

SNC-Lavalin Group Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	December 31 2013	December 31 2012 ⁽¹⁾
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,108,694	\$ 1,174,900
Restricted cash		54,616	32,815
Trade receivables		1,106,360	1,175,152
Contracts in progress		646,019	764,563
Other current financial assets		760,813	428,820
Other current assets		239,263	217,819
Total current assets		3,915,765	3,794,069
Property and equipment:			
From ICI	4	5,132,027	3,469,990
Excluding ICI		180,368	193,097
ICI accounted for by the equity method	4	448,677	373,445
ICI accounted for by the cost method	4	426,868	338,963
Goodwill	6	576,929	635,775
Deferred income tax asset		254,421	177,581
Non-current portion of receivables under service concession arrangements		300,758	258,924
Non-current financial assets		201,276	120,212
Other non-current assets		335,536	248,864
Total assets		\$ 11,772,625	\$ 9,610,920
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		\$ 2,145,755	\$ 1,649,776
Downpayments on contracts		226,028	346,780
Deferred revenues		981,584	972,820
Other current financial liabilities		411,228	302,309
Other current liabilities		153,894	158,689
Advances under contract financing arrangements	13	87,188	43,273
Current portion of provisions		159,661	103,783
Short-term debt and current portion of long-term debt:			
Non-recourse from ICI	4	277,392	484,575
Total current liabilities		4,442,730	4,062,005
Long-term debt:			
Recourse		348,733	348,545
Non-recourse from ICI	4	3,536,912	2,000,696
Other non-current financial liabilities		125,044	85,619
Non-current portion of provisions		257,271	219,608
Other non-current liabilities		737,767	593,429
Deferred income tax liability		283,925	222,582
Total liabilities		9,732,382	7,532,484
Equity			
Share capital		497,130	463,740
Retained earnings		1,610,503	1,714,379
Other components of equity	11	(70,975)	(102,686)
Equity attributable to SNC-Lavalin shareholders		2,036,658	2,075,433
Non-controlling interests		3,585	3,003
Total equity		2,040,243	2,078,436
Total liabilities and equity		\$ 11,772,625	\$ 9,610,920

⁽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 CHANGES IN EQUITY
(UNAUDITED)

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

2013							
Equity attributable to SNC-Lavalin shareholders							
Share Capital							
	Common shares (in thousands)	Amount	Retained earnings	Other components of equity (Note 11)	Total	Non-controlling interests	Total equity
Balance at beginning of the year	151,069	\$ 463,740	\$ 1,714,379	\$ (102,686)	\$ 2,075,433	\$ 3,003	\$ 2,078,436
Net income	—	—	35,768	—	35,768	616	36,384
Other comprehensive income (loss)	—	—	(1,578)	31,711	30,133	—	30,133
Total comprehensive income	—	—	34,190	31,711	65,901	616	66,517
Dividends declared (Note 10)	—	—	(139,415)	—	(139,415)	—	(139,415)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(34)	(34)
Stock option compensation (Note 8A)	—	—	8,260	—	8,260	—	8,260
Shares issued under stock option plans	738	33,390	(6,911)	—	26,479	—	26,479
Balance at end of the year	151,807	\$ 497,130	\$ 1,610,503	\$ (70,975)	\$ 2,036,658	\$ 3,585	\$ 2,040,243

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

2012 ⁽¹⁾							
Equity attributable to SNC-Lavalin shareholders							
Share Capital				Other components of equity (Note 11)	Total		
Common shares (in thousands)	Amount	Retained earnings					Non-controlling interests
Balance at beginning of the year	151,034	\$ 455,682	\$ 1,543,199	\$ (115,813)	\$ 1,883,068	\$ 3,648	\$ 1,886,716
Net income	—	—	305,927	—	305,927	415	306,342
Other comprehensive income (loss)	—	—	(6,133)	13,127	6,994	—	6,994
Total comprehensive income	—	—	299,794	13,127	312,921	415	313,336
Dividends declared (Note 10)	—	—	(132,925)	—	(132,925)	—	(132,925)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	(648)	(648)
Stock option compensation (Note 8A)	—	—	12,313	—	12,313	—	12,313
Shares issued under stock option plans	210	8,597	(1,667)	—	6,930	—	6,930
Shares redeemed and cancelled	(175)	(539)	(6,335)	—	(6,874)	—	(6,874)
Disposal of a subsidiary	—	—	—	—	—	(412)	(412)
Balance at end of the year	151,069	\$ 463,740	\$ 1,714,379	\$ (102,686)	\$ 2,075,433	\$ 3,003	\$ 2,078,436

⁽¹⁾ See Note 2C 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)

		FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	Note	2013	2012 ⁽¹⁾	2013	2012 ⁽¹⁾
Revenues by activity:					
Services		\$ 697,056	\$ 921,174	\$ 2,697,611	\$ 3,174,934
Packages		833,187	954,743	3,113,381	3,020,400
O&M		338,244	349,423	1,338,318	1,330,501
ICI accounted for by the full consolidation or cost methods		194,421	137,293	579,918	450,672
ICI accounted for by the equity method		61,433	58,910	183,930	114,453
		2,124,341	2,421,543	7,913,158	8,090,960
Direct cost of activities		1,727,056	2,033,723	6,797,331	6,735,975
Gross margin		397,285	387,820	1,115,827	1,354,985
Selling, general and administrative expenses		225,111	249,261	836,588	855,457
Restructuring costs and goodwill impairment	6	55,215	—	123,464	—
Financial expenses	7	43,494	33,663	163,548	139,594
Financial income	7	(2,977)	(3,561)	(12,869)	(13,432)
Gain from partial disposal of an ICI	4A	(72,996)	—	(72,996)	—
Income before income taxes		149,438	108,457	78,092	373,366
Income taxes		56,808	14,487	41,708	67,024
Net income		\$ 92,630	\$ 93,970	\$ 36,384	\$ 306,342
Net income attributable to:					
SNC-Lavalin shareholders		\$ 92,537	\$ 93,842	\$ 35,768	\$ 305,927
Non-controlling interests		93	128	616	415
Net income		\$ 92,630	\$ 93,970	\$ 36,384	\$ 306,342
Earnings per share (in \$)					
Basic		\$ 0.61	\$ 0.62	\$ 0.24	\$ 2.03
Diluted		\$ 0.61	\$ 0.62	\$ 0.24	\$ 2.02
Weighted average number of outstanding shares (in thousands)					
Basic	9	151,721	151,048	151,497	151,058
Diluted		152,021	151,238	151,814	151,304

⁽¹⁾ See Note 2C 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 DECEMBER 31

(IN THOUSANDS OF CANADIAN DOLLARS)

	2013			2012 ⁽¹⁾		
	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total
Net income for the period	\$ 92,537	\$ 93	\$ 92,630	\$ 93,842	\$ 128	\$ 93,970
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 11)	3,463	–	3,463	8,105	–	8,105
Available-for-sale financial assets (Note 11)	621	–	621	575	–	575
Cash flow hedges (Note 11)	(4,510)	–	(4,510)	2,013	–	2,013
Share of other comprehensive income of investments accounted for by the equity method (Note 11)	33,453	–	33,453	1,316	–	1,316
Income taxes (Note 11)	(11,532)	–	(11,532)	(627)	–	(627)
Total of items that will be reclassified subsequently to net income	21,495	–	21,495	11,382	–	11,382
Defined benefit pension plans and other post-employment benefits (Note 11)	(5,233)	–	(5,233)	(7,413)	–	(7,413)
Income taxes (Note 11)	1,485	–	1,485	1,767	–	1,767
Total of items that will not be reclassified subsequently to net income	(3,748)	–	(3,748)	(5,646)	–	(5,646)
Total other comprehensive income for the period	17,747	–	17,747	5,736	–	5,736
Total comprehensive income for the period	\$ 110,284	\$ 93	\$ 110,377	\$ 99,578	\$ 128	\$ 99,706

YEAR ENDED DECEMBER 31

(IN THOUSANDS OF CANADIAN DOLLARS)

	2013			2012 ⁽¹⁾		
	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total	Attributable to SNC-Lavalin shareholders	Non- controlling interests	Total
Net income	\$ 35,768	\$ 616	\$ 36,384	\$ 305,927	\$ 415	\$ 306,342
Other comprehensive income (loss):						
Exchange differences on translating foreign operations (Note 11)	912	–	912	(14,947)	–	(14,947)
Available-for-sale financial assets (Note 11)	(151)	–	(151)	1,194	–	1,194
Cash flow hedges (Note 11)	(5,032)	–	(5,032)	32,257	–	32,257
Share of other comprehensive income of investments accounted for by the equity method (Note 11)	53,339	–	53,339	3,803	–	3,803
Income taxes (Note 11)	(17,357)	–	(17,357)	(9,180)	–	(9,180)
Total of items that will be reclassified subsequently to net income	31,711	–	31,711	13,127	–	13,127
Defined benefit pension plans and other post-employment benefits (Note 11)	(2,241)	–	(2,241)	(8,058)	–	(8,058)
Income taxes (Note 11)	663	–	663	1,925	–	1,925
Total of items that will not be reclassified subsequently to net income	(1,578)	–	(1,578)	(6,133)	–	(6,133)
Total other comprehensive income	30,133	–	30,133	6,994	–	6,994
Total comprehensive income	\$ 65,901	\$ 616	\$ 66,517	\$ 312,921	\$ 415	\$ 313,336

⁽¹⁾ See Note 2C 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)		FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	Note	2013	2012 ⁽¹⁾	2013	2012 ⁽¹⁾
Operating activities					
Net income for the period		\$ 92,630	\$ 93,970	\$ 36,384	\$ 306,342
Adjustments to reconcile net income to cash flows from operating activities:					
Depreciation of property and equipment and amortization of other non-current assets:					
From ICI		42,993	31,286	133,074	99,205
Excluding ICI		19,707	17,142	67,879	61,571
Income taxes recognized in net income		56,808	14,487	41,708	67,024
Income taxes paid		(15,936)	(2,147)	(73,007)	(19,134)
Net financial expenses recognized in net income	7	40,517	30,102	150,679	126,162
Interest paid:					
From ICI		(42,406)	(48,103)	(116,436)	(112,090)
Excluding ICI		(1,323)	(575)	(24,337)	(22,484)
Expense recognized in respect of stock options	8A	75	2,043	8,260	12,313
Expense (reversal of the expense) recognized in respect of cash-settled share-based payment arrangements	8B	(1,640)	2,318	7,081	10,022
Income from ICI accounted for by the equity method		(61,433)	(58,910)	(183,930)	(114,453)
Dividends and distributions received from ICI accounted for by the equity method		42,714	58,673	158,870	112,427
Goodwill impairment	6	8,000	—	56,500	—
Net change in provisions related to forecasted losses on certain contracts	2B	(10,651)	31,616	29,600	71,813
Gain from partial disposal of an ICI	4A	(72,996)	—	(72,996)	—
Other		(33,898)	3,995	(15,856)	795
Net change in non-cash working capital items	12	286,054	104,885	129,720	(95,207)
Net cash generated from operating activities		349,215	280,782	333,193	504,306
Investing activities					
Acquisition of property and equipment:					
From ICI	4B	(658,808)	(325,100)	(1,545,946)	(849,205)
Excluding ICI		(22,600)	(20,269)	(55,520)	(96,166)
Payments for ICI		(9,723)	(15,530)	(43,632)	(64,055)
Acquisition of businesses		(372)	(778)	(1,925)	(17,825)
Payments for interests in a joint venture	5	—	—	—	(40,255)
Increase in receivables under service concession arrangements		(25,302)	(6,038)	(63,194)	(28,344)
Recovery of receivables under service concession arrangements		5,353	887	12,845	22,719
Increase in short-term investments		(47,546)	—	(114,157)	—
Decrease in short-term investments		73,120	—	85,294	—
Proceeds from partial disposal of an ICI	4A	86,349	—	86,349	—
Other		(11,185)	(4,350)	(31,036)	10,183
Net cash used for investing activities		(610,714)	(371,178)	(1,670,922)	(1,062,948)
Financing activities					
Increase in non-recourse debt from ICI		649,759	298,036	1,744,756	802,907
Repayment of non-recourse debt from ICI		(6,285)	(157,519)	(410,187)	(203,612)
Increase in advances under contract financing arrangements	13	58,727	43,273	159,463	43,273
Repayment of advances under contract financing arrangements	13	(103,305)	—	(117,137)	—
Proceeds from exercise of stock options		6,265	1,192	26,479	6,930
Redemption of shares		—	—	—	(6,874)
Dividends paid to SNC-Lavalin shareholders	10	(34,901)	(33,231)	(139,415)	(132,925)
Other		(22)	(2,766)	5,589	(4,597)
Net cash generated from financing activities		570,238	148,985	1,269,548	505,102
Increase (decrease) in exchange differences on translating cash and cash equivalents		2,241	2,661	1,975	(2,609)
Net increase (decrease) in cash and cash equivalents		310,980	61,250	(66,206)	(56,149)
Cash and cash equivalents at beginning of period		797,714	1,113,650	1,174,900	1,231,049
Cash and cash equivalents at end of period		\$ 1,108,694	\$ 1,174,900	\$ 1,108,694	\$ 1,174,900

⁽¹⁾ See Notes 2B and 2C 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 (“E&C”) 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 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, 2013 were consistently applied to all periods presented. Please refer to Note 2 in the Company’s consolidated financial statements for the year ended December 31, 2013 for a complete description of the Company’s significant accounting policies.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 3 in the Company’s annual audited consolidated financial statements for the year ended December 31, 2013 and remained unchanged for the three-month period and the year ended December 31, 2013.

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 generally represents the fair value of consideration given in exchange for assets upon initial recognition.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, *Share-based Payment*, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36, *Impairment of Assets*.

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 2013 annual audited consolidated financial statements.

These Company’s interim condensed consolidated financial statements were authorized for issue by the Board of Directors on March 6, 2014.

2. BASIS OF PREPARATION (CONTINUED)

B) CHANGES IN PRESENTATION

In the year ended December 31, 2013, the Company has made a retrospective change to the presentation of its statement of cash flows and comparative figures were reclassified for the net change in provisions related to forecasted losses on certain contracts, to provide details on this element. Therefore, the amount of the net change in provisions related to forecasted losses on certain contracts of \$31.6 million in the fourth quarter of 2012 and of \$71.8 million in the year ended December 31, 2012 was reclassified from “Other” to “Net change in provisions related to forecasted losses on certain contracts” included in the operating activities in the statement of cash flows.

The Company also made a retrospective change to the presentation of its statement of financial position to present a portion of its provisions as current liability. This change mainly results from the increase of forecasted losses on certain contracts, which were not significant as at December 31, 2012 and January 1, 2012.

C) STANDARDS AND AMENDMENTS 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 joint ventures.
- 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*, (“IFRS 13”) 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 plan 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 (“IASB”) 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.

2. BASIS OF PREPARATION (CONTINUED)

Except for IFRS 12, which only had an impact on disclosures of the Company's interests in other entities, and for the amendments to IAS 19, the standards and amendments listed above did not have a significant impact on the Company's financial statements. The initial application of the amendments to 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 and year ended December 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 decrease in actuarial losses recognized in the statement of comprehensive income arising from defined benefit pension plans and other post-employment benefits, with a \$nil impact to the Company's retained earnings. This change relates mainly to the elimination of the expected rate of return on plan assets, which is replaced by a discount rate applied to the net defined benefit pension liability under the amendments to 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:

	THREE MONTHS ENDED				YEAR ENDED
(IN THOUSANDS OF CANADIAN DOLLARS)	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 taxes	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

	THREE MONTHS ENDED				YEAR ENDED
(IN THOUSANDS OF CANADIAN DOLLARS)	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 (or decrease) in income taxes	(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)	4,939	3,806
Total other comprehensive income (loss), as adjusted	\$ 27,362	\$ (3,831)	\$ (22,273)	\$ 5,736	\$ 6,994

	THREE MONTHS ENDED				YEAR ENDED
(IN CANADIAN DOLLARS)	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)

	THREE MONTHS ENDED				YEAR ENDED
(IN CANADIAN DOLLARS)	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)

2. BASIS OF PREPARATION (CONTINUED)

For the three-month period and the year ended December 31, 2013, the application of the amendments to IAS 19 increased the net defined benefit pension cost included in “selling, general and administrative expenses” on the income statement by approximately \$1.3 million (\$1.0 million after income taxes) and \$5.0 million (\$3.8 million after income taxes), respectively, with an equivalent decrease in actuarial losses recognized in the statement of comprehensive income arising from defined benefit pension plans and other post-employment benefits and a \$nil impact to the Company’s retained earnings.

D) STANDARD, AMENDMENTS AND INTERPRETATION ISSUED TO BE ADOPTED AT A LATER DATE

The following interpretation and amendments to existing standards have been issued and are applicable to the Company for its annual periods beginning on January 1, 2014 and thereafter, with an earlier application permitted:

- IFRIC Interpretation 21, *Levies*, considers how an entity should account for levies imposed by governments, other than income taxes, in its financial statements.
- *Recoverable Amount Disclosures for Non-Financial Assets* (Amendments to IAS 36, *Impairment of Assets*) address the disclosure information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

The following amendments and collections of amendments to the standards has been issued by the IASB and are applicable to the Company for its annual periods beginning on January 1, 2015 and thereafter, with an earlier application permitted:

- *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19, *Employee Benefits*) apply to contributions from employees or third parties to defined benefit plans, which objective is to simplify the accounting for contributions that are independent of the number of years of employee service.
- Annual improvements to IFRS (2010-2012 Cycle), which include among others:
 - Amendments to IFRS 2, *Share-based Payments*, relate to the definitions of “vesting condition” and “market condition” and add definitions for “performance condition” and “service condition”.
 - Amendments to IFRS 3, *Business Combinations*, (“IFRS 3”) clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument or a non-financial asset or liability.
 - Amendments to IFRS 8, *Operating Segments*, require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments’ assets and to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
 - Amendments to IFRS 13, *Fair Value Measurement*, clarify that the issuance of IFRS 13 did not remove the ability to measure current receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.
- Annual improvements to IFRS (2011-2013 Cycle), which include among others:
 - Amendments to IFRS 3, *Business Combinations*, clarify that the scope of IFRS 3 does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.
 - Amendments to IFRS 13, *Fair Value Measurement*, clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of IAS 39, *Financial Instruments: Recognition and Measurement*, even if those contracts do not meet the definition of financial assets or financial liabilities.

The following standard has been issued and is applicable at a later date to be determined by the IASB, with earlier application permitted:

- IFRS 9, *Financial Instruments*, covers mainly i) the classification and measurement of financial assets and financial liabilities; and ii) the new hedge accounting model.

The Company is currently evaluating the impact of adopting these interpretation, amendments and standard on its financial statements.

3. SEGMENT DISCLOSURES

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

	FOURTH QUARTER				YEAR ENDED DECEMBER 31			
	2013		2012 ⁽¹⁾		2013		2012 ⁽¹⁾	
	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME (LOSS)	REVENUES	OPERATING INCOME (LOSS)
Services and Packages								
Infrastructure & Environment ⁽²⁾	\$ 571,525	\$ (56,944)	\$ 606,010	\$ 10,431	\$ 1,947,068	\$ (286,473)	\$ 2,070,892	\$ 21,241
Power ⁽³⁾	428,436	35,061	458,848	19,913	1,570,268	135,838	1,388,471	79,307
Mining & Metallurgy	262,972	13,326	474,508	34,818	1,408,521	38,849	1,519,143	97,432
Oil & Gas (Previously Hydrocarbons and Chemicals) ⁽⁴⁾	177,894	14,507	229,093	(44,239)	540,978	(68,068)	840,383	(11,483)
Other Industries	89,416	6,067	107,458	8,255	344,157	26,593	376,445	34,218
O&M	338,244	24,812	349,423	15,326	1,338,318	57,325	1,330,501	43,294
ICI	255,854	123,834	196,203	70,387	763,848	281,551	565,125	156,923
	<u>\$ 2,124,341</u>	<u>160,663</u>	<u>\$ 2,421,543</u>	<u>114,891</u>	<u>\$ 7,913,158</u>	<u>185,615</u>	<u>\$ 8,090,960</u>	<u>420,932</u>
Reversal of items included above:								
Imputed interest benefit		(6,048)		(11,270)		(37,341)		(53,345)
Net financial expenses from ICI		37,840		30,561		131,186		112,481
Income taxes from ICI		52,582		4,287		72,006		18,556
Non-controlling interests before income taxes		133		90		769		904
Income before restructuring costs and goodwill impairment,								
net financial expenses and income taxes		245,170		138,559		352,235		499,528
Restructuring costs and goodwill impairment (Note 6) ⁽⁵⁾		55,215		—		123,464		—
Net financial expenses (Note 7)		40,517		30,102		150,679		126,162
Income before income taxes		149,438		108,457		78,092		373,366
Income taxes		56,808		14,487		41,708		67,024
Net income for the period		<u>\$ 92,630</u>		<u>\$ 93,970</u>		<u>\$ 36,384</u>		<u>\$ 306,342</u>
Net income attributable to:								
SNC-Lavalin shareholders		\$ 92,537		\$ 93,842		\$ 35,768		\$ 305,927
Non-controlling interests		93		128		616		415
Net income for the period		<u>\$ 92,630</u>		<u>\$ 93,970</u>		<u>\$ 36,384</u>		<u>\$ 306,342</u>

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

⁽²⁾ In 2013, the operating loss of \$286.5 million is mainly due to: i) unfavourable cost reforecasts on certain unprofitable legacy fixed-price contracts, particularly in the hospital and road sectors, recognized mainly in the third quarter of 2013, ii) a risk provision of \$47.0 million recorded in the second quarter of 2013 following an unexpected attempt to draw this amount under letters of credit previously issued in favour of a client on a Libyan project, as well as iii) approximately \$32 million recognized in the first quarter of 2013 from additional costs on a major hospital project.

⁽³⁾ In 2013, there were unfavourable cost reforecasts on certain major projects, with an adverse impact of \$67.2 million on gross margin (2012: one major project with an adverse impact of \$110.9 million on gross margin).

⁽⁴⁾ In 2013, the operating loss of \$68.1 million results mainly from an unfavourable cost reforecast recognized by the Company in the third quarter of 2013 and from a loss of \$70.1 million recognized in the second quarter of 2013 relating to a confirmation of claim received alleging late penalties, both for a legacy fixed-price project in Algeria.

⁽⁵⁾ Goodwill impairment for the "Services and Packages-Europe" and "Services and Packages-Brazil" cash-generating units related to the Infrastructure & Environment, Power, Oil & Gas and Other Industries reportable segments. The operating income (loss) by reportable segment presented above excludes the amount of restructuring costs and goodwill impairment.

3. SEGMENT DISCLOSURES (CONTINUED)

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.

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2013	2012 ⁽¹⁾	2013	2012 ⁽¹⁾
Supplementary information:				
Net income (loss) attributable to SNC-Lavalin shareholders from ICI:				
From Highway 407	\$ 41,936	\$ 56,613	\$ 114,065	\$ 100,645
From AltaLink	39,310	16,670	91,779	54,441
From other ICI:				
From a net gain on partial disposal of Astoria II (Note 4A)	36,169	—	36,169	—
Excluding the net gain on partial disposal of Astoria II ⁽²⁾	6,419	(2,896)	39,538	1,837
Net income (loss) attributable to SNC-Lavalin shareholders excluding ICI	(31,297)	23,455	(245,783)	149,004
Net income attributable to SNC-Lavalin shareholders for the period	\$ 92,537	\$ 93,842	\$ 35,768	\$ 305,927

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

⁽²⁾ For the year ended December 31, 2013, uncertainties on dividend collection from one of the Company's ICI accounted for by the equity method were resolved, positively impacting net income from other ICI.

4. INFRASTRUCTURE CONCESSION INVESTMENTS (“ICI”)

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

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

Accounting method

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

Accounting model

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

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

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

A) ADDITIONS OF ICI AND DECREASED OWNERSHIP INTEREST IN ICI

I) IN THE YEAR ENDED DECEMBER 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.

ASTORIA PROJECT PARTNER II LLC (“ASTORIA II”)

In December 2013, SNC-Lavalin announced that it has reached financial close on the sale of 66% of its ownership interest in Astoria II, the owner of the legal entity that owns and operates the Astoria II power plant in New York City, for an agreed price of US\$82.4 million (CA\$87.6 million), resulting in net cash proceeds of \$86.3 million after certain adjustments. Prior to financial close, SNC-Lavalin had an 18.5% ownership interest in Astoria II. The Company accounts for the remaining ownership interest of 6.2% as an available-for-sale financial asset. This transaction resulted in the recognition of a gain before taxes of \$73.0 million (gain net of taxes of \$36.2 million) in the consolidated income statement from the partial disposal of this ICI, including the gain on remeasurement at fair value of the Company’s remaining ownership interest upon the loss of significant influence on this ICI.

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

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 km to the existing highway.

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

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

PIRAMAL ROADS INFRA PRIVATE LIMITED

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

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

B) NET BOOK VALUE OF ICI

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

	DECEMBER 31 2013	DECEMBER 31 2012
Cash and cash equivalents	\$ 17,775	\$ 17,606
Restricted cash	10,485	2,454
Trade receivables, other current financial assets and other current assets	190,140	175,807
Property and equipment ⁽¹⁾	5,132,027	3,469,990
Goodwill	203,786	203,786
Non-current portion of receivables under service concession arrangements and non-current financial assets	477,702	348,961
Other non-current assets and deferred income tax asset	258,726	192,394
Total assets	6,290,641	4,410,998
Trade payables, deferred revenues, other current financial liabilities and other current liabilities	491,484	300,060
Non-recourse short-term debt and current portion of non-recourse long-term debt	277,392	484,575
Non-recourse long-term debt	3,536,912	2,000,696
Other non-current financial liabilities	113,662	76,539
Provisions and other non-current liabilities	738,841	596,757
Total liabilities	5,158,291	3,458,627
Net assets from ICI accounted for by the full consolidation method ⁽²⁾	\$ 1,132,350	\$ 952,371
Net book value of ICI accounted for by the equity method ⁽³⁾	\$ 448,677	\$ 373,445
Net book value of ICI accounted for by the cost method	426,868	338,963
Total net book value of ICI	\$ 2,007,895	\$ 1,664,779

(1) The increase of property and equipment from ICI from December 31, 2012 to December 31, 2013 is due to AltaLink’s acquisition of property and equipment for a total cash outflow of \$1,545.9 million for the year ended December 31, 2013.

(2) The net assets related to AltaLink totalled \$1,019.5 million as at December 31, 2013 (2012: \$820.4 million).

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

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

C) AMBATOVY NICKEL PROJECT

As disclosed in its annual audited consolidated financial statements for the year ended December 31, 2013, SNC-Lavalin provides a US\$105 million financial guarantee (December 31, 2012: US\$105 million) and a US\$70 million cross-guarantee (December 31, 2012: US\$70 million) to the Ambatovy project's lenders. The amount recognized on the Company's statement of financial position does not correspond to the US\$175 million nominal value of the guarantees, but rather to the amount resulting from the initial fair value (approximately \$9 million) of the guarantees less the cumulative depreciation based on the duration of the guarantees. The amount of US\$175 million represents the maximum that could be paid if both the financial guarantee and cross-guarantee were called upon once the project debt financing is fully drawn. Both guarantees will remain outstanding until certain legal, financial and operating conditions are satisfied upon completion of construction and commissioning of the project (the “Completion Date”) and could be called by the lenders if such conditions are not met by the Completion Date. In July 2013, lenders to the Ambatovy project agreed to extend the Completion Date from September 2013 to September 2015.

In addition, SNC-Lavalin financed a portion of the contribution of one of Ambatovy's shareholders, which is also the project operator (“Project Operator”), for US\$57.3 million as at December 31, 2013 and 2012 (December 31, 2013: CA\$60.9 million; and December 31, 2012: CA\$57.0 million), such amount, along with accrued interest, being presented in “ICI accounted for by the cost method”.

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

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

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

6. RESTRUCTURING COSTS AND GOODWILL IMPAIRMENT

Restructuring costs and goodwill impairment amounted to \$123.5 million before taxes in 2013 and were as follows:

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2013	2012	2013	2012
Restructuring costs	\$ 47,215	\$ –	\$ 66,964	\$ –
Goodwill impairment	8,000	–	56,500	–
Restructuring costs and goodwill impairment	\$ 55,215	\$ –	\$ 123,464	\$ –

As part of the reorganization of its activities intended to implement its strategic plan and to increase efficiency and competitiveness, the Company incurred restructuring costs totalling \$47.2 million in the fourth quarter of 2013 (2012: \$nil) and \$67.0 million in the year ended December 31, 2013 (2012: \$nil). These costs represent amounts paid during the fourth quarter of 2013 for a total of \$40.5 million (2012: \$nil) and during the year ended December 31, 2013 for a total of \$50.2 million (2012: \$nil), as well as provisions for costs for a total of \$16.8 million as at December 31, 2013 (2012: \$nil). These accrued restructuring costs are expected to be disbursed within the next 12 months.

The restructuring costs recognized were mainly for severances, the disposal of certain activities and closure of certain offices, mainly in Europe. Such reorganization, the lack of profitability on certain activities and a decrease in the overall level of activities in the “Services and Packages – Europe” and in the “Services and Packages – Brazil” cash-generating units respectively resulted in a goodwill impairment of \$48.5 million in the third quarter of 2013 (2012: \$nil) and \$8.0 million in the fourth quarter of 2013 (2012: \$nil). The amount of goodwill impairment was calculated using a discounted cash flow model, which is based on key assumptions such as future cash flows and discount rates ranging between 14.0% and 14.9%.

7. NET FINANCIAL EXPENSES

THREE MONTHS ENDED DECEMBER 31		2013			2012		
		FROM ICI	EXCLUDING ICI	TOTAL	FROM ICI	EXCLUDING ICI	TOTAL
Financial income	\$	(2,249)	\$ (728)	\$ (2,977)	\$ (1,281)	\$ (2,280)	\$ (3,561)
Interest on debt:							
Recourse		–	5,463	5,463	–	5,461	5,461
Non-recourse:							
AltaLink		37,318	–	37,318	28,629	–	28,629
Other		1,070	–	1,070	1,907	–	1,907
Other		1,701	(2,058)	(357)	1,306	(3,640)	(2,334)
Financial expenses		40,089	3,405	43,494	31,842	1,821	33,663
Net financial expenses	\$	37,840	\$ 2,677	\$ 40,517	\$ 30,561	\$ (459)	\$ 30,102

YEAR ENDED DECEMBER 31		2013			2012		
		FROM ICI	EXCLUDING ICI	TOTAL	FROM ICI	EXCLUDING ICI	TOTAL
Financial income	\$	(6,276)	\$ (6,593)	\$ (12,869)	\$ (5,042)	\$ (8,390)	\$ (13,432)
Interest on debt:							
Recourse		–	21,852	21,852	–	21,841	21,841
Non-recourse:							
AltaLink		124,918	–	124,918	104,652	–	104,652
Other		7,562	–	7,562	7,702	–	7,702
Other		4,982	4,234	9,216	5,169	230	5,399
Financial expenses		137,462	26,086	163,548	117,523	22,071	139,594
Net financial expenses	\$	131,186	\$ 19,493	\$ 150,679	\$ 112,481	\$ 13,681	\$ 126,162

8. SHARE-BASED PAYMENTS

A) STOCK OPTIONS

The stock option compensation cost recorded as an expense in the fourth quarter and the year ended December 31, 2013 was \$0.1 million (fourth quarter of 2012: \$2.0 million) and \$8.3 million (year ended December 31, 2012: \$12.3 million), respectively. The following table presents the weighted average assumptions used to determine the stock option compensation cost, using the Black-Scholes option pricing model:

	FOURTH QUARTER (*)		YEAR ENDED DECEMBER 31	
	2013	2012	2013	2012
Risk-free interest rate	–	–	1.15%	1.61%
Expected stock price volatility	–	–	30.26%	33.62%
Expected option life	–	–	4.5 years	4 years
Expected dividend yield	–	–	2.00%	1.50%

(*) There are no figures for the fourth quarters of 2013 and 2012 as no stock options were granted to employees during these periods.

During the year ended December 31, 2013, the Company introduced the 2013 Stock Option Plan in favour of its key employees. The 2013 Stock Option Plan is similar to the 2011 Stock Option Plan with the exception that, among other things, the expiry of stock options has increased from 5 to 6 years.

During the fourth quarters of 2013 and 2012, no stock options were granted to employees. For the year ended December 31, 2013, 1,246,800 stock options under the Company's 2013 Stock Option Plan were granted to employees (2012: 1,173,900 stock options under the Company's 2011 Stock Option Plan) with a weighted average fair value of \$9.28 per stock option (2012: weighted average fair value of \$9.39 per stock option).

As at December 31, 2013, 4,438,529 stock options were outstanding (2012: 5,363,600 stock options), while 2,329,416 stock options remained available for future grants under the Company's 2013 Stock Option Plan (2012: 123,300 stock options under the Company's 2011 Stock Option Plan).

8. SHARE-BASED PAYMENTS (CONTINUED)

B) CASH-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

The table below presents the number of granted share units and the weighted average fair value per granted share unit for the years ended December 31, 2013 and 2012:

YEAR ENDED DECEMBER 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	71,564	\$ 42.68	44,120	\$ 37.04
2009 DSU plan	58,650	\$ 43.01	80,353	\$ 39.18
RSU plan	325,621	\$ 41.64	484,748	\$ 38.00
DSU plan	40,419	\$ 41.71	38,533	\$ 40.55

The reversal of the compensation expense recorded in the fourth quarter ended December 31, 2013 relating to cash-settled share-based payment arrangements was \$1.6 million (2012: expense of \$2.3 million). The compensation expense recorded in the year ended December 31, 2013 relating to cash-settled share-based payment arrangements was \$7.1 million (2012: \$10.0 million).

9. WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES – BASIC AND DILUTED

The weighted average number of outstanding shares for the fourth quarters and the years ended December 31, 2013 and 2012 used to calculate the basic and diluted earnings per share were as follows:

(IN THOUSANDS)	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2013	2012	2013	2012
Weighted average number of outstanding shares - basic	151,721	151,048	151,497	151,058
Dilutive effect of stock options	300	190	317	246
Weighted average number of outstanding shares - diluted	152,021	151,238	151,814	151,304

In the fourth quarter and the year ended December 31, 2013, 2,985,434 outstanding stock options (fourth quarter and year ended December 31, 2012: 4,212,297 outstanding stock options) have not been included in the computation of diluted earnings per share because they were anti-dilutive.

10. DIVIDENDS

During the year ended December 31, 2013, the Company recognized as distributions to its equity shareholders dividends of \$139.4 million or \$0.92 per share (2012: \$132.9 million or \$0.88 per share).

YEAR ENDED DECEMBER 31	2013	2012
Dividends payable at January 1	\$ –	\$ –
Dividends declared during the year ended December 31	139,415	132,925
Dividends paid during the year ended December 31	(139,415)	(132,925)
Dividends payable at December 31	\$ –	\$ –

11. OTHER COMPONENTS OF EQUITY

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

	DECEMBER 31 2013	DECEMBER 31 2012
Exchange differences on translating foreign operations	\$ (47,063)	\$ (47,975)
Available-for-sale financial assets	2,605	2,558
Cash flow hedges	(2,375)	395
Share of other comprehensive loss of investments accounted for by the equity method	(24,142)	(57,664)
Other components of equity	\$ (70,975)	\$ (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. When 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. When 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.

11. OTHER COMPONENTS OF EQUITY (CONTINUED)

The following table provides a reconciliation of each element of other components of equity for the fourth quarters and the years ended December 31, 2013 and 2012:

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2013	2012	2013	2012
Exchange differences on translating foreign operations:				
Balance at beginning of period	\$ (50,526)	\$ (56,080)	\$ (47,975)	\$ (33,028)
Current period gains (losses)	4,379	8,105	1,828	(14,947)
Reclassification to net income	(916)	—	(916)	—
Balance at end of period	(47,063)	(47,975)	(47,063)	(47,975)
Available-for-sale financial assets:				
Balance at beginning of period	2,069	2,079	2,558	1,538
Current period gains	918	683	574	1,387
Income taxes relating to current period gains	(124)	(111)	76	(200)
Reclassification to net income	(297)	(108)	(725)	(193)
Income taxes relating to amounts reclassified to net income	39	15	122	26
Balance at end of period	2,605	2,558	2,605	2,558
Cash flow hedges:				
Balance at beginning of period	(705)	(884)	395	(24,375)
Current period gains (losses)	(10,800)	(2,762)	(13,315)	2,303
Income taxes relating to current period gains (losses)	3,379	927	2,858	330
Reclassification to net income	6,290	4,775	8,283	29,954
Income taxes relating to amounts reclassified to net income	(539)	(1,661)	(596)	(7,817)
Balance at end of period	(2,375)	395	(2,375)	395
Share of other comprehensive income (loss) of investments accounted for by the equity method:				
Balance at beginning of period	(43,308)	(59,183)	(57,664)	(59,948)
Current period share	783	(909)	12,736	(5,678)
Income taxes relating to current period share	62	784	(3,353)	907
Reclassification to net income	32,670	2,225	40,603	9,481
Income taxes relating to amounts reclassified to net income	(14,349)	(581)	(16,464)	(2,426)
Balance at end of period	(24,142)	(57,664)	(24,142)	(57,664)
Other components of equity	\$ (70,975)	\$ (102,686)	\$ (70,975)	\$ (102,686)

11. OTHER COMPONENTS OF EQUITY (CONTINUED)

ACTUARIAL GAINS AND LOSSES RECOGNIZED IN OTHER COMPREHENSIVE INCOME

The following tables provide a reconciliation of actuarial gains (losses) recognized in other comprehensive income relating to defined benefit pension plans and other post-employment benefits for the fourth quarters and the years ended December 31, 2013 and 2012:

THREE MONTHS ENDED DECEMBER 31	2013			2012		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at beginning of period	\$ (19,144)	\$ 4,869	\$ (14,275)	\$ (14,723) ⁽¹⁾	\$ 3,924 ⁽¹⁾	\$ (10,799) ⁽¹⁾
Recognized during the period	(5,233)	1,485	(3,748)	(7,413) ⁽¹⁾	1,767 ⁽¹⁾	(5,646) ⁽¹⁾
Cumulative amount at end of period	\$ (24,377)	\$ 6,354	\$ (18,023)	\$ (22,136)	\$ 5,691	\$ (16,445)

YEAR ENDED DECEMBER 31	2013			2012		
	BEFORE TAX	INCOME TAX	NET OF TAX	BEFORE TAX	INCOME TAX	NET OF TAX
Cumulative amount at January 1	\$ (22,136)	\$ 5,691	\$ (16,445)	\$ (14,078) ⁽²⁾	\$ 3,766 ⁽²⁾	\$ (10,312) ⁽²⁾
Recognized during the year	(2,241)	663	(1,578)	(8,058) ⁽¹⁾	1,925 ⁽¹⁾	(6,133) ⁽¹⁾
Cumulative amount at December 31	\$ (24,377)	\$ 6,354	\$ (18,023)	\$ (22,136)	\$ 5,691	\$ (16,445)

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

(2) As at January 1, 2012, the amendments to IAS 19 resulted in a decrease in cumulative actuarial losses of \$3.4 million and in an increase in cumulative income taxes of \$0.9 million.

12. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

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

	FOURTH QUARTER		YEAR ENDED DECEMBER 31	
	2013	2012	2013	2012
Decrease (increase) in trade receivables	\$ 248	\$ 61,559	\$ 40,011	\$ (18,976)
Decrease (increase) in contracts in progress	186,311	(25,025)	119,477	(210,622)
Increase in other current financial assets	(68,891)	(17,579)	(256,865)	(76,483)
Increase in other current assets	(44,194)	(45,784)	(29,944)	(72,218)
Increase in trade payables	210,929	74,452	327,833	186,550
Increase (decrease) in downpayments on contracts	(61,364)	8,769	(119,357)	30,193
Increase (decrease) in deferred revenues	62,629	10,574	(18,142)	62,524
Increase (decrease) in other current financial liabilities	(4,242)	13,165	66,467	36,336
Increase (decrease) in other current liabilities	4,628	24,754	240	(32,511)
Net change in non-cash working capital items	\$ 286,054	\$ 104,885	\$ 129,720	\$ (95,207)

13. ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS

The Company has the following non-recourse advances under contract financing arrangements, which are secured by the projects' specific assets, at December 31, 2013 and 2012:

	DECEMBER 31 2013	DECEMBER 31 2012
Sainte-Justine University Hospital Centre	\$ 746	\$ —
Evergreen Line rapid transit project	86,442	43,273
Advances under contract financing arrangements	\$ 87,188	\$ 43,273

13. ADVANCES UNDER CONTRACT FINANCING ARRANGEMENTS (CONTINUED)

SAINTE-JUSTINE UNIVERSITY HOSPITAL CENTRE

In May 2012, SNC-Lavalin announced the financial closure and official signing of the Grandir en santé expansion project of the Sainte-Justine University Hospital Centre. Under the contract, SNC-Lavalin provides engineering, construction and financing to the Sainte-Justine University Hospital Centre. In 2013, the Company entered into a non-recourse \$201.0 million credit facility agreement with financial institutions for the financing of this project. Amounts drawn under the revolving credit facility bear interest at a rate for bankers' acceptances plus 1.45% per year. The credit facility matures no later than 2016.

EVERGREEN LINE RAPID TRANSIT PROJECT

In 2012, the Company and a partner were awarded an engineering, procurement and construction ("EPC") contract for the Evergreen Line rapid transit project in the Province of British Columbia, Canada. For the duration of this EPC contract, the Company entered into a non-recourse \$225.3 million credit facility agreement with financial institutions to fund the working capital requirements of the project. Amounts drawn under the revolving credit facility bear interest at a fixed rate of 2.7% per year or at a variable rate, which is Canada Interbank Rate plus 1.45%. The credit facility matures no later than 2018.

14. 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, 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.

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.

14. RELATED PARTY TRANSACTIONS (CONTINUED)

For the fourth quarter and the year ended December 31, 2013, SNC-Lavalin recognized revenues of \$209.5 million (2012: \$221.1 million) and \$734.8 million (2012: \$763.6 million), respectively, from contracts with ICI accounted for by the equity method. SNC-Lavalin also recognized its share of net income from these ICI accounted for by the equity method of \$61.4 million for the fourth quarter of 2013 (2012: \$59.0 million) and \$183.9 million for the year ended December 31, 2013 (2012: \$114.5 million), respectively. For the fourth quarter and the year ended December 31, 2013, intragroup revenues generated from transactions with AltaLink, which amounted to \$373.4 million (2012: \$275.1 million) and \$1,529.9 million (2012: \$784.7 million), respectively, were eliminated upon consolidation, while profits from those transactions were not eliminated.

SNC-Lavalin's trade receivables from these ICI accounted for by the equity method amounted to \$35.3 million as at December 31, 2013 (2012: \$23.3 million). SNC-Lavalin's other current financial assets receivables from these ICI accounted for by the equity method amounted to \$300.0 million as at December 31, 2013 (2012: \$172.4 million). SNC-Lavalin's remaining commitment to invest in these ICI accounted for by the equity method was \$155.2 million at December 31, 2013 (2012: \$141.5 million).

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

15. 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) 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 law enforcement and securities regulatory authorities remain ongoing in connection with this information, which are described in greater detail below. 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, and as additional information, if any, arises as a result thereof, the Company will continue to investigate and review such information as it has in the past.

RCMP Investigations

The Royal Canadian Mounted Police (the "RCMP") is conducting a formal investigation into whether improper payments were made or offered to government officials in Bangladesh to influence the award of a proposed construction supervision consulting contract to a subsidiary of the Company in violation of the Corruption of Foreign Public Officials Act (Canada) (the "CFPOA") and its involvement in projects in certain North African countries. This investigation has led to criminal charges being laid against three former employees of a subsidiary of the Company pursuant to the anti-bribery provisions of the CFPOA.

The RCMP is also conducting a formal investigation (including in connection with the search warrant executed by the RCMP at the Company on April 13, 2012) into whether improper payments were made or offered, directly or indirectly, to be made, to a government official of Libya to influence the award of certain engineering and construction contracts in violation of the CFPOA, the Criminal Code (Canada) (the "Criminal Code") and the Regulations Implementing the United Nations Resolutions on Libya in Canada (the "UN Resolution"). This investigation has led to criminal charges being laid against two additional former employees of the Company. The Company understands that the charges laid against one or both of these former employees include bribery under the CFPOA, fraud, laundering the proceeds of crime and possession of property obtained by crime under the Criminal Code, and contravention of the UN Resolution.

15. CONTINGENT LIABILITIES (CONTINUED)

Although, to date, the Company has not been charged in connection with the subject matter of the RCMP investigations and continues to cooperate with the RCMP in its investigation of these events, these investigations ultimately may result in criminal charges being laid against the Company and/or certain of its subsidiaries under the CFPOA, the Criminal Code and/or the UN Resolution and could result in a conviction on one or more of such charges. The RCMP investigations and potential outcomes thereof, and any negative publicity associated therewith, could adversely affect the Company's business, results of operations and reputation and could subject the Company to sanctions, fines and other penalties, some of which may be significant. In addition, potential consequences of the RCMP investigations could include, in respect of the Company or one or more of its subsidiaries, mandatory or discretionary suspension, prohibition or debarment from participating in projects by certain governments (such as the Government of Canada and/or Canadian provincial governments) or by certain administrative organizations under applicable procurement laws, regulations, policies or practices. The Company derives a significant percentage of its annual global revenue (and an even larger percentage of its annual Canadian revenue) from government and government-related contracts. As a result, suspension, prohibition or debarment, whether discretionary or mandatory, from participating in certain government and government-related contracts (in Canada, Canadian provinces or elsewhere) would have a material adverse effect on the Company's business, financial condition and liquidity and the market prices of the Company's publicly traded securities.

AMF Investigation; AMF Certification under the Quebec Public Contracts Act

The Company understands that there is an ongoing investigation being conducted in the context of applicable securities laws and regulations by the securities regulator in the Province of Quebec, the Autorité des marchés financiers (the "AMF").

In addition, as announced on February 5, 2014, the Company and certain of its subsidiaries obtained the requisite certification from the AMF to contract with public bodies in the Province of Quebec, as required pursuant to the Act Respecting Contracting With Public Bodies. In the event an entity or any of its affiliates is convicted of certain specified offences under the Criminal Code or the CFPOA, AMF certification can be automatically revoked. In addition, the AMF has the discretionary power to refuse to grant an authorization or revoke an authorization if it determines that the enterprise concerned fails to meet the high standards of integrity that the public is entitled to expect from a party to a public contract or subcontract.

World Bank Settlement

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 referred to above 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 World Bank Settlement has led to certain other multilateral development banks following suit, debarring SNC-Lavalin Inc. and its controlled affiliates on the same terms.

15. CONTINGENT LIABILITIES (CONTINUED)

Other Investigations

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 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 is currently unable to determine when any of the above 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 and communicate with authorities in connection with all ongoing investigations as noted above (including with respect to the RCMP 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, mandatory or discretionary suspension, prohibition or debarment from participating in projects by certain administrative organizations (such as those provided for in the World Bank Settlement) or by governments (such as the Government of Canada and/or the Government of Quebec) under applicable procurement laws, regulations, policies or practices, 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.

The outcomes of the above investigations could also result in, among other things, (i) covenant defaults under various project contracts, (ii) third party claims, which may include claims for special, indirect, derivative or consequential damages, or (iii) adverse consequences on the Company's ability to secure or continue its own financing, or to continue or secure financing for current or future projects, any of which could materially adversely affect the Company's business, financial condition and liquidity and the market prices 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).

Due to the uncertainties related to the outcome of each of the above investigations, the Company is currently unable to reliably estimate an amount of potential liabilities or a range of potential liabilities, if any, in connection with any of these investigations.

The Company's senior management and Board of Directors have been required to devote significant time and resources to the investigations described above, 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.

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 defendants in the Québec Motion are SNC-Lavalin and certain of its current and former directors and officers. 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 defendants in the Ontario Action are SNC-Lavalin and certain of its current and former directors and officers. 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.

15. CONTINGENT LIABILITIES (CONTINUED)

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.

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.

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 further drops in share price on April 13, June 25, November 26, 28, and 29, 2012 and on July 3, 2013 allegedly related to the release of information concerning, among other things, developments in investigations being carried out by Canadian and Swiss law enforcement authorities (described above), pursuant to amendments made to the Ontario Action granted by the Court on January 29, 2014.

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 lawsuits 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.