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

As at and for the three-month periods ended
March 31, 2013 and 2012

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	March 31 2013	December 31 2012
ASSETS			
Current assets			
Cash and cash equivalents		\$ 949,294	\$ 1,174,900
Restricted cash		38,427	32,815
Trade receivables		1,215,096	1,175,152
Contracts in progress		887,419	764,563
Other current financial assets		464,975	428,820
Other current assets		241,115	217,819
Total current assets		3,796,326	3,794,069
Property and equipment:			
From ICI	4	3,791,176	3,469,990
From other activities		185,473	193,097
ICI accounted for by the equity method	4	402,775	373,445
ICI accounted for by the cost method	4	342,701	338,963
Goodwill		640,930	635,775
Deferred income tax asset		177,048	177,581
Non-current portion of receivables under service concession arrangements		266,312	258,924
Non-current financial assets		142,972	120,212
Other non-current assets		266,527	248,864
Total assets		\$ 10,012,240	\$ 9,610,920
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		\$ 1,863,405	\$ 1,649,776
Downpayments on contracts		361,384	346,780
Deferred revenues		929,858	972,820
Other current financial liabilities		384,309	302,309
Other current liabilities		135,128	158,689
Advance under contract financing arrangement		41,921	43,273
Short-term debt and current portion of long-term debt:			
Non-recourse from ICI	4	495,337	484,575
Total current liabilities		4,211,342	3,958,222
Long-term debt:			
Recourse		348,591	348,545
Non-recourse from ICI	4	2,049,899	2,000,696
Other non-current financial liabilities		110,707	85,619
Provisions		326,879	323,391
Other non-current liabilities		626,041	593,429
Deferred income tax liability		220,704	222,582
Total liabilities		7,894,163	7,532,484
Equity			
Share capital		478,850	463,740
Retained earnings		1,729,908	1,714,379
Other components of equity	9	(93,790)	(102,686)
Equity attributable to SNC-Lavalin shareholders		2,114,968	2,075,433
Non-controlling interests		3,109	3,003
Total equity		2,118,077	2,078,436
Total liabilities and equity		\$ 10,012,240	\$ 9,610,920

See accompanying notes to interim condensed consolidated financial statements.

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

THREE MONTHS ENDED MARCH 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER
OF COMMON SHARES)

2013							
Equity attributable to SNC-Lavalin shareholders						Non-controlling interests	Total equity
Share Capital			Retained earnings	Other components of equity (Note 9)	Total		
Common shares (in thousands)	Amount						
Balance at beginning of the period	151,069	\$ 463,740	\$ 1,714,379	\$ (102,686)	\$ 2,075,433	\$ 3,003	\$ 2,078,436
Net income for the period	—	—	53,623	—	53,623	77	53,700
Other comprehensive income (loss) for the period	—	—	(2,155)	8,896	6,741	—	6,741
Total comprehensive income for the period	—	—	51,468	8,896	60,364	77	60,441
Dividends declared (Note 8)	—	—	(34,814)	—	(34,814)	—	(34,814)
Stock option compensation (Note 6A)	—	—	1,801	—	1,801	—	1,801
Shares issued under stock option plans	303	15,110	(2,926)	—	12,184	—	12,184
Capital contributions by non-controlling interests	—	—	—	—	—	29	29
Balance at end of the period	151,372	\$ 478,850	\$ 1,729,908	\$ (93,790)	\$ 2,114,968	\$ 3,109	\$ 2,118,077

THREE MONTHS ENDED MARCH 31
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT NUMBER
OF COMMON SHARES)

2012 ⁽¹⁾							
Equity attributable to SNC-Lavalin shareholders							
Share Capital			Retained earnings	Other components of equity (Note 9)	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	–	–	66,332	–	66,332	217	66,549
Other comprehensive income for the period	–	–	1,901	25,461	27,362	–	27,362
Total comprehensive income for the period	–	–	68,233	25,461	93,694	217	93,911
Dividends declared (Note 8)	–	–	(33,239)	–	(33,239)	–	(33,239)
Stock option compensation (Note 6A)	–	–	2,089	–	2,089	–	2,089
Shares issued under stock option plans	115	4,604	(1,353)	–	3,251	–	3,251
Shares redeemed and cancelled	(45)	(137)	(1,655)	–	(1,792)	–	(1,792)
Balance at end of the period	151,104	\$ 460,149	\$ 1,577,274	\$ (90,352)	\$ 1,947,071	\$ 3,865	\$ 1,950,936

⁽¹⁾ See Note 2B 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)

THREE MONTHS ENDED MARCH 31

	Note	2013	2012 ⁽¹⁾
Revenues by activity:			
Services		\$ 650,671	\$ 669,054
Packages		723,422	618,950
O&M		382,875	383,361
ICI accounted for by the full consolidation or cost methods		121,988	101,359
ICI accounted for by the equity method		21,300	15,159
		1,900,256	1,787,883
Direct cost of activities		1,593,765	1,490,694
Gross margin		306,491	297,189
Selling, general and administrative expenses		207,074	184,216
Net financial expenses	5	33,200	30,237
Income before income tax expense		66,217	82,736
Income tax expense, net		12,517	16,187
Net income for the period		\$ 53,700	\$ 66,549
Net income attributable to:			
SNC-Lavalin shareholders		\$ 53,623	\$ 66,332
Non-controlling interests		77	217
Net income for the period		\$ 53,700	\$ 66,549
Earnings per share (in \$)			
Basic		\$ 0.35	\$ 0.44
Diluted		\$ 0.35	\$ 0.44
Weighted average number of outstanding shares (in thousands)	7		
Basic		151,233	151,110
Diluted		151,603	151,662

⁽¹⁾ See Note 2B 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 MARCH 31

(IN THOUSANDS OF CANADIAN DOLLARS)

	2013		
	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total
Net income for the period	\$ 53,623	\$ 77	\$ 53,700
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 9)	10,249	–	10,249
Available-for-sale financial assets (Note 9)	807	–	807
Cash flow hedges (Note 9)	(3,290)	–	(3,290)
Share of other comprehensive loss of investments accounted for by the equity method (Note 9)	(2,266)	–	(2,266)
Income tax benefit (Note 9)	3,396	–	3,396
Total of items that will be reclassified subsequently to net income	8,896	–	8,896
Defined benefit pension plans and other post-employment benefits (Note 9)	(2,702)	–	(2,702)
Income tax benefit (Note 9)	547	–	547
Total of items that will not be reclassified subsequently to net income	(2,155)	–	(2,155)
Total other comprehensive income for the period	6,741	–	6,741
Total comprehensive income for the period	\$ 60,364	\$ 77	\$ 60,441

THREE MONTHS ENDED MARCH 31

(IN THOUSANDS OF CANADIAN DOLLARS)

	2012 ⁽¹⁾		
	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total
Net income for the period	\$ 66,332	\$ 217	\$ 66,549
Other comprehensive income (loss):			
Exchange differences on translating foreign operations (Note 9)	(1,105)	–	(1,105)
Available-for-sale financial assets (Note 9)	855	–	855
Cash flow hedges (Note 9)	28,819	–	28,819
Share of other comprehensive income of investments accounted for by the equity method (Note 9)	7,509	–	7,509
Income tax expense (Note 9)	(10,617)	–	(10,617)
Total of items that will be reclassified subsequently to net income	25,461	–	25,461
Defined benefit pension plans and other post-employment benefits (Note 9)	2,594	–	2,594
Income tax expense (Note 9)	(693)	–	(693)
Total of items that will not be reclassified subsequently to net income	1,901	–	1,901
Total other comprehensive income for the period	27,362	–	27,362
Total comprehensive income for the period	\$ 93,694	\$ 217	\$ 93,911

⁽¹⁾ See Note 2B 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)

THREE MONTHS ENDED MARCH 31

	Note	2013	2012 ⁽¹⁾
Operating activities			
Net income for the period		\$ 53,700	\$ 66,549
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		28,581	24,107
From other activities		15,524	13,645
Income tax expense recognized in net income		12,517	16,187
Income taxes paid		(46,662)	(7,405)
Net financial expenses recognized in net income	5	33,200	30,237
Interest paid:			
From ICI		(13,257)	(12,997)
From other activities		(11,126)	(10,960)
Expense recognized in respect of stock options	6A	1,801	2,089
Expense recognized in respect of cash-settled share-based payment arrangements	6B	648	2,626
Income from ICI accounted for by the equity method		(21,300)	(15,159)
Dividends and distributions received from ICI accounted for by the equity method		17,950	15,641
Other		(2,640)	(6,826)
		68,936	117,734
Net change in non-cash working capital items	10	(147,419)	(75,603)
Net cash generated from (used for) operating activities		(78,483)	42,131
Investing activities			
Acquisition of property and equipment:			
From ICI		(188,388)	(183,101)
From other activities		(7,545)	(25,162)
Payments for ICI		(7,256)	(12,337)
Acquisition of businesses		(352)	(4,509)
Increase in receivables under service concession arrangements		(11,423)	(11,375)
Recovery of receivables under service concession arrangements		1,593	914
Other		(7,581)	(3,925)
Net cash used for investing activities		(220,952)	(239,495)
Financing activities			
Repayment of non-recourse debt from ICI		(954)	(885)
Increase in non-recourse debt from ICI		60,729	84,500
Proceeds from exercise of stock options		12,184	3,251
Redemption of shares		—	(1,792)
Other		1,093	198
Net cash generated from financing activities		73,052	85,272
Increase in exchange differences on translating cash and cash equivalents		777	270
Net decrease in cash and cash equivalents		(225,606)	(111,822)
Cash and cash equivalents at beginning of period		1,174,900	1,231,049
Cash and cash equivalents at end of period		\$ 949,294	\$ 1,119,227

⁽¹⁾ See Note 2B for explanations relating to comparative figures.

See accompanying notes to interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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 arrangements, or SNC-Lavalin Group Inc. or one or more of its subsidiaries or joint arrangements.

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 Note 2 to the Company’s annual audited consolidated financial statements for the year ended December 31, 2012 were consistently applied to all periods presented, except for accounting policies affected by standards and interpretations adopted in 2013, as described in Note 2B below.

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 annual audited consolidated financial statements for the year ended December 31, 2012. They remained unchanged for the three-month period ended March 31, 2013, except for the expected long-term rate of return on pension plan assets, which is no longer used for calculating the Company’s net defined benefit pension cost following the adoption of amended IAS 19, *Employee Benefits*, effective January 1, 2013, as described in Note 2B below.

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 May 2, 2013.

2. BASIS OF PREPARATION (CONTINUED)

B) STANDARDS AND INTERPRETATIONS ADOPTED IN 2013

The following standards and amendments to existing standards have been adopted by the Company on January 1, 2013:

- 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.

Except for amended IAS 19, the standards and amendments listed above did not have a significant impact on the Company’s financial statements. The initial application of amended IAS 19 was made in accordance with its transitional provisions and resulted in a retrospective application in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. For the three-month period ended March 31, 2012, the amendments to IAS 19 resulted in an increase in the net defined benefit pension cost included in “selling, general and administrative expenses” on the income statement and in an equivalent increase in actuarial gains 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. This change relates mainly to the elimination of the expected return on plan assets, which is replaced by a discount rate applied to the net accrued defined pension benefit liability under the amended IAS 19. The tables below present the impact from the adjustments made to the comparative figures for each of the four quarters of 2012 and the year ended December 31, 2012:

(IN THOUSANDS OF CANADIAN DOLLARS)	THREE MONTHS ENDED				YEAR ENDED
	MARCH 31 2012	JUNE 30 2012	SEPTEMBER 30 2012	DECEMBER 31 2012	DECEMBER 31 2012
Impact on consolidated income statement:					
Increase in selling, general and administrative expenses	\$ (1,060)	\$ (1,060)	\$ (1,060)	\$ (1,060)	\$ (4,240)
Decrease in income tax expense	263	263	263	263	1,052
Decrease in net income	(797)	(797)	(797)	(797)	(3,188)
Net income, as published in consolidated financial statements	67,346	32,694	114,723	94,767	309,530
Net income, as adjusted	\$ 66,549	\$ 31,897	\$ 113,926	\$ 93,970	\$ 306,342

2. BASIS OF PREPARATION (CONTINUED)

(IN THOUSANDS OF CANADIAN DOLLARS)	THREE MONTHS ENDED				YEAR ENDED
	MARCH 31 2012	JUNE 30 2012	SEPTEMBER 30 2012	DECEMBER 31 2012	DECEMBER 31 2012
Impact on consolidated statement of comprehensive income:					
Increase in actuarial gains (or decrease in actuarial losses) arising from defined benefit pension plans and other post-employment benefits	\$ 1,060	\$ 1,060	\$ 1,060	\$ 1,060	\$ 4,240
Increase in income tax expense (or decrease in income tax benefit)	(263)	(263)	(263)	(263)	(1,052)
Increase in total other comprehensive income	797	797	797	797	3,188
Total other comprehensive income (loss), as published in consolidated financial statements	26,565	(4,628)	(23,070)	4,936	3,803
Total other comprehensive income (loss), as adjusted	\$ 27,362	\$ (3,831)	\$ (22,273)	\$ 5,733	\$ 6,991

(IN CANADIAN DOLLARS)	THREE MONTHS ENDED				YEAR ENDED
	MARCH 31 2012	JUNE 30 2012	SEPTEMBER 30 2012	DECEMBER 31 2012	DECEMBER 31 2012
Impact on basic earnings per share:					
Basic earnings per share, as published in consolidated financial statements	\$ 0.44	\$ 0.22	\$ 0.76	\$ 0.63	\$ 2.05
Basic earnings per share, as adjusted	0.44	0.21	0.76	0.62	2.03
Decrease in basic earnings per share	\$ -	\$ (0.01)	\$ -	\$ (0.01)	\$ (0.02)

(IN CANADIAN DOLLARS)	THREE MONTHS ENDED				YEAR ENDED
	MARCH 31 2012	JUNE 30 2012	SEPTEMBER 30 2012	DECEMBER 31 2012	DECEMBER 31 2012
Impact on diluted earnings per share:					
Diluted earnings per share, as published in consolidated financial statements	\$ 0.44	\$ 0.21	\$ 0.76	\$ 0.63	\$ 2.04
Diluted earnings per share, as adjusted	0.44	0.21	0.75	0.62	2.02
Decrease in diluted earnings per share	\$ -	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.02)

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

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:

THREE MONTHS ENDED MARCH 31		2013		2012 ⁽¹⁾	
		REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME
Services and Packages					
Infrastructure & Environment ⁽²⁾	\$	408,929	\$ (29,883)	\$ 414,463	\$ 2,103
Power		369,534	47,355	321,613	31,861
Mining & Metallurgy ⁽³⁾		356,389	(2,279)	282,726	15,726
Hydrocarbons & Chemicals		155,783	4,331	188,762	10,236
Other Industries		83,458	5,328	80,440	4,567
O&M		382,875	13,970	383,361	9,017
ICI		143,288	35,038	116,518	25,117
	\$	<u>1,900,256</u>	<u>73,860</u>	<u>\$ 1,787,883</u>	<u>98,627</u>
Reversal of items included above:					
Imputed interest benefit			(12,768)		(15,091)
Net financial expenses from ICI			31,626		25,787
Income tax expense from ICI			6,579		3,306
Non-controlling interests before income tax expense			120		344
Income before net financial expenses and income tax expense			99,417		112,973
Net financial expenses (Note 5)			33,200		30,237
Income before income tax expense			66,217		82,736
Income tax expense, net			12,517		16,187
Net income for the period			\$ 53,700		\$ 66,549
Net income attributable to:					
SNC-Lavalin shareholders			\$ 53,623		\$ 66,332
Non-controlling interests			77		217
Net income for the period			\$ 53,700		\$ 66,549

⁽¹⁾ See Note 2B for explanations relating to comparative figures.

⁽²⁾ The operating loss is principally due to approximately \$32 million recognized in the first quarter of 2013 from additional costs on a major infrastructure project, which the Company believes were not contemplated by the relevant project agreement and for which the Company intends to take steps to recover the value of these additional costs.

⁽³⁾ The operating loss is due to provision for costs of approximately \$17 million following the receipt of a notice of suspension by the Company in March 2013 in connection with a major mining contract.

The Company also discloses in the table below under "Supplementary Information" its dividends from 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.

THREE MONTHS ENDED MARCH 31		2013	2012 ⁽¹⁾
Supplementary information:			
Net income (loss) attributable to SNC-Lavalin shareholders from ICI:			
From Highway 407	\$	16,774	\$ 14,677
From AltaLink		13,670	11,308
From other ICI		4,594	(868)
Net income attributable to SNC-Lavalin shareholders excluding ICI		18,585	41,215
Net income attributable to SNC-Lavalin shareholders for the period	\$	53,623	\$ 66,332

⁽¹⁾ See Note 2B 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

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

I) IN THE THREE-MONTH PERIOD ENDED MARCH 31, 2013

RIDEAU TRANSIT GROUP PARTNERSHIP

In February 2013, the Company announced that the Rideau Transit Group Partnership, a consortium of which SNC-Lavalin is a partner at 40%, has finalized an agreement with the City of Ottawa to design, build, finance and maintain the Confederation Line, the city’s first-ever light rail transit system. The Rideau Transit Group Partnership will be responsible for the construction of 12.5 km of guideway, 10 above-ground stations, three underground stations and a 2.5 km tunnel beneath the downtown core. The consortium will also widen a portion of Highway 417, supply the light rail transit vehicles, build a maintenance and storage facility, and provide ongoing maintenance of the system for a 30-year period. The Company committed to invest in this ICI an amount of \$30 million in equity.

SNC-Lavalin’s investment in the Rideau Transit Group Partnership is accounted for by the equity method.

II) 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

4. INFRASTRUCTURE CONCESSION INVESTMENTS ("ICI") (CONTINUED)

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.

B) NET BOOK VALUE OF ICI

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

	MARCH 31 2013	DECEMBER 31 2012
Cash and cash equivalents	\$ 9,082	\$ 17,606
Restricted cash	2,476	2,454
Trade receivables, other current financial assets and other current assets	113,438	175,807
Property and equipment	3,791,176	3,469,990
Goodwill	203,786	203,786
Non-current portion of receivables under service concession arrangements and non-current financial assets	378,286	348,961
Other non-current assets and deferred income tax asset	208,288	192,394
Total assets	4,706,532	4,410,998
Trade payables, deferred revenues, other current financial liabilities and other current liabilities	486,281	300,060
Non-recourse short-term debt and current portion of non-recourse long-term debt	495,337	484,575
Non-recourse long-term debt	2,049,899	2,000,696
Other non-current financial liabilities	102,951	76,539
Provisions and other non-current liabilities	629,038	596,757
Total liabilities	3,763,506	3,458,627
Net assets from ICI accounted for by the full consolidation method ⁽¹⁾	\$ 943,026	\$ 952,371
Net book value of ICI accounted for by the equity method ⁽²⁾	402,775	373,445
Net book value of ICI accounted for by the cost method ⁽³⁾	342,701	338,963
Total net book value of ICI	\$ 1,688,502	\$ 1,664,779

⁽¹⁾ The net assets related to AltaLink totalled \$801.1 million as at March 31, 2013 (December 31, 2012: \$820.4 million).

⁽²⁾ Includes the Company's investment in Highway 407, for which the net book value was \$nil as at March 31, 2013 and December 31, 2012.

⁽³⁾ Represents mainly the net book value of the Company's investment in Ambatovy.

5. NET FINANCIAL EXPENSES

THREE MONTHS ENDED MARCH 31	2013	2012
Interest revenues:		
From ICI	\$ (247)	\$ (1,183)
From other activities	(3,374)	(2,014)
Interest on debt:		
Recourse	5,429	5,458
Non-recourse from ICI:		
AltaLink	28,269	23,756
Other	1,895	1,947
Other:		
From ICI	1,709	1,267
From other activities	(481)	1,006
Net financial expenses	\$ 33,200	\$ 30,237

6. SHARE-BASED PAYMENTS

A) STOCK OPTIONS

The stock option compensation cost recorded as an expense in the three-month period ended March 31, 2013 was \$1.8 million (three-month period ended March 31, 2012: \$2.1 million).

During the first three months of 2013, no stock options were granted (first three months of 2012: none).

As at March 31, 2013, 4,111,730 stock options were outstanding (December 31, 2012: 5,363,600 stock options), while 193,400 stock options remained available for future grants (December 31, 2012: 123,300 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 three-month periods ended March 31, 2013 and 2012:

THREE MONTHS ENDED MARCH 31	2013		2012	
	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER UNIT (IN DOLLARS)	NUMBER OF GRANTED SHARE UNITS	WEIGHTED AVERAGE FAIR VALUE PER UNIT (IN DOLLARS)
2009 PSU plan	55,150	\$ 43.01	—	\$ -
2009 DSU plan	58,650	\$ 43.01	—	\$ -
RSU plan	15,161	\$ 43.01	—	\$ -
DSU plan	10,600	\$ 40.10	6,893	\$ 49.35

The compensation expense recorded in the three-month period ended March 31, 2013 relating to cash-settled share-based payment arrangements was \$0.6 million (three-month period ended March 31, 2012: \$2.6 million).

7. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES

The weighted average number of outstanding shares for the three-month periods ended March 31, 2013 and 2012 used to calculate the basic and diluted earnings per share were as follows:

THREE MONTHS ENDED MARCH 31 (IN THOUSANDS)	2013	2012
Weighted average number of outstanding shares - basic	151,233	151,110
Dilutive effect of stock options	370	552
Weighted average number of outstanding shares - diluted	151,603	151,662

In the three-month period ended March 31, 2013, 2,014,150 outstanding stock options (three-month period ended March 31, 2012: 2,163,700 outstanding stock options) 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.

8. DIVIDENDS

During the three-month period ended March 31, 2013, SNC-Lavalin recognized as distributions to its equity shareholders dividends of \$34.8 million or \$0.23 per share (three-month period ended March 31, 2012: \$33.2 million or \$0.22 per share). This amount payable on April 5, 2013 (April 12, 2012) is included in “other current financial liabilities” on the consolidated statement of financial position as at March 31, 2013 and 2012.

THREE MONTHS ENDED MARCH 31	2013	2012
Dividends payable at January 1	\$ –	\$ –
Dividends declared during the period	34,814	33,239
Dividends paid during the period	–	–
Dividends payable at March 31	\$ 34,814	\$ 33,239

9. OTHER COMPONENTS OF EQUITY

The Company has the following elements, net of income tax, within its other components of equity at March 31, 2013 and December 31, 2012:

	MARCH 31 2013	DECEMBER 31 2012
Exchange differences on translating foreign operations	\$ (37,726)	\$ (47,975)
Available-for-sale financial assets	3,179	2,558
Cash flow hedges	–	395
Share of other comprehensive loss of investments accounted for by the equity method	(59,243)	(57,664)
Other components of equity	\$ (93,790)	\$ (102,686)

- 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.

9. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the three-month periods ended March 31, 2013 and 2012:

THREE MONTHS ENDED MARCH 31	2013	2012
Exchange differences on translating foreign operations:		
Balance at beginning of period	\$ (47,975)	\$ (33,028)
Current period gains (losses)	10,249	(1,105)
Balance at end of period	(37,726)	(34,133)
Available-for-sale financial assets:		
Balance at beginning of period	2,558	1,538
Current period gains	807	940
Income tax expense relating to current period gains	(186)	(117)
Reclassification to net income	—	(85)
Income tax expense relating to amounts reclassified to net income	—	11
Balance at end of period	3,179	2,287
Cash flow hedges:		
Balance at beginning of period	395	(24,375)
Current period gains (losses)	(4,085)	2,682
Income tax benefit (expense) relating to current period gains (losses)	534	(571)
Reclassification to net income	795	26,137
Income tax expense (benefit) relating to amounts reclassified to net income	2,361	(7,077)
Balance at end of period	—	(3,204)
Share of other comprehensive income (loss) of investments accounted for by the equity method:		
Balance at beginning of period	(57,664)	(59,948)
Current period share	(3,953)	3,700
Income tax benefit (expense) relating to current period share	1,109	(1,663)
Reclassification to net income	1,687	3,809
Income tax benefit relating to amounts reclassified to net income	(422)	(1,200)
Balance at end of period	(59,243)	(55,302)
Other components of equity	\$ (93,790)	\$ (90,352)

The following table provides a reconciliation of actuarial gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the three-month periods ended March 31, 2013 and 2012:

THREE MONTHS ENDED MARCH 31	2013			2012		
	BEFORE TAX	INCOME TAX BENEFIT	NET OF TAX	BEFORE TAX	INCOME TAX BENEFIT (EXPENSE)	NET OF TAX
Cumulative amount at beginning of period	\$ (22,136)	\$ 5,690	\$ (16,446)	\$ (14,078) ⁽¹⁾	\$ 3,766 ⁽¹⁾	\$ (10,312) ⁽¹⁾
Recognized during the period	(2,702)	547	(2,155)	2,594 ⁽²⁾	(693) ⁽²⁾	1,901 ⁽²⁾
Cumulative amount at end of period	\$ (24,838)	\$ 6,237	\$ (18,601)	\$ (11,484)	\$ 3,073	\$ (8,411)

⁽¹⁾ For the cumulative amount as at January 1, 2012, the amendments to IAS 19 resulted in a decrease in cumulative actuarial losses of \$3.4 million and in a decrease in cumulative income tax benefit of \$0.9 million.

⁽²⁾ See Note 2B for explanations relating to comparative figures.

10. 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:

THREE MONTHS ENDED MARCH 31	2013	2012
Increase in trade receivables	\$ (36,555)	\$ (73,615)
Increase in contracts in progress	(119,509)	(48,757)
Decrease (increase) in other current financial assets	(34,646)	34,629
Increase in other current assets	(11,748)	(22,814)
Increase in trade payables	63,046	51,230
Increase in downpayments on contracts	13,895	12,667
Increase (decrease) in deferred revenues	(43,827)	2,499
Increase in other current financial liabilities	21,228	9,540
Increase (decrease) in other current liabilities	697	(40,982)
Net change in non-cash working capital items	\$ (147,419)	\$ (75,603)

11. 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 first three months of 2013, SNC-Lavalin recognized revenues of \$160.2 million (first three months of 2012: \$151.2 million) 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 \$21.3 million for the three-month period ended March 31, 2013 (three-month period ended March 31, 2012: \$15.2 million). Intragroup revenues generated from transactions with AltaLink, which amounted to \$323.5 million for the three-month period ended March 31, 2013 (three-month period ended March 31, 2012: \$146.4 million), 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 \$31.0 million as at March 31, 2013 (December 31, 2012: \$23.3 million). SNC-Lavalin's other current financial assets receivables from these ICI accounted for by the equity method amounted to \$184.3 million as at March 31, 2013 (December 31, 2012: \$172.4 million). SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was \$171.1 million at March 31, 2013 (December 31, 2012: \$141.5 million).

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

12. 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.

On April 17, 2013, the Company announced a settlement in connection with the previously announced investigations by the World Bank Group relating to the project in Bangladesh and a project in Cambodia, which includes a suspension of the right to bid on and to be awarded World Bank Group-financed projects by SNC-Lavalin Inc., a subsidiary of the Company, and its controlled affiliates for a period of 10 years (the “World Bank Settlement”). The suspension could be lifted after eight years, if the terms and conditions of the settlement agreement are complied with fully. According to the terms of the World Bank Settlement, certain of the Company’s other affiliates continue to be eligible to bid on and be awarded World Bank Group-financed projects as long as they comply with all of the terms and conditions imposed upon them under the terms of the World Bank Settlement, including an obligation not to evade the sanction imposed. The World Bank Settlement also requires that the Company cooperate with the World Bank on various compliance matters in the future. The World Bank Settlement does not include a financial penalty.

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 marchés 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, the World Bank Settlement 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 (such as the World Bank Settlement) 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 outcomes of these investigations (including the World Bank Settlement) and any negative publicity associated therewith, could damage SNC-Lavalin’s reputation and ability to do business. Finally, the findings and outcomes of these investigations (including the World Bank Settlement) may affect the course of the class action lawsuits (described below).

12. 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.

13. SUBSEQUENT EVENT

On April 17, 2013, SNC-Lavalin announced that a settlement has been reached with the World Bank Group in connection with the previously announced investigations. Refer to Note 12A for further details on the World Bank Settlement.



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