**–**		**–**		**99,623**		**–**		**99,623**		**417**		**100,040**
Other comprehensive income for the period	**–**		**–**		**(907)**		**22,844**		**21,937**		**–**		**21,937**
Total comprehensive income for the period	**–**		**–**		**98,716**		**22,844**		**121,560**		**417**		**121,977**
Dividends declared (Note 9)	**–**		**–**		**(66,466)**		**–**		**(66,466)**		**–**		**(66,466)**
Stock option compensation (Note 7A)	**–**		**–**		**8,149**		**–**		**8,149**		**–**		**8,149**
Shares issued under stock option plans	**170**		**6,919**		**(1,318)**		**–**		**5,601**		**–**		**5,601**
Shares redeemed and cancelled	**(167)**		**(510)**		**(6,032)**		**–**		**(6,542)**		**–**		**(6,542)**
Balance at end of the period	**151,037**	**$**	**462,091**	**$**	**1,576,248**	**$**	**(92,969)**	**$**	**1,945,370**	**$**	**4,065**	**$**	**1,949,435**

SIX MONTHS ENDED JUNE 30
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER OF COMMON SHARES)

2011 (1)

	Equity attributable to SNC-Lavalin shareholders											
	Share Capital											
	Common shares (in thousands)		Amount		Retained earnings		Other components of equity (Note 10)		Total		Non-controlling interests		Total equity
Balance at beginning of the period	151,034	$	424,935	$	1,477,211	$	(67,480)	$	1,834,666	$	102,654	$	1,937,320
Adjustment relating to 2010 correction (Note 14)	–		–		(17,888)		–		(17,888)		–		(17,888)
Adjusted balance at beginning of the period	151,034	$	424,935	$	1,459,323	$	(67,480)	$	1,816,778	$	102,654	$	1,919,432
Net income for the period	–		–		178,270		–		178,270		5,395		183,665
Other comprehensive income for the period	–		–		(457)		105		(352)		475		123
Total comprehensive income for the period	–		–		177,813		105		177,918		5,870		183,788
Dividends declared (Note 9)	–		–		(63,361)		–		(63,361)		–		(63,361)
Dividends declared by subsidiaries to non-controlling interests	–		–		–		–		–		(277)		(277)
Stock option compensation (Note 7A)	–		–		9,424		–		9,424		–		9,424
Shares issued under stock option plans	399		15,936		(3,010)		–		12,926		–		12,926
Shares redeemed and cancelled	(540)		(1,570)		(29,018)		–		(30,588)		–		(30,588)
Acquisition of non-controlling interests	–		–		597		–		597		(1,226)		(629)
Capital contributions by non-controlling interests	–		–		–		–		–		4,594		4,594
Balance at end of the period	150,893	$	439,301	$	1,551,768	$	(67,375)	$	1,923,694	$	111,615	$	2,035,309

(1) See Note 14 for explanations relating to comparative figures.

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)

		SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	Note	**2012**	2011 [(1)]	**2012**	2011 [(1)]
Revenues by activity:					
Services		**$ 787,011**	$ 564,388	**$ 1,456,065**	$ 1,044,541
Packages		**701,158**	693,913	**1,320,108**	1,328,775
O&M		**293,229**	281,688	**676,590**	708,455
ICI		**124,887**	128,713	**241,405**	230,484
		1,906,285	1,668,702	**3,694,168**	3,312,255
Direct cost of activities		**1,625,361**	1,352,106	**3,116,055**	2,719,454
Gross margin		**280,924**	316,596	**578,113**	592,801
Selling, general and administrative expenses		**212,686**	166,127	**395,842**	319,190
Net financial expenses	6	**29,917**	26,398	**60,154**	53,582
Income before income tax expense		**38,321**	124,071	**122,117**	220,029
Income tax expense		**5,627**	19,225	**22,077**	36,364
Net income for the period		**$ 32,694**	$ 104,846	**$ 100,040**	$ 183,665
Net income attributable to:					
SNC-Lavalin shareholders		**$ 32,494**	$ 102,197	**$ 99,623**	$ 178,270
Non-controlling interests		**200**	2,649	**417**	5,395
Net income for the period		**$ 32,694**	$ 104,846	**$ 100,040**	$ 183,665
Earnings per share (in $)					
Basic		**$ 0.22**	$ 0.68	**$ 0.66**	$ 1.18
Diluted		**$ 0.21**	$ 0.67	**$ 0.66**	$ 1.17
Weighted average number of outstanding shares (in thousands)	8				
Basic		**151,039**	150,824	**151,075**	150,888
Diluted		**151,198**	151,956	**151,414**	152,148

(1) See Note 14 for explanations relating to comparative figures.

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

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

	2012			2011 [1]		
	Attributable to SNC-Lavalin shareholders	**Non-controlling interests**	**Total**	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income for the period	**$ 32,494**	**$ 200**	**$ 32,694**	$ 102,197	$ 2,649	$ 104,846
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 10)	**(7,537)**	**–**	**(7,537)**	5,928	(14)	5,914
Available-for-sale financial assets (Note 10)	**(684)**	**–**	**(684)**	704	–	704
Cash flow hedges (Note 10)	**8,209**	**–**	**8,209**	(6,319)	221	(6,098)
Defined benefit pension plans and other post-employment benefits (Note 10)	**(2,728)**	**–**	**(2,728)**	(1,616)	–	(1,616)
Share of other comprehensive loss of investments accounted for by the equity method (Note 10)	**(7,235)**	**–**	**(7,235)**	(14,710)	–	(14,710)
Income tax benefit relating to components of other comprehensive income (Note 10)	**5,347**	**–**	**5,347**	6,148	–	6,148
Total other comprehensive income (loss) for the period	**(4,628)**	**–**	**(4,628)**	(9,865)	207	(9,658)
Total comprehensive income for the period	**$ 27,866**	**$ 200**	**$ 28,066**	$ 92,332	$ 2,856	$ 95,188

SIX MONTHS ENDED JUNE 30
(IN THOUSANDS OF CANADIAN DOLLARS)

	2012			2011 [1]		
	Attributable to SNC-Lavalin shareholders	**Non-controlling interests**	**Total**	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income for the period	**$ 99,623**	**$ 417**	**$ 100,040**	$ 178,270	$ 5,395	$ 183,665
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 10)	**(8,642)**	**–**	**(8,642)**	6,383	36	6,419
Available-for-sale financial assets (Note 10)	**171**	**–**	**171**	1,042	–	1,042
Cash flow hedges (Note 10)	**37,028**	**–**	**37,028**	(5,631)	439	(5,192)
Defined benefit pension plans and other post-employment benefits (Note 10)	**(1,194)**	**–**	**(1,194)**	(616)	–	(616)
Share of other comprehensive income (loss) of investments accounted for by the equity method (Note 10)	**274**	**–**	**274**	(3,435)	–	(3,435)
Income tax benefit (expense) relating to components of other comprehensive loss (Note 10)	**(5,700)**	**–**	**(5,700)**	1,905	–	1,905
Total other comprehensive income (loss) for the period	**21,937**	**–**	**21,937**	(352)	475	123
Total comprehensive income for the period	**$ 121,560**	**$ 417**	**$ 121,977**	$ 177,918	$ 5,870	$ 183,788

[1] See Note 14 for explanations relating to comparative figures.

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)		SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	Note	**2012**	2011 (1)	**2012**	2011 (1)
Operating activities					
Net income for the period		**$ 32,694**	$ 104,846	**$ 100,040**	$ 183,665
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		**24,459**	21,246	**48,566**	40,916
From other activities		**14,335**	10,588	**27,980**	20,566
Income tax expense recognized in net income		**5,627**	19,225	**22,077**	36,364
Income taxes paid		**(15,994)**	(6,285)	**(23,399)**	(19,126)
Net financial expenses recognized in net income	6	**29,917**	26,398	**60,154**	53,582
Interest paid:					
From ICI		**(38,563)**	(32,750)	**(51,560)**	(45,422)
From other activities		**(76)**	(91)	**(11,036)**	(10,976)
Expense recognized in respect of stock options	7A	**6,060**	7,444	**8,149**	9,424
Expense recognized in respect of cash-settled share-based payment arrangements	7B	**1,690**	1,695	**4,316**	4,456
Income from ICI accounted for by the equity method		**(19,536)**	(37,549)	**(34,695)**	(56,767)
Dividends and distributions received from ICI accounted for by the equity method		**18,171**	33,677	**33,812**	54,055
Other		**50,114**	(14,554)	**42,228**	(29,087)
		108,898	133,890	**226,632**	241,650
Net change in non-cash working capital items	11	**76,153**	(51,438)	**550**	(39,595)
Net cash generated from operating activities		**185,051**	82,452	**227,182**	202,055
Investing activities					
Acquisition of property and equipment:					
From ICI		**(196,726)**	(109,108)	**(379,827)**	(223,190)
From other activities		**(26,539)**	(16,822)	**(51,701)**	(28,178)
Payments for ICI		**(26,517)**	(24,166)	**(38,854)**	(62,858)
Acquisition of businesses		**(10,535)**	(15,497)	**(15,044)**	(35,077)
Payments for interests in a jointly controlled entity	5	**(40,255)**	–	**(40,255)**	–
Increase in receivables under service concession arrangements		**(987)**	(18,848)	**(12,362)**	(31,194)
Recovery of receivables under service concession arrangements		**19,947**	5,110	**20,861**	9,056
Other		**(756)**	(635)	**(4,681)**	(9,742)
Net cash used for investing activities		**(282,368)**	(179,966)	**(521,863)**	(381,183)
Financing activities					
Repayment of non-recourse debt from ICI		**(897)**	(5,085)	**(1,782)**	(5,948)
Increase in non-recourse debt from ICI		**294,295**	87,859	**378,795**	136,884
Proceeds from exercise of stock options		**2,350**	5,047	**5,601**	12,926
Redemption of shares		**(4,750)**	(3,649)	**(6,542)**	(30,588)
Dividends paid to SNC-Lavalin shareholders	9	**(66,466)**	(63,361)	**(66,466)**	(63,361)
Other		**(3,604)**	4,302	**(3,406)**	3,238
Net cash generated from financing activities		**220,928**	25,113	**306,200**	53,151
Increase (decrease) in exchange differences on translating cash and cash equivalents held in foreign operations		**(1,419)**	1,876	**(1,149)**	2,291
Net increase (decrease) in cash and cash equivalents		**122,192**	(70,525)	**10,370**	(123,686)
Cash and cash equivalents at beginning of period		**1,119,227**	1,181,924	**1,231,049**	1,235,085
Cash and cash equivalents at end of period		**$ 1,241,419**	$ 1,111,399	**$ 1,241,419**	$ 1,111,399

(1) See Note 14 for explanations relating to comparative figures.

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

SNC-Lavalin Group Inc. is incorporated under the Canada Business Corporations Act and has its registered office at 455 René-Lévesque Boulevard West, Montreal, Quebec, Canada H2Z 1Z3. SNC-Lavalin Group Inc. is a public company listed on the Toronto Stock Exchange in Canada. Reference to the "Company" or to "SNC-Lavalin" means, as the context may require, SNC-Lavalin Group Inc. and all or some of its subsidiaries or joint ventures, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint ventures.

The Company 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").

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. 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 significant 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 and remained unchanged for the three-month and six-month periods ended June 30, 2012.

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 upon initial recognition.

These interim condensed consolidated financial statements are intended to provide an update on 2011 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 2011 annual audited consolidated financial statements.

These Company's interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 3, 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.
- *Annual Improvements to IFRSs: 2009-2011 Cycle:* The International Accounting Standards Board issued a collection of amendments to five International Financial Reporting Standards under its annual improvements project (2009-2011 cycle) as follows:
  - Amendments to IFRS 1, *First-Time Adoption of IFRS*, ("IFRS 1") related to repeated application of IFRS 1 and to borrowing costs.
  - Amendments to IAS 1, *Presentation of Financial Statements*, related to clarification of the requirements for comparative information.
  - Amendments to IAS 16, *Property, Plant and Equipment*, related to classification of servicing equipment.
  - Amendments to IAS 32, *Financial Instruments: Presentation*, related to tax effect of distribution to holders of equity instruments.
  - Amendments to IAS 34, *Interim Financial Reporting*, related to interim financial reporting and segment information for total assets and liabilities.

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:

	SECOND QUARTER				SIX MONTHS ENDED JUNE 30			
	2012		2011 [1]		**2012**		2011 [1]	
	REVENUES	OPERATING INCOME (LOSS) [2]	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME
Services and Packages								
Infrastructure & Environment	**$ 513,595**	**$ (6,718)**	$ 467,051	$ 9,762	**$ 928,058**	**$ (4,334)**	$ 887,542	$ 15,857
Mining & Metallurgy	**360,496**	**12,254**	233,441	15,043	**643,222**	**28,252**	410,808	16,472
Power	**310,349**	**(10,799)**	175,204	28,478	**631,962**	**21,343**	312,389	53,524
Hydrocarbons & Chemicals	**205,718**	**11,782**	276,528	24,383	**394,480**	**22,185**	579,315	42,299
Other Industries	**98,011**	**10,953**	106,077	9,372	**178,451**	**15,579**	183,262	19,852
O&M	**293,229**	**3,097**	281,688	3,451	**676,590**	**12,114**	708,455	21,240
ICI	**124,887**	**30,511**	128,713	41,745	**241,405**	**55,628**	230,484	66,124
	$ 1,906,285	**51,080**	$ 1,668,702	132,234	**$ 3,694,168**	**150,767**	$ 3,312,255	235,368
Reversal of items included above:								
Imputed interest benefit		**(14,843)**		(5,991)		**(29,934)**		(14,156)
Net financial expenses from ICI		**26,132**		20,113		**51,919**		43,316
Income tax expense from ICI		**5,624**		1,457		**8,930**		3,660
Non-controlling interests before income tax expense		**245**		2,656		**589**		5,423
Income before net financial expenses and income tax expense		**68,238**		150,469		**182,271**		273,611
Net financial expenses (Note 6)		**29,917**		26,398		**60,154**		53,582
Income before income tax expense		**38,321**		124,071		**122,117**		220,029
Income tax expense		**5,627**		19,225		**22,077**		36,364
Net income for the period		**$ 32,694**		$ 104,846		**$ 100,040**		$ 183,665
Net income attributable to:								
SNC-Lavalin shareholders		**$ 32,494**		$ 102,197		**$ 99,623**		$ 178,270
Non-controlling interests		**200**		2,649		**417**		5,395
Net income for the period		**$ 32,694**		$ 104,846		**$ 100,040**		$ 183,665

[1] See Note 14 for explanations relating to comparative figures.

[2] For the second quarter of 2012, there were unfavourable cost reforecasts on two major fixed-priced projects: a Packages project in Power and a Services project in Hydrocarbons & Chemicals, with an adverse impact on gross margin of $49.7 million and of $16.6 million, respectively.

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

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2012	2011 [1]	**2012**	2011 [1]
Supplementary information:				
Net income attributable to SNC-Lavalin shareholders from ICI:				
From Highway 407	**$ 14,678**	$ 32,290	**$ 29,355**	$ 46,129
From other ICI	**15,833**	9,455	**26,273**	19,995
Net income attributable to SNC-Lavalin shareholders excluding ICI	**1,983**	60,452	**43,995**	112,146
Net income attributable to SNC-Lavalin shareholders for the period	**$ 32,494**	$ 102,197	**$ 99,623**	$ 178,270

[1] See Note 14 for explanations relating to comparative figures.

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 by 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 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

IN THE SIX-MONTH PERIOD ENDED JUNE 30, 2012

407 EAST DEVELOPMENT GROUP GENERAL PARTNERSHIP

In May 2012, the Company announced that 407 East Development Group General Partnership, 50%-owned by SNC-Lavalin, was awarded a contract by the Province of Ontario, in Canada, to design, build, finance, and maintain Phase 1 of the new Highway 407 East.

The 407 East Development Group General Partnership subcontracted the design and build as well as the operation and maintenance portions to two partnerships 50%-owned by SNC-Lavalin. Once construction is completed, the 407 East Development Group General Partnership will maintain and rehabilitate the road until 2045. The Company committed to invest in this ICI an amount of $15.9 million in equity.

SNC-Lavalin’s investment in the 407 East Development Group General Partnership is accounted for by the equity method.

PIRAMAL ROADS INFRA PRIVATE LIMITED

In June 2012, the Company acquired from India Infrastructure Fund an equivalent to 10% of the issued and paid up capital of Piramal Roads Infra Private Limited, an entity that engages in the business of bidding for, owning, acquiring, investing, developing, implementing and operating infrastructure, in the roads sector of India, for a total cash consideration of approximately $10 million.

SNC-Lavalin’s investment in Piramal Roads Infra Private Limited is accounted for by the cost method.

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

B) NET BOOK VALUE OF ICI

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

	JUNE 30 2012	DECEMBER 31 2011
Cash and cash equivalents	**$ 169,985**	$ 30,901
Restricted cash	**2,409**	2,365
Trade receivables, other current financial assets and other current assets	**104,349**	101,989
Property and equipment [(1)]	**2,977,896**	2,637,735
Goodwill	**203,786**	203,786
Non-current financial assets	**377,924**	366,869
Other non-current assets and deferred income tax asset	**147,738**	115,038
Total assets	**3,984,087**	3,458,683
Trade payables, deferred revenues, other current financial liabilities and other current liabilities	**263,611**	246,599
Non-recourse short-term debt and current portion of non-recourse long-term debt [(1)]	**527,597**	327,381
Non-recourse long-term debt [(1)]	**1,735,590**	1,561,377
Other non-current financial liabilities	**128,491**	113,958
Provisions and other non-current liabilities	**531,345**	487,510
Total liabilities	**3,186,634**	2,736,825
Net assets from ICI accounted for by the full consolidation method	**$ 797,453**	$ 721,858
Net book value of ICI accounted for by the equity method	**$ 369,100**	$ 350,246
Net book value of ICI accounted for by the cost method	**322,227**	293,241
Total net book value of ICI	**$ 1,488,780**	$ 1,365,345

(1) The increase of property and equipment and of non-recourse debt from December 31, 2011 to June 30, 2012 is mainly due to AltaLink Holdings, L.P. (“AltaLink”), which owns AltaLink, L.P., the owner and operator of transmission lines and substation subject to rate regulation.

5. SNC-LAVALIN FAYEZ ENGINEERING (“SLFE”)

In June 2012, SNC-Lavalin International Inc. and Zuhair Fayez Engineering Consultancies Company, also known as SNC-Lavalin Fayez Engineering, an engineering consultancy jointly controlled entity between SNC-Lavalin and its partners in Saudi Arabia, acquired the industrial division of Zuhair Fayez Partnership. SNC-Lavalin holds an ownership interest of 50% in SLFE and will receive 35% of the distributions from SLFE during the first ten years and it will receive 50% of the distributions thereafter. SLFE was formed partly in response to Saudi Aramco’s General Engineering Services Plus (“GES+”) initiative, which aims to develop engineering capabilities in the Kingdom of Saudi Arabia. SNC-Lavalin invested $40.3 million in SLFE in June 2012.

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

6. NET FINANCIAL EXPENSES

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2012	2011	**2012**	2011
Interest revenues:				
From ICI	**$ (1,344)**	$ (3,207)	**$ (2,527)**	$ (3,247)
From other activities	**(2,603)**	(2,452)	**(4,617)**	(5,064)
Interest on debt:				
Recourse	**5,464**	5,486	**10,922**	10,910
Non-recourse from ICI:				
AltaLink	**24,183**	19,406	**47,939**	39,074
Other	**1,928**	1,993	**3,875**	4,030
Other:				
From ICI	**1,365**	1,921	**2,632**	3,459
From other activities	**924**	3,251	**1,930**	4,420
Net financial expenses	**$ 29,917**	$ 26,398	**$ 60,154**	$ 53,582

7. SHARE-BASED PAYMENTS

A) STOCK OPTIONS

The stock option compensation cost recorded as an expense in the second quarter and the first six months of 2012 was $6.1 million (2011: $7.4 million) and $8.1 million (2011: $9.4 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:

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2012	2011	**2012**	2011
Risk-free interest rate	**1.61%**	2.16%	**1.61%**	2.16%
Expected stock price volatility	**33.62%**	34.78%	**33.62%**	34.78%
Expected option life	**4 years**	4 years	**4 years**	4 years
Expected dividend yield	**1.50%**	1.00%	**1.50%**	1.00%

During the second quarter of 2012 and for the six-month period ended June 30, 2012, 1,173, 900 stock options were granted to employees (second quarter of 2011 and six-month period ended June 30, 2011: 1,114,200 stock options) with a weighted average fair value of $9.39 per stock option (second quarter of 2011 and six-month period ended June 30, 2011: weighted average fair value of $15.04 per stock option).

As at June 30, 2012, 5,552,885 stock options were outstanding (December 31, 2011: 5,357,515 stock options), while 49,700 stock options remained available for future grants (December 31, 2011: 1,188,300 stock options) under the Company's 2011 Stock Option Plan.

B) CASH-SETTLED SHARE BASED PAYMENTS

The table below presents the number of granted share units and the weighted average fair value per granted share unit for the six-month periods ended June 30, 2012 and 2011:

SIX MONTHS ENDED JUNE 30	**2012**		2011	
	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER SHARE UNIT (IN DOLLARS)
2009 PSU plan	**44,120**	**$ 37.04**	35,734	$ 55.00
2009 DSU plan	**46,820**	**$ 37.04**	36,516	$ 54.98
RSU plan	**300,550**	**$ 37.13**	89,150	$ 55.23
DSU plan	**16,523**	**$ 44.00**	10,612	$ 57.18

The compensation expense recorded in the second quarter and the first six months of 2012 relating to cash-settled share based payment arrangements was $1.7 million (2011: $1.7 million) and $4.3 million (2011: $4.5 million), respectively.

8. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the second quarters and the six-month periods ended June 30, 2012 and 2011 used to calculate the basic and diluted earnings per share were as follows:

(IN THOUSANDS)	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2012	2011	**2012**	2011
Weighted average number of outstanding shares - basic	**151,039**	150,824	**151,075**	150,888
Dilutive effect of stock options	**159**	1,132	**339**	1,260
Weighted average number of outstanding shares - diluted	**151,198**	151,956	**151,414**	152,148

In the second quarter and the first six months of 2012, 3,171,598 outstanding stock options (second quarter of 2011: 13,000 outstanding stock options) and 3,157,598 outstanding stock options (first six months of 2011: 1,126,200 outstanding stock options), respectively, have not been included in the computation of diluted earnings per share because they were anti-dilutive, as their exercise price exceeded the weighted average market price of the Company's common share in the periods.

9. DIVIDENDS

During the six-month period ended June 30, 2012, SNC-Lavalin recognized as distributions to its equity shareholders dividends of $66.5 million or $0.44 per share (six-month period ended June 30, 2011: $63.4 million or $0.42 per share).

SIX MONTHS ENDED JUNE 30		**2012**		2011
Dividends payable at beginning of period	**$**	**–**	$	–
Dividends declared during the six-month period ended June 30		**66,466**		63,361
Dividends paid during the six-month period ended June 30		**(66,466)**		(63,361)
Dividends payable at end of period	**$**	**–**	$	–

10. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income tax, within its other components of equity at June 30, 2012 and December 31, 2011:

		JUNE 30 2012		DECEMBER 31 2011
Exchange differences on translating foreign operations	**$**	**(41,670)**	$	(33,028)
Available-for-sale financial assets		**1,670**		1,538
Cash flow hedges		**7,219**		(24,375)
Share of other comprehensive loss of investments accounted for by the equity method		**(60,188)**		(59,948)
Other components of equity	**$**	**(92,969)**	$	(115,813)

- 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. Where a revalued financial asset is sold, the portion of the component that relates to that financial asset, and is effectively realized, is recognized in net income. Where a revaluated 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.

10. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the second quarters and the six-month periods ended June 30, 2012 and 2011:

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2012	2011	**2012**	2011
Exchange differences on translating foreign operations:				
Balance at beginning of period	**$ (34,133)**	$ (20,622)	**$ (33,028)**	$ (21,077)
Current period gains (losses)	**(7,537)**	5,928	**(8,642)**	6,383
Balance at end of period	**(41,670)**	(14,694)	**(41,670)**	(14,694)
Available-for-sale financial assets:				
Balance at beginning of period	**2,287**	1,608	**1,538**	1,317
Current period gains (losses)	**(684)**	739	**256**	1,077
Income tax benefit (expense) relating to current period gains (losses)	**67**	(132)	**(50)**	(179)
Reclassification to net income	**–**	(35)	**(85)**	(35)
Income tax expense relating to amounts reclassified to net income	**–**	5	**11**	5
Balance at end of period	**1,670**	2,185	**1,670**	2,185
Cash flow hedges:				
Balance at beginning of period	**(3,204)**	(15,627)	**(24,375)**	(15,920)
Current period losses	**(9,213)**	(3,212)	**(6,531)**	(8,903)
Income tax benefit relating to current period losses	**2,669**	800	**2,098**	1,658
Reclassification to net income	**17,422**	(3,107)	**43,559**	3,272
Income tax benefit (expense) relating to amounts reclassified to net income	**(455)**	259	**(7,532)**	(994)
Balance at end of period	**7,219**	(20,887)	**7,219**	(20,887)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	**(55,302)**	(24,069)	**(59,948)**	(31,800)
Current period share	**(9,299)**	(17,115)	**(5,599)**	(7,581)
Income tax benefit relating to current period share	**2,868**	5,527	**1,205**	2,466
Reclassification to net income	**2,064**	2,405	**5,873**	4,146
Income tax benefit relating to amounts reclassified to net income	**(519)**	(727)	**(1,719)**	(1,210)
Balance at end of period	**(60,188)**	(33,979)	**(60,188)**	(33,979)
Other components of equity	**$ (92,969)**	$ (67,375)	**$ (92,969)**	$ (67,375)

The following tables provide a reconciliation of actuarial gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the second quarters and the six-month periods ended June 30, 2012 and 2011:

SECOND QUARTER	**2012**			2011		
	BEFORE TAX	INCOME TAX BENEFIT	NET OF TAX	BEFORE TAX	INCOME TAX BENEFIT	NET OF TAX
Cumulative amount at beginning of period	**$ (15,941)**	**$ 4,215**	**$ (11,726)**	$ (442)	$ 102	$ (340)
Recognized during the period	**(2,728)**	**717**	**(2,011)**	(1,616)	416	(1,200)
Cumulative amount at end of period	**$ (18,669)**	**$ 4,932**	**$ (13,737)**	$ (2,058)	$ 518	$ (1,540)

SIX MONTHS ENDED JUNE 30	**2012**			2011		
	BEFORE TAX	INCOME TAX BENEFIT	NET OF TAX	BEFORE TAX	INCOME TAX BENEFIT	NET OF TAX
Cumulative amount at beginning of period	**$ (17,475)**	**$ 4,645**	**$ (12,830)**	$ (1,442)	$ 359	$ (1,083)
Recognized during the period	**(1,194)**	**287**	**(907)**	(616)	159	(457)
Cumulative amount at end of period	**$ (18,669)**	**$ 4,932**	**$ (13,737)**	$ (2,058)	$ 518	$ (1,540)

11. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

The following table presents the items included in the net change in non-cash working capital related to operating activities presented in the statements of cash flows:

	SECOND QUARTER		SIX MONTHS ENDED JUNE 30	
	2012	2011 (1)	**2012**	2011 (1)
Decrease (increase) in trade receivables	**$ 67,241**	$ (115,245)	**$ (6,374)**	$ (194,700)
Decrease (increase) in contracts in progress	**(37,207)**	171,004	**(85,964)**	194,387
Increase in other current financial assets	**(47,813)**	(23,969)	**(13,184)**	(87,260)
Increase in other current assets	**(21,689)**	(22,974)	**(44,503)**	(19,685)
Increase (decrease) in trade payables	**(16,593)**	(60,335)	**34,637**	33,711
Increase (decrease) in downpayments on contracts	**24,595**	(28,126)	**37,262**	(58,992)
Increase in deferred revenues	**85,306**	15,215	**87,805**	66,555
Increase in other current financial liabilities	**1,539**	12,948	**11,079**	18,831
Increase (decrease) in other current liabilities	**20,774**	44	**(20,208)**	7,558
Net change in non-cash working capital items	**$ 76,153**	$ (51,438)	**$ 550**	$ (39,595)

(1) See Note 14 for explanations relating to comparative figures.

12. RELATED PARTY TRANSACTIONS

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

Consistent with IFRS, intragroup profits generated from revenues with ICI accounted for by the equity or full consolidation methods are eliminated in the period they occur, except when such profits are deemed to have been realized by the ICI. 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 second quarter and the first six months of 2012, SNC-Lavalin recognized revenues of $206.8 million (second quarter of 2011: $140.6 million) and $358.0 million (first six months of 2011: $244.0 million), respectively, from contracts with ICI accounted for by the equity method. SNC-Lavalin also recognized its share of net income from the ICI accounted for by the equity method of $19.5 million for the second quarter of 2012 (second quarter of 2011: $37.5 million) and $34.7 million for the first six months of 2012 (first six months of 2011: $56.8 million). For the second quarter and the first six months of 2012, intragroup revenues generated from transactions with AltaLink, which amounted to $171.3 million (second quarter of 2011: $64.6 million) and $317.8 million (first six months of 2011: $112.5 million), respectively, were eliminated upon consolidation, while profits from those transactions were not eliminated.

SNC-Lavalin’s trade receivables from the ICI accounted for by the equity method amounted to $30.9 million as at June 30, 2012 (December 31, 2011: $43.7 million). SNC-Lavalin’s other current financial assets receivable from the ICI accounted for by the equity method amounted to $127.3 million as at June 30, 2012 (December 31, 2011: $83.0 million). SNC-Lavalin’s remaining commitment to invest in these ICI accounted for by the equity method was $141.5 million at June 30, 2012 (December 31, 2011: $129.0 million).

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

13. CONTINGENT LIABILITIES

A) BANGLADESH INVESTIGATION

As announced in September 2011, the Royal Canadian Mounted Police (the "RCMP") is investigating the Company's involvement in projects in Bangladesh and certain countries in Africa. The investigation is understood to be ongoing and to be focused primarily on an unsuccessful bid by a subsidiary to act for the Bangladeshi government in supervising a project contractor. The investigation has resulted in charges being laid against two former employees of a subsidiary of the Company under the *Corruption of Foreign Public Officials Act* (Canada) in regard to the Bangladesh project. The World Bank is also investigating the project in Bangladesh, and in March 2012 temporarily suspended the Company's subsidiary from the right to bid on new World Bank projects pending the conclusion of its investigation and a final decision. The subsidiary has the right to respond to the allegations outlined in the World Bank's confidential report before a final decision is taken. The Company is communicating with the World Bank and intends to provide a comprehensive response to the allegations in regard to this and any other World Bank funded projects that the World Bank is or may be investigating. Due to the nature of these investigations, including the possibility that their scope may broaden, it is not possible to predict the respective outcomes with any certainty or potential losses, if any, for the Company in connection therewith.

B) 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.

C) PROPOSED CLASS ACTION LAWSUITS

On March 1, 2012, a "Motion to Authorize the Beginning of a Class Action and to Obtain the Status of Representative" (the "Quebec Motion") 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 Quebec Motion raises both statutory and negligent misrepresentation claims.

On May 9, 2012, two proposed class actions were commenced in the Ontario Superior Court on behalf of all persons who acquired SNC-Lavalin securities during different time periods. These two actions were consolidated into a single action (the "Ontario Action") on June 29, 2012. The Ontario Action seeks damages on behalf of all persons who acquired securities of SNC-Lavalin between November 6, 2009 and February 27, 2012. The Ontario Action raises, among other things, both statutory and common law misrepresentation claims.

The Quebec Motion and the Ontario Action (collectively, the "Actions") allege that certain documents issued by SNC-Lavalin contained misrepresentations concerning, among other things, SNC-Lavalin's corporate governance practices, adequacy of controls and procedures, reported net income for the year ended December 31, 2010, and adherence to SNC-Lavalin's Code of Ethics.

The Actions each seek damages based on the decline in market value of the securities purchased by proposed class members when SNC-Lavalin issued a press release dated February 28, 2012, as well as other damages and costs. The Ontario Action further seeks additional damages based on a further drop in share price on June 25, 2012.

13. CONTINGENT LIABILITIES (CONTINUED)

The Actions will require leave from the respective courts to commence statutory secondary market misrepresentations claims under the various applicable securities legislation. They further require leave from the respective courts to proceed as class actions.

Due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of these lawsuits 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.

D) **OTHER**

The Company is a party to other claims and litigation arising in the normal course of operations. The Company does not expect the resolution of these matters to have a materially adverse effect on the financial position or results of operations of the Company.

14. COMPARATIVE FIGURES

As disclosed in Note 35.2 E. of the Company's 2011 annual audited consolidated financial statements, the Company corrected its 2010 comparative figures related to payments that were made under what is presumed to be an agency agreement and that were charged and documented to a construction project to which they did not relate. 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.

While the 2011 figures included in the Company's annual audited consolidated financial statements reflected the adjustment for the above mentioned payments made in 2010 and other similar payments made in 2011 under presumed agency agreements that also had to be treated as period expenses for accounting purposes, the quarterly interim condensed financial statements for the first, second and third quarters of 2011 were published prior to the correction relating to these payments. The table below presents the impact from the adjustments made to the comparative figures for the first and second quarters of 2011 that have been presented in the interim condensed consolidated financial statements for the first and second quarters of 2012, as well as the impact from the adjustments that will be made to the comparative figures for the third quarter of 2011:

	THREE MONTHS ENDED		
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE)	MARCH 31 2011	JUNE 30 2011	SEPTEMBER 30 2011
Net income, as published in quarterly consolidated financial statements	$ 76,626	$ 103,388	$ 128,630
Net income, as adjusted	78,819	104,846	127,551
Increase (decrease) in net income	$ 2,193	$ 1,458	$ (1,079)
Basic earnings per share, as published in quarterly consolidated financial statements	$ 0.49	$ 0.67	$ 0.83
Basic earnings per share, as adjusted	0.50	0.68	0.83
Increase in basic earnings per share	$ 0.01	$ 0.01	$ -
Diluted earnings per share, as published in quarterly consolidated financial statements	$ 0.49	$ 0.66	$ 0.83
Diluted earnings per share, as adjusted	0.50	0.67	0.82
Increase (decrease) in diluted earnings per share	$ 0.01	$ 0.01	$ (0.01)

Also, the 2010 payments accounted for as period expenses resulted in a decrease of the opening balance of retained earnings of $17.9 million as at January 1, 2011.

www.snclavalin.com

SNC-LAVALIN
455 René-Lévesque Blvd. West
Montreal, Quebec
H2Z 1Z3 Canada
Tel.: 514-393-1000
Fax: 514-866-0795