



SNC • LAVALIN

Q3

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

As at and for the nine-month periods ended
September 30, 2012 and 2011

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	September 30 2012	December 31 2011
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,113,650	\$ 1,231,049
Restricted cash		30,258	39,354
Trade receivables		1,231,505	1,155,544
Contracts in progress		738,025	557,220
Other current financial assets		439,336	396,552
Other current assets		185,463	166,563
Total current assets		3,738,237	3,546,282
Property and equipment:			
From ICI	4B	3,179,980	2,637,735
From other activities		190,187	159,883
ICI accounted for by the equity method	4B	368,262	350,246
ICI accounted for by the cost method	4B	319,627	293,241
Goodwill		629,506	639,471
Deferred income tax asset		160,172	161,364
Non-current financial assets		394,278	412,258
Other non-current assets		229,031	153,521
Total assets		\$ 9,209,280	\$ 8,354,001
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		\$ 1,635,277	\$ 1,520,395
Downpayments on contracts		337,522	316,714
Deferred revenues		958,344	907,118
Other current financial liabilities		307,802	291,031
Other current liabilities		148,151	151,689
Short-term debt and current portion of long-term debt:			
Non-recourse from ICI	4B	612,722	327,381
Total current liabilities		3,999,818	3,514,328
Long-term debt:			
Recourse		348,501	348,369
Non-recourse from ICI	4B	1,735,982	1,561,377
Other non-current financial liabilities		115,207	130,744
Provisions		248,029	224,834
Other non-current liabilities		561,534	486,217
Deferred income tax liability		191,477	201,416
Total liabilities		7,200,548	6,467,285
Equity			
Share capital		462,238	455,682
Retained earnings		1,657,681	1,543,199
Other components of equity	10	(114,068)	(115,813)
Equity attributable to SNC-Lavalin shareholders		2,005,851	1,883,068
Non-controlling interests		2,881	3,648
Total equity		2,008,732	1,886,716
Total liabilities and equity		\$ 9,209,280	\$ 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)

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

2012							
Equity attributable to SNC-Lavalin shareholders						Non-controlling interests	Total equity
Share Capital		Retained earnings	Other components of equity (Note 10)	Total			
Common shares (in thousands)	Amount						
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	—	—	214,476	—	214,476	287	214,763
Other comprehensive income (loss) for the period	—	—	(2,878)	1,745	(1,133)	—	(1,133)
Total comprehensive income for the period	—	—	211,598	1,745	213,343	287	213,630
Dividends declared (Note 9)	—	—	(99,694)	—	(99,694)	—	(99,694)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(642)	(642)
Stock option compensation (Note 7A)	—	—	10,270	—	10,270	—	10,270
Shares issued under stock option plans	174	7,094	(1,356)	—	5,738	—	5,738
Shares redeemed and cancelled	(176)	(538)	(6,336)	—	(6,874)	—	(6,874)
Disposal of a subsidiary	—	—	—	—	—	(412)	(412)
Balance at end of the period	151,032	\$ 462,238	\$ 1,657,681	\$ (114,068)	\$ 2,005,851	\$ 2,881	\$ 2,008,732

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

2011 ⁽¹⁾							
Equity attributable to SNC-Lavalin shareholders						Non-controlling interests	Total equity
Share Capital		Retained earnings	Other components of equity (Note 10)	Total			
Common shares (in thousands)	Amount						
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	—	—	302,811	—	302,811	8,405	311,216
Other comprehensive income (loss) for the period	—	—	(686)	(74,917)	(75,603)	701	(74,902)
Total comprehensive income for the period	—	—	302,125	(74,917)	227,208	9,106	236,314
Dividends declared (Note 9)	—	—	(95,050)	—	(95,050)	—	(95,050)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(627)	(627)
Stock option compensation (Note 7A)	—	—	13,230	—	13,230	—	13,230
Shares issued under stock option plans	471	19,089	(3,610)	—	15,479	—	15,479
Shares redeemed and cancelled	(649)	(1,903)	(34,174)	—	(36,077)	—	(36,077)
Acquisition of non-controlling interests of AltaLink	—	—	(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 the period	150,856	\$ 442,121	\$ 1,518,088	\$ (145,165)	\$ 1,815,044	\$ 3,710	\$ 1,818,754

⁽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)

		THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	Note	2012	2011 ⁽¹⁾	2012	2011 ⁽¹⁾
Revenues by activity:					
Services		\$ 797,695	\$ 597,992	\$ 2,253,760	\$ 1,642,533
Packages		745,549	758,211	2,065,657	2,086,986
O&M		304,488	308,284	981,078	1,016,739
ICI		127,517	115,031	368,922	345,515
		1,975,249	1,779,518	5,669,417	5,091,773
Direct cost of activities		1,586,197	1,439,118	4,702,252	4,158,572
Gross margin		389,052	340,400	967,165	933,201
Selling, general and administrative expenses		207,174	150,650	603,016	469,840
Net financial expenses	6	35,906	30,999	96,060	84,581
Income before income tax expense		145,972	158,751	268,089	378,780
Income tax expense		31,249	31,200	53,326	67,564
Net income for the period		\$ 114,723	\$ 127,551	\$ 214,763	\$ 311,216
Net income (loss) attributable to:					
SNC-Lavalin shareholders		\$ 114,853	\$ 124,541	\$ 214,476	\$ 302,811
Non-controlling interests		(130)	3,010	287	8,405
Net income for the period		\$ 114,723	\$ 127,551	\$ 214,763	\$ 311,216
Earnings per share (in \$)					
Basic		\$ 0.76	\$ 0.83	\$ 1.42	\$ 2.01
Diluted		\$ 0.76	\$ 0.82	\$ 1.42	\$ 1.99
Weighted average number of outstanding shares (in thousands)	8				
Basic		151,035	150,889	151,061	150,888
Diluted		151,175	151,800	151,331	152,027

⁽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 SEPTEMBER 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 (loss) for the period	\$ 114,853	\$ (130)	\$ 114,723	\$ 124,541	\$ 3,010	\$ 127,551
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 10)	(14,410)	–	(14,410)	(12,863)	2	(12,861)
Available-for-sale financial assets (Note 10)	448	–	448	(1,479)	–	(1,479)
Cash flow hedges (Note 10)	(6,784)	–	(6,784)	(36,484)	224	(36,260)
Defined benefit pension plans and other post-employment benefits (Note 10)	(2,631)	–	(2,631)	(307)	–	(307)
Share of other comprehensive income (loss) of investments accounted for by the equity method (Note 10)	2,213	–	2,213	(53,218)	–	(53,218)
Income tax benefit (expense) relating to components of other comprehensive income (Note 10)	(1,906)	–	(1,906)	29,100	–	29,100
Total other comprehensive income (loss) for the period	(23,070)	–	(23,070)	(75,251)	226	(75,025)
Total comprehensive income (loss) for the period	\$ 91,783	\$ (130)	\$ 91,653	\$ 49,290	\$ 3,236	\$ 52,526

NINE MONTHS ENDED SEPTEMBER 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	\$ 214,476	\$ 287	\$ 214,763	\$ 302,811	\$ 8,405	\$ 311,216
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 10)	(23,052)	–	(23,052)	(6,480)	38	(6,442)
Available-for-sale financial assets (Note 10)	619	–	619	(437)	–	(437)
Cash flow hedges (Note 10)	30,244	–	30,244	(42,115)	663	(41,452)
Defined benefit pension plans and other post-employment benefits (Note 10)	(3,825)	–	(3,825)	(923)	–	(923)
Share of other comprehensive income (loss) of investments accounted for by the equity method (Note 10)	2,487	–	2,487	(56,653)	–	(56,653)
Income tax benefit (expense) relating to components of other comprehensive loss (Note 10)	(7,606)	–	(7,606)	31,005	–	31,005
Total other comprehensive income (loss) for the period	(1,133)	–	(1,133)	(75,603)	701	(74,902)
Total comprehensive income for the period	\$ 213,343	\$ 287	\$ 213,630	\$ 227,208	\$ 9,106	\$ 236,314

⁽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)

		THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	Note	2012	2011 ⁽¹⁾	2012	2011 ⁽¹⁾
Operating activities					
Net income for the period		\$ 114,723	\$ 127,551	\$ 214,763	\$ 311,216
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		19,353	20,904	67,919	61,820
From other activities		16,449	11,383	44,429	31,949
Income tax expense recognized in net income		31,249	31,200	53,326	67,564
Income taxes received (paid)		6,412	11,012	(16,987)	(8,114)
Net financial expenses recognized in net income	6	35,906	30,999	96,060	84,581
Interest paid:					
From ICI		(12,427)	(13,202)	(63,987)	(58,624)
From other activities		(10,873)	(10,936)	(21,909)	(21,912)
Expense recognized in respect of stock options	7A	2,121	3,806	10,270	13,230
Expense recognized in respect of cash-settled share-based payment arrangements	7B	3,388	1,794	7,704	6,250
Income from ICI accounted for by the equity method		(20,848)	(23,896)	(55,543)	(80,663)
Dividends and distributions received from ICI accounted for by the equity method		19,942	15,796	53,754	69,851
Other		(8,411)	(792)	33,817	(29,879)
		196,984	205,619	423,616	447,269
Net change in non-cash working capital items	11	(200,642)	92,900	(200,092)	53,305
Net cash generated from (used for) operating activities		(3,658)	298,519	223,524	500,574
Investing activities					
Acquisition of property and equipment:					
From ICI		(144,278)	(121,674)	(524,105)	(344,864)
From other activities		(24,196)	(19,934)	(75,897)	(48,112)
Payments for ICI		(9,671)	(20,209)	(48,525)	(83,067)
Acquisition of businesses		(2,003)	(23,308)	(17,047)	(58,385)
Payments for interests in a jointly controlled entity	5	—	—	(40,255)	—
Increase in receivables under service concession arrangements		(9,944)	(34,389)	(22,306)	(65,583)
Recovery of receivables under service concession arrangements		971	61,023	21,832	70,079
Other		19,214	(5,973)	14,533	(15,715)
Net cash used for investing activities		(169,907)	(164,464)	(691,770)	(545,647)
Financing activities					
Repayment of non-recourse debt from ICI		(44,311)	(861)	(46,093)	(6,809)
Acquisition of a subsidiary's debenture related to the AltaLink transaction		—	(50,000)	—	(50,000)
Increase in non-recourse debt from ICI		126,076	65,552	504,871	202,436
Proceeds from exercise of stock options		137	2,553	5,738	15,479
Redemption of shares		(332)	(5,489)	(6,874)	(36,077)
Dividends paid to SNC-Lavalin shareholders	9	(33,228)	(31,689)	(99,694)	(95,050)
Acquisition of non-controlling interests of AltaLink ⁽²⁾		—	(228,816)	—	(228,816)
Other		1,575	6,356	(1,831)	9,594
Net cash generated from (used for) financing activities		49,917	(242,394)	356,117	(189,243)
Decrease in exchange differences on translating cash and cash equivalents held in foreign operations		(4,121)	(2,426)	(5,270)	(135)
Net decrease in cash and cash equivalents		(127,769)	(110,765)	(117,399)	(234,451)
Cash and cash equivalents at beginning of period		1,241,419	1,111,399	1,231,049	1,235,085
Cash and cash equivalents at end of period		\$ 1,113,650	\$ 1,000,634	\$ 1,113,650	\$ 1,000,634

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

⁽²⁾ 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	7
2. BASIS OF PREPARATION	7
3. SEGMENT DISCLOSURES	9
4. INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI")	10
5. SNC-LAVALIN FAYEZ ENGINEERING ("SLFE")	11
6. NET FINANCIAL EXPENSES	12
7. SHARE-BASED PAYMENTS	12
8. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES	13
9. DIVIDENDS	13
10. OTHER COMPONENTS OF EQUITY	13
11. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS	15
12. RELATED PARTY TRANSACTIONS	15
13. CONTINGENT LIABILITIES	16
14. COMPARATIVE FIGURES	17

Notes to Interim Condensed Consolidated Financial Statements

(ALL TABULAR FIGURES IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)
(UNAUDITED)

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 nine-month periods ended September 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 November 2, 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 International Accounting Standards Board issued a collection of amendments to IFRS 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 according to the Company's segments:

	THIRD QUARTER				NINE MONTHS ENDED SEPTEMBER 30			
	2012		2011 ⁽¹⁾		2012		2011 ⁽¹⁾	
	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME	REVENUES	OPERATING INCOME
Services and Packages								
Infrastructure & Environment	\$ 536,824	\$ 16,010	\$ 537,761	\$ 37,038	\$ 1,464,882	\$ 11,676	\$ 1,425,303	\$ 52,895
Mining & Metallurgy	401,413	35,272	255,730	29,794	1,044,635	63,524	666,538	46,266
Power	297,661	38,711	238,592	40,235	929,623	60,054	550,981	93,759
Hydrocarbons & Chemicals	216,810	11,084	247,240	14,945	611,290	33,269	826,555	57,244
Other Industries	90,536	10,615	76,880	10,057	268,987	26,194	260,142	29,909
O&M	304,488	15,854	308,284	8,528	981,078	27,968	1,016,739	29,768
ICI	127,517	30,908	115,031	25,597	368,922	86,536	345,515	91,721
	<u>\$ 1,975,249</u>	<u>158,454</u>	<u>\$ 1,779,518</u>	<u>166,194</u>	<u>\$ 5,669,417</u>	<u>309,221</u>	<u>\$ 5,091,773</u>	<u>401,562</u>
Reversal of items included above:								
Imputed interest benefit		(12,141)		(8,459)		(42,075)		(22,615)
Net financial expenses from ICI		30,001		25,605		81,920		68,921
Income tax expense from ICI		5,339		3,347		14,269		7,007
Non-controlling interests before income tax expense		225		3,063		814		8,486
Income before net financial expenses and income tax expense		181,878		189,750		364,149		463,361
Net financial expenses (Note 6)		35,906		30,999		96,060		84,581
Income before income tax expense		145,972		158,751		268,089		378,780
Income tax expense		31,249		31,200		53,326		67,564
Net income for the period	\$ 114,723		\$ 127,551		\$ 214,763		\$ 311,216	
Net income (loss) attributable to:								
SNC-Lavalin shareholders	\$ 114,853		\$ 124,541		\$ 214,476		\$ 302,811	
Non-controlling interests	(130)		3,010		287		8,405	
Net income for the period	\$ 114,723		\$ 127,551		\$ 214,763		\$ 311,216	

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

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

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2012	2011 ⁽¹⁾	2012	2011 ⁽¹⁾
Supplementary information:				
Net income attributable to SNC-Lavalin shareholders from ICI:				
From Highway 407	\$ 14,677	\$ 13,839	\$ 44,032	\$ 59,968
From other ICI	16,231	11,758	42,504	31,753
Net income attributable to SNC-Lavalin shareholders excluding ICI	83,945	98,944	127,940	211,090
Net income attributable to SNC-Lavalin shareholders for the period	\$ 114,853	\$ 124,541	\$ 214,476	\$ 302,811

⁽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 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

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 NINE-MONTH PERIOD ENDED SEPTEMBER 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:

	SEPTEMBER 30 2012	DECEMBER 31 2011
Cash and cash equivalents	\$ 122,040	\$ 30,901
Restricted cash	2,429	2,365
Trade receivables, other current financial assets and other current assets	164,920	101,989
Property and equipment ⁽¹⁾	3,179,980	2,637,735
Goodwill	203,786	203,786
Non-current financial assets	364,387	366,869
Other non-current assets and deferred income tax asset	167,845	115,038
Total assets	4,205,387	3,458,683
Trade payables, deferred revenues, other current financial liabilities and other current liabilities	339,134	246,599
Non-recourse short-term debt and current portion of non-recourse long-term debt ⁽¹⁾	612,722	327,381
Non-recourse long-term debt ⁽¹⁾	1,735,982	1,561,377
Other non-current financial liabilities	105,878	113,958
Provisions and other non-current liabilities	564,165	487,510
Total liabilities	3,357,881	2,736,825
Net assets from ICI accounted for by the full consolidation method ⁽²⁾	\$ 847,506	\$ 721,858
Net book value of ICI accounted for by the equity method ⁽³⁾	\$ 368,262	\$ 350,246
Net book value of ICI accounted for by the cost method ⁽⁴⁾	319,627	293,241
Total net book value of ICI	\$ 1,535,395	\$ 1,365,345

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

⁽²⁾ The net assets related to AltaLink totalled \$726.3 million as at September 30, 2012 (December 31, 2011: \$602.0 million).

⁽³⁾ Includes the Company’s investment in Highway 407, for which the net book value was \$nil as at September 30, 2012 (December 31, 2011: \$nil).

⁽⁴⁾ Represents mainly the net book value of the Company’s investment in Ambatovy.

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

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2012	2011	2012	2011
Interest revenues:				
From ICI	\$ (1,234)	\$ (2,101)	\$ (3,761)	\$ (5,348)
From other activities	(1,493)	(2,529)	(6,110)	(7,593)
Interest on debt:				
Recourse	5,458	5,462	16,380	16,372
Non-recourse from ICI:				
AltaLink	28,084	19,142	76,023	58,216
Other	1,920	1,970	5,795	6,000
Other:				
From ICI	1,231	6,594	3,863	10,053
From other activities	1,940	2,461	3,870	6,881
Net financial expenses	\$ 35,906	\$ 30,999	\$ 96,060	\$ 84,581

7. SHARE-BASED PAYMENTS

A) STOCK OPTIONS

The stock option compensation cost recorded as an expense in the third quarter and the first nine months of 2012 was \$2.1 million (2011: \$3.8 million) and \$10.3 million (2011: \$13.2 million), respectively. The following table presents the weighted average assumptions used to determine the stock option compensation cost, using the Black-Scholes option pricing model:

	THIRD QUARTER (*)		NINE MONTHS ENDED SEPTEMBER 30	
	2012	2011	2012	2011
Risk-free interest rate	—	1.48%	1.61%	2.15%
Expected stock price volatility	—	34.71%	33.62%	34.78%
Expected option life	—	4 years	4 years	4 years
Expected dividend yield	—	1.00%	1.50%	1.00%

(*) There are no figures for the third quarter of 2012 as no stock options were granted to employees during that period.

During the third quarter of 2012, no stock options were granted to employees (third quarter of 2011: 5,000 stock options with a weighted average fair value of \$13.87 per stock option). For the nine-month period ended September 30, 2012, 1,173,900 stock options were granted to employees (nine-month period ended September 30, 2011: 1,119,200 stock options) with a weighted average fair value of \$9.39 per stock option (nine-month period ended September 30, 2011: \$15.04 per stock option).

As at September 30, 2012, 5,454,652 stock options were outstanding (December 31, 2011: 5,357,515 stock options), while 96,000 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 nine-month periods ended September 30, 2012 and 2011:

	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	418,177	\$ 37.16	91,678	\$ 55.07
DSU plan	28,065	\$ 41.47	17,114	\$ 56.54

The compensation expense recorded in the third quarter and the nine-month period ended September 30, 2012 relating to cash-settled share based payment arrangements was \$3.4 million (2011: \$1.8 million) and \$7.7 million (2011: \$6.3 million), respectively.

8. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

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

(IN THOUSANDS)	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2012	2011	2012	2011
Weighted average number of outstanding shares - basic	151,035	150,889	151,061	150,888
Dilutive effect of stock options	140	911	270	1,139
Weighted average number of outstanding shares - diluted	151,175	151,800	151,331	152,027

In the third quarter and the nine-month period ended September 30, 2012, 3,106,498 outstanding stock options (third quarter of 2011: 2,206,450 outstanding stock options) and 3,106,498 outstanding stock options (first nine months of 2011: 2,206,450 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 nine-month period ended September 30, 2012, SNC-Lavalin recognized as distributions to its equity shareholders dividends of \$99.7 million or \$0.66 per share (nine-month period ended September 30, 2011: \$95.1 million or \$0.63 per share).

NINE MONTHS ENDED SEPTEMBER 30	2012	2011
Dividends payable at beginning of period	\$ —	\$ —
Dividends declared during the nine-month period ended September 30	99,694	95,050
Dividends paid during the nine-month period ended September 30	(99,694)	(95,050)
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 September 30, 2012 and December 31, 2011:

	SEPTEMBER 30 2012	DECEMBER 31 2011
Exchange differences on translating foreign operations	\$ (56,080)	\$ (33,028)
Available-for-sale financial assets	2,079	1,538
Cash flow hedges	(884)	(24,375)
Share of other comprehensive loss of investments accounted for by the equity method	(59,183)	(59,948)
Other components of equity	\$ (114,068)	\$ (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 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.

10. OTHER COMPONENTS OF EQUITY (CONTINUED)

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

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2012	2011	2012	2011
Exchange differences on translating foreign operations:				
Balance at beginning of period	\$ (41,670)	\$ (14,694)	\$ (33,028)	\$ (21,077)
Current period losses	(14,410)	(12,863)	(23,052)	(6,480)
Balance at end of period	(56,080)	(27,557)	(56,080)	(27,557)
Available-for-sale financial assets:				
Balance at beginning of period	1,670	2,185	1,538	1,317
Current period gains (losses)	448	(331)	704	746
Income tax benefit (expense) relating to current period gains (losses)	(39)	94	(89)	(85)
Reclassification to net income	—	(1,148)	(85)	(1,183)
Income tax expense relating to amounts reclassified to net income	—	155	11	160
Balance at end of period	2,079	955	2,079	955
Cash flow hedges:				
Balance at beginning of period	7,219	(20,887)	(24,375)	(15,920)
Current period gains (losses)	11,596	(28,771)	5,065	(37,674)
Income tax benefit (expense) relating to current period gains (losses)	(2,695)	6,855	(597)	8,513
Reclassification to net income	(18,380)	(7,713)	25,179	(4,441)
Income tax (benefit) expense relating to amounts reclassified to net income	1,376	3,303	(6,156)	2,309
Balance at end of period before the acquisition of non-controlling interests of AltaLink	(884)	(47,213)	(884)	(47,213)
Portion of cash flow hedges attributable to non-controlling interests of AltaLink reallocated to equity attributable to SNC-Lavalin shareholders	—	(3,690)	—	(3,690)
Income tax benefit related to the reallocated portion of cash flow hedges of AltaLink	—	922	—	922
Balance at end of period after the acquisition of non-controlling interests of AltaLink	(884)	(49,981)	(884)	(49,981)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	(60,188)	(33,979)	(59,948)	(31,800)
Current period share	830	(54,059)	(4,769)	(61,640)
Income tax benefit (expense) relating to current period share	(1,082)	18,606	123	21,072
Reclassification to net income	1,383	841	7,256	4,987
Income tax (benefit) expense relating to amounts reclassified to net income	(126)	9	(1,845)	(1,201)
Balance at end of period	(59,183)	(68,582)	(59,183)	(68,582)
Other components of equity	\$ (114,068)	\$ (145,165)	\$ (114,068)	\$ (145,165)

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 third quarters and the nine-month periods ended September 30, 2012 and 2011:

THIRD 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	\$ (18,669)	\$ 4,932	\$ (13,737)	\$ (2,058)	\$ 518	\$ (1,540)
Recognized during the period	(2,631)	660	(1,971)	(307)	78	(229)
Cumulative amount at end of period	\$ (21,300)	\$ 5,592	\$ (15,708)	\$ (2,365)	\$ 596	\$ (1,769)

NINE MONTHS ENDED SEPTEMBER 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	(3,825)	947	(2,878)	(923)	237	(686)
Cumulative amount at end of period	\$ (21,300)	\$ 5,592	\$ (15,708)	\$ (2,365)	\$ 596	\$ (1,769)

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:

	THIRD QUARTER		NINE MONTHS ENDED SEPTEMBER 30	
	2012	2011 ⁽¹⁾	2012	2011 ⁽¹⁾
Decrease (increase) in trade receivables	\$ (74,161)	\$ 163,936	\$ (80,535)	\$ (30,764)
Decrease (increase) in contracts in progress	(99,633)	(111,796)	(185,597)	82,591
Decrease (increase) in other current financial assets	(45,720)	23,964	(58,904)	(63,296)
Decrease (increase) in other current assets	18,069	22,378	(26,434)	2,693
Increase in trade payables	77,461	75,430	112,098	109,141
Increase (decrease) in downpayments on contracts	(15,838)	(19,233)	21,424	(78,225)
Increase (decrease) in deferred revenues	(35,855)	(17,257)	51,950	49,298
Increase (decrease) in other current financial liabilities	12,092	(3,695)	23,171	15,136
Decrease in other current liabilities	(37,057)	(40,827)	(57,265)	(33,269)
Net change in non-cash working capital items	\$ (200,642)	\$ 92,900	\$ (200,092)	\$ 53,305

⁽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 third quarter and the first nine months of 2012, SNC-Lavalin recognized revenues of \$184.5 million (third quarter of 2011: \$147.1 million) and \$542.5 million (first nine months of 2011: \$404.9 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 \$20.8 million for the third quarter of 2012 (third quarter of 2011: \$23.9 million) and \$55.5 million for the first nine months of 2012 (first nine months of 2011: \$80.7 million). For the third quarter and the first nine months of 2012, intragroup revenues generated from transactions with AltaLink, which amounted to \$191.9 million (third quarter of 2011: \$101.1 million) and \$509.6 million (first nine months of 2011: \$213.6 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 \$20.3 million as at September 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 \$147.3 million as at September 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 as at September 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 AND OTHER MATTERS

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 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. The Company understands that investigations by various authorities are ongoing in respect of the above and other matters. Due to the nature of these investigations, including the possibility that other investigations of the Company by these or other authorities may be initiated or 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.

C) 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 “Class Period”). 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)

On September 19, 2012, the Ontario judge agreed to the discontinuance of the plaintiffs' claims other than the statutory misrepresentation claims under securities legislation as per an agreement with the plaintiffs. The judge granted the plaintiffs leave to proceed with those statutory claims and has certified a class action covering shareholders who bought SNC-Lavalin shares during the Class Period except for Quebec residents. The parties have agreed that the same relief will be sought from the Quebec judge covering Quebec residents.

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, second and third quarters of 2011 that have been presented in the interim condensed consolidated financial statements for the first, second and third quarters of 2012:

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE)	THREE MONTHS ENDED		
	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 in the opening balance of retained earnings of \$17.9 million as at January 1, 2011.



SNC • LAVALIN

www.snclavalin.com

SNC-LAVALIN

455 René-Lévesque Blvd. West

Montreal, Quebec

H2Z 1Z3 Canada

Tel.: 514-393-1000

Fax: 514-866-0795