SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	December 31 2012	December 31 2011
ASSETS			
Current assets			
Cash and cash equivalents		$ 1,174,900	$ 1,231,049
Restricted cash		32,815	39,354
Trade receivables		1,175,152	1,155,544
Contracts in progress		764,563	557,220
Other current financial assets		428,820	396,552
Other current assets		217,819	166,563
Total current assets		3,794,069	3,546,282
Property and equipment:			
From ICI	4	3,469,990	2,637,735
From other activities		193,097	159,883
ICI accounted for by the equity method	4	373,445	350,246
ICI accounted for by the cost method	4	338,963	293,241
Goodwill		635,775	639,471
Deferred income tax asset		177,581	161,364
Non-current portion of receivables under service concession arrangements		258,924	239,113
Non-current financial assets		120,212	173,145
Other non-current assets		248,864	153,521
Total assets		$ 9,610,920	$ 8,354,001
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		$ 1,649,776	$ 1,520,395
Downpayments on contracts		346,780	316,714
Deferred revenues		972,820	907,118
Other current financial liabilities		302,309	291,031
Other current liabilities		158,689	151,689
Advance under contract financing arrangement		43,273	-
Short-term debt and current portion of long-term debt:			
Non-recourse from ICI	4	484,575	327,381
Total current liabilities		3,958,222	3,514,328
Long-term debt:			
Recourse		348,545	348,369
Non-recourse from ICI	4	2,000,696	1,561,377
Other non-current financial liabilities		85,619	130,744
Provisions		323,391	224,834
Other non-current liabilities		593,429	486,217
Deferred income tax liability		222,582	201,416
Total liabilities		7,532,484	6,467,285
Equity			
Share capital		463,740	455,682
Retained earnings		1,714,379	1,543,199
Other components of equity	10	(102,686)	(115,813)
Equity attributable to SNC-Lavalin shareholders		2,075,433	1,883,068
Non-controlling interests		3,003	3,648
Total equity		2,078,436	1,886,716
Total liabilities and equity		$ 9,610,920	$ 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)

YEAR ENDED DECEMBER 31
(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	**–**		**–**		**309,115**		**–**		**309,115**		**415**		**309,530**
Other comprehensive income (loss) for the period	**–**		**–**		**(9,321)**		**13,127**		**3,806**		**–**		**3,806**
Total comprehensive income for the period	**–**		**–**		**299,794**		**13,127**		**312,921**		**415**		**313,336**
Dividends declared (Note 9)	**–**		**–**		**(132,925)**		**–**		**(132,925)**		**–**		**(132,925)**
Dividends declared by subsidiaries to non-controlling interests	**–**		**–**		–		**–**		**–**		**(648)**		**(648)**
Stock option compensation (Note 7A)	**–**		**–**		**12,313**		**–**		**12,313**		**–**		**12,313**
Shares issued under stock option plans	**210**		**8,597**		**(1,667)**		**–**		**6,930**		**–**		**6,930**
Shares redeemed and cancelled	**(175)**		**(539)**		**(6,335)**		**–**		**(6,874)**		**–**		**(6,874)**
Disposal of a subsidiary	**–**		**–**		**–**		**–**		**–**		**(412)**		**(412)**
Balance at end of the period	**151,069**	**$**	**463,740**	**$**	**1,714,379**	**$**	**(102,686)**	**$**	**2,075,433**	**$**	**3,003**	**$**	**2,078,436**

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

2011

	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	$	1,459,323	$	(67,480)	$	1,816,778	$	102,654	$	1,919,432
Net income for the period	–		–		378,800		–		378,800		8,542		387,342
Other comprehensive income (loss) for the period	–		–		(11,747)		(45,565)		(57,312)		702		(56,610)
Total comprehensive income for the period	–		–		367,053		(45,565)		321,488		9,244		330,732
Dividends declared (Note 9)	–		–		(126,750)		–		(126,750)		–		(126,750)
Dividends declared by subsidiaries to non-controlling interests	–		–		–		–		–		(827)		(827)
Stock option compensation (Note 7A)	–		–		15,411		–		15,411		–		15,411
Shares issued under stock option plans	820		33,219		(6,283)		–		26,936		–		26,936
Shares redeemed and cancelled	(820)		(2,472)		(41,799)		–		(44,271)		–		(44,271)
Acquisition of non-controlling interests of AltaLink	–		–		(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	151,034	$	455,682	$	1,543,199	$	(115,813)	$	1,883,068	$	3,648	$	1,886,716

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND NUMBER OF SHARES)		FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	Note	**2012**	2011	**2012**	2011
Revenues by activity:					
Services		**$ 921,174**	$ 795,245	**$ 3,174,934**	$ 2,437,778
Packages		**954,743**	784,544	**3,020,400**	2,871,530
O&M		**349,423**	382,458	**1,330,501**	1,399,197
ICI accounted for by the full consolidation or cost methods		**137,293**	133,687	**450,672**	398,539
ICI accounted for by the equity method		**58,910**	22,164	**114,453**	102,827
		2,421,543	2,118,098	**8,090,960**	7,209,871
Direct cost of activities		**2,033,723**	1,799,163	**6,735,975**	5,957,735
Gross margin		**387,820**	318,935	**1,354,985**	1,252,136
Selling, general and administrative expenses		**248,201**	184,851	**851,217**	654,691
Net financial expenses	6	**30,102**	30,630	**126,162**	115,211
Income before income tax expense		**109,517**	103,454	**377,606**	482,234
Income tax expense, net		**14,750**	27,328	**68,076**	94,892
Net income for the period		**$ 94,767**	$ 76,126	**$ 309,530**	$ 387,342
Net income attributable to:					
SNC-Lavalin shareholders		**$ 94,639**	$ 75,989	**$ 309,115**	$ 378,800
Non-controlling interests		**128**	137	**415**	8,542
Net income for the period		**$ 94,767**	$ 76,126	**$ 309,530**	$ 387,342
Earnings per share (in $)					
Basic		**$ 0.63**	$ 0.50	**$ 2.05**	$ 2.51
Diluted		**$ 0.63**	$ 0.50	**$ 2.04**	$ 2.49
Weighted average number of outstanding shares (in thousands)	8				
Basic		**151,048**	150,924	**151,058**	150,897
Diluted		**151,238**	151,645	**151,304**	151,940

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

THREE MONTHS ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS)

	2012			2011		
	Attributable to SNC-Lavalin shareholders	**Non-controlling interests**	**Total**	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income for the period	**$ 94,639**	**$ 128**	**$ 94,767**	$ 75,989	$ 137	$ 76,126
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 10)	**8,105**	**–**	**8,105**	(5,471)	1	(5,470)
Available-for-sale financial assets (Note 10)	**575**	**–**	**575**	649	–	649
Cash flow hedges (Note 10)	**2,013**	**–**	**2,013**	30,256	–	30,256
Defined benefit pension plans and other post-employment benefits (Note 10)	**(8,473)**	**–**	**(8,473)**	(15,110)	–	(15,110)
Share of other comprehensive income of investments accounted for by the equity method (Note 10)	**1,316**	**–**	**1,316**	13,790	–	13,790
Income tax benefit (expense) relating to components of other comprehensive income (loss) (Note 10)	**1,403**	**–**	**1,403**	(5,823)	–	(5,823)
Total other comprehensive income for the period	**4,939**	**–**	**4,939**	18,291	1	18,292
Total comprehensive income for the period	**$ 99,578**	**$ 128**	**$ 99,706**	$ 94,280	$ 138	$ 94,418

YEAR ENDED DECEMBER 31
(IN THOUSANDS OF CANADIAN DOLLARS)

	2012			2011		
	Attributable to SNC-Lavalin shareholders	**Non-controlling interests**	**Total**	Attributable to SNC-Lavalin shareholders	Non-controlling interests	Total
Net income for the period	**$ 309,115**	**$ 415**	**$ 309,530**	$ 378,800	$ 8,542	$ 387,342
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 10)	**(14,947)**	**–**	**(14,947)**	(11,951)	39	(11,912)
Available-for-sale financial assets (Note 10)	**1,194**	**–**	**1,194**	212	–	212
Cash flow hedges (Note 10)	**32,257**	**–**	**32,257**	(11,859)	663	(11,196)
Defined benefit pension plans and other post-employment benefits (Note 10)	**(12,298)**	**–**	**(12,298)**	(16,033)	–	(16,033)
Share of other comprehensive income (loss) of investments accounted for by the equity method (Note 10)	**3,803**	**–**	**3,803**	(42,863)	–	(42,863)
Income tax benefit (expense) relating to components of other comprehensive income (loss) (Note 10)	**(6,203)**	**–**	**(6,203)**	25,182	–	25,182
Total other comprehensive income (loss) for the period	**3,806**	**–**	**3,806**	(57,312)	702	(56,610)
Total comprehensive income for the period	**$ 312,921**	**$ 415**	**$ 313,336**	$ 321,488	$ 9,244	$ 330,732

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)		FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	Note	**2012**	2011	**2012**	2011
Operating activities					
Net income for the period		**$ 94,767**	$ 76,126	**$ 309,530**	$ 387,342
Adjustments to reconcile net income to cash flows from operating activities:					
Depreciation of property and equipment and amortization of other non-current assets:					
From ICI		**31,286**	31,279	**99,205**	93,099
From other activities		**17,142**	13,429	**61,571**	45,378
Income tax expense recognized in net income		**14,750**	27,328	**68,076**	94,892
Income taxes paid		**(2,147)**	(6,031)	**(19,134)**	(14,145)
Net financial expenses recognized in net income	6	**30,102**	30,630	**126,162**	115,211
Interest received (paid):					
From ICI		**(48,103)**	(32,448)	**(112,090)**	(91,072)
From other activities		**(575)**	405	**(22,484)**	(21,507)
Expense recognized in respect of stock options	7A	**2,043**	2,181	**12,313**	15,411
Expense recognized in respect of cash-settled share-based payment arrangements	7B	**2,318**	2,688	**10,022**	8,938
Income from ICI accounted for by the equity method		**(58,910)**	(22,164)	**(114,453)**	(102,827)
Dividends and distributions received from ICI accounted for by the equity method		**58,673**	19,521	**112,427**	89,372
Other		**34,551**	(12,299)	**68,368**	(42,178)
		175,897	130,645	**599,513**	577,914
Net change in non-cash working capital items	11	**104,885**	288,450	**(95,207)**	341,755
Net cash generated from operating activities		**280,782**	419,095	**504,306**	919,669
Investing activities					
Acquisition of property and equipment:					
From ICI		**(325,100)**	(200,917)	**(849,205)**	(545,781)
From other activities		**(20,269)**	(19,112)	**(96,166)**	(67,224)
Payments for ICI		**(15,530)**	(18,071)	**(64,055)**	(101,138)
Recovery from ICI		**–**	16,055	**–**	16,055
Acquisition of businesses		**(778)**	(82,014)	**(17,825)**	(140,399)
Payments for interests in a jointly controlled entity	5	**–**	–	**(40,255)**	–
Increase in receivables under service concession arrangements		**(6,038)**	(18,152)	**(28,344)**	(83,735)
Recovery of receivables under service concession arrangements		**887**	(1,824)	**22,719**	68,255
Other		**(4,350)**	6,045	**10,183**	(9,670)
Net cash used for investing activities		**(371,178)**	(317,990)	**(1,062,948)**	(863,637)
Financing activities					
Repayment of non-recourse debt from ICI		**(157,519)**	(874)	**(203,612)**	(7,683)
Acquisition of a subsidiary's debenture related to the AltaLink transaction		**–**	–	**–**	(50,000)
Increase in non-recourse debt from ICI		**298,036**	172,356	**802,907**	374,792
Advance under contract financing arrangement		**43,273**	–	**43,273**	–
Proceeds from exercise of stock options		**1,192**	11,457	**6,930**	26,936
Redemption of shares		**–**	(8,194)	**(6,874)**	(44,271)
Dividends paid to SNC-Lavalin shareholders	9	**(33,231)**	(31,700)	**(132,925)**	(126,750)
Acquisition of non-controlling interests of AltaLink (1)		**–**	–	**–**	(228,816)
Other		**(2,766)**	(10,570)	**(4,597)**	(976)
Net cash generated from (used for) financing activities		**148,985**	132,475	**505,102**	(56,768)
Increase (decrease) from exchange differences on translating cash and cash equivalents		**2,661**	(3,165)	**(2,609)**	(3,300)
Net increase (decrease) in cash and cash equivalents		**61,250**	230,415	**(56,149)**	(4,036)
Cash and cash equivalents at beginning of period		**1,113,650**	1,000,634	**1,231,049**	1,235,085
Cash and cash equivalents at end of period		**$ 1,174,900**	$ 1,231,049	**$ 1,174,900**	$ 1,231,049

(1) The acquisition of non-controlling interests of AltaLink is classified as cash flows used for **financing activities** in accordance with IFRS as there is specific applicable guidance when acquiring non-controlling interests and, as such, is not part of **investing activities**.

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

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

The Company 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, 2012 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, 2012 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, 2012 and remained unchanged for the three-month period and the year ended December 31, 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 do not include all of the information required for annual financial statements and should be read in conjunction with the Company's 2012 annual audited consolidated financial statements.

These Company's interim condensed consolidated financial statements were authorized for issue by the Board of Directors on March 8, 2013.

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 consolidation requirements in 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") replaces 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*, ("IAS 19") to eliminate the corridor method that defers the recognition of gains and losses, to eliminate the concept of the expected return on assets, 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 also 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 amendments to IAS 19 are expected to result in an increase (decrease) in the net defined benefit pension cost recognized in the income statement and in an equivalent decrease (increase) in actuarial losses recognized in the statement of comprehensive income arising from defined benefit pension plans and other post-employment benefits, with a $nil impact to the Company's retained earnings. The adoption of these amendments would have resulted in a decrease in net income of $3.2 million for the year ended December 31, 2012 (2011: $1.4 million) and in an equivalent decrease in actuarial losses recognized in the statement of comprehensive income for the years ended December 31, 2012 and 2011, with a $nil impact to the Company's retained earnings as at December 31, 2012 and 2011. This change relates mainly to the elimination of the expected return on plan assets, which will be replaced by a discount rate applied to the net accrued defined pension benefit liability under the amended IAS 19.

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

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 this standard on its financial statements.

3. SEGMENT DISCLOSURES

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

	FOURTH QUARTER				YEAR ENDED DECEMBER 31			
	2012		2011		**2012**		2011	
	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME
Services and Packages								
Infrastructure & Environment [1]	**$ 606,010**	**$ 10,764**	$ 519,844	$ (6,094)	**$ 2,070,892**	**$ 22,440**	$ 1,945,147	$ 46,801
Mining & Metallurgy	**474,508**	**35,189**	355,468	34,345	**1,519,143**	**98,713**	1,022,006	80,611
Power [2]	**458,848**	**20,160**	343,100	25,878	**1,388,471**	**80,214**	894,081	119,637
Hydrocarbons & Chemicals	**229,093**	**(44,240)**	249,004	(23,497)	**840,383**	**(10,971)**	1,075,559	33,747
Other Industries	**107,458**	**8,365**	112,373	13,319	**376,445**	**34,559**	372,515	43,228
O&M	**349,423**	**15,326**	382,458	20,368	**1,330,501**	**43,294**	1,399,197	50,136
ICI	**196,203**	**70,387**	155,851	39,494	**565,125**	**156,923**	501,366	131,215
	$ 2,421,543	**115,951**	$ 2,118,098	103,813	**$ 8,090,960**	**425,172**	$ 7,209,871	505,375
Reversal of items included above:								
Imputed interest benefit		**(11,270)**		(6,443)		**(53,345)**		(29,058)
Net financial expenses from ICI		**30,561**		30,810		**112,481**		99,731
Income tax expense from ICI		**4,287**		5,637		**18,556**		12,644
Non-controlling interests before income tax expense		**90**		267		**904**		8,753
Income before net financial expenses and income tax expense		**139,619**		134,084		**503,768**		597,445
Net financial expenses (Note 6)		**30,102**		30,630		**126,162**		115,211
Income before income tax expense		**109,517**		103,454		**377,606**		482,234
Income tax expense, net		**14,750**		27,328		**68,076**		94,892
Net income for the period		**$ 94,767**		$ 76,126		**$ 309,530**		$ 387,342
Net income attributable to:								
SNC-Lavalin shareholders		**$ 94,639**		$ 75,989		**$ 309,115**		$ 378,800
Non-controlling interests		**128**		137		**415**		8,542
Net income for the period		**$ 94,767**		$ 76,126		**$ 309,530**		$ 387,342

[1] The Company recorded a loss of $39.3 million on Lybian projects in 2011 of which $22.4 million was recognized in the fourth quarter of 2011 from a revised position of the Company's net financial position.

[2] In 2012, there were unfavourable cost reforecasts on a major Packages project in Power, with an adverse impact for the fourth quarter and year ended December 31, 2012 of $49.0 million and $110.9 million, respectively, on gross margin.

The Company also discloses in the table below under "Supplementary Information" its dividends from Highway 407 International Inc. ("Highway 407"), its net income from Altalink, its net income from other ICI and its net income excluding ICI, as this information is useful in assessing the value of the Company's share price.

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2012	2011	**2012**	2011
Supplementary information:				
Net income (loss) attributable to SNC-Lavalin shareholders from ICI:				
From Highway 407	**$ 56,613**	$ 17,193	**$ 100,645**	$ 77,161
From AltaLink	**16,670**	18,472	**54,441**	33,827
From other ICI	**(2,896)**	3,829	**1,837**	20,227
Net income attributable to SNC-Lavalin shareholders excluding ICI	**24,252**	36,495	**152,192**	247,585
Net income attributable to SNC-Lavalin shareholders for the period	**$ 94,639**	$ 75,989	**$ 309,115**	$ 378,800

4. INFRASTRUCTURE CONCESSION INVESTMENTS (“ICI”)

SNC-Lavalin makes investments in infrastructure concessions in certain infrastructure for public services, such as airports, bridges, cultural and public service buildings, power, mass transit systems, roads and water.

In accordance with IFRS, SNC-Lavalin’s infrastructure concession investments are accounted for as follows:

Accounting method

TYPE OF INFLUENCE	ACCOUNTING METHOD
Non-significant influence	Cost method
Significant influence	Equity method
Joint control	Equity method
Control	Full consolidation method

Accounting model

TYPE OF CONCESSION	ACCOUNTING MODEL
ICI accounted for under IFRIC 12	Financial asset model when concessionaire bears no demand risk
	Intangible asset model when concessionaire bears demand risk
	Bifurcated model when concessionaire and grantor share demand risk
ICI outside the scope of application of IFRIC 12	Model based on specific facts and circumstances, but usually with infrastructure asset accounted for as property and equipment

The main concessions and public-private partnerships contracts reported under IFRIC Interpretation 12, *Service Concession Arrangements*, (“IFRIC 12”) are all accounted for under the financial asset model, except the Rayalseema Expressway Private Limited (“REPL”) concession, which is accounted for under the intangible asset model, and the Société d’Exploitation de l’Aéroport de Mayotte S.A.S. concession, which is accounted for under the bifurcated model.

In order to provide the reader of the financial statements with a better understanding of the financial position and results of operations of its ICI, the Company presents certain distinct financial information related specifically to its ICI throughout its financial statements, as well as additional information below.

A) ADDITIONS OF ICI AND INCREASED OWNERSHIP INTEREST IN ICI

I) IN THE YEAR ENDED DECEMBER 31, 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, which will add 32 kilometres to the existing highway.

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)

II) IN THE YEAR ENDED DECEMBER 31, 2011

MAYOTTE DAOUDZI AIRPORT

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

ALTALINK

In September 2011, SNC-Lavalin completed the acquisition of Macquarie Essential Assets Partnership’s (“MEAP”) 23.08% ownership interest in AltaLink for a total consideration of $228.8 million in cash. As part of the transaction, SNC-Lavalin recognized an additional $9.1 million of deferred income tax liability. The transaction increased the Company’s ownership of AltaLink from 76.92% to 100%.

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

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

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

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

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

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

RAINBOW HOSPITAL PARTNERSHIP

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

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

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:

		DECEMBER 31 2012		DECEMBER 31 2011
Cash and cash equivalents	$	**17,606**	$	30,901
Restricted cash		**2,454**		2,365
Trade receivables, other current financial assets and other current assets		**175,807**		101,989
Property and equipment [(1)]		**3,469,990**		2,637,735
Goodwill		**203,786**		203,786
Non-current portion of receivables under service concession arrangements and non-current financial assets		**348,961**		366,869
Other non-current assets		**192,394**		115,038
Total assets		**4,410,998**		3,458,683
Trade payables, deffered revenues, other current financial liabilities and other current liabilities		**300,060**		246,599
Non-recourse short term debt and current portion of non-recourse long-term debt [(1)]		**484,575**		327,381
Non-recourse long-term debt [(1)]		**2,000,696**		1,561,377
Other non-current financial liabilities		**76,539**		113,958
Provisions and other non-current liabilities		**596,757**		487,510
Total liabilities		**3,458,627**		2,736,825
Net assets from ICI accounted for by the full consolidation method [(2)]	$	**952,371**	$	721,858
Net book value of ICI accounted for by the equity method [(3)]	$	**373,445**	$	350,246
Net book value of ICI accounted for by the cost method [(4)]		**338,963**		293,241
Total net book value of ICI	$	**1,664,779**	$	1,365,345

(1) The increase of property and equipment and of non-recourse debt from December 31, 2011 to December 31, 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 $820.4 million as at December 31, 2012 (2011: $602.0 million).

(3) Includes the Company's investment in Highway 407, for which the net book value was $nil as at December 31, 2012 and 2011.

(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 ("SLFE"), 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

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2012	2011	**2012**	2011
Interest revenues:				
From ICI	**$ (1,281)**	$ (1,791)	**$ (5,042)**	$ (7,139)
From other activities	**(2,280)**	(2,565)	**(8,390)**	(10,158)
Interest on debt:				
Recourse	**5,461**	5,507	**21,841**	21,879
Non-recourse from ICI:				
AltaLink	**28,629**	29,646	**104,652**	87,862
Other	**1,907**	1,947	**7,702**	7,947
Other:				
From ICI [1]	**1,306**	1,008	**5,169**	11,061
From other activities	**(3,640)**	(3,122)	**230**	3,759
Net financial expenses	**$ 30,102**	$ 30,630	**$ 126,162**	$ 115,211

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

7. SHARE-BASED PAYMENTS

A) STOCK OPTIONS

The stock option compensation cost recorded as an expense in the fourth quarter and the year ended December 31, 2012 was $2.0 million (2011: $2.2 million) and $12.3 million (2011: $15.4 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:

	FOURTH QUARTER (*)		YEAR ENDED DECEMBER 31	
	2012	2011	**2012**	2011
Risk-free interest rate	**–**	–	**1.61%**	2.15%
Expected stock price volatility	**–**	–	**33.62%**	34.78%
Expected option life	**–**	–	**4 years**	4 years
Expected dividend yield	**–**	–	**1.50%**	1.00%

(*) There are no figures for the fourth quarters of 2012 and 2011 as no stock options were granted to employees during those periods.

During the fourth quarter of 2012, no stock options were granted to employees (2011: nil). For the year ended December 31, 2012, 1,173,900 stock options were granted to employees (2011: 1,119,200 stock options) with a weighted average fair value of $9.39 per stock option (2011: $15.04 per stock option).

As at December 31, 2012, 5,363,600 stock options were outstanding (2011: 5,357,515 stock options), while 123,300 stock options remained available for future grants (2011: 1,188,300 stock options) under the Company's 2011 Stock Option Plan.

B) CASH-SETTLED SHARE BASED PAYMENT ARRANGEMENTS

The table below presents the number of granted share units and the weighted average fair value per granted share unit for the years ended December 31, 2012 and 2011:

YEAR ENDED DECEMBER 31	**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	**80,353**	**$ 39.18**	36,516	$ 54.98
RSU plan	**484,748**	**$ 38.00**	91,678	$ 55.07
DSU plan	**38,533**	**$ 40.55**	24,717	$ 52.85

The compensation expense recorded in the fourth quarter and the year ended December 31, 2012 relating to cash-settled share based payment arrangements was $2.3 million (2011: $2.7 million) and $10.0 million (2011: $8.9 million), respectively.

8. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the fourth quarters and the years ended December 31, 2012 and 2011 used to calculate the basic and diluted earnings per share were as follows:

(IN THOUSANDS)	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2012	2011	**2012**	2011
Weighted average number of outstanding shares - basic	**151,048**	150,924	**151,058**	150,897
Dilutive effect of stock options	**190**	721	**246**	1,043
Weighted average number of outstanding shares - diluted	**151,238**	151,645	**151,304**	151,940

In the fourth quarter and the year ended December 31, 2012, 4,212,297 outstanding stock options (2011: 2,186,950 outstanding stock options) and 4,212,297 outstanding stock options (2011: 2,186,950 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 year ended December 31, 2012, SNC-Lavalin recognized as distributions to its equity shareholders dividends of $132.9 million or $0.88 per share (2011: $126.8 million or $0.84 per share).

YEAR ENDED DECEMBER 31	**2012**	2011
Dividends payable at beginning of period	**$ –**	$ –
Dividends declared during the year ended December 31	**132,925**	126,750
Dividends paid during the year ended December 31	**(132,925)**	(126,750)
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 December 31, 2012 and 2011:

	DECEMBER 31 2012	DECEMBER 31 2011
Exchange differences on translating foreign operations	**$ (47,975)**	$ (33,028)
Available-for-sale financial assets	**2,558**	1,538
Cash flow hedges	**395**	(24,375)
Share of other comprehensive loss of investments accounted for by the equity method	**(57,664)**	(59,948)
Other components of equity	**$ (102,686)**	$ (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 fourth quarters and the years ended December 31, 2012 and 2011:

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2012	2011	**2012**	2011
Exchange differences on translating foreign operations:				
Balance at beginning of period	**$ (56,080)**	$ (27,557)	**$ (33,028)**	$ (21,077)
Current period gains (losses)	**8,105**	(5,471)	**(14,947)**	(11,951)
Balance at end of period	**(47,975)**	(33,028)	**(47,975)**	(33,028)
Available-for-sale financial assets:				
Balance at beginning of period	**2,079**	955	**1,538**	1,317
Current period gains	**683**	649	**1,387**	1,395
Income tax expense relating to current period gains	**(111)**	(66)	**(200)**	(151)
Reclassification to net income	**(108)**	–	**(193)**	(1,183)
Income tax expense relating to amounts reclassified to net income	**15**	–	**26**	160
Balance at end of period	**2,558**	1,538	**2,558**	1,538
Cash flow hedges:				
Balance at beginning of period	**(884)**	(49,981)	**(24,375)**	(15,920)
Current period gains (losses)	**(2,762)**	30,056	**2,303**	(7,618)
Income tax benefit (expense) relating to current period gains (losses)	**927**	(5,881)	**330**	2,632
Reclassification to net income	**4,775**	200	**29,954**	(4,241)
Income tax (benefit) expense relating to amounts reclassified to net income	**(1,661)**	1,231	**(7,817)**	3,540
Balance at end of period before the acquisition of non-controlling interests of AltaLink	**395**	(24,375)	**395**	(21,607)
Portion of cash flow hedges attributable to non-controlling interests of AltaLink reallocated to equity attributable to SNC-Lavalin shareholders	**–**	–	**–**	(3,690)
Income tax benefit related to the reallocated portion of cash flow hedges of AltaLink	**–**	–	**–**	922
Balance at end of period after the acquisition of non-controlling interests of AltaLink	**395**	(24,375)	**395**	(24,375)
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	**(59,183)**	(68,582)	**(59,948)**	(31,800)
Current period share	**(909)**	11,902	**(5,678)**	(49,738)
Income tax benefit (expense) relating to current period share	**784**	(4,916)	**907**	16,156
Reclassification to net income	**2,225**	1,888	**9,481**	6,875
Income tax benefit relating to amounts reclassified to net income	**(581)**	(240)	**(2,426)**	(1,441)
Balance at end of period	**(57,664)**	(59,948)	**(57,664)**	(59,948)
Other components of equity	**$ (102,686)**	$ (115,813)	**$ (102,686)**	$ (115,813)

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 fourth quarters and the years ended December 31, 2012 and 2011:

FOURTH 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	**$ (21,300)**	**$ 5,592**	**$ (15,708)**	$ (2,365)	$ 596	$ (1,769)
Recognized during the period	**(8,473)**	**2,030**	**(6,443)**	(15,110)	4,049	(11,061)
Cumulative amount at end of period	**$ (29,773)**	**$ 7,622**	**$ (22,151)**	$ (17,475)	$ 4,645	$ (12,830)

YEAR ENDED DECEMBER 31	**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	**(12,298)**	**2,977**	**(9,321)**	(16,033)	4,286	(11,747)
Cumulative amount at end of period	**$ (29,773)**	**$ 7,622**	**$ (22,151)**	$ (17,475)	$ 4,645	$ (12,830)

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:

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2012	2011	**2012**	2011
Decrease (increase) in trade receivables	**$ 61,559**	$ 100,438	**$ (18,976)**	$ 69,674
Decrease (increase) in contracts in progress	**(25,025)**	(23,207)	**(210,622)**	59,384
Increase in other current financial assets	**(17,579)**	(35,184)	**(76,483)**	(98,480)
Increase in other current assets	**(45,784)**	(19,486)	**(72,218)**	(16,793)
Increase in trade payables	**74,452**	42,080	**186,550**	151,221
Increase (decrease) in downpayments on contracts	**8,769**	3,201	**30,193**	(75,024)
Increase in deferred revenues	**10,574**	174,319	**62,524**	223,617
Increase in other current financial liabilities	**13,165**	9,421	**36,336**	24,557
Increase (decrease) in other current liabilities	**24,754**	36,868	**(32,511)**	3,599
Net change in non-cash working capital items	**$ 104,885**	$ 288,450	**$ (95,207)**	$ 341,755

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 fourth quarter and the year ended December 31, 2012, SNC-Lavalin recognized revenues of $221.1 million (2011: $154.6 million) and $763.6 million (2011: $559.5 million), respectively, from contracts with ICI accounted for by the equity method. SNC-Lavalin also recognized its share of net income from these ICI accounted for by the equity method of $59.0 million for the fourth quarter of 2012 (2011: $22.1 million) and $114.5 million for the year ended December 31, 2012 (2011: $102.8 million). For the fourth quarter and the year ended December 31, 2012, intragroup revenues generated from transactions with AltaLink, which amounted to $275.1 million (2011: $206.0 million) and $784.7 million (2011: $419.6 million), respectively, were eliminated upon consolidation, while profits from those transactions were not eliminated.

SNC-Lavalin's trade receivables from these ICI accounted for by the equity method amounted to $23.3 million as at December 31, 2012 (2011: $43.7 million). SNC-Lavalin's other current financial assets receivables from these ICI accounted for by the equity method amounted to $172.4 million as at December 31, 2012 (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 December 31, 2012 (2011: $129.0 million).

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

13. CONTINGENT LIABILITIES

A) ONGOING INVESTIGATIONS

In February 2012, the Board of Directors initiated an independent investigation (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. On March 26, 2012, the Company announced the results of the Independent Review and related findings and recommendations of the Audit Committee to the Board of Directors and provided information to the appropriate authorities. The Company understands that investigations by authorities remain ongoing in connection with this information. The Company also continues to review compliance matters (including matters beyond the scope of the Independent Review), including to assess whether amounts may, directly or indirectly, have been improperly paid to persons owing fiduciary duties to the Company.

The Royal Canadian Mounted Police (the "RCMP") is investigating the Company's involvement in projects in Bangladesh and certain countries in Africa and this investigation has led to 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 certain other World Bank projects and, in March 2012, it temporarily suspended the subsidiary of the Company from new World Bank projects pending a final conclusion and decision on this matter.

The Company understands that there are also investigations by various authorities ongoing in various jurisdictions with respect to the above and other matters, including an investigation by the securities regulator in Quebec, the *Autorité des marches financiers*, and investigations by the RCMP and Swiss authorities (including in connection with the search warrant executed by the RCMP at the Company on April 13, 2012). In addition, the Former CEO of the Company and a former Executive Vice-President of the Company have been charged by authorities in the Province of Quebec with various fraud offences allegedly in connection with a Company project in the Province of Quebec and the same former Executive Vice-President has been detained by Swiss authorities since April 2012 in connection with potential criminal charges, including fraud-related matters.

The Company's senior management and Board of Directors have been required to devote significant time and resources to these investigations and ongoing related matters which have distracted and may continue to distract from the conduct of the Company's daily business, and significant expenses have been and may continue to be incurred in connection with these investigations including substantial fees of lawyers and other advisors. In addition, the Company and/or other employees or additional former employees of the Company could become the subject of these or other investigations by law enforcement and/or regulatory authorities in respect of the matters described above or other matters which, in turn, could require the devotion of additional time of senior management and the diversion or utilization of other resources.

The Company is currently unable to determine when these investigations will be completed, whether other investigations of the Company by these or other authorities will be initiated or the scope of current investigations broadened. While the Company continues to cooperate with authorities in connection with ongoing investigations, if regulatory, enforcement or administrative authorities or third parties determine to take action against the Company or to sanction the Company in connection with possible violations of law, contracts or otherwise, the consequences of any such sanctions or other actions, whether actual or alleged, could require the Company to pay material fines or damages, consent to injunctions on future conduct or lead to other penalties including temporary or permanent debarment from participating in projects by certain administrative organizations or governments, each of which could, materially adversely affect the Company's business, financial condition and liquidity and the market price of the Company's publicly traded securities. In addition, these investigations and any negative publicity associated with these investigations, could damage SNC-Lavalin's reputation and ability to do business. Finally, the findings and outcomes of these investigations may affect the course of the Class Action (described below).

13. CONTINGENT LIABILITIES (CONTINUED)

B) 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 filed 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 seeks additional damages based on a further drop in share price on June 25, 2012.

On September 19, 2012, the Ontario judge agreed to the discontinuance of the plaintiffs’ claims other than the statutory misrepresentation claims under securities legislation in accordance with 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. On January 24, 2013, a judge of the Quebec Superior Court rendered a similar judgement 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 action lawsuit or other litigation. While SNC-Lavalin has directors’ and officers’ liability insurance insuring individuals against liability for acts or omissions in their capacities as directors and officers, the Company does not maintain any other insurance in connection with the Actions. The amount of coverage under the directors’ and officers’ policy is limited and such coverage may be an insignificant portion of any amounts the Company is required or determines to pay in connection with the Actions. In the event the Company is required or determines to pay amounts in connection with these lawsuits or other litigation, such amounts could be significant and may have a material adverse impact on SNC-Lavalin’s liquidity and financial results.

C) 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 its financial position or results of operations.