



Management's Discussion and Analysis

First Quarter of 2013 versus
First Quarter of 2012

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May 2, 2013

All financial information in Canadian dollars, unless otherwise indicated

1 – RECENT DEVELOPMENTS

New Strategic Plan

On May 2, 2013, the Company announced a strategic plan designed to strengthen the Company's core operations with a view to increasing long-term profitability and stability.

SNC-Lavalin's new strategy outlines the sectors and geographies which the Company will target, and the integrated solutions for its Infrastructure Concessions model with a disciplined approach to employing capital for its infrastructure concession investments ("ICI") portfolio.

SNC-Lavalin's strategy contains three pillars, which are designed to work together to enhance performance on multiple levels and across the organization. They are:

Growth Platforms:

SNC-Lavalin is putting renewed focus on strengthening its position in certain key sectors and geographic markets.

The Company intends to leverage its expertise in resources (including oil and gas, mining, environment and water) to execute an accelerated growth strategy in these sectors across North and South America. SNC-Lavalin recently integrated its Mining & Metallurgy, Hydrocarbons & Chemicals and Environment & Water operations under its President of the Resources, Environment and Water group, Neil Bruce, a globally recognized business leader in oil and gas and mining. With this approach, the Company expects to better capture synergies between these units, particularly on the project delivery side. SNC-Lavalin further expects to make strategic acquisitions in the resources sector to support its growth strategy.

The Company will also focus on growth in the clean power and infrastructure sectors, with an emphasis on expanding its strong footprint in Canada, leveraging its substantial P3 experience and focusing on the attainment of greater market penetration in North America in particular.

Enhanced ICI Management Approach:

SNC-Lavalin is continuing to reinforce its ICI business, which has historically been a source of project work for its engineering and construction units, as well as a significant contributor to the strength of its earnings. ICI is an important element of building a successful engineering and construction company. Going forward, the Company will employ an ever more disciplined and balanced approach to managing its portfolio of assets, which includes exiting investments at maturity, unless strategic

considerations justify otherwise. The Company will look at the potential disposal of non-core ICI assets and reducing its equity stakes in its principal large investments over the medium term. The Company will also seek financing solutions and partnering opportunities to unlock value as it proactively manages the portfolio.

As SNC-Lavalin looks at new opportunities, it will continue to prioritize greenfield (new-build) ICIs that it believes should provide its engineering, construction and operations and maintenance units with significant project opportunities. Brownfield (existing) ICIs will be considered mainly as a means of extending SNC-Lavalin's investment résumé into new markets and providing an additional platform for engineering and construction opportunities.

SNC-Lavalin's key geographical focus for major ICIs and public-private partnerships will continue to be North and South America. The Company will also focus on leveraging its transmission & distribution and mass transit expertise globally.

Growth Enablers:

SNC-Lavalin is improving how it shares resources, promoting greater interaction between its business units and developing more coordinated approaches to client management and business development in its offices worldwide through the execution of a Global Operations model, announced earlier this year.

The further globalization of the Company's operations also involves making better and more efficient company-wide use of its systems and processes, many of which are recognized. SNC-Lavalin is planning investments in several of these systems, including its enterprise management system, Oracle, its Human Resources Management System, and its proprietary project management suite, PM+, which the Company believes provide a strategic advantage when bidding on and carrying out medium- and large-scale projects.

Underlying all of this will be a continuing relentless focus on maintaining world-class ethics, governance and health and safety performance, as well as developing and retaining the best talent the industry has to offer.

Settlement with World Bank Group

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 section 12 for further details on the World Bank Settlement.

2 – FINANCIAL HIGHLIGHTS OF THE FIRST QUARTER OF 2013

LOWER NET INCOME

- > For the first quarter of 2013, net income attributable to SNC-Lavalin shareholders was \$53.6 million (\$0.35 per share on a diluted basis), compared to \$66.3 million (\$0.44 per share on a diluted basis) for the comparable quarter of 2012.
- > For the first quarter of 2013, net income attributable to SNC-Lavalin shareholders excluding Infrastructure Concession Investments (“ICI”) was \$18.6 million, compared to \$41.2 million for the corresponding period in 2012. The decrease mainly reflected operating losses from Infrastructure & Environment and Mining & Metallurgy, as well as a lower contribution from Hydrocarbons & Chemicals, partially offset by higher contributions from Power and Operations & Maintenance (“O&M”).

The operating loss in Infrastructure & Environment 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. The operating loss in Mining & Metallurgy 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.

- > For the first quarter of 2013, net income attributable to SNC-Lavalin shareholders from ICI was \$35.0 million, compared to \$25.1 million for the same period last year, due to higher net income from AltaLink, a higher dividend received from Highway 407, and higher net income from other ICI.

HIGHER REVENUES

- > Revenues for the first quarter of 2013 increased by 6.3% to \$1.9 billion, compared to \$1.8 billion for the first quarter of 2012, mainly due to an increase of 16.9% in Packages.

FINANCIAL POSITION

- > Cash and cash equivalents totalled \$0.9 billion at March 31, 2013, compared to \$1.2 billion at December 31, 2012.

REVENUE BACKLOG

(IN MILLIONS OF CANADIAN DOLLARS)		March 31 2013	December 31 2012
Services	\$	1,889.2	\$ 2,151.3
Packages		5,954.2	5,747.7
O&M		2,392.4	2,234.4
Total	\$	10,235.8	\$ 10,133.4

- > Revenue backlog totalled \$10.2 billion at the end of March 2013, compared to \$10.1 billion at the end of December 2012 as the increase in Packages and O&M was offset by a decrease in Services.

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of the Company's business, business strategy and performance, as well as how it manages risk and capital resources. It is intended to enhance the understanding of the unaudited interim condensed consolidated financial statements for the first quarter of 2013 and accompanying notes, and should therefore be read in conjunction with these documents and with the Financial Report for the year ended December 31, 2012, and should also be **read together with the text in section 3 on caution regarding forward-looking statements**. Reference in this MD&A 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's quarterly and annual financial information, its Annual Information Form, its Management Proxy Circular and other financial documents are available on the Company's website (www.snclavalin.com) as well as on SEDAR (www.sedar.com).

Unless otherwise indicated, all financial information presented in this Management's Discussion and Analysis, including tabular amounts, is in **Canadian dollars**, and prepared in accordance with **International Financial Reporting Standards ("IFRS")**.

COMPARATIVE FIGURES

As disclosed in Note 2 to the Company's unaudited interim condensed consolidated financial statements for the first quarter of 2013, the Company applied retrospectively the amendments to IAS 19, *Employee Benefits*, ("IAS 19"). The 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 as described in section 11.1. The comparative figures have been adjusted in this MD&A to reflect the above-mentioned change.

3 – CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Statements made in this MD&A that describe the Company's or management's budgets, estimates, expectations, forecasts, objectives, predictions, projections of the future or strategies may be "forward-looking statements", which can be identified by the use of the conditional or forward-looking terminology such as "aims", "anticipates", "assumes", "believes", "estimates", "expects", "goal", "intends", "may", "plans", "projects", "should", "will", or the negative thereof or other variations thereon. Forward-looking statements also include any other statements that do not refer to historical facts. All such forward-looking statements are made pursuant to the "safe harbour" provisions of

applicable Canadian securities laws. The Company cautions that, by their nature, forward-looking statements involve risks and uncertainties, and that its actual actions and/or results could differ materially from those expressed or implied in such forward-looking statements, or could affect the extent to which a particular projection materializes. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of the Company's current objectives, strategic priorities, expectations and plans, and in obtaining a better understanding of the Company's business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Forward-looking statements made in this MD&A are based on a number of assumptions believed by the Company to be reasonable on May 2, 2013. The assumptions are set out throughout the Company's 2012 MD&A (particularly, in the sections entitled "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" and "How We Analyze and Report our Results" in the Company's 2012 MD&A), as updated in this MD&A. If these assumptions are inaccurate, the Company's actual results could differ materially from those expressed or implied in such forward-looking statements. In addition, important risk factors could cause the Company's assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by these forward-looking statements. These risks include, but are not limited to: (a) if the Company is not able to successfully execute on its new strategic plan, its business and results of operations would be adversely affected; (b) the outcome of pending and future claims and litigation could have a material adverse impact on the Company's business, financial condition and results of operation; (c) the Company is subject to ongoing investigations which could adversely affect its business, results of operations or reputation and which could subject it to sanctions, fines or monetary penalties, some of which may be significant; (d) further regulatory developments could have a significant adverse impact on the Company's results, and employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations could harm the Company's reputation, reduce its revenues and net income, and subject the Company to criminal and civil enforcement actions; (e) a negative impact on the Company's public image could influence its ability to obtain future projects; (f) fixed-price contracts or the Company's failure to meet contractual schedule or performance requirements may increase the volatility and unpredictability of its revenue and profitability; (g) the Company's revenue and profitability are largely dependent on the awarding of new contracts, which it does not directly control, and the uncertainty of contract award timing could have an adverse effect on the Company's ability to match its workforce size with its contract needs; (h) the Company's backlog is subject to unexpected adjustments and

cancellations, including under “termination for convenience” provisions, and does not represent a guarantee of the Company’s future revenues or profitability; (i) SNC-Lavalin is a provider of services to government agencies and is exposed to risks associated with government contracting; (j) the Company’s international operations are exposed to various risks and uncertainties, including unfavourable political environments, weak foreign economies and the exposure to foreign currency risk; (k) there are risks associated with the Company’s ownership interests in ICI that could adversely affect it; (l) the Company is dependent on third parties to complete many of its contracts; (m) the Company’s use of joint ventures and partnerships exposes it to risks and uncertainties, many of which are outside of the Company’s control; (n) the competitive nature of the markets in which the Company does business could adversely affect it; (o) the Company’s project execution activities may result in professional liability or liability for faulty services; (p) the Company could be subject to monetary damages and penalties in connection with professional and engineering reports and opinions that it provides; (q) the Company may not have in place sufficient insurance coverage to satisfy its needs; (r) the Company’s employees work on projects that are inherently dangerous and a failure to maintain a safe work site could result in significant losses and/or an inability to obtain future projects; (s) the Company’s failure to attract and retain qualified personnel could have an adverse effect on its activities; (t) work stoppages, union negotiations and other labour matters could adversely affect the Company; (u) the Company relies on information systems and data in its operations. Failure in the availability or security of the Company’s information systems or in data security could adversely affect its business and results of operations; (v) any acquisition or other investment may present risks or uncertainties; (w) a deterioration or weakening of the Company’s financial position, including its net cash position, would have a material adverse effect on its business and results of operations; (x) the Company may have significant working capital requirements, which if unfunded could negatively impact its business, financial condition and cash flows; (y) an inability of SNC-Lavalin’s clients to fulfill their obligations on a timely basis could adversely affect the Company; (z) the Company may be required to impair certain of its goodwill, and it may also be required to write down or write off the value of certain of its assets and investments, either of which could have a material adverse impact on the Company’s results of operations and financial condition; (aa) global economic conditions could affect the Company’s client base, partners, subcontractors and suppliers and could materially affect its backlog, revenues, net income and ability to secure and maintain financing; (bb) fluctuations in commodity prices may affect clients’ investment decisions and therefore subject the Company to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards, and may affect the costs of the Company’s projects; (cc) inherent limitations to the Company’s

control framework could result in a material misstatement of financial information, and; (dd) environmental laws and regulations expose the Company to certain risks, could increase costs and liabilities and impact demand for the Company's services. The Company cautions that the foregoing list of factors is not exhaustive. For more information on risks and uncertainties, and assumptions that would cause the Company's actual results to differ from current expectations, please refer to the sections "Risks and Uncertainties", "How We Analyze and Report Our Results", and "Critical Accounting Judgments and Key Sources of Estimation Uncertainty" in the Company's 2012 MD&A filed with the securities regulatory authorities in Canada, available on SEDAR at www.sedar.com or on the Company's website at www.snclavalin.com under the "Investors" section, as well as section 12 of this MD&A.

The forward-looking statements herein reflect the Company's expectations as at May 2, 2013, when the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake any obligation to update publicly or to revise any such forward-looking statements whether as a result of new information, future events or otherwise, unless required by applicable legislation or regulation.

4 – OUR BUSINESS

SNC-Lavalin 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 around the world, and is currently working on projects in some 100 countries, making it a leading international engineering and construction company, and a leader in O&M in Canada. SNC-Lavalin is also recognized for its select investments in infrastructure concessions.

4.1 – ENGINEERING AND CONSTRUCTION EXPERTISE OFFERED AS SERVICES AND PACKAGES ACTIVITIES

Engineering and construction expertise is provided by the Company's employees as either Services or Packages activities:

- > **Services:** includes contracts wherein SNC-Lavalin provides engineering services, feasibility studies, planning, detailed design, contractor evaluation and selection, project and construction management, and commissioning.
- > **Packages:** includes contracts wherein SNC-Lavalin is responsible not only for providing one or more of the Services activities listed above, but also undertakes the responsibility for providing materials and equipment, and usually also includes construction activities.

Services and Packages activities are offered to clients in multiple industries including, among others, Infrastructure & Environment, Power, Mining & Metallurgy and Hydrocarbons & Chemicals. Refer to section 8 of this report for a review of the Company's operating results by segment.

4.2 – OPERATIONS AND MAINTENANCE ACTIVITIES

O&M activities consist of providing operations, maintenance and logistics solutions for buildings, power plants, water supply and treatment systems, desalination plants, postal services, broadcasting facilities, telecommunications infrastructure, highways, bridges, light rail transit systems, airports, ships, oil and gas facilities, and camps for construction operations and the military. SNC-Lavalin's expertise in O&M activities, in addition to obtaining stand-alone O&M contracts, allows the Company to expand on its Services, Packages, and ICI activities by offering all-inclusive expertise that meets clients' needs and complements its ICI.

4.3 – INFRASTRUCTURE CONCESSION INVESTMENTS

SNC-Lavalin makes select 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, for which its technical, engineering and construction, project management, and O&M expertise, along with its experience in arranging project financing, represent a distinct advantage.

5 – HOW WE ANALYZE AND REPORT OUR RESULTS

The Company reports its results under **four categories of activity**, which are **Services and Packages** (together these regroup activities from engineering and construction), **O&M** and **ICI**. The Company's management regularly analyzes the results of these categories independently as they generate different gross margin yields and have different risk profiles. The Company's management also analyzes results by segments, which regroup related activities within SNC-Lavalin **consistent with the way management performance is evaluated**. The Company presents the information in the way management performance is evaluated, by regrouping its engineering and construction projects within the related industries, which are as follows: **Infrastructure & Environment, Power, Mining & Metallurgy, Hydrocarbons & Chemicals** and **Other Industries**. The **O&M** and **ICI** segments correspond to the categories of activity of the same name.

5.1 – NON-IFRS FINANCIAL MEASURES

Some of the indicators used by the Company's management to analyze and evaluate its results represent non-IFRS financial measures. Consequently, they do not have a standardized meaning as prescribed by IFRS, and therefore may not be comparable to similar measures presented by other issuers. Management believes that these indicators provide useful information because they allow for the evaluation of the performance of the Company and its components based on various aspects, such as past, current and expected profitability and financial position.

The non-IFRS financial measures include the following indicators:

NON-IFRS FINANCIAL MEASURE	REFERENCE	NON-IFRS FINANCIAL MEASURE	REFERENCE
Performance		Liquidity	
Revenue backlog	Section 7	Net cash position	Section 9.1
Operating income by segment	Section 8		
ROASE	Section 9.4		

Definitions of all non-IFRS financial measures are provided in the referenced sections above to give the reader a better understanding of the indicators used by management and, when applicable, the Company provides a clear quantitative reconciliation from the non-IFRS financial measures to the most directly comparable measure calculated in accordance with IFRS.

6 – BREAKDOWN OF INCOME STATEMENT

FIRST QUARTER ENDED MARCH 31
(IN MILLIONS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE)

	2013	2012 ⁽¹⁾
Revenues by activity:		
Services	\$ 650.7	\$ 669.1
Packages	723.4	618.9
O&M	382.9	383.4
ICI	143.3	116.5
	\$ 1,900.3	\$ 1,787.9
Gross margin	\$ 306.5	\$ 297.2
Selling, general and administrative expenses	207.1	184.2
Net financial expenses:		
From ICI	31.7	25.8
From other activities	1.5	4.5
	33.2	30.3
Income before income tax expense	66.2	82.7
Income tax expense	12.5	16.2
Net income for the period	\$ 53.7	\$ 66.5
Net income attributable to:		
SNC-Lavalin shareholders	\$ 53.6	\$ 66.3
Non-controlling interests	0.1	0.2
Net income for the period	\$ 53.7	\$ 66.5
Earnings per share (\$)		
Basic	\$ 0.35	\$ 0.44
Diluted	\$ 0.35	\$ 0.44
Supplementary information:		
Net income (loss) attributable to SNC-Lavalin shareholders from ICI:		
From Highway 407	\$ 16.8	\$ 14.7
From AltaLink	13.6	11.3
From other ICI	4.6	(0.9)
Net income attributable to SNC-Lavalin shareholders excluding ICI	18.6	41.2
Net income attributable to SNC-Lavalin shareholders for the period	\$ 53.6	\$ 66.3

⁽¹⁾ Refer to section 11.1 for explanations relating to comparative figures.

6.1 – NET INCOME ANALYSIS

FIRST QUARTER ENDED MARCH 31
(IN MILLIONS OF CANADIAN DOLLARS)

	2013	2012 ⁽¹⁾
Net income attributable to SNC-Lavalin shareholders excluding ICI	\$ 18.6	\$ 41.2
Net income attributable to SNC-Lavalin shareholders from ICI	35.0	25.1
Net income attributable to SNC-Lavalin shareholders	\$ 53.6	\$ 66.3

⁽¹⁾ Refer to section 11.1 for explanations relating to comparative figures.

For the first quarter of 2013, net income attributable to SNC-Lavalin shareholders excluding ICI was \$18.6 million, compared to \$41.2 million for the corresponding period of 2012. The decrease mainly reflected an operating loss from Infrastructure & Environment and Mining & Metallurgy, as well as a lower contribution from Hydrocarbons & Chemicals, partially offset by higher contributions from Power and O&M.

The operating loss in Infrastructure & Environment 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. The operating loss in Mining & Metallurgy 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.

For the first quarter of 2013, net income attributable to SNC-Lavalin shareholders from ICI was \$35.0 million, compared to \$25.1 million for the same period last year, due to higher net income from AltaLink, a higher dividend received from Highway 407, and higher net income from other ICI.

6.2 – REVENUE ANALYSIS

Revenues for the first quarter of 2013 increased by 6.3% to \$1.9 billion, compared to \$1.8 billion for the first quarter of 2012, mainly due to an increase of 16.9% in Packages.

FIRST QUARTER ENDED MARCH 31
(IN MILLIONS OF CANADIAN DOLLARS)

	2013	2012
Services revenues	\$ 650.7	\$ 669.1

The decrease in Services revenues for the first three months of 2013 reflected a lower volume of activity, mainly from Power, partially offset by a higher volume of activity mainly from Hydrocarbons & Chemicals.

FIRST QUARTER ENDED MARCH 31
(IN MILLIONS OF CANADIAN DOLLARS)

	2013	2012
Packages revenues	\$ 723.4	\$ 618.9

The increase in Packages revenues for the first three months of 2013 reflected a higher volume of activity, mainly in Mining & Metallurgy, and Power, partially offset by a lower volume of activity, mainly from Hydrocarbons & Chemicals.

FIRST QUARTER ENDED MARCH 31
(IN MILLIONS OF CANADIAN DOLLARS)

	2013	2012
O&M revenues	\$ 382.9	\$ 383.4

O&M revenues for the first three months of 2013 remained in line with the corresponding period of 2012.

FIRST QUARTER ENDED MARCH 31
(IN MILLIONS OF CANADIAN DOLLARS)

	2013	2012
ICI revenues	\$ 143.3	\$ 116.5

The increase in ICI revenues for the first three months of 2013 mainly reflected higher revenues of AltaLink.

6.3 – GROSS MARGIN ANALYSIS

FIRST QUARTER ENDED MARCH 31
(IN MILLIONS OF CANADIAN DOLLARS)

	2013	2012
Gross margin excluding ICI	\$ 229.3	\$ 239.0
Gross margin from ICI	77.2	58.2
Gross margin	\$ 306.5	\$ 297.2
Gross margin-to-revenue ratio (%)	16.1%	16.6%

The gross margin amount excluding ICI for the first three months of 2013 decreased compared to the corresponding period of 2012, mainly reflecting a decrease in Services, partially offset by an increase in O&M and Packages. The decrease in Services was mainly due to a lower gross margin-to-revenue ratio, including the impact of the provision for costs in connection with a major mining contract recognized in Mining & Metallurgy, as described in section 8.1.3. The increase in O&M was due to a higher gross margin-to-revenue ratio, whereas the increase in Packages was mainly due to a higher level of activity, partially offset by a lower gross margin-to-revenue ratio, including the impact of additional costs on a major infrastructure project recognized in Infrastructure & Environment, as described in section 8.1.1.

The gross margin amount from ICI for the first three months of 2013 increased compared to the corresponding period of 2012, reflecting a higher gross margin from AltaLink and from other ICI, as well as a higher dividend received from Highway 407.

6.4 – SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ANALYSIS

FIRST QUARTER ENDED MARCH 31
(IN MILLIONS OF CANADIAN DOLLARS)

	2013	2012 ⁽¹⁾
Selling, general and administrative expenses	\$ 207.1	\$ 184.2

⁽¹⁾ Refer to section 11.1 for explanations relating to comparative figures.

For the first quarter of 2013, the selling, general and administrative expenses increased compared to the corresponding period of 2012, notably reflecting an increase of selling, general and administrative expenses at both the corporate and business unit levels.

During the three-month period ended March 31, 2013, the Company incurred \$3.7 million of expenses related to investigations and related matters for services rendered up to March 31, 2013 (three-month period ended March 31, 2012: \$5.4 million of expenses related to investigations and related matters and \$5.0 million in connection with the terms of the former CEO's departure arrangement), which are included in **corporate** selling, general and administrative expenses. In accordance with the methodology described in Note 4 to the Company's 2012 audited annual consolidated financial statements, **corporate** selling, general and administrative expenses are allocated to each of the Company's segments.

6.5 – NET FINANCIAL EXPENSES ANALYSIS

FIRST QUARTER ENDED MARCH 31
(IN MILLIONS OF CANADIAN DOLLARS)

	2013			2012		
	FROM ICI	FROM OTHER ACTIVITIES	TOTAL	FROM ICI	FROM OTHER ACTIVITIES	TOTAL
Interest revenues	\$ (0.2)	\$ (3.4)	\$ (3.6)	\$ (1.2)	\$ (2.0)	\$ (3.2)
Interest on debt:						
Recourse	–	5.4	5.4	–	5.5	5.5
Non-recourse:						
AltaLink	28.3	–	28.3	23.8	–	23.8
Other	1.9	–	1.9	1.9	–	1.9
Other	1.7	(0.5)	1.2	1.3	1.0	2.3
Net financial expenses	\$ 31.7	\$ 1.5	\$ 33.2	\$ 25.8	\$ 4.5	\$ 30.3

For the first quarter of 2013, net financial expenses from ICI increased to \$31.7 million, compared to \$25.8 million in the first quarter of 2012, primarily due to a higher interest expense on additional non-recourse debt from AltaLink.

For the first quarter of 2013, net financial expenses from other activities were \$1.5 million, compared to \$4.5 million in the first quarter of 2012.

6.6 – INCOME TAXES ANALYSIS

FIRST QUARTER ENDED MARCH 31
(IN MILLIONS OF CANADIAN DOLLARS)

	2013	2012 ⁽¹⁾
Income tax expense excluding ICI	\$ 5.9	\$ 12.9
Income tax expense from ICI	6.6	3.3
Income tax expense	\$ 12.5	\$ 16.2

⁽¹⁾ Refer to section 11.1 for explanations relating to comparative figures.

The decrease in income tax expense for the first quarter of 2013 mainly reflected a decrease in the Company's income before income tax expense.

7 – REVENUE BACKLOG

The Company reports revenue backlog, which is a non-IFRS financial measure, for the following categories of activity: i) **Services**; ii) **Packages**; and iii) **O&M**. Revenue backlog is a **forward-looking indicator of anticipated revenues** to be recognized by the Company. It is determined based on **contract awards** that are considered **firm**.

O&M activities are provided under contracts that can cover a period of up to 40 years. In order to provide information that is comparable to the revenue backlog of other categories of activity, the Company limits the O&M revenue backlog to the earlier of: i) **the contract term awarded**; and ii) **the next five years**.

The Company aims to provide a revenue backlog that is both meaningful and current. As such, the Company regularly reviews its backlog to ensure that it reflects any modifications, which include awards of new projects, changes of scope on current projects, and project cancellations, if any.

The following table provides a breakdown of the Company's revenue backlog by category of activity and by segment:

AT MARCH 31
(IN MILLIONS OF CANADIAN DOLLARS)

BY SEGMENT	2013			
	SERVICES	PACKAGES	O&M	TOTAL
Services and Packages				
Infrastructure & Environment	\$ 737.2	\$ 3,437.9	\$ –	\$ 4,175.1
Power	427.0	1,957.0	–	2,384.0
Mining & Metallurgy	474.5	260.0	–	734.5
Hydrocarbons & Chemicals	176.4	95.5	–	271.9
Other Industries	74.1	203.8	–	277.9
O&M	–	–	2,392.4	2,392.4
Total	\$ 1,889.2	\$ 5,954.2	\$ 2,392.4	\$ 10,235.8

AT DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)		2012		
BY SEGMENT	SERVICES	PACKAGES	O&M	TOTAL
Services and Packages				
Infrastructure & Environment	\$ 721.3	\$ 2,916.6	\$ –	\$ 3,637.9
Power	434.7	2,151.1	–	2,585.8
Mining & Metallurgy	685.6	320.6	–	1,006.2
Hydrocarbons & Chemicals	215.5	132.7	–	348.2
Other Industries	94.2	226.7	–	320.9
O&M	–	–	2,234.4	2,234.4
Total	\$ 2,151.3	\$ 5,747.7	\$ 2,234.4	\$ 10,133.4

At the end of March 2013, revenue backlog was \$10.2 billion, compared to \$10.1 billion at the end of December 2012.

7.1 – SERVICES BACKLOG

(IN MILLIONS OF CANADIAN DOLLARS)	March 31 2013	December 31 2012
Services backlog	\$ 1,889.2	\$ 2,151.3

The decrease from December 2012 to March 2013 reflected a decrease mainly in Mining & Metallurgy, including the debooking of a major mining contract for which the value of the suspended and terminated work was worth approximately \$120 million in anticipated Services revenues.

7.2 – PACKAGES BACKLOG

(IN MILLIONS OF CANADIAN DOLLARS)	March 31 2013	December 31 2012
Packages backlog	\$ 5,954.2	\$ 5,747.7

The Packages backlog at the end of March 2013 increased compared to December 2012, reflecting an increase mainly from Infrastructure & Environment, notably from the addition of a Light Rail Transit project in Canada, partially offset by a decrease in all other segments, notably in Power.

7.3 – O&M BACKLOG

(IN MILLIONS OF CANADIAN DOLLARS)	March 31 2013	December 31 2012
O&M backlog	\$ 2,392.4	\$ 2,234.4

The O&M backlog at the end of March 2013 increased compared to December 2012, mainly due to the extension of an ongoing contract in Canada.

8 – OPERATING RESULTS BY SEGMENT

As mentioned previously, the Company's results are analyzed by segment. The Company presents the information in the way management performance is evaluated, and regroups its projects within the related industries.

The Company evaluates segment performance, except for the ICI segment, using operating income, which consists of gross margin less directly related selling, general and administrative expenses, imputed interest and corporate selling, general and administrative expenses. Imputed interest is allocated monthly to these segments at a rate of 10% per year resulting in a cost or revenue depending on whether the segment's current assets exceed current liabilities or vice versa, while corporate selling, general and administrative expenses are allocated based on the gross margin of each of these segments. Corporate income taxes are not allocated to these segments.

SNC-Lavalin's ICI are accounted for as follows:

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

Such investments are grouped into the ICI segment wherein its performance is evaluated, as follows:

ACCOUNTING METHOD	PERFORMANCE EVALUATION
Cost method	Dividends or distributions received from investments
Equity method	SNC-Lavalin's share of the net results of its investments, or dividends from ICI for which the carrying amount is \$nil
Full consolidation method	Net result from investments, less the portion attributable to non-controlling interests

In the case of ICI for which income taxes are payable by the investor, such as investments in limited partnerships in Canada, corporate income taxes are allocated based on SNC-Lavalin's tax rate for such investments. The ICI operating income also reflects selling, general and administrative expenses including corporate selling, general and administrative expenses, but is not allocated imputed interest. Accordingly, the operating income from ICI is reported net of income taxes and selling, general and administrative expenses and represents SNC-Lavalin's net income from its ICI.

The table below summarizes the **revenues** of the Company's segments:

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS OF CANADIAN DOLLARS)		
BY SEGMENT	2013	2012
Services and Packages		
Infrastructure & Environment	\$ 408.9	\$ 414.5
Power	369.5	321.6
Mining & Metallurgy	356.4	282.7
Hydrocarbons & Chemicals	155.8	188.8
Other Industries	83.5	80.4
O&M	382.9	383.4
ICI	143.3	116.5
Total	\$ 1,900.3	\$ 1,787.9

The following table summarizes the Company's **operating income (loss)** by segment:

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS OF CANADIAN DOLLARS)		
BY SEGMENT	2013	2012 ⁽¹⁾
Services and Packages		
Infrastructure & Environment	\$ (29.9)	\$ 2.1
Power	47.4	31.9
Mining & Metallurgy	(2.3)	15.7
Hydrocarbons & Chemicals	4.4	10.2
Other Industries	5.3	4.6
O&M	14.0	9.0
ICI	35.0	25.1
Total	\$ 73.9	\$ 98.6

⁽¹⁾ Refer to section 11.1 for explanations relating to comparative figures.

8.1 – SERVICES AND PACKAGES ACTIVITIES

Engineering and construction expertise is provided by the Company's employees to clients as either Services or Packages activities.

8.1.1 – INFRASTRUCTURE & ENVIRONMENT

FIRST QUARTER ENDED MARCH 31
(IN MILLIONS OF CANADIAN DOLLARS)

	2013	2012 ⁽¹⁾
Revenues from Infrastructure & Environment		
Services	\$ 168.5	\$ 175.2
Packages	240.4	239.3
Total	\$ 408.9	\$ 414.5
Operating income (loss) from Infrastructure & Environment	\$ (29.9)	\$ 2.1
Operating income (loss) over revenues from Infrastructure & Environment (%)	(7.3%)	0.5%

⁽¹⁾ Refer to section 11.1 for explanations relating to comparative figures.

Infrastructure & Environment revenues for the first quarter of 2013 were \$408.9 million, in line with the corresponding period of 2012.

For the first quarter of 2013, the operating loss was \$29.9 million, compared to an operating income of \$2.1 million for the corresponding quarter of 2012. 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.

8.1.2 – POWER

FIRST QUARTER ENDED MARCH 31
(IN MILLIONS OF CANADIAN DOLLARS)

	2013	2012 ⁽¹⁾
Revenues from Power		
Services	\$ 92.3	\$ 119.4
Packages	277.2	202.2
Total	\$ 369.5	\$ 321.6
Operating income from Power	\$ 47.4	\$ 31.9
Operating income over revenues from Power (%)	12.8%	9.9%

⁽¹⁾ Refer to section 11.1 for explanations relating to comparative figures.

Power revenues increased to \$369.5 million in the first quarter of 2013, compared to \$321.6 million in the first quarter of 2012, mainly reflecting a higher level of Packages activities, partially offset by a lower level of Services activities.

For the first quarter of 2013, operating income was \$47.4 million, compared to \$31.9 million for the corresponding quarter of 2012, mainly reflecting a higher gross margin, attributable to both a higher gross margin-to-revenue ratio and a higher volume of Packages activities, partially offset by higher selling, general and administrative expenses combined to a lower volume of Services activities.

8.1.3 – MINING & METALLURGY

FIRST QUARTER ENDED MARCH 31
(IN MILLIONS OF CANADIAN DOLLARS)

	2013	2012 ⁽¹⁾
Revenues from Mining & Metallurgy		
Services	\$ 215.5	\$ 222.3
Packages	140.9	60.4
Total	\$ 356.4	\$ 282.7
Operating income (loss) from Mining & Metallurgy	\$ (2.3)	\$ 15.7
Operating income (loss) over revenues from Mining & Metallurgy (%)	(0.6%)	5.6%

⁽¹⁾ Refer to section 11.1 for explanations relating to comparative figures.

Mining & Metallurgy revenues in the first quarter of 2013 were \$356.4 million, compared to \$282.7 million for the corresponding period of 2012, mainly due to a higher level of Packages activities.

The operating loss was \$2.3 million in the first quarter of 2013, compared to operating income of \$15.7 million for the corresponding period of 2012, mainly 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, as well as higher selling, general and administrative expenses, partially offset by a higher volume of Packages activity.

8.1.4 – HYDROCARBONS & CHEMICALS

FIRST QUARTER ENDED MARCH 31
(IN MILLIONS OF CANADIAN DOLLARS)

	2013	2012 ⁽¹⁾
Revenues from Hydrocarbons & Chemicals		
Services	\$ 129.8	\$ 113.6
Packages	26.0	75.2
Total	\$ 155.8	\$ 188.8
Operating income from Hydrocarbons & Chemicals	\$ 4.4	\$ 10.2
Operating income over revenues from Hydrocarbons & Chemicals (%)	2.8%	5.4%

⁽¹⁾ Refer to section 11.1 for explanations relating to comparative figures.

Revenues from Hydrocarbons & Chemicals were \$155.8 million in the first quarter of 2013, compared to \$188.8 million in the first quarter of 2012, primarily reflecting a lower volume of Packages activities mainly due to certain major projects nearing completion, partially offset by a higher volume of Services activities.

In the first quarter of 2013, operating income decreased to \$4.4 million, compared to \$10.2 million in the first quarter of 2012, mainly reflecting a lower level of Packages activities combined to higher selling, general and administrative expenses.

8.1.5 – OTHER INDUSTRIES

Other Industries combines projects in several industry sectors, namely agrifood, pharmaceuticals and biotechnology, sulphuric acid as well as projects related to other industrial facilities not already identified as part of any other preceding industry segments.

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS OF CANADIAN DOLLARS)		
	2013	2012 ⁽¹⁾
Revenues from Other Industries		
Services	\$ 44.6	\$ 38.6
Packages	38.9	41.8
Total	\$ 83.5	\$ 80.4
Operating income from Other Industries	\$ 5.3	\$ 4.6
Operating income over revenues from Other Industries (%)	6.4%	5.7%

⁽¹⁾ Refer to section 11.1 for explanations relating to comparative figures.

Other Industries revenues were \$83.5 million in the first quarter of 2013, in line with the corresponding quarter of 2012.

Operating income for the first quarter of 2013 was \$5.3 million, compared to \$4.6 million for the corresponding period of 2012, mainly reflecting a higher gross margin-to-revenue ratio, partially offset by higher selling, general and administrative expenses.

8.2 – O&M

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS OF CANADIAN DOLLARS)		
	2013	2012 ⁽¹⁾
Revenues from O&M	\$ 382.9	\$ 383.4
Operating income from O&M	\$ 14.0	\$ 9.0
Operating income over revenues from O&M (%)	3.6%	2.4%

⁽¹⁾ Refer to section 11.1 for explanations relating to comparative figures.

O&M revenues in the first quarter of 2013 were \$382.9 million, in line with the corresponding period of 2012.

Operating income was \$14.0 million in the first quarter of 2013, compared to \$9.0 million in the first quarter of 2012, mainly reflecting a higher gross margin-to-revenue ratio.

8.3 – 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, which are grouped into the ICI segment and described in section 9.3 of the Company's 2012 Financial Report under "Management's Discussion and Analysis".

8.3.1 – NET BOOK VALUE OF ICI

Given the significant effect of ICI on the Company's consolidated statement of financial position, the Company provides additional information in Note 4 to its unaudited interim condensed consolidated financial statements for the first quarter of 2013 regarding the net book value of its ICI in accordance with the method accounted for in SNC-Lavalin's consolidated statement of financial position.

(IN MILLIONS OF CANADIAN DOLLARS)	March 31 2013	December 31 2012
ICI accounted for by the full consolidation method	\$ 943.0	\$ 952.4
ICI accounted for by the equity method	402.8	373.4
ICI accounted for by the cost method	342.7	339.0
Net book value of ICI	\$ 1,688.5	\$ 1,664.8

As at March 31, 2013, the Company estimates that the fair value of its ICI is much higher than their net book value, with the Company's investment in Highway 407 and AltaLink having the highest estimated fair values of its ICI portfolio. The net book values of the Company's investments in Highway 407 and AltaLink are \$nil and \$801.1 million, respectively, as at March 31, 2013.

8.3.2 – OPERATING RESULTS OF THE ICI SEGMENT

FIRST QUARTER ENDED MARCH 31 (IN MILLIONS OF CANADIAN DOLLARS)	2013	2012 ⁽¹⁾
Revenues from ICI	\$ 143.3	\$ 116.5
Operating income (loss):		
From Highway 407	\$ 16.8	\$ 14.7
From AltaLink	13.6	11.3
From other ICI ⁽²⁾	4.6	(0.9)
Operating income from ICI	\$ 35.0	\$ 25.1

⁽¹⁾ Refer to section 11.1 for explanations relating to comparative figures.

⁽²⁾ Net income from other ICI is net of divisional and allocated corporate selling, general and administrative expenses, as well as from selling, general and administrative expenses from all other ICI accounted for by the full consolidation method.

The Company's investments in ICI are accounted for by either the cost, equity or full consolidation methods depending on whether SNC-Lavalin exercises, or not, significant influence, joint control or control. In evaluating the performance of the segment, the relationship between revenues and net income (which equals operating income from ICI) is not meaningful, as a significant portion of

the investments in ICI are accounted for by the cost and equity methods, which do not reflect the line by line items of the individual ICI's financial results.

The ICI segment operating income amounted to \$35.0 million in the first quarter of 2013, compared to \$25.1 million for the same period last year, due to a higher contribution from AltaLink, a higher dividend received from Highway 407 and higher contributions from other ICI.

9 – LIQUIDITY AND CAPITAL RESOURCES

This section has been prepared to provide the reader with a better understanding of the Company's liquidity and capital resources, and has been structured as follows:

- > A review of the **net cash position** of the Company;
- > A **cash flow analysis**, providing details on how the Company generated and used its cash and cash equivalents; and
- > The presentation of the Company's **dividends declared** and **Return on Average Shareholders' Equity ("ROASE")**.

9.1 – NET CASH POSITION

The Company's **net cash position**, which is a non-IFRS financial measure, is arrived at by excluding cash and cash equivalents from ICI and its recourse debt from its cash and cash equivalents, and was as follows:

(IN MILLIONS OF CANADIAN DOLLARS)	March 31 2013	December 31 2012
Cash and cash equivalents	\$ 949.3	\$ 1,174.9
Less:		
Cash and cash equivalents of ICI accounted for by the full consolidation method	9.1	17.6
Recourse debt	348.6	348.6
Net cash position	\$ 591.6	\$ 808.7

The net cash position at March 31, 2013 was \$591.6 million, compared to \$808.7 million at December 31, 2012. The decrease in net cash position is mainly due to the net change in non-cash working capital items.

9.2 – CASH FLOW ANALYSIS

FIRST QUARTER ENDED MARCH 31
(IN MILLIONS OF CANADIAN DOLLARS)

	2013	2012
Cash flows generated from (used for):		
Operating activities	\$ (78.5)	\$ 42.1
Investing activities	(221.0)	(239.5)
Financing activities	73.1	85.3
Increase in exchange differences on translating cash and cash equivalents	0.8	0.3
Net decrease in cash and cash equivalents	(225.6)	(111.8)
Cash and cash equivalents at beginning of period	1,174.9	1,231.0
Cash and cash equivalents at end of period	\$ 949.3	\$ 1,119.2

Cash and cash equivalents were \$0.9 billion at March 31, 2013, compared to \$1.1 billion at March 31, 2012, as discussed further below.

9.2.1 – CASH FLOWS RELATED TO OPERATING ACTIVITIES

Cash used for operating activities was \$78.5 million for the first three months of 2013, compared to cash generated from operating activities of \$42.1 million for the corresponding period of 2012. The variance was mainly due to:

- > Cash used for the change in non-cash working capital items of \$147.4 million in the first quarter of 2013, compared to \$75.6 million for the corresponding period of 2012, primarily reflecting higher working capital requirements.

9.2.2 – CASH FLOWS RELATED TO INVESTING ACTIVITIES

Cash used for investing activities was \$221.0 million for the first three months of 2013, compared to \$239.5 million for the corresponding period of 2012. The major investing activities were as follows:

- > The acquisition of property and equipment from fully consolidated ICI used a total cash outflow of \$188.4 million in the first quarter of 2013, compared to \$183.1 million for the corresponding period of 2012, both due to AltaLink, mainly relating to capital expenditures to reinforce and expand the transmission system.
- > The acquisition of property and equipment for Services, Packages and O&M activities amounted to a total cash outflow of \$7.5 million in the first quarter of 2013, compared to \$25.2 million for the corresponding period of 2012.

9.2.3 – CASH FLOWS RELATED TO FINANCING ACTIVITIES

Cash generated from financing activities was \$73.1 million in the first three months of 2013, compared to \$85.3 million for the corresponding period of 2012. The major financing activities were as follows:

- > The increase in non-recourse debt from ICI amounted to \$60.7 million in the first quarter of 2013, compared to \$84.5 million for the corresponding period of 2012.
- > The issuance of shares pursuant to the exercise of stock options generated \$12.2 million of cash in the first quarter of 2013 (302,840 stock options at an average price of \$40.23), compared to \$3.3 million in the first quarter of 2012 (114,391 stock options at an average price of \$28.42). As at April 23, 2013, there were 4,103,555 stock options outstanding. At that same date, there were 151,379,822 shares issued and outstanding.

9.3 – DIVIDENDS DECLARED

On March 8, 2013 and May 2, 2013, the Board of Directors declared a quarterly cash dividend of \$0.23 per share, payable April 5, 2013, and May 30, 2013, respectively, representing an increase of 4.5% compared to the dividend of \$0.22 per share for the corresponding periods in 2012.

9.4 – RETURN ON AVERAGE SHAREHOLDERS' EQUITY ("ROASE")

ROASE is a non-IFRS financial measure of the Company's return on equity. ROASE, as calculated by the Company, corresponds to the trailing 12-month net income attributable to SNC-Lavalin shareholders, divided by a trailing 13-month average equity attributable to SNC-Lavalin shareholders, excluding "other components of equity".

ROASE was 13.7% for the 12-month period ended March 31, 2013, compared to 18.4% for the same period last year.

9.5 – FINANCIAL INSTRUMENTS

The nature and extent of risks arising from financial instruments, and their related risk management, are described in Note 27 to the Company's 2012 annual audited consolidated financial statements. In the first three months of 2013, there was no material change to the nature of risks arising from financial instruments, related risk management or classification of financial instruments. Furthermore, there was no change in the methodology used to determine the fair value of the financial instruments that are measured at fair value on the Company's consolidated statement of financial position.

10 – 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.

11 – ACCOUNTING POLICIES AND CHANGES

The Company established its accounting policies and methods used in the preparation of its unaudited interim condensed consolidated financial statements for the first quarter of 2013 in accordance with IFRS. See Note 2 to the Company's 2012 annual audited consolidated financial statements for more information about the significant accounting principles used to prepare the financial statements, as they remain unchanged for the first quarter of 2013, except for accounting policies affected by standards and interpretations adopted in 2013, as described in section 11.1 below.

The key assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the unaudited interim condensed consolidated financial statements and notes, were disclosed in the Company's 2012 annual audited consolidated financial statements and remain unchanged for the first quarter of 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 section 11.1 below.

11.1 – 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 adjustments made to the comparative figures for each of the four quarters of 2012 resulted in an increase in selling, general and administrative expenses of \$1.1 million (each quarter of 2011: \$0.4 million) and a decrease in income tax expense of \$0.3 million

(each quarter of 2011: \$0.1 million), resulting in a decrease in net income of \$0.8 million (each quarter of 2011: \$0.3 million) and in an equivalent increase in actuarial gains (or an equivalent decrease in actuarial losses) recognized in the statement of comprehensive income for each of the four quarters of 2012 and 2011, with a \$nil impact to the Company's retained earnings.

11.2 – 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.

12 – RISKS AND UNCERTAINTIES

Risks and uncertainties and certain risk management practices of the Company are described in section 14 of the Company's 2012 Financial Report under "Management's Discussion and Analysis". These risks and uncertainties and risk management practices have not materially changed in the first three months of 2013 except for the addition of the following risk factor:

If the Company is not able to successfully execute on its new strategic plan, its business and results of operations would be adversely affected.

Concurrently with the publication of this MD&A, the Company announced a new strategic plan designed to strengthen its core operations with a view to increasing long-term profitability. The strategic plan, described earlier in this MD&A, outlines the sectors and geographies which the Company will target, and the integrated solutions for Infrastructure Concessions model with a disciplined approach to employing capital for its ICI portfolio. Implementation of this plan presents various managerial, organizational, administrative, operational and other challenges. Implementing the new strategic plan may require, among other things, recruiting, developing, motivating and retaining talented employees, and executing on dispositions of certain ICI assets at the appropriate time as well as potentially making strategic acquisitions in the resources sector to support the Company's growth strategy. If the Company is unable to successfully execute on any or all of the initiatives contained in the new strategic plan, the Company's revenues, operating results and profitability may be adversely affected. Even if the Company successfully implements its new strategic plan, there can be no guarantee that its revenues, operating results and profitability will improve.

Furthermore, following the settlement announced on April 17, 2013 between the Company and the World Bank Group, the risk *“The Company is subject to ongoing investigations which could adversely affect its business, results of operations or reputation and which could subject it to sanctions, fines or monetary penalties, some of which may be significant”* described in the Company's 2012 Financial Report under "Management's Discussion and Analysis" is revised and now reads as follows:

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 in section 15.

13 – QUARTERLY INFORMATION

(IN MILLIONS OF CANADIAN DOLLARS, EXCEPT EARNINGS PER SHARE AND DIVIDENDS PER SHARE)								
	2013	2012 ⁽¹⁾				2011 ⁽¹⁾		
	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER
Revenues	\$ 1,900.3	\$ 2,421.5	\$ 1,975.3	\$ 1,906.3	\$ 1,787.9	\$ 2,118.1	\$ 1,779.5	\$ 1,668.7
Net income (loss) attributable to SNC-Lavalin shareholders from ICI:								
From Highway 407	\$ 16.8	\$ 56.6	\$ 14.7	\$ 14.7	\$ 14.7	\$ 17.2	\$ 13.8	\$ 32.3
From AltaLink	13.6	16.7	13.6	12.9	11.3	17.5	7.6	5.7
From other ICI	4.6	(2.9)	2.6	2.9	(0.9)	4.8	4.2	3.7
Net income attributable to SNC-Lavalin shareholders excluding ICI	18.6	23.4	83.2	1.2	41.2	36.2	98.6	60.2
Net income attributable to SNC-Lavalin shareholders	53.6	93.8	114.1	31.7	66.3	75.7	124.2	101.9
Net income (loss) attributable to non-controlling interests	0.1	0.2	(0.2)	0.2	0.2	0.1	3.1	2.7
Net income	\$ 53.7	\$ 94.0	\$ 113.9	\$ 31.9	\$ 66.5	\$ 75.8	\$ 127.3	\$ 104.6
Basic earnings per share (\$)	\$ 0.35	\$ 0.62	\$ 0.76	\$ 0.21	\$ 0.44	\$ 0.50	\$ 0.82	\$ 0.68
Diluted earnings per share (\$)	\$ 0.35	\$ 0.62	\$ 0.75	\$ 0.21	\$ 0.44	\$ 0.50	\$ 0.82	\$ 0.67
Dividends declared per share (\$)	\$ 0.23	\$ 0.23	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.21	\$ 0.21

⁽¹⁾ Refer to section 11.1 for explanations relating to comparative figures.

14 – CONTROLS AND PROCEDURES

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures as well as internal control over financial reporting, as those terms are defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian securities regulatory authorities.

The CEO and CFO have designed disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that:

- > Material information relating to the Company is made known to them by others, particularly during the period in which the interim filings are being prepared; and
- > Information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The CEO and CFO have also designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There has been no change in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2013 and ended on March 31, 2013, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.